

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 19-54—SB 570

Commerce Committee

Finance, Revenue and Bonding Committee

AN ACT CONCERNING OPPORTUNITY ZONES

SUMMARY: This act makes various changes concerning the promotion and development of the state's federally designated opportunity zones (see BACKGROUND), including the following:

1. requires the Department of Economic and Community Development (DECD) to identify and market, and allows it or other state agencies to sell, 10 vacant state-owned properties located in opportunity zones (§§ 3 & 4);
2. requires DECD to conduct various outreach efforts concerning the state's opportunity zones (§§ 5 & 6);
3. extends the historic structure rehabilitation tax credit's 30% credit to such projects located in opportunity zones and requires DECD to give these projects priority when awarding the credits (§ 7);
4. requires the DECD commissioner, in approving projects eligible for urban and industrial site reinvestment tax credits, to give priority to applications for projects located in opportunity zones (§ 8);
5. requires the DECD commissioner, in consultation with various state officials, to study the federal opportunity zone program and how the state may incentivize its use (§ 9); and
6. requires the DECD commissioner, in approving state financial assistance for certain brownfield remediation projects, to give priority to projects located in opportunity zones (§§ 10 & 11).

The act also allows opportunity zone projects to receive assistance from DECD's Office of the Permit Ombudsman. By law, the office coordinates expedited permit reviews of eligible economic development projects with the transportation, public health, and energy and environmental protection departments (§ 2).

Lastly, the act designates DECD's deputy commissioner for economic and community development as the state's primary point of contact for all state programs relating to opportunity zones (§ 1).

EFFECTIVE DATE: Upon passage, except that provisions concerning the deputy commissioner, permit ombudsman, and brownfields are effective July 1, 2019.

§§ 3 & 4 — MARKETING AND SELLING STATE-OWNED PROPERTIES

The act requires DECD to develop, by February 1, 2020, a priority list of geographically diverse, vacant state-owned properties located in opportunity zones. The list must include properties (1) that have economic development

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viability and access to transportation or other infrastructure, (2) whose development would be consistent with DECD's plan of economic development in the zones, and (3) whose transfer to a private party would not conflict with state law.

The act requires DECD, within available appropriations, to create and maintain a website by September 1, 2019, specifically for marketing and promoting state-owned properties located in opportunity zones. DECD must develop and implement a marketing campaign for the properties and website.

The act requires DECD to identify and market 10 of the properties from the priority list, but it also requires the department to solicit proposals from companies interested in purchasing any property on the list. DECD must review the proposals and match up to 10 of the properties with companies.

The act allows DECD to sell any such property it owns. For properties owned by another state agency, DECD may present the proposal to the custodial agency, which may then sell the property. For purposes of selling the properties, the act exempts DECD and the custodial agency from the law's procedure for disposing surplus state property (see BACKGROUND). However, the act does not exempt these sales from an existing requirement that the host municipality be (1) notified of the state's intention to sell the property and (2) given the right of first refusal in purchasing it (CGS § 3-14b).

§§ 5 & 6 — OUTREACH EFFORTS

The act requires DECD, within available appropriations, to develop marketing materials highlighting the state's economic development strategy relating to opportunity zones and methods the state and municipalities may use to increase their value. By February 1, 2020, DECD must host an Opportunity Connecticut conference to (1) highlight state programs relating to opportunity zones and (2) network opportunity zone funds and project sponsors.

§ 7 — HISTORIC STRUCTURE REHABILITATION TAX CREDITS

By law, DECD may award tax credits to people and business entities rehabilitating certain historic structures. Under prior law, the credit amount was (1) 30% of eligible expenditures for projects that include affordable housing and (2) 25% of eligible expenditures for all other projects.

The act extends the 30% credit to rehabilitation projects located in opportunity zones. It also requires DECD, in any rating criteria it develops for evaluating applications for certified historic structure rehabilitation tax credits, to give priority to applications submitted by owners rehabilitating certified historic structures located in opportunity zones.

By law, to be eligible for rehabilitation, properties must be (1) listed individually on the National or State Register of Historic Places or (2) located in a district listed on either register and certified by the state historic preservation officer as contributing to the district's historic character. The credits are applied against insurance premiums, corporation business, air carrier, railroad company,

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cable and satellite TV, and utility company taxes.

