May 27, 2020

Rep. Aaron Michlewitz  
Chair, House Committee on Ways & Means

Sen. Michael Rodrigues  
Chair, Senate Committee on Ways & Means  
Massachusetts State House  
Boston, MA 02133

Dear Chairman Michlewitz and Chairman Rodrigues:

The COVID-19 Pandemic continues to impact every person and community across the state, our country, and most of the world. We recognize that the scale of this crisis will require a significant investment of resources and fiscal inventiveness that might seem unimaginable; the communities we serve are depending on you and us to marshal the resources and policies to mitigate the economic crisis even as we continue to meet the public health threat.

As you, your legislative colleagues, and your advisors hone in on the emergency needs to address in the supplemental budget, the FY 2021 budget, and the programs and policies to address in future economic development and relief/recovery legislation, we believe it is urgent to target several important small business, economic development, and housing-related priorities to address the imminent relief and recovery needs of families and businesses:

- $10 million in supplemental funding to boost the existing Small Business Technical Assistance (SBTA) Program (line item 7002-0040), including $5 million through the emergency supplemental budget and $5 million through FY 2021, to ensure that this outstanding network of CDCs, CDFIs, and other community-based groups continue to help small businesses grow and thrive in every community. Last year, the Massachusetts Growth Capital Corporation (MGCC) announced the award of grants to 47 community-based organizations to provide customized management and operational assistance, financial training, and lending services to small businesses, particularly those serving low- to moderate-income communities. The SBTA program has had longstanding success, and in the wake of COVID-19 we believe an additional allocation of revenue is warranted to sustain and support local entrepreneurs, who have been building businesses and bringing opportunities to their neighborhoods and towns. This funding will help the commonwealth leverage more federal resources through additional PPP loans and other federal small business relief efforts.
• $30 million for a grant program to support micro-businesses and low- to moderate-income entrepreneurs affected by the COVID-19 Pandemic. (A similar program was proposed in Governor Baker’s economic development proposal filed in March.)

• $50 million to expand the Residential Assistance for Families in Transition (RAFT) program. In a recent report from Metro Housing Boston, the agency reported receiving 2,179 pre-applications for Program assistance in the eight weeks following the Governor’s emergency declaration – more than the 1,719 households supported in all of FY 2019. We also support extending the Program eligibility up to 80% Area Median Income (AMI), while ensuring the program provides targeted assistance to extremely low-income households, and further expanding the upstream pilot program to allow up to four months of rent or mortgage arrearage payments to improve access to the program.

• Expand funding for Homeownership Education and Foreclosure Prevention Counseling. We were pleased the Legislature in FY 2020 provided $2.805 million Chapter 206 funding from the MA Division of Banks (DOB) (line item 7006-0011) to enable nonprofit counseling agencies to provide homebuyer education and foreclosure-prevention counseling. Although the FY 2020 state budget increased the Division’s allocation by $800,000, DOB earlier announced level funding ($1.5 million) to community organizations to support this essential counseling. We ask the legislature to provide $800,000 to the Program in an emergency supplemental budget and $3.5 million in FY 2021, to ensure that homeowners have professional support, to navigate the various programs and initiatives being implemented to prevent foreclosures during the pandemic and in its aftermath. Chapter 206 awards provide essential assistance for the creation and preservation of sustainable homeownership in the Commonwealth. This funding is possible through administrative fees associated with the licensure of loan originators, according to Chapter 255F of the Massachusetts General Laws, under which DOB may use retained revenue to fund this program. Grants are awarded through a competitive application process under criteria determined by DOB, and we remain grateful for your continued support for this program.

