

Analysis of State Bond Commission Agenda Items

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OFFICE OF FISCAL ANALYSIS

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The following is intended to provide legislative members of the State Bond Commission (SBC) with additional information and analysis of the items on the agenda.

I. Summary

FY 16 General Obligation Bonds¹

Allocations	FY 16 \$	FY 15 \$ (November)
December Agenda	8,155,334	266,970,253
Prior Allocations	639,870,070	193,234,082
TOTAL	648,025,404	460,204,335

¹ The figures do not include reallocations.

Calendar Year 2015 General Obligation Bonds¹

Allocations	2015 \$	2014 \$ (November)
December Agenda	8,155,334	266,970,253
Prior Allocations	2,024,814,184	1,252,108,000
Subtotal	2,032,969,518	1,519,078,253
Automatic Allocations ²	465,269,000	565,228,000
TOTAL	2,498,238,518	2,084,306,253

¹ The figures do not include reallocations.

² Automatic allocations include UConn 2000, CSCU 2020, the Bioscience Collaboration Fund (Jackson Lab) or the Bioscience Innovation Fund.

FY 16 Transportation Fund Bonds

Allocations	FY 16 \$	FY 15 \$ (November)
December Agenda	174,800,000	99,537,336
Prior Allocations	617,889,771	491,803,000
TOTAL	792,689,771	591,340,336

Calendar Year 2015 Transportation Fund Bonds

Allocations	2015 \$	2014 \$ (November)
December Agenda	174,800,000	99,537,336
Prior Allocations	686,184,022	654,703,000
TOTAL	860,984,022	754,240,336

Special note on job creation/retention estimates in the SBC agenda: The Office of Policy and Management has provided an estimate for the number of jobs created or retained for each agenda item. The figures are based on the assumption that for every \$1 million of directly expended project construction costs, a total of 21 jobs are created or retained. Of the 21 job total, 9.4 are direct jobs and 11.6 are supplier jobs.

II. Agenda Items

Item #1 Department of Transportation: Let's Go CT infrastructure program (\$174,600,000 in new Special Tax Obligation bonds)

The funds will be used to finance the Let's Go CT! projects listed in the table below:

Let's Go Connecticut! Projects (in millions)

Description	Amount \$
Highway Operations	
Final Design of operational lanes and safety improvements for I-84 interchange 40-42	3.0
Urban bikeway, pedestrian connectivity, trails and alternative mobility programs	
Design 3.5 mile gap in the East Greenway from Simmons Road to Willow Street and through Rentschler field	0.6
Design 5 mile gap in the East Coast Greenway on the Moosup Valley State Park Trail	0.5
Design gap in the Hop River State Park Trail	0.5
Trail/Pedestrian connectivity program management and oversight	1.0
Preliminary design for rehabilitation of Route 15 West Rock Tunnel and Interchange 59	2.0
Public Transportation	
Overhaul of Four P-40 locomotives	12.0
Station improvements and design for the Hartford Line service start-up	20.0
Completion of track and infrastructure improvements for the Hartford Line	135.0
TOTAL	174.6

Item #2 Department of Economic and Community Development: Reallocation of funds to the Connecticut Science Center, Inc. for remaining payments under an Energy Services Agreement with CRDA (\$2,500,000 in previously allocated General Obligation bonds)

This funding would support a grant-in-aid to cover the Connecticut Science Center's remaining annual payments of facility charges under an energy services agreement with the Capital Region Development Authority (CRDA).

The State Bond Commission originally allocated \$4 million to the Connecticut Science Center, Inc. at the July 25, 2014 meeting to support grant-in-aid for various renovations and improvements.

Background: A Central Utility Plant (CUP) built in the Convention Center supplies heating capabilities to the CT Science Center, as well as the Convention Center, the Marriott Hotel in Hartford, and two outdoor snow-melt systems. The CRDA administers the CUP.

Under an energy sharing agreement that governs the CUP, the Convention Center, Marriott Hotel, and CT Science Center are required to fund a certain portion of CUP's operations, debt service, and capital needs in exchange for heating and cooling the respective facilities. Per the 2014-15 CRDA annual report, the annual budget is \$3 million, of which the Convention Center pays approximately \$1.7 million each year.