§ 8 — UISR TAX CREDITS

The act requires the DECD commissioner, in approving projects eligible for urban and industrial site reinvestment (UISR) tax credits, to give priority to applications for projects located in opportunity zones.

UISR credits are available to any type of business investing in a project that will generate enough sales, personal income, and other tax revenue to recoup the foregone business tax revenue. The credits apply to insurance premiums, corporation business, air carrier, railroad company, cable and satellite TV, utility company, and other specified business taxes.

§ 9 — OPPORTUNITY ZONE STUDY

The act requires the DECD commissioner, in consultation with the energy and environmental protection, housing, and transportation commissioners, and the Office of Policy and Management (OPM) secretary, to study the federal opportunity zone program and how the state may incentivize its use. The DECD commissioner must report the study's findings and recommendations to the Commerce Committee by February 1, 2020.

Under the act, the study must do the following:

1. identify corporations and other beneficiaries of capital gains within the state to develop a strategy to focus their qualified opportunity fund investments locally and encourage a cycling of capital here;
2. identify existing state incentive programs that may be combined with opportunity zone benefits;
3. identify existing and recommend new incentives for businesses participating in the small business express program to relocate to opportunity zones, including (a) reducing the amount of time a business needs to have been operating in order to qualify for a grant and (b) increasing the grant amount for each job created;
4. develop a plan to issue state bonds to provide low-interest loans to investors who develop mixed-income housing in opportunity zones;
5. recommend incentives for investors to develop mixed-income housing, in opportunity zones, that uses solar power or other renewable energy sources;
6. identify agency policies and regulations that may be amended to facilitate investment in the zones;
7. identify agency discretionary grant processes that may be amended to include opportunity zone criteria; and
8. develop a plan to use social impact bonds to encourage private investment in the zones.

§§ 10 & 11 — BROWNFIELDS

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The act requires the DECD commissioner, when making loans under the department's Targeted Brownfield Development Loan Program, to give priority to proposed projects located in opportunity zones. He must do so for applications received on and after July 1, 2019. The program provides loans of up to \$4 million per year for investigating and assessing a property's environmental condition and remediating any contamination.

The act similarly requires the commissioner, when making brownfield remediation grants, to (1) consider whether a brownfield is located in an opportunity zone and (2) give priority to proposed projects located in opportunity zones. The latter requirement applies to applications received on and after July 1, 2019.

By law, DECD makes grants to municipalities, municipal and nonprofit economic development agencies, and state-certified brownfield land banks for remediating brownfields they own or control. It also makes grants to these entities and regional councils of government for preparing comprehensive brownfield remediation and development plans.

BACKGROUND

Federal Opportunity Zone Program

The federal Opportunity Zone program, created as part of the 2017 federal Tax Cuts and Jobs Act (P.L. 115-97), is designed to spur economic development and job creation in distressed communities by providing federal tax benefits for private investments in the zones. The program's tax benefits are available to investors that reinvest gains earned on prior investments in a qualified opportunity zone fund that invests in zone businesses. Investors may receive additional tax benefits if they hold their investments in the fund for at least five, seven, or 10 years.

Connecticut has 72 opportunity zones in 27 municipalities that were approved by the U.S. Treasury Department in 2018.

Sale of State Property

CGS § 4b-21 governs the disposition of surplus state property and generally requires the following steps, among others:

1. notice to (a) OPM by the agency with custody and control of the property and (b) other state agencies by OPM regarding the property's availability;
2. if the property may be treated as surplus, an opportunity for the host municipality to negotiate with the state to acquire the property;
3. an offering of the property on the open market by the state if the municipality declines or is deemed to decline to acquire it; and
4. approval of a proposed agreement by various entities (e.g., the OPM secretary and State Properties Review Board).

Additionally, CGS § 4b-47 requires state agencies to notify the Council on Environmental Quality, OPM, and the Department of Energy and Environmental

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Protection (DEEP) before selling or transferring state land. It provides for public notice and comment, requires the DEEP commissioner to advise OPM about whether all or part of the land should be preserved, and specifies options for doing so.