



Senate

General Assembly

File No. 895

January Session, 2007

Substitute Senate Bill No. 1352

Senate, May 31, 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 YOUTH OPPORTUNITIES AND URBAN REVITALIZATION.

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

- 1 Section 1. (NEW) (*Effective from passage*) (a) As used in this section:
- 2 (1) "Eligible municipality" means a municipality ranked from one to
3 eight, inclusive, when all municipalities are ranked in ascending order
4 from one to one hundred sixty-nine based on town wealth, as defined
5 in subdivision (26) of section 10-262f of the general statutes; and
- 6 (2) "Eligible entity" means a municipal agency or nonprofit
7 organization operating within an eligible municipality.
- 8 (b) Within available appropriations, and not later than October 1,
9 2007, the Secretary of the Office of Policy and Management shall
10 establish an urban youth enrichment competitive grant program.
11 Grants may be made to eligible entities to administer out-of-school
12 time activities to local youth. Grants made under this section shall be

13 used to provide eligible programs and services for youth between
14 twelve and eighteen years of age. Such programs and services shall
15 include, but not be limited to: (1) Mentoring and tutoring activities; (2)
16 job training and experience; (3) social and cultural activities; (4) athletic
17 and recreational opportunities; and (5) training in problem-solving,
18 decision-making, conflict resolution, peer counseling and similar
19 topics designed to enhance positive youth development.

20 (c) Each eligible entity may apply to the office for a grant, at such
21 time and in such manner as the secretary prescribes. In awarding a
22 grant under this section, the secretary shall consider: (1) Whether the
23 proposal shows collaboration with local schools and other nonprofit
24 organizations to expand youth access to programs funded by a grant
25 made under this section; (2) the scope and hours of operation of the
26 programs offered to ensure that activities are readily available to local
27 youth during out-of-school times; and (3) the number of youth that can
28 be served by such proposal.

29 (d) Grant recipients shall provide for parental and youth
30 involvement, on an ongoing basis, in the planning and operation of
31 programs funded under this section.

32 Sec. 2. (NEW) (*Effective July 1, 2007*) (a) As used in this section:

33 (1) "Eligible municipality" means a municipality ranked from one to
34 eight, inclusive, when all municipalities are ranked in ascending order
35 from one to one hundred sixty-nine based on town wealth, as defined
36 in subdivision (26) of section 10-262f of the general statutes; and

37 (2) "Eligible entity" means a municipal agency or nonprofit
38 organization operating within an eligible municipality.

39 (b) Within available appropriations, and not later than October 1,
40 2007, the Secretary of the Office of Policy and Management shall
41 establish an urban opportunities alliance competitive grant program.
42 Grants may be made to eligible entities for a one-stop center
43 connecting urban youth to organizations providing youth employment

44 opportunities, tutoring and mentoring services, juvenile justice
45 diversionary programs, and activities for enrichment and recreation.
46 Each eligible entity may apply for a grant, at such time and in such
47 manner as the secretary prescribes. In awarding a grant under this
48 section, the secretary shall consider, at a minimum, the following
49 factors: (1) Whether the proposal demonstrates a comprehensive
50 strategy to coordinate services and connect local organizations to local
51 youth, (2) whether the proposal shows collaboration with local schools
52 and other nonprofit organizations to expand access to such program,
53 and (3) the number of youth expected to be served by such program
54 and how such number would be reached.

55 Sec. 3. (NEW) (*Effective July 1, 2007*) Within available appropriations,
56 the Secretary of the Office of Policy and Management shall establish a
57 year-round youth career opportunities grant program. Grants may be
58 made to nonprofit organizations that demonstrate successful strategies
59 for helping persons between the ages of fourteen and twenty-four
60 build career competencies, obtain career experience and training,
61 graduate from high school and receive counseling on education
62 opportunities beyond high school. Applicants may apply to the office
63 for such grant, at such time and in such manner as the secretary
64 prescribes, provided no award shall be made except to a nonprofit
65 entity located in a municipality ranked from one to eight, inclusive,
66 when all municipalities are ranked in ascending order from one to one
67 hundred sixty-nine based on town wealth, as defined in subdivision
68 (26) of section 10-262f of the general statutes. In awarding a grant
69 under this section, the secretary shall consider: (1) Whether the
70 proposal shows collaboration with local schools, institutions of higher
71 education, the local business community and other pertinent entities
72 that provide job-related services to youth, (2) the scope of programs
73 available and hours of operation of the program to ensure activities are
74 readily available to local youth, and (3) the number of youth that can
75 be served by such program.

