



To: Jay Ash, Secretary, Executive Office of Housing and Economic Development
Fr: Joe Kriesberg, President
Re: MACDC Economic Development Policy Recommendations
July 30, 2015

I want to thank you again for taking time to meet with MACDC's Board of Directors a few weeks ago. I'm following up today, per your suggestion, to offer some thoughts and ideas for possible inclusion in the state's forthcoming Economic Development Plan for the Commonwealth. Please consider this memo to be just the next step in our on-going dialogue and collaboration. We would be delighted to sit down with you and/or members of your team to discuss these ideas in more detail as well as to discuss other proposals that are emerging in your process.

1. Build and Strengthen the MGCC Small Business Technical Assistance program

MGCC's Small Business Technical Assistance Program has served thousands of small businesses since it was first established in FY 2007. The program has also done a great deal to strengthen and stabilize the delivery of technical assistance to small businesses across the state, especially those from traditionally underserved communities. We believe the program has demonstrated that it should be receive at least \$2 million annually in the state budget, as will be the case in FY 2016. This would enable the program to continue to fund a diverse range of high quality community based programs that use different program models to serve a diverse client base. At the same time, the program can be further enhanced to ensure that it is consistently delivering high quality services and the highest levels of professionalism. The program already has a strict protocol for outcome measurement that tracks job creation, business growth and other key metrics. We believe that MGCC should look to further refine its performance measurements by developing a customer response mechanism to accurately measure client satisfaction and client outcomes. Finally, we believe there should be regular, high quality continuing education, training and technical assistance for the practitioners running these important programs. Over time, the Administration should consider increased funding consistent with the results being delivered.

Recommendation: Fund the MGCC with at least \$2 million annually so that it can continue to award grants to a wide range of community based programs and strengthen the program by enhancing the outcome reporting tools and ensuring on-going professional development and training for practitioners.

2. Expand access to capital for small businesses that are not yet bankable

Massachusetts is home to many non-profit Community Development Financial Institutions that make loans to small businesses that are not yet bankable or need subordinate financing in order to secure bank loans. However, this lending is challenging and the CDFIs that do this work need to continually raise capital to meet the growing demand for their loans. We also need to support these CDFIs as they seek to expand their markets and/or help seed new CDFIs to fill geographic and other gaps in the marketplace. Fortunately, many Federal agencies can

provide capital to support these efforts, including the U.S. Department of Treasury's CDFI program, the Small Business Administration, The U.S. Department of Agriculture and the Economic Development Administration. However, all of these sources require matching funds as part of their application process. Massachusetts could leverage more federal dollars (and more private dollars) if there were a consistent source of state capital that could be used for matching dollars. This in turn would enable the sector to serve a larger and more diverse array of small businesses. MGCC would be the logical agency to administer a matching grant program for small business lenders across the state.

Recommendation: Establish a \$5 million capital grant program for CDFIs that lend to small businesses that can be used as matching funds for federal funding applications.

3. Convene task force to develop a set of recommendations for how to protect small businesses from unregulated on-line lending.

Predatory lending has moved from sub-prime mortgages to sub-prime business lending with fees and hidden interest rates crippling businesses lured by quick turnaround. This area is currently unregulated. We encourage the state to research this issue and to engage with practitioners who would have invaluable insight to offer. Obviously, this process should also include leaders from banks and responsible financial service companies, the Banking Commissioner, the Attorney General and others with expertise in this area. The goal would be to determine what, if any, statutory or regulatory response is appropriate and to develop strategies to educate small business owners about the perils of certain lending products.

Recommendation: Convene a short term task force to examine the growing emergence of on-line and unregulated loan products for small businesses and develop recommendations for policy and/or educational programs to protect small businesses.

4. Enact Legislation to create Community Benefit Districts that can foster vibrant mixed used districts where local businesses can grow and thrive.

Community Benefit Districts (CBDs) constitute a collaborative public-private-nonprofit partnership that will enable locally organized residents, business owners, nonprofit community-based organizations, governmental entities, educational and cultural organizations, and other stakeholders to improve coordination and promote local initiatives that strengthen existing small businesses and institutions, attract new investment, enhance community revitalization, and improve quality of life. CBDs have proven to be effective instruments to focus and implement a shared agenda for public safety, streetscape improvements, neighborhood promotion, and community-building events. CBDs also can leverage a district's assets, through marketing, branding, special events and other strategies that attract new customers and businesses. CBDs are well positioned to do this because their leadership and funding would come from within the district.

Recommendation: Support the enabling legislation (H.144, S.1070) to establish CBDs and afford cities and towns the opportunity to implement a shared vision for promoting and sustaining a neighborhood's revitalization efforts. The state should also provide technical assistance to help communities establish these districts and explore the possibility of state matching or incentive grants.

5. Implement new Urban Economic Development Grant program to leverage innovative programs, projects and initiatives that foster sustainable local business and job creation.

Massachusetts is fortunate to have many effective local organizations with the capacity to implement creative economic development programs, but many of them are unable to find the flexible resources they need to jump start their efforts. Governor Baker's new urban economic development grant program (Line Item: 7002-0036) could offer meaningful grants to help a wide array of programs that meet the diverse needs and opportunities across the state. This funding could provide capital to Community Development Financial Institutions that lend to small businesses; support local food entrepreneurs that are expanding access to healthy food; financing for new and growing worker coops; and resources to build out shared work spaces for emerging businesses.

Recommendation: Develop guidelines and an RFP process that solicits creative economic development proposals from across the state.