

Act Number:	09-061	
Bill Number:	885	
Senate Pages:	1904, 1935, 1937-1938	4
House Pages:	3918-3925	8
Committee:	Commerce: 344-352, 420-424, 431-434	17
	Page Total:	29

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**CONNECTICUT
GENERAL ASSEMBLY
SENATE**

**PROCEEDINGS
2009**

**VOL. 52
PART 6
1667 - 2005**

Thank you, Mr. President. Calendar 553, Senate Bill Number 885, Mr. President, I move to place this item on the Consent Calendar.

THE CHAIR:

Motion is to place item on consent.

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President. Calendar 554, Senate Bill Number 933, Mr. President, I move to refer to this item to the Committee on Insurance and Real Estate.

THE CHAIR:

Motion is to refer to Insurance and Real Estate.

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President. Moving to calendar page 18, Calendar 555, Senate Bill Number 1000, Mr. President, I move to refer this item to the Committee on Planning and Development.

THE CHAIR:

Motion is to refer to Planning and Development.

Seeing no objection, so ordered.

SENATOR LOONEY:

Thank you, Mr. President. Calendar 556, Senate

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for House Bill 6643; Calendar 536, Substitute for
House Bill 6685.

Calendar page 15, Calendar Number 539, Substitute
for House Bill 6287.

Calendar page 17, Calendar 553, Substitute for
Senate Bill 885.

Calendar page 20, Calendar 587, Substitute for
House Bill 6598; Calendar 588, Substitute for House
Bill 6324.

Calendar page 21, Calendar 592, House Bill 6439.

Calendar page 27, Calendar Number 135, Senate
Bill 842.

Calendar page 28, Calendar 140, Senate Bill 872.

Calendar page 29, Calendar 175, Substitute for
Senate Bill 617.

Calendar page 30, Calendar 182, Senate Bill 973.

Calendar page 31, Calendar 206, Substitute for
Senate Bill 949.

Calendar page 37, Calendar Number 368, Senate
Bill 846.

Calendar page 38, Calendar 396, House Bill 5841.

Calendar page 42, Calendar 519, Substitute for
Senate Bill 1092; Calendar 375, Substitute for Senate
Bill 1021.

ch/rgd/md
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items placed on the first Consent Calendar.

THE CHAIR:

Thank you. Clerk, if you could please call for a roll call vote, I will open the machine.

THE CLERK:

The Senate is now voting by roll call on the Consent Calendar, will all Senators please return to the chamber. The Senate is now voting by roll on the Consent Calendar, will all Senators please return to the chamber.

THE CHAIR:

Have all Senators voted? If all Senators have voted, please check your vote. The machine will be locked.

Mr. Clerk, please call the tally.

THE CLERK:

The motion is on adoption of Consent Calendar
Number 1:

Total Number Voting	36
Necessary for Adoption	19
Those Voting Yea	36
Those Voting Nay	0
Those Absent/Not Voting	0

THE CHAIR:

ch/rgd/md
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Consent Calendar Number 1 passes.

Senator Looney.

SENATOR LOONEY:

Thank you. Thank you, Mr. President. Mr. President, I would move for suspension for immediate transmittal to the House of Representatives of item on calendar page 42, Calendar 519, Senate Bill 1092, An Act Concerning the Client's Security Fund, that was included in the immediately preceding vote on the Consent Calendar.

THE CHAIR:

Motion is to suspend down to the House Calendar 519.

Without objection, so ordered, sir.

SENATOR LOONEY:

Yes, thank you, Mr. President. Mr. President, as the second order of the day, I would ask the Clerk to call the item on calendar page 22, Calendar 595, Substitute for House Bill 6648.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Turning to calendar page 22, a matter marked second order of the day, Calendar Number 595, File

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THE CLERK:

On page 25, Calendar 608, Substitute for Senate Bill Number 885, an Act Concerning the Tax Incremental Financing Program, favorable report of the Committee on Finance, Revenue and Bonding.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Thank you, Mr. Speaker, and good afternoon. I move for acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate.

