

HOUSE No. 5615

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES, May 5, 1986.

The committee on Housing and Urban Development, to whom was referred the petition (accompanied by bill, House, No. 4140) of Raymond A. Jordan, Jr., and other members of the General Court relative to increasing the amount of corporation shares the Commonwealth may own of the Massachusetts Community Development Finance Corporation, reports recommending that the accompanying bill (House, No. 5615) ought to pass [Cost: \$15,000,000.00].

For the committee,

KEVIN W. FITZGERALD.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Six.

AN ACT TO INCREASE THE AMOUNT OF CORPORATION SHARES THE COMMONWEALTH MAY OWN OF THE MASSACHUSETTS COMMUNITY DEVELOPMENT FINANCE CORPORATION.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Amends Chapter 866 of the Acts of 1975 by
2 inserting after the final sentence the following: —

3 The findings and declarations contained in section one of
4 chapter one of chapter eight hundred and sixty-six of the acts of
5 nineteen hundred and seventy-five are hereby renewed and
6 repeated as if made herein, and it is hereby further found and
7 declared that there are abandoned properties, including
8 abandoned housing, in areas of the commonwealth which threaten
9 the welfare of the residents of those areas and that the Community
10 Development Finance Corporation can be of assistance in
11 returning such abandoned properties to active and beneficial use,
12 that there are minority-owned contractors in certain areas of the
13 commonwealth that are unable to obtain performance bonds
14 required in the awarding of contracts and that the aforesaid
15 Corporation can be of beneficial assistance to such contractors
16 in the provision of partial guaranties of performance bonds and
17 that there are certain areas of the commonwealth where eligible
18 community development corporations do not exist and are
19 unlikely to be created and that the aforesaid Corporation,
20 therefore, should be empowered to work through public entities
21 in such areas to accomplish the purposes of said Corporation.

1 SECTION 2. The first paragraph of definitions in section one
2 of chapter forty F of the General Laws, as inserted by section two
3 of chapter eight hundred and sixty-six of the acts of nineteen
4 hundred and seventy-five, is hereby amended by striking out the

5 word "investments" and inserting in place thereof the word: —
6 instruments.

1 SECTION 3. Said section one is hereby further amended by
2 adding the following definition: —

3 "Municipal agency", a board, commission, agency, authority
4 or instrumentality of a city designated by the mayor, or in a city
5 with a Plan D or Plan E charter by the city manager, or of a town
6 designated by the board of selectmen to act pursuant to section
7 four A.

1 SECTION 4. Section three of chapter forty F of the General
2 Laws, as inserted by section two of chapter eight hundred and
3 sixty-six of the acts of nineteen hundred and seventy-five, is hereby
4 amended by striking out paragraph (i) and inserting in place
5 thereof the following paragraph: —

6 (i) Borrow money by the issuance of debt obligations whether
7 tax-exempt or taxable and secure such obligations by the pledge
8 of its revenues or of the revenues, mortgages and notes of others,
9 provided that in no case shall the total indebtedness of the CDFC
10 outstanding exceed thirty million dollars.

1 SECTION 5. Section four of said chapter forty F, as amended
2 by chapter five hundred and twenty-two of the acts of nineteen
3 hundred and seventy-seven, is hereby further amended by striking
4 out the second sentence of the second paragraph and inserting in
5 place thereof the following sentence: — These shares shall not
6 be transferable.

1 SECTION 6. Said section four is hereby further amended by
2 striking out the third paragraph thereof.

1 SECTION 7. Said chapter forty F is hereby further amended
2 by inserting after section four thereof the following new
3 section: —

4 Section 4A. The state treasurer acting on behalf of the
5 commonwealth shall enter into an agreement with the
6 Corporation providing that the commonwealth shall purchase

7 shares of the Corporation in the amount of one million dollars
8 per fiscal year of the commonwealth for a period of ten such years;
9 in return for said investment the commonwealth shall receive one
10 hundred thousand shares, designated Class A shares, of stock in
11 the Corporation per year upon each such purchase for a total of
12 one million Class A shares by the end of the tenth year. The state
13 treasurer acting on behalf of the commonwealth shall enter into
14 an agreement with the Corporation providing that the
15 commonwealth shall purchase shares of the Corporation in the
16 amount of one million dollars per fiscal year of the commonwealth
17 for a period of five such years; in return for said investment the
18 commonwealth shall receive one hundred thousand shares,
19 designated Class B shares, of stock in the corporation per year
20 upon each such purchase for a total of five hundred thousand
21 Class B shares by the end of the fifth year. All such shares shall
22 be nontransferable. These shares, together with the shares
23 purchased by the state treasurer pursuant to section four, shall
24 constitute the entire issues of stock of the Corporation.

25 The stock purchase agreements described above shall provide
26 for purchase of stock at such time during each such year and upon
27 such terms and under such conditions as the Corporation may
28 stipulate. The Corporation may pledge such agreements and the
29 rights of the Corporation to receive amounts thereunder as
30 security for the payment of debt obligations issued by the
31 Corporation. Each such agreement shall constitute a general
32 obligation of the commonwealth for which the faith and credit
33 of the commonwealth shall be pledged for the benefit of the
34 Corporation and of the holders of any debt obligations of the
35 Corporation which may be secured by a pledge of such agreement
36 or of amounts to be received by the Corporation under such
37 agreement.

38 Amounts received by the Corporation under the stock purchase
39 agreement relating to Class A shares of stock may be used (i) to
40 purchase capital participation instruments from community
41 development corporations in return for an investment in a specific
42 project as described in section four, (ii) as security for the payment
43 of debt obligations issued by the Corporation to finance the
44 purchase of capital participation instruments as aforesaid, (iii) to

45 pay the normal business expenses of the Corporation or (iv) for
46 any combination of the foregoing.

47 Amounts received by the Corporation under the stock purchase
48 agreement relating to Class B shares of stock may be used (i) to
49 purchase capital participation instruments from municipal
50 agencies in return for an investment in a specific project as
51 described in section four, with the references to community
52 development corporations in said section four construed to refer
53 to municipal agencies, provided that the Corporation makes the
54 additional findings described in the next sentence of this
55 paragraph, (ii) to purchase capital participation instruments from
56 community development corporations in return for an investment
57 in a specific project related to the full or partial guaranty of
58 performance bonds for minority-owned contractors under the
59 conditions described in section four, (iii) as security for the
60 payment of debt obligations issued by the Corporation to finance
61 the purchase of capital participation instruments as aforesaid, (iv)
62 to pay the normal business expenses of the Corporation or (v)
63 for any combination of the foregoing. The Corporation shall
64 expend amounts pursuant to clause (i) of the preceding sentence
65 only upon a finding that there is no community development
66 corporation eligible to undertake the project and that it is unlikely
67 that an eligible community development corporation will be
68 organized to do so and that the project is not primarily intended
69 to develop or repair the infrastructure of the city or town in which
70 the applicant municipal agency exists or otherwise to defray
71 ordinary operating expenses of the government of such city or
72 town. Municipal agencies designated as described in the definition
73 of such term in section one of this chapter shall, upon such
74 designation for a particular project, have all of the powers of a
75 community development corporation for the purposes of such
76 project.

