

## **ECONOMIC DEVELOPMENT AND INNOVATION COMMITTEE**

The Economic Development and Innovation Committee met at 11:00 a.m. on Tuesday, April 25, 2017 in the Conference Room 305 of the Raleigh Municipal Building, Avery C. Upchurch Government Complex, 222 W. Hargett Street, Raleigh, North Carolina, with the following present.

### **Committee**

Mayor McFarlane, Presiding  
Mrs. Crowder  
Mr. Gaylord  
Mr. Thompson (Absent and excused)

### **Staff**

Assistant City Manager Greene  
Associate City Attorney Poole  
Economic Development Manager Sauls  
Assistant Planning Director Crane

These are summary minutes unless otherwise indicated.

Mayor McFarlane called the meeting to order indicating Mr. Thompson was absent and excused.

The following items were discussed with action taken as shown.

**Item #15-08 – Small Business Grants Policy.** Assistant City Manager James Greene indicated this item is a continuation of the creation of tools within the Economic Development Toolkit and stated the small business grant policy is targeted at small businesses that are making investment and creating jobs within the Target Areas for Economic Development.

Economic Development Manager James Sauls used a PowerPoint presentation to illustrate his report, outlined as follows:

### **Goals of the ED Toolkit**

- Promote ED in all of Raleigh
- Support small and large business growth and development
- Diversify our economy (international, small business, minority and women-owned)
- Involve private sector, State, County, schools and non-profits
- Offer different tools for different applications
- Provide clear policy, program, strategy guidance for staff and Council
- Promote business-friendly environment
- Balance development with neighborhood and historic protection
- Encourage economic prosperity and equity

### **Strategic Plan: Economic Development & Innovation**

**Objective 3:** Establish a strong economic development program which utilizes strategic policies and a comprehensive tool kit of resources to strengthen Raleigh and encourages business investment in all parts of the City

**Initiative 1:** Create the economic development tool kit containing policies and programs such as business grants, loans, innovation funding and small business assistance that support business recruitment, development and retention

#### **How we got here...**

- The City of Raleigh has placed a priority on helping small businesses start, grow and stay in Raleigh
- Council directed staff to bring a Small Business Grant to the Economic Development + Innovation Committee

#### **What is a Small Business?**

- According to the U.S. Small Business Administration (SBA), small businesses with less than 500 employees constitute 99.9 percent of all businesses in the United States
- Wake County has 25,162 businesses with less than 49 employees

**Represents 94% of all businesses in Wake County**

#### **What is jobsRaleigh?**

A City-sponsored program that provides grants to companies based upon the creation of new jobs within the City of Raleigh.

#### **Point System (similar to Building Up-fit Grant)**

- Less subjective
- Grant is tied to a point system
  1. Number of full-time jobs
  2. Average yearly wage
  3. Capital investment
  4. Targeted business clusters
  5. Located in a designated transit route or corridor

#### **Minimum Criteria for Eligibility**

- Applicant currently employs no more than 49 employees

- Salary for employees must be at or above Livable Wage as adopted by City Council (currently \$28,630)
  - Company revenues cannot be in excess of \$17.4 million\*
  - Personal net worth of individual owner(s) cannot exceed \$750,000 (does not include primary residence or ownership equity in the firm)\*
  - Project must create jobs within the Target Areas for Economic Development
  - Minimum of 50 points to qualify
- \*Note: standards from the U.S. Department of Transportation Disadvantage Business Enterprise program*

