



Senate

General Assembly

File No. 604

February Session, 2000

Substitute Senate Bill No. 578

Senate, April 13, 2000

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

An Act Concerning Smart Buildings And Internet Business Districts.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 32-16 of the general statutes is
2 repealed and the following is substituted in lieu thereof:

3 (a) The authority may (1) upon application of the proposed
4 mortgagee, insure and make advance commitments to insure all or a
5 portion of mortgage payments required by a mortgage on any
6 economic development project exclusive of machinery, equipment,
7 furniture, fixtures and other personal property, and (2) upon
8 application of a borrower, insure and make advance commitments to
9 insure, all or a portion of loan payments required for a loan for an
10 economic development project used for manufacturing, industrial,
11 research, retail, small business, product development, product
12 warehousing, distribution, fully wired office space providing high-

13 capacity networking within such space and high-speed connections to
14 the Internet or other purposes which will create or retain jobs,
15 maintain or diversify industry, including new or emerging
16 technologies, or maintain or increase the tax base or a secured or
17 unsecured working capital loan necessary for the start-up or
18 continuation of such a project, upon such terms and conditions as the
19 authority may prescribe, provided the aggregate amount of contracts
20 of insurance or advance commitments issued under this section,
21 together with contracts of insurance or advance commitments insured
22 under subsection (b) or (d) of this section, outstanding at any one time
23 shall not exceed four times the sum of the amounts available in the
24 Mortgage and Loan Insurance Fund plus the amount of any unpaid
25 grants authorized to be made by the Department of Economic and
26 Community Development to the authority for deposit in such fund
27 which remain available for purposes of the fund pursuant to the bond
28 authorization in section 32-22, provided the amount of any such
29 contract of insurance or advance commitment shall be measured by the
30 portion of unpaid principal which is insured by the authority and shall
31 exclude for purposes of such limitation the amount of any contract of
32 insurance or advance commitment to the extent that the liability of the
33 authority with respect thereto has been reinsured by, or participated in
34 by, an eligible financial institution with a long-term credit rating equal
35 to or higher than that of the state. The aggregate amount of principal
36 obligations of all mortgages and loans so insured shall not constitute
37 indebtedness of the state of Connecticut for purposes of computing the
38 debt limit under section 3-21, provided bonds authorized to be issued
39 pursuant to section 32-22 shall constitute indebtedness of the state of
40 Connecticut for such purposes, whether or not obligations of the state
41 of Connecticut are issued and outstanding in anticipation of the sale of
42 such bonds. Any contract of insurance executed by the authority under
43 this section shall be conclusive evidence of eligibility for such
44 mortgage or loan insurance, and the validity of any contract of
45 insurance so executed or of an advance commitment to insure shall be

46 incontestable in the hands of an approved mortgagee or lender from
47 the date of the execution of such contract of insurance or advance
48 commitment, except for (A) fraud or misrepresentation on the part of
49 such approved mortgagee or lender or (B) noncompliance with the
50 terms of the contract of insurance or advance commitment and
51 authority written procedures in force at the time of issuance of the
52 contract or the advance commitment. To be eligible for insurance
53 under the provisions of this chapter, a mortgage or agreement for the
54 extension of credit or making of a loan by the authority or other lender
55 shall: (i) Be one which is made to and held by the authority or an
56 eligible financial institution approved by the authority as responsible
57 and able to service the mortgage or loan properly; (ii) in the case of a
58 mortgage under subdivision (1) of subsection (a) of this section,
59 involve principal not to exceed twenty-five million dollars for any one
60 economic development project exclusive of machinery, equipment,
61 furniture, fixtures and other personal property, and not to exceed
62 ninety per cent of the cost of such project, except that the authority
63 may insure a portion of a mortgage or agreement for the extension of
64 credit or making of a loan by the authority that otherwise satisfies the
65 requirements of this section and the requirements prescribed by the
66 authority by written procedure if such mortgage or agreement
67 involves principal in excess of twenty-five million dollars, provided
68 any approved contract of insurance shall not exceed twenty-five
69 million dollars and in the case of a loan under subdivision (2) of
70 subsection (a) of this section, involve principal not to exceed ten
71 million dollars; (iii) have a maturity satisfactory to the authority but in
72 no case later than twenty-five years from the date of the issuance of the
73 insurance; (iv) contain amortization provisions satisfactory to the
74 authority requiring payments by the borrower or mortgagor, not in
75 excess of his reasonable ability to pay as determined by the authority;
76 (v) be in such form and contain such terms and provisions with respect
77 to property insurance, repairs, alterations, payment of taxes and
78 assessments, default reserves, delinquency charges, default remedies,

