

Using Tax Increment Financing in Connecticut

Understanding Public Act No. 15-57

Spring Planners' Lunch

***Western Connecticut Council of
Governments***

Michael J. Andreana

March 14, 2016



**PULLMAN
& COMLEY_{LLC}**
ATTORNEYS

Pulling Together. Succeeding Together.

What is Tax Increment Financing?

- Tax Increment Financing uses the new or incremental property tax revenue a completed project generates to repay certain costs of the project or the District
- Economic development costs can be financed and paid with TIF revenues without raising new taxes or diverting existing funds
- TIF uses incremental revenue generated by increases in assessed value
- Incremental tax source can be project-specific or district-wide
- Encourages development in underdeveloped and underutilized areas where it might not otherwise occur

Current Status of Connecticut TIF Legislation

- Municipal Development Projects (Chapter 132 of the Connecticut General Statutes)
- Redevelopment Projects (Chapter 130, Part I of the Connecticut General Statutes)
- Urban Renewal Projects (Chapter 130, Part II of the Connecticut General Statutes)
- Remediation Projects (Section 32-23zz of the Connecticut General Statutes)
- Special Legislation for Infrastructure Improvement Districts (e.g. Great Pond Improvement District – Special Act No. 11-8)

Public Act No. 15-57

“An Act Establishing Tax Increment Financing Districts”

Key elements:

- Act grants all TIF District and project approvals to host municipality, no State involvement
 - municipality creates TIF District Master Plan
 - local public hearing
 - input from local planning agency
 - local legislative body approval

Public Act No. 15-57 (continued)

“An Act Establishing Tax Increment Financing Districts”

Key elements (continued):

- Municipality can use all or part of the TIF revenues for projects within TIF district
 - portion of incremental TIF revenue can be retained by municipality to help pay for increased governmental services created by project
- TIF revenues can be leveraged and used to repay debt service on municipal or developer debt related to the TIF District
- TIF revenues can be collected and accumulated by municipality and used to fund smaller future projects within TIF District on a pay-as-you-go basis

Public Act No. 15-57 (continued)

Permitted costs to be financed with TIF revenues:

- public infrastructure improvements
- facade improvements
- project development and redevelopment costs (including transit-oriented and downtown district development)
- capital costs, remediation costs
- financing costs
- land assembly costs

Public Act No. 15-57 (continued)

Permitted costs to be financed with TIF revenues (continued):

- technical and marketing assistance
- revolving loans
- professional services
- repayment of private debt incurred by developer
- administrative expenses, including personnel, studies and reports
- business development and expansion assistance for TIF district property owners
- TIF district establishment costs

Public Act No. 15-57 (continued)

Components of District Master Plan:

- Legal description of the District boundaries
- Tax identification numbers for its lots or parcels
- Description of present condition and uses of land and buildings within District
- Public facilities, improvements, or programs anticipated to be financed
- Financial plan
- Plan for operation and maintenance of the District
- District's maximum duration, which cannot exceed 50 tax years, beginning with the year in which the District is established
- District Master Plan must be reviewed at least once every 10 years

Public Act No. 15-57 (continued)

Financial Plan Components:

- Cost estimates for the anticipated public improvements and developments
- Expected maximum amount of indebtedness to be incurred to implement the plan
- Anticipated revenue sources
- Description of the terms and conditions of any agreements, including any anticipated assessment agreements, contracts, or other obligations related to the plan
- Estimates of the District's increased assessed values
- For each year, the portion of the increased assessed values that will be applied to the plan as captured assessed values and the resulting tax increments

TIF District Financing by Municipalities:

- Municipality can issue revenue bonds, assessment bonds, general obligation bonds, or any combination, to finance TIF District projects
- For public improvements financed with TIF debt; municipality has the option to levy benefit assessments against properties within TIF district befitting from the public improvements
- 30-year assessment period; forgivable for any year

TIF District Financing by Developers:

- Commonly known as “credit enhancement”
- Municipality can designate a portion of the incremental tax revenues back to developer to repay specific costs
- “credit enhancements” are performance based; developer only receives incremental tax revenue if project is built
- Municipality saves the expense of issuing bonds
- Eliminates risk that project may not generate sufficient revenue to repay municipal bonds

Contact Information



Michael Andreana

850 Main Street

Bridgeport, CT 06601

Ph. 203.330.2235

Email – mandreana@pullcom.com

These slides are intended for educational and informational purposes only. Readers are advised to seek appropriate professional consultation before acting on any matters in this update. These slides may be considered attorney advertising. Prior results do not guarantee a similar outcome.