

**Testimony
by
Joseph Kriesberg, President & CEO
Massachusetts Association of Community Development Corporations
In favor of
The Community Development Partnership Act (S.1427)
Before the
Joint Committee on Revenue
October 6, 2011**

Good Morning. My name is Joseph Kriesberg and I am the President and CEO of the Massachusetts Association of Community Development Corporations (MACDC) and I am here to testify in support of the Community Development Partnership Act (/S.1427.)

Twenty-five years ago a group of residents in the Jamaica Plain neighborhood of Boston began talking about what to do with the abandoned and blighted Haffenreffer Brewery Complex which had been sitting vacant for years. The residents were determined to redevelop the complex as a job center even though all the real estate experts told them it was not possible. But unlike large regional or national development companies who could look for more profitable opportunities elsewhere, these residents had no choice but to find a way to redevelop the complex and improve their neighborhood. The residents worked with the Jamaica Plain NDC, at the time a fledgling new CDC, and began redeveloping the site brick by brick, job by job, building by building, until 2009 when the final building was finished and the site was completely redeveloped. Today, the complex is home to more than 50 businesses and 500 jobs, more jobs than the old brewery provided at its peak, and this year it won a highly prestigious national award from the National Development Council.

This story is not unique to Jamaica Plain. In Chelsea, residents have worked with Chelsea Neighborhood Developers over the past few years to transform the Box District Neighborhood into a vibrant residential, transit oriented community.

In Arlington, residents formed the Housing Corporation of Arlington – celebrating its 25th anniversary this year – to build affordable rental housing in this middle class suburban town with good schools and a high quality of life.

In Springfield, the Springfield NHS, HAP Housing and Habitat for Humanity are working together to revitalize the Old Hill Neighborhood with new, high quality, energy efficient homes that low income families can afford to buy.

In Franklin County, the CDC has been making loans to aspiring entrepreneurs for more than 20 years and for the past 10 years has helped local farmers, caterers and restaurants grow their businesses through the Western Mass Food Processing Center. One of their clients, Hillside Pizza, just opened its third restaurant and now employs over 50 people. In Worcester, the Main South CDC has partnered with Clark University on the University Park Neighborhood Restoration Partnership program, which is addressing the many needs of the community that are fundamental to its vitality and well being, ranging from housing, to employment, to public safety, to recreation and education.

In Fitchburg and Dorchester and other neighborhoods, residents are working with their CDCs to redevelop foreclosed properties, and throughout the state CDCs have helped thousands of homeowners avoid foreclosure by assisting with loan modifications.

Throughout the Commonwealth, local residents and businesses work together through their CDC to expand economic and housing opportunities and improve the quality of life in their communities. Some projects are big and some are small, but in the aggregate the impact is dramatic. Over the past four years, our members have:

- Engaged almost 2,000 community leaders each year who volunteered in CDC activities;
- Built or preserved 5,162 homes;
- Created or preserved 8,384 job opportunities;
- Assisted 6,422 entrepreneurs to start, grow, or stabilize their businesses;
- Supported 140,112 families with housing, jobs, foreclosure prevention counseling, homebuyer education and other services; and
- Attracted almost \$1.1 Billion in both public and private investment to support their community improvement efforts.

Yes, more than \$1 billion of investment in four years. You can read more about these achievements in our GOALS Report that we have attached to our testimony.

And we believe that we can do more - much more.

The Community Development Partnership Act would strengthen these efforts by attracting new private philanthropy and investment to support **high impact** community development initiatives across the state. The bill is based on successful laws in several other states, including Pennsylvania and New Jersey, where tax credits for donations have leveraged private contributions to support high performing organizations. We also incorporated the best aspects of successful federal models such as the HOME Program (created in 1990) and the Community Development Finance Institutions program (created in 1995.) Finally, the bill also looks to advance other best practices that have emerged over the 30-plus year history of the field here in Massachusetts. In fact, this legislation builds directly on the framework established by the legislature just last year when you updated the CDC-enabling law, Chapter 40H. In short, the proposal before you today is grounded in proven models. At the same time, it sets up a framework that will drive innovation, continual learning, and widespread replication of best practices. **This program will turn today's "best practice" into tomorrow's "standard practice" throughout the community development field.**

I have attached a written summary that explains in detail how the program would work. To summarize, non-profit organizations would apply through a competitive process to receive an allocation of tax credits from DHCD. To apply for credits, the organization would first have to be certified as a community development corporation under M.G.L. Chapter 40H – legislation that was enacted last year. This certification basically ensures that (1) community residents are meaningfully represented on the board of directors and that the organization engages local community members in setting and implementing its agenda; and (2) the organization is actively engaged in community development as a core function of its mission. Any Massachusetts-based nonprofit organization can apply for certification; it is not limited to those organizations that have traditionally been considered CDCs or currently self-identify as CDCs. The certification program is a key part of the accountability system for CDPA.

Once a group is certified by DHCD, it would have to submit a detailed **business plan** that outlines its goals, strategies, and capacity for improving economic opportunities for local residents. Applicants would have to demonstrate that they have the technical and

financial capacity to succeed and would have to describe the **metrics** they would use to measure their success. DHCD will pick the highest quality applications in what we expect will be a highly competitive process. The bill sets aside 30% for Gateway Cities and 20% for rural areas.

Once selected, the groups would use the credits to attract **private donations** from corporations and individuals. With a 50% tax credit, the state's investment would be leveraged dollar for dollar with private investment. The community would then use these resources to leverage further dollars for specific programs and projects. These activities could include the development and preservation of homes, the creation and retention of jobs in the community, business development, public safety campaigns, financial education, community planning and other activities that will expand economic opportunity in the community.