SPEAKER DONOVAN:

The question's of acceptance of the Joint Committee's favorable report and passage of the bill in concurrence with the Senate.

Remarks, sir?

REP. BERGER (73rd):

Yes, Mr. Speaker. The bill before us will extend the sunset dates for two Connecticut Development Authority, CDA, programs. One program uses incremental property tax revenues to repay bonds used for projects that clean up and remediate contaminated property, i.e., brownfields. The other program uses incremental tax bonds for hotel sales, dues, cabaret

and admission tax revenues to repay those bonds, Mr. Speaker, issued for those projects that create jobs and stimulate business activity in the State of Connecticut, i.e., property tax TIF and sales tax TIF. The sunset date, Mr. Speaker, will be extended from July 1, 2010 to July 1, 2012.

I move for passage.

SPEAKER DONOVAN:

Remark further? Remark further on the bill before us? Remark further?

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. If I may ask several questions of proponent of the bill.

SPEAKER DONOVAN:

Please proceed, sir.

REP. ALBERTS (50th):

This is a somewhat complicated bill, and I just wanted to make sure that in my mind it's clear to me the role of the Connecticut Development Authority, and if the proponent of the bill could elaborate a little bit on what CDA's responsibilities as part of this bill are, I would appreciate it. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes. Through you, Mr. Speaker. CDA's responsibilities are number one, if the sunset dates are not extended to 2012, it will basically shut down these two programs that are very, very important, not only for the clean up of the brownfields projects in contaminated properties but also on the stimulus business activity and job creation TIF programs that they administer. So, by the bill today and the extension thereof of the -- of the sunset dates, they will now extend these programs and be able to issue bonds to fund these programs and thereby paying for them through the revenues and tax revenues that are created by the creation of the -- of the stimulus of the bonds. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And I thank the gentleman for his response. I guess I was looking for a little bit more information on the mechanics of how this worked, and, as I understand it, it's essentially a three-party transaction between the CDA, the developer and the municipality. And I just want to

walk through that if I may.

As I understand it, the municipality would pledge a portion of future tax revenues toward the cost of remediation of a specified site. I believe that's the -- essentially the first step. Is it not? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

That is correct. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And then after that then the CDA would use its bonding capability that is provided through the State of Connecticut, this legislature, and, basically, convert that city's pledge of future revenues into an up-front grant to the developer. Is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. ALBERTS (50th):

That is correct. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And then, essentially, the pledge tax revenues would come in if the project goes on -- on stream, on track. It would repay the CDA grant over a period of years. CDA, essentially, would be taking a potential risk for nonperformance and is, essentially, as a form of guarantor that the project would be moving forward. Is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Through you, Mr. Speaker. That is a very accurate description. Through you.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. And, essentially, if I recall, there was some discussion about potentially making this sunset go away permanently, eliminating the sunset date so that -- that the State wouldn't be going forward and the CDA wouldn't have to go forward every two years, and it would seem to me that if this vehicle is as successful as I think it is and has the

potential to be even more successful that that would be something that we should be striving for. Is that not correct? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes. Through you, Mr. Speaker. We can always, as part of our legislative process, create bills and make better bill as we move forward, but it certainly is our desire to keep the present project moving forward and in the future make it even better. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. Essentially, what would be the fiscal impact once this bill is passed? Would it be a potential for increased revenue to the State and, eventually, to municipalities as well? That seems to be my sense as I read through the text of the -- of the OFA language. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Berger.

REP. BERGER (73rd):

Yes. Through you, Mr. Speaker. It certainly is

the desire through the activities created of the TIF -- both TIF programs to increase revenue not only to the State of Connecticut but also to that municipality. Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Alberts.

REP. ALBERTS (50th):

Thank you, Mr. Speaker. I thank the gentleman for his responses. I think the bill before us is well thought out. I think at some point in the future we should look to amend this process so there isn't a sunset that we can just keep it in place. I appreciate the chairman of the Commerce Committee's work on this initiative and urge my colleagues to support it. Thank you.

SPEAKER DONOVAN:

Thank you, Representative.

