



Senate

General Assembly

File No. 31

January Session, 2003

Senate Bill No. 911

Senate, March 18, 2003

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING BONDS ISSUED BY THE CONNECTICUT DEVELOPMENT AUTHORITY AND ITS SUBSIDIARIES ON BEHALF OF MUNICIPALITIES FOR REMEDIATION PROJECTS.

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

1 Section 1. Section 32-23zz of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) For the purpose of assisting (1) any information technology
4 project, as defined in subsection (ee) of section 32-23d, which is located
5 in an eligible municipality, as defined in subdivision (12) of subsection
6 (a) of section 32-9t, or (2) any remediation project, as defined in
7 subsection (ii) of section 32-23d, as amended by this act, the
8 Connecticut Development Authority may, upon a resolution of the
9 legislative body of a municipality, issue and administer bonds which
10 are payable solely or in part from and secured by: (A) A pledge of and
11 lien upon any and all of the income, proceeds, revenues and property
12 of such a project, including the proceeds of grants, loans, advances or

13 contributions from the federal government, the state or any other
14 source, including financial assistance furnished by the municipality or
15 any other public body, (B) taxes or payments or grants in lieu of taxes
16 allocated to and payable into a special fund of the Connecticut
17 Development Authority pursuant to the provisions of subsection (b) of
18 this section, or (C) any combination of the foregoing. Any such bonds
19 of the Connecticut Development Authority shall mature at such time
20 or times not exceeding thirty years from their date of issuance and
21 shall be subject to the general terms and provisions of law applicable
22 to the issuance of bonds by the Connecticut Development Authority,
23 except that such bonds shall be issued without a special capital reserve
24 fund as provided in subsection (b) of section 32-23j and, for purposes
25 of section 32-23f, only the approval of the board of directors of the
26 authority shall be required for the issuance and sale of such bonds.
27 Any pledge made by the municipality or the Connecticut Development
28 Authority for bonds issued as provided in this section shall be valid
29 and binding from the time when the pledge is made, and revenues and
30 other receipts, funds or moneys so pledged and thereafter received by
31 the municipality or the Connecticut Development Authority shall be
32 subject to the lien of such pledge without any physical delivery thereof
33 or further act. The lien of such pledge shall be valid and binding
34 against all parties having claims of any kind in tort, contract or
35 otherwise against the municipality or the Connecticut Development
36 Authority, even if the parties have no notice of such lien. Recording of
37 the resolution or any other instrument by which such a pledge is
38 created shall not be required. In connection with any such assignment
39 of taxes or payments in lieu of taxes, the Connecticut Development
40 Authority may, if the resolution so provides, exercise the rights
41 provided for in section 12-195h of an assignee for consideration of any
42 lien filed to secure the payment of such taxes or payments in lieu of
43 taxes. All expenses incurred in providing such assistance may be
44 treated as project costs.

45 (b) Any proceedings authorizing the issuance of bonds under this
46 section may contain a provision that taxes or a specified portion
47 thereof, if any, identified in such authorizing proceedings and levied

48 upon taxable real or personal property, or both, in a project each year,
49 or payments or grants in lieu of such taxes or a specified portion
50 thereof, by or for the benefit of any one or more municipalities,
51 districts or other public taxing agencies, as the case may be, shall be
52 divided as follows: (1) In each fiscal year that portion of the taxes or
53 payments or grants in lieu of taxes which would be produced by
54 applying the then current tax rate of each of the taxing agencies to the
55 total sum of the assessed value of the taxable property in the project on
56 the date of such authorizing proceedings, adjusted in the case of grants
57 in lieu of taxes to reflect the applicable statutory rate of
58 reimbursement, shall be allocated to and when collected shall be paid
59 into the funds of the respective taxing agencies in the same manner as
60 taxes by or for said taxing agencies on all other property are paid; and
61 (2) that portion of the assessed taxes or the payments or grants in lieu
62 of taxes, or both, each fiscal year in excess of the amount referred to in
63 subdivision (1) of this subsection shall be allocated to and when
64 collected shall be paid into a special fund of the Connecticut
65 Development Authority to be used in each fiscal year, in the discretion
66 of the Connecticut Development Authority, to pay the principal of and
67 interest due in such fiscal year on bonds issued by the Connecticut
68 Development Authority to finance, refinance or otherwise assist such
69 project, to purchase bonds issued for such project, or to reimburse the
70 provider of or reimbursement party with respect to any guarantee,
71 letter of credit, policy of bond insurance, funds deposited in a debt
72 service reserve fund, funds deposited as capitalized interest or other
73 credit enhancement device used to secure payment of debt service on
74 any bonds issued by the Connecticut Development Authority to
75 finance, refinance or otherwise assist such project, to the extent of any
76 payments of debt service made therefrom. Unless and until the total
77 assessed valuation of the taxable property in a project exceeds the total
78 assessed value of the taxable property in such project as shown by the
79 last assessment list referred to in subdivision (1) of this subsection, all
80 of the taxes levied and collected and all of the payments or grants in
81 lieu of taxes due and collected upon the taxable property in such
82 project shall be paid into the funds of the respective taxing agencies.