We think this legislation has six major benefits:

1. **Expands economic opportunity:** This legislation will spur economic activity through the creation and preservation of homes, jobs, and local businesses. Community development expands opportunity for families, seniors and youth across the economic spectrum and helps to ensure that the economic recovery reaches all of our communities. Based on the economic impact we've documented over the past four years by CDCs, we anticipate that, over the first five years of the program, a state investment of \$24 million will support a total economic impact of \$1.2 to \$1.5 billion across the state.
2. **Generates broad community benefits:** Improving our built environments through community development initiatives also improves public health and safety, supports educational achievement, helps protect clean air, water, parks and natural spaces, and increases civic engagement. By focusing on untapped opportunity in low and moderate income neighborhoods and by enabling lower income families to achieve their economic potential, community development benefits everyone and strengthens the entire Commonwealth.
3. **Promotes community driven solutions:** The bill will help community residents, local businesses, and other local stakeholders develop and implement locally devised strategies that meet the needs and take advantage of the opportunities of their specific local context.

It will generate market-based, strategic initiatives tailored to the local community's efforts to reduce foreclosures, prevent homelessness, create jobs, and grow new businesses.

4. **Leverages private investment that stays in the community:** The bill will attract new private philanthropy to support these community driven solutions. A new state tax credit will generate two dollars of private investment while costing the state just one dollar in foregone tax revenue thereby doubling the impact of the state's investment. All of these funds will stay in the community because CDCs, by law, must invest all of their funds in activities that benefit the community. These tax credits will stay in the Commonwealth and be continually recycled for additional economic benefit.
5. **Supports high performance organizations:** The program will be competitive and performance based, with each organization identifying the specific outcomes and impacts that they seek to achieve and being held accountable for them. This program is designed to institutionalize the best practices in community development that have emerged in recent years – long term planning, robust community engagement, market based solutions, savvy business practices, strategic deployment of resources, comprehensive approaches, collaboration and thorough evaluation.
6. **Ensures accountability:** Organizations that receive tax credits will be accountable to three key constituencies – (1) local community members and leaders, (2) private donors, and (3) the taxpayers and citizens of the Commonwealth (through the Department of Housing and Community Development)– ensuring that their programs and activities are well designed and effective.

This proposal is gaining widespread support because it is based on a proven formula for success and will generate broad benefits for the Commonwealth. Forty-six legislators have co-sponsored this legislation, along with our lead sponsors, Senator Sal DiDomenico and Rep. Linda Dorcena Forry. More than 70 organizations and leaders have spoken or written in favor of this bill. These supporters include Mayors, bankers, foundations, think tanks, construction companies, environmental organizations, public health advocates, public safety officials, educators, and practitioners (a full list is included with my testimony.) The breadth of support reflects the extraordinary impact that high quality community development can have across a range of outcomes.

I also want to lay out for you, the Joint Committee on Revenue, why we structured this program as a tax credit proposal rather than a budgetary line item, and how we structured the program to ensure that the public receives a fair return for the revenue that would be forgone.

We structured this program as a tax credit for four primary reasons.

1. The tax credit structure allows DHCD to make **multi-year awards** (up to three years) which in turn encourages and allows for longer term planning, more ambitious projects, more stable and consistent programming, lower transaction and administrative costs, and better outcomes.
2. By building the program into state law, rather than simply the annual budget, the legislation will support **transformative impact** on communities and the field. The existence of the tax credit will not only influence those who receive the funding but those who aspire to receive in future years. This will drive better strategic planning, business practices, and community engagement throughout the sector.
3. The tax credit ensures a **one-for-one match** from the private sector so that every dollar of lost revenue yields two dollars of impact.
4. By engaging the private sector directly in the program, the state benefits from **private sector oversight** which helps ensure that the funded programs are effective. Private donors will not contribute to ineffective organizations even with the tax credit incentive so taxpayers can have additional confidence that their money is being well spent.

We also designed this tax credit to adhere to the best practices in tax credit policy and to avoid some of the problems that have emerged with other tax credit programs.

1. The CDPA will be a **highly competitive** program with only the highest quality organizations and programs receiving tax credit allocations, unlike some tax credits which operate more like entitlements.
2. The CDPA is **capped** at a specific dollar figure each year so the state will know precisely the budgetary impact of the program.

3. The CDPA requires each organization to articulate precise **metrics** for evaluating their programs and measuring success. DHCD will also collect data from all of the participating organizations so the public will know the aggregate impact of the program.
4. The CDPA includes **claw-back** provisions to recoup unused tax credits; the law also allows DHCD to recoup tax credits if the organization is not performing satisfactorily. And all organizations would have to re-apply every three years to continue receiving credits.
5. The CDPA is **flexible** so each community can use the program to meet the specific needs, opportunities and goals of that community. It does not impose a “one-size-fits-all” mandate on local communities.
6. The CDPA has a robust system for **accountability**, with oversight being provided by community residents, state government and private sector donors. Programs with multiple lines of accountability perform better than those with just one oversight body or no oversight at all.

Thanks in large measure to the actions of the legislature and the governor, the Massachusetts economy is outperforming the rest of the country. The CDPA will help to ensure that this recovery continues and that it reaches every community, every neighborhood and every family.

We encourage you to report this bill out favorably and work with us to put this bill on the Governor’s desk before the end of this session so we can seize this opportunity to expand economic opportunities throughout the Commonwealth.

I would be happy to answer any questions that you may have.