



# House of Representatives

General Assembly

**File No. 358**

February Session, 2014

Substitute House Bill No. 5515

*House of Representatives, April 3, 2014*

The Committee on Commerce reported through REP. PERONE of the 137th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT ALLOWING THE DESIGNATION OF AREAS WITHIN THE TOWNS OF THOMASTON AND WALLINGFORD AS ENTERPRISE ZONES.***

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

1 Section 1. Subsection (c) of section 32-70 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2014*):

4 (c) (1) On or before September 30, 1993, the Commissioner of  
5 Economic and Community Development shall approve the  
6 designation of ten areas as enterprise zones, not more than four of  
7 which shall be in municipalities with a population greater than eighty  
8 thousand and not more than six of which shall be in municipalities  
9 with a population of less than eighty thousand.

10 (2) (A) On or after October 1, 1993, the commissioner shall approve  
11 the designation of two areas as enterprise zones. Each such area shall  
12 be in a municipality with a population of less than eighty thousand, in

13 which there are one or more base or plant closures. Such municipalities  
14 shall be in different counties. If the commissioner approves the  
15 designation of an area of a municipality as an enterprise zone because  
16 of a plant closure in the municipality and there is a closure of another  
17 plant in any other municipality in the state by the same business, the  
18 commissioner shall also designate an area in such other municipality  
19 as an enterprise zone. If any such designated area includes a portion of  
20 a census tract in which any such base or plant is located, the census  
21 tracts in such area shall not be required to meet the eligibility criteria  
22 set forth under subsection (a) of this section for enterprise zone  
23 designation. If any such area is located elsewhere in the municipality,  
24 the census tracts in such area shall meet such eligibility criteria. As  
25 used in this subparagraph, (i) "base" means any United States or state  
26 of Connecticut military base or facility located in whole or in part  
27 within the state; (ii) "plant" means any manufacturing or economic  
28 base business, as defined in subsection (l) of section 32-222; and (iii)  
29 "closure" means any reduction or transfer in military personnel or  
30 civilian employment at one or more bases or plants in a municipality,  
31 which occurred between July 1, 1989, and July 1, 1993, or is scheduled  
32 to occur between July 1, 1993, and July 1, 1996, and exceeds two  
33 thousand persons. Such employment figures shall be certified by the  
34 Labor Department. (B) On or after October 1, 1993, the commissioner  
35 shall approve the designation of three other areas as enterprise zones,  
36 one of which shall be in a municipality with a population greater than  
37 eighty thousand and two of which shall be in municipalities with a  
38 population of less than eighty thousand. The census tracts in such  
39 areas shall meet the eligibility criteria set forth under subsection (a) of  
40 this section for enterprise zone designation. The commissioner shall  
41 approve the designation of enterprise zones under this subparagraph  
42 for those municipalities which he or she determines to have  
43 experienced the largest increases in poverty from October 1, 1989, to  
44 October 1, 1993, inclusive, based on a weighted average of the  
45 unemployment rate, caseload under the temporary family assistance  
46 program and per capita income of less than ninety per cent of the state  
47 average between 1985 and 1989. In making his determination, the

48 commissioner may also consider the vacancy rates for commercial and  
49 industrial facilities in a municipality and a municipality's program for  
50 the implementation of an effective enterprise zone program. To the  
51 extent appropriate, the commissioner shall use the Regional Economic  
52 Models, Inc. (REMI) system in making the calculations for such  
53 determination. (C) Notwithstanding the provisions of subsection (a) of  
54 this section, municipalities that were not distressed municipalities  
55 under the provisions of subsection (b) of section 32-9p on February 1,  
56 1986, shall be eligible to designate areas as enterprise zones under  
57 subparagraph (A) or (B) of this subdivision.

58 (3) Notwithstanding the eligibility criteria set forth in subsection (a)  
59 of this section, (A) the municipalities described in this subparagraph  
60 shall be eligible to designate an area of said municipality as an  
61 enterprise zone, provided such area shall consist of one or two  
62 contiguous United States census tracts, contiguous portions of such  
63 census tracts or a portion of an individual census tract, as determined  
64 in accordance with the most recent federal decennial census and, if  
65 such area is covered by zoning, a portion of it shall be zoned to allow  
66 commercial or industrial activity: (i) A municipality with a population  
67 of not less than seven thousand eight hundred and not more than  
68 seven thousand nine hundred, as enumerated in the 2010 federal  
69 decennial census, and having a total square area of not more than 12.2  
70 miles, and (ii) a municipality with a population of not more than fifty  
71 thousand, as enumerated in the 2010 federal decennial census, in  
72 which a United States Postal Service processing center that at any point  
73 in time employed one thousand or more persons is or was located; and  
74 (B) on or before January 1, 2015, the commissioner shall approve any  
75 such designation.

