2013 CDFI STATE LEGISLATION AND ADVOCACY REPORT

OPPORTUNITYFINANCE NETWORK

CDFI OPPORTUNITY Agenda
# TABLE OF CONTENTS

## INTRODUCTION

INTRODUCTION

## STATE FISCAL OUTLOOK 2013

STATE FISCAL OUTLOOK 2013

## STATE SUPPORT OF CDFIS

STATE SUPPORT OF CDFIS

## OFN’S SUPPORT OF STATE LEVEL ADVOCACY

OFN’S SUPPORT OF STATE LEVEL ADVOCACY

## 2013 LEGISLATION

Arkansas*

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>House Bill 1832: The New Markets Jobs Act of 2013</td>
<td>9</td>
</tr>
</tbody>
</table>

California*

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>Assembly Bill 32: Insurance Taxes: Income Taxes: Credits: Community</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Assembly Bill 1080: Community Revitalization and Investment Authorities</td>
<td>11</td>
</tr>
</tbody>
</table>

Georgia*

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>House Bill 395: Georgia New Markets Job Act</td>
<td>12</td>
</tr>
</tbody>
</table>

Indiana

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indiana</td>
<td>House Bill 1020: New Markets Job Growth Income Tax Credits</td>
<td>13</td>
</tr>
</tbody>
</table>

Kentucky

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kentucky</td>
<td>House Bill 405: An Act Relating to Kentucky New Markets Development Program</td>
<td>14</td>
</tr>
</tbody>
</table>

Louisiana*

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Louisiana</td>
<td>House Bill 726: Establishes the New Markets Jobs Tax Credit</td>
<td>15</td>
</tr>
</tbody>
</table>

Maine

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maine</td>
<td>Legislative Document 1078: A Resolve to Establish the Task Force on the Creation of a State of Maine Partnership Bank</td>
<td>16</td>
</tr>
</tbody>
</table>

Maryland*

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>House Bill 1306: Public Banking Institutions—Authorization and Task Force</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Senate Bill 62: An Act Concerning Community Legacy Program*</td>
<td>18</td>
</tr>
</tbody>
</table>

Massachusetts*

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts</td>
<td>Chapter 38 of the Acts of 2013:*</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>House Bill 3504: An Act to Expand Access to Healthy Foods and Create the Massachusetts Food Trust</td>
<td>20</td>
</tr>
</tbody>
</table>

Mississippi

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mississippi</td>
<td>House Bill 798: Healthy Food Retail Act</td>
<td>21</td>
</tr>
</tbody>
</table>

Missouri

<table>
<thead>
<tr>
<th>State</th>
<th>Bill/Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missouri</td>
<td>House Bill 227</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>House Bill 671: An Act Relating to Taxation</td>
<td>23</td>
</tr>
</tbody>
</table>
NEVADA*
Senate Bill No. 357: Nevada New Markets Jobs Act .......................................................... 24

NEW JERSEY
Assembly Bill 1397 ........................................................................................................... 25

NEW MEXICO
House Bill 284 .................................................................................................................. 26
Senate Bill 373: New Market Income Tax Credit .............................................................. 27

NORTH CAROLINA
House Bill 682: North Carolina New Markets Jobs Initiative ........................................ 28

OREGON*
House Bill 2763: An Act Relating to Economic Development* ...................................... 29

TEXAS
House Bill 2061: Relating to a Tax Credit for Investment in Certain Communities .......... 30
Senate Bill 415 ................................................................................................................... 31
Senate Bill 1208 ................................................................................................................ 32

WISCONSIN
Senate Bill 43 ................................................................................................................... 33

BILL ANALYSIS .................................................................................................................. 34

ADVOCACY CASE STUDIES

ADVOCACY IN ACTION: CALIFORNIA FOOD ACCESS INITIATIVE ................................ 36
CDFIS AND STATE SMALL BUSINESS CREDIT INITIATIVE: 2013 REPORT .................. 38
COALITION BUILDING: CREATING STRONG STATE NETWORKS OF CDFIS ............... 41
SUPERSTORM SANDY RECOVERY: REBUILDING HOMES, BUSINESSES, AND LIVES 46
PENNSYLVANIA MICROLENDING INITIATIVE .................................................................. 53
METHODOLOGY .................................................................................................................. 54

(* Indicates the legislation passed this session)
INTRODUCTION

The Opportunity Finance Network is proud to offer our 2013 State Legislation and Advocacy Report, an annual snapshot of state legislative action, policy and industry advocacy influencing the operating environment of CDFIs. With the ever-increasing fiscal pressure on states, governors and legislatures are seeking non-governmental solutions that address poverty, create jobs and improve communities.

CDFIs provide one solution to these challenges, extending private capital and investment to people in low-wealth and low-income communities that mainstream finance does not adequately serve. CDFIs have emerged as a promising channel in a growing number of areas ranging from education to health care to food production and distribution, in addition to housing and small business finance.

States have been incubators of innovation for the opportunity finance industry by providing tax credits, access to capital and opening access to existing programs, allowing CDFIs to broaden their economic impact. CDFIs have also become powerful policy advocates, educating executive and legislative branch decision-makers about the impact these investments make in the lives of real people and their communities.

As CDFIs continue to raise their profile at the state level, there is great potential to develop and promote public policies that create an operating environment where CDFIs can create products and services meeting the needs of their communities, and further serve other distressed populations and geographies. As you will read throughout the report, CDFIs are working together and collaborating on a broad scale and states are working to create programs to support the work of CDFIs, fostering an operating environment that provides many opportunities for collaboration.

OFN’s 2013 State Legislation and Advocacy Report provides CDFIs and policymakers state-level data and information about successful CDFI policy initiatives. This report includes legislative summaries of opportunity finance legislation introduced in the 2013 session, analysis of legislative trends, coalition building efforts in Colorado, New York, and South Carolina, information about recovery efforts in the Mid-Atlantic after Superstorm Sandy, and an update on CDFI access to State Small Business Credit Initiative.

We also share success stories of our Members as examples of how they influence CDFI state policies and programs. We hope you will use the 2013 State Legislation and Advocacy Report as a resource to engage in policy and advocacy at your state capitol and work with the Opportunity Finance Network and our Members to support opportunity. For all.
STATE FISCAL OUTLOOK 2013

Five years ago, state governments were mired in the worst economic crisis since the Great Depression. As credit and housing markets ground to a halt, the economic downturn was having a devastating impact on low and moderate income Americans. The financial turmoil also greatly impacted the financial stability of state and local governments; tax revenues declined, unemployment skyrocketed, and foreclosures threatened the sustainability of whole communities. After a half-decade of overwhelming deficits and revenue shortfalls, the finances of state governments appear to have finally turned a corner. According to the National Conference of State Legislatures, 2013 was a good year for most state budgets, with revenues up more than five percent, far better than predicted.1 In fact, state budgets increased by $55 billion (8.2 percent) over the two year period from fiscal year 2012 to fiscal year 2014.2

In August 2013, ratings agency Moody’s also upgraded the outlook for U.S. states from negative to stable, citing improving labor and housing markets and a strong stock market.3 The improved outlook does not mean states have regained all of their financial strength, as the outlook for states is not without constraints. Revenues increased by an average of nearly six percent in fiscal year 2013, but are projected to increase by less than one percent in fiscal year 2014.4

The National Association of State Budget Officers predicts some fiscal challenges ahead for states, particularly if declining revenue creates budgetary challenges impacting health care, higher education, economic development, and aid to local governments.5 This would also impact the operating environment for CDFIs, and reduce the availability of funding from the state. However, the overall trend for state finances in 2013 was far less volatile than in previous years, and indicates continued growth. Along with this growth, OFN has anecdotally observed resurgence in CDFI interest in working with state governments to access resources, as increased competition for limited funding and retractions in federal spending continue to impact the availability of public funds.

STATE SUPPORT OF CDFIS

The increased visibility of CDFIs on the national stage has spurred elected officials and other policymakers at the state level to explore ways to support the CDFIs operating in their state. State governments currently employ several methods to support CDFI activity at the state and local level. Although the primary mechanisms for supporting CDFIs remain tax credit programs, through direct financing to CDFIs and increased access to existing programs, states are beginning to experiment with innovative ways to use their limited resources to invest in CDFIs.

States are creating access to resources for CDFIs through their own versions of the federal New Markets Tax Credit programs. These programs provide tax credits for investing in eligible businesses or entities. In recent years, the popularity of this funding mechanism has soared: in 2008, five states introduced bills to create New Markets Tax Credit-like programs; by 2013 14 states had state New Markets Tax Credit Programs signed into law, and another seven states had introduced at least one bill. In general, these state programs are modeled on the federal program, but there is some variation in how active CDFIs are in the programs. In addition, many of these programs were created in legislative sessions 2008–2012, and may not have made credit allocations or have impact or transaction data available.

---

4 Id at 2.
5 Id at 2.
States also support CDFIs by creating statewide programs that provide direct financing through appropriations from the state legislature. An example of a model program is Pennsylvania’s Community Development Bank. The PCD Bank was the first organized state program to support CDFIs, created as part of then-Governor Tom Ridge’s Project for Community Building. It was seeded with $17 million in state funds, with the goal of raising another $30 million in private-sector investment from a variety of sources, such as banks, utilities, insurance and other financial services companies, and private foundations.

From the beginning, the state understood the importance of capacity building and dedicated significant resources to training and technical assistance. The bank contracted with OFN, formerly National Community Capital Association, to provide regular training and technical assistance to CDFIs in the state. As a result, the capacity of CDFIs in the state increased dramatically, and positioned the CDFIs in the state to access federal capital through the federal CDFI Fund, State Small Business Credit Initiative, and SBA’s Community Advantage programs. Unfortunately, changes in leadership and competing fiscal priorities led to a dramatic decline in funding for the PCD Bank under subsequent legislatures and administrations, and the program eventually stopped receiving any appropriations at all. It did, however, leave in place an infrastructure that facilitated public investment in CDFIs. Other states have made efforts to create state programs providing access to capital for CDFIs. CDFIs in New York successfully advocated for the creation of the New York CDFI Fund, but have experienced challenges securing an appropriation to capitalize the fund: The Support Center received an annual appropriation from the North Carolina legislature until they reached financial stability.6

Another way states can support CDFIs is making them eligible lenders and participants in existing state programs or removing barriers to entry. In recent years, state agencies contracted with fiduciary organizations to administer Individual Development Account (IDAs), and CDFIs are other explicitly named as eligible fiduciary organizations authorized to enter into agreements with the administering agencies and program participants. Another example of this is states contracting with one or more CDFIs to implement a state initiative, like New York’s statewide Fresh Food Fund, where the Low Income Investment Fund acts as the intermediary and administrator of the fund.

States are also using their limited resources to invest in state programs designed to leverage other funding, either federal or private, such as Community Development Block Grant (CDBG) funds, the State Small Business Credit Initiative, or USDA Rural Development programs. These programs allow regional and state and local groups access to funding that they may not be able to otherwise access. Common challenge for CDFIs accessing this funding can be compliance, reporting, and regulations from the federal government and the state government. To facilitate CDFI participation, state and local agencies implementing these programs should avoid duplicative regulation and onerous reporting requirements.

Tax credits, direct financing, and increasing access to existing programs represent the major ways that states can support CDFIs in their states, but there are likely to be other opportunities for CDFIs to access state level resources. OFN supports direct financing as a best practice for creating strong, capable institutions. However, in the absence of a strong statewide CDFI program, CDFIs can advocate for state support of opportunity finance initiatives, and OFN can provide support to assist in these efforts.

