
OLR Bill Analysis

SB 480

AN ACT CONCERNING THE ESTABLISHMENT AND CERTIFICATION OF COMMUNITY DEVELOPMENT CORPORATIONS IN THE STATE.

SUMMARY

This bill establishes a new Office of Community Economic Development Assistance (OCEDA) within the Department of Economic and Community Development (DECD) to provide technical, investment, and grant assistance to eligible community development corporations (CDCs). The new office must do the following, among other things:

1. identify target areas in the state based on specified economic indicators;
2. certify new and existing CDCs that serve these areas and meet certain other criteria;
3. provide various types of assistance to these CDCs;
4. administer a grant program for projects that certified CDCs undertake in target areas; and
5. annually report to the legislature on its activities and outcomes during the previous fiscal year.

The bill authorizes up to \$100 million in state general obligation bonds for DECD to fund OCEDA's operations and the grant program. The bonds are subject to standard statutory bond issuance procedures and repayment requirements.

The bill also establishes a new corporation business tax credit for investors making cash investments in a certified CDC. The credit equals 50% of the investment, up to \$25,000 per investor. The bill caps the total

credits that may be reserved under this program at \$5 million. Under the bill, investors intending to invest in a certified CDC may apply to the office to reserve a credit. Investors may sell or transfer their credits, in whole or in part, but taxpayers claiming them may only do so in the income year in which the investor made the cash investment.

EFFECTIVE DATE: July 1, 2022

CERTIFIED CDCS

Certification Process

The bill allows organizations meeting certain requirements to become certified CDCs in the state by applying to OCEDA in the form and manner the office determines. OCEDA must certify both (1) existing CDCs operating in the state, or seeking to do so, that meet these requirements and (2) any new CDCs established under this application process. The bill also requires OCEDA to maintain a current list of certified CDCs and post it on DECD's website.

Under the bill, a "certified CDC" is a 501(c)(3) federally tax-exempt organization that meets the following requirements:

1. focuses a substantial majority of its efforts on serving one or more "target areas" as described below;
2. has the purpose of engaging and collaborating with local residents and businesses on community development efforts to sustainably develop and improve urban communities in a manner that creates and expands economic opportunities for low- and moderate-income people;
3. demonstrates to OCEDA that its constituency is meaningfully represented on its board as described below; and
4. is certified by OCEDA (existing CDCs seeking certification need not meet this requirement).

Target Areas

Under the bill, a "target area" is a contiguous geographic area in

which the (1) current unemployment rate exceeds the state's by at least 25% or (2) mean household income is 80% or less of the state's as determined by the most recent decennial census. OCEDA must identify the eligible target areas and post them on DECD's website.

Community Representation on the Board of Directors

The bill establishes the following four measures and mechanisms that a CDC may use to demonstrate to OCEDA that its constituency is meaningfully represented on its board:

1. the percentage of board members who are residents of a target area or community that the CDC serves or seeks to serve,
2. the percentage of members who are low- or moderate-income,
3. the board's racial and ethnic composition in comparison to the community's, or
4. the use of committees or membership meetings to ensure that its constituency has a meaningful role in the CDC's governance and direction.

OFFICE OF COMMUNITY ECONOMIC DEVELOPMENT ASSISTANCE (OCEDA)

Duties

Within available appropriations, OCEDA must do the following:

1. assist organizations seeking to establish themselves, or be certified, as a CDC;
2. provide grants to certified CDCs for projects in target areas as described below;
3. assist CDCs in soliciting investment funding and serve as the liaison between CDCs and investors; and
4. ensure coordinated, efficient, and timely responses to these organizations, CDCs, and investors.

Certified CDC Grant Program

OCEDA must establish a grant program for projects that certified CDCs seek to undertake in target areas, including infrastructure improvements, housing rehabilitation, streetscape improvements, and business façade improvements. It must establish the program’s (1) application process and form; (2) eligibility criteria; and (3) caps or limitations, if any, on grant awards. It must also post program information on DECD’s website.

Reporting Requirement

Beginning by July 1, 2023, OCEDA must annually report to the Commerce, Planning and Development, and Finance, Revenue and Bonding committees. At a minimum, the report must provide the following information for the preceding fiscal year: (1) a description of the office’s activities, (2) the number of CDCs established and certified, (3) the number and amounts of grants awarded to certified CDCs, and (4) a description of the projects certified CDCs undertook and the projects’ locations.

BACKGROUND

Related Bill

SB 382, favorably reported by the Finance, Revenue and Bonding Committee, establishes a Connecticut New Markets Tax Credit program that allows private investors making equity investments through qualified community development entities to receive state business tax credits equal to 39% of their investment.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 29 Nay 19 (04/05/2022)