



AdvanceCT Partners Meeting

December 9, 2020

Agenda

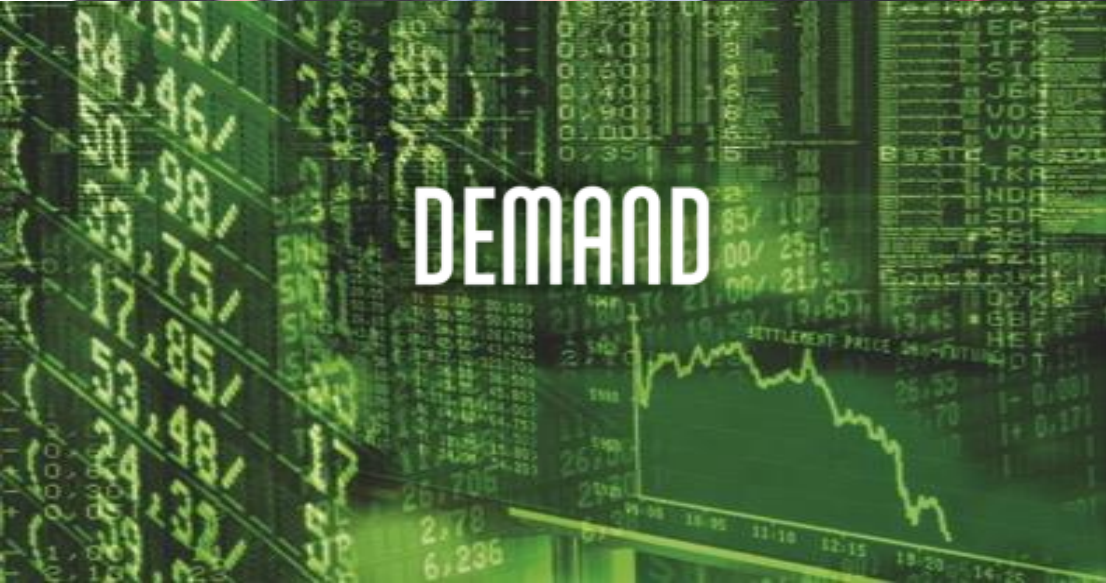
1. Welcome and introductory comments –
Sadie Colcord
2. DECD incentives training – DECD Team
3. Best practices highlight: Town of Cheshire
– Jerry Sitko and Yetta Augur

- Brewery expanding within an Opportunity Zone and TOD zone
- Manufacturer relocating its recently-purchased, out-of-state subsidiary to CT
- Medical device company pitching its parent company on locating additional manufacturing operations in CT

Project Tracker

More details to come next week...

Update from DECD



State Business Incentive Programs

Presented by the Department of Economic and Community Development
December 9, 2020

