

(Reprint of File No. 121)

Substitute Senate Bill No. 481  
As Amended by Senate Amendment  
Schedule "A" and House Amendment  
Schedules "A", "B" and "C"

Approved by the Legislative Commissioner  
May 1, 1998

AN ACT CONCERNING DESIGNATION OF PROPERTIES AS  
MANUFACTURING PLANTS AND DESIGNATION OF ENTERPRISE  
ZONES AND CONCERNING ASSESSMENT OF MANUFACTURING  
FACILITIES IN ENTERPRISE ZONES.

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

1 Section 1. Section 32-75c of the general  
2 statutes is repealed and the following is  
3 substituted in lieu 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 Sec. 2. Subdivision (59) of section 12-81 of  
56 the general statutes is repealed and the following  
57 is substituted in lieu thereof:

58 (59) (a) Any manufacturing facility, as  
59 defined in section 32-9p, acquired, constructed,  
60 substantially renovated or expanded on or after  
61 July 1, 1978, in a distressed municipality, as  
62 defined in said section or in a targeted  
63 investment community, as defined in section  
64 32-222, AS AMENDED, or in an enterprise zone  
65 designated pursuant to section 32-70, AS AMENDED,  
66 and for which an eligibility certificate has been

67 issued by the Department of Economic and Community  
68 Development, AND ANY MANUFACTURING PLANT  
69 DESIGNATED BY SAID COMMISSIONER UNDER SUBSECTION  
70 (a) OF SECTION 32-75c, AS AMENDED BY THIS ACT, as  
71 follows: To the extent of eighty per cent of its  
72 valuation for purposes of assessment in each of  
73 the five full assessment years following the  
74 assessment year in which the acquisition,  
75 construction, renovation or expansion of the  
76 manufacturing facility is completed, EXCEPT THAT A  
77 MANUFACTURING FACILITY HAVING A STANDARD  
78 INDUSTRIAL CLASSIFICATION CODE OF 2833 AND HAVING  
79 AT LEAST ONE THOUSAND FULL-TIME EMPLOYEES, AS  
80 DEFINED IN SUBSECTION (f) OF SECTION 32-9j, SHALL  
81 BE ELIGIBLE TO HAVE THE ASSESSMENT PERIOD EXTENDED  
82 FOR FIVE ADDITIONAL YEARS UPON APPROVAL OF THE  
83 COMMISSIONER, IN ACCORDANCE WITH ALL APPLICABLE  
84 REGULATIONS, PROVIDED SUCH FULL-TIME EMPLOYEES  
85 HAVE NOT BEEN RELOCATED FROM ANOTHER FACILITY IN  
86 THE STATE OPERATED BY THE SAME ELIGIBLE APPLICANT;  
87 (b) Any service facility, as defined in  
88 section 32-9p, acquired, constructed,  
89 substantially renovated or expanded on or after  
90 July 1, 1996, and for which an eligibility  
91 certificate has been issued by the Department of  
92 Economic and Community Development, as follows:  
93 (i) In the case of an investment of twenty million  
94 dollars or more but not more than thirty-nine  
95 million dollars in the service facility, to the  
96 extent of forty per cent of its valuation for  
97 purposes of assessment in each of the five full  
98 assessment years following the assessment year in  
99 which the acquisition, construction, renovation or  
100 expansion of the service facility is completed;  
101 (ii) in the case of an investment of more than  
102 thirty-nine million dollars but not more than  
103 fifty-nine million dollars in the service  
104 facility, to the extent of fifty per cent of its  
105 valuation for purposes of assessment in each of  
106 the five full assessment years following the  
107 assessment year in which the acquisition,  
108 construction, renovation or expansion of the  
109 service facility is completed; (iii) in the case  
110 of an investment of more than fifty-nine million  
111 dollars but not more than seventy-nine million  
112 dollars in the service facility, to the extent of  
113 sixty per cent of its valuation for purposes of  
114 assessment in each of the five full assessment

