

Testimony of Gary B. O'Connor
Co-Chair, Brownfield Working Group
Before the Committee on Finance, Revenue and Bonding of the General Assembly
In support of
Raised Bill No. 5592
An Act Concerning Connecticut First
March 9, 2016

Good afternoon, my name is Gary O'Connor and I am a partner at the law firm of Pullman & Comley. I have practiced law for over 30 years concentrating in the areas of environmental law and real estate development. I serve with Ann Catino as co-chair of the Brownfield Working Group appointed by the General Assembly. I would like to thank the Committee on Finance, Revenue and Bonding for the opportunity to speak today in support of *Sections 1 and 2 of Raised Bill No. 5592, An Act Concerning Connecticut First*. I would also like to acknowledge and thank Senator Fonfara, Representative Berger and the other members of the Committee on Finance, Revenue and Bonding for your leadership and support of brownfield redevelopment as an important catalyst for revitalizing our communities, restoring properties to beneficial reuse and enhancing the quality of life in Connecticut.

Since the creation of the Brownfield Working Group (f/k/a the Brownfield Task Force) in 2006, we have examined issues relating to the remediation and redevelopment of brownfields in this state, the regulatory scheme for remediating such properties, funding requirements and liability concerns. Over the years, we have made recommendations to the General Assembly on reducing the barriers to brownfield redevelopment by creating more certainty, streamlining regulatory requirements, providing certain liability immunities, reducing the cost and time of remediation and providing cleanup funds to eligible businesses, developers and municipalities. Many of these recommendations have become law and have greatly assisted stakeholders in revitalizing Connecticut's brownfields.

Section 1 of Raised Bill No. 5592 adds another important tool to the brownfield redevelopment tool box. It creates a tax credit program for brownfield remediation at eligible sites. "Qualified expenditures" would include those costs relating to the investigation and remediation of a brownfield and the costs associated with the assessment and remediation of hazardous building materials within the structures located at the brownfield site. The owner would submit an application before beginning the project and the Commissioner of Economic and Community Development (the "Commissioner") would evaluate it on the basis of eleven enumerated criteria. If the project is approved, the Commissioner would reserve an amount for the credit and upon completion of the remediation, the Department of Economic and Community Development ("DECD") would issue a voucher for a credit up to the reserved amount. The credit would be capped at 50% of qualified expenditures or \$2 million and total annual tax credits would be capped at \$10 million for the fiscal years commencing July 1, 2019 and July 1, 2020. The voucher, which is transferable, could be used to offset any tax due under chapter 207 (insurance and health care companies), chapter 208 (corporate business tax), chapter 209 (air carriers tax), chapter 210 (railroad companies tax), chapter 211 (community antenna television and one-way satellite transmission business tax) or chapter 212 (utility companies tax) of the general statutes.

The revenue lost to the state is small when compared to the funds actually invested into the redevelopment of such sites by developers and business owners and the future tax revenue that will be generated from such redevelopment projects.

The proposed tax credit avoids the problems of brownfield tax credit programs in some other states because it (i) is subject to a competitive application process; (ii) is limited generally to costs associated with investigation and remediation costs – not development or acquisition costs; (iii) it caps the amount of tax credit any project can receive so that no one property receives a disproportionate share of tax credits; and (iv) it limits the total amount of tax credits in any one year so that the State can reasonably anticipate the maximum annual cost to the State.

Most of the neighboring states have robust brownfield tax credit programs so the proposed brownfield tax credit initiative set forth in Section 1 will help to level the playing field. Moreover, the brownfield tax credit bill will provide another incentive to developers and property owners to remediate and redevelop Connecticut's brownfield sites.

Section 2 of Raised Bill No. 5592 authorizes the State Bond Commission to issue up to twenty million dollars in bonds, with ten million effective July 1, 2017, for use by DECD in funding the remedial action and redevelopment municipal grant program established in C.G.S. §32-763 and the targeted brownfield development program established in C.G.S. §32-765. This funding is critical to the success of the state's brownfield initiative. It is important to note that for FY16 to date, for every dollar invested by the state through these brownfield programs, \$8.37 of additional investment has been made. This is a tremendous ratio. Moreover, the funds result in properties being cleaned up and restored to the tax rolls, communities revitalized and jobs created. Quite frankly, this is the positive investment the state should be making.

Thank you for the opportunity to speak in support of Sections 1 and 2 of Raised Bill No. 5592.