---

6 See case study on Coalition Building for more information on New York State’s policy efforts.
OFN’S SUPPORT OF STATE LEVEL ADVOCACY

Although the majority of OFN’s policy work is focused on the federal level, public policy at the state level impacts CDFIs and the communities they serve. State governments can often serve as incubators of innovative public policy, and can be great partners for CDFIs. We also recognize that many of our Members are already working with their state and local governments, and we look for ways to support and expand that work, promote new opportunities for collaboration and help unlock new sources of capital.

OFN supports the state advocacy of our Members in several ways:

- annual publication of this report that highlights new legislation introduced at the state level that impact CDFIs, and provides case studies and best practices the state advocacy efforts of our Members to use for peer learning;
- technical assistance to CDFIs to build advocacy capacity by facilitating outreach with state policymakers, conducting research on their behalf, connecting CDFIs with other CDFIs in their state to share insights and information about shared issues; and
- direct advocacy and outreach to state policymakers to help increase awareness of CDFIs and how to implement public policy that supports the work of CDFIs.

For more information on how OFN can support your state level advocacy, please contact Dafina Williams, Public Policy Associate, via phone 215.320.4318 or via email at dwilliams@ofn.org.
Arkansas*

House Bill 1832: The New Markets Jobs Act of 2013

Program Description:
House Bill 1832, passed into law as Act 1474, authorizes the Arkansas Economic Commission to issue a tax credit against insurance premium tax liability equal to 58 percent of the total investment for an investment in a long term debt security issued by a qualifying Community Development Entity (CDE).

The credit amount is equal to:
- Zero percent for the first and second credit allowance dates.
- Twelve percent for the third, fourth and fifth credit allowance dates.
- Eleven percent for the sixth and seventh credit allowance dates.

The credit cannot be sold and is not refundable but can be carried forward for nine tax years. The Arkansas Economic Development Commission is authorized to certify up to $166 million in certified equity investments to qualified CDEs.

Before making a qualified low-income community investment, CDEs are required to submit to the Arkansas Economic Development Commission a revenue impact assessment prepared by a third-party that demonstrates the positive impact it will have on the state over 10 years. CDEs must also agree to retain or create jobs that pay an average wage of at least 115 percent of the federal poverty income guidelines for a family of four in that census tract.

Legislative History:
House Bill 1832 was introduced March 7, 2013 in the House Committee on Agriculture, Forestry, and Economic Development. The bill passed the House March 26, 2013 and passed the Senate April 18, 2013. The bill was returned to the House where it was further amended before passing the Arkansas House and Senate. The bill was signed into law as Act 1474 by Governor Mike Beebe (R-AR) on April 22, 2013.

**California**

**Assembly Bill 32: Insurance Taxes: Income Taxes: Credits: Community**

**Program Description:**
Assembly Bill 32 increases the annual aggregate amount of qualified investments eligible for the Community Development Financial Institution (CDFI) tax credit from $10 million to $50 million.

A qualified investment is defined as an investment that is a deposit or loan that does not earn interest, an equity investment, or an equity-like debt instrument meeting federal or state agency standards. The duration of the investment must be for 60 months or more and the amount must equal $50,000 or more.

This bill also requires the California Organized Investment Network (COIN) to grant highest priority to those applications where the intended use of the investments has the greatest aggregate benefit for low-to-moderate income areas or households.

In addition, each year 10 percent of the annual aggregate amount of qualified investments must be reserved for investment amounts less than $200,000. It also prohibits any one CDFI from receiving more than 30 percent of the total annual aggregate qualified investments.

**Legislative History:**
This bill was introduced December 3, 2013 by Assembly Member Democrat John Perez. It was amended in both Houses, passed the California Senate September 9, 2013, and passed the Assembly September 10, 2013. It was signed into law by Governor Jerry Brown (CA) on October 7, 2013.

**URL:** [http://www.leginfo.ca.gov/pub/05-06/bill/asm/ab_0001-0050/ab_32_bill_20060927_chaptered.pdf](http://www.leginfo.ca.gov/pub/05-06/bill/asm/ab_0001-0050/ab_32_bill_20060927_chaptered.pdf)
CALIFORNIA

Assembly Bill 1080: Community Revitalization and Investment Authorities

Program Description:
This bill authorizes certain local entities, either individually or collaboratively, to form a Community Revitalization and Investment Authority (CRIA). Participating entities agree to: direct property tax increment revenues to the CRIA to invest in improvements in specified project areas, adopt a community revitalization and investment plan, and make loans or grants for owners or tenants to improve, rehabilitate, or retrofit buildings or structures within the plan area.

To establish a Community Revitalization Investment Authority, a community must have an annual median household income less than 80 percent of the statewide annual median income and have three of the four conditions:

- non-seasonal unemployment at least three percent higher line than statewide median unemployment;
- crime rates five percent higher than the statewide line median crime rate;
- deteriorated or inadequate infrastructure such as streets, line sidewalks, water supply, sewer treatment or processing, and parks; and/or
- deteriorated commercial or residential structures.

The bill also allows the authority to enter into an agreement with a qualified Community Development Entity (CDE) to coordinate investments of funds derived from the New Markets Tax Credit with those of the authority when coordination offers greater efficiency of investments.

Legislative History:
This bill was introduced into the Assembly on February 22, 2013 and referred to the Assembly Committees on Housing and Community Development and Local Government. It was amended in both committees and passed the Assembly May 20, 2013. The bill was sent to the Senate, and is being held in committee under submission until next year’s legislative session.

URL: http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB1080
GEORGIA*

House Bill 395: Georgia New Markets Job Act

Program Description:
The Georgia New Markets Job Act authorizes the Georgia Department of Economic Development to provide a tax credit against state premium tax liability for qualified investments.

The credit amount is equal to:
- Zero percent for the first and second credit allowance dates.
- Twelve percent for the third, fourth and fifth credit allowance dates.
- Eleven percent for the sixth and seventh credit allowance dates.

Under the bill, Georgia’s Department of Economic Development is authorized to certify $125 million in qualified equity investments. The credit cannot be sold and is not refundable, but can be carried forward to use in subsequent tax years.

Legislative History:
This bill was introduced in the Georgia House of Representatives on February 19, 2013. It was referred to the House Committee on Insurance, where it remained when the legislative session ended.

INDIANA

House Bill 1020: New Markets Job Growth Income Tax Credits

Program Description:
House Bill 1020 establishes a New Markets Job Growth Credit. The credit authorizes the Indiana Economic Development Corporation to provide a tax credit against state income tax liability for investments made in a qualified Community Development Entity that uses the proceeds to make investments in certain qualified low-income community businesses located in Indiana.

The credit amount is equal to:

- Zero percent for the first and second credit allowance dates.
- Seven percent for the third credit allowance date.
- Eight percent for the fourth, fifth, sixth and seventh credit allowance dates.

The credit cannot be sold and is not refundable but can be carried forward for five tax years. The amount of tax credits available is limited to $20 million in any fiscal year.

Legislative History:
This bill was introduced to the Indiana House of Representatives on January 7, 2013. It was sent to the Committee on Commerce, Small Business and Economic Development, where it died when the legislative session ended.

KENTUCKY

House Bill 405: An Act Relating to Kentucky New Markets Development Program

Program Description:
House Bill 405 amends the New Markets Development Program to clarify how the operating income of a qualified community development entity is calculated. The current New Markets Development Program requires at least 85 percent of the cash purchase price to be used by the issuer to make qualified low-income community investments in qualified active low-income community businesses by the second anniversary of the initial credit allowance date.

This bill would, for a qualified equity investment issued on or after January 1, 2013, require 100 percent of the purchase price of the qualified equity investment used to make qualified low-income community investments in qualified active low-income community businesses located in the Commonwealth within 12 months of the issuance of the qualified equity investment, and be maintained at that level of investment until the last credit allowance date.

The bill would also increase the total amount of tax credits awarded from $5 million to $25 million in any fiscal year.

Legislative History:
House Bill 405 was introduced in the Kentucky House of Representatives February 15, 2013, supported by 23 co-authors. It was subsequently sent to the Appropriations and Revenue committee February 19, 2013 but failed to make it out of committee before the legislative session ended.

URL: http://www.lrc.ky.gov/record/13RS/HB405/bill.doc
**LOUISIANA**

**House Bill 726: Establishes the New Markets Jobs Tax Credit**

**Program Description:**
The Louisiana New Markets Jobs Act authorizes the Louisiana Department of Revenue to issue a tax credit against insurance premium tax liability for an investment of private capital in a low-income community business located in Louisiana.

The credit amount is equal to:
- Fourteen percent for the first and second credit allowance dates:
- Eight and one-half percent for the third and fourth credit allowance dates.

The credit cannot be sold and is not refundable but can be carried forward for ten tax years.

The bill authorizes the Department of Revenue to certify up to $55 million of investment authority in certified equity investments to qualified community development entities. The Department of Revenue began accepting applications on August 1, 2013.

**Legislative History:**
This bill was introduced to the Louisiana House of Representatives May 9, 2013 where it was amended before passing and being sent to the Senate May 20, 2013. It was then further amended, passed the Senate, and sent to Governor Bobby Jindal (R-LA) who signed it into law June 13, 2013.

**URL:** https://www.legis.la.gov/Legis/ViewDocument.aspx?d=857435
MAINE

Legislative Document 1078: A Resolve to Establish the Task Force on the Creation of a State of Maine Partnership Bank

Program Description:
Legislative Document 1078 establishes a task force to develop a proposal to establish the State of Maine Partnership Bank, a state bank which must be specifically designed to partner with financial institutions that are headquartered in Maine.

The Task Force is designed to support and partner with financial institutions that are headquartered in the state in order to:

- provide access to capital for Maine small businesses and family farmers;
- enable state public funds to be retained within the State;
- facilitate the investment of increased state resources in high-quality, in-state investments; and
- enable the State to leverage short-term deposits to facilitate more loans flowing through locally owned financial institutions.

The Task Force must contain at least one representative of a CDFI appointed by the Speaker of the House.

Legislative History:
This bill was introduced to the Maine legislative body by Christopher Johnson. When the legislative session ended, it was placed in legislative files and declared dead.

URL: P074501.phttp://www.mainelegislature.org/legis/bills/bills_124th/billpdfs/Hdf
MARYLAND

House Bill 1306: Public Banking Institutions—Authorization and Task Force

Program Description:
This bill authorizes a political subdivision to establish a public banking institution within its jurisdiction.

The bill also establishes the Maryland State Banking Task Force to review and evaluate the creation of a Maryland State Bank. In reviewing and evaluating the creation of a Maryland State Bank that would meet specified goals, the task force must:

- perform a general assessment of the State's current network of public and private financial resources to identify potential areas of State bank focus;
- examine how a State bank may support a strong private sector financial community that would provide capital for businesses in Maryland;
- examine various administrative and operational structures for organizing a State bank;
- consider options for integrating a State bank model into the existing State financial services network; and
- examine the long-term impact of creating a Maryland State Bank on economic growth, job creation, and State revenues.

The task force is encouraged to consider options for integrating a State bank model into the existing state financial services network, including ideas such as lending capital to banks, credit unions, and nonprofit CDFIs.

Legislative History:
This bill was introduced to the Maryland House of Representatives on February 8th, 2013 sponsored by Delegates Gutierrez, Carr, Bobo, and Hucker. It was assigned to the Committee of Economic Matters where it was reported unfavorably and died when the session ended.

URL: http://mgaleg.maryland.gov/2013RS/bills/hb/hb1306f.pdf
MARYLAND*

Senate Bill 62: An Act Concerning Community Legacy Program

Program Description:
Senate Bill 62 authorizes a political subdivision to approve an application to the Department of Housing and Community Development (DHCD) for a sustainable community plan or community legacy project by letter. This bill streamlines the current application approval process and reduces the administrative burden on local governments by allowing them to authorize a designee to approve project applications through a letter of support. The department must review each application and accept public input and recommendations from State units and the Smart Growth Cabinet for each application.

