

# S.1711

Community Economic Development Expertise Enhancement Act of 2003 (Introduced in Senate)

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October 3, 2003

Mr. CORZINE introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To increase the expertise and capacity of community-based organizations involved in economic development activities and key community development programs.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

### SECTION 1. SHORT TITLE.

This Act may be cited as the 'Community Economic Development Expertise Enhancement Act of 2003'.

### SEC. 2. FINDINGS AND PURPOSES.

(a) CONGRESSIONAL FINDINGS- Congress finds that--

- (1) there are a multitude of community economic development programs that the Federal Government successfully administers that help many of the Nation's most economically distressed areas revitalize their physical and economic structures and provide support to small and medium-sized businesses to help them grow and generate long-term jobs and economic opportunity;
- (2) there are many nonprofit, nongovernmental, community-based economic development organizations that have successfully operated community economic development programs that create jobs, build homes, and revitalize local markets;
- (3) existing Federal community economic development programs are intended to leverage private sector investment as part of an overall community development effort;
- (4) existing Federal community economic development programs connect residents of distressed neighborhoods to jobs and opportunities of the regional marketplace, thereby replacing economic distress with opportunity;
- (5) existing Federal community economic development programs provide financial assistance, including tax credits and loan guarantees, involve private investment institutions and universities, and provide technical expertise for small businesses;

- (6) existing Federal community economic development programs build upon ongoing efforts to encourage economic growth in distressed communities, helping to create new affordable housing opportunities, allowing communities to address important public safety, access to capital, infrastructure, and environmental concerns, and providing social services including affordable health care, transportation, child care, and youth development;
- (7) the continuing success of Federal community economic development programs will depend in great measure upon the ability of community-based organizations and private sector institutions to form partnerships that connect residents of distressed neighborhoods to jobs and other opportunities;
- (8) the Federal Government administers various programs that employ the services and capabilities of community-based organizations to deliver a wide range of services to residents of distressed communities;
- (9) Federal community economic development programs help achieve lasting improvement and enhance domestic prosperity by the establishment of stable and diversified local economies, sustainable development, and improved local conditions;
- (10) there is a need for greater cooperation between the Federal Government, States, and other entities to ensure that, consistent with national community economic development objectives, Federal programs are compatible with, and further the objectives of, State, regional, and local economic development plans and comprehensive economic development strategies;
- (11) while economic development is an inherently local process, the Federal Government should work in closer partnership with community-based economic development organizations to ensure that existing resources are fully utilized and all Americans have an opportunity to participate in the economic growth of the United States; and
- (12) extending technical assistance to community-based economic development organizations may be necessary or desirable to--
  - (A) alleviate economic distress;
  - (B) encourage and support public-private partnerships for the formation and improvement of economic development strategies that promote the growth of the national economy;
  - (C) stimulate modernization and technological advances in the generation and commercialization of goods and services; and
  - (D) enhance the effectiveness of United States companies in the global economy.

(b) PURPOSES- The purposes of this Act are--

- (1) to provide a new source of Federal funding to enhance the capabilities of nonprofit, nongovernmental, community-based economic development organizations, or collaborations of such organizations, to leverage private sector investment as part of an overall community development strategy;
- (2) to establish educational programs for nonprofit, nongovernmental, community-based organizations to expand their project development capabilities;
- (3) to increase the use of tax incentives to leverage private sector investment in community economic development projects;

- (4) to promote and facilitate investments in community-based economic development projects from traditional and nontraditional capital sources;
- (5) to encourage partnerships between community-based organizations that will expand and enhance the expertise of emerging nonprofit, nongovernmental organizations in utilizing private sector investment as part of their comprehensive community development strategies; and
- (6) to ensure that viable community economic development projects are successfully pursued throughout the United States in communities having a wide range of economic, geographic, and social characteristics.

### SEC. 3. DEFINITIONS.

In this Act:

- (1) **COMMUNITY-BASED ECONOMIC DEVELOPMENT ORGANIZATION-**
  - (A) **IN GENERAL-** The term `community-based economic development organization' means a nonprofit, nongovernmental organization that--
    - (i) has as its primary mission to serve, or provide investment capital for, low-income communities; and
    - (ii) maintains accountability--
      - (I) to residents of low-income communities through their representation on any governing board of the organization or on any advisory board to the organization; or
      - (II) to low-income communities by having a board primarily consisting of leaders of community-based development organizations from its region or State on its governing board.
  - (B) **TREATMENT OF COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS-** The requirements of subparagraph (A) shall be treated as met by any community development financial institution (as such term is defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702)).
- (2) **COMMUNITY ECONOMIC DEVELOPMENT PROJECT-** The term `community economic development project' means a project that involves--
  - (A) investment in business enterprises, including investments in the form of loan origination, equity investment, and monetary assistance to home buyers or to business owners for business development projects; or
  - (B) the construction or rehabilitation of facilities, including commercial or industrial facilities, homes, apartment buildings, and community parks.
- (3) **LOW-INCOME COMMUNITIES-** The term `low-income communities' shall have the meaning given to such term in section 45D of the Internal Revenue Code of 1986 (26 U.S.C. 45D).
- (4) **SECRETARY-** The term `Secretary' means the Secretary of Housing and Urban Development.

