
OLR Bill Analysis

sHB 7209 (as amended by House Amendment "A")*

AN ACT ESTABLISHING THE CONNECTICUT MUNICIPAL REDEVELOPMENT AUTHORITY.

SUMMARY

This bill creates the Connecticut Municipal Redevelopment Authority (MRDA) as a quasi-public agency to, among other things, stimulate economic and transit-oriented development. Larger municipalities, and smaller municipalities jointly, may opt to become members of the authority; certain fiscally distressed municipalities are automatically members. The bill authorizes MRDA to develop property and manage facilities in development districts encompassing the areas around transit stations and downtowns (i.e., "MRDA development districts"). Members must enter into an agreement with MRDA to designate at least one district. District boundaries are determined by memoranda of agreement (MOAs) between MRDA and the chief executive officers (CEOs) of the member municipalities.

The bill establishes a 13-member board to govern MRDA and gives it general powers to operate as a quasi-public agency and development-specific powers for projects within MRDA development districts. It authorizes MRDA to (1) issue bonds and other notes backed by its financial resources and (2) enter into an MOA with the Capital Region Development Authority (CRDA) for administrative support and services. It subjects MRDA to specific auditing and reporting requirements.

The bill also makes the state liable for any bond, note, or other financial obligations MRDA cannot pay.

*House Amendment "A" (1) allows two or more municipalities to become joint members of the authority if their combined population meets the minimum threshold; (2) eliminates MRDA's authority to

condemn properties; (3) changes the name of the municipal member boards from “advisory boards” to “local development boards” and gives them, in consultation with the authority’s board of directors, authority over certain aspects of MRDA projects; (4) makes the state liable for certain financial obligations of the authority; (5) eliminates reimbursement to the authority’s board of directors for costs it incurs; (6) eliminates the requirement that the state indemnify MRDA; and (7) makes conforming changes.

EFFECTIVE DATE: October 1, 2019

QUASI-PUBLIC AGENCY

The bill establishes MRDA as a public instrumentality and political subdivision of the state, created to perform an essential public and government function. It is a quasi-public agency, not a state department, institution, or agency, and as such is subject to statutory procedural, operating, and reporting requirements for quasi-public agencies, including lobbying restrictions and the State Code of Ethics.

MRDA has perpetual succession as long as any of its obligations (e.g., bonds) are outstanding or until it is terminated by law. Termination does not affect outstanding contractual obligations. Its rights and properties vest in the state when it lawfully terminates.

PURPOSE

Under the bill, MRDA must stimulate economic and transit-oriented development (TOD) in development districts. Under existing law and the bill, TOD means development within one-half mile or walking distance of public transportation facilities (including rail and bus rapid transit and services) that meets transit-supportive standards for land uses, built environment densities, and walkable environments in order to facilitate and encourage their use.

The bill also requires MRDA to:

1. encourage residential housing development in districts;
2. manage facilities through contractual agreements or other legal

instruments;

3. stimulate new investment within development districts and support the creation of a vibrant, multidimensional downtown;
4. assist municipalities where a district is located, at the request of their legislative bodies, in development and redevelopment efforts to stimulate their economy;
5. enter into an agreement to facilitate development or redevelopment of property within development districts at the Office of Policy and Management (OPM) secretary's request and with the approval of the municipalities' CEOs;
6. encourage development and redevelopment of property within development districts;
7. engage residents of member municipalities and other stakeholders in development and redevelopment efforts; and
8. market and develop development districts as vibrant and multidimensional.

MEMBER MUNICIPALITIES

Under the bill, and with certain exceptions, members are:

1. municipalities classified by OPM as designated tier III or IV municipalities (i.e., fiscally distressed municipalities subject to the Municipal Accountability Review Board's oversight);
2. municipalities with a population of at least 70,000 (as of the last decennial census), if their legislative bodies opt to become members; or
3. two or more municipalities with a combined population of at least 70,000 (as of the last decennial census), if their legislative bodies opt to jointly become members (i.e., "joint members").

Under the bill, tier III and IV municipalities are deemed members.

Bloomfield, East Hartford, Hartford, Newington, South Windsor, Wethersfield, West Hartford, and Windsor are ineligible to become members.