115 years following the assessment year in which the  
116 acquisition, construction, renovation or expansion  
117 of the service facility is completed; (iv) in the  
118 case of an investment of more than seventy-nine  
119 million dollars but not more than ninety million  
120 dollars in the service facility, to the extent of  
121 seventy per cent of its valuation for purposes of  
122 assessment in each of the five full assessment  
123 years following the assessment year in which the  
124 acquisition, construction, renovation or expansion  
125 of the service facility is completed; or (v) in  
126 the case of an investment of more than ninety  
127 million dollars in the service facility, to the  
128 extent of eighty per cent of its valuation for  
129 purposes of assessment in each of the five full  
130 assessment years following the assessment year in  
131 which the acquisition, construction, renovation or  
132 expansion of the service facility is completed;

133 (c) The completion date of a manufacturing  
134 facility, MANUFACTURING PLANT or a service  
135 facility will be determined by the Department of  
136 Economic and Community Development taking into  
137 account the issuance of occupancy certificates and  
138 such other factors as it deems relevant. In the  
139 case of a manufacturing facility, MANUFACTURING  
140 PLANT or a service facility which consists of a  
141 constructed, renovated or expanded portion of an  
142 existing plant, the assessed valuation of the  
143 facility OR MANUFACTURING PLANT is the difference  
144 between the assessed valuation of the plant prior  
145 to its being improved and the assessed valuation  
146 of the plant upon completion of the improvements.  
147 In the case of a manufacturing facility,  
148 MANUFACTURING PLANT or a service facility which  
149 consists of an acquired portion of an existing  
150 plant, the assessed valuation of the facility OR  
151 MANUFACTURING PLANT is the assessed valuation of  
152 the portion acquired. This exemption shall be  
153 applicable during each such assessment year  
154 regardless of any change in the ownership or  
155 occupancy of the facility OR MANUFACTURING PLANT.  
156 If during any such assessment year, however, any  
157 facility for which an eligibility certificate has  
158 been issued ceases to qualify as a manufacturing  
159 facility, MANUFACTURING PLANT or a service  
160 facility, the entitlement to the exemption allowed  
161 by this subdivision shall terminate for the  
162 assessment year following the date on which the

163 qualification ceases, and there shall not be a pro  
164 rata application of the exemption. Any person who  
165 desires to claim the exemption provided in this  
166 subdivision shall file annually with the assessor  
167 or board of assessors in the distressed  
168 municipality, targeted investment community or  
169 enterprise zone designated pursuant to section  
170 32-70 in which the manufacturing facility or  
171 service facility is located, on or before the  
172 first day of November, written application  
173 claiming such exemption on a form prescribed by  
174 the Secretary of the Office of Policy and  
175 Management. Failure to file such application in  
176 this manner and form within the time limit  
177 prescribed shall constitute a waiver of the right  
178 to such exemption for such assessment year, unless  
179 an extension of time is allowed by the Secretary  
180 of the Office of Policy and Management as set  
181 forth in section 12-81k, AS AMENDED, and upon  
182 payment of the required fee for late filing.

183 Sec. 3. Subsection (b) of section 32-70 of the  
184 general statutes is repealed and the following is  
185 substituted in lieu thereof:

186 (b) Notwithstanding any provision of this  
187 section to the contrary, (1) any municipality  
188 which has an enterprise zone may with the approval  
189 of the commissioner, expand such enterprise zone  
190 by designating for inclusion in such zone one or  
191 more additional census tracts or contiguous  
192 portions of such census tract or tracts, provided  
193 such census tract or tracts are located in the  
194 municipality, are contiguous to the enterprise  
195 zone and meet the reduced criteria for contiguous  
196 census tracts in subsection (a) of this section,  
197 [and] (2) any municipality which is contiguous to  
198 an enterprise zone which is located in another  
199 municipality may, with the approval of the  
200 commissioner, designate as an enterprise zone one  
201 or more census tracts or contiguous portions of  
202 such census tract or tracts, which are located in  
203 the municipality making such designation, provided  
204 such census tract or tracts meet the reduced  
205 criteria for contiguous census tracts in  
206 subsection (a) of this section and are contiguous  
207 to the enterprise zone located in the other  
208 municipality. When approving such an expanded or  
209 new zone under this subsection, the commissioner  
210 shall consider the development rationale, proposed

