File No. 121

Substitute Senate Bill No. 481

Senate, March 25, 1998. The Committee on Planning and Development reported through SEN. COLEMAN, 2nd DIST., Chairman of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING DESIGNATION OF PROPERTIES AS MANUFACTURING PLANTS.

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

1 Section 32-75c of the general statutes is
2 repealed and the following is substituted in lieu
3 thereof:
4 (a) ANY MUNICIPALITY WITH A POPULATION LESS
5 THAN TWENTY THOUSAND THAT IS CONTIGUOUS TO A
6 TARGETED INVESTMENT COMMUNITY MAY REQUEST THE
7 COMMISSIONER OF ECONOMIC AND COMMUNITY DEVELOPMENT
8 TO APPROVE THE DESIGNATION AS MANUFACTURING PLANTS
9 THOSE PROPERTIES LOCATED IN A CENSUS TRACT OR
10 CONTIGUOUS TO SUCH CENSUS TRACT, OR ANY PORTION
11 THEREOF, PROVIDED SUCH CENSUS TRACT OR PORTION
12 THEREOF (1) IS CONTIGUOUS TO A CENSUS TRACT
13 LOCATED IN A TARGETED INVESTMENT COMMUNITY AND
14 THAT HAS A LOW OR MODERATE INCOME HOUSING PROJECT,
15 (2) CONTAINS A FACILITY OF AT LEAST ONE HUNDRED
16 EIGHTY THOUSAND SQUARE FEET THAT WAS FORMERLY USED
17 FOR PRINTING AND ALLIED INDUSTRIES, (3) INCLUDES
18 AT LEAST ONE HUNDRED ACRES OF LAND THAT IS VACANT
19 AND ZONED FOR COMMERCIAL, INDUSTRIAL OR OTHER
20 ECONOMIC BASE ACTIVITY AND (4) HAS A BOUNDARY THAT
21 CONSISTS OF A PORTION OF A RAILROAD TRACK AND A
22 STREAM. IN APPROVING A DESIGNATION UNDER THIS

23 SUBSECTION, THE COMMISSIONER SHALL CONSIDER THE
24 DEVELOPMENT RATIONALE, PROPOSED LOCAL EFFORT AND
25 JOB CREATION POTENTIAL OF THE AREA OF THE
26 MUNICIPALITY FOR WHICH THE DESIGNATION IS SOUGHT,
27 AS DEMONSTRATED IN THE PROPOSAL FROM THE
28 MUNICIPALITY. QUALIFIED PROPERTIES DESIGNATED AS
29 MANUFACTURING PLANTS UNDER THIS SECTION SHALL BE
30 ENTITLED TO THE SAME BENEFITS, SUBJECT TO THE SAME
31 CONDITIONS, UNDER THE GENERAL STATUTES FOR WHICH
32 BUSINESSES LOCATED IN AN ENTERPRISE ZONE QUALIFY.
33 (b) A municipality which has an enterprise
34 zone designated under section 32-70, AS AMENDED,
35 and a manufacturing plant having an area of at
36 least five hundred thousand square feet which is
37 located outside of the enterprise zone may, with
38 the approval of the Commissioner of Economic and
39 Community Development, designate the manufacturing
40 plant. A qualified manufacturing plant DESIGNATED
41 UNDER THIS SECTION shall be entitled to the same
42 benefits, subject to the same conditions, under
43 the general statutes for which businesses located
44 in an enterprise zone qualify. The commissioner
45 shall adopt regulations in accordance with the
46 provisions of chapter 54 which (1) further define
47 the term "manufacturing plant" for the purposes of
48 this [section] SUBSECTION, (2) establish an
49 application procedure for municipalities seeking
50 the approval of the commissioner for qualified
51 manufacturing plant designations, UNDER THIS
52 SUBSECTION and (3) establish criteria for the
53 issuance by the commissioner of approvals for
54 [such] designations UNDER THIS SUBSECTION.