**Criteria for Evaluating Projects**

Criteria	Maximum Points
Number of Net New Full-time Jobs <ul style="list-style-type: none"> <li>• 1 – 5 (25 points)</li> <li>• 6 – 10 (15 points)</li> <li>• 11 or more (10 points)</li> </ul>	25
Average Yearly Wage of Net New Full-time Jobs <ul style="list-style-type: none"> <li>• \$28,630 - \$35,999 (25 points)</li> <li>• \$36,000 - \$49,999 (10 points)</li> <li>• \$50,000 or more (5 points)</li> </ul>	25
Level of Capital Investment <ul style="list-style-type: none"> <li>• \$5,000 - \$24,999 (25 points)</li> <li>• \$25,000 - \$49,999 (10 points)</li> <li>• \$50,000 or more (5 points)</li> </ul>	25
Company in a <i>Targeted Business Cluster</i>	20
Located in a designated transit route or corridor (within a ¼ mile of transit stop)	5
<b>TOTAL POSSIBLE POINTS</b>	<b>100</b>

**Targeted Business Clusters**

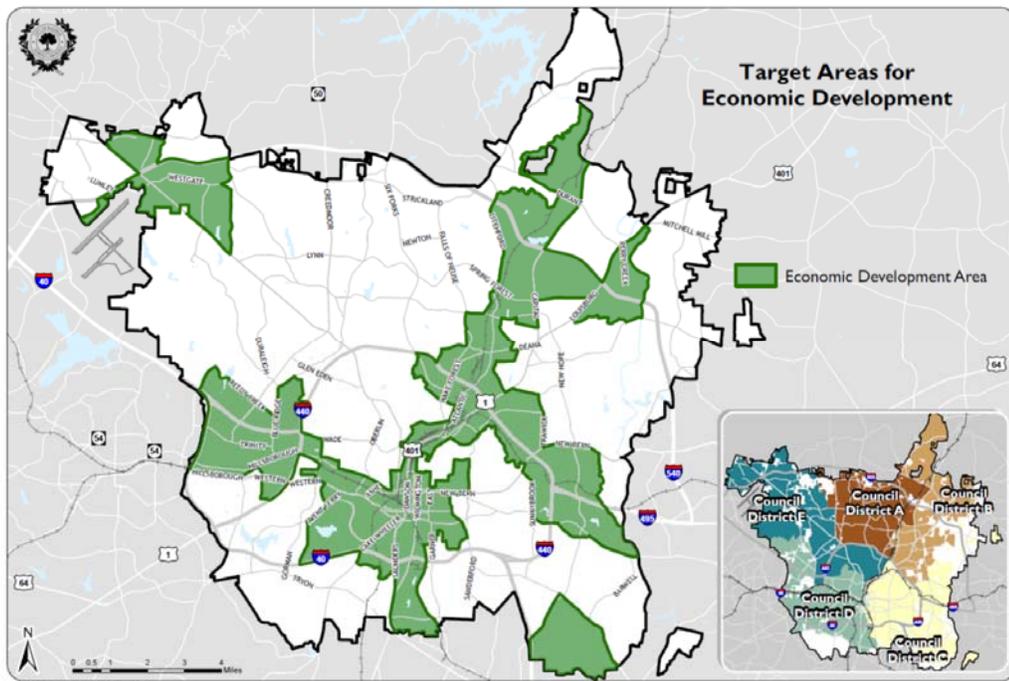
- Manufacturing
- Headquarters
- Transportation
- Financial Services + Insurance
- Professional Services
- Information Technology (IT)

- Biotech + Pharmaceuticals
- Design / Creative

**Expand and include others?**

- Other Services (personal care services (salons, dry cleaning, etc.), general maintenance services, business and religious associations, and skilled trades (electrical, plumbing, HVAC)
- Retail

**Target Zones**



**Grant Amounts**

- Range: \$1,000 - \$2,500 per net new full-time job?
- Maximum grant award: \$15,000
- Additional funds available if project locates within a Racially Concentrated Area of Poverty (RCAP) - managed via Department of Housing and Neighborhoods

**Selection Process**

- Office of Economic Development + Innovation meets with prospective project to identify qualifications and needs
- Cross-departmental review panel scores project and awards grant

- Projects that meet or exceed minimum points are awarded grants based on available funds
- Tie scores will be broken based on first-come-first serve basis

### **Grant Terms**

- Must create minimum of one net new full-time job, does not include business owner(s)
- Grantee must create proposed jobs before grant payment is awarded
- No clawbacks?