76 Sec. 4. (NEW) (*Effective July 1, 2007*) (a) As used in this section,
77 "eligible municipality" means a municipality ranked from one to eight,

78 inclusive, when all municipalities are ranked in ascending order from
79 one to one hundred sixty-nine based on town wealth, as defined in
80 subdivision (26) of section 10-262f of the general statutes.

81 (b) Within available appropriations, and not later than October 1,
82 2007, the Secretary of the Office of Policy and Management shall
83 establish a public service mentors grant program to provide matching
84 grants to eligible municipalities for reimbursement of fifty per cent of
85 the costs of providing municipal employees up to one hour per week
86 and no more than forty hours per year of paid leave for the purpose of
87 serving as volunteer mentors and tutors in approved programs. Each
88 eligible municipality may apply to the secretary for such grant, at such
89 time and in such manner as the secretary prescribes.

90 (c) The secretary shall award grants only to eligible municipalities
91 whose applications include a process for public employees to serve as
92 mentors or tutors and whose applications demonstrate: (1) A strategy
93 for recruiting public employees as tutors and mentors, (2)
94 collaboration among local schools and nonprofit organizations that
95 provide youth services and enrichment activities to identify and
96 register youth into the mentoring program, (3) collaboration with local
97 schools and other nonprofit organizations to train mentors and inform
98 them about resources available to them and youth, and (4)
99 collaboration with local business organizations and regional workforce
100 development boards to provide career mentoring opportunities to
101 adolescents.

102 Sec. 5. Section 5-249 of the general statutes is repealed and the
103 following is substituted in lieu thereof (*Effective July 1, 2007*):

104 (a) Any state employee who is an active volunteer firefighter or
105 member of a volunteer ambulance service or company (1) may, with
106 the authorization of such employee's appointing authority, be
107 permitted to leave work in order to respond to fire calls or ambulance
108 calls during such employee's regular hours of employment without
109 loss of pay, vacation time, sick leave or earned overtime accumulation,
110 or (2) shall be permitted to respond to such calls prior to reporting for

111 work without such prior authorization and without loss of pay,
112 vacation time, sick leave or earned overtime accumulation, provided in
113 either case, if requested by such employee's appointing authority, such
114 employee submits a written statement from the chief of the volunteer
115 fire department or the medical director or chief administrator of the
116 volunteer ambulance service or company verifying that such employee
117 responded to a fire or ambulance call and specifying the date, time and
118 duration of such response.

119 (b) Any state employee who is a certified disaster service volunteer
120 of the American Red Cross may, with the authorization of such
121 employee's supervisor, be granted a leave not to exceed fourteen days
122 in each year to participate in specialized disaster relief services for the
123 American Red Cross, upon the request of the American Red Cross,
124 without loss of pay, vacation time, sick leave or earned overtime
125 accumulation.

126 (c) Any state employee who is an active volunteer firefighter or
127 member of a volunteer ambulance service or company may, with the
128 authorization of such employee's appointing authority, be allowed to
129 attend training sessions or drills during such employee's regular hours
130 of employment without loss of pay, overtime accumulation or sick
131 leave.

132 (d) Any state employee who is an active member of a volunteer
133 canine search and rescue team (1) may, with the authorization of such
134 employee's supervisor, be permitted to leave work in order to respond
135 to search or rescue calls during such employee's regular hours of
136 employment without loss of pay, vacation time, sick leave or earned
137 overtime accumulation, or (2) shall be permitted to respond to such
138 calls prior to reporting for work without such prior authorization and
139 without loss of pay, vacation time, sick leave or earned overtime
140 accumulation, provided in either case, if requested by such employee's
141 supervisor, such employee submits a written statement from the chief
142 of the police or fire department verifying that such employee
143 responded to a search or rescue call and specifying the date, time and

144 duration of such response. As used in this subsection, "volunteer
145 canine search and rescue team" means an individual and a dog (A)
146 appropriately trained and certified to engage in search and rescue
147 operations by a nonprofit canine search and rescue organization that is
148 a member of the National Association of Search and Rescue, or its
149 successor organization, and (B) who jointly engage in such operations
150 at the request of a police or fire department and provide services
151 without compensation.