Remark further on the bill? Remark further on the bill? If not, staff and guests come to the well of the House. Members take their seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting by roll call, members to the chamber. The House is voting by roll call, members to the chamber.

SPEAKER DONOVAN:

Have all the members voted? Have all the members voted? Please check the board and make sure your votes were properly cast. If all the members have voted, the machine will be locked and the Clerk will take a tally.

Will the Clerk please announce the tally?

THE CLERK:

Senate Bill 885 in concurrence with the Senate

Total number voting	141
Necessary for passage	71
Those voting Yea	141
Those voting Nay	0
Those absent and not voting	10

SPEAKER DONOVAN:

The bill passes.

Are there any announcements or introductions?

Any announcement or introductions?

Representative Fritz.

REP. FRITZ (90th):

Thank you, Mr. Speaker. We have been joined today by a very special group of students. It's the fourth grade from Holy Trinity School in Wallingford. They are up in the gallery, and they're observing how we conduct the business of the state. So I'd

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Good to see you, Representative Zalaski. And without further ado, let's get going.

The - as we do in this committee, we'll first listen to the agency heads, elected officials, et cetera. And the first person on that list is Marie O'Brien, from CDA.

MARIE O'BRIEN: Good morning Senator LeBeau and distinguished members of the committee. Thank you very much for your time this morning.

For the record, my name is Marie O'Brien. I'm president of the Connecticut Development Authority. And I'm here this morning to speak in support of Senate Bill 885, an Act Concerning Tax Incremental Financing programs.

CDA's value, as a member of the State's Economic Development team is directly related to its status as a quasi-public entity, an authority offering special public financing, financial expertise and technical and analytical resources necessary to achieve the State's goals for business and job creation and subsequent increased tax revenues.

One of the tools CDA uses to achieve these goals is the Tax Increment Financing program. Many of you are aware of TIF, the program that captures the future tax benefits of real estate improvements to pay the present cost of those improvements.

CDA and the state's cities and towns are partners in the use of property taxes, rather than the abatement of those taxes, to promote responsible growth goals.

Before you, I know you have - or should have a written - a copy of my written remarks. We did decide to take you through the three-party

transactions between CDA, the developer and the municipality. The three steps are fairly simple and they're on the first page.

Number 1: The municipality pledges a portion of the future tax revenues towards the cost of the remediation of the specified site.

Number 2: Through its bonding capability, CDA converts the city's pledge of future revenues into an upfront cash grant to the developer.

Number 3: The pledged tax revenues repay the CDA grant over a period of years. CDA takes the risk for nonperformance, in effect guaranteeing repayment.

The grant proceeds can be used for any expense directly related to the remediation, demolition and redevelopment of the project.

Municipal authorities must agree with CDA after the allocation of incremental tax revenues. The allocation is the key factor in determining the amount of the grant. So, again, it's the percentage of those future incremental tax revenues that the municipality pledges to CDA; that is the key factor in determining the amount of the grant to the developer.

CDA essentially takes the place of the bond market, but in offering a guarantee, as well as generally better terms, provides, both for the developer and the municipality, to come to agreement on financing any gap in remediation or redevelopment.

On the second page, you'll see that we provided a specific example and also a graphic to take you through it.

So a specific example might involve an improvement that will generate \$100,000 in new annual taxes; an agreement by the city to devote 50 percent of those incremental taxes for 10 years, the delivery by CDA of \$500,000 to the developer for the cleanup costs. The city's repayment to CDA over time from the incremental tax revenues and CDA's acceptance of the risk should the project not perform.

We'd like to remind you that the National Council of Development Finance Authorities recognize of Connecticut as among the first three states to enact TIF legislation. It has been used as a model for other states since 1972.

Tax incremental financing is - it has been considered a cutting edge economic development incentive; however, it now is a mainstream tool in most parts of the country and is used far beyond how we use it here in Connecticut.

It actually is used to support major transportation infrastructure projects and other community and infrastructure development.

TIF is often the most effective incentive in closing the gap - financial gap on brownfield sites, particularly for large-scale projects that have multimillion dollar financing shortfalls. With more certainty required in financing options for these types of projects, localities that increasing turn to TIF as the only financing incentive that is both of sufficient size and within their control.