Introduction

Organizational Structure

2021 Legislative Proposals

DECD Incentives Application Process

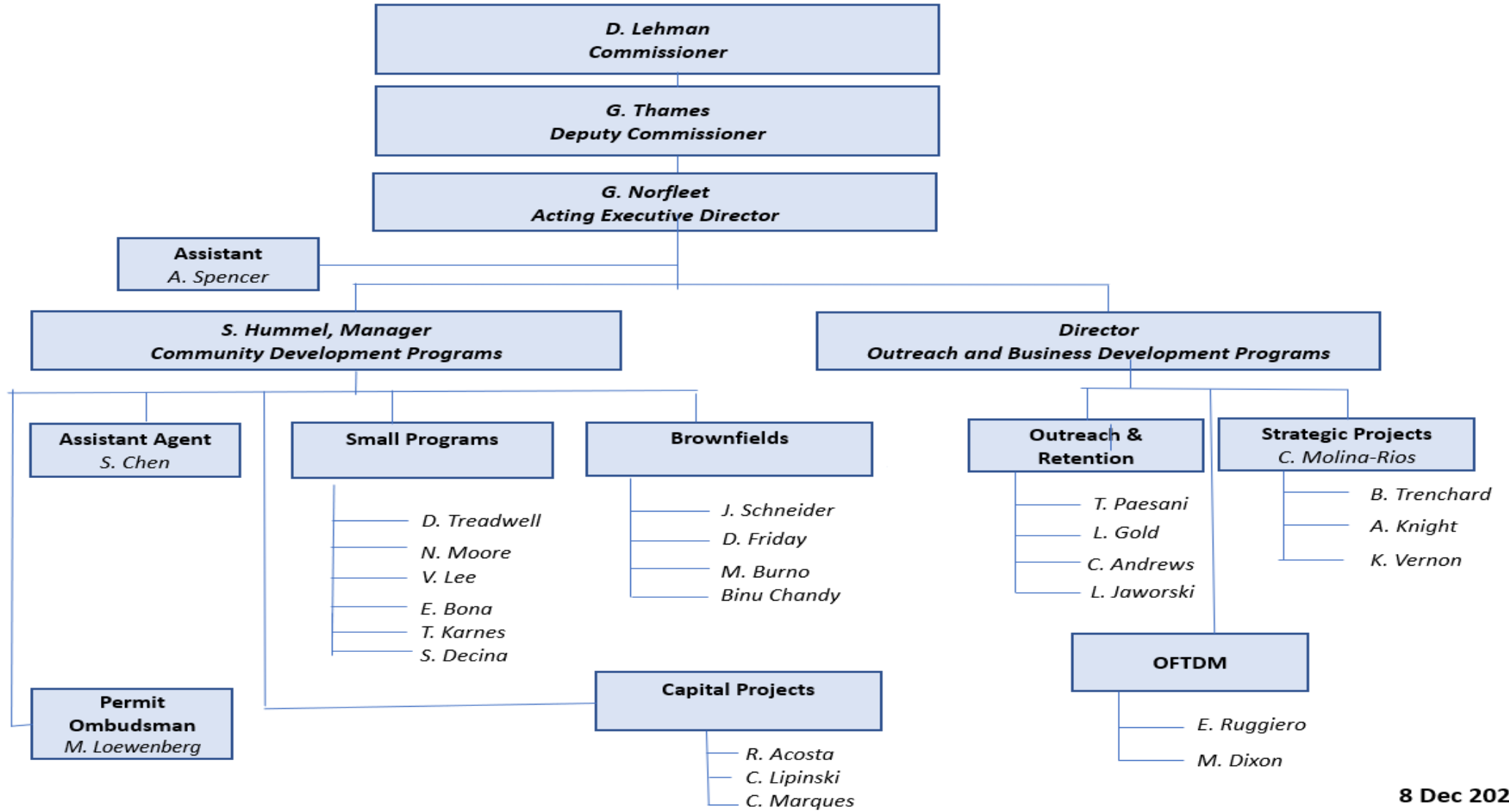
Grow CT Program

URA Tax Credit Program

Sales and Use Tax Program

Incentives Analysis Overview

Q&A



8 Dec 2020

Grow CT

Benefits:

- Transparent – A clear and simple incentive for companies to evaluate when considering growing in or re-locating to Connecticut. No “black box.”
- Earn-as-you-Grow – Benefit is earned as jobs are created and maintained over time which eliminates any credit or counterparty risk. There is no “winner-picking” and all eligible employers will benefit.
- Targeted – Industries and focus areas are strategically building on our strengths of today and the ecosystems we want to grow in our economy of tomorrow.

Small Business Express 2.0

Benefits:

- Partnering with, rather than competing with, the private sector will increase capacity and incentives.
- Leveraging existing program expertise will lower costs instead of creating new programs.
- EXP 2.0 will better align state resources for greater efficiency and a more customer-centric approach.
- There is no “new” fiscal impact, it will significantly lower the state’s risk and decrease upfront cash investments from the state.
- This model targets investments toward market gaps.

