



General Assembly

January Session, 2011

Raised Bill No. 1023

LCO No. 3564

03564_____CE_

Referred to Committee on Commerce

Introduced by:

(CE)

AN ACT CONCERNING THE USE OF HISTORIC STRUCTURES AND VACANT GOVERNMENT BUILDINGS FOR ECONOMIC DEVELOPMENT.

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

1 Section 1. Section 10-416a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2011, and*
3 *applicable to income years commencing on or after January 1, 2011*):

4 (a) As used in this section, the following terms shall have the
5 following meanings unless the context clearly indicates another
6 meaning:

7 (1) ["Commission"] "Department" means the [Connecticut
8 Commission on Culture and Tourism established pursuant to section
9 10-392] Department of Economic and Community Development;

10 (2) "Certified historic or government structure" means (A) an
11 historic commercial or industrial property that: [(A)] (i) Is listed
12 individually on the National or State Register of Historic Places, or
13 [(B)] (ii) is located in a district listed on the National or State Register of
14 Historic Places, and has been certified by the commission as

15 contributing to the historic character of such district, or (B) a vacant
16 federal, state or municipal-owned property that, when it was in use,
17 served a governmental purpose;

18 (3) "Certified rehabilitation" means any rehabilitation of a certified
19 historic or government structure for residential or mixed use consistent
20 with the historic character of such property or the district in which the
21 property is located as determined by regulations adopted by the
22 [commission] department;

23 (4) "Owner" means any person, firm, limited liability company,
24 nonprofit or for-profit corporation or other business entity which
25 possesses title to an historic or government structure and undertakes
26 the rehabilitation of such structure;

27 (5) "Placed in service" means that substantial rehabilitation work has
28 been completed which would allow for issuance of a certificate of
29 occupancy for the entire building or, in projects completed in phases,
30 for individual residential units that are an identifiable portion of the
31 building;

32 (6) "Qualified rehabilitation expenditures" means any costs incurred
33 for the physical construction involved in the rehabilitation of a
34 certified historic or government structure for residential or mixed use,
35 excluding: (A) The owner's personal labor, (B) the cost of a new
36 addition, except as required to comply with any provision of the State
37 Building Code or the State Fire Safety Code, and (C) any
38 nonconstruction cost such as architectural fees, legal fees and financing
39 fees;

40 (7) "Rehabilitation plan" means any construction plans and
41 specifications for the proposed rehabilitation of a certified historic or
42 government structure in sufficient detail for evaluation by compliance
43 with the standards developed under the provisions of subsections (b)
44 to (d), inclusive, of this section; and

45 (8) "Substantial rehabilitation" or "substantially rehabilitate" means
46 the qualified rehabilitation expenditures of a certified historic or
47 government structure that exceed twenty-five per cent of the assessed
48 value of such structure.

49 (b) (1) The [commission] department shall administer a system of
50 tax credit vouchers within the resources, requirements and purposes of
51 this section for owners rehabilitating certified historic or government
52 structures.

53 (2) The credit authorized by this section shall be available in the tax
54 year in which the substantially rehabilitated certified historic or
55 government structure is placed in service. In the case of projects
56 completed in phases, the tax credit shall be prorated to the
57 substantially rehabilitated identifiable portion of the building placed in
58 service. If the tax credit is more than the amount owed by the taxpayer
59 for the year in which the substantially rehabilitated certified historic
60 structure is placed in service, the amount that is more than the
61 taxpayer's tax liability may be carried forward and credited against the
62 taxes imposed for the succeeding five years or until the full credit is
63 used, whichever occurs first.

64 (3) Any credits allowed under this section that are provided to
65 multiple owners of certified historic or government structures shall be
66 passed through to persons designated as partners, members or owners,
67 pro rata or pursuant to an agreement among such persons designated
68 as partners, members or owners documenting an alternative
69 distribution method without regard to other tax or economic attributes
70 of such entity. Any owner entitled to a credit under this section may
71 assign, transfer or convey the credits, in whole or in part, by sale or
72 otherwise to any individual or entity and such transferee shall be
73 entitled to offset the tax imposed under chapter 207, 208, 209, 210, 211
74 or 212 as if such transferee had incurred the qualified rehabilitation
75 expenditure.

76 (c) The [commission] department shall develop standards for the

77 approval of rehabilitation of certified historic or government structures
78 for which a tax credit voucher is sought. Such standards shall take into
79 account whether the rehabilitation of a certified historic or government
80 structure will preserve the historic character of the building.