The program is aligned with the responsible growth principles currently being worked on in collaboration with our state partners. The focus on redevelopment of our community

centers and neighborhoods and the encouragement of the reuse and rehabilitation of existing infrastructure, rather than the construction of new infrastructure in undeveloped areas is one of the many ways we use this very important tool and augment the resources of the Office of Brownfields Remediation and Development at the Department of Economic and Community Development.

Now, the bill before you talks to the existing statutory language that was amended in 2005 and again in 2008, extending the program, basically, two years each time. This program sunsets, that means it will be eliminated, as of July 1, 2010, meaning that no new TIF projects will occur after that date.

If the sunset date is preserved, but extended again, then the CDA must periodically come before the legislature to seek an extension of the program each time expiration approaches. Therefore, we are respectfully requesting elimination of the sunset provision and making this TIF program permanent.

If we're going to stay competitive, we need to be as flexible as possible in utilizing all resources, particularly our property taxes.

Thank you for your consideration and support of this request.

SENATOR LEBEAU: Thank you, Marie, very good testimony. And think those of us who have been on this committee in the past are quite aware of this bill. There are newer member who may not be, so let me open up the - open this up for questions or concerns. Senator Musto.

SENATOR MUSTO: Good morning.

MARIE O'BRIEN: Good morning.

SENATOR MUSTO: Is - I was just looking at the bill here. Is the only change in the bill the removal of the sunset provision?

MARIE O'BRIEN: Yes, it is.

SENATOR MUSTO: That's the - so other than the removal of the sunset provision, the rest of this is existing law. It's on the books.

MARIE O'BRIEN: Yes.

SENATOR MUSTO: Okay. Thank you.

SENATOR LEBEAU: Thank you, Senator, good question.
Senator - Senator -

SENATOR FRANTZ: Thank you.

SENATOR LEBEAU: - I'm blank. Senator Frantz.

SENATOR FRANTZ: Thank you, Mr. Chairman, Senator.

SENATOR LEBEAU: I need this coffee, Senator Frantz, really quickly here.

SENATOR FRANTZ: Would you like some more?

SENATOR LEBEAU: Yes, direct injection.

SENATOR FRANTZ: I'll hook you up on a main line.
Good morning, Ms. O'Brien. How are you?

MARIE O'BRIEN: Good morning, Senator.

SENATOR FRANTZ: Thank you for your testimony this morning. Just to reiterate, the revenues to the municipalities are revenues that would not exist in the first place if there were no

development or no project that took place on that location. Is that correct?

MARIE O'BRIEN: That is correct. Those are new revenues coming into the state of Connecticut, into our Connecticut cities and towns.

SENATOR FRANTZ: Okay. So it should never be looked at as a cost, a genuine cost. These are incremental revenues that do come to the municipality and ultimately to the state if the project is successful, which most of them are.

MARIE O'BRIEN: Yes, this is brand new revenue, so this is not displacement of other revenue. And it's not, obviously, abatement of those property taxes.

SENATOR FRANTZ: Okay.

MARIE O'BRIEN: This is new revenue to the economy.

SENATOR FRANTZ: Okay. And in the 30 years or so that the state has done this, or if you want to take a smaller time period, what's the general track record of the TIF financings?

MARIE O'BRIEN: I think since the - since the start of the emphasis on brownfields in this state, we have been part of 10, 12 different projects, and I would say about \$20 million.

SENATOR FRANTZ: Okay. So 20 - and the track record has been one of success, if I understand it correctly, having been involved in a few of those programs and projects.

MARIE O'BRIEN: Yes, in fact, the \$20 million that has been the approval by the Connecticut Development Authority board of directors and the municipal partners has actually leveraged

hundreds of millions of dollars more in redevelopment and construction of new facilities in the state.