79 anticipation of maturity, additional and secondary liens and other
80 matters as the authority may prescribe.

81 Sec. 2. Section 32-23c of the general statutes is repealed and the
82 following is substituted in lieu thereof:

83 It is hereby found and declared that there is a continuing need in the
84 state for: (1) Economic development and activity to provide and
85 maintain employment and tax revenues, promote the export of
86 products and services beyond state boundaries, encourage innovation
87 in products and services, and support or broaden the economic base of
88 the state, the control, abatement and prevention of pollution to protect
89 the public health and safety, and the development and use of
90 indigenous and renewable energy resources to assist industrial and
91 commercial businesses in meeting their energy requirements; (2) the
92 development of recreation facilities to promote tourism, to provide and
93 maintain employment and tax revenues and to promote the public
94 welfare; (3) the development of commercial and retail sales and
95 services facilities in urban areas to provide and maintain construction,
96 permanent employment and tax revenues, to improve conditions of
97 deteriorated physical development, slow economic growth and eroded
98 financial health of the public and private sectors in urban areas and to
99 revitalize the economy of urban areas; (4) assistance to public service
100 businesses providing transportation and utility services in the state; (5)
101 development of the commercial fishing industry to provide and
102 maintain employment and tax revenues; [and] (6) the development of
103 business incubators that assist high-technology firms; (7) assistance to
104 consortia consisting of businesses creating partnerships with higher
105 education facilities; and (8) assistance to nonprofit and governmental
106 entities in financing facilities providing health, educational, charitable,
107 community, cultural, agricultural, consumer or other services
108 benefiting the citizens of the state; that the availability of financial
109 assistance and suitable facilities are important inducements to
110 industrial, commercial and nonprofit enterprises to remain or locate in

111 this state and to provide economic development projects, recreation
112 projects, urban projects, public service projects, commercial fishing
113 projects, health care projects and nonprofit projects; that there are
114 significant barriers inhibiting access by the authority and eligible
115 financial institutions to the public capital markets and expansion of the
116 secondary loan market to assist in financing economic development
117 and other projects in the state; that the exercise by the authority of the
118 powers in this chapter will promote economic development by
119 increasing access to the public capital markets for the authority and
120 eligible financial institutions; and that therefore the necessity in the
121 public interest and for the public benefit and good for the provisions of
122 this chapter is hereby declared as a matter of legislative determination.
123 It is further found and declared that there is a necessity in the state of
124 creating a Department of Economic and Community Development to
125 coordinate and be responsible for matters affecting the growth of
126 business and industry in the state and the maintenance and
127 development of industry in the state as well as the promotion of
128 tourism in the state and for the establishment and creation of an
129 authority to assist the department and the state to carry out the needs
130 and policies of the state as set forth in this section. It is further found
131 and declared that existing, pending and proposed federal legislation
132 has limited and restricted and may further limit and restrict the power
133 of the authority to issue obligations the interest on which is exempt
134 from federal income taxation; that the ability of the authority to issue
135 obligations to provide financing for projects is essential to the
136 maintenance and expansion of employment and the tax base in the
137 state and to the economic development and health, education and
138 general welfare of the state; and that the issuance of obligations the
139 interest on which may be includable in the holder's gross income for
140 the purposes of federal income taxation serves a needed public
141 purpose; and therefore the necessity in the public interest and for the
142 public benefit and good for the provisions of this chapter is hereby
143 declared as a matter of legislative determination.

