



Senate

General Assembly

File No. 695

January Session, 2015

Substitute Senate Bill No. 677

Senate, April 16, 2015

The Committee on Planning and Development reported through SEN. OSTEN of the 19th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT ESTABLISHING TAX INCREMENT FINANCING DISTRICTS.

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

1 Section 1. (NEW) (*Effective October 1, 2015*) As used in sections 1 to 9,
2 inclusive, of this act unless the context otherwise requires:

3 (1) "Captured assessed value" means the amount, as a percentage or
4 stated sum, of increased assessed value that is utilized from year to
5 year to finance project costs pursuant to the district master plan.

6 (2) "Current assessed value" means the assessed value of all taxable
7 real property within a tax increment district as of October first of each
8 year that the tax increment district remains in effect.

9 (3) "District master plan" means a statement of means and objectives
10 prepared by the municipality relating to a tax increment district
11 designed to provide new employment opportunities, retain existing
12 employment, provide housing opportunities, improve or broaden the

13 tax base or construct or improve the physical facilities and structures
14 through the development of industrial, commercial, residential, retail
15 and mixed use, transit-oriented development, downtown development
16 or any combination thereof, as described in section 4 of this act.

17 (4) "Downtown" means a central business district or other
18 commercial neighborhood area of a community that serves as a center
19 of socioeconomic interaction in the community, characterized by a
20 cohesive core of commercial and mixed-use buildings, often
21 interspersed with civic, religious and residential buildings and public
22 spaces, that are typically arranged along a main street and intersecting
23 side streets and served by public infrastructure.

24 (5) "Financial plan" means a statement of the project costs and
25 sources of revenue required to accomplish the district master plan.

26 (6) "Increased assessed value" means the valuation amount by
27 which the current assessed value of a tax increment district exceeds the
28 original assessed value of the tax increment district. If the current
29 assessed value is equal to or less than the original assessed value, there
30 is no increased assessed value.

31 (7) "Maintenance and operation" means all activities necessary to
32 maintain facilities after they have been developed and all activities
33 necessary to operate such facilities, including, but not limited to,
34 informational, promotional and educational programs and safety and
35 surveillance activities.

36 (8) "Original assessed value" means the assessed value of all taxable
37 real property within a tax increment district as of October first of the
38 tax year preceding the year in which the tax increment district was
39 established by the legislative body of a municipality.

40 (9) "Project costs" means any expenditures or monetary obligations
41 incurred or expected to be incurred that are authorized by section 6 of
42 this act and included in a district master plan.

43 (10) "Tax increment" means real property taxes assessed by a

44 municipality upon the increased assessed value of property in the tax
45 increment district.

46 (11) "Tax increment district" means that area wholly within the
47 corporate limits of a municipality that has been established and
48 designated as such pursuant to section 2 of this act and that is to be
49 developed under a district master plan.

50 (12) "Tax year" means the period of time beginning on July first and
51 ending on the succeeding June thirtieth.

52 (13) "Transit" means transportation systems in which people are
53 conveyed by means other than their own vehicles, including, but not
54 limited to, bus systems, street cars, ferries, light rail and other rail
55 systems.

56 (14) "Transit facility" means a place providing access to transit
57 services, including, but not limited to, bus stops, bus stations,
58 interchanges on a highway used by one or more transit providers,
59 ferry landings, train stations, shuttle terminals and bus rapid transit
60 stops.

61 (15) "Transit-oriented development" means the development of
62 residential, commercial and employment centers within one-half mile
63 or walking distance of a transit facility, including rail and bus rapid
64 transit and services that meet transit supportive standards for land
65 uses, built environment densities and walkable environments, in order
66 to facilitate and encourage the use of those services. Transit-oriented
67 development includes, but is not limited to, transit vehicles such as
68 buses, ferries, vans, rail conveyances and related equipment; bus
69 shelters and other transit-related structures; benches, signs and other
70 transit-related infrastructure; bicycle lane construction and other
71 bicycle-related improvements; pedestrian improvements such as
72 crosswalks, crosswalk signals and warning systems and crosswalk
73 curb treatments and the industrial, commercial, residential, retail and
74 mixed-use portions of transit-oriented development projects.

75 Sec. 2. (NEW) (*Effective October 1, 2015*) (a) A municipal legislative
76 body may establish a tax increment district located wholly within the
77 boundaries of such municipality in accordance with the requirements
78 of sections 1 to 9, inclusive, of this act. If the municipality has a charter,
79 the establishment of such tax increment district may not be in conflict
80 with the provisions of such charter. Establishment of a tax increment
81 district is effective upon approval by the municipal legislative body
82 and upon adoption of a district master plan pursuant to section 4 of
83 this act.

84 (b) Within tax increment districts and consistent with the district
85 master plan, the municipality, in addition to powers granted to it
86 under the Constitution, the general statutes, any special act or sections
87 1 to 9, inclusive, of this act shall have the following powers:

88 (1) To acquire, construct, reconstruct, improve, preserve, alter,
89 extend, operate or maintain property or promote development
90 intended to meet the objectives of the district master plan. The
91 municipality may acquire property, land or easements through
92 negotiation or by other means authorized for municipalities under the
93 general statutes;

94 (2) To execute and deliver contracts, agreements and other
95 documents relating to the operation and maintenance of the tax
96 increment district;

97 (3) To issue bonds and other obligations of the municipality in
98 accordance with the provisions set forth in section 8 of this act;

99 (4) Acting through its board of selectmen, town council or other
100 governing body, to enter into written agreements with a taxpayer
101 fixing the assessment of real estate within a tax increment district,
102 provided (A) the term of such agreement shall not exceed fifteen years
103 from the date of the agreement; and (B) the assessment agreed on for
104 the real estate plus future improvements shall not be less than the
105 assessment of the real estate as of the last regular assessment date
106 without such future improvements. Any such agreement shall be

107 recorded on the land records in the municipality. Recording of the
108 agreement constitutes notice of the agreement to a subsequent
109 purchaser or encumbrancer of the property or any part of it, whether
110 voluntary or involuntary, and is binding upon a subsequent purchaser
111 or encumbrancer. If the municipality claims that the taxpayer is not
112 complying with the terms of such agreement, the municipality may
113 bring an action in the superior court for the judicial district in which
114 the municipality is located to force compliance with such agreement;

115 (5) Accept grants, advances, loans or other financial assistance from
116 the federal government, the state, private entities or any other source,
117 and do any and all things necessary or desirable to secure such
118 financial aid; and

119 (6) Upon such terms as the municipality determines, furnish service
120 or facilities, provide property, lend, grant or contribute funds, and take
121 any other action of a character that it is authorized to perform for other
122 purposes.