SENATOR FRANTZ: Okay. And if I remember correctly, there are hundreds of potential brownfield sites that are begging for these kinds of resources to be redeveloped. Obviously, a difficult time, given the economic circumstances and the demand that exists today, but at some point in the future, things will turn, and the TIF program is something that you see as great value to - not only the State of Connecticut, but to also these municipalities that are hamstrung - for lack of a better word - with some of these properties that just can't be developed unless you have TIF programs and brownfields efforts.

MARIE O'BRIEN: Right. No, that's correct. The municipalities are looking to the State, and specifically to CDA, to be the partner it can be, in using these unique public-financing programs. In fact, on our website we do have a list of particular brownfields that the municipalities have identified as the key sites that they would like to see redeveloped.

SENATOR FRANTZ: Okay. Final question for you: Can you give us the example, in your opinion, that represents the best brownfields or TIF project out there in Connecticut?

MARIE O'BRIEN: I think the one that we most recently approved, which is the Georgetown project in Redding, Connecticut because it has a number of features.

One, it is a transit-oriented development, so it's near a train station.

Two, it is a heritage manufacturing site. So there is going to be considerable environmental remediation and cleanup.

Three, it comprises both commercial development, as well as residential units, that are going to be built there.

And, four, in partnership with a couple of the towns in that area, there has been significant planning, so that some of the design is actually going to lead-certified green, an environmentally sensitive design.

So I point to that one as probably the most recent, and the one that combines a great number of factors, that are important to us as we pursue our responsible growth goals in the State.

SENATOR FRANTZ: Terrific and thank you for all the good work you're doing in economic development in general. And thank you, Mr. Chairman.

SENATOR LEBEAU: Thank you, Senator. Any further questions members of the committee?

Before you leave, Marie, I'd like to ask you - I see you submitted testimony on 6422, could you just say a word about that 6422, an Act Concerning Foreign-Owned Companies Domiciled in Connecticut?

MARIE O'BRIEN: Yes. That bill, I believe, calls for the -

SENATOR LEBEAU: Creation of a list is pretty much it.

MARIE O'BRIEN: - information on - actually, the creation of a database using the information that's in the Secretary of State's office

regarding foreign-owned companies that are domiciled in Connecticut.

As you know, we have a significant number of those companies that do add to our local economy. And they've got - they're involved in certain industry sectors, markets, and provide some fairly highly compensated jobs in many technical areas.

But, I believe, there may be someone here from the Department of Economic and Community Development. I think, deputy commissioner, Ron Angelo may be speaking to that and some other - some other bills, as well. But, yes, we are in support of creating that database.

SENATOR LEBEAU: Thank you, again, madam president. The - and I'm looking to see if there's anybody here from the Secretary of State's office - and I'm not trying to put you on the spot - but you said all the information is currently available, so this would not be much of - Ron - looks like Ron gives me a look like he knows the answer to that. So I'll hold off on that question and -

MARIE O'BRIEN: Why don't we defer to the deputy commissioner?

SENATOR LEBEAU: - ask Ron. Looks like it's more appropriate to ask him. Thank you very much. Any further questions?

MARIE O'BRIEN: Thank you.

SENATOR LEBEAU: Thank you, Marie. I have a couple of names here, but they're crossed off. So I'm going to go to the next name that's not crossed off, Ron Angelo. Nice segue Ron.

REP. BERGER: Thank you, Representative Mazurek. And Representative, as continued support for the vending machine, I would suggest that you go to the vending machine and drop in some money and get yourself some cough drops out of there.

SENATOR LEBEAU: Eric.

ERIC MUELLER: Yes, Senator.

SENATOR LEBEAU: We've heard from Scott Miller and Eric Mueller. I thought next is going to Mueller. I thought this was Red Sox all over again, from a couple of years ago. But, any further questions from members of the committee? Well, thank you for your testimony.

ERIC MUELLER: Thank you so much.

SENATOR LEBEAU: We're going to go back right now to Anthony Dugdale.

ANTHONY DUGDALE: Thank you, Chairman, members of the committee. My name is Anthony Dugdale. I work at UNITE HERE. My field is hotel development.

