

Ad Hoc Small Business COVID-19 Response Coalition

April 22, 2020

Governor Charlie Baker
Senate President Karen Spilka
House Speaker Robert DeLeo
State House
Boston, MA 02133

Dear Governor Baker and Leaders of the General Court:

We are writing as a statewide coalition of community-based organizations, community lenders and advocates to call for the adoption of a ***Small Business Relief and Recovery Program*** as quickly as possible to address urgent and unmet needs in the small business community.

The signatories of this letter include dozens of organizations that work every day at the local level with entrepreneurs impacted by this crisis. We are heartbroken watching hard working men and women fight to save their business and their families from economic ruin – a situation that has nothing to do with their skills as business owners but is entirely due to COVID-19 and the public health necessity to close their businesses. They are suffering immense economic harm to help keep all of us safe, so we believe all of us have a shared responsibility through our state government to help keep them in business. We appreciate that you have enacted an eviction moratorium that includes small businesses. This will buy people some time during the health emergency. Our goal now must be to prevent evictions and closures and not simply delay them.

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 located in rural towns, Gateway Cities and other low-income areas. In the same way that long-standing health and economic disparities are causing the COVID-19 crisis to have a greater impact in communities of color and low-income communities, the economic challenges that we face today are having a disproportionate impact on those same communities. And to be clear, minority-owned businesses play a critical role in our economy: according to the SBA, there are 125,988 such businesses in our state (SBA 2019 Small Business Profile for Massachusetts). Micro businesses are also critical to our economy with 500,000 people in Massachusetts working for a company with less than 20 employees.

We believe the time for robust state action is now. It has been one month since the economy was shut down and there is no end in sight – the economic crisis is reaching new levels of urgency every day. While the Federal CARES Act is providing significant assistance to our state, for many businesses the SBA programs will be too little too late. For others, the prospect of more debt, even potentially forgivable debt, is something they can't or shouldn't incur. Still others are unaware of the federal resources or simply ineligible. And perhaps 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 us are concerned that the program is perpetuating and potentially aggravating racial inequities in access to capital and wealth.

To be clear, the CARES Act is helping a lot of people and our partners at the SBA Massachusetts District Office are doing an incredible job implementing the program as quickly as they can. However, the bottom line is that the federal programs were designed to inject a lot of money in the economy quickly, but not intentionally. The unfortunate result is that the programs are poorly targeted and won't help many of the businesses we serve. That is why we need a state-level strategy that is focused on reaching those who continue to be left behind.

Many of our organizations recently collaborated on a statewide survey of small businesses. Nearly 500 responded (vast majority with less than 10 employees) and what we learned was deeply worrisome:

- 62% expect to see more than a 50% drop in revenue; 39% expect to see a 75% drop.
- 42% are surviving on personal savings, an unsustainable strategy, especially for many people of color who, on average, have significantly less accumulated wealth than their white counterparts. Indeed, a recent study by the Federal Reserve Bank of Boston found that the average white household in Greater Boston had \$247,000 in wealth and the average African American family had just \$8. Historic racism makes it much more difficult for business owners of color to survive on personal savings. Indeed, an earlier survey by the Black Economic Council of Massachusetts found that less than half of their members can survive more than three months, and many can't survive even one month.
- 58% of the businesses don't think the Federal CARES Act will be able to meet their needs over the next three months.
- Business owners need technical assistance to secure financing, access public programs, enhance communications and operations, adopt measures that will mitigate the negative impacts of future disasters and ultimately to reopen safely in a manner consistent with evolving public health guidelines.

We believe the state must respond at a scale and scope commensurate with this unprecedented crisis and in a manner that reaches everyone and leaves no business behind. Toward that end, we offer the following recommendations for programs and policies that should be part of the state's ***Small Business Relief and Recovery Program***:

1. \$10 million in funding to support community-based organizations that deliver culturally competent and multi-lingual technical assistance and coaching to small businesses. This would build on the success of MGCC's current SBTA program but would be enough funding to help additional organizations, deal with the surge of demand and sustain high quality service at least through FY 2021 (June 30, 2021).
2. \$30 Million in emergency relief grants to help businesses cover rent, mortgages and other fixed costs. To ensure the program reaches the communities most in need, we believe the program should be delivered in partnership with community-based organizations that are rooted in the communities we seek to serve, in particular communities of color, immigrant communities, rural towns and Gateway Cities.
3. \$35 million to Community Development Financial Institutions, community development corporations and other community-based lending programs to help them offer grants, zero/low interest loans, loan deferments and other assistance to small businesses.

