



General Assembly

February Session, 2000

**Raised Bill No. 614**

LCO No. 2559

Referred to Committee on Finance, Revenue and Bonding

Introduced by:  
(FIN)

***An Act Concerning Certain Empowerment Zones.***

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

1 Section 1. (NEW) Any municipality in the state which meets the  
2 requirements for the issuance of enterprise zone facility bonds  
3 complying with the provisions of Section 1391 to 1397C of the Internal  
4 Revenue Code of 1986, as amended, through its designation as an  
5 urban empowerment zone by the Secretary of Housing and Urban  
6 Development pursuant to the Code, may issue such bonds, provided  
7 such bonds comply with the requirements imposed by the Code, U.S.  
8 Treasury Regulations and other federal law related to the issuance of  
9 tax-exempt bond financing to provide funding for an enterprise zone  
10 business with qualified zone property as defined in such law.

11 Sec. 2. (NEW) For the purpose of carrying out a financing  
12 authorized under sections 1 to 6, inclusive, of this act a municipality  
13 may issue bonds which are payable solely from and secured by a  
14 pledge of and lien upon any or all of the income, proceeds, revenues  
15 and property provided as security for the repayment of loans by  
16 borrowers financing enterprise zone facilities or by lenders relending  
17 bond proceeds in a "loans to lenders" program or any combination

18 thereof as provided in the Internal Revenue Code. Bonds issued  
19 pursuant to sections 1 to 6, inclusive, of this act shall be special  
20 obligations of the municipality and shall not be payable from nor  
21 charged upon any funds other than the revenues pledged to the  
22 payment thereof, nor shall the municipality issuing the same be subject  
23 to any liability thereon except to the extent of such pledged revenues.  
24 No holder or holders of any bonds shall have the right to compel any  
25 exercise of the taxing power of the municipality to pay any bonds or  
26 the interest thereon, nor to enforce payment thereon against any  
27 property of the municipality and the bonds shall not constitute a  
28 charge, lien or encumbrance, legal or equitable, upon any property of  
29 the municipality. The substance of such limitation shall be plainly  
30 stated on the face of each bond. Bonds issued pursuant to sections 1 to  
31 6, inclusive, of this act shall not be subject to any statutory limitation  
32 on the indebtedness of the municipality and such bonds when issued  
33 shall not be included in computing the aggregate indebtedness of the  
34 municipality in respect to and to the extent of any such limitation.

35 Sec. 3. (NEW) Any bonds payable and secured as provided in  
36 sections 1 to 6, inclusive, of this act shall be authorized by a resolution  
37 adopted by the legislative body of the municipality, notwithstanding  
38 the provisions of any statute, local law or charter governing the  
39 authorization and issuance of bonds generally by such municipality.  
40 Such bonds shall: Be issued and sold in such manner, bear interest at  
41 such rate or rates, including variable rates, as determined in the  
42 proceedings authorizing the issuance of the bonds; provide for the  
43 payment of interest on such dates, whether before or at maturity; be  
44 issued at, above or below par; mature at such time or times not  
45 exceeding thirty years from their date; have such rank or priority; be  
46 payable in such medium of payment; be issued in such form,  
47 including, without limitation, registered or book-entry form, carry  
48 such registration and transfer privileges and be made subject to  
49 purchase or redemption before maturity at such price or prices and  
50 under such terms and conditions, including the condition that such  
51 bonds be subject to purchase or redemption on the demand of the

52 owner thereof, and contain such other terms and particulars as the  
53 legislative body of the municipality or the board, officers or agency  
54 delegated such authority by the legislative body of the municipality  
55 shall determine. The proceedings under which bonds are authorized to  
56 be issued may, subject to the provisions of the general statutes, contain  
57 any or all of the following: (1) Provisions respecting custody of the  
58 proceeds from the sale of the bonds, including any requirements that  
59 such proceeds be held separate from or not be commingled with other  
60 funds of the municipality; (2) provisions for the investment and  
61 reinvestment of bond proceeds until such proceeds are used to pay  
62 project costs and for the disposition of any excess bond proceeds or  
63 investment earnings thereon; (3) provisions for the execution of  
64 reimbursement agreements, or similar agreements, in connection with  
65 credit facilities, including, but not limited to, letters of credit or policies  
66 of bond insurance, remarketing agreements, debt service reserve fund  
67 surety bonds and interest rate swap agreements; (4) provisions for the  
68 collection, custody, investment, reinvestment and use of the pledged  
69 revenues or other receipts, funds or moneys pledged for payment of  
70 the bonds as provided in sections 1 to 6, inclusive, of this act; (5)  
71 provisions regarding the establishment and maintenance of reserves,  
72 sinking funds and any other funds and accounts and the regulation  
73 and disposition thereof, including requirements that any such funds  
74 and accounts be held separate from or not be commingled with other  
75 funds of the municipality; (6) covenants for the establishment or  
76 maintenance requirements with respect to facilities and properties; (7)  
77 provisions for the issuance of additional bonds on a parity with bonds  
78 issued prior to the issuance of such additional bonds, including  
79 establishment of coverage requirements, if appropriate, with respect to  
80 such bonds; (8) provisions regarding the rights and remedies available  
81 to the bond owners or any trustee under any contract, loan agreement,  
82 document, instrument or trust indenture in case of a default, including  
83 the right to appoint a trustee to represent their interests upon  
84 occurrence of any event of default, as defined in any such default  
85 proceedings, provided if any bonds are secured by a trust indenture,

