

STAFF REPORT

To: Planning and Economic Dev. Committee Date: June 16, 2015
Housing and Community Dev. Committee

From: Sam Powers
Director of Community and Economic Development

Subject: Progress Report on Small Business Assistance Program Review

Summary Statement: An update to City Council Planning and Economic Development Committee and Housing and Community Development Committee on review of Small Business assistance incentives/Best Practices

Review: In 2013 Council directed staff to review the City's current incentive policies, analyze their alignment and utility regarding Council's strategic goals, and recommend changes to current policies if appropriate, taking special emphasis on small business. Staff engaged the UNC School of Government to provide assistance in the process. Findings from staff review and from work contracted with the School of Government's Development Finance Institute (DFI) indicated that:

- Current Industrial and Business Development incentives are effective and may need to be maintained in order for the City to be competitive;
- The remaining incentives are marginally effective at encouraging achievement in Council's strategic goal areas; the Land Use Incentive Grant as the least utilized policy and is difficult to evaluate.
- Trends in the local development market suggest that Council consider a more district-driven and targeted approach to non-traditional incentives, including the use of Municipal Service Districts (Innovation Districts) as a tool to accelerate City capital investment; and the redevelopment of City owned property to achieve Council goals.

In 2014 City Council adopted three new Innovation Districts, along with the CBD Innovation District previously adopted. These district designations for the geographic areas in which the private sector is targeting the most investment will allow Council to increase public-private partnership opportunities for community and economic development, along with SOB funding for infrastructure.

Late in 2014 staff engaged the NC based economic development consulting firm Creative Economic Development to assist in reviewing small business programs, incentives and practices. As a beginning action, surveys were sent to the existing business associations in the city, and forwarded from the associations to their memberships. CED staff also updated the CED webpage and posted the survey online. At the Feb. 2015 PED meeting, staff provided a preliminary update on the Creative ED findings. At that PED meeting, committee members indicated they wanted a defined clear role small business assistance for the City, not duplication of services being provided by other agencies; the committee felt there were numerous outside programs providing assistance to small businesses but awareness of outside agency service provider programs could be improved; and the committee desired to see best practices from other communities.

Creative Economic Development will present preliminary survey findings (attached to this staff report in a PowerPoint presentation). The firm will be seeking guidance from PED/HCD on better understanding of the Committee's interests in developing tools that best respond to the

identified needs from survey results. Additionally, staff will continue to plan to use the Comprehensive Plan Update to drive the next regular review of development incentives policy (eighteen to twenty four months).

Strategic Operating Plan: This direction aligns with the City's 2025 Comprehensive Plan, as it addresses Goal II under the Economic Goals and Strategies section:

“Ensure that...City development regulations and incentives are regularly reviewed and modified to meet the technological and social changes of the local economic development situation.”

Recommendation: Staff recommends PED/HCD receive the presentation and provide input to staff and the consultant.

Attachment:
(1) Presentation

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE CITY MANAGER SUBMIT A GRANT APPLICATION TO THE BUNCOMBE COUNTY TOURISM DEVELOPMENT AUTHORITY FOR THE 2014 TOURISM PRODUCT DEVELOPMENT FUND CYCLE

WHEREAS, the BCTDA opened their 2014 grant funding cycle in May 2014; and

WHEREAS, the City of Asheville has identified a riverfront destination development project that will add new and incremental room nights and meets the goals and requirements iterated by the grant guidelines; and

WHEREAS, City Council has identified implementation of riverfront redevelopment capital improvement projects as a key strategic goal;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE THAT:

The City Manager is hereby authorized to submit a grant application to the BC TDA for the 2014 Tourism Product Development Fund cycle.

Read, approved and adopted this the 26nd day of August, 2014.

