

NOTES

TO: Honorable Mayor and City Council Members

FROM: Barbara Lipscomb, City Manager *BL*

DATE: October 26, 2016

SUBJECT: Materials for Your Information

Please find attached the following materials for your information:

1. A memo from me providing an update on the 2016 Citizens Survey
2. A memo from Roger Johnson, Economic Development and Revitalization Manager, regarding the small business plan competition and CAPER


Attachments

cc: Dave Holec, City Attorney
Carol Barwick, City Clerk



Find yourself in good company

Memorandum

To: Honorable Mayor and City Council Members
From: Barbara Lipscomb, City Manager 
Date: October 26, 2016
Subject: Greenville Citizens Survey

The 2016 Citizens Survey has been mailed after being delayed due to the hurricane and flooding. In addition to the paper copies that citizens will receive, there is also a link online. The survey can be accessed online at <http://2016greenvillesurvey.org/>.

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Notes to Council

TO: Barbara Lipscomb, City Manager
FROM: Roger Johnson, Economic Development & Revitalization Manager
DATE: October 26, 2016
RE: Small Business Plan Competition and CAPER

During the City Council meeting on October 17, questions arose regarding the Small Business Plan Competition (SBP) and the relationship between CAPER. As a result, the Office of Economic Development is providing a written summary.

The Small Business Plan Competition has existed since 2008. It has provided 34 grants totaling \$555,000. (Attachment A lists all recipients and locations).

Salient points:

- 29 of 32 funded businesses survived 3 years
- 25 of 32 funded are still in business
- 102 Full-time jobs created in West Greenville and Uptown
- 227 Part-time jobs created in West Greenville and Uptown
- 2 businesses received grants in 2016, results pending
- 21 total grant recipients located in Center City, 13 grant recipients in West Greenville
- \$90,000 in CBDG funds were used to fund 6 small business grants
- \$465,000 in Bond funds sourced 28 small business grants
- SBP recipients have a 3-year survival rate of 91%, the Bureau of Labor Statistics national small business 3-year survival rate is 67%. SBP grant recipients are far surpassing the national average.
- SBP 2016 budget reduced from \$60,000 to \$40,000 and does not include CDBG funding+

+The 2016 SBP budget was reduced by \$20,000 as a result of not including CDBG funding. CDBG funding has competing priorities and also needed to be spent at a more expedient rate.

After reviewing the breadth of some Councilmember's comments, it is important to highlight the SBP Grant, as currently designed, considers an applicant's own cash investment as a positive attribute when scoring business plans, as opposed to considering an applicant's need. (See scoring section on addendum). The goal of this SBP is to increase the economic competitiveness of the revitalization area and reposition the downtown as a vibrant activity center for the city and region. The program is not currently designed to provide for low to moderate income grant applicants.

The attached addendum replicates information provided to City Council in May. Since the update provided in May, the RDC Small Business Panel (that selects the grant recipients) has successfully completed Small Business training.

