

Commercial Affordability in Chinatown/ID

C/ID Community Stabilization Work Group

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5 – 6:30pm

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Introduction

- What is Commercial Affordability?
 - Simple answer: Rent at 6-10% of total revenues
 - Real answer: Small business **sustainability** is not limited to rent
 - C/ID businesses face other challenges besides rent acceleration
 - Helping existing businesses stay in place involves:
 - Adapting to shifting customer expectations
 - Managing increasing costs of doing business in Seattle
 - Building financial savvy & expanding access to affordable debt
 - Not the same as housing affordability
 - Small businesses are high-risk profit-making ventures
 - Capital development subsidy sources for commercial are limited
 - Washington State legal restrictions

Agenda

- C/ID Business Conditions (Shanti)
- Small Business Capacity Building through Technical Assistance (Michael)
- Regulatory Strategies (Shanti & Vinita)
- Commercial Affordability (Michael & Shanti)

C/ID Business Conditions

- Opportunities

- Strong community identity/brand
 - C/ID regional draw for Asian/Asian-American food & culture
 - Growth in eating out; expanding appetite for Asian foods
- Long-standing businesses with committed customer basis
- Talent, skill and vision of 2nd generation entrepreneurs
- Gaps in Asian/Asian-American cuisine
- Growing local customer base due to new residential units
- Local property ownership

C/ID Business Conditions

- Challenges

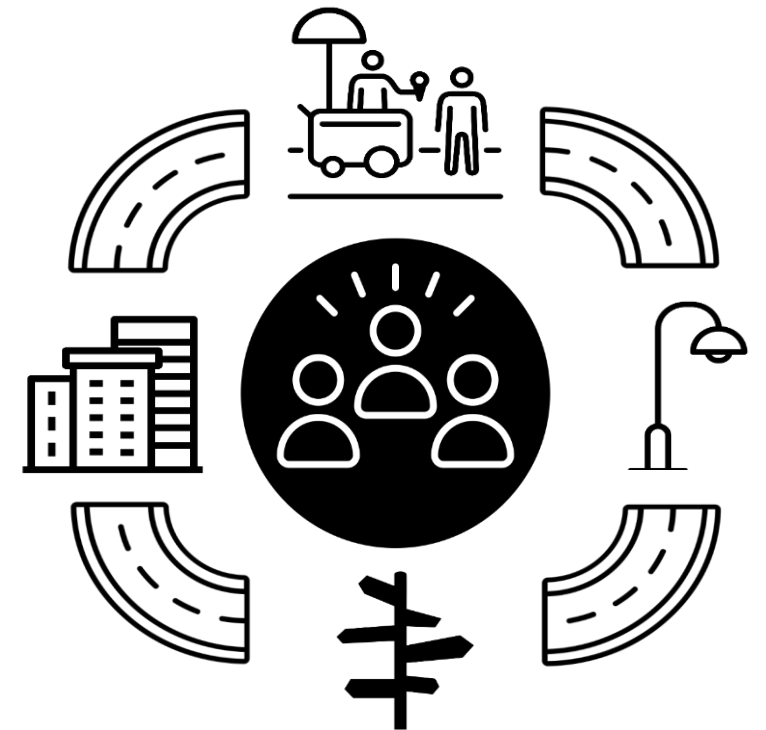
- Safety and sanitation
- New labor standards
- Poor state of historic and commercial strip spaces
- Customer pricing expectations
- Decline of independent, brick & mortar retail
- Aging business owners
- Difficulty & cost of renovating existing space or building out new space

C/ID Business Conditions

- Mixed Opportunity/Challenge
 - Extensive redevelopment activity
 - Potential displacement of long-standing businesses in Little Saigon
 - Potential to re-locate existing businesses and appropriate new businesses into new, high-quality commercial space
 - Ground floor space is an after-thought
 - New development is driven by residential/hotel units
 - Developers do not understand commercial development and property management
 - Majority of new development trying to place offices, social services, lobbies or other uses on ground floor, not retail

Building Small Business Capacity

- Office of Economic Development's Only in Seattle Program
 - Mission: Build an equitable, vibrant city by fostering neighborhood business districts that are centers of local commerce, community and culture.
 - Program: OIS provides seed funding and expertise to support local businesses, building owners, and residents to unite around a vision for their district and work together to achieve it. OIS is based on a set of core building blocks for a successful business district:
 - Business Organization
 - Business Development
 - Marketing and Events
 - Clean and Safe
 - Placemaking