The Community Legacy Program was established in 2001 to create a process and funding source for several types of revitalization projects. The program provides local governments and community development organizations, including CDFIs, with financial assistance to strengthen communities through such activities as business retention and attraction, encouraging homeownership, and commercial revitalization.

The department must also consider geographic balance and prioritize awarding financial assistance to applicants likely to repay the financial assistance.

Legislative History:
This bill was introduced on the floor of the Maryland State Senate January 9, 2013. It was amended in the House Environmental Matters committee, passed by the House, and was signed into law April 9, 2013 by governor Martin O’Malley (D-MD)

Massachusetts


Program Description:
This appropriations bill designates $200,000 for microlending grants to established CDFIs and Community Advantage Lenders to support lending and technical assistance activities.

The CDFIs or Community Advantage Lenders receiving the microlending grants must make direct microenterprise and small business loans to borrowers on a regional basis.

Legislative History:
This bill was introduced on the floor of the Massachusetts House of Representatives April 24, 2013 by Representatives McMurtry, Atkins, Tarr, and DiNatale. It passed the House, went to the Senate, where it was amended and sent to Conference Committee. The bill was reported out of conference committee and passed both the House and Senate July 1, 2013. Governor Deval Patrick (D-MA) signed the bill into law July 12, 2013.

URL: http://legiscan.com/MA/text/H3401/id/812948
Massachusetts

House Bill 3504: An Act to Expand Access to Healthy Foods and Create the Massachusetts Food Trust

Program Description:
This bill establishes the Massachusetts Food Trust Program to create a financing infrastructure that increases access to healthy food options and improves economic opportunities for nutritionally underserved communities in urban, rural and suburban localities across the Commonwealth.

Designated CDFIs are authorized to develop and implement flexible financing programs, including grants and loans, to support the creation and expansions of food stores, farmers markets, existing farms and fishing enterprises, or other retailers endeavoring to sell healthy, fresh food to nutritionally underserved communities.

Under the bill, the Massachusetts Food Policy Council is required to offer a competitive Request for Proposal process, and will award program involvement to no more than five CDFIs. Applications must detail how the CDFI plans to accomplish the stated goals of the food trust through analysis of market opportunities in underserved communities, partnerships with state and federal agencies and other financial institutions, and any private opportunities to obtain additional funding sources in the form of matching grants, loans or technical assistance.

The awarded CDFIs must survey food provider by collecting regular impact statements, sent to the Department and the Massachusetts Food Policy Council annually, including the total amount of monetary benefit being provided to each food provider, the total number of employees in each location, and the registered corporation, nonprofit, or recipient.

Legislative History:
This bill was introduced in the Massachusetts House of Representatives June 10, 2013. It was sent to the House Ways and Means Committee where it remained when the session ended. It will be carried over into the 2014 legislative session.

URL: https://malegislature.gov/Bills/188/House/H3504
House Bill 798: Healthy Food Retail Act

Program Description:
The Healthy Food Retail Act provides a dedicated source of financing, through grants and loans, for healthy food retailers operating in underserved communities in Mississippi.

- increase access to affordable healthy food to improve diets and health;
- promote the sale and consumption of fresh fruits and vegetables, particularly those that are Mississippi grown; and
- support expanded economic opportunities in low-income and rural communities.

The bill authorizes the Mississippi Development Authority to contract with one or more qualified nonprofit CDFIs to administer the program through a partnership to raise matching funds, market the program, evaluate applicants, make award decisions, underwrite loans and monitor compliance and impact.

Businesses eligible for funding include new grocery stores and supermarkets, current stores or markets requiring renovation or expansion, farmers markets, food cooperatives, mobile or delivery markets, and other retail outlets that create or improve access to healthy foods. Funding may be used for site acquisition or preparation, construction costs, equipment or furnishing, workforce training, security, or working capital for initial inventory costs.

Legislative History:
This bill was introduced in the Mississippi House of Representatives January 21, 2013. It was amended and passed in the House, sent to the Senate, amended, and returned to the House. The bill was sent to conference committee April 1, 2013 but failed to pass.

URL: http://legiscan.com/MS/text/HB798/2013
MISSION

House Bill 227: An Act to Repeal Section 135.680, Revised Statutes of Missouri, and to Enact In Lieu Thereof One New Section Relating to Qualified Equity Investment Tax Credits

Current Missouri law authorizes taxpayers that make a qualified equity investment to receive a tax credit.

The credit amount is equal to:

- Zero percent for the first and second credit allowance dates.
- Eleven percent for the third and fourth credit allowance dates.
- Twelve percent for the fifth, sixth and seventh credit allowance dates.

The tax credits are not transferable or refundable but may be carried forward for up to five years. No more than $25 million of these tax credits can be utilized annually.

House Bill 227 would require a qualified community development entity seeking to have an equity investment or long-term debt security designated as a qualified equity investment and eligible for tax credits to pay a fee of one half-percent of the equity investment or long-term debt security. The fee is for deposit in the New Markets Performance Guarantee Fund.

The CDE forfeits the fee in its entirety if the CDE fails to invest an amount equal to 85 percent of the purchase price of the qualified equity investment in qualified low-income community investments in Missouri within 12 months of the issuance of the investment. The fee required is held in the New Markets Performance Guarantee Fund until it is determined the CDE is in compliance with the provisions of legislation.

Legislative History:
The bill was introduced January 22, 2013 and referred to the Committee on Economic Development. A public hearing was held, and with no public opposition to the bill, it was voted “Do Pass” by the Committee on Economic Development by a vote of 23 to 1. The bill was then referred to the House Rules Committee, where it died when the legislative session ended May 30, 2013.

URL: http://www.house.mo.gov/billtracking/bills131/billtxt/intro/HB0227I.htm
MISSOURI

House Bill 671: An Act Relating to Taxation

Program Description
This bill eliminates all tax credit provisions in the Missouri code, including the Missouri New Markets Development Program.

Enacted in 2007, the Missouri New Markets Development Program authorizes the Missouri Department of Economic Development to issue a tax credit providing supplemental funding for investment entities approved for the Federal New Markets Tax Credit (NMTC) program in order to direct more funding to Missouri projects.

This bill would eliminate all tax credits. No additional tax credits are authorized after August 28, 2013. Tax credits issued on or before August 28, 2013 must be redeemed on or before December 31, 2016.

Legislative History:
This bill was introduced to the Missouri House of Representatives February 20th, 2013. It was referred to the Committee for Economic Development, where it died when the 2013 legislative session ended.

URL: http://www.house.mo.gov/billtracking/bills131/billpdf/intro/HB0671I.PDF
NEVADA*

Senate Bill No. 357: Nevada New Markets Jobs Act

Program Description
The Nevada New Markets Jobs Act authorizes the Department of Business and Industry to issue a tax credit to certain business entities against the premium tax imposed on insurance companies for investments in a qualified Community Development Entity (CDE). CDEs certified by the CDFI Fund with Nevada in their certified area are eligible to apply for the state program.

The credit amount is equal to:
- Zero percent for the first and second credit allowance dates.
- Twelve percent for the third, fourth and fifth credit allowance dates.
- Eleven percent for the sixth and seventh credit allowance dates.

The bill authorizes the Department of Business and Industry to certify up to $200 million of investment authority in certified equity investments to qualified community development entities. The law went into effect October 1, 2013.

Legislative History:
This bill was introduced to the Nevada Senate March 18, 2013 and referred to the Committee on Commerce, Labor and Energy. It passed, was referred to the Committee on Finance, where it was amended and passed. The bill passed the full Senate June 3, 2013, and was sent to the Assembly and referred to the Ways and Means Committee. It passed the Assembly and was sent to Governor Sandoval (R-NV), who signed it into law as Chapter 532 June 13, 2013.
NEW JERSEY

Assembly Bill 1397: Concerning Funding of the New Jersey Food Access Initiative with Certain Sales Tax Revenue

Program Description
This bill dedicates five percent of the sales tax generated in Urban Enterprise Zones to the New Jersey Economic Development Authority (NJEDA) to cover the costs of implementing the Fresh Food Access Act. NJEDA is required to use that revenue to expand the New Jersey Food Access Initiative, currently administered as part of a public-private partnership between the NJEDA and The Reinvestment Fund (TRF), a CDFI and OFN Member.

The Food Access Initiative is a program of loan and grant funds designed to meet the financing needs of supermarket operators seeking to locate within an area where infrastructure costs and credit needs are high and unmet by conventional financing institutions. The initiative provides below market-rate loans and is modeled on the Pennsylvania Fresh Food Financing Initiative.

The bill directs the NJEDA to establish another loan and grant fund within the initiative. The grant fund will provide loan recipients under the program with direct pass-through funds or interest rate subsidies to increase the effectiveness of the program. The grants are administered by the NJEDA or through a contract with a private entity. Loans and grants are to be administered based upon three primary considerations: supplying the areas with the greatest need for fresh food, generating the most jobs, and supporting businesses that will become self-sustaining and successful without the need for any further assistance.

Legislative History:
This bill was introduced to the New Jersey State Assembly by Angel Fuentes and Gilbert Wilson January 10, 2012. It was referred to the Assembly Budget Committee, where it remained throughout the 2013 legislative session. The bill died in committee when the session ended.

NEW MEXICO

House Bill 284: Making an Appropriation for a New Mexico Certified Native American CDFI

Program Description
This bill appropriates $2 million from the general fund to the Indian Affairs Department to enable a Native New Mexico-certified CDFI with outreach to members of New Mexico Indian tribes, pueblos and nations to fund the development of financial tools used to promote sustainable communities.

Legislative History:
This bill was introduced to the New Mexico House of Representatives by Representative James Roger Madalena. It died in the House Appropriations and Finance Committee after the committee postponed the bill indefinitely.

URL: http://openstates.org/nm/bills/2014/HB284/documents/NMD00016087/
NEW MEXICO

Senate Bill 373: New Market Income Tax Credit

Program Description
Senate Bill 373 authorizes a taxpayer who makes a qualified equity investment in a qualified community development entity on or after January 1, 2014 and prior to January 1, 2017 to claim a tax credit against the taxpayer's income tax liability. The credit is equal to 58 percent of the qualified equity investment.

The credit amount is equal to:
- Zero percent for first and second credit allowance dates.
- Twelve percent for the third, fourth and fifth credit allowance dates.
- Eleven percent for the sixth and seventh credit allowance dates.

The New Mexico Economic Development Department is authorized to certify up to $125 million in certified equity investments to qualified CDEs. The maximum amount of total tax credits allowed for investments is $72.5 million for the life of the program, but cannot exceed $10 million in any one fiscal year.

Legislative History:
This bill was introduced to the New Mexico State Senate by Senator Phil A. Griego and sent to the Senate Corporations & Transportation Committee and Senate Finance Committees. The bill was postponed indefinitely and has since died.

URL: http://www.nmlegis.gov/Sessions/13%20Regular/bills/senate/SB0373.html
NORTH CAROLINA

House Bill 682: North Carolina New Markets Jobs Initiative

Program Description
House Bill 682 authorizes the Department of Commerce to issue a tax credit against a person's State premium tax liability to a person that makes a qualified equity investment in a qualified community development entity.

The credit amount is equal to:
- Zero percent for first and second credit allowance dates.
- Twelve percent for the third, fourth and fifth credit allowance dates.
- Eleven percent for the sixth and seventh credit allowance dates.

The North Carolina Department of Commerce is authorized to certify up to $500 million in certified equity investments to qualified CDEs.

Legislative History:
This bill was first read in the North Carolina House of Representatives on April 11th, 2013. It was subsequently referred to the Committee on Commerce and Job Development, where it remained when the legislative session ended.