City Clerk

Mayor

Approved as to form:

City Attorney



Small Business Incentives Study

PLANNING & ECONOMIC DEVELOPMENT COMMITTEE
HOUSING & COMMUNITY DEVELOPMENT COMMITTEE
JUNE 16, 2015

Update on Scope of Work

Review of existing city programs

Business survey to identify needs

Interview small business support agencies to identify gaps

Best practices research and analysis

Today – update and direction

Business Survey

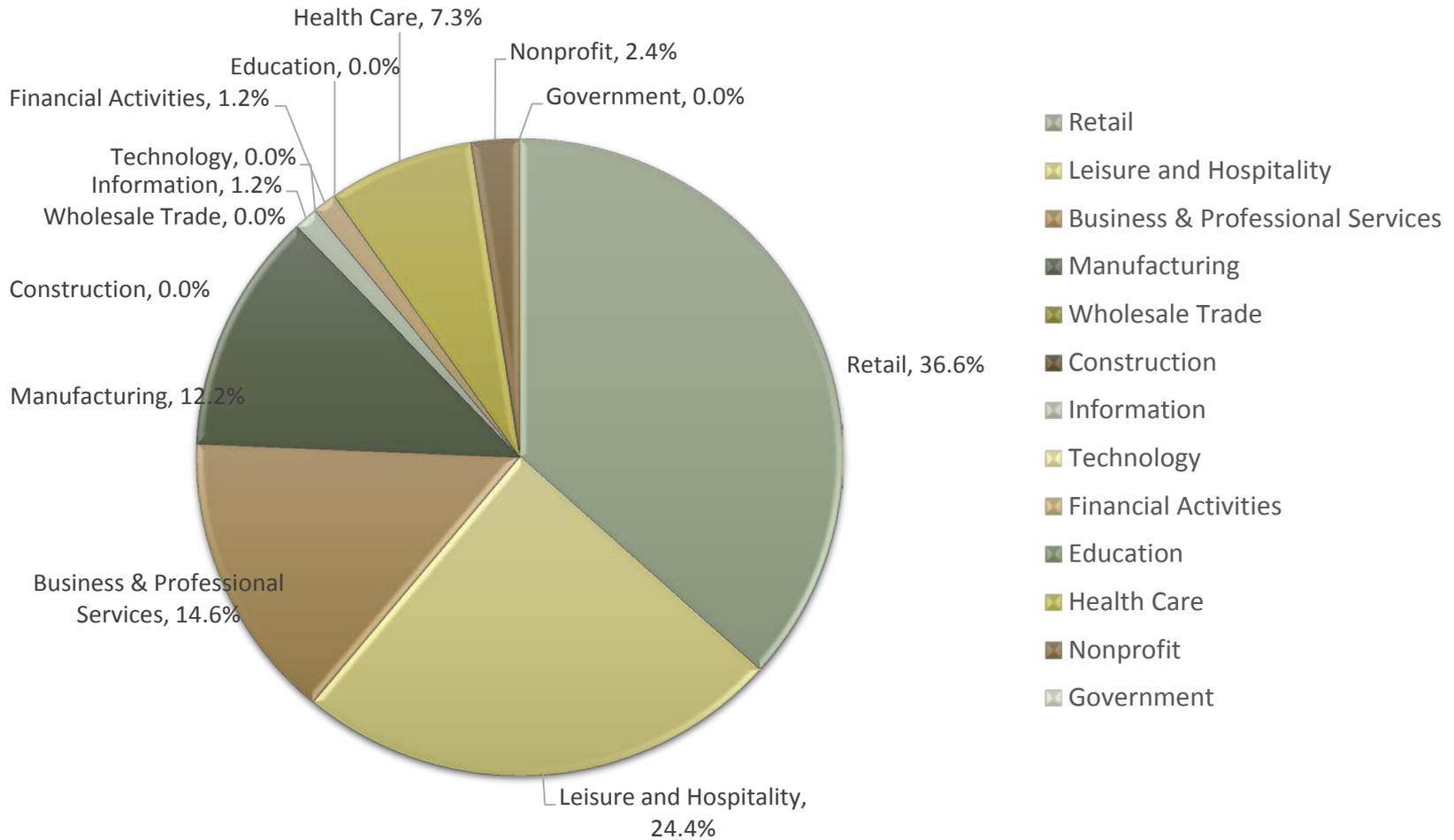
Survey sent to small business agencies to distribute to databases, posted on city website