- Applicant must complete an Application along with an Economic Impact Analysis
- DECD runs an Econometric Study to determine economic value of project
- DECD determines appropriate incentives
- DECD may provide Term Sheet or a LOI (Letter of Intent)
- In the case of Direct Incentives and Sales and Use Tax Exemption an Assistance Agreement (AA) is executed
- In the case of URA Tax Credits a Tax Allocation Summary is executed.
- Payments are process as milestones are achieved

Note: Key questions to ask in order to determine if there is an opportunity to provide incentives

- Project scope
- Industry
- CAPEX investment \$
- # of jobs (new and retained)
- Average salary
- is this a competitive situation?
- Who is the competition?
- Is the project a headquarters?

Overview:

- Current funding mechanism is the Manufacturing Assistance Act, Chapter 588l of C.G.S.
- Eligible employers who meet the below requirements will be rebated 25% of the withholding taxes from net new employees.
- Employers that locate or grow in a Distressed Municipality or Opportunity Zone are eligible for 50% rebate.
- Incentive award can not exceed 50% of the total project cost.

Guidelines:

- Create a minimum of 25 new jobs.
- Salaries must be 85% of the median household income of the municipality where the jobs will be located.
- Employers must be in a Grow CT focus industries.
- Minimum average annual salary: \$37,500
- Rebate per job is based on the average salary per year, however, will be floored @ \$1,000 and capped @ \$5,000.
- Base incentive rebate in years 3 through 7. Years 8 and 9 discretionary, as grants in arrears

- Must be an eligible project based on CGS 32-9t
- The project must create jobs
- The project located in a municipality with an area designated as an enterprise zone, a distressed municipality, a municipality that has a population in excess of one hundred thousand requires a minimum capital investment of \$5 million.
- Any municipality that the Commissioner determines is connected with the relocation of an out-of-state operation or the expansion of an existing facility that will result in a capital investment by a company of not less than \$50 million.
- Tax Credits are capped at \$20 million without Legislative approval
- Tax Credits are disbursed over a 10-year period.
- Years 1-3 0%, Years 4-7 10%, Years 8-10 20%

Sales and Use Tax Exemption Program

- CGA §32-46 provides CI with the authority to grant tax exemptions provided under CGA §32-23h in collaboration and consultation with the Commissioner of Revenue Services. CI may provide Sales and Use Tax relief on the purchase of tangible personal property and, in some cases, services for qualifying economic development projects. (Generally used for large capital projects)
- The purpose of the program is to encourage and promote desirable economic development in Connecticut. Goals include job creation and retention, increasing taxable corporate infrastructure, ranging from headquarters to manufacturing facilities, and urban revitalization.
- In order to qualify for the program, a project must either be: (a) a competitive situation involving retention or expansion within, or relocation to, Connecticut; or (b) a significant contribution to a targeted industry cluster.

Application Process

- Upon receipt of a completed application, the application must be approved by CI's Loan Committee. After an exemption for sales and use tax relief is approved by the committee and a commitment letter signed, the approval of the project and the terms, limitations, and conditions of such approval are evidenced by a Department of Revenue Services' sanctioned Implementing Agreement between the applicant and CI. The terms of assistance include the following.
 1. Collateral in the form of a letter of credit or cash escrow account is generally required to secure the performance provisions.
 2. Applicant is subject to a 10-year non-relocation requirement (CGS §32-5a) with full recapture of tax benefit plus a 7.5% simple interest penalty.
 3. Tangible personal property receiving tax relief must remain in the state for the lesser of 10 years or its useful life.
 4. Applicant is responsible for payment of any related CI legal fees.
- In addition to the above terms of assistance, applicants are also required to pay a one-time program fee at closing equal to 2% of the tax-relief benefit and a \$2,500 application fee.

Certificates and Reporting Requirements

A list which includes the numbers of the certificates used during the prior period, the name of each vendor and/or manufacturer of each item of property or services of which such numbered certificate was provided, the item of property or services that was purchased from such vendor and/or manufacturer, and the amount of the tax benefit obtained from such vendor and/or manufacturer.

Copies of each such numbered certificate listed with all of the required information completed and signed by the program participant and, if the purchaser is not the program participant, the purchaser.