URL: http://www.ncga.state.nc.us/Sessions/2013/Bills/House/PDF/H682v0.pdf
House Bill 2763: An Act Relating to Economic Development

Program Description:
House Bill 2763 amends the Oregon Low Income Community Jobs Initiative, also known as the Oregon New Markets Tax Credit program. The bill increases the maximum amount of qualified low-income community investments eligible for the tax credit from $4 million to $8 million.

It also allows the credit to be carried forward for five years.

Legislative History:
This bill was first read on the floor of the Oregon House of Representatives February 6th, 2013 and referred to the Committee on Transportation and Economic Development, with subsequent referral to the Committee on Ways and Means. After a public hearing, the bill passed the House April 10, 2013. It was sent to the Senate, amended, passed and then sent back to the House for concurrence. The bill was then sent to Governor John Kitzhaber (D-OR), who signed it into law August 14, 2013.

URL: https://olis.leg.state.or.us/liz/2013R1/Downloads/MeasureDocument/HB2763
Texas

House Bill 2061: Relating to a Tax Credit for Investment in Certain Communities

Program Description:
House Bill 2061 authorizes the Texas Economic Development and Tourism Office to issue a tax credit to a qualified investor that makes a qualified equity investment. The investor earns a vested right to credit against the qualified investor's state premium tax liability relating to property and casualty insurance premium tax, life, health, and accident insurance premium tax, title insurance premium tax, and reciprocal and interinsurance exchange premium tax.

The bill would authorize up to $292.5 million in insurance tax premium credits to be taken during a five-year period beginning in fiscal year 2016. The Texas Economic Development and Tourism Office is authorized to certify up to $750 million in equity investments to qualified CDEs.

House Bill 2061 specifies that an investment or security is a qualified equity investment under the following conditions:

1. the investment or security is an equity investment in, or long-term debt security issued by, a qualified community development entity;
2. the investment or security is acquired on or after October 1, 2013, at its original issuance solely in exchange for cash;
3. not later than the first anniversary of the initial credit allowance date, at least 100 percent of the investment's cash purchase price is used by the issuer to make qualified low-income community investments in qualified active low-income community businesses located in Texas; and
4. the investment or security is designated by the issuer as a qualified equity investment and is certified, as provided by the bill's provisions, by the comptroller of public accounts as not exceeding the limitation established in the bill for certified investments.

Legislative History:
This bill was introduced on the floor of the Texas House of Representatives March 5th, 2013. It was referred to the House Committee on Economic and Small Business Development, where it was amended and unanimously passed. The bill passed the full House of Representatives on May 9, 2013. It was introduced in the Senate and referred to the Senate Committee on Economic Development, where it passed unanimously. However, the bill failed to reach the Senate floor for a vote before the legislative session ended.

TEXAS

**Senate Bill 415:** Relating to the Establishment of a Community Development Grocery Store Revolving Loan Fund Program

**Program Description:**
The bill would implement the recommendations in the report, “Use Public-Private Partnerships to Increase the Number of Grocery Stores in Low-Income Areas,” in the Legislative Budget Board’s Government Effectiveness and Efficiency Report submitted to the Texas Legislature in 2013.

The bill would create a revolving loan trust fund at a CDFI on behalf of the Texas Department of Agriculture (TDA) to award low-interest loans to applicants for building grocery stores in food deserts, as defined by the United States Department of Agriculture.

The fund is eligible to collect funds appropriated by the legislature, gifts or grants received from public or private sources, and interest income from money held in the fund. TDA will award a contract to a CDFI after evaluating the CDFI’s success of implementing similar programs, ability to raise additional capital and its solvency. The CDFI, in consultation with TDA, would develop a scoring system to rank applicant’s loan applications. All applicants receiving a loan must establish the business in a food desert and be required to accept Supplemental Nutrition Assistance Program (SNAP) and Women, Infants and Children (WIC) programs.

All income from the revolving loan program is the property of the CDFI. No later than December 1 of each even-number year TDA, in coordination with the CDFI, must submit a report to the House Appropriations Committee, the Senate Finance Committee, the Governor, and the Legislative Budget Board containing the number of entities receiving the loans, the repayment rates of the loans, the total amount of money loaned, the amount of commercial square footage of commercial space created, the number of jobs created or retained, the average wages of the jobs created or retained, and the additional property tax revenue gained by local entities.

The bill specifies a timeframe for adopting rules to administer the loan fund, designating a CDFI as recipient of the funds, and transfer of the funds to the CDFI.

**Legislative History:**
This bill was introduced in the Texas State Senate February 13, 2013 and referred to the Committee of Agriculture, Rural Affairs & Homeland Security, where it died. This bill mirrored Texas HB 1221, an identical bill that remained in committee in the Texas House of Representatives and also died at the end of the 2013 legislative session.

**TEXAS**

**Senate Bill 1208:** Relating to the Creation of a Regional Food Economy and Food Access Task Force

**Program Description:**
This bill creates the Regional Food Economy and Food Access Task Force to study and provide recommendations to the legislature on developing this state’s regional food economy and improving access to healthy food for the people in this state. The task force consists of nine members, including one member who is a representative of a CDFI appointed by the governor, and must develop recommendations for legislation and state agency programming that will improve this state’s regional food economy.

The task force will examine the following food economy goals:

- creating and retaining family-wage jobs;
- export and local markets for regional products;
- developing regional public-private partnerships and leveraging existing public-private partnership efforts; and
- improving access to healthy food and food security, protecting natural resources, and enhancing community connections.

**Legislative History:**
This bill was first read on the floor of the Texas State Senate March 12, 2013. It was referred to the Senate Committee on Agriculture, Rural Affairs, and Homeland Security, where it was considered in two separate public hearings. The bill died in the Senate when the legislative session ended in May 2013.

**Wisconsin**

**Senate Bill 43:** An Income and Franchise Tax Credit for Investments in a Community Development Financial Institution

**Program Description:**
Under this bill, the Wisconsin Economic Development Corporation (WEDC) may certify a person who makes a qualified investment in a registered CDFI to receive a credit against state income and franchise taxes.

A person certified to receive tax credits may claim 10 percent of the person’s qualified investment, if the investment is at least $10,000, but not more than $150,000, or 12 percent of the person's qualified investment, if the investment is more than $150,000, but not more than $500,000.

The bill defines a qualified investment as a loan or deposit that pays no interest of at least $10,000 that is made for a minimum of 60 months and over which the CDFI retains complete control for the duration of the investment period.

WEDC may revoke the registration of a CDFI that fails to comply with annual reporting requirements or that no longer meets the eligibility requirement for certification by the fund. WEDC may certify up to $1 million in tax credits in any calendar year.

**Legislative History:**
This bill was first introduced to the Wisconsin State Senate on February 28, 2013. It was then read on the floor and sent to the Committee on Economic Development and Local Government. On March 6, 2013 a public hearing concerning the bill was held, and subsequently fiscal estimates concerning the bill have been called for and received. The bill remained in committee when the session ended and can be carried over to the 2014 session.

**URL:** [http://docs.legis.wisconsin.gov/2013/related/proposals/sb43](http://docs.legis.wisconsin.gov/2013/related/proposals/sb43)
BILL ANALYSIS

In the 2013 legislative session, there were 25 CDFI-specific bills introduced in 16 states. This is five more than the number of CDFI-specific bills introduced in 2012, when there were 20 bills introduced that specifically mentioned CDFIs.

Of the 25 bills, seven bills in seven different states were signed into law, including laws establishing new tax credit programs in Arkansas and Nevada; changes to existing tax credit programs in California, Oregon and Louisiana; and a technical change in Maryland to ease application processes for CDFIs accessing state capital for revitalization efforts. There was also grant funding in an Appropriations bill in Massachusetts for CDFIs and Community Advantage lenders making microloans.

Bills were also introduced in Maine and Maryland to create state banks, both of which explicitly require input and representation from CDFIs in the planning process.

Though the eighteen remaining pieces of legislation introduced in the 2013 session stalled in state legislatures, their introduction indicate ongoing dialogue at the state level about how to best support the work of CDFIs, and demonstrates the opportunities for the opportunity finance industry to influence policy on the state level and unlock new sources of capital.

The map below shows the states where CDFI-specific legislation was introduced in 2013:
ADVOCACY CASE STUDIES
Advocacy in Action: California Food Access Initiative

Background:
The California Healthy Food Financing Initiative was established in October 2011 when Governor Jerry Brown (D-CA) signed Assembly Bill 581, which established the California Healthy Food Financing Initiative (CHFFI) Council and Fund.

The California Healthy Food Financing Initiative Council is an interagency effort comprised of the State Treasurer, the Secretary of Food and Agriculture, the Secretary of Health and Human Services, and the Secretary of Labor and Workforce Development intended to provide access to sustainable food systems for the 1.7 million Californians without access to healthy foods.

The mission of the Council is expanding access to nutritious, fresh, and affordable food, leading and promoting healthy and economic development opportunities through grant, loan, and incentive programs and partnerships with federal, state, and local government agencies, nonprofits, philanthropic programs, and food hubs to support underserved urban and rural communities.

The Council, through the State Treasurer’s Office, also manages the CHFFI Fund composed of state and private funds to finance grocery stores and other forms of healthy food retail and distribution.

CDFI Involvement:
One program established through the Healthy Food Financing Initiative is the Freshworks Fund, a $250 million multi-partner fund that leverages capital from private and public sources.

The Freshworks Fund is a partnership between a number of nonprofit organizations, traditional banking institution, and CDFIs, including Capital Impact Partners, the Calvert Foundation, and Opportunity Finance Network. The fund approves loans from $250,000 to $8.75 million to experienced food retailers serving low- and moderate-income communities in California with limited access to healthy food. Funds can be used for real estate acquisition, equipment, new construction, renovation, tenant improvements, working capital and inventory loans. The fund also distributes grants between $25,000 and $50,000 to support projects requiring funding for innovation, workforce development, and predevelopment costs.

The Fund created an opportunity for collaborative efforts with other community development entities using targeted outreach to identify investment opportunities, and aligning financial resources to maximize use of capital and incentives. For example, the FreshWorks fund collaborates with CDFIs lending to small business, and can refer deals less than $250,000 or declined by the Fund to partner CDFIs. Additionally, the Freshworks Initiative Community Investment Note program allows community members in California to support the Freshworks Fund by investing directly in the Fund, the minimum contribution is $20 and earns a rate of either one-half percent for a one year term, or one percent for a three year term.

Since its inception, the Fund has deployed more than $18 million in capital, successfully increased access to healthy food for 362,149 Californians, and supported 501 local jobs. One such project financed as a result of the Freshworks Fund is the Northgate Gonzalez Market in the City Heights neighborhood of San Diego. The market opened in 2012, and was the first investment made by the Freshworks Fund, focuses on healthy food and provides a variety of options in a neighborhood that previously had little to no access to healthy food. The 42,625 square-foot full service grocery store created 122 new jobs and increased access to healthy foods for 119,000 people.8

http://www.treasurer.ca.gov/chffic/staff/2012/20121204/attachment5_2.pdf
The Northgate Gonzalez Market opened a second location in Inglewood in southwestern Los Angeles County. This location is 30,000 square feet, created 110 jobs, and increased access to healthy and affordable food for 105,080 people. The project received approximately $20 million in funding from the FreshWorks Fund.

Other successful projects established or supported by the Freshworks Fund include Mandela Marketplace in West Oakland, El Rancho Marketplace in Grover Beach, HP Palomino in Huntington Park, and the Peoples Community Market in Oakland. The Fund has also invested in research projects to compile data and market research concerning access to healthy and sustainable foods in low-income regions.9

The California Healthy Food Financing Initiative, in association with the Freshworks Fund, is becoming one of the most effective programs and resources dedicated to growing communities and helping provide access to healthy foods for all Californians. CDFIs continue to play a major role in financing grocery stores and other forms of healthy food retail and distribution in underserved communities throughout California.