211 local effort and job creation potential of such  
212 expanded or new zone as demonstrated by the  
213 municipality AND (3) ANY MUNICIPALITY WHICH IS  
214 CONTIGUOUS TO AN ENTERPRISE ZONE WHICH IS LOCATED  
215 IN ANOTHER MUNICIPALITY MAY, WITH THE APPROVAL OF  
216 THE COMMISSIONER AND THE LEGISLATIVE BODY OF THE  
217 MUNICIPALITY CONTAINING THE ENTERPRISE ZONE,  
218 DESIGNATE AS AN ENTERPRISE ZONE ONE OR MORE CENSUS  
219 TRACTS OR PORTIONS OF SUCH CENSUS TRACT OR TRACTS  
220 THAT ARE CONTIGUOUS TO THE ENTERPRISE ZONE IN THE  
221 OTHER MUNICIPALITY, PROVIDED NO MUNICIPALITY WHICH  
222 DESIGNATES AN ENTERPRISE ZONE IN THIS MANNER SHALL  
223 BE CONSIDERED TO BE A TARGETED INVESTMENT  
224 COMMUNITY, AS DEFINED IN SECTION 32-222, OR AN  
225 ENTERPRISE ZONE COMMUNITY.

226 Sec. 4. Section 32-56 of the general statutes  
227 is repealed and the following is substituted in  
228 lieu thereof:

229 (a) In view of the contemplated reduction in  
230 defense expenditures by the federal government and  
231 the fact that Connecticut ranks first in the  
232 nation on a per capita basis in defense contracts  
233 awarded, the department shall engage special agent  
234 technologists who shall take steps to assist  
235 medium and small manufacturers to find solutions  
236 for the problems related to defense conversion and  
237 in executing adaptation to new technologies. Such  
238 assistance shall be made available to medium-sized  
239 and small companies which lack sufficient  
240 resources to keep abreast of new technologies in  
241 fields allied to their own or in entering new  
242 markets not oriented to defense production.

243 (b) It is found and declared that Connecticut  
244 ranks very high among the states on a per capita  
245 basis in the amounts of prime defense contracts  
246 awarded; that the economies of many areas in the  
247 state and the employment opportunities offered by  
248 many businesses in the state are heavily  
249 defense-dependent and would suffer severe adverse  
250 impacts in the event of prime defense contract  
251 cutbacks; that, in the event that  
252 defense-dependent areas or businesses in the state  
253 were severely impacted by a prime defense contract  
254 cutback, there would be a serious need for  
255 non-defense-related industrial and commercial  
256 development and activity in such areas or by such  
257 businesses to provide and maintain employment and  
258 tax revenues; that private and public capital

259 investment in the construction, renovation, and  
260 expansion of nondefense manufacturing and other  
261 industrial facilities will best contribute to  
262 maintaining employment and the existing tax base  
263 and to the development of a wider-based and more  
264 balanced economy in the state; and that the tax  
265 and other financial incentives provided by this  
266 section to encourage such public and private  
267 investment in businesses and municipalities  
268 severely impacted by prime defense contract  
269 cutbacks, are important and necessary applications  
270 of the resources of the state in the exercise of  
271 its responsibility to preserve the health, safety  
272 and general welfare in the state of its people;  
273 and therefore the necessity, in the public  
274 interest and for the public benefit and good, of  
275 the provisions of this section is hereby declared  
276 as a matter of legislative determination.

277 (c) The commissioner may determine that the  
278 economy of a municipality has been severely  
279 impacted by a prime defense contract cutback. The  
280 commissioner shall make such a determination only  
281 after a public hearing, at which hearing  
282 information shall be submitted to support the  
283 findings required by this section.