A statement of the cumulative amount of purchases of property and services and the cumulative amount of tax benefits obtained (including the purchases covered by that report).

Within 30 days from the end of the benefit period, the program participant shall submit a final report to CI which shall contain the aforementioned information as well as any numbered certificates which had not been used during the benefit period.

Note: All files are sent to DRS for their records.

Certificates and Reporting Requirements

CI will provide program participants with numbered copies of the Exemption Certificate CERT-CI (TPP/TS) to be used to purchase tangible personal and, if allowed, taxable services for use in connection with the approved project. Such use is subject to the terms of the Implementation Agreement, including the three-year time period during which exempt purchases may be made and the maximum amount of sales and use tax exemption the program participant may obtain.

The program participant must keep a copy of each completed certificate it, or for at least ten years from the date each certificate is provided to a retailer. During the benefit period, the program participant must deliver a quarterly report to CI that contains the following information:

A certification made by an authorized officer of the program participant certifying (a) that the report describes all exemption certificates used for purchases during the stated report period; (b) that all such property and services purchased was acquired for the benefit of the program participant and is located at the project site; and (c) that all of the information contained in the report is true, correct, and complete to the best of their knowledge.

Incentives Analysis Overview

Project Delta			\$301 million capital Cost					
			1	2	3	4	5	6
Year			2021	2022	2023	2024	2025	2026
Employment Cumulative	Totals		0	0	20	79	138	188
Net New State Revenue	REMI		\$ 5,784,000	\$ 7,339,000	\$ 2,119,000	\$ 1,286,000	2,889,000	4,447,000
Sales and Use Tax Exemption		\$ 6,500,000	\$ 2,400,000	\$ 3,100,000	\$ 1,000,000			
	Inputs:							
URA	\$ 8,000,000	\$ 8,000,000				\$ 800,000	\$ 800,000	\$ 800,000
GrowCT Per Employee	\$1,000	\$ 613,000					\$20,000	\$79,000
Closing Fund	\$ 2,000,000	\$ 2,000,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000		
Net to State Revenue After Incentives			\$ 2,884,000	\$ 3,739,000	\$ 619,000	\$ (14,000)	\$ 2,069,000	\$ 3,568,000
Total Incentive over 10 years	\$ 17,113,000		41.27%					
Total Net revenue Less Incentives over 10 years	\$ 24,353,000		58.73%					
Total State Revenue over 10 years before Incentive	\$ 41,466,000							

Q&A

Business Support in Cheshire

<https://vimeo.com/474820690/035d34d68a>

<https://vimeo.com/471506012/34779146eb>

THE SCARECROWS ARE COMING TO CHESHIRE!



REGISTRATION DEADLINE: SEPTEMBER 28TH

Make a Scarecrow representing your hobby, family, organization, business or anything you'd like! Judges will be looking for creativity and originality. Everyone is welcome to participate. There is a \$25 fee to enter. Scarecrows will be installed by October 5th with judging to occur later in October.

For more information and to register, please visit:
www.cheshirechamber.org

Sponsored by the Cheshire Chamber of Commerce, Artsplace, Cheshire Public Library, and Cheshire Parks and Recreation.

*The Cheshire Chamber of Commerce
& The Cheshire Economic
Development Commission*

Invite you to
Light up Cheshire!

Help us light up our town for the holiday season and the early months of winter. This has been a difficult year for our small businesses. Let's use this opportunity to *"Shine a Light"* on our businesses and lift the spirits of our community
Beginning December 1

Please email Yetta@cheshirechamber.org
To let us know who will participate

The Economic Development Commission & the Cheshire Chamber of Commerce are collaborating again to support our restaurants and eateries!



Chance to win one of four, \$50.00 Visa gift cards!
Support one of our local restaurants or eateries spend \$25.00 or more, and send in your receipt with contact info by email to yetta@cheshirechamber.org OR mail to Cheshire Chamber 195 South Main St to be entered to win.

We will accept receipts Oct 23rd thru November 29th
Winners will be drawn and announced on December 1st



ADVANCECT
CONNECTICUT

Questions?