86 the respective owners of such bonds shall have no authority except as  
87 set forth in such trust indenture to appoint a separate trustee to  
88 represent them; and (9) other provisions or covenants of like or  
89 different character from the foregoing which are consistent with  
90 sections 1 to 6, inclusive, of this act and which the legislative body of  
91 the municipality or the board, officers or agency delegated such  
92 authority by the legislative body of the municipality shall determine in  
93 such proceedings are necessary, convenient or desirable in order to  
94 better secure the bonds, or will tend to make the bonds more  
95 marketable, and which are in the best interests of such municipality.  
96 Any provisions which may be included in proceedings authorizing the  
97 issuance of bonds under sections 1 to 6, inclusive, of this act may be  
98 included in an indenture of trust duly approved in accordance with  
99 sections 1 to 6, inclusive, of this act which secures the bonds, and in  
100 such case the provisions of such indenture shall be deemed to be a part  
101 of such proceedings as though they were expressly included therein.  
102 Any pledge made by a municipality for the issuance of bonds  
103 hereunder shall be valid and binding from the time when the pledge is  
104 made, and any revenues or other receipts, funds or moneys so pledged  
105 and thereafter received by a municipality shall be subject immediately  
106 to the lien of such pledge without any physical delivery thereof or  
107 further act. The lien of any such pledge shall be valid and binding as  
108 against all parties having claims of any kind in tort, contract or  
109 otherwise against the municipality, irrespective of whether such  
110 parties have notice of such lien. Neither the resolution nor any other  
111 instrument by which a pledge is created need be recorded. The  
112 municipality may enter into a trust indenture with a corporate trustee,  
113 which may be any trust company or bank having the powers of a trust  
114 company within or without the state, containing such provisions for  
115 protecting and enforcing the rights and remedies of the bond owners  
116 as may be reasonable and proper and not in violation of law, including  
117 covenants setting forth the duties of the municipality in relation to the  
118 exercise of its powers pursuant to sections 1 to 6, inclusive, of this act  
119 and the custody, safeguarding and application of all moneys. The

120 municipality may provide by such trust indenture for the payment of  
121 the pledged revenues or other receipts, funds or moneys to the trustee  
122 under such trust indenture or to any other depository, and for the  
123 method of disbursement thereof, with such safeguards and restrictions  
124 as it may determine. All expenses incurred in carrying out such trust  
125 indenture may be treated as project costs. As used in sections 1 to 6,  
126 inclusive, of this act, "bonds" means any bonds, including refunding  
127 bonds, notes, bond anticipation notes, interim certificates, debentures  
128 or other obligations of indebtedness.

129       Sec. 4. (NEW) It is hereby determined that the powers conferred in  
130 sections 1 to 6, inclusive, of this act are in all respects for the benefit of  
131 the people of the state and for the improvement of their health, safety,  
132 welfare, comfort and security and that the purposes of sections 1 to 6,  
133 inclusive, of this act are public purposes and that a municipality will  
134 be performing an essential governmental function in the exercise of the  
135 powers conferred upon it by sections 1 to 6, inclusive, of this act.

136       Sec. 5. (NEW) A municipality may issue bonds the interest on which  
137 may be includable under the Internal Revenue Code, as from time to  
138 time amended, in the gross income of the holders of such bonds to the  
139 same extent and in the same manner that interest on bills, bonds, notes  
140 or other obligations of the United States is includable in the gross  
141 income of the holders thereof under said Code, for the purpose of  
142 financing certain costs of issuance or other costs related to providing  
143 tax exempt bond financing for funding an enterprise zone business  
144 with qualified zone property as set forth in section 1 of this act, based  
145 upon a finding by the board, officers or agency delegated the authority  
146 to issue and sell the bonds that the issuance of such bonds on a taxable  
147 basis is in the best interest of the municipality and in furtherance of the  
148 purposes of sections 1 to 6, inclusive, of this act.

149       Sec. 6. (NEW) The bonds of a municipality issued under sections 1  
150 to 6, inclusive, of this act are hereby made securities in which all public  
151 officers and bodies of this state and all municipalities and municipal

152 subdivisions, all insurance companies and associations and other  
153 persons carrying on an insurance business, all banks, bankers, trust  
154 companies, savings banks and savings associations, including savings  
155 and loan associations, investment companies and other persons  
156 carrying on a banking business, all administrators, guardians,  
157 executors, trustees and other fiduciaries, and all other persons  
158 whatsoever who are now or may hereafter be authorized to invest in  
159 bonds or in other obligations of the state, may properly and legally  
160 invest funds, including capital, in their control or belonging to them.  
161 The bonds are also hereby made securities which may be deposited  
162 with and may be received by all public officers and bodies of the state  
163 and all municipalities for any purpose for which the deposit of bonds  
164 or other obligations of the state is now or may hereafter be authorized.  
165 Whether or not the bonds are of such form and character as to be  
166 negotiable instruments under the terms of the Uniform Commercial  
167 Code, the bonds are hereby made negotiable instruments within the  
168 meaning of and for all purposes of the Uniform Commercial Code,  
169 subject only to the provisions of the bonds for registration.

***Statement of Purpose:***

To enable municipalities with federally designated empowerment zones to use expanded bonding capacity for economic development.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*