



March 14, 2019

The Honorable Aaron Michlewitz
Chair
House Committee on Ways and Means
Massachusetts State House
Room 243
Boston, MA 02133

Dear Chairman Michlewitz:

Congratulations on your appointment. On behalf of the MACDC membership and its Board of Directors, I want to express our CDCs' commitment to work with you, your colleagues in the Legislature, and the Administration to advance a shared goal to improve housing affordability and to create new economic development opportunities that benefit low- and moderate-income (LMI) communities across the Commonwealth.

Last fall, the MACDC Board adopted a five-year strategic plan, which encourages low-income people and people of color to find their power and voices to shape the future of their communities, with the aim of reducing income and wealth inequality across the state. The plan affirms our commitment to expand affordable housing in places where low- and moderate-income people can thrive, to drive the convergence of community development and community health, and to promote racial equity within our field and throughout the Commonwealth.

As you, your advisors, and the Committee begin to consider your FY 2020 House Ways and Means budget proposal for April, we would like to highlight a few community and economic development priorities that will be a focal point of our work during the forthcoming legislative session.

Small Business Technical Assistance (SBTA) program/ Microlending and Community Development Capital Program

MACDC is grateful to the Baker administration and the Legislature for funding the SBTA program at \$2 million in FY 2019 (line item 7002- 0040), 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 October, the Baker administration and the Massachusetts Growth Capital Corporation (MGCC), announced \$2 million in grants to 40 organizations. The grants range from \$10,000 to \$120,000 and will allow these community-based organizations to provide customized management and operational assistance, financial training, and lending services to small businesses; these resources are targeted to serving low- to moderate-income communities.

MACDC has advocated for a related Microlending and Community Development Capital Program, which was reauthorized through the 2018 economic development bond bill at \$1.25 million.

The SBTA program has been successfully serving businesses for a decade, and we were pleased to see that the Black and Latino Advisory Commissions have embraced the program in its first set of priorities and recommendations. What is somewhat unheralded is the growing demand for these technical assistance and program resources. MGCC received requests for almost \$4 million, and the demand for the program has almost tripled since it was launched in 2007. Similarly, additional state funding for the Microlending program would enable program partners to leverage more federal and private funding. For example, the national CDFI program requires a dollar-for-dollar match, and the SBA Micro Loan Program requires a 15% local match. A robust CDFI/CDC matching grant program will leverage more federal money and help hundreds of small businesses across the state. We believe that using operating revenue to fund this program will free up dollars from the Capital budget for other economic development priorities.

The January 2018 Massachusetts Gaming Commission report, "Reinvesting the Gaming Economic Development Fund," recommended initial strategies to fund five priorities. The statute allocates 9.5% of gaming revenue to the Economic Development Fund and the Commission projects that FY 20 this would be approximately \$20.4M -- \$24.5M. The Commission believes, and we strongly agree, that one of the priorities of the Fund should be to support small business technical assistance and lending.

The SBTA program and the CDFI/CDC matching grant program have proven records of success that warrant further state investment. Our members know we have an obligation to support people of color and people living in poverty as they seek support for building businesses and bringing opportunities into their neighborhoods and towns. **Therefore, we respectfully request that you provide sustainable funding from the Gaming Economic Development Fund revenues to increase funding for the SBTA program to \$4 million and for the CDFI/CDC matching program to \$2.5 million in FY 2020.**

This is a special opportunity to use newly available revenue to deepen the state's investment in two successful programs in a manner that is consistent with the underlying statute.

Neighborhood Stabilization Initiative

MACDC and Mass Inc. have convened a broad cross-section of municipal and non-profit leaders to identify strategies for reclaiming vacant, abandoned, and blighted properties and putting them back to productive use as homeownership opportunities or rental housing. This is a major challenge in many Gateway Cities, rural areas, and smaller cities with weak housing markets. These properties undermine public health and safety, drain resources from the municipal government, and can be detrimental to nearby residents. We are developing a set of strategies to address these challenges, and we have taken some inspiration from a recently launched *Liabilities to Assets* program, which DHCD has funded and implemented through New Vue Communities, a CDC serving North Central Massachusetts.

The *Liabilities to Assets* program will use the MGL 121a statute to reclaim properties that have been vacant for three or more years and to renovate, repair and transfer them to responsible owners. We want to see this work replicated across the state by making necessary statutory and regulatory improvements, so it is easier for municipalities to gain control of troubled properties and by allocating state capital dollars to leverage private and public money for renovations. Working with the *Gateway Cities Legislative Caucus*, we are seeking an appropriation of \$1 million, which would create a capacity-building program and would help local governments and their non-profit partners to implement strategic neighborhood revitalization initiatives. The *Transformative Development Initiative (TDI)* at Mass Development provides a model for how the state can spur creative community revitalization efforts across the state. A neighborhood-focused program would advance a host of policy goals, including the enhancement of community health, the improvement of 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.

In FY 2020, we respectfully request an additional \$1 million (through Transformative Development Fund) to fund this Neighborhood Stabilization Initiative.

Homeownership Education and Foreclosure Prevention Counseling

We were pleased that the Governor's FY 2020 budget submission preserved 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. In an era of reduced federal support for such initiatives, 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 urge your continued support for this program.

In FY 2020, we respectfully request that House Ways and Means appropriate \$2 million for this program so we can meet the growing demand for these services across the state.

Get the Lead Out Loan Program

MACDC and its members view the ongoing need for lead-paint abatement as a compelling environmental justice challenge and a further impediment to access to fair housing across the state. Mr. Chairman, this is a statewide problem with extensive lead concentration in homes in 18 of 351 cities and towns and seven high-risk communities (Boston, Lawrence, Lowell, Lynn, Malden, Somerville, and Worcester). In 2016, we had a very constructive dialogue with Mass Housing and other advocates which led to reforms of the *GTLO Program* that now make it easier to provide loans across the Commonwealth, and to improve health and safety for families in these communities. The program is even more important in light of the DPH decision to lower the threshold at which children are deemed lead poisoned.

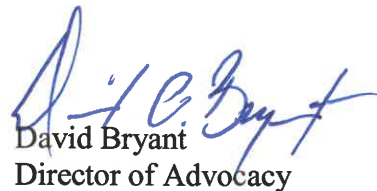
We respectfully request the House Committee on Ways and Means to provide \$5 million to recapitalize the *Get the Lead Out Loan Program* fund. A recent report from Mass Housing indicates program growth year-over-year since 2012, and the fund balance through September 30, 2018, was just over \$2.1 million. In the first half of the year the balance dropped by almost \$800,000, and if this trend continues, by the end of calendar year 2019, we could face a balance of less than half a million dollars.

We are grateful to Mass Housing and the agencies for adopting administrative changes that have led to more successful implementation and distribution of program resources across the Commonwealth. We respectfully request recapitalized funding of at least \$5 million, which should extend the *GTLO Program* another three years.

Providing additional resources for SBTA, CDFI/CDC lending, Neighborhood Stabilization, Homeownership Education, and lead-paint abatement will drive equitable economic development across the Commonwealth. The important initiatives we have outlined above are helping families and businesses to succeed. We are grateful for your Committee's 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 goals and will be 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 your Committee and the Legislature to approve funding for these vital programs, and MACDC's members are looking forward to our continuing collaboration and productive partnership in the 2019 – 20 Legislative Session.

Sincerely,


Joseph Kriesberg
President & CEO


David Bryant
Director of Advocacy