Other municipalities may opt to become members through a certified resolution of their local legislative body. Municipalities that opt to join as joint members do so through concurrent resolutions, which must establish authority for decisions about projects located within these municipalities' development districts.

Before adopting a resolution or concurrent resolution, municipalities must hold public hearings.

Local Development Boards

Each member's legislative body must appoint a local development board to serve as its liaison to MRDA. Joint-members' legislative bodies must appoint a board jointly.

The board must include (1) individuals representing the municipality (two from each municipality for joint members, three for other municipal members); (2) the municipality's or municipalities' CEO or CEOs, serving as the chairperson or, for joint-member boards, co-chairpersons; and (3) one member of MRDA's board, chosen by the MRDA board's chairperson.

The board may include other individuals, such as a representative of a local human service or housing organization. In making its appointments, the members' legislative bodies must, to the extent possible, appoint representatives of minority-owned businesses, advocates for walkable communities, and members who are diverse.

Delineating Development District Boundaries

MRDA must delineate development district boundaries through an MOA with the municipality or municipalities in which the district will be located. The development district must (1) be in a "downtown" area or (2) not extend beyond a half-mile radius from a transit station. "Downtown" means a central business district or other commercial neighborhood area of a community that serves as a center of

socioeconomic interaction in the community; characterized by a cohesive core of commercial and mixed-use buildings that is often interspersed with civic, religious, and residential buildings and public spaces, typically arranged along a main street and intersecting side streets; and served by public infrastructure.

“Transit stations” are those passenger railroad or bus rapid transit stations located in the member municipality’s jurisdiction that (1) are operational, (2) the Department of Transportation (DOT) is planning, or (3) are included in DOT's statewide transportation investment program (i.e.; a document, updated every four years, listing transportation projects expected to receive federal funding).

Prerequisite to Delineation

Before entering into an MOA to delineate boundaries, MRDA must review and approve the member’s economic development master plan, as it was approved by the local legislative body or bodies. This plan is a comprehensive economic development plan designed to increase the municipality’s or municipalities’ tax base to a level that allows it to provide adequate municipal services.

In developing local plans, municipalities must provide for community and stakeholder input and a public comment process. MRDA must offer support upon request to municipalities creating their plans. In determining whether to approve a plan, MRDA must consider whether it includes a clear and feasible path toward achieving as many of MRDA’s purposes as practical and appropriate in the context of the member municipality’s unique characteristics.

POWERS

General Powers

The bill gives MRDA general powers to function as a quasi-public agency and specific powers related to projects occurring within an MRDA development district's boundaries (i.e., “authority development projects”). The general powers allow it to:

1. have perpetual succession as a corporate body;

2. adopt and alter a corporate seal;
3. adopt procedures for regulating and conducting its affairs;
4. maintain offices;
5. sue and be sued;
6. purchase insurance for its property, other assets, and employees;
7. enter into contracts and MOAs;
8. acquire, lease, purchase, own, manage, hold, and dispose of personal property and enter into agreements with respect to such property;
9. engage consultants, attorneys, and appraisers;
10. invest funds that are not immediately needed in (a) obligations issued or guaranteed by the state or federal government; (b) legal investments for savings banks in Connecticut; and (c) in-time deposits, certificates of deposit, or similar arrangements; and
11. do all things necessary and convenient to carry out these powers.

The bill also authorizes MRDA to employ staff as necessary and specifies that they are not state employees, and MRDA is not an employer, under the state's collective bargaining law. However, for purposes of health and life insurance, MRDA employees and officers are considered state employees. MRDA may establish and modify personnel policies, including hiring, employee compensation, promotion, retirement, and collective bargaining.

DEVELOPMENT DISTRICTS

Under the bill, “projects” in a development district include (1) the design and construction of transit-oriented development, (2) the creation of housing units through rehabilitation or new construction, (3) the demolition or redevelopment of vacant buildings, and (4)

development and redevelopment. Projects that receive authority support must be consistent with the (1) members' economic development master plans and plans of conservation and development and (2) applicable Comprehensive Economic Development Strategy. (These are prepared by regional economic development districts.)