And before giving my testimony on Bill 885, I was speaking out in the hallway with folks from the Connecticut Development Authority. And there was a little bit of confusion. So I was just hoping that you could clarify whether the sunset provision in 885 is eliminated, not only for the property tax TIF program, which I think everybody can support, but also for the hotel tax TIF program that was just reformed last year and hasn't yet been used at all. Could somebody clarify whether that - whether it applies to that? Because we had a

disagreement out in the hall, and I don't want to testify on something that's irrelevant?

SENATOR LEBEAU: I'd refer that to our attorney for a reading on that. Or John if you could comment on it.

ANTHONY DUGDALE: Is there a sunset provision for the hotel TIF program? And is it eliminated by this bill?

SENATOR LEBEAU: We can get back to you on that.

ANTHONY DUGDALE: Okay. Well, if it does - if this does apply to sunset - if this does eliminate the sunset on the hotel TIF program, which is new. And I understand has never been used here in Connecticut. It is a very volatile source of tax revenue. And it's a difficult thing to TIF using bonds, so I really exercise caution before eliminating legislative oversight on that program.

SENATOR LEBEAU: Why would that eliminate legislative oversight?

ANTHONY DUGDALE: If there was no sunset?

SENATOR LEBEAU: Yes.

ANTHONY DUGDALE: Then these issues would never come before the General Assembly.

SENATOR LEBEAU: Not necessarily. We still have reports by CDA on a yearly basis in terms of the programs and how much - what they're doing. We have annual reports. We have fallback provisions. We have a lot of reports that they make in terms of what's going on. So we would still have oversight. It would not eliminate oversight.

ANTHONY DUGDALE: That's fair enough. That's fair enough. But there would be, you know, this is a new - the hotel TIF program has never been used in the state. It was - it was -

SENATOR LEBEAU: Do you remember when it was passed?

ANTHONY DUGDALE: Just last year it was separated out between the sales tax and the hotel - and the hotel TIF program. And so -

SENATOR LEBEAU: Your point is we should give it a couple of years, see what happens?

ANTHONY DUGDALE: Give it a couple of years. See if it can succeed. See if we can come up with some programs. What can make it work before making it a permanent part of the state's infrastructure?

But if it doesn't apply, or if the sunset, you know, if it, you know - if this bill is irrelevant, is the function of CDA we're implying, then, of course this testimony is -

SENATOR LEBEAU: And they were saying it didn't apply.

ANTHONY DUGDALE: They didn't think - they thought this bill only applied to property taxes and not the hotel tax - the hotel TIF program.

SENATOR LEBEAU: We may be getting a different opinion here. So we'll try to get back - we'll try to get back to that. Is that the gist of your testimony on the hotel tax fees?

ANTHONY DUGDALE: Yes. That's it.

SENATOR LEBEAU: Let me ask you a question

because - and I've read your - I just briefly looked over your testimony, and I appreciate it. It seems to me that you would want - I mean, you're from UNITE HERE. You're a union group. That helps to - you represent workers in service industries, and particularly the hotel industry. So wouldn't it make sense to be very powerfully in support of a bill that can help create more hotels and provide more jobs for your workers?

ANTHONY DUGDALE: With - with appropriate oversight and involvement from all the branches of government, yes. It's not a question of if. It's just a question of exactly how and the details of how the program is put together.

SENATOR LEBEAU: Can you hold on one second? And I think you're our last testifier. Do we have another? No, we have Mike Santos. We've got Mike Santos. I apologize. Let me just see if we can get some information on this.

It appears that you're correct. It appears that you're correct. CDA is wrong. And we'll take a look at this.

ANTHONY DUGDALE: We all definitely support the property tax TIF program. That's a very good program. It's well-established. The notion of - I don't know of any state has - has TIF hotel tax revenues because they're so volatile. So it's just very difficult to pick the number of the bond that's going to actually be supportable by those - by those revenues. So that's our position.

SENATOR LEBEAU: Yes, we'll - but I do want to - so we'll take a look at that. But I do want to emphasize it doesn't decrease oversight by this committee whether we - we're to sunset this provision or not.

ANTHONY DUGDALE: Right.

