



## MACDC Announces Initial Policy Recommendations in Response to the Public Health and Economic Crisis March 23, 2020

The COVID-19 Pandemic has created public health and economic crisis that will impact every person and community across the state, the country, and the world. As an association of Community Development Corporations in Massachusetts, we are particularly focused on the communities in which we work and the people and small businesses that make our communities great places to live, work, and thrive. We know this pandemic will have a particularly significant impact on the most vulnerable among us. It will reveal and exacerbate the persistent racial and economic inequities in our society.

MACDC calls on our local, state, and federal policymakers to marshal the resources and to implement the policies needed to mitigate the economic crisis while continuing to take all necessary steps to protect public health. In the days, weeks, and months to come, we expect to offer a series of recommendations based on our evolving understanding of the public health and economic impact stemming from the pandemic. We are offering these recommendations at this time because we feel a sense of urgency to act and to act now.

### The Commonwealth Must Respond at Scale to Match the Crisis

The scale of this crisis will require a significant investment of resources, precisely at a time when state revenues are dropping. Unlike the Federal Government, Massachusetts cannot run a deficit. While we think it is necessary to raise taxes fairly and equitably to generate the resources we need, there are two immediate sources of funding that can be tapped now to respond to this emergency:

- **Rainy Day Fund:** We agree with the [Massachusetts Budget and Policy Center](#) that these are precisely the circumstances for which the Rainy Day Fund was created. Now is the time to deploy a significant portion of the \$3.5 billion available in that Fund;
- **General Obligation Bonds:** The Governor should significantly increase the annual cap on General Obligation Bonds – at least in the short run – to provide some of the capital needed to address this crisis, in particular to provide additional funding to affordable housing projects that are likely to face shortfalls.

### Our Economic Response must be equitable and focus on the most vulnerable

This economic crisis will not impact everyone equally. Some of us will be able to retain our jobs and/or rely on our wealth and savings (or that of our family members). Many of us will lose our jobs and don't have the benefit of accumulated wealth to cushion the blow. We know that Massachusetts has a significant and pervasive racial wealth gap that this crisis could make even worse.

Therefore, our response should focus on driving resources to those who most need the support during this crisis. We support enhancements to unemployment insurance; new income supports for lower-income people, and other state and federal efforts to help families make ends meet. We endorse the [recommendations](#) made by the Massachusetts Public Health Association and 98 other organizations last week. MACDC's members expertise concentrates on small business development and affordable housing; our policy priorities are focused on those two aspects of the crisis.

### **Initial investment of \$150 million to support impacted small businesses**

The Pandemic has forced small businesses across the state to close, or dramatically reduce operations. They have been forced to lay off thousands of employees and many are at risk of bankruptcy or closure. We need a dramatic emergency response to help small businesses, especially those from lower-income communities, so they can survive the immediate shutdown and quickly recover when they are allowed to reopen. Specifically, we urge the Legislature and the Governor to deploy \$150 million through the following initiatives:

- \$10 million in supplemental funding to boost the existing Small Business Technical Assistance Program to enable a diverse network of 45+ community-based organizations to meet the surge in demand coming from the thousands of small, underserved businesses that they serve, including those owned by people of color, women, immigrants, and low- or moderate-income people;
- \$30 million for a grant program to support micro-businesses and low-to-moderate income entrepreneurs impacted by the COVID-19 Crisis (a similar program was proposed in Governor Baker's Economic Development legislation filed earlier this month). Grant programs are critical for businesses that can't take on more debt which is why [Maryland](#) has a \$50 million grant program, [Michigan](#) has a \$10 million grant program and [New York City](#) has a \$27 million grant program;
- \$35 million to enable community development financial institutions to reach underserved populations, such as women and minority-owned businesses, with creative and flexible loan or grant products and to leverage federal and private funding to support small businesses impacted by the COVID-19 Crisis (a similar program was proposed in Governor Baker's Economic Development legislation filed earlier this month);
- \$75 million to the Massachusetts Growth Capital Corporation to provide financing to small businesses that cannot access traditional bank financing or U.S. S.B.A. resources.

Additional investments will likely be needed depending on how long the health emergency lasts. In the long run, the fiscal impact to the state will likely be modest since much of this capital will likely be repaid when the economy recovers, and these businesses will generate new tax revenue if (but only if) they survive.

