



May 7, 2024

Representative Jerry Parisella, Co-Chair
Senator Barry Finegold, Co-Chair
Joint Committee on Economic Development and Emerging Technologies
24 Beacon Street
Boston, MA, 02133

Re: H.4459– An Act relative to strengthening Massachusetts’ economic leadership

Dear Chairs Parisella and Finegold, and members of the Committee,

On behalf of MassINC’s Gateway Cities Innovation Institute and our network of economic development leaders in the state’s 26 Gateway municipalities, I am pleased to offer testimony on House Bill 4459, *An Act relative to strengthening Massachusetts’ economic leadership* (LEADS Act). As you contemplate this important legislation, we urge you to consider two additional provisions that would help ensure that every region of the state enjoys fair and balanced growth.

The Healey-Driscoll administration has structured its economic development package along three lines: fundamentals, talent, and sectors. MassINC suggests that the Legislature incorporates a fourth pillar: strong places. Most residents experience “economic development” through the small businesses in their community, especially in their downtowns and main streets. Meanwhile, homeowners and small business owners need state support to invest in older buildings and save on their high energy costs.

1. An Act to Promote Downtown Vitality (H.228/S.130)

First and most importantly, we respectfully ask you to include *An Act to Promote Downtown Vitality* (H.228/S.130) in your economic development package when it is reported out of committee. With leadership from Chair Parisella and Chair Lesser last session, the Joint Committee took the initiative to include this language in its bill in 2022. We thank all the members who participated in that effort and hope that this year the committee will lead on this issue once more.

Following up on that promising start, Rep. Antonio Cabral and Sen. John Cronin filed the *Downtown Vitality Act* this session as a stand-alone bill on behalf of the Gateway Cities Legislative Caucus. This issue has risen to the top of the policy agenda that Gateway mayors and managers have identified for this session. We’ve also used our time since 2022 to engage in dialogue with many of the organizations who work to cultivate great places, strengthen local business districts, and support cultural economic development.

To summarize our goal: Small businesses districts in every region need vibrant, walkable areas to attract enough foot traffic to succeed in today’s challenging commercial environment. Online retail and big box stores have siphoned dollars away from local economies, contributing to economic and cultural displacement. *An Act to promote downtown vitality* (H.228/S.130) proposes dedicating 5% of the online sales tax revenue that the state collects into a fund that will invest in strengthening small business districts, from rural villages, to town centers, to urban squares. Every community in the commonwealth would be eligible.

Since the pandemic, our neighborhood commercial areas have assumed an even more important role: more residents are working close to home or on hybrid schedules, and they need “third spaces” like cafés, restaurants, and public libraries, as well as business services, and access to quality public parks and plazas. For many, the line between live/work/play has blurred. While office spaces, such as Boston’s financial district, continue to struggle, our local commercial districts are positioned to thrive.

However, small businesses can’t succeed in isolation. Much of their clientele depends on foot traffic, and getting people out of their cars is essential to generating that foot traffic. Currently, it’s “no one’s job” to comprehensively manage our downtowns and main streets but increasingly, communities are turning to public-private-nonprofit partnerships to accomplish this. These can take many forms, including business improvement districts, cultural districts, Transformative Development Initiative (TDI) areas, downtown business associations, and more.

So what can district management organizations accomplish? It’s up to the local partners themselves to determine their own priorities, but common activities include: branding and marketing; technical support for small businesses—especially those run by new entrepreneurs, immigrants, or non-English speakers; outreach to those on the streets who need to connect to social services; arts and culture programming; and cleaning, landscaping, and eyes on the street. In some parts of North America, organizations like these have developed new parks and plazas, manage farmers’ markets, and work with property owners to attract new businesses.

We understand that the state’s revenue picture has changed since the bill’s successful hearing with the Joint Committee on Community Development and Small Business in October. Directing a mandatory portion of the online sales tax may not be feasible. However, we believe that with a small tweak to the language, the Legislature could still establish the Downtown Vitality Fund and form the advisory committee to get the program up and running. By amending the language to allow the Legislature to appropriate “up to 5% of remote retailer sales tax revenue” each year, the Legislature and Administration would retain flexibility to identify a reasonable amount to appropriate each budget depending on economic conditions. A small authorization in this bond bill could help seed the downtown vitality fund until the Legislature and Administration determine an appropriate allocation via a supplemental budget bill or next year’s budget.

MassINC estimates that the need for a downtown vitality fund is significant. Without a strong state partner in district management, communities have created a patchwork of tools and partnerships across the state. These include: 10 business improvement districts with another dozen in some stage of exploration; 53 cultural districts that lack dedicated funding; 26 Transformative Development Initiative (TDI) districts in Gateway Cities, at least 26 Main Streets organizations in and around Boston; and countless other local business associations and partnerships.

Furthermore, during the pandemic the state helped 124 municipalities create Rapid Recovery Plans for their downtowns which detail ways to strengthen their local business districts.

2. Assist small property owners and businesses participate in the energy transition

MassINC embraces the state's decarbonization goals and believes we need to move aggressively and equitably to decarbonize older commercial and residential buildings, especially in our Gateway Cities, rural communities and other lower income neighborhoods.

We are pleased to see the state moving quickly to leverage the state's new Climate Bank to support lower income homeowners and affordable housing owners. We think a similar effort is needed to support small business owners so they can decarbonize their commercial properties. Such a program should be targeted to owner-occupied properties, with a focus on Gateway Cities and Environmental Justice communities. While there are many ways to structure such a program, we would recommend that it be administered by the Massachusetts Growth Capital Corporation in partnership with local non-profit community development financial institutions and other community-based groups that can support owners as they undertake these renovations.

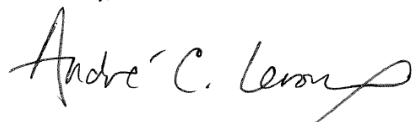
Likewise, most of our state's residents live in 1-4 family properties. In older communities like our Gateway Cities, a majority of those residents live in structures built in the 1920s or earlier. Language could be added to the economic development bill calling on the Climate Bank managed by MassHousing to establish a program that would target these properties with funds for energy retrofit and climate resiliency improvements.

3. Conclusion

The LEADS Act contains many important provisions, including recapitalizing MassWorks, the brownfields redevelopment fund, and the underutilized properties fund; as well as funding for public library construction and cultural facilities. The Governor's plan is based on three pillars: fundamentals, talent, and sectors. MassINC suggests that a fourth should be acknowledged: strong places. There is nothing in the legislation specifically geared to strengthening our downtowns and main streets, which are the drivers of our local economies and quality of life. Such investments stitch together our economic development investments with our housing investments, so that they are not operating in silos and that we are truly creating great places to live and work in every region of the commonwealth.

We thank you for your consideration and look forward to further discussion on this matter. Please do not hesitate to contact me at aleroux@massinc.org to discuss further.

Sincerely,



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