Commonwealth of Massachusetts

Department of Housing &

Community Development

# Charles D. Baker, Governor ◆ Karyn E. Polito, Lt. Governor ◆ Chrystal Kornegay, Undersecretary



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**M.G.L. CHAPTER 40H**

**COMMUNITY DEVELOPMENT COPORATIONS**

**GUIDELINES FOR CERTIFICATION**

**I. INTRODUCTION AND PURPOSE**

These Guidelines will assist nonprofit organizations in preparing applications to the Department of Housing and Community Development (DHCD) for certification as Community Development Corporations (CDCs) as defined in M.G.L. Chapter 40H. DHCD’s Division of Community Services is responsible for administration of the CDC certification process, including review and approval of all CDC certification applications.

Massachusetts General Law chapter 40H, § 2 defines a CDC as:
*a non-profit corporation organized under chapter 180 [Charitable Corporations], and exempt from taxation under section 501(c) of the Internal Revenue Code and which:*

1. *focuses a substantial majority of the corporation’s efforts on serving one or more specific neighborhoods or municipalities, a region of the commonwealth or a constituency that is economically disadvantaged;*
2. *has as the corporation’s purpose to engage local residents and businesses to work together to undertake community development programs, projects and activities which develop and improve urban, rural and suburban communities in sustainable ways that create and expand economic opportunities for low and moderate income people;*
3. *demonstrates to the department of housing and community development that the corporation’s constituency, including low and moderate income people, is meaningfully represented on the board of directors of the corporation; provided, however, that in making this determination, the department shall consider the following criteria:*
4. *the percentage, if any, of the board that is elected by the general membership;*
5. *the percentage of the board members that are residents of the service area;*
6. *the percentage of board members that are people of low or moderate income;*
7. *the racial and ethnic composition of the board in comparison to the racial and ethnic composition of the community being served;*
8. *other mechanisms, including committees, membership meetings, that the organization uses to ensure that their constituency has a meaningful role in the governance and direction of the organization; and*
9. *other criteria as determined by the department*

Massachusetts General Law chapter 40H, § 2A(a) also directs DHCD to develop a process for certifying organizations that meet the above definition as CDCs and to establish and maintain a list of organizations that have been certified as CDCs. Organizations must be recertified at least once of every four years. As described in detail in M.G.L. c. 40, § 2A(b), DHCD also files the list and a report summarizing its activities in support of CDCs with the Massachusetts legislature annually.

**II. CDC CERTIFICATION APPLICATION**

1. **Cover Sheet**

Please attach a Cover Sheet with the following information:

1. The name of the applicant organization;
2. The name, address, telephone number, e-mail address, and fax number of the organization’s Executive Director;
3. The name, address, telephone number, e-mail address, and fax number of the contact person for the organization (if different than the Executive Director);
4. **Table of Contents and Page Numbering**

The CDC Certification Application submission must include a Table of Contents, and all pages should be numbered sequentially, including any appendices and attachments. Sections C through G should each contain a narrative, and refer to attachments.  Generally, the narratives should be short – each less than one page, for a total of approximately two to five pages.

1. **Legal Status**

Please provide documentation that the organization is a non-profit corporation organized under Chapter 180 [Charitable Corporations] and exempt from taxation under Section 501(c) of the Internal Revenue Code. This documentation, at a minimum, must include:

1. 501(c)(3) letter from the IRS
2. Most recent IRS Form 990
3. Most recent Annual Audit or Financial Review
4. Articles of Incorporation
5. **Service Area**

A certified CDC must focus a substantial majority of the corporation’s efforts on serving one or more specific neighborhoods or municipalities, a region of the Commonwealth, or constituency that is economically disadvantaged.

Please provide a description of the organization’s service area, including whether there is a primary geographic focus area and a secondary focus area. Please provide a map with the geographic boundaries of the service area (both primary and secondary, if applicable). Although the organization need not be physically located in nor serve a geographic area that is low-income/economically disadvantaged, the majority of the people that it serves must be low- and/or moderate-income. Please provide demographic information that demonstrates that the population served by the organization is economically disadvantaged.

If the organization does not have a service area that is place-based, but rather serves a particular constituency, please provide a description of that constituency, demographic information for that population that demonstrates that the constituency is economically disadvantaged, and explain how the organization ensures that a majority of its efforts are targeted to that constituency.

1. **Purpose of the Organization**

A CDC must have as its purpose to engage local residents and businesses to work together to undertake community development programs, projects and activities that develop and improve urban, rural and suburban communities in sustainable ways. These community development programs, projects and activities must create and expand economic opportunities for low- and moderate-income people. For the purposes of these guidelines, low- and moderate-income people are defined as people whose income is at or below 80% of the Area Median Income as defined by HUD at 24 C.F.R. 5.609, adjusted for household size.