123 (c) The tax increment district may be dissolved, at any time, and the
124 boundaries of such district may be changed, at any time, by a vote of
125 the municipality's legislative body, except that the tax increment
126 district may not be dissolved nor may the boundaries of the tax
127 increment district be changed so long as any bonds or other
128 indebtedness authorized and issued under sections 1 to 9, inclusive, of
129 this act, except for general obligation bonds of the municipality
130 secured solely by the full faith and credit of the municipality, or any
131 other obligations authorized and incurred under sections 1 to 9,
132 inclusive, of this act remain outstanding.

133 Sec. 3. (NEW) (*Effective October 1, 2015*) Prior to the establishment of
134 a tax increment district and approval of a district master plan for such
135 tax increment district, the municipal legislative body or the board of
136 selectmen in the case of a municipality in which the legislative body is
137 a town meeting shall (1) consider whether the proposed tax increment
138 district and district master plan will contribute to the economic growth
139 or well-being of the municipality or to the betterment of the health,

140 welfare or safety of the inhabitants of the municipality; (2) at least
141 ninety days prior to establishing a tax increment district and
142 approving the district master plan for such tax increment district,
143 transmit the district master plan to the planning commission of the
144 municipality, if any, requesting a study of the district master plan and
145 a written advisory opinion. Such written advisory opinion shall
146 include a determination on whether the plan is consistent with the
147 plan of conservation and development of the municipality adopted
148 under section 8-23 of the general statutes; (3) hold at least one public
149 hearing on the proposal to establish a tax increment district. Notice of
150 the hearing shall be published at least ten days prior to the hearing in a
151 newspaper having general circulation within the municipality and
152 shall include (A) the date, time and place of such hearing, and (B) the
153 boundaries of the proposed tax increment district by legal description;
154 and (4) determine whether the proposed tax increment district meets
155 the following conditions:

156 (A) A portion of the real property within a tax increment district
157 shall meet at least one of the following criteria: (i) Be a substandard,
158 insanitary, deteriorated, deteriorating or blighted area; (ii) be in need
159 of rehabilitation, redevelopment or conservation work; or (iii) be
160 suitable for industrial, commercial, residential, mixed-use or retail
161 uses, downtown development or transit-oriented development; and

162 (B) The original assessed value of a proposed tax increment district
163 plus the original assessed value of all existing tax increment districts
164 within the municipality may not exceed ten per cent of the total value
165 of taxable property within the municipality as of October first of the
166 year immediately preceding the establishment of the tax increment
167 district. Excluded from the calculation in this subdivision is any tax
168 increment district established on or after the effective date of sections 1
169 to 9, inclusive, of this act that consists entirely of contiguous property
170 owned by a single taxpayer. For the purpose of this subdivision,
171 "contiguous property" includes a parcel or parcels of land divided by a
172 road, power line, railroad line or right-of-way. A municipality may not
173 establish a tax increment district if the conditions in this subdivision

174 are not met.

175 Sec. 4. (NEW) (*Effective October 1, 2015*) (a) In connection with the
176 establishment of a tax increment district, the legislative body of a
177 municipality shall adopt a district master plan for each tax increment
178 district and a statement of the percentage or stated sum of increased
179 assessed value to be designated as captured assessed value in
180 accordance with such plan. The district master plan shall be adopted at
181 the same time that the tax increment district is established, as part of
182 the tax increment district adoption proceedings set forth in sections 1
183 to 9, inclusive, of this act.

184 (b) The district master plan shall include: (1) The boundaries of the
185 tax increment district by legal description; (2) a list of the tax
186 identification numbers for all lots or parcels within the tax increment
187 district; (3) a description of the present condition and uses of all land
188 and buildings within the tax increment district; (4) a description of the
189 public facilities, improvements or programs within the tax increment
190 district anticipated to be added and financed in whole or in part; (5) a
191 description of the industrial, commercial, residential, mixed-use or
192 retail improvements, downtown development or transit-oriented
193 development within the tax increment district anticipated to be
194 financed in whole or in part; (6) a financial plan in accordance with
195 subsection (c) of this section; (7) a plan for the proposed maintenance
196 and operation of the tax increment district after the planned capital
197 improvements are completed; and (8) the maximum duration of the
198 tax increment district, which may not exceed a total of fifty tax years
199 beginning with the tax year in which the tax increment district is
200 established.

201 (c) The financial plan for a district master plan shall include: (1) Cost
202 estimates for the public improvements and developments anticipated
203 in the district master plan; (2) the maximum amount of indebtedness to
204 be incurred to implement the district master plan; (3) sources of
205 anticipated revenues; (4) a description of the terms and conditions of
206 any agreements, including any anticipated assessment agreements,

207 contracts or other obligations related to the district master plan; (5)
208 estimates of increased assessed values of the tax increment district; and
209 (6) the portion of the increased assessed values to be applied to the
210 district master plan as captured assessed values and resulting tax
211 increments in each year of the plan.

212 (d) The district master plan may be amended from time to time by
213 the legislative body of the municipality. Such legislative body shall
214 review the district master plan at least once every ten years after the
215 initial approval of the tax increment district and the district master
216 plan in order for the tax increment district and the district master plan
217 to remain in effect. With respect to any district master plan that
218 includes development that is funded in whole or in part by federal
219 funds, the provisions of this subsection shall not apply to the extent
220 that such provisions are prohibited by federal law.

221 Sec. 5. (NEW) (*Effective October 1, 2015*) (a) In the district master
222 plan, the municipality may designate all or part of the tax increment
223 revenues generated from the increased assessed value of a tax
224 increment district for the purpose of financing all or part of the district
225 master plan. The amount of tax increment revenues to be designated is
226 determined by designating the captured assessed value, subject to any
227 assessment agreements.

228 (b) On or after the establishment of a tax increment district and the
229 adoption of a district master plan, the assessor of the municipality in
230 which it is located shall certify the original assessed value of the
231 taxable real property within the boundaries of the tax increment
232 district. Each year after the establishment of a tax increment district,
233 the municipal assessor shall certify the amount of (1) the current
234 assessed value; (2) the amount by which the current assessed value has
235 increased or decreased from the original assessed value, subject to any
236 assessment agreements; and (3) the amount of the captured assessed
237 value. Nothing in this subsection allows for unequal apportionment or
238 assessment of the taxes to be paid on real property in the municipality.
239 Subject to any assessment agreements, an owner of real property

240 within the tax increment district shall pay real property taxes
241 apportioned equally with property taxes paid elsewhere in the
242 municipality.

