



**TESTIMONY OF
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**Before the Financial Oversight & Management Board of Puerto Rico
“The Third Sector and the Economy”**

**Friday, March 31, 2017, 11:45 a.m.
Room 209, Dr. Pedro Roselló Puerto Rico Convention Center**

Good morning. My name is Nelson I. Colón Tarrats. I am the president of the Puerto Rico Community Foundation (PRCF) and also the Chairman of the Board of Hispanics in Philanthropy (HIP).

I will start by recognizing Chairman Carrión and other board members interest in the role of the Third Sector in actively participating in the island’s economic development. Much too often this sector is overlooked in economic development discussions, yet Third Sector organizations primarily serve those who live below the poverty level (approximately 45%). PRCF can attest that non-profit organizations (NPO’s) can play a pivotal role in activating the non-participant group in the labor market. I would also like to recognize my colleagues from the Third Sector that are part of this panel.

For more than thirty years PRCF has been collaborating with the communities in Puerto Rico in areas such as community economic development, community housing development, education and arts, among many other areas. Our collaboration with communities have yielded impressive results demonstrated by the 500 enterprises; 1,200 jobs created or retained, and 6,000 affordable housing units built by community development organizations over the last 15 years. Today’s presentation focuses on a series of recommendations based on our 32 years of collaboration as a philanthropic institution that seeks to build community equity among the most vulnerable.

These recommendations address both the federal government and the government of Puerto Rico.

Federal Government:

1. There is a dire need of providing affordable housing to the most vulnerable populations in the island. These are scarce and the financing opportunities to acquire one of the

most valuable assets of a family are unreachable to many. We propose to declare the entire island of Puerto Rico a Revitalization Area under provisions of the National Housing Act. This will allow for HUD owned single family properties located in Revitalization Areas eligible for discounted sale through special programs. For example, under the Good Neighbor Next Door Program, the property needs to be located in a Revitalization Area. Under this program, HUD offers certain single family properties for sale to police officers, teachers, fire fighters, emergency medical technicians, among other public service employees a 50% discount of their sales price.

2. Expanding opportunities for Community Development Financial Institutions (CDFI's). These are community based organizations that provide financing capital and technical assistance, thus empowering individuals to pursue their enterprises while stimulating job creation. There are currently six certified CDFI's by the US Government. We recommend for CDFI's in Puerto Rico to be able to obtain, in a non-competitive basis, financial support from the Department of Treasury with a minimum or no-dollar match agreement. This will put economic revitalization on the hands of the community.
3. Savings is not one of our strongest cultural traits, in a period such as the one we are going through, we propose to promote instruments such as Individual Development Accounts (IDA). According to the Office of the Comptroller of the Currency, IDA's are matched savings accounts that enable low-income and low-wealth individuals to save for specific goals within a defined time-frame. The most common goals for savings are: homeownership, small business ownership and post-secondary education.

Local Government

1. Locally we propose to earmark a pool of funds under Law 52 to provide operational capital to community economic development organizations that focus on incubation and acceleration of enterprises in the community. An outreach program to communicate its availability and requirements could be worked together with other non-profits.
2. Now that local government is delving into a local tax reform, we propose a Community Social Responsibility Bill that requires, all types of corporations, to make a minimum contribution of half a cent for every dollar of profit they make on the island to support community economic development non-profit organizations. For enterprises doing business with the government of Puerto Rico, the tax will be mandatory. As an incentive for these corporations, they should be able to obtain a tax deduction from these contributions.
3. To continue to stimulate local social investment we propose a 100% tax deduction of the interests paid by local impact investments. With a taxable benefit, the investors would be more willing to increase their investment. This could propel other types of funds of this nature and continue to nurture Public Community Paternships for the benefit of the community.

All of the aforementioned proposals can facilitate a structure called *Community Enterprise and Jobs Generation Program* (GeCom – Generación de empresas y empleos comunitarios). This is an innovative program that will facilitate and monitor job creation from the community base. PRCF is willing to convene, at least 24 non-profit organizations to activate the economic activity in their communities and will be the engine to stimulate (i) entrepreneurship; (ii) provide financing and; (iii) personal support.

(i) Entrepreneurship – The 24 convened non-profits will provide educational seminars on entrepreneurship and the different models of social enterprises, such as cooperatives and corporations owned by workers. That is, entrepreneurship driven from the very base of the community.

(ii) Provide financing - The credit parameters of traditional banks are becoming more stringent. The FIC (Fondo de Inversión Comunitaria) is an instrument already in place, seeded by PRCF and Fundación Ángel Ramos, Banco Popular and First Bank. With a current capital base of a little over \$1 million allows a credit experience for non-profit organizations, provides access to capital, and stimulates economic activity.

(iii) Personal support - Under the GeCom, community resources will be activated by creating a network of non-profit organizations that provide services to the unemployed, women heads of household, people with legal or financial situations, or indigent medical people, among others. The personal counseling will be directed at the following areas of support: psycho-emotional, legal, housing, personal finance and health services.

This part of the strategy arises from the need for basic services and instances that if not addressed, are elements that do not contribute to people being encouraged to take greater risk. It is recognized that if basic needs are met that result in a better quality of life, people will be more willing to establish their business or self-employment. It is a support platform to generate or strengthen family economic security.

A blueprint for action

To address the critical issue of access to federal funds by community based non-profit organizations, PRCF proposes the convening of a joint commission between Third Sector leaders, departments of federal government with offices in Puerto Rico (HUD, Rural Development, National Service Commission and Health and Human Services). The Commission will develop a blue print for action to reach three goals:

1. Identify federal funding sources to support community economic development
2. Design a simplified process to access these funds
3. Develop a regional approach for community based economy

The core message of this presentation is about communicating the extraordinary potential of community based organizations in stimulating and strengthening Puerto Rico's community based economy.

"The ultimate measure of a man, is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversies."

MLK