

STORAGE NAME: h0761a.ca

DATE: March 14, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMUNITY AFFAIRS
ANALYSIS**

BILL #: HB 761

RELATING TO: Community-Based Development Organizations

SPONSOR(S): Representative L. Miller

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMUNITY AFFAIRS (PRC) YEAS 10 NAYS 0
 - (2) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE (EDC)
 - (3) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS (FRC)
 - (4)
 - (5)
-

I. SUMMARY:

This bill creates the "Community Development Corporation Assistance Act" to provide grants to eligible "community-based development organizations" (CBDOS) for administrative and operating expenses related to affordable housing and economic development projects. The bill provides for administration and distribution of grants by the Department of Community Affairs (DCA) according to a three-tiered plan that recognizes the needs of emerging, intermediate, and mature CBDOS. The bill lists activities eligible for assistance under the act, and establishes application and reporting requirements. CBDOS may receive an initial grant from the funds appropriated in this bill, and are eligible to apply for a grant of up to \$50,000 per year for a period of five years.

The bill appropriates \$3,000,000 from the General Revenue Fund to DCA for the purpose of providing grants to CBDOS.

The Committee on Community Affairs adopted one amendment that is traveling with the bill. As discussed in the "AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES" section of the analysis, the amendment makes several changes to the bill in response to comments from the Department of Community Affairs. Changes address the membership of boards for community-based development organizations, criteria for grants, rulemaking authority, and an appropriation of 3 staff positions and \$192,000 to DCA to administer the program.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|--|---|
| 1. <u>Less Government</u> | Yes ☐ | No ☒ | N/A ☐ |
| 2. <u>Lower Taxes</u> | Yes ☐ | No ☐ | N/A ☒ |
| 3. <u>Individual Freedom</u> | Yes ☐ | No ☐ | N/A ☒ |
| 4. <u>Personal Responsibility</u> | Yes ☐ | No ☐ | N/A ☒ |
| 5. <u>Family Empowerment</u> | Yes ☐ | No ☐ | N/A ☒ |

Less Government: This bill creates a new grant program for CBDOs and places additional responsibilities on DCA.

Personal Responsibility: This bill does not create an entitlement to a government service or subsidy. It does authorize and fund grants to eligible CBDOs for administrative and operating expenses related to affordable housing and economic development projects. CBDOs may receive an initial grant from the funds appropriated in this bill, and are eligible to apply for a grant of up to \$50,000 per year for a period of five years. The intent of the bill is to expand housing opportunities for low income persons, and to expand economic opportunities for new and existing businesses in deteriorated, underserved areas.

B. PRESENT SITUATION:

Community Development Corporations

Community Development Corporations (CDCs) are grass-roots organizations engaged in real estate and economic development as a means to revitalize communities. They are nonprofit entities governed by boards that include local residents, business representatives, and community leaders. Nationwide, CDCs have grown from some 100 organizations in 1970, to more than 2,500 by the mid-1990's. According to the Local Initiative Support Corporation, a national nonprofit organization that provides funding and technical support to CDCs, 90 percent of CDCs are involved in creating affordable housing, and the average annual rate of production per CDC has been rising. It is estimated that between 1960 and 1990, CDCs and other nonprofit housing groups produced an estimated 14 percent of all federally subsidized housing units (excluding public housing). In 1998, the Office of Program Policy Analysis and Government Accountability (OPPAGA) estimated there were 87 CDCs in Florida. Although most of the CDCs in Florida engage primarily in housing development, some also undertake a variety of activities designed to promote economic development.

Prior to their repeal by chapter 91-262, L.O.F., effective June 30, 1998, and by chapter 99-4, L.O.F., a statutory revisers bill, ss. 290.0301-290.0395, F.S. (1998), constituted the Community Development Corporation Support and Assistance (CDCSAP) Act. The purpose of the CDCSAP was to preserve and revitalize certain communities of the state by providing financial assistance to CDCs. Each year since 1981, the Department of Community Affairs (DCA) awarded administrative grants, project development loans, or

affordable housing loans through the CDCSAP to CDCs for economic development and housing projects located within specific target areas.

From FY 80/81, the Legislature appropriated between \$800,000 and \$1.8 million annually for administrative grants. Between FY 80/81 and 91/92, the Legislature provided funding for economic development loans. From FY 95/96, \$1.3 to \$1.5 million was appropriated annually in affordable housing loans for CDCs.