243 (c) If a municipality has designated captured assessed value under
244 subsection (a) of section 4 of this act:

245 (1) The municipality shall establish a district master plan fund that
246 consists of: (A) A project cost account that is pledged to and charged
247 with the payment of project costs that are outlined in the financial
248 plan, including the reimbursement of project cost expenditures
249 incurred by a public body, including the municipality, a developer,
250 any property owner or any other third-party entity, and are paid in a
251 manner other than as described in subparagraph (B) of this
252 subdivision; and (B) in instances of indebtedness issued by the
253 municipality in accordance with section 8 of this act to finance or
254 refinance project costs, a development sinking fund account that is
255 pledged to and charged with the (i) payment of the interest and
256 principal as the interest and principal fall due, including any
257 redemption premium; (ii) payment of the costs of providing or
258 reimbursing any provider of any guarantee, letter of credit, policy of
259 bond insurance or other credit enhancement device used to secure
260 payment of debt service on any such indebtedness; and (iii) funding
261 any required reserve fund;

262 (2) The municipality shall annually set aside all tax increment
263 revenues on captured assessed values and deposit all such revenues to
264 the appropriate district master plan fund account established under
265 subdivision (1) of this subsection in the following order of priority: (A)
266 To the development sinking fund account, an amount sufficient,
267 together with estimated future revenues to be deposited to the account
268 and earnings on the amount, to satisfy all annual debt service on the
269 indebtedness issued in accordance with section 8 of this act and the
270 financial plan, except for general obligation bonds of the municipality
271 secured solely by the full faith and credit of the municipality; and (B)
272 to the project cost account, all such remaining tax increment revenues

273 on captured assessed values;

274 (3) The municipality shall make transfers between district master
275 plan fund accounts established under subdivision (1) of this
276 subsection, provided the transfers do not result in a balance in either
277 account that is insufficient to cover the annual obligations of that
278 account;

279 (4) The municipality may, at any time during the term of the tax
280 increment district, by vote of the municipal legislative body, return to
281 the municipal general fund any tax increment revenues remaining in
282 either account established under subdivision (1) of this subsection in
283 excess of those estimated to be required to satisfy the obligations of the
284 account after taking into account any transfer made under subdivision
285 (3) of this subsection; and

286 (5) Any account or fund established pursuant to subdivision (1) of
287 this subsection shall be audited annually by an independent auditor
288 who is a public accountant licensed to practice in this state and who
289 meets the independence standards included in generally accepted
290 government auditing standards. A report of such audit shall be open
291 to public inspection. Certified copies of such audit shall be provided to
292 the State Auditors of Public Accounts.

293 Sec. 6. (NEW) (*Effective October 1, 2015*) Costs authorized for
294 payment from a district master plan fund, established pursuant to
295 section 5 of this act are limited to:

296 (1) Costs of improvements made within the tax increment district,
297 including, but not limited to, (A) capital costs, including, but not
298 limited to, (i) the acquisition or construction of land, improvements,
299 infrastructure, public ways, parks, buildings, structures, railings, street
300 furniture, signs, landscaping, plantings, benches, trash receptacles,
301 curbs, sidewalks, turnouts, recreational facilities, structured parking,
302 transportation improvements, pedestrian improvements and other
303 related improvements, fixtures and equipment for public use, (ii) the
304 acquisition or construction of land, improvements, infrastructure,

305 buildings, structures, including facades and signage, fixtures and
306 equipment for industrial, commercial, residential, mixed-use or retail
307 use or transit-oriented development, (iii) the demolition, alteration,
308 remodeling, repair or reconstruction of existing buildings, structures
309 and fixtures; (iv) environmental remediation; (v) site preparation and
310 finishing work; and (vi) all fees and expenses associated with the
311 capital cost of such improvements, including, but not limited to,
312 licensing and permitting expenses and planning, engineering,
313 architectural, testing, legal and accounting expenses; (B) financing
314 costs, including, but not limited to, closing costs, issuance costs,
315 reserve funds and capitalized interest; (C) real property assembly
316 costs; (D) costs of technical and marketing assistance programs; (E)
317 professional service costs, including, but not limited to, licensing,
318 architectural, planning, engineering, development and legal expenses;
319 (F) maintenance and operation costs; (G) administrative costs,
320 including, but not limited to, reasonable charges for the time spent by
321 municipal employees, other agencies or third-party entities in
322 connection with the implementation of a district master plan; and (H)
323 organizational costs relating to the planning and the establishment of
324 the tax increment district, including, but not limited to, the costs of
325 conducting environmental impact and other studies and the costs of
326 informing the public about the creation of tax increment districts and
327 the implementation of the district master plan;

328 (2) Costs of improvements that are made outside the tax increment
329 district but are directly related to or are made necessary by the
330 establishment or operation of the tax increment district, including, but
331 not limited to, (A) that portion of the costs reasonably related to the
332 construction, alteration or expansion of any facilities not located within
333 the tax increment district that are required due to improvements or
334 activities within the tax increment district, including, but not limited
335 to, roadways, traffic signalization, easements, sewage treatment plants,
336 water treatment plants or other environmental protection devices,
337 storm or sanitary sewer lines, water lines, electrical lines,
338 improvements to fire stations, and street signs; (B) costs of public
339 safety and public school improvements made necessary by the

340 establishment of the tax increment district; and (C) costs of funding to
341 mitigate any adverse impact of the tax increment district upon the
342 municipality and its constituents; and

343 (3) Costs related to economic development, environmental
344 improvements or employment training associated with the tax
345 increment district, including, but not limited to, (A) economic
346 development programs or events related to the tax increment district;
347 (B) environmental improvement projects developed by the
348 municipality related to the tax increment district; (C) the establishment
349 of permanent economic development revolving loan funds, investment
350 funds and grants; and (D) services and equipment necessary for
351 employment skills development and training, including scholarships
352 to in-state educational institutions for jobs created or retained in the
353 tax increment district.

354 Sec. 7. (NEW) (*Effective October 1, 2015*) (a) (1) Notwithstanding any
355 provision of the general statutes, whenever the municipality
356 constructs, improves, extends, equips, rehabilitates, repairs, acquires or
357 provides a grant for any public improvements within a tax increment
358 district or finances the cost of such public improvements, the
359 proportion of such cost or estimated cost of such public improvements
360 and financing thereof as determined by the municipality may be
361 assessed by the municipality, as a benefit assessment, in the manner
362 prescribed by such municipality, upon the real property within the tax
363 increment district that is benefited by such public improvements. The
364 municipality may provide for the payment of such benefit assessments
365 in annual installments, not exceeding thirty years, and may forgive
366 such benefit assessments in any given year without causing the
367 remainder of installments of benefit assessments to be forgiven. Benefit
368 assessments on real property where buildings or structures are
369 constructed or expanded after the initial benefit assessment may be
370 assessed as if the new or expanded buildings or structures on such real
371 property had existed at the time of the original benefit assessment.

