



**Wednesday November 2, 2022**

11:00 am – 1:00 pm

Webex

**Board Members Present:** Cesar Garcia, Willard Brown, Sophia Benalfew, Jamie Madden, Kaleb Germinaro, Abdi Yussuf, Mark R. Jones, Quanlin Hu, Lindsay Goes Behind, Diana Paredes, and Quanlin Hu

**Absent:** Evelyn Allen, Maria-Jose “Cote” Soerens

**Public:** Yordanos Teferi

**Facilitator:** Bana Abera

**OPCD Admin:** Patrice Thomas, Michael Blumson, Dakota Murray Andrew Tran, Michael Hubner, Rico Quirindongo, Abesha Shiferaw, Heidi Hall, and Chuck Depew

**Welcome & Public Comment**

**Approve Board Minutes:**

Bana Abera, EDI AB Facilitator

*Minutes revised as necessary and approved by Board Members*

- Meeting minutes affirmed by Willard Brown and move to approve October minutes, Kaleb G seconds.

Call for additional edits/comments

- All in favor as is – all
- No - Nay or abstain 0
- Abstain 0

**Office of Economic Development—Business Ownership Fund**

- The Business Community Ownership Fund aims to re-anchor Black, Indigenous, and People of Color (BIPOC) and other historically disinvested neighborhoods in Seattle, build business owners’ financial security and economic independence, and increase business income and value by providing owners with long-term stability and control. The Fund works with small businesses, community-based partners, community developers and other stakeholders, to keep neighborhood businesses rooted in the community, and to also bring displaced businesses back to their communities and/or provide growth opportunities for BIPOC businesses.
- Business Community Ownership Fund is a collaboration with the National Development Council and Office of Economic Development with a matching contribution from NDC to leverage private capital for commercial affordability. We are in the pre-launch phase and have been working with community partners to shape the program and inform implementation, messaging, etc.



- The Fund will purchase ground floor commercial space in mixed-use buildings to secure long-term affordability and ownership for small business owners. The Fund will create an LLC to invest in each project, and individual business owners will become members of the LLC. The LLC will purchase commercial space and lease spaces to the businesses. The businesses pay below market rent to the LLC to cover debt service. The rent never increases and once the debt is paid, the business owners just pay for property taxes and maintenance.
- Cash flow and tax benefits of real estate ownership are passed on to the business owner to retain income and build wealth over time. We are limiting appreciation of the commercial real estate for long-term affordability.

OED is partnering with the Business partnership group, working with community to shape the new investment model and want to get feedback and input.

We know EDI AB focuses on displacement and OED is focusing on commercial displacement for small businesses due to economic disparities and other impacts. The pandemic has added additional impact and the recovery has been difficult. The businesses ownership fund aims to...Focuses on mainstays in community and to bring back those that have left. This is new investment model in Seattle. National Development is our partners. Working with community developers to develop. Focusing on BIPOC, women, and LGDB. Some of the core priorities are to anchor businesses that have experience displacement and bring those that have left. 3<sup>rd</sup>, stabilizing...

#### Investment Model

The funding creates an LLC that invests in each project. Each individual project is a part of the LLC, and the LLC purchases the ground floor. The tax benefits and ownership go to the business owner. The location is important. Rent keeps rising, businesses have a cap at a below market rate. The fund is focused on the business owner and this model allows increase in business income and this is the wealth building strategy. Limited appreciation on the real estate. The goal is to keep the real estate affordable over time so the businesses can grow and invest back into the business.

This is an extension of two things. Being intentional about focusing on minority businesses. Secondly, focusing on real estate and commercial real estate with finance and capital. The business gets long term stability and NDC provides the support. Businesses are in control of their destiny to some extent.

The EDI AB has been discussing the commercial space aspect and this is connecting to that.

#### Two things

- Business owners get access to affordable commercial space they have ownership in, community businesses that offer services to community. Providing business support.
- Highlighting the businesses that are anchors and also the ones that left and want to come back.

#### Four Key Criteria

- Equity—investing in high displacement areas
- Impact—projects that can support, social and public benefits
- Viability—sustainable business, business experience, tenor
- Investment readiness—investing in projects that are ready and doing this on rolling basis. Business occupancy strategy.