MRDA's Development District Powers

With respect to projects occurring in a MRDA development district's boundaries, MRDA may (1) acquire real property by gift, purchase, lease, or transfer; (2) dispose of property; (3) receive money, property, and labor from any source, including government sources; (4) enter into common area maintenance, easement, access, support, and similar agreements with regard to property; and (5) own and operate facilities associated with authority development projects.

In exercising these powers, MRDA must (1) provide an opportunity for public comment before any acquisition, transfer, or disposal and (2) comply with the state code of ethics for public employees when receiving any land, or right therein, aid, or contribution. In addition, with respect to projects in a development district, MRDA may also:

1. plan for, acquire, finance, construct, develop, lease, purchase, repair, operate, market, and maintain facilities;
2. collect fees and rents from the facilities it develops and adopt procedures for operating them;
3. enter into contracts for construction, development, concessions, and the procurement of goods and services, as well as, marketing and promotional activities for projects;
4. borrow money, issue bonds, and do anything necessary and desirable, including entering into credit agreements, to make the bonds more marketable;
5. engage independent professionals, such as lawyers, engineers, accountants, and architects; and

6. adopt and amend procurement procedures.

The bill specifies that its provisions do not limit MRDA from entering into agreements to facilitate the development or redevelopment of municipal property or facilities.

Local Boards' Development District Powers

The bill delegates to local development boards authority to perform certain functions that it also delegates to MRDA. Specifically, the boards may:

1. acquire real property by gift, purchase, lease, or transfer;
2. dispose of property;
3. receive money, property, and labor from any source, including government sources;
4. purchase insurance for its property, other assets, and employees;
5. plan for, acquire, finance, construct, develop, lease, purchase, repair, operate, market, and maintain facilities;
6. collect fees and rents from the facilities it develops and adopt procedures for operating them;
7. engage architects, engineers, attorneys, accountants and other professionals necessary; and
8. enter into contracts for construction, development, concessions, and the procurement of goods and services.

The bill requires the boards to consult with MRDA before taking any such actions. Additionally, MRDA must provide for an opportunity for public comment before the board may acquire, transfer, or dispose of any real property rights.

MOA with CRDA

The bill authorizes MRDA to enter into an MOA with Capital Region Development Authority (CRDA) under which CRDA (1)

provides administrative support and services, including staff support, and (2) coordinates management and operational activities, including (a) joint procurement and contracting, (b) shared services and resources, (c) coordinated promotional activities, and (d) arrangements enhancing revenues, reducing operating costs, or achieving operating efficiencies. The MOA can specify the terms and conditions for these relationships, including reimbursement by MRDA to CRDA.

Bonding Authority

The bill authorizes MRDA, by resolution of its board of directors, to issue bonds and other notes with terms of up to 30 years. The bonds are secured by MRDA's financial resources. It allows MRDA to determine how it will issue and repay the bonds and specifies the terms and conditions it may include in its agreement with bondholders.

Under the bill, authority bonds are not backed by the state's full faith and credit or guaranteed by the state or any of its political subdivisions and must say so on their face. They do not count toward the state's bond cap. But, the bill makes the state liable for bonds, notes, or other debts the authority cannot pay.

The authority's pledge of its income, revenue, or other property is legally binding and subject to liens. Under the bill, a lien on such a pledge is binding against all parties with a claim against MRDA, regardless of whether the parties received a notice of the lien.

The bill makes MRDA bonds fully negotiable and legal investments. It authorizes MRDA to buy insurance to cover debt service payments and allows the board to purchase, hold, and sell the authority's bonds in accordance with its agreements with bondholders. MRDA may make whatever representations or agreements are needed to exempt its bonds from federal income tax.

The bill exempts board directors and those executing bonds or notes from personal liability unless their conduct was wanton, reckless, willful, or malicious. However, it gives bondholders and their trustees

the right, subject to the provisions of the bond resolution, to take legal action to force the board to perform its duties. The bill makes the bond proceeds and other revenue connected with the bonds trust funds, which must be used as the bond resolution specifies.

Under the bill, the state pledges not to limit or alter the authority's or its bondholders' or contractors' rights until the obligations are discharged, unless it adequately protects the bondholders and contractors. With respect to bondholders, the state's pledge applies to bonds for which the state has pledged "contract assistance." (The bill does not define contract assistance or provide a mechanism for such assistance.) It authorizes MRDA to include this pledge in its bonds, other obligations, and contracts.