83 When such bonds and interest thereof, and such debt service
84 reimbursement to the provider of or reimbursement party with respect
85 to such credit enhancement, have been paid in full, all moneys
86 thereafter received from taxes or payments or grants in lieu of taxes
87 upon the taxable property in such development project shall be paid
88 into the funds of the respective taxing agencies in the same manner as
89 taxes on all other property are paid. The total amount of bonds issued
90 pursuant to this section which are payable from grants in lieu of taxes
91 payable by the state shall not exceed an amount of bonds, the debt
92 service on which in any state fiscal year is, in total, equal to one million
93 dollars.

94 (c) The authority may make grants or provide loans or other forms
95 of financial assistance from the proceeds of special or general
96 obligation notes or bonds of the authority issued without the security
97 of a special capital reserve fund within the meaning of subsection (b)
98 of section 32-23j, which bonds are payable from and secured by, in
99 whole or in part, the pledge and security provided for in section 8-134,
100 8-192, 32-227 or this section, all on such terms and conditions,
101 including such agreements with the municipality and the developer of
102 the project, as the authority determines to be appropriate in the
103 circumstances, provided any such project in an area designated as an
104 enterprise zone pursuant to section 32-70 receiving such financial
105 assistance shall be ineligible for any fixed assessment pursuant to
106 section 32-71, and the authority, as a condition of such grant, loan or
107 other financial assistance, may require the waiver, in whole or in part,
108 of any property tax exemption with respect to such project otherwise
109 available under subsection (59) or (60) of section 12-81.

110 (d) As used in this section, "bonds" means any bonds, including
111 refunding bonds, notes, temporary notes, interim certificates,
112 debentures or other obligations; "legislative body" has the meaning
113 provided in subsection (y) of section 32-222; and "municipality" means
114 a town, city, consolidated town or city or consolidated town and
115 borough.

116 (e) For purposes of this section, references to the Connecticut
117 Development Authority shall include any subsidiary of the
118 Connecticut Development Authority established pursuant to
119 subsection (l) of section 32-11a, and a municipality may act by and
120 through its implementing agency, as defined in subsection (k) of
121 section 32-222.

122 (f) No commitments for new projects shall be approved by the
123 authority under this section on or after July 1, 2005.

124 (g) In the case of a remediation project, as defined in subsection (ii)
125 of section 32-23d, as amended by this act, that involves buildings that
126 are vacant, underutilized or in deteriorating condition and as to which
127 municipal real property taxes are delinquent, in whole or in part, for
128 more than one fiscal year, the amount determined in accordance with
129 subdivision (1) of subsection (b) of this section may, if the resolution of
130 the municipality so provides, be established at an amount less than the
131 amount so determined, but not less than the amount of municipal
132 property taxes actually paid during the most recently completed fiscal
133 year. If the Connecticut Development Authority issues bonds for the
134 remediation project, the amount established in the resolution shall be
135 used for all purposes of subsection (a) of this section.