9 Ibid
CDFIs and State Small Business Credit Initiative: 2013 Report

The State Small Business Credit Initiative (SSBCI) was created in the Small Business Jobs Act of 2010, and implemented by the Obama Administration starting in 2011. The program provided $1.5 billion in funding to strengthen state programs that support lending to small businesses and small manufacturers. In the legislation, Community Development Financial Institutions (CDFIs) are specifically listed as eligible lenders.

Since the program’s inception, some state governments have looked to CDFIs as partners to deploy SSBCI funding and increase the amount of credit available to small businesses and small manufacturers in their states. While variation of program types and knowledge of CDFI business practices initially posed challenges to states looking to implement CDFI-focused SSBCI programs, early results show states that incorporated CDFIs into their strategy are having success deploying their capital, and reaching low and moderate income communities.

OFN was an active proponent of the legislation creating the State Small Business Credit Initiative and has worked with Treasury officials, state agencies and CDFIs to ensure the program’s success. In spite of a slow start for the program, in 2013, both Treasury and state governments ramped up efforts to promote the program and disburse the available capital to stimulate small business lending. A Government Accountability Office (GAO) report released in December 2013 stated, “As of June 30, 2013, SSBCI participants had used $549 million of the $1.5 billion the Department of the Treasury allocated to them, nearly four times the amount used as of June 30, 2012.”

**OFN’s Role in Promoting SSBCI**

In 2013, the CDFI Opportunity Agenda, OFN’s public policy priorities for the year, included promoting greater CDFI participation in existing federal programs targeting CDFIs like the Treasury’s State Small Business Credit Initiative.

To that end, OFN has supported our Members in several ways: worked directly with Treasury officials to do outreach about the program, worked directly with state agencies to connect them with CDFIs, and help them understand the way CDFIs lend and work. We also worked with our Members to convene meetings and calls to promote the program, and urge them to engage with their state officials shape the programs so that they could access the available capital. We also presented research and best practices at the Treasury Department’s 2013 SSBCI conference in Dallas, Texas, and provided advice to our Members seeking to forge better relationships with their state agencies.

**Early Indications of CDFI Success**

On September 25, 2013, the Treasury Department released the first annual report related to the State Small Business Credit Initiative. The report, a summary of 2012 annual reports from all participating states, showed that the program has helped small businesses create or save 53,000 jobs, and through the end of 2012, CDFIs made more than 40 percent of all direct SSBCI loans or investments.

According to Treasury, through mid-2013, the states of Washington and Minnesota each made $32 million of SSBCI loans or investments through CDFIs, accounting for 97 and 93 percent of the total SSBCI investment in those states, respectively. Other states are reporting deploying large amounts of their SSBCI capital through CDFIs, with California ($31 million), Pennsylvania ($13 million) and Georgia ($10 million) rounding out the top five states.

---


12 Ibid.
In fact, Opportunity Fund, a California-based CDFI microlender, OFN Member and two-time NEXT Awardee is the largest SSBCI lender in the nation by loan volume, and as of September 30, 2013, had enrolled more than 2,000 loans totaling at least $22 million.\(^{13}\)

There are several factors contributing to the success of CDFIs as SSBCI lenders. CDFIs have the capacity and knowledge of the low- and moderate-income communities targeted in the statute, and can therefore help SSBCI funding reach underserved communities. The Center for Regional Economic Competitiveness found early evidence suggesting that states working through mission-based lenders have the greatest success in reaching underserved borrowers, and notes California, Georgia, Montana, and Pennsylvania as states effectively using CDFIs and revolving loan funds to reach underserved businesses including new, very small, and businesses located in low-and moderate-income communities.

The contributions of CDFIs helped 42 percent of SSBCI loans and investments reach businesses in low-and moderate-income communities with median incomes at or below 80 percent of the area median income. In addition, 80 percent of SSBCI borrowers employ 10 or fewer employees.\(^{14}\) CDFIs are the best suited entities to get capital into underserved communities, with 57 percent of their SSBCI loans in LMI areas, compared to 34 percent of SSBCI loans made by big banks, 31 percent of community banks loans, and 15 percent of credit union loans.\(^{15}\)

Other states are finding creative methods to support CDFIs through the program, like New Jersey’s direct loan program which allows the New Jersey Economic Development Authority to increase in the funding available through the Economic Development Administration’s (EDA) Fund for Community Economic Development (FCED) to support microlenders, CDFIs and Urban Enterprise Zones with a successful lending track record in their local communities. Under the “Loan to Lenders” program, organizations with a successful EDA history qualify for loans up to $750,000, increased from $500,000, with interest-only payments for up to five years. Additionally, the use of funds has been expanded to include lines of credit.\(^{16}\)

**Challenges Remain**

While there are promising results emerging from states, there are ongoing challenges for states implementing the program. The GAO report noted that the rates at which states use funds continues to vary. Since its inception, SSBCI has encountered difficulty attracting large, national lenders due to the program’s complexity, compliance and regulatory requirements, the variation between state programs and the expertise of states’ administering agencies, and high transaction costs associated with the financial products and services needed by underserved small businesses.

However, CDFIs are uniquely suited to thrive in these types of markets and transactions, and have track records of successfully making lower-margin, lower dollar loans in underserved communities. CDFIs also understand how to use SSBCI dollars to leverage other federal funding, particularly the Small Business Administration’s 504 program or US Department of Agriculture loan guarantee programs, to make much-needed loans to small business owners. As a result, CDFIs are able to fill gaps for states looking to deploy capital but are having trouble attracting interest from larger or more mainstream financial institutions. As the program moves towards its 2017 end date, states should continue to seek ways to include CDFIs in their SSBCI strategies to ensure the capital reaches low-and moderate-income communities.\(^{17}\)

---


\(^{14}\) Ibid.

\(^{15}\) Id at 13.


\(^{17}\) President Obama’s FY 2015 Budget Request included a second round of SSBCI funding to run through 2021.
The GAO also found participants encountered additional challenges at the start of the program due to program policies not being finalized and low demand for some program types. CREC noted that 27 states initially allocated $291 million to fund Capital Access Programs (CAP) programs that already existed in their states but struggled to attract as much interest as they originally expected. Some local and regional lenders could not produce the loan volume needed to originate enough loans to build a reserve account to absorb losses, and national banks said CAPs did not provide sufficient credit support to make some of the higher risk loans associated with the program. As a result, many states reallocated the SSBCI funds out of CAPs and into other eligible programs. As of June 2013, about 55 percent of that allocation had been shifted to other SSBCI programs, leaving $133 million allocated to CAPs.

States that partnered with CDFIs or worked with CDFIs to fund loans through existing CAP or other credit support programs were generally able to start operating their programs and deploying capital more quickly than states which needed to develop all new processes, infrastructure, and programs. For example, Opportunity Fund had the advantage of accessing existing CAP program and working with CalCAP, a California state agency that was familiar with credit support programs and CDFIs. CDFIs often have established relationships with local banks and credit unions, small business owners, economic development agencies and typically possess the lending infrastructure required to make SSBCI loans, allowing capital to flow rapidly and support small business loans.

States and CDFIs working to implement SSBCI programs may also face political challenges that can influence the operating environment. Changes in leadership and policy priorities in state governments can create uncertainty for CDFIs and other lenders looking for long term access to public funds to finance transactions, but they can also present opportunities. When the program began, there were several states where there was great potential for there to be CDFI involvement, but due to lack of understanding of CDFIs by agency officials, or rigid banking regulations, a strong CDFI program never developed. Changes in leadership in state capitols might present an opportunity for CDFIs to negotiate more favorable terms with the states.

What’s Next
The success of CDFI participants in the SSBCI continues to encourage state and federal government to invest resources into CDFIs. In addition, the program has created a credit infrastructure of programs for future state and federal capital to flow, and fostered relationships with state agencies and policymakers, as well as traditional financial institutions and bank partners. These partnerships will likely prove invaluable as a way to continue to support the expansion of small business lending through programs like SSBCI.

Looking forward, states will continue to allocate funding through their existing SSBCI programs through the end of 2017. Programs with CDFIs in central roles have performed well, making the case for future public policy support of programs that allow capital to flow to CDFIs. In some states, CDFIs will be able to retain the funds on their balance sheets once the capital has been released from the federal government. For states that did not have strong CDFI programs, there may be opportunities for CDFIs to manage revolving loan funds or other programs after the allocation agreements with Treasury end in 2017. Early evidence demonstrates CDFIs are excellent partners for states, and new relationships formed with state agencies could present an opportunity for CDFIs to unlock a new source of capital. OFN continues to advocate for programs like SSBCI that allow CDFIs to access flexible capital they can deploy quickly to serve the needs of their communities.

18 Id at 13, page 9.
19 Id at 13, page 9.
COALITION BUILDING: CREATING STRONG STATE NETWORKS OF CDFIs

CDFIs have demonstrated their ability to provide solutions to an ever-expanding spectrum of challenges, meeting needs for business and housing finance as well as consumer, energy efficiency, and other types of financing. Yet the needs of low-income, low-wealth, and other disadvantaged communities for affordable, responsible financial products and services continue to far exceed the CDFI industry’s capacity to meet them. OFN is committed to helping CDFIs and their partners expand their coverage so that all communities have access to the types of affordable, responsible financial products and services they need.

CDFIs can successfully lend in underserved, distressed markets, yet the diversity that defines the CDFI industry can also be one of the greatest challenges. CDFIs provide products and services that are tailored to the needs of their identified markets, creating an industry that is dynamic and flexible, but somewhat fragmented. In some states, there are robust communities of CDFIs that enjoy continued strong support from public sector partners, while in other states, state support of CDFIs has been inconsistent. In recent years, however, there has been a steady increase in the number of states supporting CDFIs.

Incremental increases in federal funding are not enough to sustain the amount of capital needed by the CDFI industry to create transformational change in distressed communities. As funding at the federal level remains plagued with uncertainty, support for CDFIs continues to expand at the state level. This provides an opportunity for CDFIs to organize and advocate for direct support in more states. Often building a coalition is a place where CDFIs can begin to evaluate existing allies and programs in their states and begin or strengthen advocacy for direct funding for CDFIs.

Collaboration is not new to the CDFI industry, and particularly in the public policy arena, we see CDFIs coming together to create statewide CDFI networks to change public policy, educate stakeholders, expand geographic and product coverage, and access new resources. OFN’s previous State Legislation and Advocacy Reports have shown CDFIs working together at the state level to implement public policies in New York, Wisconsin, and other states. In addition, many states have existing coalition structures or informal groups of CDFIs that collaborate. In recent years, many coalitions have improved processes and adopted more sophisticated systems in order to become stronger and more effective advocates.

The growth of state CDFI coalitions presents new opportunities to share information with CDFIs in other states and communicate best practices, providing a blueprint for developing other state CDFI coalitions. There are positive benefits to collaboration amongst CDFIs, including creating and accessing new resources, relationship building with key partners, and advancing public policy priorities. This section of the report highlights some of the efforts by CDFIs to create statewide CDFI coalitions. It begins with a discussion of CDFI coalitions generally and describes some current statewide advocacy efforts.

Creating and Accessing New Resources
A major benefit of building statewide coalitions is to leverage existing networks to create and access new financial resources. CDFIs provide a wide range of products and services and are attuned to the needs of the markets they serve. CDFIs working together in collaborative efforts can leverage that practitioner experience to develop financing tools that are suited to the needs of their communities.

