

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 13-246—sHB 5718

*Planning and Development Committee
Finance, Revenue and Bonding Committee*

AN ACT CONCERNING MUNICIPAL AUTHORITY TO PROVIDE TAX ABATEMENTS TO ENCOURAGE RESIDENTIAL DEVELOPMENT AND ESTABLISHING THE RENTSCHLER FIELD IMPROVEMENT DISTRICT IN THE TOWN OF EAST HARTFORD

SUMMARY: This act expands a municipality's authority to fix or defer property tax assessments on certain development projects. The law allows municipalities to fix the tax assessment for a range of real estate development projects and bases the period for doing so on the value of the improvements. Under prior law, the fixed assessment was (1) 100% for up to seven years for projects over \$3 million; (2) 100% for up to two years for projects over \$500,000; and (3) up to 50% for up to three years for projects over \$25,000. The act decreases, from \$25,000 to \$10,000, the minimum cost of projects eligible for the three year fixed assessment.

The act also expands the uses for which municipalities may fix assessments to include mixed-use developments, which are developments that contain, in addition to at least one residential unit, commercial, public, institutional, retail, office, or industrial uses. By law, municipalities may also provide fixed assessments for the following uses: office; retail; permanent or transient residences; manufacturing; warehouse, storage, or distribution; recreational; transportation; information technology; and multilevel parking for mass transit systems.

Other statutes allow municipalities to defer an increased property tax assessment on property located in a designated rehabilitation area if the property is being rehabilitated or constructed for certain uses. Under prior law, the rehabilitation area could include all or part of a municipality that is deteriorated, deteriorating, substandard, or detrimental to the safety, health, welfare, or general economic well-being of the community. The act specifies that only one or more properties in a rehabilitation area need to meet these criteria to be considered a rehabilitation area.

The act also authorizes voters and nonresident property owners in East Hartford to establish a special taxing district in the area around Rentschler Field. The district's powers, organizational structure, and processes are generally similar to special taxing districts operating under the statutes (statutory districts).

EFFECTIVE DATE: October 1, 2013, except the provisions authorizing the creation of the Rentschler Field Improvement District are effective July 1, 2013.

RENTSCHLER FIELD IMPROVEMENT DISTRICT

OLR PUBLIC ACT SUMMARY

The act provides a procedure through which voters and nonresident property owners in a specified section of East Hartford may form a special taxing district (“Rentschler Field Improvement District”) to provide services and finance infrastructure improvements there.

District Purposes

The act allows the district to provide services, such as fire protection; road, tree, and infrastructure maintenance; and community water systems. It also allows it to finance infrastructure improvements, such as utility improvements and connections; bulkhead repairs, dredging, construction, and environmental remediation; and flood or erosion control systems. The district can pay for the improvements directly or give grants to others to provide them.

Establishing the District

The act delineates the district’s geographic boundaries (approximately 136 acres). The district comes into existence only if voters approve its formation. The process for doing so is largely the same as the one for establishing statutory districts. Once established, the district assumes all the powers of statutory districts, such as assessing and collecting property taxes and issuing bonds.

Directors and Officers

After being established, the district must hold an organizational meeting at which district voters must fix the annual meeting dates and elect four directors. The East Hartford mayor may appoint one additional director for the district. At least three directors must be Connecticut residents. Voters must also elect a president, vice-president, clerk, and treasurer from among the district’s directors. These officers serve only until the first annual meeting, at which time the voters must elect new officers.

Voters and Quorum

Under the act, voters are people (1) living in the district; (2) liable to it for at least \$1,000 in property assessments (certain tax-exempt entities are also eligible); or (3) owning or having an interest in real property located in it, such as banks holding mortgages. Fifteen district voters or a majority of those owning interests in real property in the district are a quorum for transacting general business, as long as the property owners present represent at least 50% of the total property assessments in the district.

District Bonds

The district must enter into an interlocal agreement with East Hartford before it can issue bonds. Once it has done so, the act allows it to issue up to \$100 million in bonds to finance improvements and to secure them by (1) the district’s full faith and credit; (2) district fees, revenues, or benefit assessments; or (3) a combination of the two. While the bonds are outstanding, the district’s powers may not be impaired in any way to adversely affect the bondholders’ interests.

OLR PUBLIC ACT SUMMARY

Bonds are not considered debts of the state or of East Hartford and can be issued without their consent.

Taxing Power

The act gives the district the power to levy assessments and taxes on land and buildings benefiting from the district's improvements, but only after holding at least two public hearings in the town; giving notice to the East Hartford mayor and town council; and advertising in at least two newspapers circulating in town. The district has the same powers as statutory districts and East Hartford with respect to delinquent assessments and taxes. Delinquent charges bear interest at the same rate as delinquent property taxes (1.5% per month or part of a month or 18% per year) and constitute a lien on the property against which they were levied. Such liens take precedence over all other liens or encumbrances, except a lien for taxes owed to East Hartford, and may be continued, recorded, and released like property tax liens.

The act also specifies that when East Hartford makes improvements that benefit the district, whether they are in or outside the district, all district properties are deemed to benefit, and therefore may be assessed for the improvements' costs.

Relationship to Town and the State

The act exempts the district's revenues and real and personal property from state and municipal taxes. District bond principal and interest are exempt from state taxes other than the estate and gift, franchise, and excise taxes. But the state and East Hartford can still levy taxes on the incomes and properties of the people and businesses living or operating in the district. Additionally, the district and East Hartford may agree to share real and personal property tax revenue in the same manner as municipalities.

Tax Increment Financing (TIF)

The law establishes a TIF program, administered by Connecticut Innovations, Inc., through which businesses and municipalities may obtain financing for large-scale development projects. The program uses incremental hotel, sales, admissions, and dues tax revenue to repay bonds issued for projects that create jobs or stimulate significant business activity.

By law, shopping center projects financed with TIF bonds can dedicate no more than 30% of incremental sales taxes directly associated with the project to paying the principal and interest on the bonds. The act exempts shopping center projects in the district from this restriction, thus allowing them to be treated as any other project. By law, the incremental tax revenue dedicated to a TIF project cannot exceed the incremental tax revenue the project is estimated to generate.

Limit on State Financial Assistance

The law limits state financial assistance to \$10 million within a two-year period, per business project or applicant, unless the legislature specifically authorizes otherwise. The act exempts development projects in the district from

OLR PUBLIC ACT SUMMARY

this limitation if they are funded with the TIF bonds described above.

Termination

The requirements for terminating the district are the same as those for statutory districts. If the voters agree to terminate the district, it cannot dissolve until it pays off its debt and East Hartford agrees to (1) accept its remaining assets or (2) assume that debt.

If East Hartford chooses, it may, by vote of its town council, merge the district into the town (1) if the district does not issue any bonds within four years after the act's passage or (2) after all bonds are paid off. In that case, district property must be distributed to the town.

OLR Tracking: JB:RP:PF:RO