In addition to various state bond allocations, the CT Science Center receives an annual state appropriation for general operational support. In FY 15, the CT Science Center received \$599,073.

Question:

1. What are the annual payments owed by the CT Science Center per the energy sharing agreement?
2. Are the CT Science Center's annual operational revenues insufficient to cover the payments due per the agreement?

Item #3 Department of Housing: Flexible Housing Program (\$4,918,601 in new General Obligation bonds)

The funds will support a loan to the Mill at Killingly Apartments LLC, or another eligible applicant, for construction of 32 new units of housing at 442 Maple Street in the Killingly section of Danielson. The former Powdrell & Alexander Mill will be converted into a housing development. The loan will be provided at an interest rate of 1% for thirty years with principal and interest deferred.

The project includes 12 units for people earning less than 25% of area median income, 13 units for people earning between 25% and 50% of area median income. There will be seven market rate units. Sixteen of the income restricted units are targeted to homeless veterans and other homeless and very low income residents and will include supportive services.

The town of Killingly last year was awarded a \$2.02 million state grant for remediation and demolition work at the 4.1-acre site which was purchased on behalf of The Women's Institute Realty of CT in 2013. That money will be used specifically for any needed lead and asbestos abatement, along with soil remediation.

The project is projected to be completed within 12 months once the remediation of the site is concluded and construction begins.



The current Powdrell & Alexander Mill in Killingly



Artist's rendering of the Mill at Killingly Apartments project

Item #4 Department of Economic and Community Development: Small Business Express Program (\$2,200,000 in new General Obligation bonds)

The funds will be used to recapitalize the Small Business Express Program, which was created by Public Act 11-1 of the October Special Session. The State Bond Commission has allocated \$210 million in total to the program since 2011.

Background: The Small Business Express Program provides loans and grants to Connecticut's small business to spur job creation and growth. Assistance focuses on: (1) access to capital and (2) incentive loan and grant funds.

Small businesses are eligible if they meet the following criteria:

1. Have operations in Connecticut;
2. Are registered to conduct business for not less than twelve months;
3. Are in good standing with all state agencies and payment of all state taxes; and
4. Employ not more than 100 employees.

Priority for available funding will be given to those eligible applicants who are (1) creating new jobs and (2) within Connecticut's economic base industries, as defined in CGS Sec. 32-222, including but not limited to: precision manufacturing, business services, green and sustainable technology, bioscience, and information technology.

As of September 25, 2015, a total of 1,425 businesses have received \$216.8 million in loans and grants through the program. This resulted in the creation of 5,464 jobs and the retention of 15,537 jobs.

Questions:

1. On average, how much assistance does DECD approve per month through the Express Program?
2. Does the agency anticipate the demand for assistance to grow (or decrease) over the next two years?

Item #5 Department of Transportation: State matching funds for a study of the I-91/I-84 interchange in Hartford (\$200,000 in new Special Tax Obligation bonds)

These funds will be used to match \$800,000 in federal funds to complete a study of the interchange of Interstate 91 and Interstate 84 and the surrounding road connections to provide increased capacity and congestion relief in coordination with ongoing planning for improvements to Interstate 84 in Hartford. Since the existing interchange location may not allow additional capacity improvements due to constraints with downtown Hartford, the study will also include the possible relocation of the interchange and a portion of Interstate 84 within Hartford and east of the Connecticut River. The study may also examine reconfiguring of the Route 2 interchange with Interstate 84 in East Hartford due to its close proximity to the Interstate 91 and Interstate 84 interchange.

Item #6 Department of Housing: Grant-in-aid to a nursing home for right sizing (\$736,733 in new General Obligation bonds)

The funds are requested for the Department of Housing to provide a grant-in-aid to The Mary Wade Home, Incorporated to finance renovations and construction at 83 Pine Street in New Haven so that it can implement its approved new business model.

Background: The Right-Sizing Conversion program provides financial assistance to the owners of nursing facilities that are licensed by the CT Department of Public Health. This assistance allows them to change or diversify their business model in a way that supports individuals on Medicaid who need Long Term Supports and Services (LTSS) but who can reside in community-based facilities rather than more expensive nursing home facilities.