Building strong statewide networks of CDFIs also increases awareness and raises the public profile of CDFIs, in the public and private sector with funders, investors, policymakers, and the general public. CDFIs can also refer deals that fall outside of their lending criteria to other CDFIs, and pool resources with other groups to finance larger transactions than possible by individual groups allowing CDFIs to expand their impact. Coalitions also improve relationships between lenders in different financing sectors, which may lead to more deal referrals.
Relationship Building
Collaboration also provides benefits to CDFIs by providing opportunities for relationship building. CDFIs often need to layer multiple types of capital and subsidy to complete transactions, and coalitions can connect CDFIs and their partners, helping to build strong relationships with public and private officials needed to access the capital.

In addition to filling financing gaps, these relationships allow CDFIs to leverage contacts to surmount potential regulatory hurdles, such as zoning issues like permitting and ordinances. Coalitions also facilitate the coordination of networking and educational meetings/events, conferences, and annual gatherings, providing member CDFIs opportunities to get together and discuss challenges and share best practices.

Policy and Advocacy
Advancing shared public policy priorities is often one of the primary reasons CDFIs form coalitions. Coalitions are advantageous for CDFIs seeking to influence public policy in the states in which they operate, as it provides a joint voice and message to state legislators, agencies, regional organizations, other stakeholders and partners.

Coalitions allow CDFIs to work collectively and become more active on state-level policy issues while building on each other’s policy successes. According to the Richmond Fed, “collaborations can result in broader and deeper experience and knowledge, notably in policy expertise, which translates into the potential for more regulatory influence through shared advocacy, as well as greater local control of smaller organizations.”

This is especially true for small organizations that may not have resources dedicated to public policy work. Coalitions provide the chance to discuss and advocate for state policy initiatives with limited resources and staff time.

Challenges
There are challenges associated with building coalitions of CDFIs. The diversity that embodies the strength of the CDFI industry can also present challenges when attempting to build successful coalitions. CDFIs serve different markets, sectors, and vary widely in size and structure. Small CDFIs have different capital needs than large CDFIs, just as housing finance organizations require different capital and technical assistance than small business lenders. This could present a challenge when structuring a coalition and looking to define the coalition’s long-term strategic plans.

Another challenge of organizing coalitions can be securing funding for the coalition’s activities, including providing logistical and administrative support related to building a coalition like scheduling and coordinating conference calls, scheduling meetings, distributing mailings, managing an e-mail discussion list, and other communications.

These challenges are surmountable if coalition members work together towards common goals, and the rewards of collaborations are well worth the effort. In addition, OFN can provide support and technical assistance to CDFIs looking to initiate their own statewide efforts.

---

OFN's Role in Supporting Coalition Efforts
Twenty years ago, OFN (as the National Community Capital Association) played a key role in creating the national CDFI Coalition, and saw the enormous impact the collective, coordinated voice of CDFIs could have on leveraging federal resources for economically distressed communities. Now we want to replicate that success at the state level.

OFN works with state groups of CDFIs to support collaborative efforts in numerous ways across the organization. Our Knowledge Sharing team facilitates gatherings at our Regional Meetings and annual conferences, collects, analyzes and reports on data and trends in the industry that can be used to educate policymakers, funders and investors, and collects and aggregates loan data to display in OFN’s Coverage Model. Our Strategic Consulting department has led CDFI collaborative efforts in Baltimore and Atlanta in conjunction with the Annie E Casey Foundation. Our Public Policy team can support coalition efforts with research and legislative research, advocacy advice, information about state legislators, bills, and information for policymakers on best practices.

Colorado
For many years, an active group of national and Colorado-based CDFIs have worked together to address community development financing needs throughout the Rocky Mountain state. In 2013, however, that collaborative spirit kicked into high gear and the group of CDFIs found themselves working more closely than ever to educate and advocate for opportunity finance with state policymakers and funders.

The need for a more deliberate strategy was solidified at a regional meeting in June 2013 hosted by OFN and the Denver branch of the Federal Reserve Bank of Kansas City. More than 70 CDFI, bank, and foundation representatives from Colorado and other states gathered in Denver to meet, learn from each other and discuss the future of opportunity finance in the state. The group left that meeting energized and primed to engage in further collaborative efforts to raise the profile of the CDFIs in the state.

On Tuesday, August 20, 2013, the Denver Branch of the Federal Reserve Bank of Kansas City hosted a forum to create greater awareness of how CDFIs operating within Colorado generate significant economic impact through collective activities. Organized through a collaboration of local, regional and national entities, (unofficially known as the Colorado CDFI Coalition) the target audience of the forum included federal and state legislators, key decision makers within state and local government, and leaders in the banking sector. The nearly 130 attendees represented banks, philanthropy, public officials, non-profit agencies and regulatory staff; state representatives and staff members of Governor John Hickenlooper’s (D-CO) office and federal delegates were also present.

As part of the coalition’s advocacy, they provided loan data to use in OFN’s Coverage Model, a tool to measure CDFI coverage where CDFIs are located, where they are providing financing and other services, which financing sectors they are serving, and how these change over time. The map demonstrated the breadth and depth of the CDFI industry in Colorado, and helped elected officials understand the importance of supporting opportunity finance in the state.

After the forum, the coalition was approached by a state representative interested in introducing a bill that would authorize public funds to be invested in any security that is a general obligation of a CDFI as long as the institution is registered to operate and in good standing with the office of the Colorado secretary of state. The Colorado Constitution and several statutes govern how public moneys are invested and where public moneys are deposited; statutes also grant exceptions and exemptions for certain local governments. The bill authorized public money to be invested in general obligations of qualified CDFIs.

Ultimately, the amended legislation that passed the state legislature did not include the local government investment provisions of the bill. Senate Bill 22 instead authorizes CDFIs to serve as qualified holders of state debt. The bill made huge strides in increasing visibility of CDFIs and the influence they have with Colorado legislators.

While 2013 was an incredibly important year for Colorado CDFIs, with continued interest from the state government and a potential legislative item on the agenda, the group is gearing up for an even more active year in 2014. The growing success and awareness of CDFIs
in the state of Colorado will only serve to enhance and support the financing efforts of CDFIs serving distressed low- and moderate-income communities across the state.

New York

The state of New York possesses the second-largest number of CDFIs in the country, (second only to California) and has been home to an active coalition of CDFIs for nearly two decades. In 1995, the National Federation of Community Development Credit Unions established the New York Coalition of CDFIs, which represents about half of the CDFIs in the state. Spurred by a lack of available capital to finance CDFI lending across multiple sectors, the coalition advocated for the creation of a statewide fund for several years before gaining traction. In 2007, through the coalition’s advocacy, legislation creating a New York State CDFI Fund was introduced in State Senate and Assembly. Those bills passed both chambers of the legislature with strong bipartisan support and on July 3, 2007, then-Governor Eliot Spitzer (D-NY) signed the bill into law. The New York program is modeled after the federal program, and was a huge public policy victory for the CDFIs in the state who worked together as a coalition to advocate for the program.

New York’s CDFI Fund has existed for nearly seven years, yet has not received any funding in appropriations from the legislature. In 2010, it appeared the fund was close to capitalization when the New York State Senate passed a Budget Resolution recommending a $15 million appropriation for the New York State CDFI Fund and a $25 million appropriation for a New York State Small Business Revolving Loan Fund. Unfortunately, funding for the Small Business Revolving Loan Fund survived the budget process, but the $15 million appropriation to the CDFI Fund did not.

Other sector-based efforts to support the work of CDFIs have emerged in the time since the NY CDFI Fund was created. Since 1998, state agency Empire State Development (ESD) has awarded over $17 million in grants to federally-certified CDFIs to assist in their efforts to develop small businesses. In 2013, ESD awarded $2.99 million in grants to 28 CDFIs across New York State. These grant funds are used expressly to strengthen the lending and technical assistance services of CDFIs making small business and microloans. Adequate capitalization of the statewide fund would allow CDFIs serving all sectors in the state to apply for funding, and access the flexible capital needed to serve all the needs of distressed communities.  

The struggle for appropriations for the fund has not deterred the community of CDFIs in the state. Coalition advocates have worked tirelessly with the state Senate and Governor Andrew Cuomo’s (D-NY) office to advocate for the state to provide funding to the program. Charles Hammerman, of the Disability Opportunity Fund, and Member of OFN and the NYS CDFI Coalition, points to the coalition’s perseverance as one of its greatest strengths. The work of the coalition will continue in 2014. Members of the group plan to continue advocating with state policymakers in hopes of securing an appropriation before the start of the next fiscal year. Other goals for 2014 include securing funding for a full-time employee to staff the coalition, hosting the statewide annual conference where policymakers can address the group in Albany, and providing additional networking opportunities.

South Carolina
South Carolina is home to several CDFIs, including OFN Members South Carolina Community Loan Fund in Charleston and CommunityWorks Carolina in Greenville. CDFI leaders working in the state noticed they were facing common challenges accessing financial resources, based largely on an education and information gap in the state of South Carolina by policymakers and funders that made it hard to attract investments to the industry.

The group recognized that creating infrastructure to facilitate collaboration would be the most effective way for the CDFIs to attract capital into the state. However, while many CDFIs had previously collaborated on deals, it was unclear what type of coalition structure would be most desirable for the group. To inform this decision, CDFIs in the state decided to bring stakeholders together; not just CDFIs but a broad swath of mission-based lenders for a brainstorming session to develop a more formalized structure. The prevailing knowledge was that a comprehensive strategy was needed to provide responsible and affordable financial products and services in underserved neighborhoods and communities, and a coalition of community development lenders led by the CDFIs in the state could help to remedy the issues facing the community development finance sector.

There were also challenges facing the lenders. The group understood this new coalition would help improve collaboration in the state, but it was unclear who could take on that role of housing the association in their organizations. The CDFIs in the state did not have the capacity to support the significant effort required to bring together stakeholders and leverage private, state, and local funding to increase community economic development investments in South Carolina.

Though the CDFIs in the state were committed to forming this coalition, none were able to spare the resources needed to fully staff and support the growing collaborative. In March 2013, the alliance sought the assistance of a consultant to lead the development, recruitment, and formation of a statewide network of community development financial organizations to invest in underserved communities throughout South Carolina. The organizations were so vested in building a structured alliance that each organization provided $1,000 of their own funds to finance the cost of the consultant.

As of December 2013, the coalition, led by the work of Tammie Hoy, established its Board of Directors and bylaws. The initial Board of Directors is comprised of the organizations that provided financial resources needed to launch the coalition. The group seeks to advance three public policy goals: increasing capital sources for opportunity finance, expansion and extension of the South Carolina Community Development Tax Credits program and South Carolina community economic development fund, and creating a statewide CDFI Fund.

Specifically, the South Carolina Community Economic Development Act of 2000 provides funding to support projects and activities of community-based, nonprofit organizations that focus on improving the quality of life and creating economic opportunity in low-income communities through partnerships. The legislation authorizes tax credits for eligible investments and contributions to certified organizations.

The state allows a 33 percent credit against state tax liabilities to South Carolina businesses, corporations, insurance companies, financial institutions, and individuals for each dollar invested or donated to certified Community Development Corporations (CDCs) and CDFIs. There is up to $1 million in tax credit authority available each year. The tax credit has historically been underutilized, and is set to expire in 2014. The coalition seeks an extension to allow the bill to sunset in 2015.

In 2014, the coalition also plans to continue to build upon its successes and seek strategic partnerships and/or endorsements with and from like-minded organizations to further its mission of facilitating the investment of capital in South Carolina.
SUPERSTORM SANDY RECOVERY: REBUILDING HOMES, BUSINESSES, AND LIVES

Whether dealing with the aftermath of hurricanes Katrina in 2005 or Sandy in 2012, clean-up from massive storms and tornados that destroyed whole communities across the Great Plains, or economic crises like the Great Recession, community development financial institutions (CDFIs) play a critical role in post-crisis rebuilding and the restructuring of devastated communities. Often with little fanfare, CDFIs across the country work in tandem with public and private partners to rebuild and revitalize communities after catastrophic events.

