

MassSenate

An Act Relative to Economic Development in the Commonwealth

S.3178

Fact Sheet & Highlights

An Act relative to economic development in the Commonwealth lines up investments in key sectors of the Massachusetts economy to advance the state's national leadership in technology and defense, while also buoying small businesses and downtowns.

The bill pairs a strong investment in developing artificial intelligence (AI) with the need for new safety guardrails to prevent dangerous situations down the road.

Following through on the Senate's commitment to respond to the state's dire housing shortage, the legislation vastly expands Massachusetts' potential housing units.

And responding to a growing public safety concern on local roads and pedestrian paths, the bill addresses fast e-bikes and scooters by creating age limits and safety standards.

The details of the legislation are below.

Substantial Support for Local Jobs, Businesses, Culture, and Education

Touches All Corners of the Massachusetts Economy. Boosts every aspect of the Massachusetts economy by **authorizing \$325.1 million** to grow jobs, support innovation, and improve quality of life, including:

- **\$100 million** to support and promote economic growth and job creation in the defense sector
- **\$75 million** to support the development and application of AI
- **\$25 million** to support downtown and main street vitality in Massachusetts towns and cities
- **\$25 million** to support arts, culture, and the creative economy
- **\$25 million** for research and development of robotics technology
- **\$25 million** to support construction or expansion of business facilities
- **\$20 million** to support construction of early stage and high growth business ventures
- **\$20 million** to support community development financial institutions and small businesses
- **\$10 million** to support food science, innovation, and agricultural technology

Responds to Federal Uncertainty and Cuts, Provides Immediate Support to Public Higher Education. Supports Massachusetts public higher education system—which is facing reduced and uncertain federal research funding—by **appropriating \$100 million** in bridge funding for the state's public higher education institutions to support scientific discovery and research at our universities.

Checking the Safety of AI

Calls for Crucial AI Safety Guardrails. Requires major AI developers—known as 'large frontier developers'—to set safety frameworks that mitigate their AI models' risk of potential catastrophes and critical safety incidents. Empowers the Attorney General to bring a civil action against one of these major AI developers if they violate the new safety requirement.

Sets up Framework for Continuing Evaluation of AI Regulation and Safety. Establishes a commission to consider emerging issues of AI regulation and safety, including possibly requiring major AI developers to hire third-party auditors, who would verify the compliance of AI models with safety protocols and assess whether developers have adequately mitigated their AI models' potential catastrophic risks.

Increasing Massachusetts' Housing Capacity

Requires Automatic Two-Family Zoning. Vastly expands the potential number of housing units in Massachusetts by allowing two-family homes on all residentially-zoned lots in the state. Duplexes would be allowed by-right on all residential lots, subject to reasonable limitations related to septic requirements, site plan reviews, and local guidelines and size limitations.

Provides Carrot to Communities Who are Building Housing. Requires the Administration to reward communities who have policies in place that have or will help build or streamline housing supply when the Administration issues discretionary and competitive grants.

Creates Easy Path for Commercial-to-Residential Conversions. Opens up commercially-zoned lots and buildings for conversion to residential housing through a local-option framework. The new by-right commercial-to-residential conversion model includes minimum setbacks, footprint and height flexibility, and an optional process for a streamlined single application before the local board of appeals. Municipalities that adopt the commercial-to-residential framework would also be able to grant a local-option tax exemption to the residential portion of an adaptive reuse project.

Keeps Housing Construction Review Processes from Lagging. Helps builders, owners, and future residents by ensuring timely review of new housing projects. Codifies a statewide framework featuring a 90-day decision deadline for site plan reviews, subject to constructive approval. Requires local zoning boards of appeal to start the public hearing process within 30 days of when an appeal is filed, limits hearings to lasting 60 days in total, and requires boards to issue a decision within 100 days of when the appeal is filed. Gives the Housing Appeals Committee within the Executive Office of Housing and Livable Communities (EOHLC), which resolves conflicts around the siting of new affordable housing, greater flexibility to process some appeals concurrently.

Helps Increase the Number of Home Inspectors. Aims to increase the number of available home inspectors by creating an alternative path to home inspector licensure. The new pathway would apply to professional engineers who have performed at least 50 home inspections under a licensed inspector.

Doubles MassDevelopment Loan Caps. Supports housing construction by increasing MassDevelopment's individual loan and guarantee cap from \$1 million to \$2 million, and doubling the aggregate cap on MassDevelopment loans from \$2 million to \$4 million.

Regulating Scooters and E-Bikes

Catches Up to Evolving E-Bike Market. Brings Massachusetts laws up to speed to cover the rapidly-developing technology of battery-powered 'micromobility' devices such as mini-scooters, hoverboards, and fast e-bikes that have proliferated on the state's roads and recreational paths.

Sets Safety Standards. Prioritizes operator safety by setting standards for safety equipment such as brake lights and helmets. Prohibits after-market modifications intended to increase a device's passenger capacity or increase its speed, range, or propulsion power, except as may be allowed by regulation.

Sets Responsible Age Requirements. Categorizes micromobility devices by speed capability, with the lowest level of devices—tier 0—capable of reaching 20 mph and available to operators aged 14 and older. Children younger than 16 would not be allowed to operate devices in the higher speed tiers, such as devices in tier 1, which are capable of traveling at 21-30 mph.

Leaves Bike Lanes to the Bikes. Calls on the Registrar of Insurance to handle registration for the most high-powered devices. Keeps certain high-powered micromobility devices—such as mopeds—out of public bike lanes and treats them as regular traffic. Bike lanes would be kept for devices that cannot exceed 30 mph.

Promotes Safety for Recreational Paths. Sets a default speed limit of 20 mph on shared-use paths like rail trails where people walk, run, and bike. Municipalities would retain the option of setting their own local speed limit.

Fostering the Hospitality Industry

Restores Local Control Over Bar and Restaurant Alcohol Licenses. Hands control back to town and city governments over their own community's alcohol licenses. Eliminates the state quota on bar and restaurant alcohol licenses and gives municipalities the freedom to set the number of licenses it issues for on-premises consumption. New caps would be set locally, following a locally-adopted plan which is approved after a public hearing. The current population-based cap on the number of package store licenses would remain in place.

Helping Small Businesses

Doubles Small Business Eligibility for Energy Tax Exemption. Provides crucial savings for Massachusetts small businesses by expanding the small business energy sales tax exemption. Businesses would be able to qualify for the exemption—and not pay sales tax on gas, steam, electricity, and heating fuel—if they have 10 or fewer employees and bring in gross income under \$2 million. This doubles the eligibility threshold from its current level of up to five employees and less than \$1 million in gross annual income.

Promotes Trust in Food Trucks. Supports the vibrant food truck industry by calling for appropriate health regulations that promote public trust. Directs the Commissioner of Public Health to create regulations that include annual health inspections of food trucks and standards for cleanliness.

Reduces Fees for Small Businesses. Reduces the filing fee for certain small businesses and then gradually increases the fee to its current amount over time, saving smaller companies millions of dollars a year in total.