152 (e) Within available appropriations, any state employee who is a
153 volunteer mentor in a public service mentor program sponsored by an
154 eligible municipality receiving funding pursuant to section 4 of this act
155 may, with the authorization of such employee's appointing authority,
156 be granted a leave not to exceed up to one hour per week and no more
157 than forty hours per year of paid leave for the purpose of serving as a
158 volunteer mentor in such program without loss of pay, overtime
159 accumulation or sick leave.

160 Sec. 6. (NEW) (*Effective July 1, 2007*) (a) As used in this section:

161 (1) "Eligible municipality" means a municipality ranked from one to
162 eight, inclusive, when all municipalities are ranked in ascending order
163 from one to one hundred sixty-nine based on town wealth, as defined
164 in subdivision (26) of section 10-262f of the general statutes; and

165 (2) "Eligible entity" means a municipal agency or nonprofit
166 organization operating within an eligible municipality.

167 (b) Within available appropriations, and not later than October 1,
168 2007, the Secretary of the Office of Policy and Management shall
169 establish a community young artists pilot competitive grant program
170 to provide competitive grants to municipalities and nonprofit
171 organizations located in urban communities providing arts education
172 and related training to local youth. Each eligible entity may apply to
173 the secretary for such grant, at such time and in such manner as the
174 secretary prescribes. In awarding a grant under this section, the
175 secretary shall consider factors relating to: (1) Whether the proposal

176 shows collaboration with an arts program affiliated with an institution
177 of higher education, (2) whether the proposal shows collaboration with
178 local schools and other nonprofit organizations to expand access to
179 such program, (3) the scope of programs available and hours of
180 operation of the program to ensure activities are readily available to
181 local youth, and (4) the number of youth that can be served by such
182 program.

183 Sec. 7. (NEW) (*Effective July 1, 2007, and applicable to income years*
184 *commencing on or after January 1, 2008*) (a) As used in this section, the
185 following terms shall have the following meanings:

186 (1) "Commissioner" means the Commissioner of Economic and
187 Community Development;

188 (2) "Certified historic structure" means an historic commercial or
189 industrial property that (A) is listed individually on the National or
190 State Register of Historic Places, or (B) is located in a district listed on
191 the National or State Register of Historic Places, and has been certified
192 by the Connecticut Commission on Culture and Tourism as
193 contributing to the historic character of such district;

194 (3) "Certified rehabilitation" means any rehabilitation of a certified
195 historic structure for mixed use, as approved by the commissioner
196 pursuant to this section;

197 (4) "Mixed-use structure" means a certified historic structure used
198 for both residential and commercial purposes in which more than fifty
199 per cent of the total floor area of such structure is used exclusively for
200 residential purposes;

201 (5) "Owner" means any person, firm, limited liability company,
202 nonprofit or for-profit corporation or other business entity which
203 possesses title to a mixed-use structure and undertakes the
204 rehabilitation of such structure;

205 (6) "Placed in service" means that substantial rehabilitation work has
206 been completed which would allow for issuance of a certificate of

207 occupancy for the entire structure or, in projects completed in phases,
208 for individual residential or commercial units that are an identifiable
209 portion of the structure;

210 (7) "Qualified rehabilitation expenditures" means any costs incurred
211 for the physical construction involved in the rehabilitation of a mixed-
212 use structure, excluding: (A) The owner's personal labor, (B) the cost of
213 a new addition, except as required to comply with any provision of the
214 State Building Code or the State Fire Safety Code, and (C) any
215 nonconstruction cost such as architectural fees, legal fees or financing
216 fees;

217 (8) "Rehabilitation plan" means any construction plans and
218 specifications for the proposed rehabilitation of a mixed-use structure
219 in sufficient detail for evaluation for compliance with the standards
220 developed under the provisions of subsections (b), (c) and (j) of this
221 section; and

222 (9) "Substantial rehabilitation" or "substantially rehabilitate" means
223 the qualified rehabilitation expenditures of a mixed-use structure that
224 exceed twenty-five per cent of the assessed value of such structure.

225 (b) (1) The commissioner shall administer a system of tax credit
226 vouchers within the resources, requirements and purposes of this
227 section for owners rehabilitating mixed-use structures.