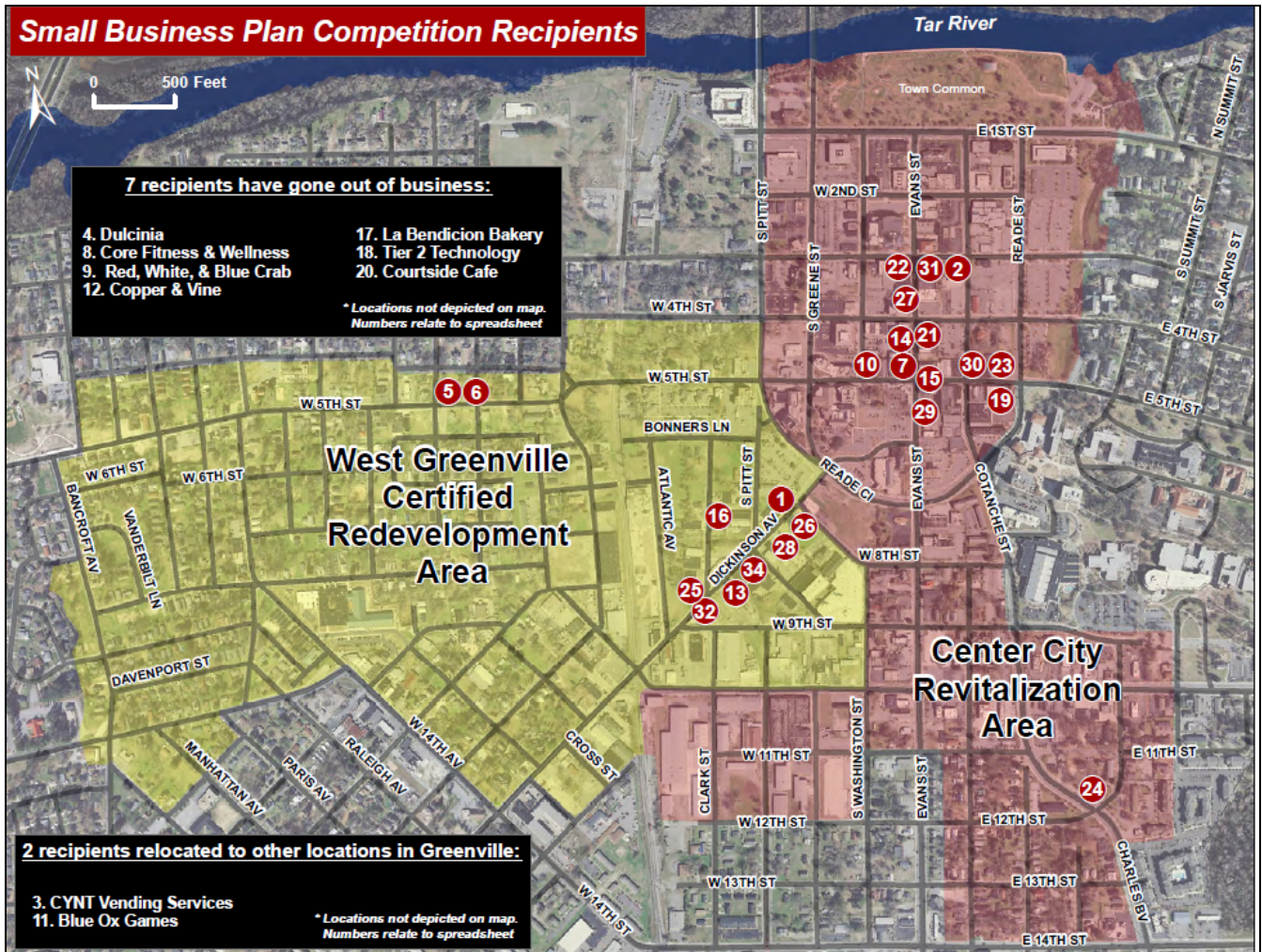
Attachment A

	Business	Project Area	Amount Granted	Business Year
1.	Greenville Times	West Greenville	\$15,000	2008
2.	Castillo Language Services	Center City	\$15,000	2009
3.	CynthRich Vending	West Greenville	\$15,000	2009
4.	Dulcinea Wholesale	Center City	\$15,000	2009
5.	Gold Post Restaurant	West Greenville	\$15,000	2009
6.	Nelson Arrington Completes	West Greenville	\$15,000	2009
7.	Appogee	Center City	\$15,000	2010
8.	Core Fitness and Wellness Inc	Center City	\$15,000	2010
9.	Red, White, and Blue Cab	West Greenville	\$15,000	2010
10.	Winslow's Deli	Center City	\$30,000	2010
11.	Blue Ox Games	West Greenville	\$15,000	2011
12.	Copper and Vine	Center City	\$15,000	2011
13.	East Carolina Labor	West Greenville	\$15,000	2011
14.	iTeach	Center City	\$15,000	2011
15.	The Scullery	Center City	\$15,000	2011
16.	Vickis' Auto	West Greenville	\$15,000	2011
17.	La Bendicion Bakery	Center City	\$15,000	2012
18.	Tier2 Technology	Center City	\$15,000	2012
19.	Art Avenue	Center City	\$15,000	2013
20.	Courtside	Center City	\$30,000	2013
21.	E-Audit	Center City	\$15,000	2013
22.	Purple Blossom Yoga	Center City	\$15,000	2013
23.	Campus Cookie	Center City	\$15,000	2014
24.	Cory Kennedy- State Farm	Center City	\$30,000	2014
25.	*Crossfit Greenville	West Greenville	\$15,000	2014
26.	*Dickinson Ave. Public House	West Greenville	\$15,000	2014
27.	*Gametheory	Center City	\$15,000	2014
28.	*Longleaf Brewery	West Greenville	\$15,000	2014
29.	*Wright School of Music	Center City	\$15,000	2014
30.	Campus Corner	Center City	\$15,000	2015
31.	Laced Boutique	Center City	\$15,000	2015
32.	*Third Degree Signs	West Greenville	\$15,000	2015
33.	Blackbeard Coffee	Center City	\$15,000	2016
34.	MELT	West Greenville	\$15,000	2016

*** = CDBG funded business**

~~Strikethrough~~ = closed

Attachment B



Last known address for grant recipient businesses that closed:

- Dulcinea Wholesale -414 S. Washington Street
- Tier2 Technology -209 Evans Street
- La Bendicion Ideal -220 A Cotanche Street
- Courtside Safe -300 Evans Street
- Core Fitness and Wellness -818 Clark Street
- Red, White, and Blue Cab -802 East 3rd Street
- Copper and Vine -330 Evans Street

cc: Merrill Flood, Assistant City Manager

ADDENDUM

INTRODUCTION

The priority placed on re-seeding Greenville's redevelopment areas with home grown, prosperous, commercial enterprises is made clear by the adopted Center City/West Greenville Revitalization Plan which includes broad goals of:

“Increasing the economic competitiveness of the revitalization area” and “Repositioning the downtown as a vibrant activity center for the city and region”

As such, the Greenville Redevelopment Commission authorized the Business Plan Competition to provide an incentive to small business owners and other entrepreneurs to create or expand businesses within the Center City - West Greenville Redevelopment Areas.

