



TESTIMONY CONCERNING

R.B. 1137, AN ACT CONCERNING DEPOSITS IN LIEU OF TAXES, AND R.B. 1138, AN ACT CONCERNING COMMUNITY RESTORATION FUNDS

April 29, 2019

Sen. Fonfara, Rep. Rojas, and members of the Committee, I am Jim Horan, Executive Director of the Hartford and Connecticut offices of the Local Initiatives Support Corporation (LISC), a national nonprofit organization that works to revitalize cities and create opportunities for residents, primarily by supporting community development corporations. Thank you for the opportunity to testify to share concerns about R.B. 1137, An Act Concerning Deposits in Lieu of Taxes, and R.B. 1138, An Act Concerning Community Restoration Funds.

LISC greatly appreciates the intent of the bills to support community restoration and revitalization efforts, and in the case of R.B. 1138, through community development corporations (CDCs) in community impact zones, using tax revenue from the sale of cannabis and cannabis products. LISC has similar community goals, and since 1984 has promoted urban neighborhood revitalization across Connecticut. LISC has invested more than \$75 million in Connecticut through loans and grants over the past 35 years, leveraging more than \$800 million of community development, including the creation of 4,600 homes, 364,570 sq. ft. of commercial space, and 30 child care and community facilities.

LISC strongly supports the intent of R.B. 1138, which would invest tax revenue from cannabis sales into lower-income urban communities, and especially the most distressed neighborhoods. Having supported CDCs as the primary vehicle for LISC's revitalization work, we recognize the value of CDCs in each community that would have sufficient resources to tackle important priorities to create opportunity. Across the country, powerful CDCs build and manage affordable housing, partner to strengthen local education, offer financial education and employment placement programs, and more.

At the same time, we have significant concerns about the legislation:

- **LISC opposes the levy on nonprofits that maintain a pension fund, endowment, or other significant savings and colleges and hospitals.** This would divert critical resources away from the clients nonprofits serve, and penalize them for developing savings. At the same time, some colleges and hospitals support CDCs, and some support homeownership, employment, and public education programs. It would be better to incentivize these "anchor institutions" to do more for the community, rather than impose significant fees in lieu of taxes.
- We are also concerned that the **priorities for the CDCs in Section 1 of R.B. 1138 are too proscriptive**, and do not provide CDCs or local residents sufficient flexibility to reflect local needs, such as public safety or re-entry (not listed), or employment as a top

priority (it is sixth). Section (c)(2) says that CDCs must achieve a “high level of quality” for each strategy listed before taking on the next. CDCs generally do not focus on the top priorities listed in R.B. 1138, while other nonprofits do.

The concept of community development credit unions outlined in Section 2 of each bill is appealing, as is their mandate to be open to all residents of a community impact zone and offer low-cost accounts, and their ability to issue social impact bonds. However, the legislation does not reflect the robust activities, experience, and expertise of Community Development Financial Institutions (CDFIs) that now collaborate with CDCs and other community-based nonprofits, through lending, grants, and technical assistance. In addition to LISC, CDFIs operating in Connecticut including the Hartford Community Loan Fund, Capital for Change, and the Housing Development Fund, as well as Massachusetts-based Bluehub Capital. While CDFIs do not offer consumer accounts and mortgages, some offer homebuyer training and other financial education. They leverage funding from banks and government funders, and invest largely in the same distressed municipalities as those in R.B. 1138. CDFIs also channel support from local funders, such as LISC’s Hartford Neighborhood Development Support Collaborative, funded by the Hartford Foundation for Public Giving, banks, and other philanthropies.

Meanwhile, there are several existing community development credit unions in the state that could expand with incentives from new state funds. There are also programs that provide financial education and low-cost banking programs, including the Connecticut Association for Human Services’ (CAHS) CT Money School and Bank On New Haven programs. These programs are small in scale, but could expand greatly using some new resources from cannabis revenue, presumably at far less cost than creating an entire new structure of CDCUs.

These bills offer an exciting prospect: to revitalize communities through expanded educational and employment opportunities for all, with services that residents want and need to succeed. The concept of investing a completely new source of revenue for the state, from cannabis, into disinvested neighborhoods makes great sense, since these are the same communities hurt most by the scourge of drugs.

LISC would welcome the opportunity to work with this Committee and the legislature to refine these bills. If passed, LISC would like to work to ensure their effective implementation and connection to the existing infrastructure of foundations, banks, CDCs and other nonprofits that fund and do this work. We fully support the goal of building stronger CDCs that reflect the goals of community residents and have sufficient resources to create communities of opportunity that are good places to live, raise children, work, and do business.

Thank you for the opportunity to submit this testimony. Please contact me at jhoran@lisc.org and (860) 200-8020 if LISC can be of assistance.

About Local Initiatives Support Corporation (LISC)

Hartford and Connecticut Statewide LISC assist local community development organizations in creating communities of choice and opportunity. Conceived by the Ford Foundation in 1974, New York-based LISC assembles capital and invests financial and technical resources in order to promote urban neighborhood revitalization, and expand affordable housing statewide. Major goals of LISC include increasing public and private investment in community development, strengthening the capacity of local organizations to implement effective development, and promoting public policy that supports affordable housing and community development.