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BEFORE THE PLANNING & DEVELOPMENT COMMITTEE
SENATE BILL NO. 677, "AN ACT ESTABLISHING TAX INCREMENTAL FINANCING DISTRICTS"

Chairwoman Osten and Chairman Miller, members of the Planning & Development Committee, I am John Simone, President & CEO of the Connecticut Main Street Center (CMSC). CMSC is a non-profit whose mission is to inspire great Connecticut downtowns, Main Street by Main Street. We provide education, advocacy and technical assistance on creating and managing vibrant downtowns and village centers. We have a statewide network of nearly sixty member communities to whom we offer customized guidance on downtown management and revitalization.

I am here to support Senate Bill 677, "An Act Establishing Tax Incremental Financing Districts." As proposed, this bill would allow Connecticut's municipalities to invest in greater development and redevelopment of key infrastructure – including transit-oriented and mixed-use development – thereby increasing the vibrancy of our Main Street districts, while supporting the state's goals of concentrating growth along transportation corridors, increasing housing choices and preserving cultural and historic resources, as outlined in the Plan of Conservation and Development.

Tax Increment Financing, or "TIF" for short, is simply a financing mechanism by which an anticipated increase in future taxes is used to fund current investment in development or redevelopment. Bonds are issued to pay for the development, which then leads to an increase in property values (and ideally spurs additional development). As the value of the property increases the additional tax revenue is used to repay the debt on the bond. The key point is these projects are funded by new incremental tax revenues that would otherwise not exist "but for" these investments being made.

Connecticut legislation does in fact currently allow for tax increment financing, yet it is not utilized anywhere close to its full potential. In order to gain an understanding of why more municipalities are not taking advantage of this financing mechanism, CMSC convened a working group comprised of CMSC, the CT Chapter of the American Planning Association (CCAPA), the CT Economic Development Association (CEDAS) and the law firm of Pullman & Comley, LLC.

CMSC commissioned a study of Connecticut's TIF legislation versus that of other states. We found that currently 49 states and the District of Columbia have enacted some form of TIF legislation. However, a survey of CMSC, CCAPA and CEDAS members found Connecticut's municipalities are far less likely to utilize TIFs. According to our research and a survey of town planners, economic development directors and downtown revitalization professionals this is because:

- The current laws are too complicated, often requiring different approval mechanisms from multiple state agencies for the different existing TIF statutes.
- TIF can only be used on a project-by-project basis as there is currently no way to create a TIF district and use the tax increment from all of the properties within the district that benefitted from the investment (in essence creating an economy of scale).
- The tax increment proceeds can only be used to repay debt service on outstanding TIF bonds rather than being set aside for future projects.

- The types of projects currently eligible for TIFs do not meet the development and redevelopment needs of municipalities.
- Municipalities cannot issue general obligation bonds for creditworthy, feasible projects which would lower overall financing costs.

Senate Bill 677 remedies these impediments without adding undue burden or cost to the State or municipalities. In an era where municipalities are struggling to find ways to increase revenues while controlling costs, tax increment financing allows municipalities to build supportive infrastructure and incentivize investment in our historic town centers without raising taxes or spending funds needed for other purposes. The new statute will also allow for a more localized and streamlined approval process with greater flexibility in the types of investment funded. Additional benefits of Senate Bill 677 include:

- Allows for the creation of TIF districts. All TIF districts and project approvals can be made by the municipalities with an appropriate district plan, public hearing and approval process.
- Enables municipalities to use all <u>or part</u> of the TIF revenues for projects within a TIF district.
  - A portion of the incremental TIF revenue can be retained by the municipality to pay for increased governmental services created by the development.
  - TIF revenues can be used to repay the debt service on the TIF bonds and/or collected and segmented for future projects within the TIF district on a pay-as-you-go basis.
- Lowers overall financing costs by allowing municipalities to issue general obligation bonds for creditworthy projects within the TIF district.
- Customizes investment to meet the needs of the locality by allowing the municipality to determine what types of projects and costs can be paid with TIF revenues (through the TIF district plan).

There is growing demand for people wanting to live, work and play downtown. And numerous studies have shown that a vibrant downtown leads to a robust local economy as money spent downtown, stays downtown. In fact, a recent study in Iowa demonstrated that the occupants of each new residential unit in downtown spent between $20,000 and $39,000 per year in the downtown.

The amount of vacant and underutilized space in our downtowns is significant and represents an ongoing threat to our long-term economic vitality and a distinct opportunity for redevelopment, especially for housing to meet the growing demand for downtown living among Baby Boomers and millennials. Because the owners of these vacant and underused properties are not experienced in redeveloping their properties, and because most of the existing redevelopment tools are not available for these smaller properties, TIF can provide new resources and financing tools that can lead to redevelopment.

The type of expanded Tax Increment Financing proposed by Senate Bill 677 offers new resources for the rejuvenation and long-term maintenance of our historic Main Streets and town centers, while offering valuable development opportunities that support the state's extraordinary investment in transit. In our opinion, Senate Bill 677 will provide a tremendous opportunity for Connecticut's downtowns to create places that attract residents and visitors for years to come.

For these reasons, CMSC strongly supports the passage of Senate Bill 677.

At this time, I would be happy to answer any questions the Committee may have.