



# House of Representatives

General Assembly

**File No. 554**

February Session, 2022

House Bill No. 5504

*House of Representatives, April 20, 2022*

The Committee on Finance, Revenue and Bonding reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT CONCERNING THE REMOVAL OF AN ENTERPRISE ZONE DESIGNATION.***

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

1 Section 1. Subsection (c) of section 32-70 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective from*  
3 *passage*):

4 (c) (1) On or before September 30, 1993, the Commissioner of  
5 Economic and Community Development shall approve the designation  
6 of ten areas as enterprise zones, not more than four of which shall be in  
7 municipalities with a population greater than eighty thousand and not  
8 more than six of which shall be in municipalities with a population of  
9 less than eighty thousand.

10 (2) (A) On or after October 1, 1993, the commissioner shall approve  
11 the designation of two areas as enterprise zones. Each such area shall be  
12 in a municipality with a population of less than eighty thousand, in  
13 which there are one or more base or plant closures. Such municipalities

14 shall be in different counties. If the commissioner approves the  
15 designation of an area of a municipality as an enterprise zone because  
16 of a plant closure in the municipality and there is a closure of another  
17 plant in any other municipality in the state by the same business, the  
18 commissioner shall also designate an area in such other municipality as  
19 an enterprise zone. If any such designated area includes a portion of a  
20 census tract in which any such base or plant is located, the census tracts  
21 in such area shall not be required to meet the eligibility criteria set forth  
22 under subsection (a) of this section for enterprise zone designation. If  
23 any such area is located elsewhere in the municipality, the census tracts  
24 in such area shall meet such eligibility criteria. As used in this  
25 subparagraph, (i) "base" means any United States or state of Connecticut  
26 military base or facility located in whole or in part within the state; (ii)  
27 "plant" means any manufacturing business or economic base business,  
28 as defined in section 32-222; and (iii) "closure" means any reduction or  
29 transfer in military personnel or civilian employment at one or more  
30 bases or plants in a municipality, which occurred between July 1, 1989,  
31 and July 1, 1993, or is scheduled to occur between July 1, 1993, and July  
32 1, 1996, and exceeds two thousand persons. Such employment figures  
33 shall be certified by the Labor Department.

34 (B) On or after October 1, 1993, the commissioner shall approve the  
35 designation of three other areas as enterprise zones, one of which shall  
36 be in a municipality with a population greater than eighty thousand and  
37 two of which shall be in municipalities with a population of less than  
38 eighty thousand. The census tracts in such areas shall meet the eligibility  
39 criteria set forth under subsection (a) of this section for enterprise zone  
40 designation. The commissioner shall approve the designation of  
41 enterprise zones under this subparagraph for those municipalities  
42 which he or she determines to have experienced the largest increases in  
43 poverty from October 1, 1989, to October 1, 1993, inclusive, based on a  
44 weighted average of the unemployment rate, caseload under the  
45 temporary family assistance program and per capita income of less than  
46 ninety per cent of the state average between 1985 and 1989. In making  
47 his determination, the commissioner may also consider the vacancy  
48 rates for commercial and industrial facilities in a municipality and a

49 municipality's program for the implementation of an effective  
50 enterprise zone program. To the extent appropriate, the commissioner  
51 shall use the Regional Economic Models, Inc. (REMI) system in making  
52 the calculations for such determination.

53 (C) Notwithstanding the provisions of subsection (a) of this section,  
54 municipalities that were not distressed municipalities under the  
55 provisions of subsection (b) of section 32-9p on February 1, 1986, shall  
56 be eligible to designate areas as enterprise zones under subparagraph  
57 (A) or (B) of this subdivision.