The CDCSAP Act was scheduled to be repealed on June 30, 1998, by chapter 91-262, L.O.F. Prior to repeal, s. 290.0395, F.S., directed the Auditor General to perform a review and evaluation of the CDCSAP and provide the Legislature with a report of the findings and recommendations. In February 1998, OPPAGA issued their report, and concluded that:

- Most of Florida's CDCs focus their efforts more on developing affordable housing than on economic development initiatives. CDCs emphasize affordable housing due to need and the availability of government funds.
- The CDCSAP is an inefficient means of providing support to CDCs because:
 - the administrative grants are not a major source of funding to CDCs;
 - the loan programs have not performed well;
 - the Department's cost to operate the Program is high; and
 - some requirements are needlessly restrictive and burdensome.

The OPPAGA report recommended that:

- The Legislature not reenact the CDCSAP Act.
- The Legislature redirect current CDCSAP Sadowski Act funds to other affordable housing programs, and redirect the Program's \$800,000 to either General Revenue (GR) or to other affordable housing programs.
- The Legislature direct DCA to continue to monitor outstanding program loans and grant agreements.
- The Legislature direct DCA to allocate the remaining portion of loan revenues to expand the activities of the Affordable Housing Catalyst Program.

As reported in the Agency Response in the report, DCA disagreed "strongly with the method of analysis, as well as the recommendations and conclusions" presented in the draft report.

Legislation amending and reenacting the CDCSAP Act was filed and considered during the 1998 Legislative Session. The House amended and unanimously passed CS/HB 3111. The bill died in Senate messages. The Senate companion, CS/SB 2204, died on the Senate Calendar.

C. EFFECT OF PROPOSED CHANGES:

This bill attempts to increase the capacity of CBDOs to serve area residents in neighborhood revitalization activities. This bill creates the "Community Development Corporation Assistance Act" to provide grants to eligible CBDOs for administrative and operating expenses related to affordable housing and economic development projects. The

bill provides for administration and distribution of grants by DCA according to a three-tiered plan that recognizes the needs of emerging, intermediate, and mature CBDOs. The bill lists activities eligible for assistance under the act, and establishes application and reporting requirements. The bill appropriates \$3,000,000 from the General Revenue Fund to DCA for the purpose of providing grants to CBDOs. CBDOs may receive an initial grant from the funds appropriated in this bill, and are eligible to apply for a grant of up to \$50,000 per year for a period of five years.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. A short-title of the “Community Development Corporation Assistance Act” is provided.

Section 2. Legislative findings and intent are provided. The section finds in part that continued physical deterioration and economic decline in urban and rural areas inhibit investment and lead to ever worsening social, physical, and economic conditions. The section further finds the available means of eliminating or reducing these deteriorating economic conditions and encouraging local resident participation and support is to provide support assistance and resource investment to community-based development organizations (CBDOs). The section provides legislative intent to provide CBDOs with the necessary administrative and operating funds to retain project staff to plan, implement, and manage job-generating and community revitalization developments in distressed neighborhoods.

Section 3. This section establishes eligibility criteria for CBDOs to receive assistance under this act. The criteria include:

- The CBDO must be a nonprofit corporation;
- A majority of the board members of the CBDO must be elected by members of the “corporation” who are stakeholders, comprising a mix of service area residents, area business property owners, and area employees;
- The CBDO service area must include economic development and housing development projects;
- The CBDO service area must have a high poverty rate, based on the most current U.S. Census data, that exceeds over 40 percent of the median income in the county where the projects and organization are located, and must meet one or more of the following criteria:
 - Be designated as a slum or blighted area pursuant to the Community Redevelopment Act, or be completely within the boundaries of such an area;
 - Be a neighborhood housing service district that is contained within a state enterprise zone designated on or after July 1, 1995;
 - Be contained in a federal empowerment zone or enterprise community.

Section 4. DCA is authorized to award core administrative and operating grants, which may be used for staff salaries and administrative expenses for eligible CBDOs selected through a three-tiered process for the purpose of housing and economic development projects. DCA is directed to develop a set of criteria for three-tiered funding that will ensure

equitable geographic distribution of funds throughout the state. The three-tiered plan must include emerging, intermediate, and mature CBDOs. Funding is to be available to all levels of CBDOs. Priority is to be given to organizations demonstrating community-based productivity and high performance and having current projects in high-poverty neighborhoods. Priority also is to be given to emerging CBDOs demonstrating a positive need. The section also declares that resources funded in whole or in part by grant funds shall be utilized to further the purposes of the Front Porch Florida Initiative.

