



House of Representatives

General Assembly

File No. 207

February Session, 2012

Substitute House Bill No. 5108

House of Representatives, April 2, 2012

The Committee on Commerce reported through REP. BERGER of the 73rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT CONCERNING MODIFICATIONS TO THE COMMUNITY
ECONOMIC DEVELOPMENT FUND SERVICE AREA.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 8-240k of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2012*):

3 (a) As used in this section and section 8-240l, "low and moderate
4 income individuals" means individuals earning not more than the state
5 median income, as determined by the United States Department of
6 Housing and Urban Development. The state, acting by and through
7 the Secretary of the Office of Policy and Management, in conjunction
8 with other relevant state agencies and quasi-public agencies, as
9 defined in section 1-20, shall establish a community economic
10 development program in public investment communities, as defined in
11 section 7-545, in targeted investment communities, as defined in
12 section 32-222, and state-wide to assist [low and moderate income]
13 individuals who otherwise would not qualify for traditional financing
14 in establishing, maintaining and expanding small businesses. The

15 purpose of the program shall be to strengthen neighborhoods by
16 maintaining or creating employment for neighborhood residents,
17 including low and moderate income individuals, generating tax
18 revenues and stemming physical deterioration and the social problems
19 resulting from deterioration by providing (1) access to credit, (2)
20 facilitation of financing for community development activities, and (3)
21 technical assistance.

22 (b) The secretary shall establish an entity to accomplish the
23 program. The entity may, without limitation, be owned and governed,
24 in whole or in part, by parties other than the state, any agency of the
25 state or any quasi-public agency.

26 Sec. 2. Section 8-240l of the general statutes is repealed and the
27 following is substituted in lieu thereof (*Effective July 1, 2012*):

28 (a) The entity created pursuant to subsection (b) of section 8-240k, as
29 amended by this act, shall be governed by a state-wide board of
30 directors appointed as follows: Five members shall be representatives
31 of relevant state agencies and quasi-public agencies, appointed by the
32 Governor; one member shall be appointed by each investor who has
33 committed an amount of money to the program established by
34 subsection (a) of section 8-240k, as amended by this act; and six
35 members shall be persons of low or moderate income residing in
36 public investment communities or targeted investment communities or
37 representatives of nonprofit organizations, the primary purpose of
38 which is to serve low and moderate income, unemployed or
39 underemployed residents of [targeted neighborhoods] such
40 communities, except that such members shall comprise not less than
41 one third of the membership, one appointed by the speaker of the
42 House of Representatives, one by the president pro tempore of the
43 Senate, one by the majority leader of the House of Representatives, one
44 by the majority leader of the Senate, one by the minority leader of the
45 House of Representatives and one by the minority leader of the Senate.
46 The board shall appoint the additional members.

47 (b) The entity may: (1) Employ a staff and fix their duties,

48 qualifications and compensation; (2) solicit, receive and accept aid or
49 contributions including money, property, labor and other things of
50 value from any source; (3) establish uniform underwriting standards
51 and approval mechanisms for financing projects; (4) retain outside
52 consultants and technical experts; and (5) do all acts and things
53 necessary and convenient to carry out the purposes of sections 8-240k
54 to 8-240n, inclusive, as amended by this act.

55 (c) The purposes of the entity are to: (1) Coordinate, fund and
56 implement investment and community development state-wide and in
57 [targeted neighborhoods] such communities, including small for-profit
58 enterprises, nonprofit organizations, and related residential properties;
59 (2) provide funding to individuals who do not qualify for traditional
60 financing, including low and moderate income individuals, to
61 establish, maintain and expand small businesses in the state; (3)
62 provide access for borrowers to existing public and private lending
63 and development programs and other funding sources, including, but
64 not limited to, equity investment, loan guarantees and mortgage
65 insurance; (4) provide technical assistance; and (5) preserve public
66 dollars by leveraging private capital for community investment.