58 (3) On or after July 1, 2014, the commissioner shall approve the  
59 designation of two areas as enterprise zones as follows: (A) One area  
60 shall be in a municipality with a population of not more than fifty  
61 thousand, as enumerated in the 2010 federal decennial census, and in  
62 which is located a United States Postal Service processing center that at  
63 any point in time employed one thousand or more persons, except that  
64 such area shall only be designated as an enterprise zone for a term of  
65 five years from the date any portion of the area is transferred, provided  
66 such transfer occurs on or after July 1, 2014, and (B) one area shall be in  
67 a municipality with a population of not less than seven thousand eight  
68 hundred and not more than seven thousand nine hundred, as  
69 enumerated in the 2010 federal decennial census, and having a total area  
70 of not more than 12.2 square miles. Each such enterprise zone area shall  
71 consist of two contiguous United States census tracts, contiguous  
72 portions of such census tracts or all or a portion of an individual census  
73 tract, as determined in accordance with the most recent federal  
74 decennial census and, if such area is covered by zoning, a portion of  
75 such area shall be zoned to allow commercial or industrial activity. The  
76 census tracts in each such enterprise zone area shall not be required to  
77 meet the eligibility criteria set forth in subsection (a) of this section.  
78 Notwithstanding the provisions of subsection (a) of this section,  
79 municipalities that were not distressed municipalities under the  
80 provisions of subsection (b) of section 32-9p on February 1, 1986, shall  
81 be eligible to designate areas as enterprise zones under this subdivision.

82 (4) (A) The commissioner shall not approve the designation of more  
 83 than one enterprise zone in any municipality. The commissioner shall  
 84 adopt regulations in accordance with chapter 54 concerning such  
 85 additional qualifications for an area to become an enterprise zone as he  
 86 or she deems necessary.

87 (B) The commissioner may remove the designation of any area he or  
 88 she has approved as an enterprise zone if such area no longer meets the  
 89 criteria for designation as such an area set forth in this section or in  
 90 regulations adopted pursuant to this section, [provided] except that no  
 91 such designation shall be removed (i) less than ten years from the  
 92 original date of approval of such zone, or (ii) if the number of residents  
 93 in such area with income below the poverty level, as determined by the  
 94 most recent United States census, has not been reduced by at least  
 95 seventy-five per cent from the original date of approval of such zone.

96 (C) The commissioner may designate any additional area as an  
 97 enterprise zone if that area is designated as an enterprise zone,  
 98 empowerment zone or enterprise community pursuant to any federal  
 99 legislation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	32-70(c)

**FIN**      *Joint Favorable*

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*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.*

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### **OFA Fiscal Note**

**State Impact:** See Below

**Municipal Impact:** See Below

### **Explanation**

The bill prohibits, in certain circumstances, the Department of Economic and Community Development from removing a municipality's Enterprise Zone designation.

Municipalities with enterprise zone designations are eligible for Distressed Municipalities grant funding. As such, the bill precludes 1) any reduction in the cost to fully fund the grant that would occur if a municipality was no longer eligible; and 2) any corresponding revenue loss such municipality would incur as a result.

### **The Out Years**

**State Impact:** See Above

**Municipal Impact:** See Above

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**OLR Bill Analysis****HB 5504*****AN ACT CONCERNING THE REMOVAL OF AN ENTERPRISE ZONE DESIGNATION.*****SUMMARY**

Existing law authorizes the Department of Economic and Community Development (DECD) commissioner to remove an enterprise zone's designation if the area no longer meets the designation criteria. This bill prohibits the commissioner from doing so if the number of residents in the zone with incomes below the poverty level has not been reduced by at least 75% from the date the zone was originally approved (based on the most recent U.S. census). As under existing law, once designated, an area remains an enterprise zone for at least 10 years.

Generally, to qualify as an enterprise zone under the program's statutory criteria, a proposed zone must meet specified poverty measures (e.g., at least 25% of the zone's residents must have incomes below the poverty level or receive public assistance, or the zone's unemployment rate must be at least double the average state rate).

EFFECTIVE DATE: Upon passage

**BACKGROUND*****Enterprise Zone Benefits***

Enterprise zone benefits are generally available to businesses that start up in or improve real property there. These benefits include a (1) five-year, 80% property tax exemption for qualifying facility improvements and machinery and equipment purchases (CGS § 12-81(59) & (60)) and (2) seven-year fixed assessment for qualifying commercial and residential real property improvements (CGS § 32-71).

The law designates municipalities containing an enterprise zone as “targeted investment communities,” which qualifies them for enhanced funding and other tax incentives (e.g., enhanced financial assistance under the Manufacturing Assistance Act program (CGS § 32-223(c))).

**Designated Zones**

There are 18 enterprise zones currently designated in the following towns: Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Thomaston, Waterbury, and Windham.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 42 Nay 9 (04/05/2022)