Funds appropriated in the bill are to be distributed by DCA to "CDCs" across the state. Subsequently, each CDC is eligible to apply for a grant of up to \$50,000 per year for a period of five years.

Section 5. This section establishes the administrative and operational activities that are allowable with grant funding. Included are:

- Preparing grant and loan applications and other documents essential to securing additional funding;
- Monitoring and administering grants and loans and providing other administrative tasks required to maintain funding eligibility or to meet contractual obligations;
- Developing local programs and home ownership housing projects to encourage participation of professional firms and individuals providing services beneficial to redevelopment efforts;
- Providing technical and other assistance to businesses and entrepreneurs interested in the service area;
- Coordinating with governmental entities and nonprofit organizations to meet local plans and ordinances and avoid duplication of effort;
- Assisting residents in identifying housing programs;
- Developing, selling, owning, and managing subsidized housing for persons with very low or low incomes, or for WAGES recipients, or developing, selling, owning, and managing subsidized affordable industrial parks providing jobs to such persons.

Section 6. This section establishes the application requirements for core grant applications.

Section 7. This section establishes reporting and evaluation requirements. Grant recipients must annually provide DCA with:

- Information on the firms and individuals assisted;
- The types of funding received during the reporting period;
- Staffing and administrative and operational expense information;
- The amount of earned income from projects and other activities;
- Information regarding current and completed projects;

- The impact of projects on residents in the target area;
- The number of housing units rehabilitated or constructed;
- The number of jobs received by individuals assisted by the CBDO;
- The impact of completed projects on residents in targeted areas;
- Changes in boundaries of target and service areas and an explanation of such changes;
- Other information required by DCA.

Section 8. This section appropriates \$3 million from the General Revenue Fund to DCA to be distributed as grants to CBDOs as provided by this act.

Section 9. An effective date of July 1, 2000, is provided.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

This bill has no direct impact on state revenues.

2. Expenditures:

This bill appropriates \$3 million from the General Revenue Fund to DCA to be distributed as grants to CBDOs as provided by this act. The bill does not authorize administrative costs of the program at DCA to be recovered from the appropriation. DCA provided the following fiscal impact on the department.

Department of Community Affairs	2000-2001	2001-2002
One-time expenses:		
General Revenue Fund	\$13,151	
Recurring expenses:		
General Revenue		
(Salaries 3FTEs)	\$111,656	\$111,656
(2 Professional Expense Packages)	\$20,252	\$20,252
(1 Clerical Expense Package)	\$5,321	\$5,321
Indirect Costs for Administration	\$41,313	\$41,313
Total Expenses:	\$191,693	\$178,542

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This bill has no direct fiscal impact on local government revenues.

2. Expenditures:

This bill has no direct fiscal impact on local government expenditures.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill authorizes and funds grants to eligible "community-based development organizations" (CBDOs) for administrative and operating expenses related to affordable housing and economic development projects. The intent of the bill is to expand housing opportunities for low income persons, and to expand economic opportunities for new and existing businesses in deteriorated, underserved areas.

D. FISCAL COMMENTS:

None

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to expend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

This bill directs DCA to develop a set of criteria for three-tiered funding that will ensure equitable geographic distribution of funds throughout the state. While the bill appears to provide adequate guidance to the agency to promulgate a rule that meets legislative intent, it fails to authorize such a rule.

C. OTHER COMMENTS:

Department of Community Affairs

DCA submitted an analysis of HB 761. In addition to the fiscal impact on the department, DCA's analysis states the legislation supports sustainable community development by discouraging sprawl and providing support for the redevelopment of deteriorated areas.