Item #7 Capital Region Development Authority: Loan to Brean Capital LLC to convert unused rooms at the Radisson Hotel in Hartford to rental housing (\$6,534,977 in previously allocated General Obligation bonds)

The funds will support a \$6.5 million construction loan to Brean Capital LLC for conversion of unused rooms at the Radisson Hotel at 50 Morgan Street in Hartford. The loan will be provided at 5.75% interest, with interest payments only for two years. The balance of the requested funds is for transaction costs associated with the loan.

The project consists of creation of 96 units of rental housing, consisting of 88 one bedroom units and 8 two bedroom units. The remaining 188 hotel rooms will be upgraded and retained.

The previously allocated funds are available from projects that did not go forward or did not use all of the state funding provided.

Background: The Capital Region Development Authority (CRDA) seeks projects that are 80% market rate and 20% affordable and has designated a portion of its funding for small projects (less than 20 units). CRDA requires its funds to be leveraged by private lending and/or equity contributions and the amount of assistance and its nature are determined on a case by case basis.

The assistance may take the shape of equity with preferred status, a traditional mortgage or “soft” second mortgages. Development budgets will be reviewed for consistency with marketplace costs, per unit subsidy amounts, developer fee percentage, contingency and capital and operating reserves, and the certainty of other funding sources. Funding assistance must be approved by the full CRDA Board upon recommendation of the staff and the CRDA Housing Committee.

Item #8 Department of Housing: Flexible Housing Program (\$1,812,159 in previously allocated General Obligation bonds)

A. Loan to Joseph Migani, d.b.a. PMA Properties LLC - Ansonia (\$360,000) - This funding will support a loan to Joseph Migani, d.b.a. PMA Properties LLC, for the construction of two supportive housing rental units at 13 May Street in Ansonia. The loan will be provided at an interest rate of 0% for thirty years with principal deferred.

The building will be constructed to have a “net zero” energy consumption strategy with photo voltaic roof panels and high-efficient, mini-split heat pumps providing central heat and air conditioning, which will greatly reduce the operating and tenant utility costs for these units. The project will provide two supportive housing units to families earning up to 50% of the area median income.

B. Loan to The New Haven Homeownership Center (\$305,000) - The funds will support a loan to The New Haven Homeownership Center, Inc. (Neighborhood Housing Services of New Haven) for the Carmel Street Affordable Rental Innovation at 111 Carmel Street in New Haven. The loan will be provided at an interest rate of 0% for thirty years with principal deferred.

This property is currently a vacant and blighted multi-family home in the Dixwell Avenue neighborhood. The project includes the rehabilitation of four, two-bedroom units for people earning 25% to 50% of area median income. The rehabilitation will include energy efficient lighting, heating equipment and appliances. The building is within walking distance to the major transportation arteries of Whalley and Dixwell Avenues, providing tenants with connectivity to all mass-transit opportunities.

C. Grant-in-aid Washington Community Housing Trust, Inc - New Preston (\$480,000) - The funds will support a grant-in-aid to Washington Community Housing Trust, Inc. (WCHT), or another eligible applicant, to assist with the construction of three new single-family homes on the Vincent Farm in New Preston. An existing 4-bedroom farmhouse will be renovated and the remaining land will subdivided so that two additional homes can be built.

Income-qualified homebuyers will purchase the actual residences, but WCHT will retain ownership of the land and lease them to the homebuyers for 99 years. The land lease will ensure that the homes will remain available and affordable for future income-qualified households.

The total development cost is \$1,065,300. In addition to DOH’s investment of approximately \$480,000, the property was financed with a private, no-interest loan. It is expected that the town also will assist the project with development costs and down payment assistance.

D. Predevelopment Loan Costs (\$667,159) - These funds are requested to provide supplemental financing for the Predevelopment Cost Revolving Loan Program.

This program provides interest-free or deferred loans for predevelopments costs associated with development and preservation of affordable housing units.

Item #9 Department of Economic and Community Development: Manufacturing Assistance Act (\$5,375,000 in previously allocated General Obligation bonds)

This funding will support the business initiatives listed below. A portion of the funding will be used to provide financial assistance under the First Five Program (also referred to as "Next Five").¹

The State Bond Commission allocated \$182.1 million for eleven of the companies participating in First Five since 2012. Funding for CareCentrix and Charter Communications is to be considered during this meeting.

