



Testimony on American Rescue Plan Act (ARPA) Funding

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**to the Joint Committee on Ways and Means and the House Committee on Federal Stimulus
and Census Oversight**

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My name is Joseph Kriesberg, and on behalf of the Massachusetts Association of Community Development Corporations, I want to thank the Committee and the Legislative Leadership for providing an opportunity for members of the public to participate in the process of allocating funding made available through the American Rescue Plan Act. The roughly \$5 billion made available through ARPA represents an exciting opportunity to invest in a range of areas that will make the Commonwealth more equitable, sustainable, and prosperous.

As community development organizations dedicated to creating healthy and thriving communities, we recognize that the Legislature and the Governor need to balance investments across a range of uses and we support a comprehensive approach that looks at housing, economic development, public health, climate change, education, transportation and more, with a clear focus on advancing racial equity in all these realms.

With that said, we are focusing our testimony in two areas where MACDC and its members are most involved and most knowledgeable: housing and economic development. As many others have said, we cannot recover from the pandemic – never mind achieve a more equitable future – without affordable homes and good jobs.

MACDC supports Governor Baker's request for \$500 million to expand homeownership opportunities and close the racial homeownership gap.

As Secretary Mike Kennealy testified on July 27th, the Administration is proposing \$500 million for investments in homeownership with:

- \$300 million to support expanded homeownership opportunities focused on first-time homebuyers with down payment assistance, mortgage interest rate subsidies, and mortgage insurance assistance.
- \$200 million to support housing production to help communities of color build wealth by promoting homeownership among residents of disproportionately impacted municipalities.

These investments are necessary because Massachusetts has one of the largest racial homeownership gaps in the country, with a white household almost twice as likely to own a home as a household of color. For years, MACDC has advocated for the state to make more significant investments in affordable homeownership, and we are thrilled to see growing momentum to do just that. We can make a meaningful impact in addressing the disparities through a combination of mortgage interest subsidies and down payment assistance along with the construction of new, income-restricted affordable homeownership opportunities. Simply put, we need both a supply-side and demand-side approach to tackle this issue. We also believe the state should target these resources to those whose families have been historically shut out from homeownership opportunities by prioritizing “first-generation” homeowners.

MACDC supports Governor Baker’s request for \$500 million to expand the production of new rental housing opportunities.

Governor Baker has proposed investing \$500 million in the production of new rental housing in two categories:

- \$200 million to fund rental housing production and provide increasing housing options to workers and residents of disproportionately impacted municipalities; and
- \$300 million to support statewide production of senior and veteran housing, including supportive services

As the Secretary noted, currently the Department of Housing and Community Development (DHCD) can provide funding for between 2,200 and 2,500 affordable rental homes per year. With the shortage of affordable rental housing (the National Low Income Housing Coalition estimates that 60% of extremely low-income households pay more than half of their income for rent), we need to create, and preserve, more affordable units. Massachusetts is fortunate to have a strong and diverse affordable housing development eco-system which has the capacity to produce many more projects than we can currently fund. These additional dollars will allow us to move more projects through the system more quickly and enable thousands of people to find stable, safe, affordable housing.

We support the Governor’s proposal but recommend that the Legislature amend the second of these two program areas to broaden the eligible populations for supportive housing and services, to include assistance to other individuals and families experiencing homelessness or are at risk of homelessness.

MACDC supports investing an additional \$638 million to stabilize families and seniors living in existing homes and to ensure such housing is safe, affordable, and sustainable.

In addition to strongly supporting the Governor's recommendations for more housing production, we urge the Legislature to make investments to help thousands of families that currently live in our existing housing stock. Indeed, we cannot afford to miss this opportunity to make our existing housing stock more energy efficient, healthier, resilient and financially sustainable and we must protect tenants from losing their existing homes through eviction and displacement. New production alone is not sufficient. Therefore, we urge the legislature to make the following investments.

- ***\$100 million to make homes healthy and safe by removing lead paint and eliminating other health hazards often found in older housing.*** A multitude of health problems are associated with lead paint, poor indoor air quality, and other hazardous housing conditions. While current programs, including the Get the Lead Out Program and the CDBG-funded Housing Rehabilitation Programs, address these conditions, funding for them is woefully inadequate. We urge the Legislature to allocate \$100 million, split evenly between making homes lead-safe and other home rehabilitation, so we can make an additional 3,000 or more homes safe for families, children and seniors.
- ***\$450 million to renovate state-owned public housing that is desperate need of repair.*** The Administration's FY22 Capital Budget included \$90 million to support the repair, rehabilitation, and modernization of over 45,000 State public housing units located in 234 separate cities and towns across the Commonwealth, serving approximately 80,000 residents. The MA Chapter of the National Association of Housing and Redevelopment Officials (MA NAHRO) estimates that there is a capital spending deficit of about \$2 billion. The additional \$450 million will provide for essential repairs of homes for the Commonwealth's most vulnerable residents and ensure that the Commonwealth operates as a good landlord.
- ***\$50 million to buy Naturally Occurring Affordable Housing to ensure its long-term affordability.*** Many communities in the Commonwealth have experienced rapid rent increases, too often pricing out long-term residents. The \$50 million acquisition program, modeled on the City of Boston's Acquisition Opportunity Program, will provide responsible developers with the funding, and the tools, to acquire units and protect vulnerable tenants from rent increases and displacement that would likely otherwise occur.
- ***\$83 million to establish a statewide Right to Counsel Program and other community-based tenant outreach efforts:*** According to Housing Court data, in MA eviction cases, while almost 80% of landlords have legal representation, less than 10% of tenants

