

Rural Policy Plan Focus Area Development:  
Economic Development and Small Business Support

Section 1 – Goal for Enhancing Rural Conditions

Expand programming and resources to strengthen the economic vitality of rural Massachusetts, through small business technical support, sector-specific initiatives, and municipal infrastructure and long-term capacity building.

Section 2 – The Key Issues

*General Description*

The Massachusetts rural economy is quite different than the economies of the greater Boston area and other urban areas. Economic sectors important to rural Massachusetts include agriculture, aquaculture, forestry, sustainable energy generation, outdoor recreation and the creative economy. Manufacturing is important to rural Massachusetts, as it makes up a larger percentage of the employment base than compared to the state and nation. Rural MA historically has slower job growth and benefits less during economic booms than urban suburban MA. Most rural businesses are small or very small, with less than 5 employees or are self-employed operations. Often rural businesses are locally or family-owned. In addition, rural municipalities are challenged in their ability to foster economic development because of limited professional capacity, lack of infrastructure, and an inability to be competitive for discretionary, competitive grants. The rural economy is fragile and is greatly impacted by climate change, stagnant population trends, a shortage of available workers, and limited investment in small business support and municipal infrastructure.

*Key Examples*

A recent study<sup>i</sup> notes that state and federal economic policy and investment often focus on innovation, which is narrowly defined and measured by number of patents, and research and development activity. The study finds that rural businesses are just as inventive and creative, but this innovation is often associated with ways to expand markets and diversify products.

While rural MA may not have more small businesses on a per capita basis than its urban neighbors, the loss or closure of a business can have a more significant impact on a rural community. Transitioning local businesses to a younger generation or to a co-op model of employee ownership is particularly important in rural MA.

The RPAC surveyed the 170 rural communities of MA in 2017. Survey respondents noted that lack of basic infrastructure – broadband, sewer and water – were the largest constraint to business expansion in their communities. More than ¾ of survey respondents also noted residential property tax made up more than 75% of total tax revenue in their communities.

Of the 79 cities and towns with federally designated Opportunity Zone Census Tracts, 19 are located in Rural Towns. The Opportunity Zone program incentivizes private equity investment in business and real estate projects located in designated areas. To achieve the greatest tax advantage, investors are seeking “shovel ready” projects. Most Rural Towns with designated Opportunity Zones do not have such projects. This situation could be due to the lack of commercial or industrial activity that would be require equity investment, or it could be due to the lack of infrastructure and capacity to develop projects.

### Section 3 – Relevant Existing Policies and Programs

- **Mass Growth Capital Corporation’s Small Business Technical Assistance Program (SBTA)** provides annual grants to 40+ community development corporations and other nonprofits that provide training, technical assistance and access to capital to small businesses across the state including in rural communities.
- **MA Small Business Development Center (MSBDC) Network** provides free and confidential business advice and low cost entrepreneurial workshops at five regional offices and partnering locations. In addition, they offer appointments at 39 outreach locations across the Commonwealth, including in five Rural Towns.
- **Community Development Finance Institutions (CDFI)** such as Coastal Community Capital, Common Capital, and Franklin CDC access state and federal funding for lending to small businesses including the recently implemented **MA Food Trust** that will provide funding to the rural agricultural base to increase food access in underserved communities.
- **Opportunities for All** is the statewide economic development plan, currently being updated, that will guide the work and programs of EOHEd and other state agencies through the current Baker-Polito Administration term. For the first time, EOHEd will convene a special meeting to discuss and learn about rural economic issues to be specifically incorporated into the Plan.
- There are no Gateway Cities on Cape Cod, in Franklin or Hampshire Counties, and there is only one in Berkshire County. This designation gives priority access to many state discretionary grants such as **MassWorks**, an infrastructure grant program, and exclusive access to programs such as **Mass Development’s Transformative Development Initiative**, which is designed to accelerate economic revitalization. The Gateway City model could be adapted to serve distressed rural regions.
- The **Community Investment Tax Credit (CITC)** provides a 50% tax credit against the Massachusetts tax liability of individuals and businesses who donate to CDCs awarded these tax credits. These donations provide flexible funding for CDCs to supports business assistance, housing, and other community development initiatives. Such funding is important to maintain staffing levels, support operations, and provide match funds to leverage grants.
- Municipal state programs such as **MA Vulnerability Preparedness Program, Solarize Mass,**

**Green Communities** all contribute to economic activity and modernization of rural towns.

- The **MassDevelopment Collaborative Workspaces** program provides planning grants and fit-out grants to establish makerspaces, co-working spaces and similar facilities that support entrepreneurship. These facilities offer often access to skills training, provide low cost space and equipment accessible to start-ups, and create communities of entrepreneurs to provide support to new ventures.