372 (2) The benefit assessments shall be adopted and revised by the

373 municipality at least annually not more than sixty days before the
374 beginning of the fiscal year. If the benefit assessments are assessed and
375 levied prior to the acquisition or construction of the public
376 improvements, the amount of the benefit assessments may be adjusted
377 to reflect the actual cost of such public improvements, including all
378 financing costs, once such public improvements are complete, if the
379 actual cost is greater than or less than the estimated costs.

380 (b) Before estimating and making a benefit assessment under
381 subsection (a) of this section, the municipality shall hold at least one
382 public hearing on its schedule of benefit assessments or any revision
383 thereof. Notice of such hearing shall be published at least ten days
384 before such hearing in a newspaper having general circulation within
385 the municipality. The notice shall include (1) the date, time and place
386 of hearing; (2) the boundaries of the tax increment district by legal
387 description; (3) a statement that all interested persons owning real
388 estate or taxable property located within the tax increment district will
389 be given an opportunity to be heard at the hearing and an opportunity
390 to file objections to the amount of the assessment; (4) the maximum
391 rate of assessments to be extended in any one year; and (5) a statement
392 indicating that the proposed list of properties to be assessed and the
393 estimated assessments against those properties are available at the city
394 or town office or at the office of the assessor. The notice may include a
395 maximum number of years the assessments will be levied. Not later
396 than the date of the publication, the municipality shall make available
397 to any member of the public, upon request, the proposed schedule of
398 benefit assessments. The procedures for public hearing and appeal set
399 forth in section 7-250 of the general statutes, shall apply for all benefit
400 assessments made by a municipality pursuant to this section, except
401 that the board of finance, or the municipality's legislative body if no
402 board of finance exists, shall be substituted for the water pollution
403 control authority.

404 (c) A municipality may adopt ordinances apportioning the value of
405 improvements within a tax increment district according to a formula
406 that reflects actual benefits that accrue to the various properties

407 because of the development and maintenance.

408 (d) A municipality may increase assessments or extend the
409 maximum number of years the assessments will be levied after notice
410 and public hearing is held pursuant to subsection (b) of this section.

411 (e) (1) Benefit assessments made under this section shall be collected
412 in the same manner as municipal taxes. Municipalities are granted all
413 the powers and privileges with respect thereto as provided to
414 municipalities in the general statutes for the enforcement and
415 collection of assessments and tax liens, or as otherwise provided in
416 sections 1 to 9, inclusive, of this act. Benefit assessments shall be due
417 and payable at such times as are fixed by the municipality, provided
418 the municipality shall give notice of such due date not less than thirty
419 days prior to such due date by publication in a newspaper of general
420 circulation in the municipality and by mailing such notice to the
421 owners of the real property assessed at their last-known address. All
422 revenues from assessments under this section shall be paid into the
423 appropriate district master plan fund account established under
424 subsection (c) of section 5 of this act.

425 (2) If any property owner fails to pay any assessment or part of an
426 assessment on or before the date on which such assessment or part of
427 such assessment is due, the municipality has all the authority and
428 powers to collect the delinquent assessments vested in the
429 municipality by law to collect delinquent municipal taxes. Benefit
430 assessments, if not paid when due, shall constitute a lien upon the real
431 property served and a charge against the owners thereof, which lien
432 and charge shall bear interest at the same rate as delinquent property
433 taxes. Each such lien may be continued, recorded and released in the
434 manner provided for property tax liens and shall take precedence over
435 all other liens or encumbrances except a lien for property taxes of the
436 municipality.

437 Sec. 8. (NEW) (*Effective October 1, 2015*) (a) For the purpose of
438 carrying out or administering a district master plan or other functions
439 authorized under sections 1 to 9, inclusive, of this act a municipality is

440 authorized, subject to the limitations and procedures set forth in this
441 section, to issue from time to time bonds and other obligations of the
442 municipality that are payable solely from and secured by (1) the full
443 faith and credit pledge of the municipality; (2) a pledge of and lien
444 upon any or all of the income, proceeds, revenues and property of the
445 projects within the tax increment district, including the proceeds of
446 grants, loans, advances or contributions from the federal government,
447 the state or other source; (3) all revenues derived under sections 5 and
448 7 of this act received by the municipality; or (4) any combination of the
449 methods in subdivisions (1), (2) and (3) of this subsection. Except for
450 bonds secured by the full faith credit pledge of the municipality, bonds
451 authorized by this section shall not be included in computing the
452 aggregate indebtedness of the municipality.

453 (b) Notwithstanding the provisions of any other statute, municipal
454 ordinance or charter provision governing the authorization and
455 issuance of bonds generally by the municipality, any bonds payable
456 and secured as provided in this section shall be authorized by a
457 resolution adopted by the legislative body of the municipality. Such
458 bonds shall, as determined by the legislative body of the municipality
459 or the municipal officers who are designated such authority by such
460 body, (1) be issued and sold; (2) bear interest at the rate or rates
461 determined by the legislative body or its designee, including variable
462 rates; (3) provide for the payment of interest on the dates determined
463 by the legislative body or its designee, whether before or at maturity;
464 (4) be issued at, above or below par; (5) mature at such time or times
465 not exceeding thirty years; (6) have rank or priority; (7) be payable in
466 such medium of payment; (8) be issued in such form, including,
467 without limitation, registered or book-entry form, carry such
468 registration and transfer privileges and be made subject to purchase or
469 redemption before maturity at such price or prices and under such
470 terms and conditions, including the condition that such bonds be
471 subject to purchase or redemption on the demand of the owner
472 thereof; and (9) contain such other terms and particulars.

