
OLR Bill Analysis

sHB 7179

AN ACT CONCERNING CRUMBLING CONCRETE FOUNDATIONS.

SUMMARY

This bill changes the definition of “residential building” to include, among other things, buildings containing more than four condominium units. This change makes more buildings and building owners eligible for several assistance programs to support repairing or replacing concrete foundations that are crumbling due to the presence of pyrrhotite (i.e., crumbling foundations). It correspondingly expands a concrete seller disclosure requirement and certain municipal bonding authorities, and makes conforming changes to income tax and other statutes.

The bill also establishes, within available appropriations, a concrete foundation replacement technology grant program to support ways to reduce the cost of repairing or replacing crumbling concrete foundations. The bill (1) appropriates \$8 million from the General Fund in FY 20 for these grants and (2) requires the Connecticut Foundations Solutions Indemnity Company (CFSIC) to assess and approve grant applications.

The bill makes changes to the \$12 Healthy Homes Fund insurance surcharge, including by (1) changing when and on whom the surcharge is assessed and (2) requiring surplus lines brokers to collect and remit the surcharge on applicable policies.

The bill also makes minor and conforming changes.

EFFECTIVE DATE: July 1, 2019, except for the Healthy Homes Fund surcharge and conforming provisions that are effective upon passage.

§ 1, 2 & 5 — CONCRETE FOUNDATION REPLACEMENT TECHNOLOGY GRANT PROGRAM

Grant Program

The bill requires the housing commissioner to establish a grant program that supports the development of methods and technologies to reduce the average cost of repairing or replacing pyrrhotite damaged foundations in Connecticut by at least \$135,000. The bill specifies that the current average foundation repair or replacement cost is \$175,000 (i.e., the grant program supports ways to reduce the average cost to \$40,000).

The bill authorizes the housing commissioner to adopt implementing regulations.

Application Process

Under the bill, any person that develops a method or technology to reduce the repair or replacement costs described above may apply to the Department of Housing on an application that includes:

1. the applicant's name and address;
2. a description of the method or technology, including information sufficient to demonstrate to CFSIC that it will reduce the average repair and replacement cost and by how much; and
3. any additional information that the commissioner, at his discretion and in consultation with CFSIC, requires.

Within 30 days of receiving an application, the commissioner must file it with CFSIC.

Application Assessment

The bill requires CFSIC to establish a volunteer innovation board to review and approve grant applications. The board members must include (1) an attorney admitted in Connecticut with intellectual property law experience, (2) a chemist, (3) an individual with construction industry experience, (4) a licensed professional structural engineer, (5) a materials scientist, (6) an individual with experience in

the technology industry, and (7) a venture capitalist. Under the bill, CFSIC's board of directors appoint the innovation board members. Each innovation board member has one vote.

The board must, on CFSIC's behalf, review each grant application filed by the commissioner and determine by a majority vote:

1. whether the applicant is eligible for a grant; and
2. if the applicant's method or technology will reduce the average repair or replacement cost of crumbling concrete foundations by at least \$135,000, between \$135,000 and up to \$165,000, or by more than \$165,000.

The board must notify the commissioner of its decision within 30 days of receiving the application.

The bill prohibits a board member from participating in a vote if the member, or his or her spouse or dependent, has a financial interest in the applicant.

Approval Process and Award Amounts

If CFSIC notifies the commissioner that an applicant is eligible to receive a grant, she must award a grant within 30 days of:

1. \$1 million, if CFSIC determines the applicant's method or technology will reduce the average repair and replacement cost by at least \$135,000; and
2. \$2 million if CFSIC determines it can reduce costs by \$135,000 to up to \$165,000; and
3. \$5 million if CFSIC determines it can reduce costs by at least \$165,000.

§ 3 — RESIDENTIAL BUILDING DEFINITION

This bill broadens the definition of "residential building" to mean a:

1. single- or multi-family residential units, including a condominium unit or unit in a common interest community; or
2. building containing one or more of the units described above.

Under current law, a residential building is a one- to four-family home, including a condominium or planned unit development. The changes also apply to:

1. the CFSIC's eligibility statutes, thus making more homeowners eligible for CFSIC grants;
2. the Crumbling Foundations Assistance Fund statutes, which make more homeowners eligible for Collapsing Foundations Credit Enhancement Program loans and help from the special homeowner advocate;
3. disclosure requirements for sellers of concrete;
4. certain municipal bonding statutes, including those related to abating deleterious conditions on property suffering from pyrrhotite damage; and
5. certain income tax provisions related to crumbling concrete assistance.

§ 4 — \$12 HEALTHY HOMES SURCHARGE

The Healthy Homes surcharge is a \$12 surcharge imposed on certain homeowners insurance policies. By law, 85% of the amount collected is deposited into the Crumbling Foundations Assistance Fund, which CFSIC uses to assist homeowners with crumbling foundations. The bill changes (1) on whom the surcharge is imposed, (2) when it is imposed, and (3) the types of policies that are subject to the surcharge.

Under current law, the surcharge is imposed on the policy's named insured (which in practice can be more than one individual). Under the bill, it is instead assessed on, and is the obligation of, the first insured listed in the policy to the extent that the insurer, insured, and any

mortgagee can reasonably determine.

Under current law, the surcharge is imposed each time a policy is delivered, issued, renewed, amended, or endorsed. Under the bill, the surcharge is imposed and must be paid in full when an insurance policy commences or renews.

Finally, current law imposes the surcharge on personal risk policies covering residential dwellings with four or fewer units and on condominiums. The bill instead imposes it on all policies covering owned homes with four or fewer units, excluding mobile homes; individual condominium units; and individual units in common interest communities.

As under existing law, the surcharge applies on policies through December 31, 2029. The bill prohibits any portion of the surcharge from being reimbursed, regardless of any policy cancellation.

Finally, the bill also specifically requires surplus lines brokers procuring from nonadmitted insurers to collect and remit the surcharge on applicable policies.

BACKGROUND

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 20 Nay 0 (03/19/2019)