SENATOR LEBEAU: We're still going to have oversight of that piece as it's done by DECD, or CDA - excuse me, CDA. And so it would all just fall within our cognizance. And I don't see us decreasing the oversight.

One of the things I do see, however, is that - and I'll just point it out - this would end July 1, 2010. That's a very short period of time. And people planning investments - you know, I've worked with a lot of people as chair of commerce over the years planning investments - they need to know what's going to be out there. And to sunset this might give some stability in their knowing that that peace is going to be there for them, and the workability of CDA being able to work with potential clients, in this case, hotel chains or independent hotels to use this.

ANTHONY DUGDALE: I mean, you can also extend it by a couple of years, like was done last year and the previous years, just until the program gets established, so we can see if there's any interest in the market for such a product.

SENATOR LEBEAU: Good point. I mean, it could be, I think that (inaudible).

ANTHONY DUGDALE: Thank you very much.

SENATOR LEBEAU: Thank you. Mr. Santos? Mike Santos is not here. Is there anybody else who would like to testify? Okay. Then we are going to - well, we have a couple of announcements before we're going to do that (sound of a gavel). Okay.

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S.B. 885
Testimony before the Commerce Committee
February 17, 2009

SB 885 proposes that a brand new program be rendered **permanent**, and eliminates the sunset the permits legislative review. The hotel TIF program described in CGS 32-285 is untested in its current form. Last year, the General Assembly delineated a specific "hotel TIF" program reliant upon hotel tax revenue, while also increasing legislative review of any sales tax TIF subsidy.

SB 885 proposes permanent status for this new hotel tax TIF program. This strikes us as risky, especially in the current economic climate. For example, Smith Travel Research reports that occupancy rates in the Hartford region fell by 11.1% in October, 16.6% in November, and 10.1% in December. STR reports that the region's current occupancy rate of 56.4% is below even the declining national rate of 60.4%.

We have a question: *Has CDA issued any bonds secured solely by hotel tax revenues?*

- If not, why not wait until we know whether the program works before we make the program permanent and eliminate the sunset and possibility of legislative review?
- If such bonds were issued, then are hotel revenues covering the debt payment? Have market conditions required an adjustment of hotel occupancy and RevPAR projections?

The General Assembly needs to ensure that the state is not put at risk of default if current economic conditions last indefinitely. Hotel tax revenues are as volatile as hotel occupancy figures. Securing bonds with such volatile revenues is a risky endeavor in the best of times, and should be undertaken with caution.

Furthermore, protections should be secured to address the likelihood of increased labor activity in the hotel industry, and the possibility of labor disputes like the one that hurt the Hartford Marriott a couple of years ago. That dispute was temporarily resolved because the City of Hartford has a labor peace requirement in effect. A similar provision would help secure the hotel revenues upon which repayment of the proposed TIF revenues are based.

We therefore propose two recommendations:

1. **The General Assembly should not extend the sunset provision, and should wait and see whether the program succeeds before extending it further.**
2. **The General Assembly should include "labor peace" language into this program, so that the hotel's revenue stream responsible for repayment of the state's bonds is not disrupted by labor activity, and is rendered less volatile.**

Respectfully Submitted,

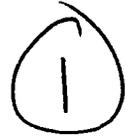
Antony Dugdale
Coordinator, Hotel Development, UNITE HERE
215-779-4404
adugdale@unitehere.org



Testimony of Marie C. O'Brien, President
Connecticut Development Authority

Before The Commerce Committee

February 17, 2009



Raised Senate Bill No. 885
An Act Concerning Tax Incremental Financing Programs

Senator LeBeau, Representative Berger and distinguished members of the Commerce Committee. My name is Marie O'Brien. I am President of the Connecticut Development Authority.

I'd like to thank you for the opportunity to speak in **support of Senate Bill 885, AN ACT CONCERNING TAX INCREMENTAL FINANCING PROGRAMS**. CDA's value as a member of the state's economic development team is directly related to its status as a quasi-public entity, an authority offering special public financing, financial expertise, and technical and analytical resources necessary to achieve the state's goals for business and job creation, and subsequent increased tax revenues.

