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DATE: April 19, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
LOCAL GOVERNMENT & VETERANS AFFAIRS
ANALYSIS**

BILL #: HB 1563
RELATING TO: Community-Based Development Act
SPONSOR(S): Representative Harrington
TIED BILL(S): None

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

- (1) LOCAL GOVERNMENT & VETERANS AFFAIRS (SGC) YEAS 9 NAYS 0
 - (2) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS (FRC)
 - (3) FISCAL RESPONSIBILITY COUNCIL
 - (4)
 - (5)
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I. SUMMARY:

This bill appropriates \$192,000 from the General Revenue Fund to the Department of Community Affairs for the purpose of paying salaries to fund the administration of the Community-Based Development Organization Assistance Act during the 2001-2002 fiscal year. In addition, the bill appropriates \$3 million from the General Revenue Fund to the Department of Community Affairs for the purpose of paying for grants under the Community-Based Development Organization Assistance Act during the 2001-2002 fiscal year.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

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.

Community-Based Development Organization Assistance Act

During the 2000 Legislative Session, the Legislature enacted chapter 2000-351, Laws of Florida, to create the "Community-Based Development Organization Assistance Act." Section 163.456, F.S., provides legislative findings and intent. 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 163.457, F.S., 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 service area must include economic development and housing development projects;
- The CBDO service 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 (CDBG) program area in which CDBG funds are currently being spent or have been spent during the last 3 years;
 - Be a neighborhood housing service district;
 - Be contained within a state enterprise zone designated on or after July 1, 1995;
 - Be contained in a federal empowerment zone or enterprise community.

Section 163.458, F.S., authorizes the Department of Community Affairs 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 by rule 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 this act, and may be used to further the goals and objectives of the Front Porch Florida Initiative.

Funds appropriated in the act -- which were vetoed -- were to be distributed by DCA to CBDOs across the state. Subsequently, the section provides for each CDC to be eligible to apply for a grant of up to \$50,000 per year for a period of five years.

Section 163.459, F.S., 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; and
- Obtaining technical assistance.

Section 163.460, F.S., establishes the application requirements for core grant applications. Section 163.461, F.S., 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 163.462, F.S., directs DCA to adopt rules for the administration of this act. DCA is in the process of promulgating the required rules.

Appropriations Veto

On June 21, the Governor vetoed the \$1 million appropriation included in CS/SB 1604 that was appropriated to fund the Community-Based Development Organization Assistance Act for fiscal year 2000-2001. In the veto message, the Governor stated, in part:

"This program is essentially the same as the Community Development Support and Assistance Program which the Legislature allowed to sunset on June 30, 1998. The program was determined to be inefficient by the Office of Program Policy Analysis and Government Accountability and the grants served primarily to augment other sources of government assistance. Further, the loan program was not widely used or when it was used had

experienced high loss rates. The bill requires the Department of Community Affairs to administer this new program without providing program administrative resources. In addition, based on further analysis, funding for the grant program is premature as the rule-making/public hearing process must be accomplished before funds can be distributed. It is doubtful that any funds can be disbursed during the upcoming 2000-01 Fiscal Year."

C. EFFECT OF PROPOSED CHANGES:

This bill appropriates \$192,000 from the General Revenue Fund to the Department of Community Affairs for the purpose of paying salaries to fund the administration of the Community-Based Development Organization Assistance Act during the 2001-2002 fiscal year. In addition, the bill appropriates \$3 million from the General Revenue Fund to the Department of Community Affairs for the purpose of paying for grants under the Community-Based Development Organization Assistance Act during the 2001-2002 fiscal year.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. This section appropriates \$192,000 from the General Revenue Fund to the Department of Community Affairs for the purpose of paying salaries to fund the administration of the Community-Based Development Organization Assistance Act under sections 163.455-163.462, F.S., during the 2001-2002 fiscal year.

In addition, the section appropriates \$3 million from the General Revenue Fund to the Department of Community Affairs for the purpose of paying for grants under the Community-Based Development Organization Assistance Act, sections 163.455-163.462, F.S., during the 2001-2002 fiscal year.

Section 2. An effective date of July 1, 2001, is provided.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

	<u>2001-2002</u>
General Revenue Fund	
DCA Salaries	192,000
DCA Grants	3,000,0000

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill funds grants to Community-Based Development Organizations.

D. FISCAL COMMENTS:

The bill appropriates \$192,000 to pay salaries to fund administration of the Community-Based Development Organization Assistance Act. The bill does not appropriate positions (FTEs).

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:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None.

VII. SIGNATURES:

COMMITTEE ON LOCAL GOVERNMENT & VETERANS AFFAIRS:

Prepared by:

Staff Director:

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