• Incorporate Neighborhood Stabilization Initiative (NSI) into proposed economic development, relief/recovery legislation. As the economic crisis continues to unfold, we expect that renters, homeowners, property owners, and neighborhoods will start to experience a decline in housing quality and the potential for an increase in blight and vacancy. This will be true especially in neighborhoods that were already struggling before the Pandemic. MACDC continues to advocate for An Act Relative to Neighborhood Stabilization and Economic Development (S.1627) and was pleased that the Legislature in FY 2020 provided an initial $750,000 (line item 7002-1502) through the Transformative Development Fund for a neighborhood stabilization initiative to assist local governments and their nonprofit partners to implement strategic neighborhood-revitalization initiatives. MassDevelopment, MassHousing, and DHCD – in consultation with MACDC and MassInc. – have begun the process of developing a
Neighborhood Stabilization Technical Assistance Hub and Fellows Network to provide to communities specialized “start-up” support in rental licensing, inspection, and code enforcement, as well as in receivership and other rehab strategies. This is the first stage in addressing a major challenge in many Gateway Cities, rural areas, and smaller cities with weak housing markets. S.1627 will empower cities, towns, CDCs, and other stakeholders to restore vacant properties to productive use, rehab occupied properties that need repairs, and stabilize neighborhoods for the long term. This was a priority long before COVID-19, and we believe it will provide important strategies to help many of our communities effectively recover and rebuild.

In FY2021, an appropriation of $750,000 would further the capacity-building program launched by MassHousing and MassDevelopment through the technical assistance “Hub” and fellows’ network. We believe this TA network and subsequent legislation will advance a host of policy goals, including improved community health, enhanced public safety, and a higher quality of life for LMI residents, in part, through new homeownership opportunities. Such a program would simultaneously improve property values and provide a resurgent tax base for many municipalities.

MACDC represents all 60 state-certified CDCs in Massachusetts as well as 26 other nonprofit organizations that share our mission of expanding economic opportunity across the Commonwealth. Members have long been engaged in addressing the need for affordable housing and small business technical assistance in communities across the state, and we are particularly focused on those small businesses that are most vulnerable during this economic crisis, including those from historically underserved communities, including African American, Latinx, Asian, people of color, immigrant, and women. We also see significant challenges for businesses found in rural towns, Gateway Cities, and other low-income communities.

While the Federal CARES Act is providing significant assistance to our state, for many businesses the complexity of and uncertainty relating to implementation of select relief programs mean it could be too little too late. For others, the prospect of more debt, even potentially forgivable debt, is something they cannot or should not incur. Still others are unaware of the federal resources or simply ineligible. And, most troubling, the federal programs do not work well for businesses that have been completely closed, i.e. those with the greatest need. Rather, the programs mostly benefit companies with modest reductions in revenue and/or the ability to retain their workers in productive roles. Finally, many of our members are concerned that the program is perpetuating and potentially aggravating racial inequities in access to capital and wealth.

In summary:

- Small businesses are hurting, and the pain is going to last for many more months if not years.
- Federal assistance has been important, but it is not reaching everyone – especially micro enterprises and minority-owned businesses.
• Massachusetts needs a comprehensive strategy that includes technical assistance, grants, and low-cost, long-term loans.
• Grants are essential to cover fixed costs like rent, insurance, debt service, etc. and to buy the necessary equipment, materials and inventory needed to reopen.
• We urge the legislature to move quickly before we start to see many small businesses close their doors for good.

The important initiatives we have outlined above are proven and have helped families and businesses to succeed. Most urgently, MACDC ask the legislature to include immediate emergency funding for the SBTA and RAFT programs in the FY 20 supplemental budget now pending legislative consideration, with the express intent that these resources should be deployed this summer when the need for these programs will be surging.

We are grateful for your prior support for many of these programs, and we believe that a few, select investments woven together will allow us to realize our shared community economic development goals and will be quite transformative as our members work to help prepare families and small businesses to meet economic challenges in every corner of the commonwealth. We are committed to working with the Legislature and the Administration to secure funding for these vital programs, and, as always, we look forward to our continuing collaboration and productive partnership to transcend the many obstacles we all must confront post-COVID-19.

Sincerely,

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