284 (d) In determining that a municipality has  
285 been severely impacted by a prime defense contract  
286 cutback the commissioner shall find that (1) one  
287 or more businesses in the municipality has  
288 experienced a cancellation of one or more prime  
289 defense contracts, or subcontracts entered into in  
290 connection with prime defense contracts, or a  
291 significant reduction in prime defense contract or  
292 related subcontract awards or orders; (2) such  
293 prime defense contract cutback has caused or will  
294 cause a loss of employment opportunities in the  
295 municipality; (3) such prime defense contract  
296 cutback has caused or will cause a severe adverse  
297 impact in the municipality. In making such  
298 findings the commissioner may consider the extent  
299 to which the businesses in the municipality are,  
300 or were at the period in time before the prime  
301 defense contract cutback occurred, dependent on  
302 prime defense contracts or on subcontracts related  
303 to such prime defense contracts; the extent to  
304 which one or more prime defense contractors in the  
305 municipality has or plans to reduce its work force  
306 or the amount of defense subcontract awards or

307 orders which would be performed by businesses in  
308 the municipality; the extent to which the  
309 unemployed in the municipality are or were defense  
310 workers with specialized skills not easily  
311 transferable to other industries; the existence of  
312 abandoned or underutilized defense-related  
313 manufacturing facilities in the municipality; and  
314 any other factors which the commissioner deems  
315 relevant to such finding. The commissioner's  
316 determination that a municipality is severely  
317 impacted by a prime defense contract cutback shall  
318 be effective for two years from the date of the  
319 decision of the commissioner. The commissioner may  
320 renew such determination for another two-year  
321 period following a public hearing and upon making  
322 the findings required by this subsection.

323 (e) Any business facility located in a  
324 municipality declared by the commissioner to be  
325 severely impacted by a prime defense contract  
326 cutback pursuant to subsection (c) of this  
327 section, which facility would be a "manufacturing  
328 facility", as defined in subsection (d) of section  
329 32-9p, but for the fact that the facility is not  
330 in a "distressed municipality", as defined in  
331 subsection (b) of section 32-9p, will be deemed a  
332 manufacturing facility for the purposes of  
333 sections 32-9p to 32-9s, inclusive, section  
334 12-217e, AS AMENDED, and subdivisions (59) and  
335 (60) of section 12-81, AS AMENDED, if the purpose  
336 of the construction, expansion, renovation or  
337 acquisition of such facility is not dependent on  
338 prime defense contracts or related subcontracts.  
339 THE PROVISIONS OF THIS SECTION SHALL APPLY TO A  
340 BUSINESS FACILITY LOCATED IN A BUILDING THAT WAS  
341 VACANT ON THE EFFECTIVE DATE OF THIS ACT AND WAS  
342 FORMERLY USED FOR DEFENSE MANUFACTURING.

343 (f) Any municipality declared by the  
344 commissioner to be severely impacted by a prime  
345 defense contract cutback will be deemed a  
346 distressed municipality under sections 8-190 and  
347 8-195 for the purpose of assisting  
348 non-defense-dependent projects.

349 Sec. 5. This act shall take effect July 1,  
350 1998, and shall be applicable to assessment years  
351 commencing on or after October 1, 1998, except  
352 that section 1 shall take effect October 1, 1998.

\* \* \* \* \*

"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."

\* \* \* \* \*

**FISCAL IMPACT STATEMENT - BILL NUMBER sSB 481**

STATE IMPACT	Future Cost, Potential Cost and Potential Revenue Loss, see explanation below
MUNICIPAL IMPACT	Future Revenue Loss, Potential Revenue Loss, Minimal Workload Increase, see explanation below
STATE AGENCY(S)	Department of Economic and Community Development, Office of Policy and Management

**EXPLANATION OF ESTIMATES:**

STATE AND MUNICIPAL 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 exemption for manufacturing repair and replacement parts, and a real estate conveyance tax exemption.