144 Sec. 3. Section 32-23e of the general statutes is repealed and the
145 following is substituted in lieu thereof:

146 To accomplish the purposes of this chapter, chapter 578 and
147 subsection (a) of section 10-321, which are hereby determined to be
148 public purposes for which public funds may be expended, and in
149 addition to any other powers provided by law, the authority shall have
150 power to: (1) Determine the location and character of any project to be
151 financed under the provisions of said chapters and sections, provided
152 any financial assistance shall be approved in accordance with written
153 procedures prepared pursuant to subdivision (14) of this section; (2)
154 purchase, receive, by gift or otherwise, lease, exchange, or otherwise
155 acquire, and construct, reconstruct, improve, maintain, equip and
156 furnish one or more projects, including all real and personal property
157 which the authority may deem necessary in connection therewith, and
158 to enter into a contract with a person therefor upon such terms and
159 conditions as the authority shall determine to be reasonable, including
160 but not limited to reimbursement for the planning, designing,
161 financing, construction, reconstruction, improvement, equipping,
162 furnishing, operation and maintenance of the project and any claims
163 arising therefrom and establishment and maintenance of reserve and
164 insurance funds with respect to the financing of the project; (3) insure
165 any or all payments to be made by the borrower under the terms of
166 any agreement for the extension of credit or making of a loan by the
167 authority in connection with any economic development project to be
168 financed, wholly or in part, through the issuance of bonds or mortgage
169 payments of any mortgage which is given by a mortgagor to the
170 mortgagee who has provided the mortgage for an economic
171 development project upon such terms and conditions as the authority
172 may prescribe and as provided herein, and the faith and credit of the
173 state are pledged thereto; (4) in connection with the insuring of
174 payments of any mortgage, request for its guidance a finding of the
175 municipal planning commission, or, if there is no planning
176 commission, a finding of the municipal officers, of the municipality in

177 which the economic development project is proposed to be located, or
178 of the regional planning agency of which such municipality is a
179 member, as to the expediency and advisability of the economic
180 development project; (5) sell or lease to any person, all or any portion
181 of a project, purchase from eligible financial institutions mortgages
182 with respect to economic development projects and sell, pledge or
183 assign to any person any such mortgage, or other loans, notes,
184 revenues or assets of the authority, or any interest therein, for such
185 consideration and upon such terms as the authority may determine to
186 be reasonable; (6) mortgage or otherwise encumber all or any portion
187 of a project whenever it shall find such action to be in furtherance of
188 the purposes of said chapters and sections; (7) enter into agreements
189 with any person, including prospective mortgagees and mortgagors,
190 for the purpose of planning, designing, constructing, acquiring,
191 altering and financing projects, providing liquidity or a secondary
192 market for mortgages or other financial obligations incurred with
193 respect to facilities which would qualify as a project under this
194 chapter, purchasing loans made by regional corporations under section
195 32-276, or for any other purpose in furtherance of any other power of
196 the authority; (8) grant options to purchase or renew a lease for any of
197 its projects on such terms as the authority may determine to be
198 reasonable; (9) employ or retain attorneys, accountants and
199 architectural, engineering and financial consultants and such other
200 employees and agents and to fix their compensation and to employ the
201 Connecticut Development Credit Corporation on a cost basis as it shall
202 deem necessary to assist it in carrying out the purposes of said
203 chapters and sections; (10) borrow money or accept gifts, grants or
204 loans of funds, property or service from any source, public or private,
205 and comply, subject to the provisions of said chapters and sections,
206 with the terms and conditions thereof; (11) accept from a federal
207 agency loans or grants for use in carrying out its purpose, and enter
208 into agreements with such agency respecting any such loans or grants;
209 (12) extend credit or make loans to any person for the planning,