have representation. Data further shows that investing in full legal representation cannot only keep thousands of families housed, it can save state budget expenditures. According to a June 2020 study by the Boston Bar Association, it costs \$52,540 a year to shelter a family, while it costs only \$1,151 on average to provide full legal representation to tenants facing eviction. The study states that each dollar invested in providing legal representation saves the Commonwealth at least \$2.40, in savings associated with emergency shelter costs, healthcare costs, and foster care costs. We need to combine increased legal capacity with investments in community-based organizations that provide tenant outreach and housing assistance to vulnerable families, particularly those for whom English is not their first language. The on-the-ground experience in delivering emergency rental assistance demonstrated the importance of having local, community-based organizations available to help with both outreach and service delivery.

Beyond these appropriations, we recommend that the legislation incorporate language directing the state to incentivize, to the extent feasible, **climate-smart housing**. Aggressive action will be needed to meet the targets set in the State's Next Generation Climate Roadmap Law, achieving a 50% reduction in net greenhouse gas emissions by 2030, and net zero greenhouse gas emissions by 2050. Housing built or renovated with ARPA funding should be consistent with the state's climate goals and avoid the need for expensive taxpayer-funded deep energy retrofits in the future.

MACDC Supports investing \$1 billion to help small businesses across the Commonwealth with a special focus on those owned by people of color and other underserved entrepreneurs.

Covid-19 undeniably ravaged communities and created devastation in the small business sector in Massachusetts. Small business, especially those owned by Blacks, Indigenous people and People of Color, experienced debilitating losses during the pandemic with many businesses closing entirely and others hanging on by a thread. We are grateful for the small business grant program implemented by the Massachusetts Growth Capital Corporation earlier this year, but we continue to face major challenges. We are not out of the woods yet, especially for hard hit sectors like restaurants and retail.

The Coalition for Equitable Economy, MassINC and The Boston Foundation released the [Capital of Color Report](#) in 2021, which highlights the disparities especially for entrepreneurs of color and the lack of access to crucial and equitable capital opportunities for small businesses. The report data shows a funding gap that reaches approximately \$574 million a year and projected \$2 billion over a 5-year period. The Covid-19 pandemic drove higher disparities particularly in industries where entrepreneurs of color were more prevalent including retail, hospitality and food services by approximately 44%. In addition, the lack of access to emergency relief funds, equity or small business loans led to closures of small

businesses by entrepreneurs of color at a higher rate. These negative trends are undermining ability of struggling business to recover and for new small businesses to open due to a growing funding gap. The ARPA funds would serve as a lifeline of economic rehabilitation that could restabilize this sector. At this critical moment, federal funding can help prevent more closures and help new businesses seize the opportunities that have been created by the changes in our economy and society. Indeed, we need to make sure that BIPOC and women owned businesses can seize the new opportunities being created by ARPA, including in key growth sectors such as construction and clean energy.

We join with our colleagues in the Coalition for an Equitable Economy to recommend the allocation of \$1 billion in ARPA funds that should be distributed in the following ways.

1. Flexible grants to help businesses pay off debt and to provide working capital to help businesses get back on their feet.
2. Credit enhancement tools that expand access to private capital for under-resourced entrepreneurs.
3. Equity Investment dollars for startup and growth capital.
4. Grants for Community Development Financial institutions, or CDFIs, to increase their lending capacity and make infrastructure improvements so they can scale up to meet growing demand for their products.
5. Funding for technical assistance providers to provide wrap-around support services so businesses can access and deploy capital, develop sound business plans that respond to the complexities of the current economic context, attract new customers, and tap new technology and digital tools.

By investing significant funding in a range of products and programs we can help our diverse small business community meet this challenging moment. And by investing those dollars in strategic and targeted ways, we can make progress on closing the racial and gender disparities in wealth and small business ownership that persist throughout the state and prevent us from being the prosperous and equitable Commonwealth which we all seek.

MACDC Supports Governor Baker's proposal to invest \$350 million for downtown development and revitalization.

COVID-19 has devastated many business districts from downtown centers to neighborhood retail districts and we need a strategy to reinvigorate these critical economic assets. We support the proposals in the Governor's bill to provide funding to Mass Development to spur new investment in these communities. We further recommend that the Governor's proposal be amended to allow MassDevelopment to use some of this new funding to recapitalize the **Brownfields Redevelopment Fund**. The Brownfields Redevelopment Fund was created in 1998 to help transform vacant, abandoned, or underutilized industrial and commercial

properties throughout Massachusetts where development is hampered by real or perceived environmental contamination.

Conclusion

CDCs are dedicated to creating places of opportunity across the state where all people can live with dignity while participating in and benefitting from our Commonwealth's economy. We believe the investments described in this testimony will provide essential safe and affordable housing to benefit MA residents and their communities and enable small businesses to emerge stronger from the economic dislocation caused by the pandemic.

If you have any questions, feel free to reach out to me at 617-379-5922, or at joek@macdc.org. Thank you for the opportunity to submit this testimony.