



# Senate

General Assembly

**File No. 547**

February Session, 2004

Senate Bill No. 203

*Senate, April 13, 2004*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd 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 Section 32-23zz of the general statutes is repealed and the  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, as amended, only the approval of the board of  
26 directors of the authority shall be required for the issuance and sale of  
27 such bonds. Any pledge made by the municipality or the Connecticut  
28 Development Authority for bonds issued as provided in this section  
29 shall be valid and binding from the time when the pledge is made, and  
30 revenues and other receipts, funds or moneys so pledged and  
31 thereafter received by the municipality or the Connecticut  
32 Development Authority shall be subject to the lien of such pledge  
33 without any physical delivery thereof or further act. The lien of such  
34 pledge shall be valid and binding against all parties having claims of  
35 any kind in tort, contract or otherwise against the municipality or the  
36 Connecticut Development Authority, even if the parties have no notice  
37 of such lien. Recording of the resolution or any other instrument by  
38 which such a pledge is created shall not be required. In connection  
39 with any such assignment of taxes or payments in lieu of taxes, the  
40 Connecticut Development Authority may, if the resolution so  
41 provides, exercise the rights provided for in section 12-195h of an  
42 assignee for consideration of any lien filed to secure the payment of  
43 such taxes or payments in lieu of taxes. All expenses incurred in  
44 providing such assistance may be 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, as amended, or this section, all on such terms and  
101 conditions, including such agreements with the municipality and the  
102 developer of the project, as the authority determines to be appropriate  
103 in the circumstances, provided any such project in an area designated  
104 as an 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, as amended, and a municipality may  
120 act by and through its implementing agency, as defined in subsection  
121 (k) of 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, as amended, or contaminated real property for  
146 purposes of section 22a-133aa or section 22a-133bb, provided the  
147 development, [or] redevelopment or productive reuse is undertaken  
148 pursuant to a remediation plan meeting all applicable standards and



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:

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

**Explanation**

The bill has no state fiscal impact because the Connecticut Brown Fields Authority's (CBFA) tax incremental financing program (TIF) is funded with bonds that are issued by the Connecticut Development Authority (CDA) and are not general obligations of the state. There is no municipal fiscal impact because the language is permissive and the alternative valuation method could only be used for real property that is tax delinquent for more than one fiscal year.

CBFA's TIF program helps towns to redevelop brown field property by providing the property owner with a grant to remediate and develop the property. The grant is repaid from the incremental increase in property taxes the town receives after the property is redeveloped. (The incremental property tax revenue is assigned to CDA when the grant is made.)

**OLR BILL ANALYSIS**

SB 203

***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 involve the use of information technologies. CDA's authority to do this expires July 1, 2005.

The bill also makes it easier to finance the clean-up of vacant, underused, or deteriorated tax delinquent properties. The law allows towns to issue bonds to finance the clean-up and repay them with the difference between the amount of taxes the tax delinquent property is supposed to generate and the amount it is expected to generate after it has been cleaned up (i.e., tax increment financing).

The bill increases the tax increment by allowing towns to repay the bonds with the difference between the amount of taxes the property actually generates and the amount it is expected to generate. It requires CDA to include this amount when underwriting the bonds it sells on behalf of the town 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 the

revenue 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, thus increasing the difference between the tax levels used to calculate the increment (i.e., the taxes before and after the improvement). But towns 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. They can use this method only if their legislative body authorized it in the resolution approving the project.

**COMMITTEE ACTION**

Commerce Committee

Joint Favorable Change of Reference

Yea 26 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 44 Nay 0