210 designing, financing, acquiring, constructing, reconstructing,
211 improving, equipping and furnishing of a project and for the
212 refinancing of existing indebtedness with respect to any facility or part
213 thereof which would qualify as a project in order to facilitate
214 substantial improvements thereto, which credits or loans may be
215 secured by loan agreements, lease agreements, instalment sale
216 agreements, mortgages, contracts and all other instruments or fees and
217 charges, upon such terms and conditions as the authority shall
218 determine to be reasonable in connection with such loans, including
219 provision for the establishment and maintenance of reserve and
220 insurance funds and in the exercise of powers granted in this section in
221 connection with a project for such person, to require the inclusion in
222 any contract, loan agreement or other instrument, such provisions for
223 the construction, use, operation and maintenance and financing of a
224 project as the authority may deem necessary or desirable; (13) in
225 connection with any application for assistance under said chapters and
226 sections, or commitments therefor, to make and collect such fees and
227 charges as the authority shall determine to be reasonable; (14) adopt
228 procedures, in accordance with the provisions of section 1-121, to carry
229 out the provisions of said chapters and sections, which may give
230 priority to applications for financial assistance based upon the extent
231 the project will materially contribute to the economic base of the state
232 by creating or retaining jobs, providing increased wages or benefits to
233 employees, promoting the export of products or services beyond the
234 boundaries of the state, encouraging innovation in products or
235 services, encouraging defense-dependent business to diversify to
236 nondefense production, promoting standards of participation adopted
237 by the Connecticut partnership compact pursuant to section 33-374g of
238 the general statutes, revision of 1958, revised to 1991, or will otherwise
239 enhance existing activities that are important to the economic base of
240 the state, provided regulation-making proceedings commenced before
241 January 1, 1989, shall be governed by sections 4-166 to 4-174, inclusive;
242 (15) adopt an official seal and alter the same at pleasure; (16) maintain

243 an office at such place or places within the state as it may designate;
244 (17) sue and be sued in its own name and plead and be impleaded,
245 service of process in any action to be made by service upon the
246 executive director of said authority either in hand or by leaving a copy
247 of the process at the office of the authority with some person having
248 charge thereof; (18) employ such assistants, agents and other
249 employees as may be necessary or desirable for its purposes, which
250 employees shall be exempt from the classified service and shall not be
251 employees as defined in subsection (b) of section 5-270; establish all
252 necessary or appropriate personnel practices and policies, including
253 those relating to hiring, promotion, compensation, retirement and
254 collective bargaining, which need not be in accordance with chapter 68
255 and the authority shall not be an employer as defined in subsection (a)
256 of section 5-270; contract for and engage appraisers of industrial
257 machinery and equipment, consultants and property management
258 services, and utilize the services of other governmental agencies; (19)
259 when it becomes necessary or feasible for the authority to safeguard
260 itself from losses, acquire, purchase, manage and operate, hold and
261 dispose of real and personal property, take assignments of rentals and
262 leases and make and enter into all contracts, leases, agreements and
263 arrangements necessary or incidental to the performance of its duties;
264 (20) in order to further the purposes of said chapters and sections, or to
265 assure the payment of the principal and interest on bonds or notes of
266 the authority or to safeguard the mortgage insurance fund, purchase,
267 acquire and take assignments of notes, mortgages and other forms of
268 security and evidences of indebtedness, purchase, acquire, attach,
269 seize, accept or take title to any project by conveyance or, by
270 foreclosure, and sell, lease or rent any project for a use specified in said
271 chapters and sections or in said chapter 579; (21) adopt rules for the
272 conduct of its business; (22) invest any funds not needed for immediate
273 use or disbursement, including any funds held in reserve, in
274 obligations issued or guaranteed by the United States of America or
275 the state of Connecticut and in other obligations which are legal