CDFIs understand the unique needs of residents and businesses in the distressed communities they serve, and this knowledge makes them indispensable partners in any disaster recovery effort. Rebuilding communities devastated by disasters are massive regional efforts requiring coordination of numerous local, state, federal, and private resources. After every disaster, private and public funds flow into the affected area to support response, relief and rebuilding efforts. CDFIs can channel funds to local partners, provide financial assistance for working capital and bridge loans to assist in the recovery of impacted businesses, and support rebuilding efforts for homeowners.

Currently, much of the public infrastructure to respond to the needs of communities following a disaster resides at the federal level in the U.S. Small Business Administration (SBA) disaster recovery loan program, Federal Emergency Management Agency (FEMA), and the U.S. Department of Housing and Urban Development's community development block grant program (CDBG). However, there are limitations to the efficacy and reach of these programs. For example, uses of CDBG funds are subject to state request and approval, and are not guaranteed to flow to CDFIs. Additionally, although the SBA has approved several billion dollars in loans to homeowners and small businesses, the program narrowly addresses the needs of entrepreneurs and faces efficient implementation challenges.

In spite of the expansive reach of these efforts, often critical on-the-ground resources are needed to spur redevelopment efforts. Restrictions on the use and availability of public funds mean state and local governments often turn to CDFIs to finance post-disaster recovery efforts. In addition, residents need to access capital faster than the government bureaucracy can typically move. CDFIs can help fill gaps in funding until relief from other programs like Small Business Administration Disaster Loan or the Community Development Block Grant is made available.

CDFIs are acutely aware of the challenges facing the communities they serve, and after a disaster, CDFIs operating in these distressed markets can often find their own resources stretched thin, as their offices and employees can be displaced and damaged. When Superstorm Sandy ravaged the Mid-Atlantic Coast in September 2012, the CDFIs serving the region began to immediately mobilize their resources and plans to start to rebuild the lives, businesses, and homes of the region.

The CDFI Response to Superstorm Sandy Impact Assessment, a survey done by the CDFI Fund in the weeks following Sandy, found that several respondent CDFIs sustained some damage to their offices, and many of the staff of these CDFIs were facing the same issues at home: power outages, gas shortages, dangerous transportation conditions, and/or flooding. However, of these CDFIs that reported damage, sixty percent of them remained operational, a testament to the dedication of leadership and staff of these organizations.23

In spite of their own challenges, CDFIs understood the magnitude of the challenge they were facing in the communities where they live and work. With such great need for capital, CDFIs knew there was no time to waste, and began providing multiple forms of assistance in the impacted regions right after the storm.

This section of the report highlights just some of the efforts of several OFN Members in the affected region as they work to help their communities recover from this disaster, and rebuild stronger, more resilient, and better prepared for future disasters.

23 “Assessing the Impact of Superstorm Sandy on CDFIs, CDEs, and the Communities They Serve”, CDFI Fund, 11/14/2012 http://www.cdfifund.gov/impact_we_make/research/CDFI_Response_to_Superstorm_Sandy_Impact_Assessment.pdf
CDFIs: Rebuilding Businesses

After a major disaster, businesses in the affected area are faced with daunting needs in order to repair and reopen their businesses. According to the National Oceanic and Atmospheric Administration (NOAA), Hurricane Sandy cost $65 billion in damage, making it the second costliest storm in US history, second only to Hurricane Katrina.24 The state of New Jersey’s Superstorm Sandy Action Plan noted “Superstorm Sandy had a widespread and lasting impact on New Jersey’s business sector and particularly affected small businesses. The storm caused substantial damage to commercial property and caused short- and long-term business operations losses. Businesses in 113 of New Jersey’s 565 municipalities incurred a combined $382 million in commercial property losses and $63.9 million in business interruption losses.”25, 26

After Hurricane Sandy, business owners were faced with numerous challenges in the efforts to repair and reopen their businesses. Aside from repairing physical structures, many businesses needed help with cash flow and working capital, and still others needed assistance to replace lost wages caused by closed or damaged businesses. In New Jersey, the month after the storm saw more than double the historically expected amount of unemployment claims filed.27 To assist with these recovery efforts, several OFN Members quickly created loan funds and business lending programs to serve the needs of impacted borrowers.

Accion East: Sandy Recovery Business Loan Program

Accion East and Online, a microlender and OFN Member headquartered in New York City, created a special fund, the Sandy Recovery Business Loan Program, targeted to small business owners unable to qualify for traditional loans or existing emergency loan programs due to low credit scores, limited financial records, and/or the need for greater monthly payment flexibility. The program offered loans up to $25,000, with zero interest and no payments for the first three months and a fixed 4.99 percent rate thereafter.

The fund was capitalized with contributions from new and existing sources. The Robin Hood Foundation and a local philanthropist seeded the fund with the initial $250,000 in early November 2012. Accion also received support from Morgan Stanley, Bank of America Merchant Services, and Union Bank to increase the loan fund to $500,000. The JPMorgan Chase Foundation provided a $250,000 grant to expand the loan fund, allowing Accion to provide direct grants to its clients. Each small business owner in the program was able to receive a grant of 15 percent of the loan amount to accelerate their recovery efforts. Accion also accepted donations to the campaign using Groupon’s online and grassroots fundraising platform, where thousands of supporters donated directly to the fund through the site.

Less than two weeks after Hurricane Sandy made landfall, Accion’s Sandy Recovery fund grew to a $725,000 loan and grant fund. Buoyed by Accion’s underwriting and application process, the fund was able to start making loans very quickly, which boasts a historical turnaround time of less than 10 days from application to disbursement. Accion’s Sandy Recovery Loan Program officially ended on June 30, 2013, with loans made to 80 business owners, more than 75 small business owners receiving financial counseling on how to regain cash flow in the wake of the hurricane, and more than 300 jobs retained or created.

Business Outreach Center Capital

The Business Outreach Center (BOC) Network is a small business lender that provides financial and technical assistance to underserved entrepreneurs in New York City, as well as capacity-building services to organizations establishing and operating community and microenterprise development programs. Most of their clients are located in the five boroughs of New York City, many of whom own businesses that were greatly impacted by Superstorm Sandy.


25 On Tuesday, January 29, 2013, the President signed the Disaster Relief Appropriations Act of 2013, providing $5.4 billion in additional funding to the Community Development Block Grant Disaster Recovery (CDBG-DR) program of the US Department of Housing and Urban Development (HUD) in order to help affected States respond to and recover from the severe damage caused by Superstorm Sandy. On Tuesday, March 5, 2013 a Notice was published in the Federal Register (Docket FR-5696-N-01) allocating $1.829 billion of those funds to the State of New Jersey. In order for the State to obtain those funds, it needed to submit an Action Plan to HUD detailing the proposed use of funds, including criteria for eligibility and how the use of those funds will address disaster relief, long-term recovery, restoration of infrastructure and housing and economic revitalization in the most impacted and distressed areas.


27 Ibid.
After the storm, BOC Capital assessed the needs of their borrowers by reaching out to their loan clients and launching a disaster recovery loan program for any small business physically and/or financially impacted by the storm throughout the five boroughs of New York City. BOC Capital provided two categories of loans: loans ranging from $500 to $50,000 for working capital, repairs, and machinery and equipment, and larger loans of up to $150,000 for mobilization of government contracts, with a 30-day, interest-only payment period to any current loan client negatively impacted by the storm either through direct physical damage and/or as a result of power outage and fuel shortages. Additionally, BOC Capital supported city and state recovery efforts for small business by providing referrals, links, and resources to disaster recovery programs and initiatives, grants and financial strategies to help support losses.

**Intersect Fund**

The Intersect Fund of New Brunswick, New Jersey, offered disaster relief loans to New Jersey-based small businesses affected by Hurricane Sandy. These loans were targeted at businesses that did not qualify for SBA Disaster Loans. Traditional loan sizes range from $100 to $25,000. In the aftermath of Superstorm Sandy in November 2012, The Intersect Fund expanded its lending to include Disaster Relief Loans of up to $15,000 at reduced interest rates to businesses throughout New Jersey devastated by the storm with financial contributions from New Jersey Community Capital used to capitalize the loan fund. The loans have an interest rate of five percent for a term of up to 36 months, interest-only payments for up to six months, and no prepayment penalties.

**New Jersey Community Capital: REBUILD NEW JERSEY**

After a disaster, small business owners are typically hit with issues of business continuity and often need capital to repair facilities that were physically damaged, replenish damaged inventory, repair signs and awnings, repair equipment and other items as needed. NJCC understood that what was needed at this moment was access to capital at low cost and as quickly as possible so the rebuilding process could begin. After Hurricane Sandy, New Jersey Community Capital dispatched its lending team to reach out and communicate with stakeholders to try and assess the needs of their community as quickly as possible, and start to deploy resources to aid in the recovery. NJCC’s connection with the community and understanding of the conditions on the ground allowed them to construct a loan program that could really meet the needs of borrowers. To that end, the REBUILD New Jersey business loan fund was launched in November 2012, less than one month after the storm. The fund was capitalized with $6 million, and NJCC was able to start lending immediately.

Through the REBUILD New Jersey program, New Jersey Community Capital offered working capital loans and lines of credit to help small businesses recovering from Hurricane Sandy. These low-interest REBUILD loans range from $10,000 to $65,000 and may be used to pay for building repairs, equipment and inventory purchases, rent or mortgage payments, salary expenses, and utility costs.

The dedicated staff at NJCC understood the need to ease the burden of distressed business owners by providing an application process for the loan capital that was as quick as possible: in fact, there were only two weeks between the application submission to the time the business owner received the funds.
CDFIs: Affordable Housing Recovery
The storm also damaged and further reduced the supply of existing affordable housing stock in areas already plagued with high housing costs. Enterprise Community Partners commissioned a survey entitled “Hurricane Sandy: Housing Needs Assessment One Year Later,” and found 17 percent of all households across the tri state area reported damage to their home or residential building, with New Jersey sustaining the most damage, (27 percent of households reporting damage, compared with 14 percent of New York State households and nine percent of Connecticut households.) Often, the same residents that are trying to rebuild their businesses are facing similar issues of displacement and damage with their homes, and accessing financing to rebuild both businesses and homes can be a daunting task. CDFIs in the region mobilized quickly after the storm to assess damage and start to provide funding to the communities hardest hit by Sandy.

Community Development Corporation of Long Island
Community Development Corporation of Long Island (CDCLI) launched coordinated effort with local community leaders to attend community meetings and go door-to-door in the hardest hit communities to develop a housing needs assessment. CDC of Long Island also reached out to their small business clients, assessing damage and providing them with information and counseling on all available resources.

Enterprise Recovery and Rebuilding
Enterprise Community Partners, a national CDFI and OFN Member with headquarters in New York City, sustained significant damage to its New York Office during Hurricane Sandy. In spite of their own challenges, Enterprise Community Partners sought to address the needs of its clients and launched the Partner Support and Rebuilding Fund to provide financial assistance to help its affordable housing partners with immediate recovery and rebuilding efforts. The Fund consists of two components: emergency grants to address any immediate needs resulting from the storm, including purchasing of supplies, equipment, deposits, and fees needed to hire contractors, and/or other resources to support displaced families; and low-cost working capital for affordable housing development partners to speed rebuilding, including bridging the gap to other resources and insurance coverage.