81 (d) The [commission] department shall adopt regulations, in
82 accordance with chapter 54, to carry out the purposes of this section.
83 Such regulations shall include provisions for filing of applications,
84 rating criteria and for timely approval by the [commission]
85 department.

86 (e) Prior to beginning any rehabilitation work on a certified historic
87 or government structure, the owner shall submit (1) a rehabilitation
88 plan to the commission for a determination of whether or not such
89 rehabilitation work meets the standards developed under the
90 provisions of subsections (b) to (d), inclusive, of this section, and (2) an
91 estimate of the qualified rehabilitation expenditures. The provisions of
92 this subsection shall not disqualify applications for tax credits for
93 certified historic or government structures for which rehabilitation
94 commenced but were not placed in service before July 1, 2006.

95 (f) If the [commission] department certifies that the rehabilitation
96 plan conforms to the standards developed under the provisions of
97 subsections (b) to (d), inclusive, of this section, the [commission]
98 department shall reserve for the benefit of the owner an allocation for a
99 tax credit equivalent to twenty-five per cent of the projected qualified
100 rehabilitation expenditures, not exceeding two million seven hundred
101 thousand dollars.

102 (g) Following the completion of rehabilitation of a certified historic
103 or government structure, the owner shall notify the [commission]
104 department that such rehabilitation has been completed. The owner
105 shall provide the [commission] department with documentation of
106 work performed on the certified historic or government structure and
107 shall submit certification of the costs incurred in rehabilitating the
108 certified historic or government structure. The [commission]

109 department shall review such rehabilitation and verify its compliance
110 with the rehabilitation plan. Following such verification, the
111 [commission] department shall issue a tax credit voucher to the owner
112 rehabilitating the certified historic or government structure or to the
113 taxpayer named by the owner as contributing to the rehabilitation. The
114 tax credit voucher shall be in an amount equivalent to the lesser of the
115 tax credit reserved upon certification of the rehabilitation plan under
116 the provisions of subsection (f) of this section or twenty-five per cent of
117 the actual qualified rehabilitation expenditures not exceeding two
118 million seven hundred thousand dollars. In order to obtain a credit
119 against any state tax due that is specified in subsections (h) to (j),
120 inclusive, of this section, the holder of the tax credit voucher shall file
121 the voucher with the holder's state tax return.

122 (h) The Commissioner of Revenue Services shall grant a tax credit to
123 a taxpayer holding the tax credit voucher issued under subsections (e)
124 to (i), inclusive, of this section against any tax due under chapter 207,
125 208, 209, 210, 211 or 212 in the amount specified in the tax credit
126 voucher. Such taxpayer shall submit the voucher and the
127 corresponding tax return to the Department of Revenue Services.

128 (i) The aggregate amount of all tax credits which may be reserved
129 by the [commission] department upon certification of rehabilitation
130 plans under subsections (b) to (d), inclusive, of this section shall not
131 exceed fifteen million dollars in any one fiscal year.

132 (j) The [commission] department may charge an application fee in
133 an amount not to exceed ten thousand dollars to cover the cost of
134 administering the program established pursuant to this section.

135 Sec. 2. Section 10-416b of the general statutes is repealed and the
136 following is substituted in lieu thereof (*Effective July 1, 2011, and*
137 *applicable to income years commencing on or after January 1, 2011*):

138 (a) As used in this section, the following terms shall have the
139 following meanings unless the context clearly indicates another

140 meaning:

141 (1) ["Commission"] "Department" means the [Connecticut
142 Commission on Culture and Tourism established pursuant to section
143 10-392] Department of Economic and Community Development;

144 (2) "Certified historic structure" means an historic commercial, [or]
145 industrial, institutional or mixed residential and nonresidential
146 property that: (A) Is listed individually on the National or State
147 Register of Historic Places, or (B) is located in a district listed on the
148 National or State Register of Historic Places, and has been certified by
149 the [commission] department as contributing to the historic character
150 of such district;

151 (3) "Certified rehabilitation" means any rehabilitation of a certified
152 historic structure for mixed residential and nonresidential uses or
153 nonresidential use consistent with the historic character of such
154 property or the district in which the property is located as determined
155 by regulations adopted by the [commission] department;

156 (4) "Owner" means any person, firm, limited liability company,
157 nonprofit or for-profit corporation or other business entity or
158 municipality which possesses title to an historic structure and
159 undertakes the rehabilitation of such structure;