It is anticipated that there would be a minimal workload increase to the Department of Economic and Community Development (DECD).

There is a potential revenue loss to municipalities from the 80% property tax abatement for expanded

facilities and newly acquired equipment to the degree that firms take advantage of this incentive. The State provides a 50% PILOT to help defray the revenue loss to the town. In addition, there would be a workload increase to certain municipalities due to reporting requirements.

The bill also extends the assessment for an additional five years, resulting in a future cost to the State and a revenue loss of the same amount to the municipality in which the facility is located. The exact amount cannot be determined at this time. Under the distressed municipality grant, the company pays 20% of the applicable taxes, the State reimburses the municipality for 40% and the municipality abates 40%.

Senate "A" clarifies a provision in the bill.

House "A" extends the assessment period for an additional five years for a specific manufacturing facility resulting in a future cost to the State and a future revenue loss to a municipality.

House "B" extends enterprise zone benefits to a specific business facility and House "C" potentially expands enterprise zones to additional census tracts increasing the impact of the original bill.

\* \* \* \* \*

#### OLR AMENDED BILL ANALYSIS

sSB 481 (File 121, as amended by Senate "A" and House "A," "B," and "C,")\*

#### AN ACT CONCERNING DESIGNATION OF PROPERTIES AS MANUFACTURING PLANTS

**SUMMARY:** This bill extends enterprise zone benefits in three ways. It allows a municipality with a population of less than 20,000 that borders a municipality with an enterprise zone to petition the commissioner of the Department of Economic and Community Development (DECD) to designate properties that meet specified criteria as manufacturing plants eligible for enterprise zone benefits. The bill also entitles the municipality to a grant equal to one-half of the foregone property tax revenue.

The bill broadens the circumstances under which a municipality that borders an enterprise zone in another town can designate adjacent census tracts as an enterprise zone. By law, the municipality can do this if the census tracts meet statutory criteria as to their poverty rate, proportion of families on welfare, or unemployment rate. The bill allows the designation of any adjacent tracts, if the designation is approved by the legislative body of the municipality and the DECD commissioner. As a result of the designation, businesses in the zone are eligible for enterprise zone benefits. The municipality is not considered an enterprise zone community or targeted investment community. As a result, businesses in the municipality but outside of the affected census tracts are not eligible for enterprise benefits.

By law, any manufacturing facility in a municipality that the DECD commissioner determines has been severely harmed by defense contract cutbacks is eligible for property tax exemptions and business tax credits for nondefense economic development projects and the municipality is eligible for a grant equal to one-half of the foregone property tax revenue, even if the municipality does not qualify as a distressed municipality. The bill extends this provision to facilities that are vacant as of the bill's effective date but were used for defense manufacturing.

The bill extends, for five years, the property tax abatement for certain manufacturing facilities. Under current law, a manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone is eligible for an 80% property tax abatement in the five years after the facility is acquired, built, substantially renovated, or expanded. The bill applies to facilities manufacturing medicinal chemicals and botanical products that have at least 1,000 full-time employees. The DECD commissioner can approve the extension, in accordance with applicable regulations, so long as the employees have not been relocated from another facility in the state.

\*Senate Amendment "A" entitles the municipality to a grant equal to one-half of the foregone property tax revenue.

\*House Amendment "A" adds the provision allowing for

the extension of property tax abatements.

\*House Amendment "B" adds the provision on designating enterprise zones.

\*House Amendment "C" adds the provision on former defense plants.

EFFECTIVE DATE: October 1, 1998 for the provision on establishing an enterprise zone in a municipality with a population less than 20,000; July 1, 1998 for the remaining provisions.

#### **FURTHER EXPLANATION**

##### **Manufacturing Plant Designation 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.

#### **BACKGROUND**

##### **Enterprise Zone Benefits**

Enterprise zone benefits include property tax abatements, corporation business tax credits, grants