86 responses

Respondent profile

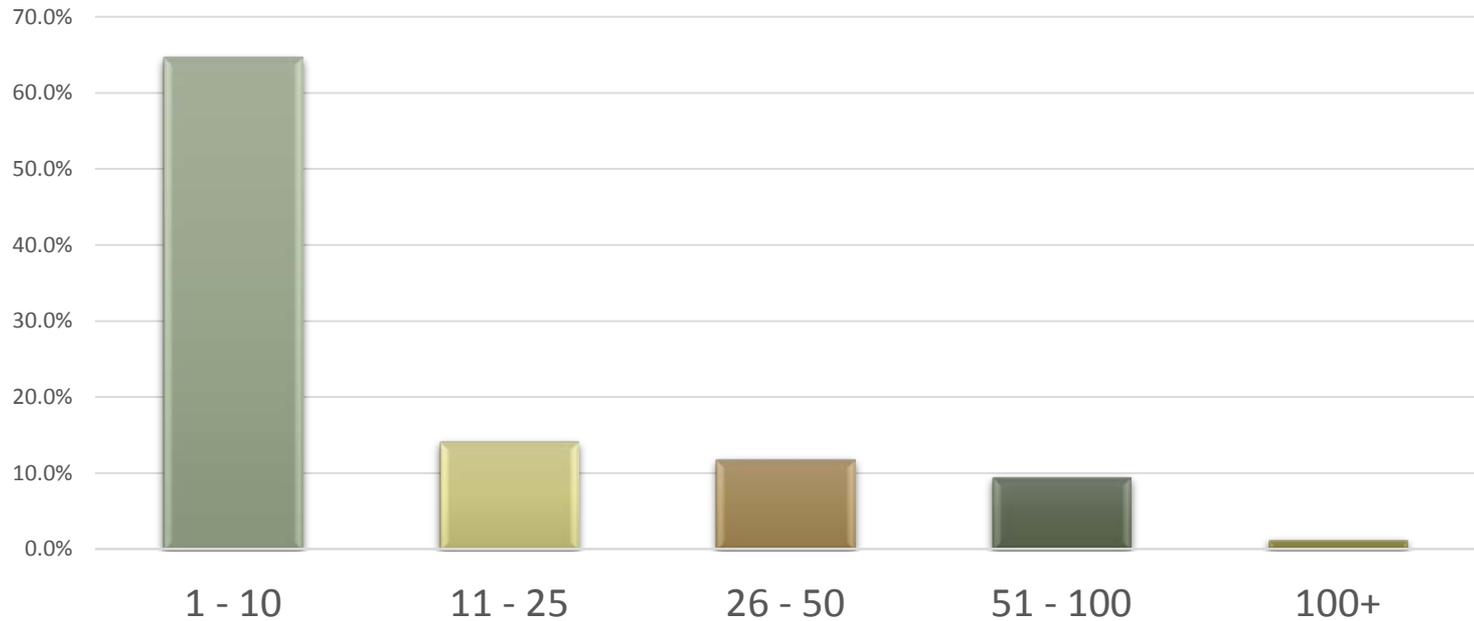
- Own a business in the City of Asheville
- Retail, leisure & hospitality, business & professional services, manufacturing
- In business over 10 years
- Small businesses, less than 10 employees