160 (5) "Placed in service" means that substantial rehabilitation work has
161 been completed which would allow for issuance of a certificate of
162 occupancy for the entire building or, in projects completed in phases,
163 for an identifiable portion of the building;

164 (6) "Qualified rehabilitation expenditures" means any costs incurred
165 for the physical construction involved in the rehabilitation of a
166 certified historic structure for mixed residential and nonresidential
167 uses [where at least thirty-three per cent of the total square footage of
168 the rehabilitation is placed into service for residential use] or
169 nonresidential uses, excluding: (A) The owner's personal labor, (B) the

170 cost of a new addition, except as required to comply with any
171 provision of the State Building Code or the State Fire Safety Code, and
172 (C) any nonconstruction cost such as architectural fees, legal fees and
173 financing fees;

174 (7) "Rehabilitation plan" means any construction plans and
175 specifications for the proposed rehabilitation of a certified historic
176 structure in sufficient detail for evaluation by compliance with the
177 standards developed under the provisions of subsections (b) to (d),
178 inclusive, of this section; and

179 (8) "Substantial rehabilitation" or "substantially rehabilitate" means
180 the qualified rehabilitation expenditures of a certified historic structure
181 that exceed twenty-five per cent of the assessed value of such
182 structure.

183 (b) (1) The [commission] department shall administer a system of
184 tax credit vouchers within the resources, requirements and purposes of
185 this section for owners rehabilitating certified historic structures.

186 (2) The credit authorized by this section shall be available in the tax
187 year in which the substantially rehabilitated certified historic structure
188 is placed in service. In the case of projects completed in phases, the tax
189 credit shall be prorated to the substantially rehabilitated identifiable
190 portion of the building placed in service. If the tax credit is more than
191 the amount owed by the taxpayer for the year in which the
192 substantially rehabilitated certified historic structure is placed in
193 service, the amount that is more than the taxpayer's tax liability may be
194 carried forward and credited against the taxes imposed for the
195 succeeding five years or until the full credit is used, whichever occurs
196 first.

197 (3) In the case of projects completed in phases, the [commission]
198 department may issue vouchers for the substantially rehabilitated
199 identifiable portion of the building placed in service. [, regardless of
200 whether such portion contains residential uses.]

201 (4) Any credits allowed under this section that are provided to
202 multiple owners of certified historic structures shall be passed through
203 to persons designated as partners, members or owners, pro rata or
204 pursuant to an agreement among such persons designated as partners,
205 members or owners documenting an alternative distribution method
206 without regard to other tax or economic attributes of such entity. Any
207 owner entitled to a credit under this section may assign, transfer or
208 convey the credits, in whole or in part, by sale or otherwise to any
209 individual or entity and such transferee shall be entitled to offset the
210 tax imposed under chapter 207, 208, 209, 210, 211 or 212 as if such
211 transferee had incurred the qualified rehabilitation expenditure.

212 (c) The [commission] department shall develop standards for the
213 approval of rehabilitation of certified historic structures for which a tax
214 credit voucher is sought. Such standards shall take into account
215 whether the rehabilitation of a certified historic structure will preserve
216 the historic character of the building.

217 (d) The [commission] department shall adopt regulations, in
218 accordance with chapter 54, to carry out the purposes of this section.
219 Such regulations shall include provisions for the filing of applications,
220 rating criteria and for timely approval by the [commission]
221 department.

222 (e) Prior to beginning any rehabilitation work on a certified historic
223 structure, the owner shall submit to the department (1) (A) a
224 rehabilitation plan [to the commission] for a determination of whether
225 or not such rehabilitation work meets the standards developed under
226 the provisions of subsections (b) to (d), inclusive, of this section, and
227 (B) if such rehabilitation work is planned to be undertaken in phases, a
228 complete description of each such phase, with anticipated schedules
229 for completion, (2) an estimate of the qualified rehabilitation
230 expenditures, and (3) for projects pursuant to subdivision (2) of
231 subsection (f) of this section, (A) the number of units of affordable
232 housing, as defined in section 8-39a, to be created, (B) the proposed

233 rents or sale prices of such units, and (C) the median income for the
234 municipality where the project is located. [In the case of a project
235 pursuant to subdivision (2) of subsection (f) of this section the owner
236 shall submit a copy of data required under subdivision (3) of this
237 subsection to the Department of Economic and Community
238 Development.]