228 (2) The credit authorized by this section shall be available in the tax
229 year in which the substantially rehabilitated mixed-use structure is
230 placed in service. In the case of projects completed in phases, the tax
231 credit shall be prorated to the substantially rehabilitated identifiable
232 portion of the structure placed in service. If the tax credit is more than
233 the amount owed by the taxpayer for the year in which the
234 substantially rehabilitated mixed-use structure is placed in service, the
235 amount that is more than the taxpayer's tax liability may be carried
236 forward and credited against the taxes imposed for the succeeding five
237 years or until the full credit is used, whichever occurs first.

238 (3) Any credits allowed under this section that are provided to
239 multiple owners of mixed-use structures shall be passed through to
240 persons designated as partners, members or owners, pro rata or
241 pursuant to an agreement among such persons designated as partners,
242 members or owners, documenting an alternative distribution method
243 without regard to other tax or economic attributes of such entity. Any
244 owner entitled to a credit under this section may assign, transfer or
245 convey the credits, in whole or in part, by sale or otherwise to any
246 individual or entity and such transferee shall be entitled to offset the
247 tax imposed under chapter 207, 208, 209, 210, 211 or 212 of the general
248 statutes as if such transferee had incurred the qualified rehabilitation
249 expenditure.

250 (c) The commissioner shall develop standards for the approval of
251 the rehabilitation of mixed-use structures for which a tax credit
252 voucher is sought. Such standards shall take into account whether the
253 rehabilitation of a mixed-use structure will preserve the economic
254 viability of the building and increase the supply of affordable housing.

255 (d) Prior to beginning any rehabilitation work on a mixed-use
256 structure, the applicant shall submit to the commissioner (1) a
257 rehabilitation plan for a determination of whether or not such
258 rehabilitation work meets the standards developed under the
259 provisions of subsections (b), (c) and (j) of this section, (2) an estimate
260 of the qualified rehabilitation expenditures, and (3) the number of
261 affordable housing units, as defined in section 8-39a of the general
262 statutes, to be created, the proposed rents or sale prices of such units,
263 and the median income for the municipality where the project is
264 located.

265 (e) If the commissioner certifies that the rehabilitation plan
266 conforms to the standards developed under the provisions of
267 subsections (b), (c) and (j) of this section, the commissioner shall
268 reserve for the benefit of the owner an allocation for a tax credit
269 equivalent to (1) twenty-five per cent of the projected qualified
270 rehabilitation expenditures, or (2) thirty per cent of the projected

271 qualified rehabilitation expenditures, provided at least twenty per cent
272 of the residential units qualify as affordable housing, as defined in
273 section 8-39a of the general statutes.

274 (f) Following the completion of rehabilitation of a mixed-use
275 structure, the owner shall notify the commissioner that such
276 rehabilitation has been completed. The owner shall provide the
277 commission with documentation of work performed on the mixed-use
278 structure and shall submit certification of the costs incurred in
279 rehabilitating the mixed-use structure. The commissioner shall review
280 such rehabilitation and verify its compliance with the rehabilitation
281 plan. Following such verification, the commissioner shall issue a tax
282 credit voucher to the owner rehabilitating the mixed-use structure or
283 to the taxpayer named by the owner as contributing to the
284 rehabilitation. The tax credit voucher shall be in an amount equivalent
285 to the lesser of (1) the tax credit reserved upon certification of the
286 rehabilitation plan under the provisions of subsection (e) of this
287 section, or (2) (A) twenty-five per cent of the actual qualified
288 rehabilitation expenditures, or (B) for projects wherein at least twenty
289 per cent of the residential units qualify as affordable housing, as
290 defined in section 8-39a of the general statutes, thirty per cent of the
291 actual qualified rehabilitation expenditures. In order to obtain a credit
292 against any state tax due that is specified in subdivision (3) of
293 subsection (b) of this section, the holder of the tax credit voucher shall
294 file the voucher with the holder's state tax return.

295 (g) The Commissioner of Revenue Services shall grant a tax credit to
296 a taxpayer holding the tax credit voucher issued pursuant to this
297 section against any tax due under chapter 207, 208, 209, 210, 211 or 212
298 of the general statutes in the amount specified in the tax credit
299 voucher. Such taxpayer shall submit the voucher and the
300 corresponding tax return to the Department of Revenue Services.

301 (h) The aggregate amount of all tax credits which may be reserved
302 by the commissioner upon certification of rehabilitation plans
303 pursuant to this section shall not exceed fifteen million dollars in any

304 one fiscal year.