136 Sec. 2. Subsection (ii) of section 32-23d of the general statutes is
137 repealed and the following is substituted in lieu thereof (*Effective from*
138 *passage*):

139 (ii) "Remediation project" means any project (1) involving the
140 development, [or] redevelopment or productive reuse of real property
141 within this state that (A) has been subject to a spill, as defined in
142 section 22a-452c, (B) is an establishment, as defined in subdivision (3)
143 of section 22a-134, (C) is a facility, as defined in 42 USC 9601(9), or (D)
144 is eligible to be treated as polluted real property for purposes of
145 section 22a-133m or contaminated real property for purposes of section
146 22a-133aa or section 22a-133bb, provided the development, [or]
147 redevelopment or productive reuse is undertaken pursuant to a
148 remediation plan meeting all applicable standards and requirements of

149 the Department of Environmental Protection, (2) that the authority
150 determines will add or support significant new economic activity or
151 employment in the municipality in which such project is located or
152 will otherwise materially contribute to the economic base of the state
153 or the municipality, and (3) for which assistance from the authority
154 will be needed to attract necessary private investment.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>

CE *Joint Favorable*

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

Municipal Impact: Potential Grand List Expansion

Explanation

State Impact:

The legislation adds projects involving the productive reuse of contaminated sites to the projects that are already eligible for bonds the Connecticut Development Authority (CDA) issues on behalf of towns. The bill also provides another method to calculate the property tax increment used to secure bonds CDA issues on the towns behalf for the remediation projects. This method makes it easier to finance a project potentially increasing the number of projects financed. There is no direct fiscal impact to the state by authorizing CDA to issue debt on behalf of a municipality, since the bonds would not be secured by the full faith and credit of the state and must be issued without a special capital reserve fund (SCRF) that would have made the state contingently liable.

Municipal Impact:

To the extent that CDA issues bonds on behalf of municipalities for projects they sponsor, enhances the ability of Brownfield remediation projects to be financed, there is a potential for grand list expansion in those municipalities.

OLR Bill Analysis

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AN ACT CONCERNING BONDS ISSUED BY THE CONNECTICUT DEVELOPMENT AUTHORITY AND ITS SUBSIDIARIES ON BEHALF OF MUNICIPALITIES FOR REMEDIATION PROJECTS**SUMMARY:**

This bill makes projects involving the clean up and productive reuse of contaminated sites eligible for bonds the Connecticut Development Authority (CDA) issues on behalf of towns. The law already allows CDA or its subsidiaries to issue these bonds for projects that develop or redevelop contaminated sites or that involve the use of information technologies.

The bill also makes it easier to finance clean-up projects involving vacant, underused, or deteriorated buildings for which some or all of the property taxes are owed. The law allows towns to use the increase in property tax revenues the completed project generates to repay the bonds and specifies how they must calculate the increase. The bill lets them use another method to calculate the increase, one that could generate more incremental tax revenue than current law allows. The bill also requires CDA to use this amount when underwriting the bonds it sells to finance the project.

EFFECTIVE DATE: Upon passage

CALCULATING THE PROPERTY TAX INCREMENT

The bill lets towns use another method to calculate the property tax increment used to secure bonds CDA issues on their behalf to clean up and improve a contaminated property. Towns can use the method if the property is tax delinquent and contains vacant, underused, or deteriorated buildings. The current method assumes that the assessed value of the real and personal property will increase after the project is completed and, consequently, tax revenues or payments in lieu of these revenues will also increase. If these values increase, towns must calculate the incremental amount and pay it to CDA. They calculate this first by determining the amount of revenue the unimproved property would have generated by applying the current mill rate or

formula for in-lieu payments against the value of the improved property. They must then subtract this amount from the amount the improved property generates based on those same rates.

The bill allows towns to reduce the unimproved property's assessed value and apply the mill rate to that value. But they cannot reduce the value to the point where the taxes due are less than the amount of taxes that were actually paid on the property during the most recently completed fiscal year. By reducing the unimproved property's assessed value, this method could reduce the amount of taxes the property generates before it is improved. But this could also yield a greater increment, which is determined after the property is improved. Towns can use this method only if their legislative body authorized it in the resolution approving the project.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Report

Yea 18 Nay 0