67 (d) The goals of the entity shall be to promote the following [in
68 public investment communities, in targeted investment communities,
69 and] state-wide, including, but not limited to, in areas in which low
70 and moderate income individuals establish, maintain and expand
71 businesses: (1) Job creation and skill development for the unemployed
72 and underemployed and persons receiving public assistance; (2)
73 leveraging of private and community investment; (3) community
74 participation in decision-making; (4) the establishment of self-
75 sustaining enterprises; (5) improvement of the physical environment of
76 the community and the state; (6) promotion of affirmative action and
77 equal employment opportunities and minority-owned businesses; and
78 (7) coordination with the state plan of conservation and development
79 adopted under chapter 297 and local, regional and state strategic
80 economic development plans.

81 (e) The entity may establish one or more local or state-wide affiliates
82 to participate in implementation of the program established under
83 subsection (a) of section 8-240k, as amended by this act. Each affiliate
84 shall be governed by a board of directors appointed by the entity. The
85 board of the affiliate shall reflect the categories of membership as the
86 membership of the board of directors of the entity.

87 (f) Financial assistance shall be provided, in coordination with other
88 sources of public or private funds, by the entity on a competitive basis,
89 if feasible, to individuals, organizations, businesses, community
90 development corporations, regional economic development
91 corporations and any affiliate established under subsection [(c)] (e) of
92 this section. [Not less than seventy per cent of the financial assistance
93 available under sections 8-240k to 8-240n, inclusive, shall be used for
94 activities in targeted investment communities.] The purposes for
95 which such assistance may be used include, but are not limited to,
96 direct small business and community revitalization loans, technical
97 capacity training, loans to peer lending or borrowing groups, creation
98 of business incubators, and development of mixed use or commercial
99 real estate for businesses owned or operated by or employing residents
100 of public investment communities or targeted investment
101 communities, or owned by low or moderate income individuals who
102 are residents of the state. The entity may include its administrative
103 expenses in any such financial assistance, provided such expenses do
104 not exceed ten per cent of such assistance. As used in this section,
105 "financial assistance" means any and all forms of loans, extensions of
106 credit, guarantees, equity investments or any other form of financing
107 or refinancing to applicants for activities consistent with the purposes
108 of sections 8-240k to 8-240n, inclusive, as amended by this act.

109 (g) The entity shall provide not less than one million dollars for
110 technical assistance from the funds authorized for the program for the
111 fiscal year ending June 30, 1994. The entity shall establish a system for
112 assuring that funds are available for technical assistance on a
113 permanent basis.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2012</i>	8-240k
Sec. 2	<i>July 1, 2012</i>	8-240l

Statement of Legislative Commissioners:

In section 2, two references to "targeted neighborhoods" were changed to "such communities" and a cross-reference to subsection (c) was changed to subsection (e) for accuracy.

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill, which expands the scope of the Community Economic Development Fund (CEDF), has no fiscal impact. The CEDF is a non-profit organization created in statute and originally capitalized by the state.¹ The organization is currently financed by private investors as well as the Connecticut Housing Finance Authority, a quasi-public state agency. On occasion the state allocates funding to CEDF; however, no such allocation is included in the bill.

The Out Years

State Impact: None

Municipal Impact: None

¹ The State Bond Commission allocated \$10.0 million in bond funds in 1993 to endow the CEDF Foundation and partially capitalize the CEDF Corporation.

OLR BILL ANALYSIS**sHB 5108*****AN ACT CONCERNING MODIFICATIONS TO THE COMMUNITY ECONOMIC DEVELOPMENT FUND SERVICE AREA.*****SUMMARY:**

This bill expands the scope of the Community Economic Development Fund (CEDF), a nonprofit organization capitalized by state and private dollars to provide small business financing generally to people and organizations that cannot access or afford conventional loans. Under current law, CEDF must provide at least 70% of its financial assistance in the state's targeted investment communities (TICs), the 17 municipalities with enterprise zones. The bill allows CEDF to provide this assistance throughout the state without limitation.

It also changes the criterion for providing business financing to individuals outside the TICs and public investment communities, which are the 42 municipalities that scored the highest based on economic distress criteria. Under current law, CEDF may provide financial assistance outside these areas to only low- and moderate-income people. Under the bill, it can provide assistance to anyone, regardless of income, who does not qualify for traditional financing.

The bill expands how CEDF can use its funds. It allows CEDF to finance mixed-use real estate projects as well as purely commercial projects as current law allows. It also allows CEDF to use up to 10% of the assistance it provides to cover its administrative expenses.

EFFECTIVE DATE: July 1, 2012

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/15/2012)