### **Budget Options**

1. Use funds currently allocated in the Innovation Fund (currently has \$45,000 with an additional \$100,000 budgeted in FY18)
2. Hold development of grant for funding consideration in future budget years

### **Raleigh Area Development Authority (RADA)**

- City Council transferred the ownership of three homes to RADA to establish a revolving loan fund.
- The Office of Economic Development and Innovation sends prospective businesses looking for loans to start or expand their businesses to RADA

### **Next Steps**

1. Send jobsRaleigh Grant to full Council for consideration
2. Hold the jobsRaleigh Grant for future consideration

Discussion took place regarding methods used to verify company revenues and personal worth with Associate City Attorney Brandon Poole talking about how the City verifies worth and revenues for other City grant programs while ensuring trade secrets are safely guarded.

Mayor McFarlane expressed her belief the federal definition for a small business is one with less than 500 employee seems really high to her with Mayor Pro Tem Crowder talking about how City guidelines may be adjusted accordingly.

Discussion took place regarding how the revenue and personal worth caps were determined and whether they could be adjusted for the City's program.

In response to questions, Mr. Sauls indicated the target areas include families of low-to-moderate income and the proximity of residential properties to commercial areas.

Mr. Gaylord indicated he would like to add to the criteria that jobs must be created within the target area and assign points to that condition with Mayor Pro Tem Crowder suggesting that a

zone be established around the businesses. Mr. Sauls noted the zones could be verified on IMaps.

Mayor Pro Tem Crowder suggested awarding more points for businesses located within the zone as that should be given greater priority. She questioned whether there was data available that indicate small businesses located within the target areas with Mr. Sauls responding he could get that data for the Committee. Mrs. Crowder indicated she did not want to exclude any person or business that could be targeted for participation.

Mayor McFarlane stated she wanted to exclude nonprofit from participation given the revenue criteria with discussion taking place regarding “other services” to include in the program including health care, dentists, etc. Discussion also included what types of retail to include in the program, if at all with Mr. Sauls pointing out a jobs provision is included in the building upfit grant program and Mayor Pro Tem Crowder questioning whether retail businesses could access both programs.

Mayor McFarlane questioned whether the living wage cited in the report was defined as per hour and whether that included benefits with Assistant City Manager Greene expressing his belief the figure cited is without benefits; however, he will verify that information. Later in the meeting, Mr. Green confirmed the living wage figure cited in the report did not include benefits.

Mr. Gaylord indicated he would prefer the term “headquarters” be stricken from consideration as he believed that category is too broad to define.

Discussion took place regarding how various businesses would fall under “cluster” categories with the Committee members recommending the following categories be excluded from the program eligibility:

1. Nonprofits
2. Headquarters
3. Adult establishments
4. Bars and taverns as defined by the UDO.

Mayor McFarlane indicated she would not go any lower than \$1,000 grant per employee position with Mr. Gaylord asserting the grant amounts should be substantial enough to make it worth people’s time to apply and stating the \$1,000 amount is too low; that \$2,500 would be a better incentive. Discussion took place regarding the employee position grant range with both Mayor Pro Tem Crowder and Mr. Gaylord suggesting a grant award of \$1,500 per employee position for businesses located outside the target zone and \$2,500 per position for businesses located within the zone.

Mayor Pro Tem Crowder questioned whether the claw back provision goes into effect if an employee quits a position and the owner does not hire a new employee to fill the empty position with Assistant City Attorney Poole talking about the criteria for eligibility and the 3-year

compliance provision. He also talked about how and when funds are awarded in the grant process.

Mr. Sauls talked about the amount of program risk in proportion to the size of the business and possible claw-back provisions. He noted some businesses need the funds up front; therefore, he suggested requiring the employer maintain the job position for at least 1 year to avoid the claw-back provision. In response to questions, he indicated an employee who leaves an eligible position and a new employee is hired to continue filling that position would not constitute a violation of the claw-back provision.