305 (i) The commissioner may charge an application fee in an amount
306 not to exceed two thousand dollars to cover the cost of processing
307 applications and monitoring projects that qualify for tax credits
308 pursuant to this section.

309 (j) The commissioner shall adopt regulations in accordance with the
310 provisions of chapter 54 of the general statutes, to carry out the
311 purposes of this section, including provisions for filing of applications,
312 rating criteria, timely approval by the commissioner, and for the
313 monitoring of projects qualifying for tax credits pursuant to this
314 section by the Department of Economic and Community Development,
315 local housing authorities, municipalities or other public agencies
316 designated by said department. Such regulations (1) shall include
317 provisions for ensuring that affordable residential units in projects
318 qualifying for tax credits pursuant to this section are maintained as
319 affordable for a minimum of ten years, and (2) may require deed
320 restrictions or other fiscal mechanisms designed to ensure compliance
321 with program requirements.

322 Sec. 8. Subsection (c) of section 4-66c of the general statutes is
323 repealed and the following is substituted in lieu thereof (*Effective July*
324 *1, 2007*):

325 (c) Any proceeds from the sale of bonds authorized pursuant to
326 subsections (a) and (b) of this section or of temporary notes issued in
327 anticipation of the moneys to be derived from the sale of such bonds
328 may be used to fund (1) grants-in-aid to municipalities, or to an
329 intermediary designated by a municipality receiving a grant-in-aid,
330 provided such intermediary invests such funds consistent with and
331 toward qualifying for federal new markets tax credits, or (2) the grant-
332 in-aid programs of said departments, including, but not limited to,
333 financial assistance and expenses authorized under chapters 128, 129,
334 130, 133, 136 and 298, and section 16a-40a, provided any such program
335 shall be implemented in an eligible municipality or is for projects in

336 other municipalities which the State Bond Commission determines will
 337 help to meet the goals set forth in section 4-66b. For the purposes of
 338 this section, "eligible municipality" means a municipality which is
 339 economically distressed within the meaning of subsection (b) of section
 340 32-9p, which is classified as an urban center in any plan adopted by the
 341 General Assembly pursuant to section 16a-30, which is classified as a
 342 public investment community within the meaning of subdivision (9) of
 343 subsection (a) of section 7-545, or in which the State Bond Commission
 344 determines that the project in question will help meet the goals set
 345 forth in section 4-66b. Notwithstanding the provisions of this
 346 subsection, proceeds from the sale of bonds pursuant to this section
 347 may, with the approval of the State Bond Commission, be used for
 348 transit-oriented development projects, as defined in section 13b-79o, in
 349 any municipality.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>July 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007</i>	New section
Sec. 4	<i>July 1, 2007</i>	New section
Sec. 5	<i>July 1, 2007</i>	5-249
Sec. 6	<i>July 1, 2007</i>	New section
Sec. 7	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2008</i>	New section
Sec. 8	<i>July 1, 2007</i>	4-66c(c)

Statement of Legislative Commissioners:

Section 8 was struck from the bill because the substitute language in section 7 rendered it unnecessary and inconsistent.

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:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Policy & Mgmt., Off.	GF - Cost	70,000	70,000
Comptroller Misc. Accounts (Fringe Benefits)	GF - Cost	Minimal	Minimal
Department of Economic & Community Development	GF - Cost	205,000	210,000
Department of Economic & Community Development	GF - Revenue Gain	Potential Minimal	Potential Minimal
Department of Revenue Services	GF - Revenue Loss	See Below	See Below
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Various State Agencies	All Funds - Cost	Minimal	Minimal
Department of Revenue Services	GF - Revenue Loss	15,000,000	15,000,000

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 08 \$	FY 09 \$
Hartford; New Britain; Bridgeport; Windham; Waterbury; New Haven; New London; Plainfield	Revenue Gain	Indeterminate	Indeterminate

Explanation

Grants Established by the Bill

The bill establishes five new grants for youth in the state's eight poorest communities (Hartford, New Britain, Bridgeport, Windham, Waterbury, New Haven, New London, and Plainfield) to be administered by the Office of Policy and Management, within available appropriations. It is anticipated that OPM will need one additional staff with associated salary and other expenses of \$70,000¹

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year

to administer the grants. The bill requires the grants be provided within available appropriations, no such funds are available in HB 7077, the Governor's recommended budget. Additionally, the bill does not specify the amount of grants to be provided through each program, thus any potential revenue gain to the eligible municipalities is indeterminate.