55 STATEMENT OF LEGISLATIVE COMMISSIONERS: The first
56 part of the first sentence in subsection (a), up
57 to "PROVIDED" was rewritten for clarity and
58 "RATIONALE" was substituted for "RATIONAL" for
59 accuracy.

60 PD COMMITTEE VOTE: YEA 19 NAY 0 JFS-LCO

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF 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 HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER sSB 481

STATE IMPACT	Potential Cost and Potential Revenue Loss, see explanation below
MUNICIPAL IMPACT	Potential Revenue Loss, see explanation below
STATE AGENCY(S)	Department of Economic and Community Development

EXPLANATION OF ESTIMATES:

STATE IMPACT: There is a potential revenue loss and a potential cost to the state to the degree that expanding eligibility for enterprise zone benefits to additional properties provides financial incentives for business activity which would have occurred without the incentives. The exact impact cannot be determined. The financial incentives available to businesses in zones include a loan program, a 50% corporation tax credit, the Job Incentive Grant Program, an 80% property tax abatement (for which towns receive a state PILOT for 50% of the abatement), a 7-year graduated property tax deferral for non-manufacturing firms, a sales tax exemption for manufacturing repair and replacement parts, and a real estate conveyance tax exemption.

It is anticipated that any increase in workload to the Department of Economic and Community Development (DECD) could be handled within budgeted resources due to the targeted nature of the legislation.

MUNICIPAL IMPACT: There is a potential revenue loss from the 80% property tax abatement for expanded

facilities and newly acquired equipment to the degree that firms take advantage of this incentive.

If it is determined that a municipality qualifies for the benefits (see the OLR Bill Analysis), the state would provide the 50% pilot to help defray the revenue loss to the town.

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OLR BILL ANALYSIS

sSB 481

AN ACT CONCERNING DESIGNATION OF PROPERTIES AS MANUFACTURING PLANTS

SUMMARY: This bill allows a municipality with a population of less than 20,000 that borders a municipality with an enterprise zone to petition the economic and community development commissioner to designate properties that meet specified criteria as manufacturing plants eligible for enterprise zone benefits. These benefits include property, corporate, and sales tax benefits; grants for creating jobs; and eligibility for low-interest loans.

EFFECTIVE DATE: October 1, 1998

FURTHER EXPLANATION

Eligibility Criteria

To be eligible for designation as a manufacturing plant and thus enterprise zone benefits, a property must be located in or contiguous to a census tract that:

1. contains a facility at least 180,000 square feet in size that was used for printing and allied industries;

2. includes at least 100 acres of vacant land zoned for industrial, commercial, or other economic-base activity;

3. is contiguous to a census tract in the municipality with the enterprise zone that

contains a low- or moderate-income housing project; and

4. is bounded in part by a railroad track and a stream.

In approving the designation, the commissioner must consider the development rationale, the proposed local effort, and job creation potential of the area, as demonstrated in the municipality's application.

Enterprise Zone Benefits

Enterprise zone benefits include property tax abatements, corporation business tax credits, grants for job creation, low-interest loans, and sales and conveyance tax exemptions. The law provides an 80% property tax abatement for five years for real property used by manufacturers and qualified service businesses, and an 80% abatement on machinery and equipment used in the property. It provides a corporation business tax credit for 10 years for firms that create new jobs or hire residents of the affected town who qualify for federal job training assistance. It provides grants for businesses that create new jobs or fill them with residents who qualify for such assistance. It allows small businesses to borrow up to $300,000 in low-interest loans from the Connecticut Development Authority for investments in property or for working capital. It exempts replacement machinery parts from the sales tax and the property itself from the conveyance tax.

By law, the state reimburses enterprise zone communities for half of the value of property tax abatements they grant to businesses in enterprise zones. Since this bill does not make the affected municipality an enterprise zone community, but rather merely extends benefits to eligible properties, it appears that the reimbursement provision would not apply to this municipality.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Report
Yea 19 Nay 0