

S.B. 885
Testimony before the Commerce Committee
February 17, 2009

SB 885 proposes that a brand new program be rendered **permanent**, and eliminates the sunset the permits legislative review. The hotel TIF program described in CGS 32-285 is untested in its current form. Last year, the General Assembly delineated a specific "hotel TIF" program reliant upon hotel tax revenue, while also increasing legislative review of any sales tax TIF subsidy.

SB 885 proposes permanent status for this new hotel tax TIF program. This strikes us as risky, especially in the current economic climate. For example, Smith Travel Research reports that occupancy rates in the Hartford region fell by 11.1% in October, 16.6% in November, and 10.1% in December. STR reports that the region's current occupancy rate of 56.4% is below even the declining national rate of 60.4%.

We have a question: *Has CDA issued any bonds secured solely by hotel tax revenues?*

- If not, why not wait until we know whether the program works before we make the program permanent and eliminate the sunset and possibility of legislative review?
- If such bonds were issued, then are hotel revenues covering the debt payment? Have market conditions required an adjustment of hotel occupancy and RevPAR projections?

The General Assembly needs to ensure that the state is not put at risk of default if current economic conditions last indefinitely. Hotel tax revenues are as volatile as hotel occupancy figures. Securing bonds with such volatile revenues is a risky endeavor in the best of times, and should be undertaken with caution.

Furthermore, protections should be secured to address the likelihood of increased labor activity in the hotel industry, and the possibility of labor disputes like the one that hurt the Hartford Marriott a couple of years ago. That dispute was temporarily resolved because the City of Hartford has a labor peace requirement in effect. A similar provision would help secure the hotel revenues upon which repayment of the proposed TIF revenues are based.

We therefore propose two recommendations:

- 1. The General Assembly should not extend the sunset provision, and should wait and see whether the program succeeds before extending it further.**
- 2. The General Assembly should include "labor peace" language into this program, so that the hotel's revenue stream responsible for repayment of the state's bonds is not disrupted by labor activity, and is rendered less volatile.**

Respectfully Submitted,

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