473 (c) The municipality may require that the bonds issued hereunder

474 be secured by a trust agreement by and between the municipality and
475 a corporate trustee, which may be any trust company or bank having
476 the powers of a trust company within the state. The trust agreement
477 may contain covenants or provisions for protecting and enforcing the
478 rights and remedies of the bondholders as may be necessary,
479 reasonable or appropriate and not in violation of law or other
480 provisions or covenants which are consistent with sections 1 to 9,
481 inclusive, of this act and which the municipality determines in such
482 proceedings are necessary, convenient or desirable in order to better
483 secure the bonds, or will tend to make the bonds more marketable, and
484 which are in the best interests of the municipality. The pledge by any
485 trust agreement shall be valid and binding from time to time when the
486 pledge is made. The revenues or other moneys so pledged and then
487 held or thereafter received by the municipality shall immediately be
488 subject to the lien of the pledge without any physical delivery thereof
489 or further act and the lien of the pledge shall be valid and binding as
490 against all parties having claims of any kind in tort, contract or
491 otherwise against the board, irrespective of whether the parties have
492 notice thereof. All expenses incurred in carrying out such trust
493 agreement may be treated as project costs. In case any municipal
494 officer whose signature or a facsimile of whose signature shall appear
495 on any bonds or coupons shall cease to be an officer before the delivery
496 of the obligations, the signature or facsimile shall nevertheless be valid
497 and sufficient for all purposes the same as if the officer had remained
498 in office until the delivery. Notwithstanding any provision of the
499 Uniform Commercial Code, neither this section, the resolution of the
500 municipality approving the bonds or any trust agreement by which a
501 pledge is created need be filed or recorded, and no filing need be made
502 under title 42a of the general statutes.

503 (d) While any bonds issued hereunder remain outstanding, the
504 existence of the tax increment district and the powers and duties of the
505 municipality with respect to such tax increment district shall not be
506 diminished or impaired in any way that will affect adversely the
507 interests and rights of the holders of the bonds. Any bonds issued by a
508 municipality pursuant to this section, except for general obligation

509 bonds of the municipality secured by the full faith and credit pledge of
510 the municipality, shall contain on their face a statement to the effect
511 that neither the state nor the municipality shall be obliged to pay the
512 principal of or the interest thereon, and that neither the full faith and
513 credit or taxing power of the state or the municipality is pledged to the
514 payment of the bonds. All bonds issued under this section shall have
515 and are hereby declared to have all the qualities and incidents of
516 negotiable instruments, as provided in title 42a of the general statutes.

517 (e) Any pledge made by a municipality pursuant to this section shall
518 be valid and binding from the time when the pledge is made, and any
519 revenues or other receipts, funds or moneys so pledged and thereafter
520 received by the municipality shall be subject immediately to the lien of
521 such pledge without any physical delivery thereof or further act. The
522 lien of any such pledge shall be valid and binding as against all parties
523 having claims of any kind in tort, contract or otherwise against the
524 municipality, irrespective of whether such parties have notice of such
525 lien.

526 (f) Bonds issued under this section are hereby made securities in
527 which all public officers and public bodies of the state and its political
528 subdivisions, all insurance companies, trust companies, banking
529 associations, investment companies, executors, administrators, trustees
530 and other fiduciaries may properly and legally invest funds, including
531 capital in their control and belonging to them and such bonds shall be
532 securities that may properly and legally be deposited with and
533 received by any state or municipal officer or any agency or political
534 subdivision of the state for any purpose for which the deposit of bonds
535 of the state is now or may hereafter be authorized by law. Bonds may
536 be issued under this section without obtaining the consent of the state
537 and without any proceedings or the happening of any other conditions
538 or things other than those proceedings, conditions or things that are
539 specifically required thereof by this section.

540 (g) Nothing in this section restricts the ability of the municipality to
541 raise revenue for the payment of project costs in any manner otherwise

542 authorized by law.

543 (h) As used in this section, "bonds" means any bonds, including
544 refunding bonds, notes, interim certificates, debentures or other
545 obligations.

546 Sec. 9. (NEW) (*Effective October 1, 2015*) The legislative body of a
547 municipality is encouraged to create an advisory board, whose
548 members include owners or occupants of real property located in or
549 adjacent to the tax increment district they serve. The advisory board
550 may advise the legislative body and any designated administrative
551 entity on the planning, construction and implementation of the district
552 master plan and maintenance and operation of the tax increment
553 district after the district master plan has been completed.

| | | |
|-------------------------------------------------------------------------------|------------------------|-------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>October 1, 2015</i> | New section |
| Sec. 2 | <i>October 1, 2015</i> | New section |
| Sec. 3 | <i>October 1, 2015</i> | New section |
| Sec. 4 | <i>October 1, 2015</i> | New section |
| Sec. 5 | <i>October 1, 2015</i> | New section |
| Sec. 6 | <i>October 1, 2015</i> | New section |
| Sec. 7 | <i>October 1, 2015</i> | New section |
| Sec. 8 | <i>October 1, 2015</i> | New section |
| Sec. 9 | <i>October 1, 2015</i> | New section |

PD 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: None

Municipal Impact: See Below

Explanation

The bill allows municipalities to establish tax increment financing districts. Current law allows municipalities to use tax increment financing, but only for certain projects.

The impact of the bill depends on how municipalities use these districts. For example, a municipality could incur costs by issuing bonds for various economic development projects. This cost is then potentially offset if: 1) the municipality experiences grand list growth as a result of the development projects; and 2) the municipality uses revenue generated from this growth to pay back the bond issuance.

The bill also allows municipalities to fix the assessments of certain properties within a tax increment financing district. This would preclude any revenue increase resulting from any future increase in the assessment of such property.

There is an additional, minimal cost to municipalities that choose to establish these districts associated with holding a public hearing and publishing notice of the public hearing in a newspaper.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to changes in municipal grand lists and

spending on economic development projects in tax increment financing districts.

OLR Bill Analysis**sSB 677*****AN ACT ESTABLISHING TAX INCREMENT FINANCING DISTRICTS.*****SUMMARY:**

This bill allows a municipality's legislative body to establish a tax increment district (generally known as a tax increment financing (TIF) district) to finance economic development projects in an eligible area. It allows the municipality to finance these projects by (1) designating all or part of the new or incremental real property tax revenue generated in the district to repay the costs incurred to fund the projects, (2) imposing assessments on real property in the district benefiting from certain public improvements (i.e., benefit assessments), and (3) issuing bonds backed by these revenue streams to pay project costs.

The bill imposes certain criteria for designating a district. Under the bill, a district must encompass property that is (1) blighted; (2) in need of rehabilitation or conservation; or (3) suitable for certain types of development, including downtown or transit-oriented development. The bill limits the (1) taxable value of the districts a municipality may create to no more than 10% of the total value of its taxable property and (2) district's duration to a maximum of 50 tax years.

The bill specifies a process for establishing a district that, among other things, requires a municipality to (1) consider the proposed district's contribution to the municipality and its residents, (2) determine whether the district conforms to its plan of conservation and development, and (3) hold at least one public hearing on the proposal.

It requires a municipality's legislative body to adopt a master plan

for the district and prescribes the plan's components, including a financial plan that defines the costs and revenue sources required to accomplish the master plan.