### SEC. 4. GRANTS TO INCREASE CAPACITY AND EXPERTISE OF NONPROFIT, NONGOVERNMENTAL COMMUNITY-BASED

## ORGANIZATIONS INVOLVED IN COMMUNITY ECONOMIC DEVELOPMENT ACTIVITIES.

(a) GRANT AUTHORITY- The Secretary may make grants under this section to eligible community-based economic development organizations for the purposes described in subsection (c).

### (b) ELIGIBLE COMMUNITY-BASED ECONOMIC DEVELOPMENT

ORGANIZATIONS- For purposes of this section, the term 'eligible community-based economic development organization' means a community-based economic development organization (as such term is defined under section 3), or a collaboration of such organizations (such as city or State community economic development associations), that demonstrates management capacity by meeting, as determined by the Secretary, 2 or more of the following requirements:

(1) AFFORDABLE HOUSING- Having completed construction of 10 or more dwelling units of affordable housing.

(2) FACILITIES- Having completed construction of a commercial, industrial, retail, or community facility project.

(3) PARTNERING- Partnering, or having a history of partnering, with community-based economic development organizations to provide training, education, capacity, technical assistance, or other mentoring services.

(4) SUPPORT OF EMERGING ORGANIZATIONS- Exhibiting willingness to form operational partnerships and execute contractual agreements with emerging community-based economic development organizations.

(5) OWNERSHIP OF ASSETS- Having ownership of tangible assets the value of which are equal to or exceed the value of the grant requested under this section.

### (c) USE OF FUNDS-

(1) PURPOSES- Amounts from grants under this section may be used for the following purposes:

(A) SALARIES AND ADMINISTRATIVE EXPENSES- For salaries or administrative expenses of the grantee or an emerging community-based economic development organization that is undertaking a community economic development project.

(B) TECHNICAL ASSISTANCE- To provide technical assistance to an emerging community-based economic development organization that is undertaking a community economic development project.

(C) TRAINING AND RESEARCH- Through subgrants pursuant to paragraph (2), for training, research, and technical assistance relating to community economic development, including subgrants for program evaluation and economic impact analyses.

(2) EXPENDITURE- Amounts from grants under this section may be used directly by the eligible community-based economic development organization receiving the grant or redistributed by such recipient to other nonprofit, nongovernmental entities in grants, loans, loan guarantees, payments to reduce interest on loan guarantees, or other appropriate assistance, except that a recipient may not provide any such assistance from grant amounts to a private, for-profit entity.

(d) SELECTION CRITERIA-

(1) IN GENERAL- The Secretary shall issue rules, guidelines, and procedures to provide for the selection of eligible community-based economic development organizations for grants under this section, based upon a determination of the relative effectiveness of such organizations in carrying out the purposes of this Act.

(2) FACTORS- The rules, guidelines, and procedures issued in accordance with paragraph (1) shall provide for consideration of-

(A) the number of such organizations eligible to receive assistance under existing programs other than this section;

(B) the extent to which grant amounts provided under this section will enhance the capabilities of community-based economic development organizations in underserved States and localities;

(C) the extent to which an eligible community-based economic development organization applying for a grant does not have access to other traditional local financial sources;

(D) the extent to which such an organization represents nonprofit, nongovernmental organizations that serve low-income communities; and

(E) the extent to which such an organization will implement a plan to become financially sustainable.

(e) AMOUNT- A grant under this section to a single grantee shall be in an amount that is not less than \$250,000 and does not exceed \$1,000,000.

(f) PROHIBITION OF MATCHING FUNDS REQUIREMENT- The Secretary may not require a grantee under this section to provide amounts from sources other than this section to fund the specific activities to be carried out with grant amounts under this section.