Discussion took place regarding whether any additional funds were available with Mr. Sauls pointing out any additional funds would come from other government sources and not from the City.

Discussion took place regarding budget options with Mr. Greene indicating those issues can be discussed during the upcoming budget deliberations.

Mayor McFarlane questioned RADA funding with Mr. Green responding any funds raised by RADA through the property sales must be used to fund small business loans. Mr. Gaylord requested a report outlining the history of RADA small business loans and RADA grants.

Mayor Pro Tem Crowder stated she did not want today's discussion be convoluted with RADA grants with Mr. Greene and Mr. Sauls indicating staff wanted to include this information to advise the Committee there are other sources of funding available to businesses in addition to the City's program.

Mr. Greene stated a report regarding RADA grants and small business loans will be included in the City Manager's Update.

Following further discussion, Mr. Gaylord moved the Committee recommend adopting the small business grants policy, also known as jobsRaleigh with the following changes:

1. Lower company's maximum revenues from \$17,400,000
2. Lower personal net worth of owner(s) from \$750,000
3. Widen grant area to include all of the City of Raleigh
4. Increase grant amount within Target Zones for Economic Development to \$2,500 per job
5. Add grant amount outside of Target Zones for Economic Development to \$1,500 per job
6. Add additional points to Criteria for Evaluating Projects for business and jobs that are created within Target Zones for Economic Development
7. Include Other Services as defined by the Unified Development Ordinance
8. Exclude non-profits, adult entertainment and bars/taverns, etc. at defined by the Unified Development Ordinance
9. Create clawbacks for companies that fail to retain jobs for less than one year
10. Allocate \$100,000 from the Innovation Fund to start the jobsRaleigh Grant program

Mr. Gaylord's motion was seconded by Mayor Pro Tem Crowder and put to a vote that resulted in all members voting in the affirmative except Mr. Cox who was absent and excused. Mayor McFarlane ruled the motion adopted on a 3-0 vote.

**Item #15-07 – Mobile Retail.** Assistant City Manager Jim Greene indicated at the January 17, 2017 City Council meeting, Council Member Baldwin requested the City consider allowing mobile retail in the City. He indicated Ms. Baldwin had been contacted by Jared Childs, owner of Pitch and Primer (a mobile men's retail shop) on this issue. He stated the Council briefly discussed the item and referred it to the Economic Development and Innovation Committee for further discussion. He stated staff from City Management, City Attorney, Planning and Parking has met to discuss the issue and, if Council desires, staff can draft an ordinance for the Committee and City Council to consider which would allow for mobile retail. He stated, however, there are several issues that Council should consider and for which they should provide direction so that staff can develop requirements as part of the ordinance. He indicated the issues include:

- 1) Mobile retail impact public parking and food trucks;
- 2) Allowing mobile retail on private property;
- 3) Limiting the size or type of truck;
- 4) Limiting the locations for mobile retail trucks;
- 5) Hours of operation;
- 6) Allowable items to be sold and purchased; and
- 7) Requirements for items to be contained inside of truck or allowed to be set up outside the vehicle in tents or awnings.

Assistant Planning Director Travis Crane used a PowerPoint presentation to illustrate his report, and is outlined as follows:

### **Streetside Vending**

- City Council approved ordinance in 2016
- Allows food truck service from right-of-way
- Designated locations only

### **Regulations**

- Four “zones” identified; one truck per zone
- Identified parking area
  - 10 am – 3 pm
  - 10 am – 8 pm First Friday
- Minimum spacing
- 100 feet from restaurant
- 50 feet from pushcart
- Spacing from utilities, driveways, HC ramps, street intersections
- Operator must dispose of all waste

### Locations

- Polk Street (b/w Wilmington & Blount)
- Warehouse District (CAM)
- State Street (b/w New Bern & Hargett)
- Bloodworth (b/w Martin & Davie)

### Operation

- Operators secure spot through “Street Food Finder” app
  - Cannot monopolize location
- Limit on number of reservations in 7 day period
- Some locations more popular than others
- Staff is currently gathering data; anticipate report to City Council spring 2017

### Request

- Retailer would like to operate from right-of-way
- Mobile men’s retail shop
- Activity currently not permitted

### Discussion

- If located in food truck zones, what is the impact?
  - Scheduling conflicts
  - Food truck spaces can accommodate one truck
- Allow retail sales from right-of-way?
  - Very limited allowance (push carts, food trucks)
- Limitation on size of truck?
- Specific hours of operation?
- Limitation on type of retail (what can be sold?)
- Require items to be located inside vehicle?