First Five Program Funding

Company	Total Assistance Available	Bond Funds Allocated on Previous Agendas ^{1,2}	Bond Funds on Current Agenda
CIGNA ³	71,000,000	21,000,000	-
NBC Sports	26,000,000	26,000,000	-
ESPN ³	10,000,000	-	-
Sustainable Building Systems	19,100,000	19,100,000	-
CareCentrix	24,000,000	14,000,000	2,400,000
Alexion ³	51,000,000	26,000,000	-
Deloitte	14,500,000	9,000,000	-
Bridgewater Associates	52,000,000	-	-
Charter Communications	8,500,000	6,500,000	2,000,000
Navigators Group Inc.	11,500,000	11,500,000	-
Pitney Bowes	27,000,000	16,000,000	-
EDAC Technologies ⁴	48,000,000	23,000,000	-
Synchrony Bank	20,000,000	10,000,000	-
TOTAL	382,600,000	182,100,000	4,400,000

¹The State Bond Commission allocated \$5.95 million to TicketNetwork. TicketNetwork has since withdrawn from the program. Those funds will be reallocated for future use.

²The State Bond Commission allocated \$18.7 million to ESPN to support a loan and a grant-in-aid under the program; however, the agreement has been since updated to provide ESPN \$10 million in tax credits only. Those funds will be reallocated for future use.

³A portion of these companies' assistance is eligibility for state tax credits in addition to bond funded loans and grants through First Five.

⁴EDAC Technologies received a bond allocation in July 2012, prior to officially participating in the First Five program. This allocation is counted towards the overall First Five assistance package to the company.

¹ PA 13-234, the general government implementer, extended the First Five program's sunset date by two years, from June 30, 2013 to June 30, 2015. As of today eleven companies are participating in the program. The law allows up to fifteen companies to participate in the program.

A. CareCentrix – First Five Program (\$2,400,000) -This funding will support a grant-in-aid to CareCentrix to assist in relocation and expansion from East Hartford to Hartford. The company relocated its headquarters from East Hartford to Hartford in January 2013.

The Department of Economic and Community Development will provide a total of \$24.0 million in grant funding in installments over five years if the company meets annual job retention and creation goals until it reaches 503 total jobs.

The grant distribution is as follows:

- 1) \$12.0 million in grants over five years if all 213 existing employees are retained for the five years;
- 2) \$12.0 million grant will be paid over a five-year schedule if 290 jobs are created in the five-year span.

If the company creates more than the targeted number of full-time jobs per year, payments may be accelerated upon the company's request based on an agreed-upon payment schedule. The total cost of the project is estimated to be \$86 million.

The State Bond Commission previously allocated \$14 million of the \$24 million to CareCentrix. Including this requested allocation, \$7.6 million remains to be allocated to the company.

Background: CareCentrix provides health care plans and providers with a one-stop solution that coordinates all of a patient's home health care needs including skilled nursing services, home infusion therapies and durable medical equipment.

Question: Since the first bond allocation in October 2012, how many jobs were created and/or retained?

B. Wade's Dairy Inc. (\$975,000) - The funds will support a loan to Wade's Dairy, Inc. to assist with renovation and construction of refrigerated facilities in Bridgeport. The company will retain 29 jobs and create 39 new jobs within two years.

The loan will be provided at an interest rate of 2% for ten years. The company will be eligible for loan forgiveness of \$200,000 if it creates and retains the 68 jobs within two years.

Background: Wade Dairy, located in Bridgeport, produces a variety of branded, private label, licensed, and franchise products including milk, cultured foods, citrus, extended shelf-life dairy, frozen desserts, non-dairy and specialty drinks. The company's customers include chains and independent retailers, convenience stores, food service channels and in New England, home delivery customers.

C. Charter Communications - First Five Program (\$2,000,000) - This funding will support a \$2 million grant-in-aid to Charter Communications for costs associated with relocating its corporate headquarters from St. Louis to Stamford. These costs include machinery & equipment, leasehold improvements, and other related relocation costs.

The State Bond Commission previously allocated \$6.5 million in December 2012 to support a loan to Charter Communications. The loan will be fully forgiven if the company retains 260 franchise jobs and creates 200 corporate headquarters jobs within three years. The current \$2 million allocation is the final payment for the company under the First Five program.

