To: The Hon. John W. Fonfara, Co-Chair, the Hon. Jason Rojas, Co-Chair, the Hon. Kevin D. Witkos, Ranking Member, the Hon. Christopher Davis, Ranking Member and the members of the Finance Revenue and Bonding Committee

Thank you for the opportunity to submit testimony in opposition of HB 7410, Sections 25, 26, and 27 regarding the amount of tax credits that may be utilized to offset taxes imposed by Chapters 211, 212 and 227 of the Connecticut Statutes.

As a real estate developer in New York City we are very excited to have the opportunity to expand into the Connecticut sector, and have the opportunity to restore an abandoned mill factory that has been used as a junkyard for seven years and convert it to a beautiful, boutique hotel. The subject property is the old Hale Mill located in Norwich Connecticut adjacent to the Yantic River. This development projects to create jobs in construction and upon stabilization will create and maintain approximately 100 fulltime jobs in the hospitality sector in Connecticut. The financing structure of this project is very complex. A peripheral component to the financing structure is utilizing the state and federal historical tax credit programs.

The historic rehabilitation tax credit program incentivizes developers to restore landmark buildings and provides a significant boost in desire to invest in Connecticut. The current tax credit programs allow us to create a financial structure that makes this project feasible and very possible. We fear the changes proposed in Section 43 will make an already complex financing structure even more intricate.

The proposed changes in Sections 25, 26 & 27 raise some uncertainties in the value of tax credit to tax credit investors. One developer in Connecticut claims that the values in affordable housing tax credits would decrease from $1.00 to $.50. This 50% reduction in tax credit value would be a major blow to our project and could potentially negatively impact the project. Section 25, 26 & 27 asserts that tax credit investors including utility companies, may only use tax credits against 50.1% of their quarterly tax bill. We fear the following outcomes could arise.

Tax credit investors, such as Eversource, budget for historical tax credits will decrease due to the inability to use them fully against their tax bill. This would lead to less historical developments in Connecticut. We believe this bill would negatively impact the Connecticut economy. Thousands of jobs in Connecticut are created from the historical tax credit program, thus generating major income tax revenue for the state of Connecticut. We believe the taxes Connecticut would generate from capping the tax credit threshold for tax credit investors, would be significantly less than the taxes received from thousands of people in the labor force earning and consuming. We strongly urge Governor Lamont to reconsider Section 43 and think about the effects it would have on the Connecticut economy.
The historical tax credit program enables us to create a structure that is feasible not only for us, but for the State of Connecticut, and more specifically the city of Norwich. The job creation and tourism will be a major revenue generator for Norwich. We fear that this legislation jeopardizes our financing structure and ability to restore a beautiful landmark building that has major potential to create value for the entire state of Connecticut.

Thank you