#### Discussion

Board member: There are huge displacement and business closures happening in Little Saigon. They're unable to sustain and closing. Are you going to be working with the businesses that have closed in the last year and bring them back.

Heidi: Quynh has been on the advisory committee and helping to advising. There's one business we're working with to bring them back. Working with business partners and district to get them back into spaces and what's affordable.

Chuck: we're working to fight displacement, but that's already happened and now working g on bringing them back. Looking to parent with projects early on so they can be plugged in and being early supporters so they can come back and looking at next steps for those businesses.

Board member: On the equity criteria, what are the eligibility of small businesses. From experience, the way small businesses are defined, in our community they're micros, and they don't qualify usually and was wondering what's expected of these small businesses and participating in this program. Do businesses have to come with capital?

Heidi: the businesses can be any size and there's no threads hold. Small businesses are considered by OED as 50 employees and under. From the OED perspective, this is part of the strategy for long term affordability and build out their commercial space or redevelop.

Chuck: We're not defining the business size as micro or not. It's how they're using the real estate. The way we want the math to work is, NDC does real estate and \_\_\_financing. The capital structure is assuming the business owner is not necessarily bringing any capital. It's based on how are we paying back the loan and working with entities like the City to subsidize. We're trying to provide permanence for the business and solve affordability for once. If the business owner brings capital, they would return on that equity.

Board member: what's your plan for including businesses communities that have been completely displaced and don't have the political or neighborhood power? Like the API community and Native community.

Heidi: Businesses can come and say we need or come with a strategy identified and there's room for that. Finding those projects and spaces that they want to grow and thrive in and want to think through that.

Chuck: Looking to OED and community to help identify those opportunities and cast the net.

Board member: I would recommend including the language you just suggested. It's important to be more explicit because the surface read could be that "I don't have a neighborhood, or my community is not included and can be misread."

Board member: When talking about new or development that are there that are empty that need to be built, are we talking about new developments or once hat are sitting empty? There are plazas and strip malls that are dilapidated that used to be used by BIPOC communities and can those be used.



Chuck: we don't have a disposition to new or existing buildings. The city wants to drive the mix used spaces. That doesn't mean a project can't come in for commercial use only. Can accommodate different real estate purchases.

Board member: Have you defined what services-oriented benefits are projects providing? Like nonprofits, law offices, others that are rare and needed and what are those opportunities for those kinds of services.

Heidi: there are no restrictions on services and want to meet the wide range of those type of businesses and it's all about scale.

Chuck: We're not looking for once size fits all. We're looking for ground floor that accommodates a range or services and want to be expansive and this helps with funding sources and what services are supporting community.

Board member: Ground floor spaces should work for everything. Construction costs and increase in rate are making it difficult, especially with prevailing wage, etc. There's not enough rent that can justify the cost of development.

Heidi: rent matching the subsidize.

Chuck: Having a rolling application can help us with more effective design. There's a large premium on TI, construction, and labor. The good thing with NDC is that we can borrow at a good rate and have other subsidies. In affordable housing, we don't talk about the rent we're offering to households and more so making it affordable. What does the business really need and what do they need to survive. Looking at \$25 sq/ft which is below market rate. It's based on business revenue, capital cost, etc. The city is being supportive as long as we're being intentional with the businesses that need the support. But we're approaching it like an affordable housing project.

Board member: shouldn't we move the baseline from surviving to thriving?

Board member: \$25 sq/ft is still pretty high for communities.

Chuck: The point is that the \$25 sq. ft is forever until the debt is paid off and the business is stabilized and grows. This may be expensive, but how it applies is the next step

Heidi: Will share the call for projects for investments and will follow up with this group in the future.

You can contact me at: [Heidi.Hall@seattle.gov](mailto:Heidi.Hall@seattle.gov)

## **EDI 2.0 Strategy & Subcommittees Report Back**

### **Executive Committee:**

Had a serious discussion regarding how we do business. Most critical question was the relationship between the subcommittees and the RFP process and how we move forward.

Discussed the data points that can help us move forward. Discussed the timeline for the Division Manager timeline, candidate process and presenting to the overall board to be vetting by board, and last step being interview with Rico and HR director. There may or may not be a rep from the



EDI AB. Lastly, get a sense of feedback from the various grantees and applicant stakeholders and discussed this and potential timeline. All of this will support the 2023 RFP interim process and who we select in terms of the next division leader.

