Commercial Affordability in Chinatown/ID

C/ID Community Stabilization Work Group

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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 2\textsuperscript{nd} 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
Building Small Business Capacity

- Small Business Technical Assistance

- No Cost 1 on 1 Business Consulting
  - Marketing
  - Business Planning
  - Financial Management

- Classroom Training and Counseling
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- Non-Profit Credit Lending
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