(g) ELIGIBILITY FOR COMMUNITY REINVESTMENT ACT CREDITS- In assessing and taking into account, under section 804(a) of the Community Reinvestment Act of 1977 (12 U.S.C. 2903(a), the record of any regulated financial institution, the appropriate Federal financial supervisory agency (as defined in section 803(1) of such Act (12 U.S.C. 2902(1))) may consider as a factor investments in community economic development projects of eligible community-based economic development organizations in determining whether the institution is meeting the credit needs of its community for purposes of such section 804(a).

(h) AUTHORIZATION OF APPROPRIATIONS-

(1) IN GENERAL- There are authorized to be appropriated for grants under this section \$75,000,000 for each of fiscal years 2004, 2005, and 2006.

(2) SET-ASIDE FOR TECHNICAL ASSISTANCE AND TRAINING- Of the amount made available under this Act for each fiscal year, \$10,000,000 shall be available only for technical assistance and training activities, to be conducted by national community development organizations, State community development associations, or city community development associations, which have extensive nationwide partnerships and experience in working with community-based economic development organizations, as authorized by section 4 of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note), as in effect immediately before May 1, 2000. Of the amount reserved for use under this paragraph, not less than

\$4,000,000 shall be used for the support of development organizations in rural areas.

## SEC. 5. ASSESSMENT OF COMMUNITY-BASED ECONOMIC DEVELOPMENT EXPERTISE.

### (a) CAPABILITY STUDY-

(1) IN GENERAL- The Secretary shall conduct a study to assess the capability needs of community-based economic development organizations, which shall--

(A) analyze, evaluate, and recommend processes to improve the administrative and operational capabilities of such organizations to acceptable levels of success in support of the role of the Federal Government in community economic development; and

(B) assess the extent to which Federal agencies can incorporate such organizations into the formulation of the strategic plans of funding agencies and, if the extent or quality of this type of involvement is satisfactory, can support the role of the Federal government in community economic development.

(2) REPORT- Not later than the expiration of the 6-month period beginning on the date of enactment of this Act, the Secretary shall submit a report regarding the results of the study under this paragraph (1).

(b) ANNUAL REPORTS TO CONGRESS- Not later than the first March 1 occurring after the end of each fiscal year for which amounts are made available for grants under section 4, the Secretary shall submit a report to Congress, which shall include--

(1) an evaluation of the progress made during such fiscal year to enhance the administrative and operational capabilities of community-based economic development organizations in support of the role of the Federal Government in community economic development;

(2) an assessment of the extent to which Federal agencies have, during such fiscal year, involved community-based economic development organizations in responsibilities for carrying out community economic development programs administered by the agencies and delivering services under such programs that enhance the operational capabilities of the organizations; and

(3) a plan for making recommendations for actions or measures to further involve community-based economic development organizations in the strategic operations of Federal agencies in support of community economic development.

### (c) FINAL EVALUATION-

(1) IN GENERAL- The Secretary shall select an independent entity that has experience with national community economic development activities, nonprofit community-based developers, and impact evaluation and analysis to conduct an evaluation of the impact of the grant program under section 4.

(2) TIMING OF EVALUATION- The evaluation referred to in paragraph (1) shall be conducted upon the termination of the grant program under section 4.

(3) FINAL REPORT- Not later than 6 months after the conclusion of the last fiscal year for which amounts are made available for grants under section 4, the

entity conducting the evaluation shall submit to the Secretary and Congress a final report regarding the evaluation referred to in paragraph (1).

## SEC. 6. ADVISORY COUNCIL.

(a) ESTABLISHMENT- The Secretary shall establish an advisory council to be known as the Secretary's Advisory Council on Community Economic Development (in this section referred to as the `Advisory Council').

(b) DUTIES- The Advisory Council shall make recommendations to the Secretary on carrying out this Act, including recommendations on developing plans under section 5(b)(3) and reviewing and making recommendations on such plans that have been developed.

(c) MEMBERSHIP- The Advisory Council shall consist of not less than 19 members, comprised as follows:

(1) EX OFFICIO MEMBERS- The following members shall serve as nonvoting members:

(A) The Secretary of Housing and Urban Development, or the designee of such Secretary.

(B) The Secretary of Health and Human Services, or the designee of such Secretary.

(C) The Assistant Secretary for Economic Development of the Department of Commerce, or the designee of the Assistant Secretary.

(D) The Administrator of the Community Development Financial Institutions Fund, or the designee of the Administrator.

(E) The Under Secretary of Agriculture for Rural Development, or the designee of the Under Secretary.

(2) OTHER MEMBERS- Not less than 14 members, appointed by the Secretary, who are not officers or employees of the Federal Government, shall serve as voting members as follows:

(A) Not less than 2 individuals who conduct research on community economic development activities.

(B) Not less than 2 individuals who are experts in community economic development financing.