Mr. Crane noted the ordinance designates food truck locations on various streets as well as allows locations on public and private property. He noted Moore Square was originally considered as one of the sites; however, that area was withdrawn. He stated a report on the success of the food truck program to the full Council is forthcoming. In response to questions, he stated early statistics show the Warehouse District and Polk Street prove to be popular, whereas Bloodworth Street is not a desirable location.

Mayor Pro Tem Crowder expressed the need to be sensitive with regard to locating mobile retail near brick and mortar retail operations just as food trucks are located with regard to nearby restaurants. She expressed concern a mobile retail operation would look more like a yard sale in appearance and suggested the City impose guidelines for outside appearance and displays.

In response to questions, Mr. Crane indicated mobile retail uses are allowed on private property through a special use permit for up to 4 times a year with discussion taking place regarding whether the Code addresses “itinerant” sales. Mr. Cane pointed out the UDO already addresses food trucks, whereas “temporary uses” addresses other types of businesses. The discussion also included how food trucks operate on North Carolina University’s Centennial Campus through an arrangement with the university.

Discussion took place regarding what type of retail establishments may be eligible for participation with Mr. Gaylord noting the City could establish a pilot program of 6 months to 1 year to gauge participation and success rates.

Mayor McFarlane noted some food truck spaces are not suitable for mobile retail with Mayor Pro Tem Crowder expressing concern regarding possible consequences from competition for available space rather than providing additional spaces. She also expressed concern regarding competition with downtown retailers that are already struggling for survival.

Mr. Gaylord indicated he is more comfortable with the idea of mobile retail indicating having more retail of like merchandise in one location can generate a “destination”. He noted some mobile operations eventually become brick-and-mortar establishments, and suggested the City establish a permit process for private property owners for mobile retail space.

Mayor Pro Tem Crowder stated she wanted a better definition of allowed uses for mobile retail.

Discussion took place regarding street locations versus private property locations for mobile retail operations with Mayor Pro Tem Crowder stating she did not have a problem with locating mobile retail on private property; she would still like to see a better definition regarding “allowed uses”. She stated she is not in favor of permitting street side retail.

Jared Childs, 412 Culver Street, talked about his mobile retail business and how he has permission to locate his operation next to a women’s apparel store in Cameron Village on occasion. He stated he researched mobile retail operations across the country and expressed his willingness to work with City staff regarding the issue. He talked about the increasing number of store closures across the country and predicated the public will see more pop-up establishments in time.

Jennifer Martin, 410 North Boylan Avenue, talked about the number of mobile retail ventures that became brick-and-mortar stores without grant funds. She talked about an agency in Morrisville dedicated to helping mobile retailers, and expressed her support for mobile retail operations in Raleigh. She expressed her desire to also work with the City on the issue.

Discussion took place regarding the next steps and how to determine best practices with Mr. Crane indicating staff will bring a report to the committee at a subsequent meeting.

Bill King, 805 East Edenton Street, stated he has found mobile startups are the best way to establish business and indicated he would be happy to work with staff gathering and analyzing data.

Mr. Green indicated the Committee still has an item on its agenda regarding the sign ordinance and stated staff will bring a report to the Committee by June.

The item was retained in committee for further discussion.

**Adjournment:** There being no further business, Mayor McFarlane announced the meeting adjourned at 12:26 p.m.

Ralph L. Puccini  
Assistant Deputy Clerk