(By law, certain quasi-public agencies are prohibited from borrowing money or issuing bonds guaranteed by the state without approval from the state treasurer or deputy state treasurer (CGS § 1-124). This bill subjects MRDA to this requirement, but, because MRDA's bonds are only a state liability if MRDA cannot pay them, the extent to which this provision applies is unclear.)

Authority to Provide Property Tax Incentives

The bill authorizes MRDA to negotiate, and with the OPM secretary's approval, enter into an agreement with a private developer, owner, or lessee of a building or improvement in a development district providing for payment, to the authority in lieu of real property taxes. Such agreements are required as a condition of any private right of development within a district, and must include a requirement that the private developer, owner, or lessee make good faith efforts to hire, or cause to be hired, qualified minority business enterprises to provide construction services and materials for improvements in the district, in an effort to achieve a minority business enterprise utilization goal of 10% of the total costs of construction services and materials for such improvements.

Any payments in lieu of taxes have the same lien, priority, and enforcement mechanisms as municipal property taxes. MRDA must

use the payments to carry out its general purposes.

DUTIES

Coordinating Projects

The bill requires (1) MRDA to coordinate all state, municipal, and quasi-public agency planning and financial resources that are allocated for a development district project in which it is involved and (2) all state and quasi-public agencies to cooperate with MRDA.

Applicants requesting state funds for a MRDA development district project must submit a copy of their application, along with supporting documents, to the OPM secretary and MRDA. MRDA has 90 days to give the funding agency its written recommendations (called an “economic development statement”), which must include provisions regarding performance standards, including project timelines.

A state agency or agent cannot spend funds on such a project until it receives MRDA's recommendations or after 90 days, whichever is sooner. If it expends funds not consistent with the statement's recommendations, it must give MRDA a written explanation about this decision.

Hiring Local Employees

MRDA and member municipalities must encourage businesses, as appropriate, to hire local employees. A business that receives financial assistance from MRDA must enter into an agreement with the Workforce Training Authority for assistance with training and recruiting workers. (The Authority has not been established.)

Annual Report

Instead of the annual report quasi-public agencies must submit to the governor and state auditors, the board must annually report, within 90 days after MRDA's fiscal year begins, to the governor; state auditors, and the Finance, Revenue and Bonding Committee on MRDA's finances, procurement, and employment. This report must include:

1. a list of the bonds it issued in the preceding fiscal year and, for each issue, its face value and net proceeds; the names of financial advisors and underwriters; and whether it was competitive, negotiated, or privately placed;
2. the cumulative value of all bonds issued and outstanding;
3. the amount of the state's contingent liability;
4. a description of each project, its location, and the amount the authority spent on its construction;
5. a comprehensive financial report prepared according to generally accepted governmental accounting principles;
6. a list of individuals and firms, including principal and other major stockholders, who received more than \$5,000 for services;
7. the authority's affirmative action policy; a description of its workforce by race, sex, and occupation; and a description of its affirmative action efforts; and
8. a description of the activities planned for the current fiscal year.

Independent Financial Audit

The bill requires the board to annually contract with a certified public accounting firm to undertake a financial audit, according to generally accepted auditing standards. It must submit it to the governor; state auditors; and the Finance, Revenue and Bonding Committee.

Compliance Reports

The board must annually contract with a person or firm for a compliance audit. It must submit it to the governor; state auditors; and the Finance, Revenue and Bonding Committee. The compliance audit must check MRDA's performance against its policies and procedures on personnel and affirmative action, procurement, and use of surplus funds.

The bill also requires MRDA to designate a contract compliance officer to monitor MRDA's facility operations for compliance with state law and contracting requirements relating to (1) set-asides for small contractors and minority business enterprises and (2) required efforts to hire available and qualified minorities. The compliance officer must file an annual written report, including findings and recommendations, with MRDA.

GOVERNANCE

MRDA Board Membership

Under the bill, MRDA's 13-member board consists of eight appointed directors and five ex officio, voting directors: the OPM secretary and the labor, transportation, housing, and economic and community development (DECD) commissioners or their designees. Table 1 lists the appointed directors and their appointing authority. All appointments must be made by November 30, 2019.