1. Please provide information that demonstrates the organization’s engagement of local residents and businesses. Information must demonstrate that these residents and businesses actively participate in the work of the organization. This could include, but is not limited to, information about partnerships, collaborations and coalitions in which the organization participates, information about the organization’s approach to strategic planning, information about how the organization has conducted needs assessments and evaluations, and information about how the organization’s board and committees are structured and utilized.
2. Please provide information that demonstrates that the organization has undertaken an assessment of the priority needs of its service area or defined constituency and explain how the organization is responding to those priority needs. DHCD expects a certified CDC to understand the needs of its service area or defined constituency and to undertake community development programs that respond to the identified needs. This information could include the organization’s current strategic plan, a neighborhood plan, or less formal assessments conducted by the organization and/or other entities.
3. Please provide information, about the organization’s community development programs and activities and how these programs and activities expand economic opportunities for low- and moderate-income persons. Please demonstrate how these programs and activities specifically benefit low- and moderate-income populations. This information should include the organization’s recent submission to the Massachusetts Association of Community Development Corporation’s (MACDC) Growing Opportunities, Assets and Leaders (GOALs) survey, or its equivalent. Examples of community development programs include:
* Physical development, including affordable housing and commercial real estate development and preservation;
* Community planning pertaining to physical and economic development;
* Economic development, including business assistance and development;
* Asset development programs to build the economic capacity, mobility and stability of low-income persons (e.g., homeownership assistance, financial education, foreclosure prevention, Individual Development Accounts (IDAs) and savings programs, job training and creation programs).

An organization may operate programs other than those listed above; however, the *primary* focus must be community development. If the organization provides other services and programs that complement the community development programs and services, please provide information about these programs. An organization that has as its primary mission activities other than community development (e.g., providing medical care, arts and cultural programming, sports programs, or k-12 education) will not be certified as a CDC even if they also perform some community development activities.

1. **Constituency Representation on the Board of Directors**

The organization must demonstrate that its constituency has meaningful representation on its Board of Directors and has a meaningful role its governance and direction. To assist DHCD in making this determination, please provide the following information:

1. By-laws;
2. List of Board members with identifying information (low- or moderate-income (LMI) status, race/ethnicity, address, number of meetings attended within the past year);
3. Number and Percentage, if any, of the Board members that are elected by the general membership of the organization;
4. Organizations that elect 100% of their Board will be deemed to have met the “meaningful representation” requirement unless there is evidence to the contrary (e.g., failure to demonstrate representation of low- and moderate-income persons or racial and ethnic representation that is not representative of the service area.)
5. Number and Percentage of the Board members that are constituents of the organization – DHCD expects that a minimum of 60% of the Board members be constituents (determined by income, race/ethnicity, or residency):
6. Number and percentage of the Board members that are residents of the service area or defined constituency.
7. Number and percentage of the Board members that are low- or moderate-income persons.
8. This may include persons who reside in affordable housing as defined in M.G.L. c. 40H, § 2, who reside in low- or moderate-income neighborhoods, and persons who are appointed or elected as representatives of low-income organizations. Board members may self-certify as low-or moderate-income; organizations need not verify income of Board members.
9. Information that demonstrates that the racial and ethnic composition of the Board is reflective of the racial and ethnic composition of the service area or community being served. Please use U.S. Census data or other independently verifiable data and statistics.
10. Information related to Board committees, Board meeting schedule, attendance requirements and actual attendance at Board meetings, membership meetings (if applicable), or other mechanisms that ensure that the organization’s constituency is actively involved its governance, including, but not limited to, committees, membership meetings and other such mechanisms
11. **Other Considerations**
12. An organization that has been previously certified and maintains certification as a Certified Housing Development Organizations (CHDO) will meet the CDC certification requirements for meaningful representation of its constituency on the Board of Directors. If the organization is seeking certification based on CHDO certification, please submit evidence of CHDO certification.

Please note that a CHDO must still demonstrate that it has as its purpose to engage local residents and businesses to work together to undertake community development programs, projects and activities that develop and improve urban, rural and suburban communities in sustainable ways, as described in Section E, Purpose of the Organization.

1. An organization seeking certification as a Community Development Corporation (CDC) must have a demonstrated capacity to provide effective community development programs, projects and activities in the service area. This capacity must be demonstrated by submission of the following:
2. Resumes and/or statements that describe the experience of key staff members who implemented/completed community development programs, projects or activities;
3. Evidence, including MACDC GOALs submissions, demonstrating that the organization has at least two years, within the last five years, of experience in successfully administering community development programs, projects or activities. This may include affordable housing development, economic development, business assistance, asset development programs, and other relevant community economic development programs.
4. List of all local, state and federal funding received and applied for in the past two years for community development programs, projects or activities that expand economic opportunities for low- and moderate-income persons and that respond to identified priority needs of the organization’s service area.
5. **Notes about the Process**
6. Applications for certification may be submitted on a rolling basis throughout the year. DHCD will generally review and certify organizations within 60 days of receipt of a complete application. DHCD may request additional information from organizations to supplement applications or to facilitate review of applications.
7. An organization that is certified as a CDC will maintain that status for four years. However, DHCD may grant certification for a period of less than the four years in certain circumstances (e.g., DHCD may grant provisional certifications for organizations less than three years old or to organizations that only minimally meet the above described requirements, or under other circumstances as they may arise).

If, during the period of certification, the legal status or other circumstances of the CDC change significantly or if it fails to comply with annual submission requirements, DHCD may revoke certification.  Prior to revocation, DHCD will provide 60 days written notice and opportunity to submit a revised CDC Certification Application.

1. A certified CDC must submit Board membership lists annually to ensure that constituents maintain meaningful representation in the governance and direction of the CDC.
2. Please note that the certification process is non-competitive. Each application will be evaluated on its own merits and there is no limit as to the number of groups that can be certified in a particular community or region or in the state.
3. CDC Certification Applications should be submitted to:

Attn: Community Development Unit

DHCD

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