276 investments for savings banks in this state; (23) do, or delegate, any
277 and all things necessary or convenient to carry out the purposes and to
278 exercise the powers given and granted in said chapters and sections;
279 provided, in all matters concerning the internal administrative
280 functions of the authority which are funded by amounts appropriated
281 by the state to the authority or to the department, the procedures of the
282 state relating to office space, supplies, facilities, materials, equipment
283 and professional services shall be followed, and provided further, that
284 in the acquisition by the authority of real estate involving the use of
285 appropriated funds or bonds supported by the full faith and credit of
286 the state, the authority shall be subject to the provisions of section 4b-
287 23; (24) to accept from the department: (A) Financial assistance, (B)
288 revenues or the right to receive revenues with respect to any program
289 under the supervision of the department, and (C) loan assets or equity
290 interests in connection with any program under the supervision of the
291 department; to make advances to and reimburse the department for
292 any expenses incurred or to be incurred by it in the delivery of such
293 assistance, revenues, rights, assets or amounts; to enter into
294 agreements for the delivery of services by the authority, in
295 consultation with the department, the Connecticut Housing Finance
296 Authority and Connecticut Innovations, Incorporated, to third parties
297 which agreements may include provisions for payment by the
298 department to the authority for the delivery of such services; and to
299 enter into agreements with the department or with the Connecticut
300 Housing Finance Authority or Connecticut Innovations, Incorporated
301 for the sharing of assistants, agents and other consultants,
302 professionals and employees, and facilities and other real and personal
303 property used in the conduct of the authority's affairs; [and] (25) to
304 transfer to the department: (A) Financial assistance, (B) revenues or the
305 right to receive revenues with respect to any program under the
306 supervision of the authority, and (C) loan assets or equity interests in
307 connection with any program under the supervision of the authority,
308 provided the transfer of such financial assistance, revenues, rights,

309 assets or interests is determined by the authority to be practicable,
310 within the constraints and not inconsistent with the fiduciary
311 obligations of the authority imposed upon or established upon the
312 authority by any provision of the general statutes, the authority's bond
313 resolutions or any other agreement or contract of the authority and to
314 have no adverse effect on the tax-exempt status of any bonds of the
315 authority or the state; and (26) act as loan guarantor for information
316 technology intensive office and laboratory space development.

317 Sec. 4. Subdivision (5) of section 32-39 of the general statutes is
318 repealed and the following is substituted in lieu thereof:

319 (5) To borrow money or to guarantee a return to the investors in or
320 lenders to any capital initiative, including, but not limited to, smart
321 buildings, buildings providing high-capacity networking and high-
322 speed connections to the Internet and Internet Business Districts,
323 districts comprised of one or more smart buildings, to the extent
324 permitted under this chapter.

325 Sec. 5. Subdivisions (26) to (29), inclusive, of section 32-39 of the
326 general statutes are repealed and the following is substituted in lieu
327 thereof:

328 (26) To encourage and provide technical assistance and, within
329 available resources, to provide financial aid to existing manufacturers
330 and other businesses in the process of adopting innovative technology
331 and new state-of-the-art processes and techniques, including
332 companies specializing in e-commerce, technology utilizing high-
333 speed communications infrastructure;

334 (27) To recommend state goals for technological development and
335 to establish policies and strategies for developing and assisting
336 technology-based companies and companies specializing in e-
337 commerce, technology utilizing high-speed communications
338 infrastructure and for attracting such companies to the state;

339 (28) To promote and encourage and, within available resources, to
340 provide financial aid for the establishment, maintenance and operation
341 of incubator facilities, smart buildings, buildings providing high-
342 capacity networking and high-speed connections to the Internet;

343 (29) To promote and encourage the coordination of public and
344 private resources and activities within the state in order to assist
345 technology-based entrepreneurs, companies specializing in e-
346 commerce, technology utilizing high-speed communications
347 infrastructure and business enterprises.

348 Sec. 6. Subdivision (37) of section 32-39 of the general statutes is
349 repealed and the following is substituted in lieu thereof:

350 (37) To provide financial aid to enable biotechnology and other
351 technology companies, including companies specializing in e-
352 commerce, technology utilizing high-speed communications
353 infrastructure, to lease, acquire, construct, maintain, repair, replace or
354 otherwise obtain and maintain production, testing, research,
355 development, manufacturing, laboratory and related and other
356 facilities, improvements and equipment.

357 Sec. 7. (NEW) (a) For purposes of this section, "smart building"
358 means a building with fully-wired office space providing high-
359 capacity networking and high-speed connections to the Internet.

360 (b) The development of a smart building within an enterprise zone
361 may, with the approval of the Commissioner of Economic and
362 Community Development, qualify for an eighty-five per cent tax
363 abatement and a thirty-five per cent business tax credit. Additionally,
364 the reclamation of unused space for the creation of a smart building in
365 a municipality with an enterprise zone shall qualify for an eighty-five
366 per cent tax abatement and a thirty-five per cent business tax credit.
367 An additional ten per cent property tax abatement and twenty-five per
368 cent business tax credit shall be available for such smart buildings that

369 offer capped rents at rates considered to be twenty-five per cent or
370 more below market value.