To carry out a district master plan, the bill allows municipalities to issue bonds with up to 30-year terms backed by various sources, including (1) their full faith and credit (i.e., general obligation (GO) bonds); (2) the income, proceeds, revenues, and property within the district; and (3) tax increment revenues and benefit assessments.

Existing law allows municipalities to use TIF to finance economic development projects, but under narrower conditions than those the bill establishes. Among other things, existing law generally (1) limits the type of projects eligible for TIF, (2) restricts the use of incremental tax revenue to repaying outstanding TIF bonds, and (3) requires multiple entities to approve the use of TIF (see BACKGROUND).

EFFECTIVE DATE: October 1, 2015

§§ 1-3 & 9 — ESTABLISHING AND DISSOLVING DISTRICTS

Legislative Body

The bill allows a municipality's legislative body to establish a tax increment district within the municipality's boundaries and in accordance with the bill's requirements. The district is effective when the legislative body approves it and adopts a district master plan, as described below. If the municipality operates under a charter, the bill specifies that the district may not conflict with the charter.

Advisory Board

The bill encourages the legislative body to create a board to advise it and other designated entities on (1) planning, constructing, and implementing the district master plan and (2) maintaining and operating the district after the plan's completion. The advisory board's members must include people who own or occupy real property in or adjacent to the district.

Conditions for Approval

The bill requires municipalities to take certain steps prior to establishing a district and approving a district master plan.

Planning Commission. At least 90 days prior to approving the district or plan, the municipality must transmit the plan to its planning commission, if it has one. The commission must study the plan and issue a written advisory opinion, including a determination as to whether the plan is consistent with the municipality's plan of conservation and development.

Public Hearing. The municipality must hold at least one public hearing on the proposal. It must publish notice of the hearing at least 10 days in advance, in a newspaper with general circulation in the municipality, and include the (a) hearing's date, time, and place and (b) legal description of the proposed district's boundaries.

Approval Criteria. The municipality must determine whether the proposed district meets certain criteria. Its legislative body (or board of selectmen if the legislative body is a town meeting) must consider whether the proposed TIF district and district master plan will contribute to the municipality's economic growth or well-being or improve its residents' health, welfare, or safety.

In addition, the original assessed value of the proposed district (i.e., the value of all taxable real property in the district as of the prior October 1), plus the original assessed value of all of the municipality's existing TIF districts, cannot exceed 10% of the total value of taxable property in the municipality as of the October 1 immediately preceding the district's establishment. This calculation does not include any TIF districts established after October 1, 2015 (the bill's effective date) consisting entirely of "contiguous property" owned by a single taxpayer. Under the bill, contiguous property includes parcels divided by a road, power line, railroad line, or right-of-way. The municipality may not establish a district if this criterion is not met.

Lastly, the municipality's legislative body must determine whether a portion of the district's property is (1) substandard, insanitary,

deteriorated, deteriorating, or blighted; (2) in need of rehabilitation, redevelopment, or conservation; or (3) suitable for industrial, commercial, residential, mixed-use, retail, downtown development, or transit-oriented development.

The bill defines “downtown” as a community’s central business district or other commercial neighborhood area that serves as a center of socioeconomic interaction, characterized by a cohesive core of commercial and mixed-use buildings, often interspersed with civic, religious, and residential buildings and public spaces, typically served by public infrastructure and arranged along a main street and intersecting side streets.

It defines “transit-oriented development” as the development of residential, commercial, and employment centers within one-half mile or walking distance of a transit facility, including rail and bus rapid transit and services that meet transit supportive standards for land uses, built environment densities, and walkable environments, in order to facilitate and encourage the use of such services. It defines a transit facility as a place providing access to transit services, including bus stops and stations, highway interchanges used by more than one transit provider, ferry landings, train stations, shuttle terminals, and bus rapid transit stops.

Dissolving the District or Changing its Boundaries

Under the bill, a municipality’s legislative body may vote to dissolve a district or change its boundaries at any time, as long as the district does not have any outstanding bonds, other than municipal GO bonds.

§ 2 — DISTRICT POWERS

Development

The bill authorizes a municipality, within a district and consistent with its district master plan, to:

1. acquire, construct, reconstruct, improve, preserve, alter, extend, operate, and maintain property or promote development to

- meet the plan's objectives;
2. acquire property, land, and easements through negotiation or by other legal means;
 3. execute and deliver contracts, agreements, and other documents related to the district's operation and maintenance;
 4. issue bonds and other obligations in accordance with the bill;
 5. enter into fixed assessment agreements for real property in the district, subject to the restrictions described below;
 6. accept grants, advances, loans, or other financial assistance from public or private sources and do anything necessary or desirable to secure such aid; and
 7. according to terms it establishes, (a) provide services, facilities, or property, (b) lend, grant, or contribute funds, and (c) take any other action it is authorized to perform for other municipal purposes.

Fixing Assessments in the District

The bill allows a municipality, through its board of selectmen, town council, or other governing body, to enter into written agreements with a taxpayer to fix the assessment of real property in the district for up to 15 years. The property's fixed assessment, plus the value of any future improvements, cannot be less than its assessment as of the last regular assessment date, without the future improvements.

The bill requires any fixed assessment agreements to be recorded on the municipality's land records. Any such recording (1) constitutes notice to the property's subsequent purchasers or encumbrancers, whether they acquire the property voluntarily or involuntarily and (2) is binding.

A municipality may bring an action in the Superior Court for the judicial district in which it is located to force a taxpayer to comply with

the agreement's terms.

§ 4 — DISTRICT MASTER PLAN

Requirement

The bill requires a municipality's legislative body to adopt a (1) "district master plan" for the district and (2) statement of the percentage or amount of "increased assessed value" that will be designated as "captured assessed value" under the plan, as described below. It must adopt the plan at the same time it adopts the district, pursuant to the bill's procedures.

Purpose

Under the bill, the "district master plan" is a statement of means and objectives relating to a district designed to (1) provide new employment opportunities, (2) retain existing employment, (3) provide housing opportunities, (4) improve or broaden the tax base, or (5) construct or improve physical facilities and structures. It achieves these means and objectives through industrial, commercial, residential, retail, or mixed use development; transit-oriented development; downtown development; or any combination of these.

Components

The district master plan must include:

1. a legal description of the district's boundaries;
2. the tax identification numbers for its lots or parcels;
3. the present condition and uses of its land and buildings;
4. the public facilities, improvements, or programs anticipated to be financed in whole or part;
5. the (a) industrial, commercial, residential, mixed-use, or retail improvements and (b) downtown or transit-oriented development anticipated to be financed in whole or part;
6. a financial plan, as described below;

7. a plan for maintaining and operating the district after its planned capital improvements are completed; and
8. the district's maximum duration, which cannot exceed 50 tax years, beginning with the year in which the district is established.

