



Senate

General Assembly

File No. 833

January Session, 2007

Substitute Senate Bill No. 1265

Senate, May 16, 2007

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 substitute bill ought to pass.

AN ACT CONCERNING TAX INCREMENTAL FINANCING.

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 Section 32-23zz of the general statutes is repealed and the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 October 1, 2007*):

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, the Connecticut Development
8 Authority may, upon a resolution of the legislative body of a
9 municipality, issue and administer bonds which are payable solely or
10 in part from and secured by: (A) A pledge of and lien upon any and all
11 of the income, proceeds, revenues and property of such a project,
12 including the proceeds of grants, loans, advances or contributions from
13 the federal government, the state or any other source, including
14 financial assistance furnished by the municipality or any other public

15 body, (B) taxes or payments or grants in lieu of taxes allocated to and
16 payable into a special fund of the Connecticut Development Authority
17 pursuant to the provisions of subsection (b) of this section, or (C) any
18 combination of the foregoing. Any such bonds of the Connecticut
19 Development Authority shall mature at such time or times not
20 exceeding thirty years from their date of issuance and shall be subject
21 to the general terms and provisions of law applicable to the issuance of
22 bonds by the Connecticut Development Authority, except that such
23 bonds shall be issued without a special capital reserve fund as
24 provided in subsection (b) of section 32-23j and, for purposes of section
25 32-23f, only the approval of the board of directors of the authority shall
26 be required for the issuance and sale of such bonds. Any pledge made
27 by the municipality or the Connecticut Development Authority for
28 bonds issued as provided in this section shall be valid and binding
29 from the time when the pledge is made, and revenues and other
30 receipts, funds or moneys so pledged and thereafter received by the
31 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, 2008.]

124 [(g)] (f) In the case of a remediation project, as defined in subsection
125 (ii) of section 32-23d, that involves buildings that are vacant,
126 underutilized or in deteriorating condition and as to which municipal
127 real property taxes are delinquent, in whole or in part, for more than
128 one fiscal year, the amount determined in accordance with subdivision
129 (1) of subsection (b) of this section may, if the resolution of the
130 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.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2007	32-23zz

FIN *Joint Favorable Subst.*

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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect
Various Municipalities	Potential Grand List Expansion

Explanation

Eliminating the sunset date for the Connecticut Development Authority (CDA) to issue debt on behalf of a municipality has no state fiscal impact because 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 that would have made the state contingently liable.

To the extent that CDA issuing bonds on behalf of municipalities for projects they sponsor enhances the ability of IT and industrial site development projects to be financed, there is a potential for grand list expansion in those municipalities.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 1265*****AN ACT CONCERNING TAX INCREMENTAL FINANCING.*****SUMMARY:**

This bill eliminates the July 1, 2008 expiration date for the Connecticut Development Authority's (CDA) authority to use a project's revenue or the new or incremental property tax revenue it generates to repay bonds CDA issued to finance it. CDA uses this method, known as "tax incremental financing" or TIF, to finance projects that clean up and redevelop contaminated property or that make extensive use of information technology. The bill makes permanent CDA's authority to use this type of TIF.

EFFECTIVE DATE: October 1, 2007

BACKGROUND***Legislative History***

The Senate referred the original bill (File 167) to the Finance, Revenue and Bonding Committee on April 25. The committee eliminated a provision in the original bill that would also have made permanent CDA's ability to use the incremental sales, admissions, and dues tax revenue a project generates to repay bonds. CDA uses this type of TIF for large-scale projects that create new jobs or stimulate significant business activity. By law, its authority to do so expires July 1, 2008.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 19 Nay 1 (03/13/2007)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 53 Nay 0 (05/01/2007)