239 (f) If the [commission] department certifies that the rehabilitation
240 plan conforms to the standards developed under the provisions of
241 subsections (b) to (d), inclusive, of this section, the [commission]
242 department shall reserve for the benefit of the owner an allocation for a
243 tax credit equivalent to (1) twenty-five per cent of the projected
244 qualified rehabilitation expenditures, or (2) for rehabilitation plans
245 submitted pursuant to subsection (e) of this section on or after June 14,
246 2007, thirty per cent of the projected qualified rehabilitation
247 expenditures if (A) at least twenty per cent of the units are rental units
248 and qualify as affordable housing, as defined in section 8-39a, or (B) at
249 least ten per cent of the units are individual homeownership units and
250 qualify as affordable housing, as defined in section 8-39a. No tax credit
251 shall be allocated for the purposes of this subdivision unless an
252 applicant has [submitted to the commission] received a certificate from
253 the [Department of Economic and Community Development]
254 department pursuant to [subsections (l) and (m) of this] section 8-37lll,
255 as amended by this act, confirming that the project complies with
256 affordable housing requirements under section 8-39a.

257 [(g) (1) The owner shall notify the commission that a phase of the
258 rehabilitation has been completed at such time as an identifiable
259 portion of a certified historic structure has been placed in service. Such
260 portion shall not be required to include residential uses, provided the
261 rehabilitation plan submitted pursuant to subsection (e) of this section
262 describes the residential uses that will be part of the rehabilitation, and
263 includes a schedule for completion of such residential uses. The owner
264 shall provide the commission with documentation of work performed
265 on such portion of such structure and shall submit certification of the

266 costs incurred in such rehabilitation. The commission shall review
267 such rehabilitation and verify its compliance with the rehabilitation
268 plan. Following such verification, the commission shall issue a tax
269 credit voucher as provided in subsection (h) of this section.

270 (2) If the residential portion of the mixed residential and
271 nonresidential uses described in the rehabilitation plan is not
272 completed within the schedule outlined in such plan, the owner shall
273 recapture one hundred per cent of the amount of the credit for which a
274 voucher was issued pursuant to this section on the tax return required
275 to be filed for the income year immediately succeeding the income
276 year during which such residential portion has not been completed.
277 The commission, in its discretion, may provide an extension of time for
278 completion of such residential portion, but in no event shall such
279 extension be more than three years.]

280 [(h)] (g) Following the completion of rehabilitation of a certified
281 historic structure in its entirety or in phases to an identifiable portion
282 of the building, the owner shall notify the [commission] department
283 that such rehabilitation has been completed. The owner shall provide
284 the commission with documentation of work performed on the
285 certified historic structure and shall submit certification of the costs
286 incurred in rehabilitating the certified historic structure. The
287 [commission] department shall review such rehabilitation and verify
288 its compliance with the rehabilitation plan. Following such
289 verification, the [commission] department shall issue a tax credit
290 voucher to the owner rehabilitating the certified historic structure or to
291 the taxpayer named by the owner as contributing to the rehabilitation.
292 The tax credit voucher shall be in an amount equivalent to the lesser of
293 the tax credit reserved upon certification of the rehabilitation plan
294 under the provisions of subsection (f) of this section or (1) twenty-five
295 per cent of the actual qualified rehabilitation expenditures, or (2) for
296 projects including affordable housing pursuant to subdivision (2) of
297 subsection (f) of this section, thirty per cent of the actual qualified
298 rehabilitation expenditures. In order to obtain a credit against any state

299 tax due that is specified in subsection [(i)] (h) of this section, the holder
300 of the tax credit voucher shall file the voucher with the holder's state
301 tax return.

302 [(i)] (h) The Commissioner of Revenue Services shall grant a tax
303 credit to a taxpayer holding the tax credit voucher issued under
304 subsections (e) to [(j)] (i), inclusive, of this section against any tax due
305 under chapter 207, 208, 209, 210, 211 or 212 in the amount specified in
306 the tax credit voucher. Such taxpayer shall submit the voucher and the
307 corresponding tax return to the Department of Revenue Services.

308 [(j)] (i) The [commission] department may charge an application fee
309 in an amount not to exceed ten thousand dollars to cover the cost of
310 administering the program established pursuant to this section.

311 [(k)] (j) The aggregate amount of all tax credits which may be
312 reserved by the [Commission on Culture and Tourism] department
313 upon certification of rehabilitation plans under subsections (a) to [(j)]
314 (i), inclusive, of this section shall not exceed fifty million dollars for the
315 fiscal three-year period beginning July 1, 2008, and ending June 30,
316 2011, inclusive, and each fiscal three-year period thereafter. No project
317 may receive tax credits in an amount exceeding ten per cent of such
318 aggregate amount.