CDA accomplishes this mission through streamlined and flexible programs that stimulate business investment and create jobs by financing companies and projects that contribute to the state's economy, technology base, intellectual capital, and urban infrastructure.

One of the tools CDA uses to achieve these goals is the Tax Increment Financing (TIF) program. Many of you are aware of TIF, the program that captures the future tax benefits of real estate improvements to pay the present cost of those improvements. CDA and the state's cities and towns are partners in the use of property taxes—rather than the abatement of those taxes—to promote responsible growth goals.

These are three-party transactions between CDA, the developer, and the municipality and follow these simple steps:

1. The municipality pledges a portion of future tax revenues towards the cost of the remediation of a specified site;
2. Through its bonding capability CDA converts the city's pledge of future revenues into an upfront cash grant to the developer;
3. The pledged tax revenues re-pay the CDA grant over a period of years. CDA takes the risk for non-performance, in effect guaranteeing repayment.

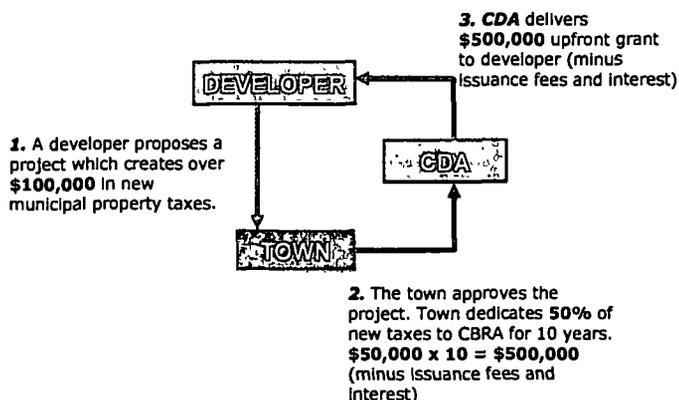
The grant proceeds can be used for any expense directly related to the remediation, demolition, and redevelopment of the project. Municipal authorities must agree with CDA

as to the allocation of incremental tax revenues. The allocation is the key factor in determining the amount of the grant.

CDA is essentially taking the place of the bond market, but offering a guarantee, as well as generally better terms, in the interest of getting both the developer and the municipality to come to agreement on financing any gap in remediation or redevelopment.

A specific example might involve:

- an improvement that will generate \$100,000 in new annual taxes;
- an agreement by the city to devote 50 percent of the incremental taxes for 10 years to the TIF;
- the delivery by CDA of \$500,000 (minus fees) to the developer for the cleanup costs;
- the city's repayment to CDA over time from the incremental tax revenues;
- CDA's acceptance of the risk should the project not perform.



We would like to remind you that the Council of Development Finance Authorities recognizes Connecticut as among the first 3 states to enact TIF legislation and has been used as a model for other states since 1972.

Tax Increment Financing, once considered on the cutting edge of economic development incentives, is now a mainstream tool in most parts of the country. TIF is often the most effective incentive in closing project gaps on brownfields

sites, particularly for large-scale projects that have multi-million dollar financing shortfalls. **With more certainty required in financing options for these types of projects, localities have increasingly turned to TIFs as the only financing incentive that is both of sufficient size and within their control.**

This program is aligned with the responsible growth principles currently being worked on in collaboration with our state partners. The focus on redevelopment of our community centers and neighborhoods, and the encouragement of the reuse and rehabilitation of existing infrastructure, rather than the construction of new infrastructure in undeveloped areas, is one of the many ways we use this very important tool and augment the resources of the Office of Brownfields Remediation and Development.

The existing statutory language that was amended in 2005 and again in 2008 sunsets this program as of July 1, 2010, meaning that no new TIF projects will occur after that date.

If the sunset date is preserved but extended again, then the CDA must periodically come before the Legislature to seek an extension of the program each time expiration approaches. Therefore, we are respectfully requesting elimination of the sunset provision.

If we are going to stay competitive, we need to be as flexible as possible in utilizing all resources, particularly property taxes.

Thank you for your consideration and support of this request.