### Creation of a Massachusetts COVID-19 Small Business Response Task Force

This Task Force should be chaired by the Secretary of EOHED (or his designee) and be comprised of state officials, quasi-public entities, banks, and small business leaders. The Task Force should coordinate efforts to help small businesses survive the immediate public health crisis and recover during the longer economic crisis. The Task Force should plan to operate for at least two years. It would be responsible for monitoring the impact of the crisis on small businesses, evaluating the efficacy of various interventions, and making recommendations for new or modified policy efforts.

### Consider additional initiatives to support small businesses

- Regulatory policies that allow, encourage and/or require banks to provide some relief to small business borrowers and commercial landlords to help them manage short-term reductions in cash flow (the [FDIC](#) took a positive first step by issuing guidance that “prudent efforts to modify the terms of existing loans for affected customers will not be subject to examiner criticism.”);
- Expanded unemployment insurance criteria to cover currently ineligible business owners, such as sole proprietors, independent contractors and micro businesses (Examples include barbers, hair stylists, home-based childcare providers, craftspeople, artists + creative professionals, farmers, food truck operators, and caterers). These business owners are not currently eligible for unemployment programs because they don’t pay into the system, but this would be an efficient way to help these business owners survive because they are typically too small and undercapitalized to benefit from emergency small business assistance programs; Creation of a “Business Interruption Insurance” program that allows some smaller businesses to file business interruption claims with private insurance companies or a public entity like FEMA or MEMA (could be a federal or state level initiative);
- A [layoff aversion fund](#) like the one created in Maryland to support businesses undergoing economic stresses by preventing or minimizing layoffs.
- Financial assistance to business tenants and/or commercial landlords to help cover rent and mortgage payments during the health emergency;
- Modifications to the SBA loan products to ensure they are meeting the needs of the most vulnerable small businesses and nonprofit organizations;
- Deferral of certain tax payments, fees, or utility bills to support short term cash flow.

### Adopt emergency efforts to ensure housing stability during this crisis

- **Enact Eviction and Foreclosure Moratorium Legislation (H.4539):** MACDC supports legislation filed by Reps. Kevin Honan & Mike Connolly that would establish a moratorium on evictions and foreclosures across Massachusetts to help people remain stably housed during the COVID-19 emergency and to prevent the spread of the virus. HD.4935 would ensure that those households do not have to worry about losing their homes during this already difficult time;
- **Expand Residential Assistance for Families in Transition (RAFT)** with at least \$50 million in emergency funding and probably more in FY 21. RAFT is a proven program that helps

households with very low incomes cover housing related expenses and remain housed. Considering the current public health and economic crisis, MACDC supports the following changes to RAFT, so it can help reach more families in need:

- Lowering eligibility threshold and reducing documentation requirements;
  - Extending eligibility up to 80% AMI (Area Median Income) while ensuring the program reaches at least 30% extremely low-income households for targeted outreach;
  - Expanding the upstream pilot program under RAFT to allow up to 4 months of back rent or mortgage to improve access to program.
- **Devise workable plan for impacted homeowners and small landlords to suspend mortgage payments for up to six months** by advocating for such a policy with federal and state bank regulators and/or by partnering with banks and mortgage lenders that participate in state sponsored lending programs with Massachusetts Housing Partnership and Mass Housing. Payments should be deferred, not waived, and borrowers should not face late fees or negative reporting to credit bureaus.
  - **Local, State and Federal officials must take emergency action to ensure the continued development and operation of high-quality affordable housing:** While all of us are focused on the immediate health and economic crisis, the long-standing affordable housing crisis continues. We need to make sure that we quickly resume and accelerate the construction and operation of high-quality affordable housing. We know this crisis could dramatically slow housing production, as happened during the 2008-2011 economic recession. Therefore, we recommend the following:
    - State agencies and lenders should work with affordable housing owners to deal with temporary reductions in rental revenue and increased operating costs stemming from the public health emergency;
    - Increase DHCD bond cap, so it can provide additional financing to cover new financial gaps caused by construction and other COVID-19 related delays in the affordable housing pipeline;
    - The Federal Government must extend deadlines and eliminate penalties for delays caused by the public health emergency.

### **Adopt initiatives to support the Nonprofit Sector**

Nonprofit organizations play a vital role in our state. We must take steps to ensure that this sector can survive and recover from this crisis. Many nonprofits are being asked to deliver more services to respond to growing needs while revenue is expected to decline. Other nonprofits, like youth serving organizations and cultural groups, have been shut down completely. CDCs are likely to see reduced revenue from their housing projects and drops in both earned revenue and philanthropy. Local and state officials should partner with private philanthropy to make emergency funding available, to create zero or very low interest loans, to waive or delay some reporting requirements and funding restrictions, and otherwise broadly support the sector.