Financial Plan Component

The bill requires the district master plan to include a financial plan that identifies the project costs and revenue sources required to accomplish the district master plan. The plan must contain:

1. cost estimates for the anticipated public improvements and developments;
2. the maximum amount of indebtedness to be incurred to implement the plan;
3. the anticipated revenue sources;
4. a description of the terms and conditions of any agreements, including any anticipated assessment agreements, contracts, or other obligations related to the plan;
5. estimates of the district's increased assessed values; and
6. for each year, the portion of the increased assessed values that will be applied to the plan as captured assessed values and the resulting tax increments.

Amending and Reviewing the Plan

The bill (1) authorizes the legislative body to amend the plan and (2) requires it to review the plan at least once every 10 years after its initial approval in order for the district and plan to remain in effect. The bill specifies that these provisions do not apply to plans that include development funded in whole or part by federal funds, if prohibited by federal law.

§ 5 — TAX INCREMENT REVENUES

In addition to imposing benefit assessments to finance projects, the bill allows a municipality to finance them using the new or incremental real property tax revenues generated in the district. It also allows municipalities use these revenue streams to repay the bonds issued to finance the projects, as described below.

Captured Assessed Value

The bill allows a municipality to designate all or part of the district's new or incremental real property tax revenues ("tax increment") to finance all or part of the district's master plan. Under the bill, the amount of tax increment revenues designated by the municipality is determined by the district's "captured assessed value," that is, the percentage or amount of the incremental increase in property values ("increased assessed value") that is used from year to year to finance the plan's project costs. The captured assessed value is subject to any fixed assessment agreements.

The incremental increase in property values is the amount by which the value of the district's property as of October 1 of each year ("current assessed value") exceeds its original assessed value.

Upon the municipality establishing the district and adopting its master plan, its assessor must certify the original assessed value of the taxable real property within the district's boundaries. The assessor must also annually certify the:

1. current assessed value of the district's taxable real property,
2. amount by which the current assessed value has increased or decreased from the original assessed value, and
3. amount of the captured assessed value.

Apportioning Property Taxes in the Municipality

The bill requires that property taxes paid by property owners within the district be apportioned equally with the property taxes paid

by other property owners in the municipality located outside the district. It specifies that its provisions do not authorize the unequal apportionment or assessment of taxes on real property in the municipality.

§ 5 — DISTRICT MASTER PLAN FUND

Municipalities that have designated a percentage or amount of captured assessed value in their district master plans must establish a fund for depositing the resulting incremental tax revenues and paying project costs. They must also deposit in the fund any benefit assessments imposed on real property in the district, as described below.

Account Structure

The fund must consist of a (1) project cost account and (2) development sinking fund account for any bonds issued to carry out or administer the district master plan. The bill authorizes the municipality to transfer funds between the accounts, as long as the transfers do not result in a balance in either account that is insufficient to cover its annual obligations.

Project Cost Account. The project cost account is pledged to and charged with paying project costs outlined in the financial plan, including reimbursing project cost expenditures incurred by a public body (e.g., the municipality, a developer, property owner, or other third-party entity), other than reimbursements paid with bond proceeds.

Development Sinking Fund Account. The development sinking fund account is pledged to and charged with (1) paying interest and principal on district bonds as it comes due, including any redemption premium; (2) paying the costs of providing or reimbursing any entity that provides a guarantee, letter of credit, bond insurance policy, or other credit enhancement device used to secure debt service payments on district bonds; and (3) funding any required reserve fund.

Depositing Tax Increment Revenues

The municipality must annually set aside all tax increment revenues on captured assessed values and deposit the revenues in a specific order. The revenues must first go to the development sinking fund account, in an amount necessary to pay the annual debt service on the bonds issued (taking into account estimated future revenues that will be deposited to the account and earnings on such amount), excluding any GO bonds issued by the municipality that are backed solely by its full faith and credit. Any remaining revenues must go to the project cost account.

Excess Revenues

At any time during the district's term, the municipality's legislative body may vote to return to the municipality's general fund any tax increment revenues remaining in either account that exceed the amount necessary to pay the account's obligations. In doing so, it must take into account any transfers made between the accounts.

Audit Requirement

The bill requires the district master plan fund and its accounts to be audited annually by an independent auditor according to generally accepted accounting principles. The audit report must be (1) open to public inspection and (2) provided to the Auditors of Public Accounts.

§ 6 — ELIGIBLE COSTS

The bill limits the use of a district master plan fund to paying certain costs for (1) improvements made within the district; (2) improvements made outside the district that are directly related to or necessary for the district's establishment or operation; and (3) economic development, environmental improvements, and employment training associated with the district.

Improvements Made in the District

The bill allows the fund to pay the following costs for improvements made within the district:

1. capital costs, as described below;

2. financing costs, including closing and issuance costs, reserve funds, and capitalized interest;
3. real property assembly costs;
4. technical and marking assistance program costs;
5. professional service costs, including licensing, architectural, planning, engineering, development, and legal expenses;
6. maintenance and operation costs;
7. administrative costs, including reasonable charges for the time municipal employees, other agencies, or third-party entities spent implementing a district master plan; and
8. organizational costs related to the district's planning and establishment, including the cost of conducting environmental impact studies, informing the public about the district, and implementing the district master plan.

Under the bill, capital costs include the cost of:

1. acquiring or constructing land, improvements, infrastructure, public ways, parks, buildings, structures, railings, street furniture, signs, landscaping, plantings, benches, trash receptacles, curbs, sidewalks, turnouts, recreational facilities, structured parking, transportation improvements, pedestrian improvements, and other related improvements, fixtures, and equipment for public use;
2. acquiring or constructing land, improvements, infrastructure, buildings, and structures, such as facades, signage, fixtures, and equipment for industrial, commercial residential, mixed-use, retail, or transit-oriented development;
3. demolishing, altering, remodeling, repairing, or reconstructing existing buildings, structures, and fixtures;

4. remediating environmental contamination;
5. preparing a site and finishing work; and
6. associated fees and expenses, such as licensing, permitting, planning, engineering, architectural, testing, legal, and accounting expenses.

Improvements Made Outside the District

For improvements made outside the district, but directly related to or necessary for establishing or operating the district, the fund may pay the:

1. portion of the costs reasonably related to constructing, altering or expanding facilities required due to improvements or activities within district, including roadways, traffic signals, easements, sewage or water treatment plants or other environmental protection devices, storm or sanitary sewer lines, water lines, electrical lines, fire station improvement, and street signs;
2. costs of public safety and public school improvements made necessary by district's establishment; and
3. costs of mitigating any of the district's adverse impacts on the municipality and its constituents.

