

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 942

SPONSOR: Comprehensive Planning, Local and Military Affairs Committee and Senator Jones

SUBJECT: Community-based Development Organizations

DATE: April 11, 2000 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Cooper</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>CM</u>	_____
3.	_____	_____	<u>FP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

## I. Summary:

This CS for SB 942 creates the “Community-Based Development Organization 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 CS provides for administration and distribution of grants by the Department of Community Affairs (DCA).

The CS appropriates \$3,000,000 from the General Revenue Fund to DCA for the purpose of providing grants to CBDOs, and authorizes three positions and appropriates \$192,000 to DCA to administer the act.

This CS creates a new, unspecified section of Florida Law.

## II. 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 ch. 91-262, L.O.F., effective June 30, 1998, and by ch. 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 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 to FY 97/98, the Legislature appropriated between \$800,000 and \$1.8 million annually for administrative grants. From FY 80/81 to 91/92, the Legislature provided funding for economic development loans. From FY 95/96 to FY 98/99, \$1.3 to \$1.5 million was appropriated annually in affordable housing loans for CDCs.

In FY 98/99, the Legislature appropriated \$800,000 in General Revenue to CDCs through a competitive grant program administered by DCA. CDCs may have qualified for funds appropriated in FY 99/00 (\$5.5 million) to the Governor's Front Porch Florida program.

The CDCSAP Act was scheduled to be repealed on June 30, 1998, by ch. 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 stated 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.

In February 1998, the Senate Committee on Community Affairs staff completed an interim review of the CDCSAP. In their report, committee staff developed a number of options for the committee's consideration. These options included:

- reenacting the present CDCSAP, in its current form or with modifications;
- adopting OPPAGA recommendations, which were to not reenact the CDCSAP and to redirect current CDCSAP Sadowski Act funds to other affordable housing programs, and to redirect the Program's \$800,000 to either General Revenue or to other affordable housing programs;
- adopting the Affordable Housing Study Commission's INVEST proposal in lieu of the present CDCSAP; or
- other action deemed appropriate by the committee.

The committee voted to reenact the CDCSAP Act and incorporate many provisions from the Affordable Housing Study Commission's INVEST proposal into their committee bill (SB 2204). The bill passed out of committee, but died on the Senate Calendar. The House companion, CS/HB 3111, died in Senate messages.

### III. Effect of Proposed Changes:

**Section 1** specifies that this act may be cited as the "Community-Based Development Organization Assistance Act."

**Section 2** lists legislative findings and intent.

**Section 3** 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, area employees, and low-income residents;
- The CBDO must maintain a service area in which economic development and housing development projects are located, and the area 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 community development block grant program area;
  - be a neighborhood housing service district;
  - be contained within a state enterprise zone designated on or after July 1, 1995; or
  - be contained in a federal empowerment zone or enterprise community.

**Section 4** authorizes DCA staff to award core administrative and operating grants, to be used for staff salaries and administrative expenses, for eligible CBDOs undertaking housing and economic development projects. DCA is directed to develop funding criteria to ensure equitable geographic distribution of funds throughout the state. The three-tiered process must include emerging, intermediate, and mature CBDOs. Funding is to be available to all levels of CBDOs, with priority

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 must be used to further the purposes of this act and may be used to further the goals of the Front Porch Florida Initiative.

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

**Section 5** establishes the administrative and operational activities that are allowable with grant funding. Eligible activities include:

- 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; and
- Obtaining technical assistance to build capacity to support community-based development organization projects.

**Section 6** establishes the application requirements for core grant applications. Application requirements include:

- A map and description of the CBDO service areas;
- A copy of the documents creating the CBDO;
- A listing of the membership of the CBDO board, including individual members' terms of office and the number of low-income residents on the board;
- The organization's annual revitalization plan describing the expenditure of the funds, goals, objectives, and expected results, and showing a clear relationship to the local municipality's neighborhood comprehensive plan;
- Other supporting information that may be required by DCA to determine the organization's capacity and productivity; and
- A description of the location, financing plan, and potential impact of the business enterprises on residential, commercial, and industrial development, showing a clear relationship to the organization's annual revitalization plan and demonstrating how the proposed expenditures are directly related to the scope of work for the proposed projects in the annual revitalization plan.

**Section 7** 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, administrative and operational expense information;
- Identification and explanation of changes in the boundaries of the target area;
- The amount of earned income from projects and other activities;
- Information regarding current and completed projects;
- Information regarding the impact of projects on residents in the target area;
- The number of housing units rehabilitated or constructed;
- The number of housing units, projects, and persons served by prior projects developed by the CBDO;
- The amounts of financing leveraged with state funds for prior and current projects;
- The amount of local and state property and sales taxes generated directly by the projects and programs annually;
- The number of jobs received by individuals assisted by the CBDO;
- Identification and explanation of changes in the boundaries of the service area;
- The impact of completed projects on residents in targeted areas; and
- Other information required by DCA.

**Section 8** authorizes DCA to adopt rules to administer the act.

**Section 9** authorizes three positions and appropriates \$192,000 to DCA to administer the act, and appropriates \$3 million from the General Revenue Fund to DCA to be distributed as grants to CBDOs as provided by this act.

**Section 10** provides an effective date of July 1, 2000.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

None.

##### **B. Public Records/Open Meetings Issues:**

None.

##### **C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

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, under served areas.

**C. Government Sector Impact:**

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 also authorizes three positions and appropriates \$192,000 to DCA to administer the act. DCA estimates the first year expenses to be \$191,693, and \$178,542 in FY 2001/02.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.