371 Sec. 8. This act shall take effect July 1, 2000.

CE Committee Vote: Yea 26 Nay 0 JFS C/R FIN

FIN Committee Vote: Yea 41 Nay 0 JFS

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: See Explanation Below

Affected Agencies: Department of Economic and Community Development, Connecticut Development Authority (quasi-public) and Connecticut Innovations, Inc. (quasi-public)

Municipal Impact: See Explanation Below

Explanation

State and Municipal Impact:

To the extent that this bill expands the use of various Connecticut Development Authority (CDA) and Connecticut Innovations, Inc. (CII) programs to provide financial assistance for information-technology businesses, the legislation could increase the need for future GO bond authorizations. The impact is anticipated to be minimal.

Since the tax credits and abatement provisions are not specific to what taxes they are applicable to, the fiscal impact cannot be determined.

OLR Bill Analysis

sSB 578

AN ACT CONCERNING SMART BUILDINGS AND INTERNET BUSINESS DISTRICTS.**SUMMARY:**

This bill creates new tax credits and abatements for the development of fully-wired, high-capacity, high-speed Internet-connected buildings (referred to as "smart buildings") in enterprise zones or in municipalities that host enterprise zones. A smart building development in an enterprise zone may qualify for an 85% tax abatement and a 35% business tax credit. (The bill does not specify the taxes to which these abatements and credits apply.) Developing a smart building on "unused space" in a town hosting an enterprise zone will automatically qualify for an 85% abatement and a 35% credit. Smart buildings that offer rents capped at 25% or more below market rate qualify for an additional 10% property tax abatement and an additional 25% business tax credit.

The bill specifies that information-technology businesses are eligible for financial aid through a number of existing Connecticut Development Authority (CDA) and Connecticut Innovations, Inc. (CII) programs.

Furthermore, it directs CII to include companies specializing in e-commerce and high-speed communications in its policies and strategies for assisting technology-based companies.

EFFECTIVE DATE: July 1, 2000

TAX INCENTIVES

The bill gives an 85% tax abatement and 35% business tax credit to an entity that develops a smart building in an enterprise zone if the Department of Economic and Community Development (DECD) commissioner approves it. But it automatically provides these

incentives for the “reclamation of unused space” for a smart building development in a town with an enterprise zone. It also provides an automatic, additional 10% tax abatement and 25% business tax credit for smart buildings that offer rents capped at rates 25% or more below market value. The bill does not define “reclamation of unused space.”

CDA PROGRAMS

The bill authorizes CDA to insure and make advance commitments to insure loan payments for fully-wired office space providing high-capacity networking and high-speed Internet connections. It also authorizes CDA to guarantee loans for information technology intensive office and laboratory space development. It broadens CDA’s legislated policy area to include development of high-technology business incubators and assistance to consortia creating partnerships between businesses and higher education facilities.

CII PROGRAMS

The bill specifies that CII can borrow money for, or guarantee a return to, investors in or lenders to smart building capital projects and Internet Business Districts. It deems a smart building as one providing high-capacity networking and high-speed Internet connections. Internet Business Districts are districts with one or more smart buildings. It authorizes CII to promote, encourage, and provide financial assistance for the establishment, maintenance, and operation of smart buildings.

It also authorizes CII to assist companies specializing in e-commerce, which it defines as using high-speed communications technology by:

1. providing technical and financial assistance to existing businesses adopting e-commerce technology;
2. providing financial aid enabling such companies to lease, acquire, construct, maintain, repair, or replace production, testing, research, development, manufacturing, laboratory and other facilities and equipment;
3. including these companies in state goals for technological development and strategies for assisting technology-based companies; and

4. including these companies in the coordination of public and private resources aimed at assisting technology-based entrepreneurs.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute Change of Reference
Yea 26 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 41 Nay 0