Enterprise launched the Learning Collaborative for Resilience to help affordable housing organizations developing comprehensive disaster preparedness and response plans for their organizations and housing portfolios. Enterprise selected 12 affordable housing organizations, (including OFN Members Asian Americans for Equality, Inc. and CAMBA Housing Ventures, Inc.), overseeing nearly 300 buildings and 12,000 units, to develop best practices for disaster preparedness and long-term resilience. Enterprise also provided technical support to organizations to assess their housing portfolio’s vulnerability to future crises, explore innovative resilient retrofit options, and identify potential financing mechanisms to implement the recommendations.

In 2013, Enterprise Community Patterns also hosted a series of presentations exploring the long-term recovery challenges for multifamily affordable housing infrastructure in New York City and the surrounding region in the aftermath of Hurricane Sandy. The series explored technical issues and best practice case studies of recovery and response. Enterprise also created a set of maps and data analysis that summarize Superstorm Sandy’s impact on homes in the New York region; published the FEMA Assistance Analysis, a research brief uses a dataset released by FEMA in August 2013 to examine the level of need and the response efforts in areas affected by Hurricane Sandy; and issued Hurricane Sandy: Housing Needs One Year Later, another brief to measure the ongoing impact of Hurricane Sandy one year after the storm made landfall.

29 Ibid.
New Jersey Community Capital: ReStart the Shore

Long before Hurricane Sandy reached the shores of New Jersey, the nation was already fully immersed in a housing crisis. The affordable housing stock was in dire straits, foreclosures continued to ravage communities, and the arrival of the storm’s damaging winds and waves catapulted these already distressed communities further into despair.

In the New York-New Jersey-Connecticut area where Sandy hit the hardest, housing costs are already high and the availability of affordable housing is constrained. New Jersey Community Capital, the only statewide CDFI serving all of New Jersey, was already deeply committed to using its resources to address the affordable housing and foreclosure crises in the states. In 2012, the CDFI unveiled its ReStart program, an innovative initiative that acquires pools of underwater mortgages and provides homeowners with principal reductions and one-on-one counseling to protect them from displacement.

NJCC launched the ReStart in December of 2012 after purchasing 261 troubled mortgages through a Federal Housing Administration (FHA) auction—125 in the Newark region and 136 in the Tampa region—at a deep discount. NJCC wrote down the principals on the loans so the homeowners receive a modified, affordable mortgage that allows them to stay in their homes, and stabilizes neighborhoods. They also partnered with local counseling agencies in each market to ensure the struggling homeowners are financially prepared to maintain ownership.

Another key component of the ReStart strategy is disbursing vacant properties acquired through the program to local community developers to restore as affordable housing. By keeping homeowners in their homes and turning around properties that have already become vacant, ReStart not only creates or restores hundreds of affordable homes but stabilizes their surrounding neighborhoods, counteracting the blight and socioeconomic decline that has plagued many high-foreclosure communities.

A study of post disaster housing rebuilding done by the Department of Housing and Urban Development (HUD) suggested the agency explore ways to assist state and local governments to develop model affordable housing programs that leverage funding from the public, private, and philanthropic sectors for affordable housing development and preservation in Sandy-affected areas, as well as in other regions that could potentially be affected by future disasters.30

To that end, the success of the ReStart model inspired NJCC, and state and federal officials to use some of the same principles to aid in the rebuilding process after Hurricane Sandy. In September of 2013, the FHA allowed NJCC to directly purchase 651 underwater mortgages totaling $180 million in single-family defaulted loans in the Sandy-impacted region. This purchase launched the ReStart the Shore program, an expanded model of the ReStart program that leverages private capital with State and Federal funds to purchase distressed, single-family mortgages in nine counties significantly impacted by Hurricane Sandy. Through ReStart the Shore, NJCC works with homeowners to restructure their loans to help them remain in their homes, helping to stabilize communities facing the compounding problems of unstable housing and physical damage that resulted from the storm.

According to Wayne Meyer, President of NJCC, the organization went directly to the FHA to acquire these troubled mortgages instead of bidding on mortgage portfolios at auction, and was able to secure the portfolio by paying the agency a $6 million premium over the likely auction price. The purchased mortgages are in default and underwater with loan to value ratio greater than 100 percent, with the average outstanding loans of about $268,000 and the market value of the homes is about $186,000.31

---


The goals of the sale included:

- restructuring the loan to allow the homeowner to remain in the home;
- completing the repairs to the damaged home;
- providing the necessary homeowner counseling through the repair and/or restructure process as well as if there is a foreclosure, counseling on displacement and relocation options;
- addressing a number of abandoned homes and provide opportunities through disposition for affordable homeownership or rental housing; and
- assessing flood risks and help them take steps to militate against such risk.

NJCC was deliberate in designing a program that would work in conjunction with other sources of federal aid like the Rehabilitation, Reconstruction, Elevation and Mitigation (RREM) program administered by the state. The Rehabilitation, Reconstruction, Elevation and Mitigation (RREM) program provides grants up to $150,000 to fill the gap between the cost of repairs and other funds the owner has received to repair the structure. Under the RREM program, $600 million in federal funds was allocated to help eligible homeowners repair or rebuild their Superstorm Sandy impacted homes.

NJCC is already hard at work helping homeowners throughout the state remain in their homes, and they are using the lessons learned from the ReStart program’s initial activity to inform their ReStart the Shore efforts. Their dedication and perseverance continue to provide hope and opportunity for the residents of New Jersey as they slowly begin to rebuild and reverse the damage imposed by Superstorm Sandy.

**Sandy Gap Funding Initiative**

The Gap Funding Initiative (GFI) provides grants up to $30,000 to help homeowners cover the costs of home repairs they face as a result of Hurricane Sandy damage. GFI is a $15 million pool capitalized by contributions from the American Red Cross and the Hurricane Sandy New Jersey Relief Fund, and administered by New Jersey Community Capital.

Eligible homeowners must be approved for Rehabilitation, Reconstruction, Elevation and Mitigation (RREM) funds by the New Jersey Department of Community Affairs’ reNEW Jersey Stronger program and still have an ‘unmet need’ to cover the cost of home repairs. In spite of the RREM funding, homeowners still faced challenges covering the costs of repairs to their homes, so the GFI was created to bridge the gap for homeowners looking to rebuild.
Low Income Investment Fund: Healthy Food Access

The Low Income Investment Fund (LIIF), a San Francisco-based CDFI and OFN Member, administers the Healthy Foods, Healthy Communities Fund, a statewide $30 million fund that finances healthy food markets in underserved communities throughout New York. Many of the communities LIIF invests in were seriously affected by Superstorm Sandy, and grocery store owners and operators were among the worst hit. To support recovery efforts, LIIF committed $1 million to support immediate relief efforts to allow residents hardest hit by the storm access to food and needed services.

According to Judith Kende, Director of LIIF’s Eastern Region, these small businesses are often run by individuals or families who operate on already thin margins. With damage to their facilities, ongoing power outages and supply chain disruption, these entrepreneurs are in a particularly precarious position. In addition, LIIF specifically invests in grocery stores operating in food deserts, so the closure of these stores has a ripple effect for communities that already lack access to food.32

After the storm, LIIF’s New York staff reached out to their local network to understand the needs in the communities. As a result, LIIF provided deeply subsidized loans and grants to grocery stores and social service nonprofit clients that operate in areas of high need. These organizations can use the funds for inventory, facilities repair and working capital so they can reestablish themselves in their local communities.33
Pennsylvania is a state with a robust history of supporting Community Development Financial Institutions (CDFIs). The highly successful Pennsylvania Community Development Bank is one of the most comprehensive state programs in the country and provided flexible, patient capital directly to state certified CDFIs. The program was initially seeded with public and private capital, and was able to build the capacity of many CDFIs across the state. However, funding for the program lapsed due to changes in budgetary priorities.

In spite of the lack of funding, the infrastructure to support CDFIs remained intact, and in 2009, state Treasurer Rob McCord’s office approached CDFIs in the state to explore how the office could best support CDFIs. Senior policy members in McCord’s staff convened a meeting in Philadelphia with several CDFIs including OFN Members EntrepreneurWorks, Women’s Opportunity Resource Center, and Community First Fund for consultation in designing the specifics of the program. The state officials already had a great perspective on the needs of the small businesses throughout the state. There were challenges working with government agency, but through their experience working with CDFIs in the Community Development Bank, the agency staff understood the unique needs of the industry and attempted to develop a creative financing strategy.

The development and negotiation process took approximately a year before the program was announced and implemented, and in 2010 Pennsylvania Micro Lending Investment Initiative was launched. Under the program, the Treasury allocated $10 million to eligible CDFIs across the state to fund small businesses that promote community growth. Eligible organizations were defined as state accredited-CDFIs making loans to microenterprises and small businesses with at least three years lending history and at least $1 million in lending output for the past two years. Each CDFI applying for the program was considered for investments up to $5 million, with an interest rate of five percent or the equivalent of a five-year Treasury note plus 200 basis points, whichever is higher.

Loans made with the state’s capital from the state must be less than $100,000 and interest rates more than 18 percent to ensure loans are targeted to small and growing businesses. In addition, the Pennsylvania Department of Community and Economic Development provided the five recipient CDFIs with matching grants up to 10 percent of the loan amount for business plan development, technical assistance, and other services. CDFIs in the state say that operating support was key to lowering the cost of the state’s capital, which was priced higher than other capital sources available to the CDFIs and otherwise would have been unattractive.

The Pennsylvania Treasury Department awarded funding to five CDFIs to make microloans, including OFN Members Finanta, Community First Fund, the Progress Fund, and Bridgeway Capital. Community First Fund (CFF), a well established CDFI and OFN Member based in Lancaster, Pennsylvania, received $3 million through the program. The capital will enhance CFF’s ability to finance small businesses throughout Pennsylvania, and promises to be an effective resource in distributing capital and growing communities.
METHODOLOGY

Legislative Research
The report features only legislation that has the greatest potential impact on the opportunity finance industry. Finding relevant legislation involved a systematic search of Congressional Quarterly's Statetrack legislative tracking software, and state assembly websites for legislation that contained the term “community development financial institution.” These bills were considered “CDFI-specific”.

Not every bill containing the words CDFI is listed in the guide; bills are screened for relevance and potential impact, and legislation containing only substantive policy changes instead of making technical and conforming changes is listed. An effort was made to exclude programs that sounded incidental or very small. The demarcation line of whether or not an initiative is relevant is subjective.

For legislation discovered through assembly searches, it was usually possible to identify the status of the bill. Where the bill had stalled beyond the current assembly, we contacted the state legislature to determine if the bill was dead or if it carried over into a new session. There are a number of states that have legislative sessions lasting two years, which carry bills over into the second session. For more than half of state legislatures, 2013 was the first year in a two-year session, and some bills that remained in committee at the adjournment of the session can be taken up again in the 2014 session. For others, adjournment of the legislative session means the bill is dead and must be reintroduced in future sessions.

Caveats
Uniform resource locators (URLs) included with descriptions of legislation may not be valid beyond the current session of a state legislature. Users can likely find bills online using the bill number cited here by searching the appropriate year's database on a state legislature’s site. Inclusion of legislation in this guide does not imply endorsement by OFN. We do not analyze the impact of any bill on CDFIs or their constituents, or evaluate any other factors affecting a bill’s progress through the legislature.

Advocacy Case Studies
OFN conducted interviews with CDFI practitioners for the advocacy case studies. In addition, research, relevant documents related to legislation, media and press coverage were used to supplement the interviews. Special thanks to Tammie Hoy of the South Carolina CDFI Coalition, Joan Brodhead of Community First Fund, Wayne Meyer and Peter Grof of New Jersey Community Capital, Charles Hammerman of the Disability Opportunity Fund, and Jeffrey Seifried of Mile High Community Loan Fund for their significant input and advice. OFN also thanks Mark Esher-Hager for his extensive legislative research in support of this project.