DCA notes it also promotes the construction of safe, affordable housing. DCA's analysis of the bill provided the following additional comments:

- Without state-level administrative dollars, the state's ability to provide oversight and ensure that funding is used appropriately would be limited.
- The terms "community-based development organization" and "community development corporation" are both used in the bill. Only one of these terms should be used since the terms are not interchangeable.
- The term "stakeholder" as used in section 3 of the bill should be defined and should be consistent with the definition used in the Urban Infill and Redevelopment Assistance Grant Program. Corporation membership should be clarified to ensure that low-income residents, area businesses, and area property owners are well represented. The board composition should require a specified percentage of low-income residents.
- Under section 3 of the bill, the CBDO service area should demonstrate pervasive poverty. This is generally expressed as a specified percentage of households in a given area living at or below an established poverty level. A rate that exceeds over 40 percent of the county median income is not a good indicator of poverty. Poverty rate requirements should be changed to be consistent with either (a) the poverty income guidelines established in the Federal Register of March 18, 1999, which is used by the LIHEAP program, or (b) section 290.0058, F.S., which is used in both the Urban Infill and Redevelopment Assistance Program and the State Enterprise Zone programs, or another professionally acceptable definition of poverty rate. Refining this definition allows for internal consistency with section 4 of the bill which references "high-poverty neighborhoods" as part of the selection criteria.
- Under section 4 of the bill, the term "community-based productivity" should be clarified. CBDOs should demonstrate that their past projects responded to neighborhood-based needs, were developed with stakeholder input, and were successful in meeting identified needs. The "positive need" criteria for emerging CBDOs should also be clarified to reflect broad-based needs as identified by stakeholders. The statement that "funds shall then be utilized to further the purposes of the Front Porch Florida Initiative" should also be clarified so that funds further the goals and objectives of that program, but are not restricted geographically to Front Porch or other DCA programs. It is recommended that this program not be limited to serve Front Porch Communities or other DCA programs that address the same needs and criteria.
- Under section 5 of the bill relating to eligible grant activities, the provision of technical assistance to each category of grant recipient should be an eligible activity. It should be included in the bill that technical assistance training be provided to CBDOs to build capacity to support neighborhood housing and redevelopment activities. Also, within housing and economic development projects, certain services should be allowed and encouraged where a need for such services is identified by stakeholders. These services could include on-site or neighborhood health care services, educational services, and recreational opportunities.
- Under section 6 of the bill, the board membership list required in paragraph (3) should contain a specified percentage of low-income residents as noted above. The revitalization plan identified in paragraph (4) should be developed in a manner consistent with planning and participation requirements of the Front Porch and Urban Infill and Redevelopment Assistance Grant programs.

- Under section 7 of the bill, the reporting requirements should be streamlined to require as little staff time as possible. DCA and technical assistance providers should give each grant recipient tools, such as software, spreadsheets, and templates, to track and compile this information as efficiently as possible.
- Section 8 of the bill should be amended to authorize administrative costs of the program at DCA to be recovered from the appropriation.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

Committee on Community Affairs

The Committee on Community Affairs adopted one amendment on March 14, 2000, that is traveling with the bill. The strike all amendment makes several changes to the bill in response to comments from the Department of Community Affairs. Changes address the membership of boards for community-based development organizations, criteria for grants, rulemaking authority, and an appropriation of 3 staff positions and \$192,000 to DCA to administer the program.

Specifically, the amendment:

- For consistency of terminology, uses the term "Community-Based Development Organization" throughout the bill.
- Requires the board of a community-based development organization to include low-income residents.
- Deletes an incorrect definition of high poverty rate. Instead of requiring the service area to have a high poverty rate, the amendment inserts criteria an organization's service area must meet. The criteria is from the 1997 CDC statute and the proposed 1998 reauthorization act. The amendment requires the service area to meet one or more of the following:
 - Be in a slum or blighted area as defined under the community redevelopment act;
 - Be a community development block grant (CDBG) program area or an area where CDBG funds are being spent or have been spent during the last 3 years;
 - Be in an area that is a neighborhood housing service district;
 - Be in a state enterprise zone area;
 - Be in an area that is in a federal empowerment zone or enterprise community.
- Provides for priority to be given to existing organizations whose past projects were developed with stakeholder input and which responded to neighborhood need. Priority is also to be given to emerging organizations that demonstrate a positive need identified by stakeholders.
- Allows grant funds to be spent to further the goals and objectives of the Front Porch Florida Initiative.
- Makes the provision of technical assistance an eligible grant expense.

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- Grants rulemaking power to the Department of Community Affairs.
- Appropriates three staff positions and \$192,000 to DCA to administer the program.

VII. SIGNATURES:

COMMITTEE ON COMMUNITY AFFAIRS:

Prepared by:

Staff Director:

Thomas L. Hamby

Joan Highsmith-Smith