Background: Charter Communications is a Fortune 500 company and the fourth-largest cable operator in the United States. Charter provides advanced video, high-speed Internet, and telephone services to approximately 5.2 million residential and business customers in 25 states.

Question: Where are the 260 franchise jobs to be retained currently located? Will these positions transfer to new headquarters?

Item #10 Office of Policy and Management: Urban Action Program (\$300,000 in new General Obligation bonds)

The funds will support a \$300,000 grant-in-aid to the Town of North Stonington to assist with site improvements associated with construction of a consolidated town emergency services facility. On July 29, 2013 town residents approved a referendum to issue \$6.36 million in municipal bonds to finance the project.

Item #11 Carry forward of unused 2015 Private Activity Bond Allocation

The state received a Private Activity Bond allocation of \$359.7 million for the 2015 calendar year. Of this total, \$125.2 million was issued in 2015, which leaves \$234.4 million available for the following carry forward: (1) \$224.4 million that will be issued as single or multifamily housing revenue bonds by the Connecticut Housing Finance Authority (CHFA), and (2) \$10.0 million that will be issued as student loan revenue bonds by the Connecticut Higher Education Supplemental Loan Authority (CHESLA).

Background: Private Activity Bonds are revenue bonds issued by quasi-public authorities or municipalities that are not a state obligation because the quasi-public authority pays the debt service out of the bond's dedicated revenue stream. These bonds would normally be taxable except when they are used to finance projects that serve a significant public benefit, such as housing, economic development, student loans, and energy conservation. The state's annual PAB bonding capacity is determined by a federal formula (see Unified Volume Cap, below) based on state population. The State Bond Commission reallocates any unused PAB capacity at the end of each calendar year. The federal government classifies a bond as private activity if more than 10% of

its proceeds are used by a private party (the quasi-public authority) and more than 10% of the debt service is backed by private resources. The statutes refer to private activity bonds as “industrial development bonds” (CGS Secs. 32-140 to 32-142).

Unified Volume Cap: Federal tax law limits the volume of tax-exempt state private activity bonds each calendar year. Connecticut’s cap has been as follows:

Private Activity Bond Unified Volume Cap

Calendar Year	Per Capita Amount \$	Minimum Amount \$ (in millions)	Connecticut’s Cap \$ (in millions)
2000	50.0	150.0	164.1
2001	62.5	187.5	212.8
2002	75.0	225.0	256.9
2003	75.0	225.0	259.5
2004	80.0	233.8	278.7
2005	80.0	239.2	280.3
2006	80.0	246.6	280.8
2007	85.0	256.2	297.9
2008	85.0	262.1	297.7
2009	90.0	273.3	315.1
2010	90.0	273.8	316.6
2011	95.0	277.3	339.5
2012	95.0	284.6	340.2
2013	95.0	291.9	341.1
2014	100.0	296.8	359.6
2015	100.0	301.5	359.7

Source: Federal Funds Information for States

Private Activity Bond Authorization and Allocation: The process through which private activity bonds are authorized and allocated is different than the process followed for General Obligation (GO) bonds or Special Tax Obligation (STO) bonds. PA 01-7 (June Special Session) amended CGS Sec. 32-141 to provide the following statutory allocation formula:

Statutory Percentages for Private Activity Bond Allocations

Agency	Statutory Allocation
Connecticut Housing Finance Authority	60.0%
Connecticut Development Authority	12.5%
Municipalities, CT Higher Educational Supplemental Loan Authority, Clean Energy Finance and Investment Authority & contingencies	<u>27.5%</u>
TOTAL	100%

Prior to the passage of PA 01-7 (June Special Session), private activity bonds were overseen by the State Private Activity Bond Commission (PABC). The public act eliminated PABC and transferred its authority over these bonds to the State Bond

Commission (SBC). This means that when the General Assembly is not in session, the SBC is able to reallocate bonding authority for that year if it determines doing so is in the state's best interests.

Item #12 Authorization for the Office of the State Treasurer to issue up to \$600,000,000 in nontaxable General Obligation (GO) bonds

The Office of the State Treasurer requires approval from the State Bond Commission to issue bonds.

Item #13 Approval of State Bond Commission meeting dates for 2016

Item #14 Approval of the State Treasurer's Certificate of State Indebtedness

This resolution satisfies statutory requirements for approval of documents related to State Bond Commission meetings.