The bill allows state agencies to give employees who volunteer as mentors in a program sponsored by a municipality funded by this grant up to one hour a week (up to 40 hours a year) of paid leave without employees losing pay, overtime accumulation, or sick leave. Depending on the number of employees who volunteer as mentors, this paid leave benefit will result in a minimal cost to the state.

Mixed Use Structures Tax Credit

It is anticipated that the Department of Economic and Community Development (DECD) will require three additional staff positions to administer the program at an annual cost of about \$185,000 plus fringe benefits. An additional \$15,000 for operational costs and equipment is also estimated to be required. The agency is required to adopt regulations for which it is estimated that \$5,000 would be needed to retain a consultant. The DECD may charge an application fee of up to \$2,000. It is unclear if the fee will cover costs of processing and monitoring at this time.

It is anticipated that the Connecticut Commission on Culture and Tourism (CCCT) will be able to certify an historic structure as contributing to the historic character of such district within normal budgetary resources.

The bill establishes a tax credit against various business taxes for

fringe benefit rate for a new employee as a percentage of average salary is 25.8%, effective July 1, 2006. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2006-07 fringe benefit rate is 34.4%, which when combined with the non pension fringe benefit rate totals 60.2%.

expenses incurred to rehabilitate historic properties for mixed use (incorporates commercial and residential). The total amount of tax credits is capped at \$15 million per year. Therefore, the bill could result in a General Fund revenue loss of up to \$15 million per year beginning in FY 09.

Urban Action Grants

Section 9 adds grants-in-aid related to municipal qualification for federal new markets tax credits to the list of purposes for which General Obligation (GO) bond funds can be used under the Urban Action Program. To the degree that this causes GO bond funds to be expended more rapidly than they otherwise would have been, there will be an increase in debt service costs in future years. The unallocated balance for the Urban Action Program as of 3/31/07 is \$113.3 million.

The Out Years

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

OLR Bill Analysis**sSB 1352*****AN ACT CONCERNING YOUTH OPPORTUNITIES AND URBAN REVITALIZATION.*****SUMMARY:**

This bill creates five urban grant programs targeted at youth in the state's eight poorest cities and towns. The programs are for out-of-school activities, mentoring, youth employment, career development, and art programs run by municipal or nonprofit agencies. The Office of Policy and Management (OPM) administers all of the grants, which must be funded within available appropriations.

The bill authorizes up to \$15 million a year in business tax credits for rehabilitating certified historic commercial and industrial property for mixed residential and commercial uses. The credit amount depends on whether the rehabilitated property includes affordable housing units. It equals 25% of the rehabilitation expenses if at least 30% of the units are affordable; otherwise, it equals 20% of those expenses. The bill specifies criteria and procedures for accessing the credits, which are administered by the Department of Economic and Community Development (DECD) commissioner. The law already authorizes tax credits for rehabilitating historic commercial and industrial property for residential uses.

Finally, the bill permits using Urban Action bond proceeds to fund grants to a municipally designated intermediary for investments that qualify for federal New Market Tax Credits (see BACKGROUND).

EFFECTIVE DATE: July 1, 2007, except for the out-of-school grant, which is effective upon passage. The mixed use rehabilitation tax credit applies to income years beginning on or after January 1, 2008.

URBAN GRANT PROGRAMS***General Components***

The five grant programs the bill establishes are for distribution to the state's eight poorest cities and towns as measured by the education cost sharing grant's "town wealth" factor, which averages each town's property tax base per-student and per-resident. In 2007, these towns are: Bridgeport, Hartford, New Britain, New Haven, New London, Plainfield, Waterbury, and Windham.

OPM administers all of the grants, which it must establish by October 1, 2007 and within available appropriations. Eligible applicants must apply when and how the OPM secretary prescribes. In awarding grants, the bill generally requires OPM to look at (1) the applicant's collaboration with schools and other nonprofit organizations, (2) the program's scope and operating hours, and (3) the number of youth served.