Sectors Represented

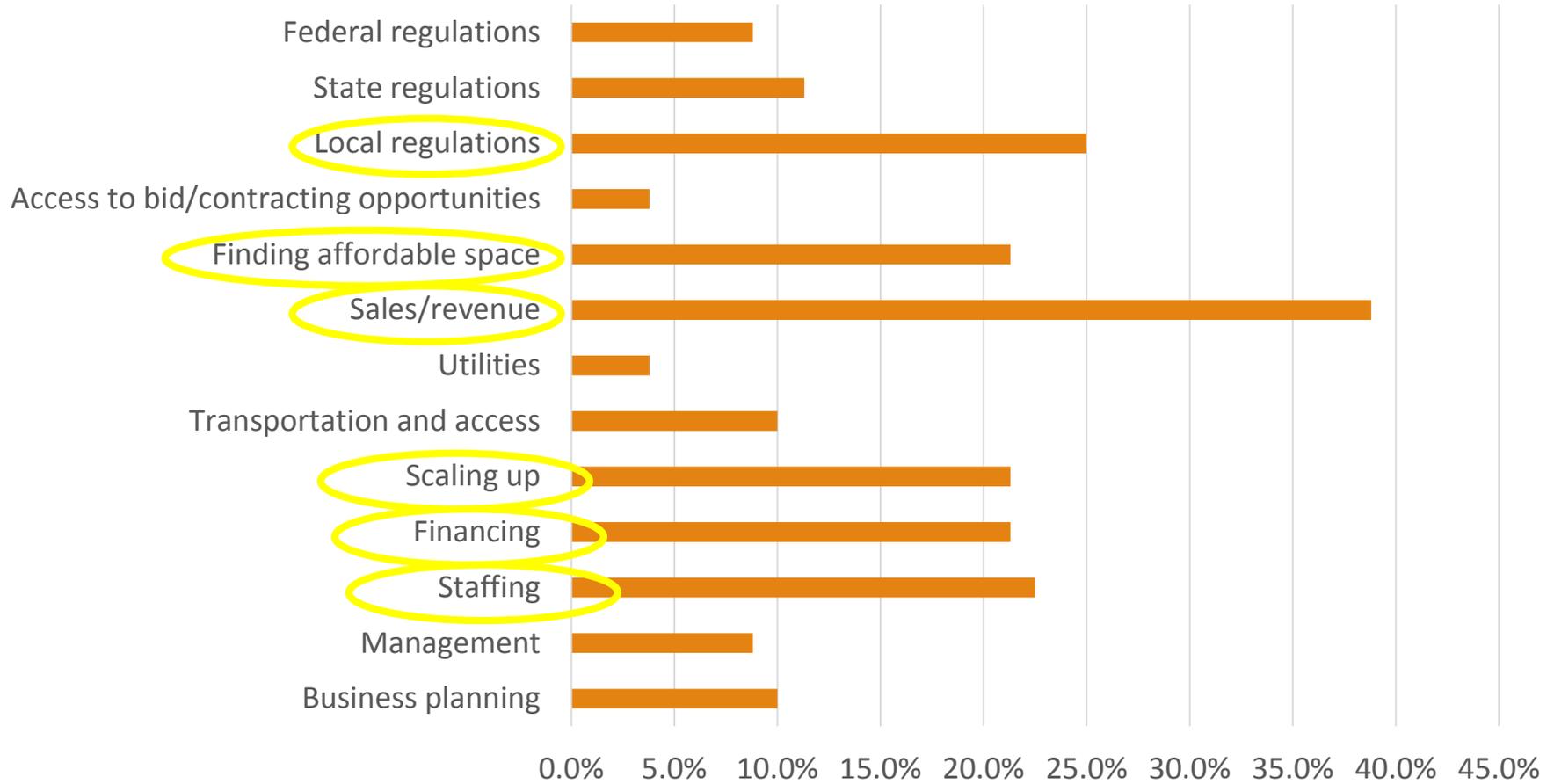


Employment

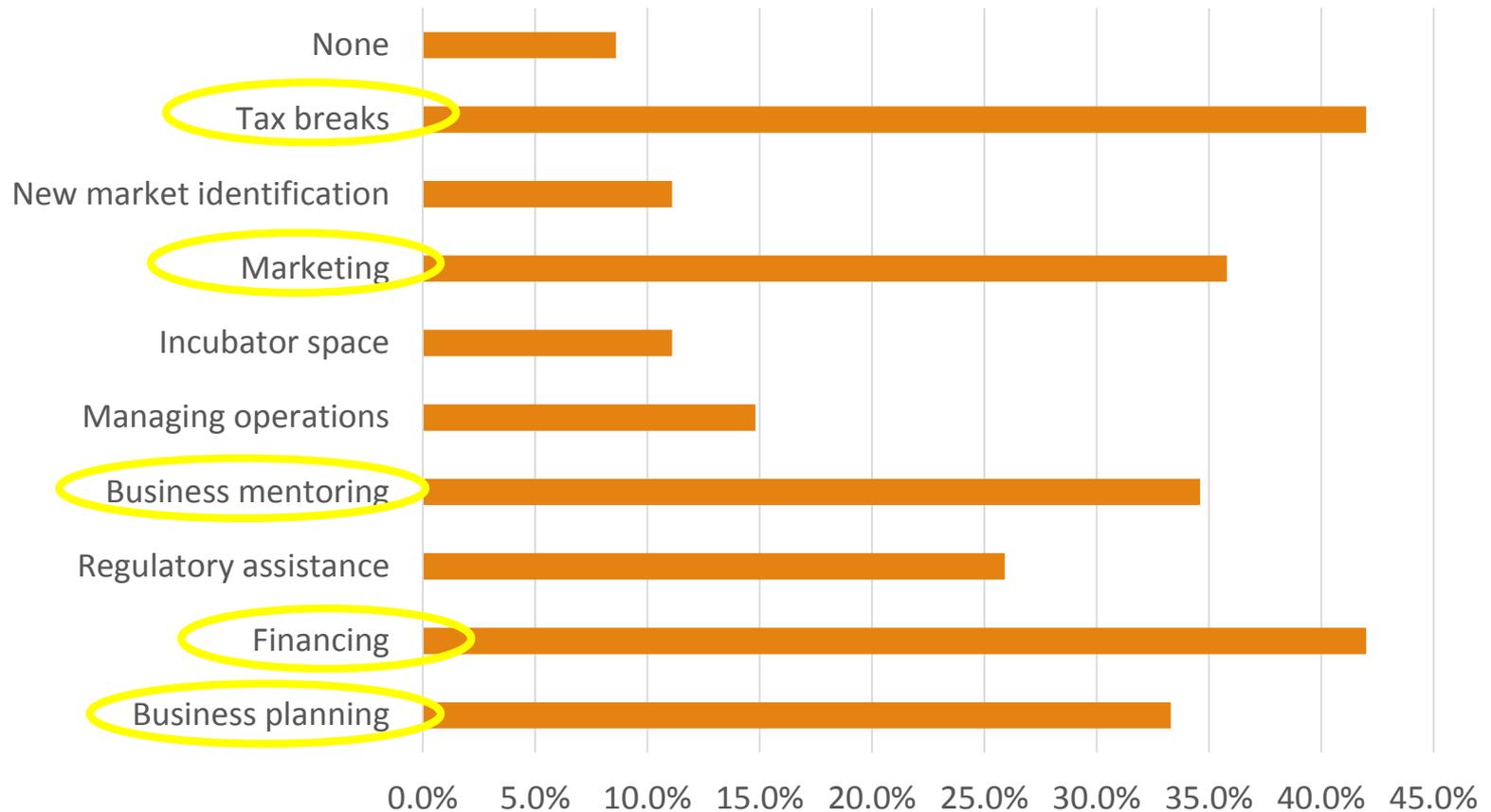
How many employees, full-time equivalents, are in your business?



Challenges to growing business



Assistance that would be helpful



Frequent Comments on Survey

Affordable space

Parking

Code enforcement, inspections, permitting difficult to navigate and changes add cost to projects

Centralized small business help point

Gaps Identified from Service Provider Interviews

Raise awareness/market existing programs

Single point of contact – business concierge service

Additional small business loan funds

Shared meeting, training, conference space

Affordable downtown space, downtown incubator

Services for entrepreneur scaling up

Parking

Existing City Programs

Industrial Development Grant (IDG)

Business Development Grant (BDG)

Infrastructure Development Program (IDP)

Water Cost Sharing

Goal

Best Practice

Job Creation /
Wages

- Modify current grant programs
- Grants based solely on job creation

Local Regulatory
Process

- Business Concierge
- Web Portal, updates to city web site
- Business Road Maps
- Technical team reviews

Business Financing

- Revolving Loan Funds

New Business
Starts

- Starter Kits

Downtown Space

- Co-location space

Awareness of
Existing Programs

- Web portal
- Concierge

Goal Specific
Grants

- Landscaping
- Façade
- Building renovation in specific districts
- Brownfields
- Security

Existing Grants (IDG, BDG)

Job Creation

- Staff is currently working on wage standard.
- Grant could be tiered to provide a higher level of grant to projects with more jobs. Current tiers only address capital investment. Applicable for office projects.
- Grants based solely on job creation - Lynchburg, VA example: Grant (cash, infrastructure, other support) for large scale employment expansion. Up to value of a 2% increase in annual payroll if base employment is increased by more than one-third or 30 net new positions.

Targeted Capital Investment

- Reduce threshold eligibility in specific geographic zones - Raleigh, NC example: Investment threshold drops to \$0 and tax credit doubles from 3.5% to 7% in Urban Progress Zone.

Job Creation

Grants based solely on job creation - Lynchburg, VA example: Grant (cash, infrastructure, other support) for large scale employment expansion. Up to value of a 2% increase in annual payroll if base employment is increased by more than one-third or 30 net new positions

Local Regulatory Process

Business Concierge

- Staff position to lead businesses through the regulatory process.

