

## Testimony

By

**Joseph Kriesberg, President & CEO  
Massachusetts Association of CDCs**

Before the

**Joint Committee Community Development and Small Business**

**June 16, 2009**

**In support of**

**An Act to Strengthen Community Development in the Commonwealth (S. 89 and H. 210)**

Thank you for the opportunity to provide testimony today in support of *An Act to Strengthen Community Development in the Commonwealth* (S. 89 and H. 210.) We believe that this simple, no-cost bill will help to strengthen the community development system in Massachusetts so that it can help the Commonwealth address the substantial economic and housing challenges facing our local communities.

MACDC, established in 1982, is the policy and capacity building arm of the community development movement in Massachusetts. Our membership includes over 60 community development corporations and 20 other nonprofit organizations who are working to build and sustain strong communities through housing, economic and community development activities. Simply put this legislation would update and extend the provisions of M.G.L. Chapter 40F, which was first passed in 1977 but is now scheduled to expire on June 30, 2010. Such legislation is needed because Chapter 40F has worked well over the years, but the law has become increasingly obsolete. The proposed changes would provide for greater accountability of CDCs and help to attract greater investment to our communities.

### **Chapter 40F has worked effectively since it was created in 1977**

Chapter 40F was first passed in 1977 as part of a broader legislative effort to establish the infrastructure necessary to support local community development corporations (CDCs) across the state. At the time, there were perhaps a dozen CDCs in Massachusetts and the Legislature sought to promote and expand this highly successful organizational model. Chapter 40F did two things. First, it created a legal definition of the term “community development corporation” so that state resources and support could be targeted those organizations. Second, it created the Massachusetts Community Development Finance Corporation (CDFC) as a quasi public entity that can provide financing to CDCs and CDC sponsored business enterprises. Through separate legislation during that period, the state also created the Community Economic Development Assistance Corporation

(CEDAC) to provide technical assistance to CDCs and other non profits and it established the CEED program to provide program funding to CDCs. Taken together, these programs and policies enabled the CDC field to grow by 400% over the coming years and our sector is now recognized across the country as one of the most effective CDC networks in the United States. The bottom line – Chapter 40F has worked.

### **CDCs make a significant contribution to the Commonwealth**

In recent years, CDCs have continued to make a significant contribution to the Commonwealth. In 2002, MACDC launched the Growing Opportunities, Assets and Leaders (GOALs) Initiative which established specific numeric targets in six areas of community development and then tracks our individual and collective progress towards those targets. Since that time, our members have achieved the following (for the period 2003-2008):

- Engaged nearly **1,800** community resident leaders each year to guide and shape our efforts in local neighborhoods and communities.
- Built or preserved **7,811** affordable homes, including 2,625 in the last two years.
- Created or preserved **11,609** job opportunities, including 3,643 in the last two years
- Helped **6,211** entrepreneurs start, grow or stabilize their local businesses, including 2,286 in the last two years
- Provided economic and educational opportunities to **122,191** families, including 63,537 in the last two years and
- Attracted **\$1.362 billion** in private and public investment to revitalize our communities, including \$534 million in the last two years

These results show the wisdom of the Legislature in creating Chapter 40F and the CDC infrastructure 30 years ago and the importance of maintaining and updating that infrastructure for the future. With our neighborhoods suffering from the worst economy in 70 years, the Commonwealth needs the type of grassroots, bottoms up, results-oriented leadership that CDCs can provide.

### **Chapter 40F has worked, but it needs to be updated to reflect changes since 1977**

Chapter 40F has not been substantively updated since the late 1970s and it is now in significant need of modernization. Much has changed in our field and in our country since 1977 and this statute needs to be updated to reflect those changes and to be relevant in the future. The bill before you today proposes significant changes to those sections in the Chapter dealing with CDCs. Our bill **does not** address the provisions related to CDFC. We are deferring to CDFC and the Patrick Administration as they prepare recommendations for your consideration this fall. We are in close communication with the Administration and CDFC and expect that we will be in agreement with them about the necessary changes to those provisions. Therefore, the balance of my testimony will focus only on the CDC related aspects of Chapter 40F.

**An Act to Strengthen Community Development in the Commonwealth (S. 89 and H. 210)** would do the following:

1. Update the definition of which nonprofit organizations can qualify as a CDC;
2. Require DHCD to establish a process for certifying CDCs and to maintain a list of certified CDCs;
3. Require the EOHED to report annually to the legislature on their efforts to support CDCs; and
4. Eliminate the sunset provision in the statute.

