

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.

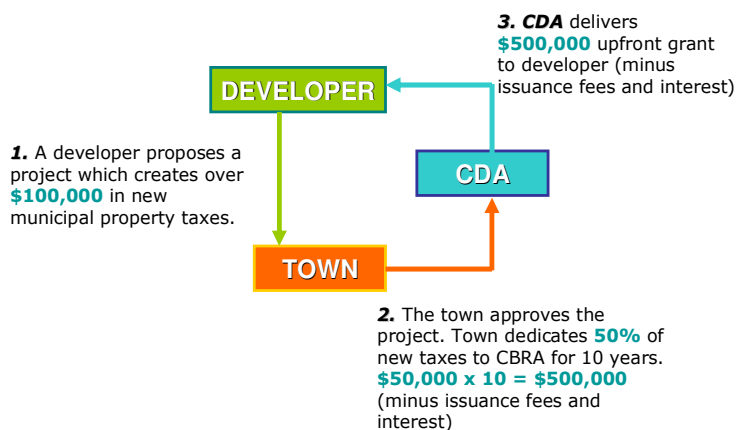
The grant proceeds can be used for any expense directly related to the remediation, demolition, and redevelopment of the project. Municipal authorities must agree with CDA

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.