319 [(l)] (k) On or before October 1, 2009, and annually thereafter, the
320 [Commission on Culture and Tourism] department shall report the
321 total amount of historic preservation tax credits and affordable
322 housing tax credits reserved for the previous fiscal year under
323 subsections (a) to [(j)] (i), inclusive, of this section, to the joint standing
324 committees of the General Assembly having cognizance of matters
325 relating to commerce and to finance, revenue and bonding. Each such
326 report shall include the following information for each project for
327 which tax credit has been reserved: (1) The total project costs, (2) the
328 value of the tax credit reservation for the purpose of historic
329 preservation, (3) a statement whether the reservation is for mixed-use
330 and if so, the proportion of the project that is not residential, and (4)

331 the number of residential units to be created, and, for affordable
332 housing reservations, the value of the reservation and percentage of
333 residential units that will qualify as affordable housing, as defined in
334 section 8-39a.

335 ~~[(m)]~~ (l) (1) If the total amount of such tax credits reserved in the
336 first fiscal year of a fiscal three-year period is more than sixty-five per
337 cent of the aggregate amount of tax credits reserved under subsections
338 (a) to (j), inclusive, of this section, then no additional reservation shall
339 be allowed for the second fiscal year of such fiscal three-year period
340 unless the joint standing committees of the General Assembly having
341 cognizance of matters relating to commerce and to finance, revenue
342 and bonding each vote separately to authorize continuance of tax
343 credit reservations under the program.

344 (2) If the total amount of such credits reserved in the second year of
345 a fiscal three-year period exceeds ninety per cent of the aggregate
346 amount of tax credits reserved under subsections (a) to ~~[(j)]~~ (i),
347 inclusive, of this section, then no additional reservation shall be
348 allowed for the third fiscal year of such fiscal three-year period unless
349 the joint standing committees of the General Assembly having
350 cognizance of matters relating to commerce and to finance, revenue
351 and bonding each vote separately to authorize the continuance of tax
352 credit reservations under the program.

353 (3) Any tax credit reservations issued before a suspension of
354 additional tax credit reservations under subdivisions (1) and (2) of this
355 subsection shall remain in place.

356 Sec. 3. Section 8-37*lll* of the general statutes is repealed and the
357 following is substituted in lieu thereof (*Effective July 1, 2011*):

358 (a) The Commissioner of Economic and Community Development
359 shall review applications for affordable housing tax credits submitted
360 pursuant to subsection (e) of section 10-416b, as amended by this act.
361 Upon determination that an application contains affordable housing as

362 required by said section the commissioner shall issue a certificate to
 363 that effect. The commissioner shall monitor projects certified under
 364 this section to ensure that the affordable housing units are maintained
 365 as affordable for a minimum of ten years and may require deed
 366 restrictions or other fiscal mechanisms designed to ensure compliance
 367 with project requirements. The commissioner may impose a fee in an
 368 amount not exceeding two thousand dollars to cover the cost of
 369 reviewing applications and monitoring projects that qualify for
 370 affordable housing tax credits pursuant to subsections (a) to [(j)] (i),
 371 inclusive, of section 10-416b, as amended by this act.

372 (b) The Commissioner of Economic and Community Development,
 373 in consultation with the Commission on Culture and Tourism, may
 374 adopt regulations, pursuant to chapter 54, for monitoring of projects
 375 that qualify for affordable housing tax credits pursuant to subsections
 376 (a) to [(j)] (i), inclusive, of section 10-416b, as amended by this act, by
 377 the Department of Economic and Community Development, or by
 378 local housing authorities, municipalities, other public agencies or
 379 quasi-public agencies, as defined in section 1-120, designated by the
 380 department. Such regulations shall include provisions for ensuring
 381 that affordable units developed under subdivision (3) of subsection (e)
 382 of section 10-416b, as amended by this act, are maintained as
 383 affordable for a minimum of ten years and may require deed
 384 restrictions or other fiscal mechanisms designed to ensure compliance
 385 with project requirements.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2011, and applicable to income years commencing on or after January 1, 2011</i>	10-416a

Sec. 2	<i>July 1, 2011, and applicable to income years commencing on or after January 1, 2011</i>	10-416b
Sec. 3	<i>July 1, 2011</i>	8-37lll

Statement of Purpose:

To expand the historic structures tax credit to encourage economic development.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]