4. \$75 million to MGCC for a revolving loan fund to help businesses unable to access SBA financing, with a particular focus on communities of color, immigrant communities, rural towns and Gateway Cities.
5. A statewide Small Business Assistance Task Force charged with ensuring the effective delivery of support to small businesses during the economic shutdown and through the recovery; the task force should have a laser focus on equity and inclusion.

We recognize that there may be many other good ideas for what to include in a Small Business Relief and Recovery Program. We also know that new programs and policies will be necessary to address new challenges that emerge as the crisis unfolds. As the economy slowly reopens and rebounds, we will need to offer targeted support to businesses in different sectors to ensure adherence to public health guidelines and to enable success as new opportunities emerge. Our proposed investment would lay the foundation for that process. By contrast, a failure to act will be much more costly in long term economic loss for the commonwealth if we allow many of these businesses to permanently shutter and never open again. It will not only be a loss to those businesses, but also to their employees, the main streets that they anchor and the local economies that they serve.

We stand ready to partner with you and others at the federal, state and local level to help accelerate our economic recovery and to ensure that the benefits of that recovery are shared equitably and fairly across our Commonwealth. We also stand ready to work with the banking community to ensure more equitable access to PPP and other federal resources. We would welcome the opportunity to discuss this further with you and/or your relevant staff members. If you would like to connect with the coalition, please contact Joseph Kriesberg, President, Massachusetts Association of Community Development Corporations at joek@macdc.org or 617-721-7250.

Thank you again for your consideration of our ideas and for your leadership during these difficult days.

- Accion East
- African Community Economic Development of New England
- Amplify Latinx
- Artmorpheus, Inc d/b/a Fairmount Innovation Lab
- Ascentria Care Alliance
- Asian CDC
- Black Economic Council of Massachusetts
- Blackstone Valley Chamber of Commerce
- Boston Impact Initiative
- Boston Ujima Project
- Cape Cod Young Professionals
- CDC of South Berkshire
- Center for Women & Enterprise
- Chelsea Business Foundation
- Chelsea Chamber of Commerce Charitable Foundation Inc.
- City of Pittsfield
- Coastal Community Capital
- Codman Square NDC
- Common Capital
- Commonwealth Kitchen

- Community Development Partnership (Cape Cod)
- Community Economic Development Center of New Bedford
- Community Involved in Sustaining Agriculture (CISA) (South Deerfield)
- Community Teamwork, Inc.
- Conservation Law Foundation
- Cooperative Fund of New England
- Dorchester Bay EDC
- Dudley Neighbors Incorporated
- EparaTodos / EforAll – Lawrence, Berkshire County, Cape Cod, Roxbury, South Coast
- Entrepreneurship Center @CTI
- Essex County Community Foundation
- Franklin County CDC
- Greater Holyoke Chamber of Commerce
- Greater New England Minority Supplier Development Council
- Hilltown CDC
- Hispanic-American Institute
- Inquilinos Boricuas en Acción
- Interise
- IXL Center, Inc.
- Jamaica Plain NDC
- JVS Boston
- Lawrence Partnership
- Lawyers for Civil Rights
- Local Enterprise Assistance Fund (LEAF)
- LISC Boston
- Main South CDC
- MASS MoCA/Assets for Artists
- Massachusetts Association of Community Development Corporations
- Massachusetts Chapter of the American Institute of Architects
- Massachusetts Housing Investment Corporation
- Massachusetts LGBT Chamber of Congress
- Massachusetts Smart Growth Alliance
- Mass Creative
- Mill Cities Community Investments
- Neighborhood of Affordable Housing
- NeighborWorks Housing Solutions
- New Bedford Economic Development Council
- North Central Massachusetts Chamber of Commerce
- New Entry Sustainable Farming Project (Beverly)
- NewVue Communities
- North Shore CDC
- North Shore Latino Business Association
- Nuestra Comunidad (Boston)
- Nuestras Raices, Inc. (Holyoke)
- One SouthCoast Chamber
- Pittsfield Economic Revitalization Corporation
- Quaboag Valley Community Development Corporation

- Revitalize CDC
- SEED Corp
- SMOC Financial Services
- Southeast Asian Coalition of Massachusetts
- Springfield NHS
- The Carrot Project
- The TLE Center for Urban Entrepreneurship (TLECFUE)
- Tracye Whitfield, Springfield City Council
- Urban Edge
- Valley Community Development Corporation
- Viet AID
- Wellspring Cooperative (Springfield)