Urban Youth Enrichment Grant

This competitive grant supports out-of-school activities that include (1) mentoring and tutoring; (2) job training and experience; (3) social and cultural activities; (4) athletics and recreation; and (5) training in topics that enhance positive youth development such as problem-solving, decision-making, conflict resolution, and peer counseling. Grants can go to municipal agencies and nonprofit organizations operating in eligible communities. Grant recipients must provide for parents and youth to be involved continuously in planning and operating the programs. Activities must be targeted towards youths between ages 12 and 18.

Urban Opportunities Alliances Grant

This competitive grant supports one-stop centers that connect youth to organizations providing employment opportunities, tutoring and mentoring, juvenile justice diversion, and enrichment and recreation. In addition to the general review criteria (see above), the bill requires the OPM secretary to consider (1) whether the proposal demonstrates a comprehensive strategy to coordinate services and connect youth to

local organizations and (2) how the program would reach the number of youth it anticipates serving.

Year-Round Youth Career Opportunities Grant

This grant is available only to nonprofit organizations that demonstrate successful strategies for helping 14- to 24-year-olds build career competencies, get career experience and training, graduate from high school, and receive counseling on post-high school education opportunities. Presumably, the grant is to be used for these purposes, but the bill does not specify this. In addition to the general review criteria, the bill requires the OPM secretary to consider whether the proposal shows collaboration with higher education institutions, local business, and others that provide job-related services. The bill allows OPM to establish this grant at any time, rather than imposing an October 1, 2007 deadline.

Young Artists Grant

This pilot competitive grant supports arts education and related training for local youth. In addition to the general review criteria, the bill requires the OPM secretary to consider whether the proposal shows collaboration with a college-affiliated arts program.

Public Service Mentors Grant

This matching grant reimburses eligible municipalities for 50% of their costs of giving their employees up to one hour a week, up to 40 hours a year, of paid leave to volunteer as mentors or tutors in “approved” programs. The bill does not define what constitutes an approved program.

Grants can go only to those eligible municipalities whose applications contain a process for public employees to serve as mentors and tutors. The applications must also show (1) an employee recruitment strategy, (2) collaboration among schools and nonprofits to identify and register youth for mentoring and training volunteers and inform them about available resources, and (3) collaboration with local business organizations and regional workforce development

boards to provide career mentoring to adolescents.

The bill also permits state agencies, within available appropriations, to give employees who volunteer as mentors (but not tutors) in a program sponsored by a municipality funded by this grant up to one hour a week (up to 40 hours a year) of paid leave without the employees losing pay, overtime accumulation, or sick leave.

HISTORIC PRESERVATION TAX CREDIT FOR MIXED USE STRUCTURES

Credit

The bill authorizes up to \$15 million a year in business tax credits for rehabilitating historic property used for residential and commercial purposes. Individuals and organizations that own and rehabilitate these properties may apply to the economic and community development commissioner for a credit equal to a portion of the total rehabilitation cost. Owners must apply to the DECD commissioner for the credits before beginning the rehabilitation and may claim them only after she certifies its completion.

The credit is based on an owner's projected rehabilitation costs and the credit amount depends on whether a rehabilitated property includes affordable residential units. It equals 30% of the rehabilitation cost if at least 20% of the units are affordable; otherwise, the credit equals 25% of that cost. By law, affordability is based on the share of a household's income spent on housing. A unit is affordable if it costs a moderate-income household no more than 30% of its income. A households falls into this category if it earns no more than the median income of the town where the unit is located.

The law authorizes business tax credits for rehabilitating certified historic commercial and industrial property for residential uses only. These credits equal 25% of the eligible rehabilitation costs and are administered by the Connecticut Commission on Culture and Tourism.

Eligibility

Individuals, limited liability companies, nonprofit and for profit corporations, and other business entities are eligible if they have title to the property and rehabilitate it. They qualify for credits based on the property's historic status and how the property will be used after rehabilitation.

The property must be a certified historic commercial or industrial property (1) individually listed on the national or state Register of Historic Places or (2) be located in an historic district listed on the national or state Register of Historic Places. In addition, the Connecticut Commission on Culture and Tourism must have certified that the property contributes to the district's historic character.

The rehabilitated property must meet two criteria: it must be used to house people and operate a business and the residential portion must comprise at least 50% of the property's total floor area.

Reserving the Credits

The bill establishes a two-step process for accessing the credits. The first step occurs when an owner asks the DECD commissioner to reserve credits on his behalf. The owner must do this before he starts rehabilitating the property. In requesting a credit reservation, the owner must submit the construction plans and specifications. These must provide enough detail for the commissioner to determine if the work meets standards that the commissioner develops and are based on the property's ability to cover operating expenses and capital needs and the extent to which it increases the affordable housing supply.