76 ~~[(3)]~~ (4) The commissioner shall not approve the designation of  
77 more than one enterprise zone in any municipality. The commissioner  
78 shall adopt regulations in accordance with chapter 54 concerning such  
79 additional qualifications for an area to become an enterprise zone as he  
80 or she deems necessary. The commissioner may remove the  
81 designation of any area he or she has approved as an enterprise zone if

82 such area no longer meets the criteria for designation as such an area  
83 set forth in this section or in regulations adopted pursuant to this  
84 section, provided no such designation shall be removed less than ten  
85 years from the original date of approval of such zone. The  
86 commissioner may designate any additional area as an enterprise zone  
87 if that area is designated as an enterprise zone, empowerment zone or  
88 enterprise community pursuant to any federal legislation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2014	32-70(c)

**CE**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

## **OFA Fiscal Note**

### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 15 \$</b>	<b>FY 16 \$</b>
Department of Revenue Services	GF - Potential Revenue Loss	200,000 - 400,000	200,000 - 400,000

### **Municipal Impact:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 15 \$</b>	<b>FY 16 \$</b>
Thomaston; Wallingford	Grand List Reduction - Net Revenue Loss	None	Potential

### **Explanation**

The bill extends the ability to designate an enterprise zone to Thomaston and Wallingford which is expected to result in an annual revenue loss of \$200,000 - \$400,000 annually beginning as early as FY 15. This estimate (1) assumes that a qualifying corporation would exist within the designated enterprise zone in each municipality and (2) is based on the average revenue loss per existing enterprise zone over the past five income years.

The revenue loss could be off-set by additional tax revenue from the creation of new or the expansion of existing businesses to the extent that these financial incentives result in economic development that otherwise would not have occurred.

There is a potential grand list reduction to the towns of Thomaston and Wallingford due to multiple five-year property tax breaks for which certain businesses located in enterprise zones are eligible. Such

businesses are eligible for property tax reductions of between 40% and 80%, depending on the type of business, and type of investment undertaken. This potential grand list reduction results in a revenue loss, given a constant mill rate. Due to the timing of grand list assessments, any revenue loss would first occur in FY 16.

Any revenue loss to Thomaston and Wallingford resulting from these exemptions is partially offset by the Distressed Municipalities grant program, which reimburses municipalities for 50% of the tax loss resulting from these exemptions, for a five-year period. As the grant is prorated, and Thomaston and Wallingford do not currently receive Distressed Municipalities grants, providing grants to these towns may result in a reduction in grant payments to all other towns.

### ***The Out Years***

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

**OLR Bill Analysis****sHB 5515*****AN ACT ALLOWING THE DESIGNATION OF AREAS WITHIN THE TOWNS OF THOMASTON AND WALLINGFORD AS ENTERPRISE ZONES.*****SUMMARY:**

This bill (1) allows Thomaston and Wallingford each to designate an area of town as an enterprise zone and (2) requires the economic development commissioner to approve these designations by January 1, 2015. The bill describes the municipalities respectively as (1) having a population between 7,800 and 7,900 and an area of up to 12.2 square miles and (2) having a population of up to 50,000 in which a U.S. Postal Service Processing center that at any time employed at least 1,000 people is or was located. Generally, municipalities must be considered “distressed municipalities” to designate an area as an enterprise zone and the area they choose to designate must meet certain poverty or unemployment criteria. The bill allows Thomaston and Wallingford to designate an area as an enterprise zone without meeting these criteria.

The areas designated by each municipality, like existing enterprise zones, must consist of one or two contiguous census tracts, contiguous portions of such tracts, or a portion of an individual census tract, according to the most recent census. If the designated zone is covered by zoning, a portion of the area designated as an enterprise zone must be zoned for commercial or industrial activity. Businesses located in these zones receive the same benefits as those in existing enterprise zones.

EFFECTIVE DATE: July 1, 2014

**BACKGROUND*****Enterprise Zone Benefits***

Connecticut’s enterprise zone incentives are currently available in 17 state-approved enterprise zones, which by law are economically distressed areas no larger than two contiguous census tracts. The enterprise zone program mainly targets manufacturers and certain types of retail and service businesses that construct, expand, or rehabilitate facilities in the zones, thereby expanding local property tax bases, revitalizing run-down areas, and creating jobs. Benefits given to businesses in enterprise zones include:

1. property and real estate conveyance tax exemptions and corporation business tax credits mainly for developing facilities, with the state reimbursing municipalities for a portion of the revenue loss from the property tax exemption (CGS §§12-81, 12-498, & 12-217e); and
2. a 10-year corporation business tax credit for any newly formed corporations locating in the zones (CGS §12-271v).

The 17 enterprise zones are located in Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Waterbury, and Windham.

**COMMITTEE ACTION**

Joint Favorable Substitute

Commerce Committee  
Yea 17 Nay 0 03/20/2014