Other Development-Related Costs

The bill also allows the fund to pay costs related to economic development, environmental improvements, or employment training associated with the district. This includes (1) economic development programs or events; (2) environmental improvement projects; (3) permanent economic development revolving loan funds, investment funds, and grants; and (4) services and equipment necessary for employment skills development and training, including scholarships to in-state educational institutions for jobs created or retained in district.

§ 7 — BENEFIT ASSESSMENTS

Funding Mechanism

The bill allows a municipality to impose assessments on real property in the district that benefits from certain public improvements. Under the bill, a municipality that constructs, improves, extends, equips, rehabilitates, repairs, acquires, or provides a grant for public improvements, may assess a proportion of the improvement costs as a benefit assessment on such real property. It may, by ordinance, apportion the value of such improvements according to a formula that reflects the actual benefits accruing to the various properties because of the development and maintenance.

The municipality may (1) require property owners to pay the benefit assessments in annual installments of up to 30 years and (2) forgive the benefit assessments in any given year without affecting future installments. The municipality may assess buildings or structures constructed or expanded in the district after the initial benefit assessment is imposed as if they had existed at the time of the original benefit assessment.

Adopting and Revising the Assessments

The municipality must adopt and revise the assessments at least once a year, within 60 days before the start of the fiscal year. If the municipality imposes the benefit assessments before acquiring or constructing the public improvements, it may subsequently adjust the assessments once the improvements are complete to reflect their actual cost.

Public Hearing and Notice Requirement

Requirement. Prior to estimating and imposing a benefit assessment, the municipality must hold at least one public hearing on the payment schedule or any revisions to it. It must publish a notice at least 10 days in advance in a newspaper with general circulation in the municipality.

The notice must include:

1. the hearing's date, time, and place;
2. a legal description of the district's boundaries;
3. a statement that all interested property owners in the district will be given an opportunity to (a) be heard at the hearing and (b) file objections to the assessment amount;
4. the maximum assessment rate to be extended in any one year; and
5. a statement indicating that the proposed list of properties to be assessed and the estimated assessments against those properties are available at the town or assessor's office.

The notices may also include the maximum number of years that the assessments will be levied. The municipality must make the proposed benefit assessment schedule available to any member of the public, upon request, by the notice's publication date.

Process. The bill applies the same public hearing and appeal procedures to district benefit assessments as apply under existing law to municipal sewer system benefit assessments levied by water pollution control authorities. The bill substitutes the municipality's board of finance (or legislative body if it has no board of finance) for the water pollution control authority for purposes of this process. The municipality must also follow this process when increasing benefit assessments or extending the number of years that they will be levied.

Under this process, the municipality's board of finance must hold a public hearing on proposed benefit assessments and provide notice of the time, place, and purpose of the hearing at least 10 days in advance. The notice and a copy of the assessments must be (1) published in a newspaper with general circulation in the municipality, and (2) mailed to the last known address of the affected property owners. The board must file a copy of all proposed assessments with the municipal clerk at least 10 days before the hearing.

Once it has determined the actual amount of the assessment, the board must file a copy of the assessment with the municipal clerk and, within five days after such filing, (1) publish a copy of it in a newspaper with general circulation in the municipality and (2) mail a copy of it to the last known address of the affected property owners.

The mailings and publications must state the date on which they were filed with the town clerk and that all appeals must be taken within 21 days of that date. People aggrieved by a benefit assessment may appeal to the (1) Superior Court in the district in which the property is located or (2) board of assessment appeals, if the municipality has adopted an ordinance authorizing the board to hear such appeals.

Collection and Enforcement

The municipality has the same powers to collect and enforce the benefit assessments as it does for municipal taxes. It must establish the payment due date and provide notice of the due date at least 30 days in advance by (1) publishing it in a newspaper with general circulation in the municipality and (2) mailing it to the last known address of the affected property owners. Assessment revenues must be paid into the appropriate district master plan fund account.

Unpaid benefit assessments are liens against the property. Property owners must pay the same interest rate on delinquent assessments as on delinquent property taxes (1.5% per month or 18% per year). The liens (1) may be continued, recorded, and released in the same manner as property tax liens; (2) take precedence over all other liens and encumbrances, except taxes; and (3) may be enforced in the same way as property tax liens.

§ 8 — BONDS

To carry out or administer a district master plan or other functions under the bill's provisions, municipalities may issue bonds and other obligations (e.g., refunding bonds, notes, interim certificates, and debentures) backed by:

1. their full faith and credit (i.e., GO bonds);
2. the income, proceeds, revenues, and property within the district, including grants, loans, advances, or contributions from state, federal, or other sources;
3. tax increment revenues and benefit assessments; or
4. any combination of these sources.

Under the bill, only the municipality's GO bonds count towards its bond cap.

The bill requires municipalities to authorize any such bonds by resolution of its legislative body, regardless of any other statute, municipal ordinance, or charter provision governing municipal bond issuances. The municipality's legislative body, or the municipal officers to which the legislative body delegates authority for issuing the bonds, must determine:

1. how the bonds will be issued and sold;
2. their interest rates, including variable rates;
3. the term over which they will mature, which must be no more than 30 years;
4. when interest will be paid;
5. whether and under what terms bonds may be purchased or redeemed; and
6. all other issuing conditions.

It allows the municipality to secure the bonds by executing a trust agreement with a bank or trust company that contains reasonable provisions for protecting and enforcing bondholders' rights. It specifies that any expenses the municipality incurs in carrying out the trust agreement may be treated as project costs. The bill also secures

the bonds by subjecting them to a lien immediately after the municipality issues them.

The bill assures bondholders that state and local entities may invest in the bonds and that the state will not limit or alter the district, or the municipality's powers and duties with respect to the district, until the bonds are repaid.

The bill specifies that its provisions do not restrict a municipality's ability to raise revenue to pay project costs by any other legal means.

BACKGROUND

Existing Municipal TIF Programs

By law, municipalities can use TIF to repay bonds issued to finance physical projects in areas designated for redevelopment (CGS §§ 8-124 et seq.), urban renewal (CGS §§ 8-140 et seq.), or municipal development (CGS §§ 8-186 et seq.). Redevelopment and urban renewal areas must be blighted; municipal development areas must be suitable for commercial and industrial uses.

State-designated distressed municipalities and targeted investment communities can also use bond-funded TIF to finance information technology projects; all municipalities can use it to clean up and redevelop contaminated property anywhere in a municipality (CGS § 32-23zz).

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 21 Nay 0 (03/27/2015)