

Testimony

By

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Massachusetts Association of CDCs, Public Policy Committee**

Before the

Joint Committee on Revenue

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In support of

An Act to create the community development partnership program (S. 1239)

Thank you Chairmen and through you members of the committee. I am Allison Staton, Director of Advocacy for the Massachusetts Association of CDCs. I appreciate the opportunity to speak to you all today in support for Senate Number 1239, *An Act to create the community development partnership program*, filed by Senator Harriette Chandler and Representative Steven Walsh and have brought with me support letters from our member CDCs in Watertown and Chesterfield. Senate 1239 will help community based development organizations around the Commonwealth build and sustain vibrant communities of choice across the Commonwealth where all households, including those who have traditionally been disadvantaged or underserved, can access economic opportunity and a high quality of life.

MACDC, established in 1982, is the policy and capacity building arm of the community development movement in Massachusetts. Our membership includes 58 community development corporations and 23 other nonprofit organizations who are working to build and sustain strong communities through housing, economic and community development activities.

Simply put this legislation would allow local community based organizations to attract the private investment they need to address the issues and concerns of the neighborhoods they serve.

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 that even with limited resources CDCs are addressing the needs and concerns of the neighborhoods they serve. Now, with our neighborhoods suffering from the worst economy in 70 years, our members and similar local organizations across the Commonwealth are well positioned to help advance an economic recovery that is broad, deep and lasting. Senate 1239 would help make this happen by attracting new private investment in support of the grassroots, bottoms up, results-oriented leadership that CDCs can provide.

How CDCs would be supported by Senate 1239

As locally organized groups, CDCs develop their programs and projects to meet the specific and unique needs and opportunities facing their communities. CDCs are very proficient at then securing the public and private investment needed to advance those local objectives. However, most sources of funding are restricted to very specific purposes and therefore can sometimes be challenging to use, and in nearly all cases, the available funding falls short of what is need. Senate 1239 would

address this challenge by providing flexible funding that can be used to advance a wide variety of locally determined activities that improve the community and benefit low and moderate income people.

Under this legislation CDCs could apply to the Department of Housing and Community Development through a competitive RFP process to secure special tax credits. These tax credits could then be used to entice private investment to support community priorities. DHCD would only award tax credits to those applicants who adhere to the requirements of the statute and can demonstrate a well designed program that will meet an important community need. Only the best applicants will be selected. The total amount of tax credits that can be awarded in any given year will be capped at \$5 million so the cost to the Commonwealth will be known and limited, yet the program will induce \$6.25 million of private investment.

The activities allowed under the proposed legislation include:

- i.) preservation, rehabilitation and construction of housing affordable to low- or moderate-households, including planning, outreach and design of affordable housing, home improvement, lead abatement, pre-purchase and post-purchase home buyer counseling and related activities;
- ii.) increase the business activity within the neighborhood including the provision of assistance to small business entities;
- iii.) increase the income and labor force participation of low- or moderate-community residents, including provision of education and training programs;
- iv.) increase the financial assets of LMI households through financial literacy programs, Individual Development Accounts, and other programs;
- v.) undertake community based planning activities that help low and moderate income communities develop strategies for community improvement;
- vi.) combat crime and increase public safety;
- vii.) increase, preserve, and maintain open space,
- viii.) undertake measures to involve youth in job training, education, or community development activities.

Investments in real estate purchase or construction are not eligible under this section because other state tax credit programs already support housing development.

The bill also allows DHCD to establish a community partnership fund to facilitate the exchange of credits between smaller CDCs or those CDCs in communities without businesses capable of making large donations. Those CDCs would also have to go through a competitive process to be selected for funding.

It is important for the Committee to understand how this tax credit program is different than the state's existing Low-Income Housing Tax Credit (or its federal counterpart.) First, this tax credit would fund entirely different activities and specifically precludes the development of housing (it can be used for planning, but not actual construction.) We also believe that the Community Development Partnership tax credit would not be vulnerable to the same challenges that are now impacting the LIHTC. The Community Development tax credit does not involve any real risk for the business. If they donate to a selected group, they get the tax credit. It will be very simple and predictable. By contrast, the LIHTC is taken over 10 years which means that an investor is taking a risk that it won't be able to receive the full benefit if its tax liability is too low in the future. Another risk for businesses with the LIHTC is it that they must monitor compliance of the project which requires deep expertise in asset management and entails some risk. This seriously limits the number of potential investors. These challenges will not come into play with the much simpler proposal now before the committee.

This tax credit is being used in various forms in at least a dozen other states and in the city of Philadelphia. For example, the Philadelphia Tax Credit Program supports neighborhood economic development with 25 non-profits. The funding provides flexible program support for non-profits while the businesses get 100% credit on their city taxes. According to the Philadelphia Association of CDCs the program has added funding to community development and brought in new and different partners to support neighborhood efforts.

Some of our New England neighbor states have had such tax credit programs in place for years. Connecticut has had a program in place since 1982. New Hampshire's tax credit program was initiated in 1993. In other parts of the Northeast, New Jersey and Pennsylvania have successful,

established tax credit programs. There are proven tax credit program models all around us, along with proven community based nonprofit organizations poised to use this new resource.

Conclusion

We need a long term strategy for helping community based non profits address local challenges and build long term sustainable economic opportunity. This program will promote excellence in community development by ensuring long term stable funding and fostering partnerships between the private sector and local community groups. We urge the committee to report the bill out favorably.

Thank you for the opportunity to testify before the committee.