



To: House-Senate Conference Committee on An Act Enabling Partnerships for Growth
Fr: Joe Kriesberg and David Bryant, MACDC
Re: MACDC Recommendations for reconciling the House and Senate versions of this legislation
July 30, 2020

MACDC is very pleased to see the Massachusetts Legislature making substantial progress toward enacting legislation that would support small businesses, promote affordable and equitable housing development, and protect tenants across the Commonwealth. Both the House and Senate versions of this legislation include many program and policy initiatives that we strongly support. We offer this memo to provide our recommendations for how to reconcile some of the differences between the two bills, with a focus on the programs related to small business relief and recovery.

Small Business Development

Both branches have recognized the serious challenges facing our small business community in the wake of the COVID-19 pandemic and economic crisis. There is overwhelming evidence that this crisis, which affects virtually every business in the Commonwealth, is having a disproportionate impact on businesses owned by people of color, immigrants, women, and low- or moderate-income workers and consumers. We also know that the smallest enterprises – those with fewer than 20, or even 5 employees, are both the most fragile and the least likely to have had access to federal Paycheck Protection Program (PPP) loans. We must focus our efforts and resources accordingly to avoid deepening the fissures of racial and economic inequality in our state.

We are firmly convinced, based on serving and surveying hundreds of businesses across the state, that state resources are needed immediately to assist small & micro businesses to replace lost revenues, to make their businesses safe and assess and respond to a fundamentally changed market, and to invest in their businesses and their employees to build the capacity needed to survive this crisis. While we are proud of our work helping small and micro businesses access PPP, the federal Program has left unfulfilled the needs of thousands of businesses (see [survey results](#) from MassInc), and more flexible state grants are urgently needed.

We appreciate the significant capital authorizations included in both bills for programs to meet these needs. The House has authorized a total of \$80 million and the Senate a total of \$75 million, and we would certainly encourage you to authorize the maximum amount possible. Each chamber proposed three separate programs to meet different needs, with both House and Senate recommending \$35 million for CDFIs and CDCs to make loans to small businesses (7002-8001). We strongly support the CDFI program and ask that it be included in the final conference agreement, ideally with added language to ensure that CDFIs have the flexibility to combine loans with grants to best meet the needs of their small business customers.

In addition to the CDFI program, the House proposed a \$15 million matching grant program (7002-8028) for capital expenses and a \$30 million forgivable loan program (7002-8035) to be used for a variety of expenses, including payroll. The Senate proposed a \$20 million small business grant program for capital expenses (7002-8028) and a \$20 million grant program for restaurants (7002-

8034), which allows funds to be used for both capital and operating expenses. All these programs, other than the restaurant grant program, have language targeting the dollars to low- and moderate-income businesses and minority-owned businesses and other underserved entrepreneurs.

There are good things about each of these four program models. In reconciling them, we ask that you adopt the following principles:

1. **Provide grants instead of loans** because the businesses that we need to reach simply cannot take on more debt, and those that can have other options from the federal government or CDFIs or banks. We have found that even forgivable loans are problematic because business owners are reluctant to apply because they are uncertain of the terms and afraid that ultimately the loans won't be forgiven. Such a program would also be much more expensive and time-consuming to administer. Finally, the SBA continues to offer PPP loans and we should use these federal funds for this purpose rather than state resources.
2. **Offer maximum flexibility** in the use of the funds so that each business owner can decide how to allocate resources in the most effective way to save his or her business from closing and to adjust to the new realities. Some of the proposed programs allow funds to be used for payroll and operating expenses while others are restricted to capital outlays – we urge flexibility. The Senate restaurant program and the House forgivable loan program offer good examples of this flexibility.
3. **Target resources to help close the racial wealth gap** by including clear and strong language in every program to ensure that resources flow to minority- and immigrant-owned businesses as well as women-owned and veteran-owned businesses as well as those owned by low- and moderate-income people. Both House programs and the Senate's small business grant program offer good targeting language; however, the Senate restaurant program does not have any such language.

Finally, while we strongly support the foregoing relief proposals, a critical element is missing and unfunded: support for technical assistance. None of these programs can succeed without a high-functioning network of community-based business support organizations partnering with state government to conduct outreach and assistance. Thankfully, we have such a network and many of them have been funded by Massachusetts Growth Capital Corporation through the Small Business Technical Assistance Program. However, due to the understandable delays in the state budget, these groups are no longer receiving state support. We risk weakening this network now when we most need them ready for action.

Business owners need support to make their businesses safe, convert to new ways of operating, grow their digital capacity, rebuild demand, and pivot their strategic direction. Expecting the smallest businesses, and those most affected by the pandemic, to do this without professional support is unrealistic. Expecting nonprofit organizations to provide such support at the scale needed without substantial additional funding is also unrealistic. We urge you to allocate resources for this purpose, either in this bill, through MGCC's Small Business Technical Assistance program, or otherwise.

Other provisions of interest to MACDC

There are several programs included in both the House and Senate bills that we strongly support, including but not limited to:

- \$40 million to support neighborhood stabilization by revitalizing underutilized properties into active commercial space, housing, green or civic space;
- \$10 million to a new Rural and Small-Town Development Fund;
- \$10 million for Sustainable and Climate Resilient Multifamily Affordable Housing;
- \$5 million for MA Broadband Incentive Fund; and
- Housing Choices zoning reforms.

There are also several MACDC priorities that are included in one branch or the other that we would ask you to include in the final bill:

- Increase the state housing tax credit from \$20 Million to \$40 Million annually;
- Provide tenants with an opportunity to purchase their property when it goes up for sale (Tenant Opportunity to Purchase);
- Provide new protections for tenants facing eviction by requiring landlords to engage in good faith mediation before evicting a tenant impacted by COVID-19;
- Adopt the Homes Act which protects minors from being named as defendants in eviction cases, allows all no-fault evictions records to be sealed and prevents sealed eviction records from being reported to crediting agencies;
- Provide a mechanism for public housing tenants to serve on the boards of Local Housing Authorities consistent with the public housing reform program adopted by the Legislature several years ago;
- Create an Office of Rural Policy;
- Reauthorize and provide \$4 million for the MA Food Trust Program;
- Increase the Housing Development Incentive Program from \$10 Million to \$30 Million annually; and
- Provide \$10 million for regional and community assistance planning grants.

Massachusetts faces the most severe economic and housing challenges since the Great Depression. The COVID-19 pandemic has devastated workers, families, businesses, and communities across the Commonwealth. This economic development legislation offers an opportunity to begin to address these needs. We urge the Conference Committee to quickly put forward the strongest and most robust bill possible to meet the challenges of this moment.