Table 1: Appointed Board Directors

<i>Appointing Authority</i>	<i>Number of Appointments</i>
Governor	Two
House speaker and Senate president pro tempore (jointly)	Two, one of whom is the chief executive officer of a member municipality in New Haven County
House and Senate majority leader (jointly)	Two, one of whom is the chief executive officer of a member municipality in Hartford County
House and Senate minority leader (jointly)	Two, one of whom is the chief executive officer of a member municipality in Fairfield County

Directors serve four-year terms and may be reappointed. Vacancies must be filled for the unexpired term by the original appointing authority. Each must take the constitutional oath of office and records of the oath must be filed with the secretary of state. Directors (1) may be removed by the appointing authority for malfeasance or willful neglect of duty and (2) if appointed, are deemed to have resigned if they miss three consecutive meetings or 50% of the meetings in a calendar year.

Chairperson and Executive Director

The governor appoints the board chairperson from among the board members. The board (1) annually elects a vice-chairperson, (2) elects other officers, and (3) appoints an executive committee. The chairperson, with the board's approval, must appoint MRDA's executive director, who cannot be a board director. The executive director is (1) a salaried employee; (2) the chief administrative officer of the authority; and (3) responsible for supervising the administrative affairs and technical activities of the authority, pursuant to the board's directives.

Duties

The board must adopt a budget and bylaws. It must report twice a year to the appointing authorities with respect to operations, finances, and achievement of its economic development objective. The board is accountable to the state and must cooperate with it when it audits MRDA's operations and projects, including granting the state reasonable access to MRDA projects and records.

MRDA's board must adopt written procedures to:

1. adopt an annual budget and plan of operations and require board approval before either can take effect;
2. hire, dismiss, promote, and pay authority employees, develop an affirmative action policy, and require board approval before a position may be created or a vacancy filled;
3. acquire real and personal property and personal services, and require board approval for any non-budgeted expenditure of more than \$10,000;
4. contract for financial, legal, bond underwriting, and other professional services, and require the board to solicit proposals at least once every three years for these services;
5. issue and retire bonds and other authority obligations;
6. award loans, grants, and other financial assistance, including

developing eligibility criteria, an application process, and determining the role played by employees and directors; and

7. use surplus funds.

MRDA must follow the same notice requirements quasi-public agencies follow before adopting its procedures.

Board Deliberations

A majority of the directors then in office constitutes a quorum, and a majority of those present can act. Vacancies do not prevent a quorum from acting. The board may act by adopting resolutions at regular or special meetings that take effect immediately unless the resolution specifies otherwise. The board must keep records of its proceedings in a form it chooses, indicating each director's attendance and votes cast.

The board may delegate any of its powers and duties to three or more directors, agents, or employees.

Surety and Compensation

The bill requires each director and the executive director to provide an individual surety bond for at least \$100,000. Alternatively, the board chairperson may execute a blanket bond or equivalent insurance product that covers the directors, executive director, and employees. The authority pays the cost of bonds or insurance products. Board directors are not paid.

Conflict of Interest

The bill prohibits directors and their immediate family members from having a financial interest in:

1. an authority development project,
2. property included or planned for inclusion in any such project,
or
3. a contract or proposed contract for material or services used in such projects.

Indemnification

MRDA directors, officers, and employees are not personally liable for bonds MRDA issues or for any damage or injury caused by performing duties within the scope of their employment or appointment, as long as the actions are not willful, wanton, reckless, or malicious.

MRDA must indemnify its directors, officers, and employees from financial loss and expense arising from certain specified claims, demands, suits, or judgments involving their actions. This protection applies to individuals performing their duties or acting within the scope of their employment, as long as the act or omission was not wanton, reckless, willful, or malicious.

The bill also requires the state to indemnify directors, officers, and employees from financial loss and expense resulting from a claim, demand, suit, or judgment connected to an act or omission related to an MRDA development district project. The protection applies to individuals performing their duties or acting within the scope of their employment, as long as the act or omission was not wanton, reckless, willful, or malicious.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable

Yea 12 Nay 9 (03/29/2019)