The owner must also provide an estimate of the project's "qualified rehabilitation expenditures," which includes all costs other than the owner's personal labor; new additions not needed to comply with building and fire safety codes; and architectural, legal, and financing fees and other nonconstruction costs. The qualified expenditures must exceed 25% of the property's assessed value.

The owner must provide additional information if he intends to include affordable housing units. He must specify the number of these

units he intends to produce, their proposed rents or sale prices, and the median income of the town where the property is located.

The commissioner can charge the owner up to \$2,000 to process applications and monitor rehabilitation. She must reserve the credits if the rehabilitation plan meets her standards.

Claiming Credits

The second step begins when the owner notifies the commissioner that he or she finished rehabilitating the property. In doing so, the owner must show that the work was actually completed and certify the costs incurred. The commissioner must review the owner's documents and verify whether the work complies with the rehabilitation plan. If so, she must issue a credit voucher to the owner or a taxpayer named as contributing to the rehabilitation (i.e., credit holder).

The voucher must grant a credit equal to the lesser of (1) the amount the commissioner reserved when she certified the rehabilitation plan or (2) 25% or 30% of the actual qualified rehabilitation expenditures, depending on whether the property includes affordable units.

Owners may claim the credit themselves or transfer them to others. Credit holders may claim the credit in the tax year when the property receives its certificate of occupancy. For multiphase projects, credit holders may claim a part of the credit in proportion to that part of the project that received a certificate of occupancy.

The credit holder can claim the credit by attaching the voucher to the holder's tax return. The credit can be used against the corporation tax or similar taxes on air carriers and insurers, or the tax on railroads, express, telegraph, cable, cable TV, and utility companies. It can be used in the tax year when the substantially rehabilitated certified property is placed in service. This happens when the qualified rehabilitation expenditures exceed 25% of the property's assessed value and the building official issues a certificate of occupancy, which can be for the entire structure or individual dwelling units completed as part of a multiphase project.

Multiple owners of a certified property must pass the credits through to designated partners, members, or owners on either a pro rata basis or according to an agreement among them, regardless of their other tax or economic attributes.

The credit holder can carry forward any unused portion of the credit for the next five years or until the full credit is used, whichever happens first.

Implementing Regulations

The commissioner must adopt implementing regulations, which must include procedures for requesting credit reservations; criteria for rating projects; timeframes for approving requests; and procedures for monitoring projects, which may be performed by DECD, public housing authorities, towns, or other public agencies DECD designates.

The regulations must also include provisions insuring that the affordable units remain affordable for at least 10 years. To achieve that end, they may authorize the commissioner to impose deed restrictions or other fiscal mechanism on the subsequent sale or rental of these units.

BACKGROUND

New Market Tax Credits (NMTC)

The NMTC program uses federal income tax credits to attract private capital for business projects in low-income areas. Nationwide, the total credit allocation for 2007 is \$19.5 billion. Investors seeking credits must access them through federally certified for-profit community development entities (CDEs), which must annually apply for them to the Treasury Department. The credits equal 39% of the invested amount, and investors must claim them over seven years according to a statutory schedule.

CDEs must lend to or invest the funds in business projects or use them for other specified activities. Business projects include mixed residential and commercial real estate developments where the housing units generate no more than 80% of the project's income. The

Treasury Department monitors CDEs and tracks their investments. Investors must repay the credits if the CDE fails to comply with the federal requirements.

Legislative History

The Senate referred the bill (File 400) to the Commerce Committee, which reported this substitute allowing, instead of requiring, DECD to adopt regulations with respect to historic structures being rehabilitated for mixed uses.

The Senate also referred the bill (File 811) to the Finance, Revenue and Bonding Committee, which established the tax credit for rehabilitating historic commercial and industrial property for mixed residential and commercial uses. In doing so, it deleted the provisions in the underlying bill that accomplished this, making these projects eligible for the existing credits for rehabilitating commercial and industrial property for residential uses only.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable
Yea 19 Nay 0 (03/23/2007)

Commerce Committee

Joint Favorable Substitute
Yea 14 Nay 4 (04/26/2007)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 52 Nay 0 (05/22/2007)