Going forward, Committee Chairs will be doing the report back for committee report out.

Board members have been selected for participation on the interview panel for the Division Manager.

Yordanos Teferi: At the October meeting, are there limitations on who and how many people can participate and is the EC making the decisions?

Patrice Thomas: These were discussed during the EC and there will be representation from RSET in the first-round interview and EC. And the plan was established in the EC meeting. If RSET participants want to be involved with the second-round interview, we can discuss.

### **Policy Committee:**

Last meeting, we discussed the vision for the committee and purpose. Did storytelling and sharing knowledge from previous board members and how we can continue their work in the future. We also discussed the idea of public benefits as an area of focus and have asked Michael Blumson to come and present and address questions. Questions like, what does public benefit look like through a racial equity lens, etc. Future discussions will be on the priorities for the housing levy and opportunity to submit comments in alignment with EDI. We haven't discussed how this priority will align with other committees and other committee participations yet.

### **Data/Evaluation Committee:**

Made progress on discussions on the types of questions we want to ask for the data collections. For those that has strong applications and didn't get funded. Also don't want to over burden projects with too many questions. Also, the types of questions and who should ask, like what questions staff can ask at which points and opportunity. At November meeting focus is to identify which questions and what resources will be needed. Hope to have a form that will be used and standardized and implement and highlight the stories that are happening in communities.

### **Youth & Community Engagement Committee:**

Discussed the different strategies for youth engagements and platforms and reaching young people where they're at. Clarified what we mean by youth, which is 14-24. We want to connect them to community planning, development, and these kinds of opportunities. Having representatives that can participate on this board and we're refining them to figure out how we can implement come 2023.

### **Ad hoc Comprehensive Plan:**

Have had difficulties with scheduling, but have the next meeting scheduled and will report back next month with a status.

## **2023 EDI Fund Revamp**



Michael: We sent out three documents yesterday. One of the documents is 2023 Data Analysis Project Status Request, this includes the internal discussions with staff to understand if we can even answer these questions or collect this data in time. Staff hesitates to provide data on the ambiguous information because of the complexity. For example, 'risk of displacement' we can look at 2021 and 2022 applications, but not everything. And ran them through the data screens and see how they play out. To categorize the 'demographic of the community we serve' was more complicated than it appears. We're trying to organize it so it has some level of information that's helpful. The goal is to use some of the data to set some priorities. For example, if we want to focus on projects that have been in the pipeline, projects that have been in queue for the last three cycles, review those. Or need "last-in" funding as a priority criteria.

We cant layout the criteria based on all the data points because that would be unfair. But we can find alignment and give you information to think about. These are the data request you asked for, what staff can and cannot gather, and based on that develop some criteria and circulate that and get consensus on priorities.

Board member: There are a couple of standout fields of data that can help drive our decisions. The most compelling being "last-in" funding. This is connected to the work of the EC and Policy team because the goal is to get as many projects to completion. This will help us get an understanding of the projects and to address the policy questions. We need to have further discussions. Doing this via email wouldn't be sufficient, we should discuss it during at a retreat or meeting in the future.

Michael: Part of the reason early 2023 will be the timeline we need to focus on these questions is to dive deeper into setting the criteria and priorities. If we wait until the Board retreat, it will be too late to get funds out the door and awards won't be going out until end of 2023. What we're asking here, based on what you all have agreed is, how do we make interim decisions to get money to applicants that have desperate needs. And using all of 2023 to support the board to make the longer term funding decision.

Board member: Can we identify key priorities for the next meeting and deadline and keep a thread of the longer term discussions and decision for 2023.

Board member: would love to dive into the data prior to/at next meeting.

Patrice: because we ate up the additional 25mins clawed back for this discussion can we entertain an ad hoc meeting?

Board members: Lindsay, Cesar, Diana, Kaleb, Willard said yes

Board member: Michael, when are you planning to send out the form you've worked on?

Michael: I will send the criteria right after this meeting.

### **Announcements & Adjourn**

Cesar: I will be taking a sabbatical starting 2023.