#### Section 4 – Best Practice Examples

**Wisconsin: Farm/Art DTour** is a ten-day self-guided driving tour through scenic working farm land of Sauk County, Wisconsin punctuated with Art Works (temporary art installations), Field Notes (educational signs), Roadside Culture Stands (artist-built mobile farm stands), Farm Forums (creative participation by landowners), Pasture Performances and Roadside Poetry. The tour has highlighted and benefited the rural county’s most important economic sectors: agriculture and the creative economy.

The **Western MA Food Processing Center**, owned and operated by the Franklin County Community Development Corporation (CDC) is a regional asset which has incubated over 400 food businesses since opening in 2001. In the past few years, 14 businesses have added jobs and 7 have outgrown the Center and moved into their own facilities. In addition to access to a shared commercial kitchen (which lowers start-up costs), many businesses were able to access food industry specific technical assistance and flexible financing from the PV Grows Investment Fund, which focuses on farm and food system ventures.

The 2012 study, ***Strategies for Economic Improvement in Appalachia’s Distressed Counties***<sup>1</sup>, examined rural counties throughout the country to assess how rural regions can enhance economic vitality. Researchers found a number of steps a distressed region can take, many of which are already underway in MA or that have been recommended in this Plan: encourage dialog and partnership between towns and regions; form strong partnerships with regional academic institutions; secure broadband; develop youth leadership programs; share government services; redevelop and reuse vacant industrial sites; grow local jobs and leverage local assets; devote more money to education; develop tourism and hospitality services; promote racial diversity.

#### Section 5 – Policy, Program or Investment Recommendations

**Increase funding to the Massachusetts Growth Capital Corporation’s Small Business Technical Assistance (SBTA) budget to \$4 million statewide.** SBTA, through CDCs, directly assists small

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[https://www.arc.gov/assets/research\\_reports/StrategiesforEconomicImprovementinAppalachiasDistressedRuralCounties21.pdf](https://www.arc.gov/assets/research_reports/StrategiesforEconomicImprovementinAppalachiasDistressedRuralCounties21.pdf)

businesses with business planning and development, other technical assistance and loans, and is a critically important funding source in rural areas. Casino revenues are a possible source to expand funding.

**Replicate MassDevelopment's Transformative Development Initiative (TDI) in rural areas.** The TDI was developed to support designated Gateway Cities and is a proven model to develop new and innovative approaches to economic revitalization. The program provides a 2-year state-funded Fellow whose job is to bring economic visions to life while also developing partnerships, collaboration and focused leadership. Re-creating this model for a rural sub-region of communities, such as the North Quabbin area, or for focused sector-specific initiatives could be similarly transformative in rural regions.

**Create an Office of Outdoor Recreation.** Bill S.484 filed by Senator Adam Hinds and others would create an Office of Outdoor recreation whose charge would be to promote the economic and health benefits of outdoor recreation in MA. This legislation would positively impact economic vitality in rural MA.

**Ensure that the statewide economic development plan, Opportunities for All, recognizes, addresses and plans for the unique economic development needs and issues of rural MA.**

**Increase funding to assist farmers with aggregation, marketing and delivery of products by setting aside small business funds exclusively for farmers/agriculture/aquaculture.**

**Review application processes, selection criteria and funding allocation protocols for state-funded municipal infrastructure and capacity grants to remove barriers to access for small towns.** This could include allowing 501c3 non-profits and RPAs to legally partner with towns to apply for municipal grants.

**Provide resources to plan and implement creative economy and natural resources based tourism events that, like the Farm/Art tour model or other events, that highlight the rural economy of Massachusetts.** These resources could be provided by securing and increasing state funding for the Mass Cultural Council, which funds local cultural councils and small grant programs like the Festivals Program (which provides grants of up to \$500 for organizers of new festival events).

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<sup>i</sup> <https://www.dailyonder.com/new-research-shows-impact-innovation-rural-areas/2019/06/27/32554/>