Web Portal, Updates to city web site

- Includes information on permitting, business start-up, city services.
- Raises awareness of and makes connections to existing agencies.

Business Road Maps

- Guides to starting specific businesses. Examples: restaurant, salon, food truck.

Technical team reviews

- Preliminary site compliance program

Business Financing

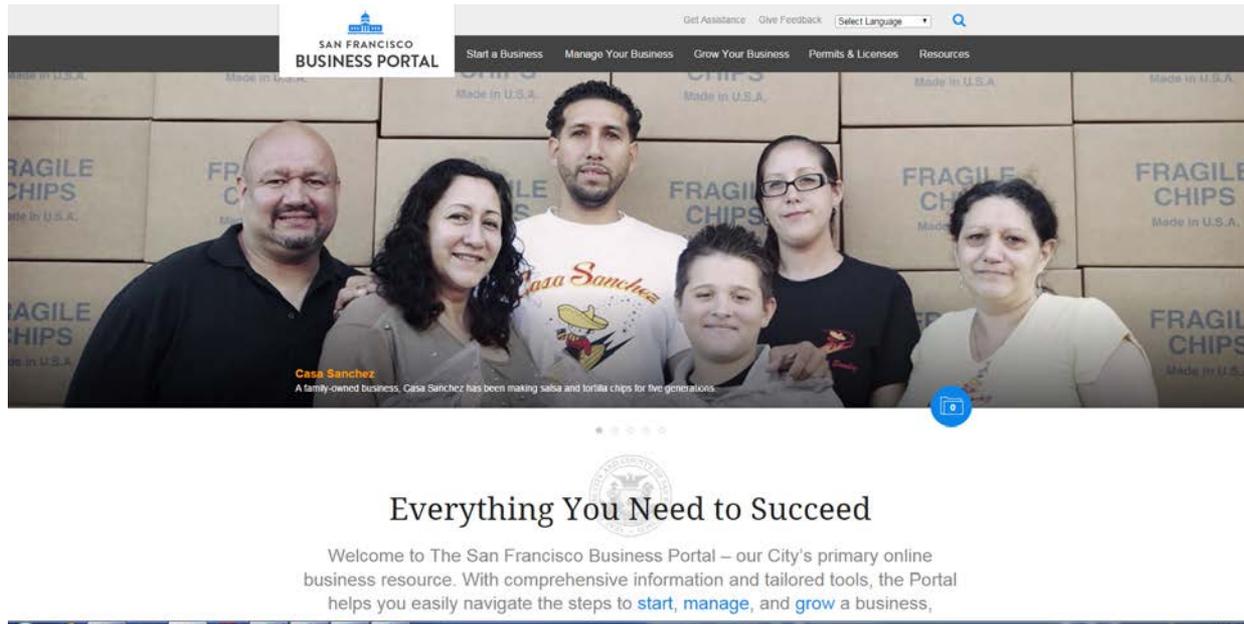
City Revolving Loan Funds

- Winston Salem Example
 - Must be in Neighborhood Revitalization Strategy Area
 - Net worth of less than \$6M
 - Create or retain jobs to benefit low-to-moderate income
 - Average loan is \$35,000
 - Funded through CDBG

New Business Starts

Starter Kits

BusinessPortal.Sfgov.org



Downtown Space

Next Innovation Center, Greenville, SC

- Co-location space and virtual tenant option
- Matched developer with 20 entrepreneurs that wanted downtown co-location space
- Used New Market Tax Credits
- Next on Main will have co-work space

Awareness of Existing Programs

Web Portal

- BusinessPortal.Sfgov.org



Concierge Program

Goal Specific Programs

Hickory, NC

- Landscaping - Matching landscaping grant to revitalize specific areas of the city

Raleigh, NC

- Façade improvements – Matching grant up to \$10,000 or 50% of cost in targeted redevelopment areas.

Building renovation in specific districts

- Similar to BDG but for targeted districts. Hickory is an example.

Charlotte, NC

- Brownfields - Matching grants for expenses related to brownfield redevelopment.
- Security – Matching grant for security improvements in the Business Revitalization Geography

Next Steps

Direction from city committees on overall small business incentive goals

Add to best practices research in goal areas identified

Finalize policy recommendations

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