Let me explain the rationale for each of these provisions.

### **The definition of a CDC should be updated to reflect current best practices**

The current statutory definition in Chapter 40F is very detailed and proscriptive in ways that unnecessarily prevent many good organizations from qualifying. For example, the law requires that all board members serve three year terms, even though some organizations might have two year terms. It requires that they define a geographic service area that is coincident with political boundaries whereas many organizations define their service area more loosely or more in keeping with how local residents define their neighborhood or community. The statute also requires that 51% of the board of directors to be elected by the membership of the organization – a requirement that eliminates many good organizations from qualifying. In general, MACDC believes that board elections are an effective way to ensure local accountability. However, elections alone do not ensure that lower income residents serve on the board or that the board's composition reflects the ethnic and economic constituency being served. Therefore, we prefer a more flexible definition that puts more emphasis on the composition of the actual board and less emphasis on the process by which they are appointed. Finally, the current definition provides no guidance about the activities of the organization or even its mission.

Our proposed legislation would create a more flexible definition that puts more emphasis on the mission and purpose of the organization and less focus on the mechanics of its organizational structure. This will enable a broader range of groups to qualify while ensuring that all of those groups genuinely reflect the constituency being served and provide opportunities for local residents to serve in leadership positions. It would also ensure that certified CDCs are focused on community development as their mission and are engaged in relevant programmatic activities. As a result of these changes, we believe that it will clarify that CDCs can operate in rural and suburban communities as well as urban neighborhoods. This is important to reflect the dramatic demographic shifts that have occurred across our state since the late 1970s and enable CDCs to serve lower income residents who live in moderate and middle income communities. Finally, the legislation would give DHCD the flexibility and responsibility to implement the statute effectively to ensure that organizations are not arbitrarily excluded because of an outdated and arcane requirement and to ensure that organizations are not certified simply because they comply with a few technical requirements but do not genuinely reflect the purposes and goals of the Chapter. DHCD would also have the ability to exclude groups that are not in good standing with the Commonwealth's general requirements for non profits or are otherwise suspect. In short, we think this new definition is better aligned with the best practices of the field that have emerged over the past thirty years.

## **Certifying CDCs will increase accountability for the field**

This legislation would require DHCD, for the first time, to maintain a list of certified CDCs. This will ensure that CDFC, DHCD and other state and local agencies will know which non profits are in fact CDCs and eligible for the benefits that come with that designation. Currently, state and local agencies must analyze each organization, each time, to determine their compliance with the terms of Chapter 40F. This is particularly important because there are provisions in other statutes that refer back to Chapter 40F. For example, the Brownfields statute provides special liability protections for CDCs and the recently passed mortgage licensing statute exempts CDCs from paying licensing fees. It will make it easier for other agencies to implement these laws if they know which organizations qualify as CDCs.

We believe the certification program will provide greater accountability and transparency for the field and give both public and private stakeholders greater confidence in the CDC sector. This in turn should help CDCs leverage greater investment to support their important work. We believe that this process can be implemented fairly easily because DHCD already conducts a similar program under the federal HOME program which requires DHCD to certify nonprofits who qualify as Community Housing Development Organizations (CHDOs.)

## **The Executive Office of Housing and Economic Development should report to the legislature on their efforts to support CDCs.**

This legislation would also require EOHEd to report annually to the legislature regarding its efforts to support CDCs. We believe this requirement will ensure that the Executive Office retains an intentional focus on building CDC capacity and supporting CDC efforts over time. It does not require any new spending or investment, but simply requires the Secretary to document what is being done. By adopting this provision, the Legislature would be recognizing that CDCs are an important part of the Commonwealth's overall strategy for expanding economic opportunity and improving the quality of life in local communities.

## **The Sunset Provision should be eliminated**

This legislation would eliminate the sunset provision to ensure that Chapter 40F is able to continue until and unless the Legislature takes action to change or remove the Chapter. Given the ongoing need for community development work across the state, we do not think a sunset provision is necessary.

## **Conclusion**

To conclude, we believe that this legislation is a timely, simple, and cost-effective way to bolster the state's economic recovery efforts. It will help empower local residents to get involved in civic life and to work together to improve their communities. It reaffirms one of the state's most successful policy initiatives over the past thirty years and ensures its continued success for years to come. We urge the Committee to report the bill out favorably and work toward its speedy adoption.

Thank you. I would be happy to take any questions.