Building Small Business Capacity

- C/ID OIS Program
- Business Development
 - Recruitment of new businesses that are a cultural and business mix fit for the district and it's spaces (started mid-2015)
 - Retention and support for local businesses (started 2017)
 - Workshops and one-on-one support for businesses
 - Referrals to technical assistance and small business financing organizations
 - Commercial leasing workshop series focused on helping existing business facing dislocation qualify for space in new development

Building Small Business Capacity

- Small Business Technical Assistance
- No Cost 1 on 1 Business Consulting
 - Marketing
 - Business Planning
 - Financial Management
- Classroom Training and Counseling
 - Specialized assistance for early stage, low-income and immigrant owned entrepreneurs
- Non-Profit Credit Lending

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Building Small Business Capacity

- **Access to Financial Resources**

We connect small businesses - especially those low income and WMBE businesses - to a range of alternative financing options offered by local nonprofit lenders. These community lenders offer greater flexibility than banks in evaluating loan requests and structuring loan terms.

- **Equitable Development Partners** (Lenders, ranging from \$10, 000 top \$500,000 in loan products)
 - Grow Seattle Fund
 - Business Impact Northwest
 - Craft3
 - Mercy Corps Northwest
 - Rainier Valley Community Development Fund
 - Ventures

Building Small Business Capacity

- Legacy Business

- Definition: A legacy business is a type of small business that supports community identity and stability through its long tenure
- The Legacy Business Study (September, 2017) concluded that legacy businesses make important economic and cultural contributions and recommended further study around support systems and policies for such businesses.
- Seattle has options for expanding its support for legacy and small businesses, including;
 - Refine existing or create new programs specifically tailored for legacy businesses --- examples could include technical assistance regarding succession planning and lease education
 - Marketing and promotion programming specific to Legacy Business that enhances the cultural contribution of legacy businesses
 - The report identified the potential benefit of financial assistance programs but recognized the legal challenges re: State lending of credit/gifting public funds prohibition.

Regulatory Strategies

- Goal Setting
 - What are desirable ground floor uses in Chinatown/ID?
 - What are undesirable ground floor uses?

Regulatory Strategies

- Regulatory Approaches
 - Formula business definitions & restrictions
 - Size restrictions
 - Is this helpful for C/ID's business mix?
 - Spacing requirements or density restrictions
 - Limits on the number of businesses of one type in an area (1,000 SF spacing)
 - Can address problem businesses (massage parlors), as well as chain proliferation
- Case Study: San Francisco's Mission District

Commercial Affordability

- Current Resources & City Efforts
 - In September of 2016, OED released the Mayor's Commercial Affordability Advisory Committee Recommendations Report. The Committee created a list of recommendations intended to support small businesses in a climate of rapidly changing market forces.
 - Institute New Financial Incentives
 - Changes to Public Policy
 - Improve the permitting Process
 - Small Business Design Guidelines
 - Legacy Business

Commercial Affordability

- Best Practices

- Neighborhood Development Center in St Paul/Minneapolis

- Economic Development Corporation

- Small business classes, technical assistance and financing

- Added in real estate development to help support graduating entrepreneurs who had difficulty stabilizing once open

- Multiple mixed use projects done in partnership with affordable housing developers

- Portland Mercado

- Multi-vendor Latino food market in Southeast Portland

- Lessons

- Small business support (financing, marketing, supportive property management) critical to success of these projects

- Ratio of debt to grant or financing must be low

- Challenging development projects, experienced developers only

C/ID Small Business Sustainability Solutions

- Affordable housing finance & policy preference for small businesses on the ground floor
- Support for stabilized commercial space
 - Prospective opportunities in experienced, community-based non-profit projects
 - Opportunities in market-rate projects
 - Louisa rehabilitation
 - Multi-vendor market potential at Acme redevelopment
 - Identify non-city/state sources of low-interest debt, equity, grants that can finance commercial development/tenant improvements
- Pilot City of Seattle subsidized tenant improvement loan fund for historic commercial spaces
- Continue Only In Seattle/OED-supported business capacity-building & retention programs
- Expand interpretation/translation support for small business technical assistance
- Implement regulatory approaches that promote healthy business mix and preserve district cultural orientation