Submissions will be accepted twice a year with due dates of **July 1** and **December 1**. Awards will typically be made within 90 days of submission. The availability of grant funds from year to year is based on continued authorization of the program by the Redevelopment Commission and funding from the Greenville City Council.

PURPOSE

The purpose of the Business Plan Competition is to provide an economic incentive to small business owners and other entrepreneurs both from within and without the redevelopment areas to create or expand small business enterprises and create jobs within the bounds of the Center City - West Greenville Redevelopment Areas.

ELIGIBILITY

Business plan submissions are limited to existing or start-up small businesses that are primarily located, or intend to locate within the boundaries of the Center City - West Greenville Redevelopment Areas.

Submitting entities must be a for-profit business whose tangible net worth is not in excess of \$7.5 million, and whose average net income after Federal income taxes (excluding any carry-over losses) for the preceding two completed fiscal years is not in excess of \$2.5 million. Businesses must be registered with the North Carolina Secretary of State's Office.

Examples of eligible uses of grant funding include:

- Working capital or operating funds
- Purchase of equipment, commercial use vehicles or machinery
- Improvements to owner occupied property
- Leasehold improvements
- Expansion of business services or products
- Other uses considered according to business plan

FUNDING

Provided that funding is available, up to four awards of \$15,000, or 10% of the total business investment with a cap of \$30,000 (whichever is greater) may be made at the sole discretion of the Redevelopment Commission in each grant cycle.

Typically, grant awards will be distributed equally between the Center City and West Greenville

revitalization areas with as many as two awards made to businesses in each area. Business Plan Competition Grant funds are distributed as a zero interest loan forgivable over a three (3) year period, at one third of the award per year for each year the business operates. Failure to comply with the program guidelines or closing of the business will result in efforts to recapture grant funding on a pro-rata basis.

APPLICATION AND SELECTION

It is mandatory that those entering a submission in the competition enroll in at least three small business seminars provided free of charge by the Greenville office of the Small Business and Technology Development Center (SBTDC), Pitt Community College Small Business Center, or similar business seminars offered by local organizations prior to the submission deadline. The Redevelopment Commission will take into consideration attendance at business seminars such as those described above as part of the “applicant experience”.

Business plan submissions must be completed in accordance with the business plan outline and checklist provided in the package. Incomplete submissions will not be awarded an interview, and will be withdrawn from the competition by the program manager.

Business plan submissions must be accompanied by the application, security documents, and financial information included in this package. Each individual owner of 20% or more of the business must sign the application and associated documents.

If a submitting application is found to be incomplete, the applicant will have one week to turn in all missing information. If information remains missing, the application will be rejected, and the applicant may resubmit during the next grant cycle.

Existing companies submitting applications will be required to provide profit/loss statements, federal income tax statements, five-year projections, and other financial documents as necessary to demonstrate compliance with small business and other eligibility requirements. New companies will be required to provide personal tax records from the previous year, and five-year projections.

Fully completed submissions turned in by the applicable deadline will receive an interview by a selection subcommittee made up of City staff and Redevelopment Commission members. An interview with the selection committee is scheduled after the application has been submitted, and all criteria have been met. The interview is the final step in the application process. During this interview, selection committee members will share general comments about the application with the applicant.

All submitting entities will receive notification as to their status. If an applicant is missing information and does not receive an interview, they can reapply during the next cycle. First time applicants that are not selected for funding are required to wait a minimum of six (6) months before applying again. If the applicant is not selected upon their second submission, they must wait twelve (12) months before resubmitting their business plan. (Applicants are eligible to submit business plan proposals for substantially different projects at any time.)

SCORING

Scoring factors that are taken into consideration by the Redevelopment Commission include:

- **Cash flow** – Evidence that the business venture is or will bring in more revenue than expenditures at the end of an accounting period.
- **Credit History** – Applicant/s should have demonstrated the responsible use of credit either as individuals or for their business ventures. Applicant/s should not have any active liens or judgments on their credit.

- **Employees** - The number of full- or part-time, low and moderate income employees that the proposed business intends to hire. The income test for this purpose will include any employees whose total annual income in the previous tax year did not exceed 80% of the area median income.
- **Equity** - Level of equity brought by applicant/s to the project. Equity may include cash, real estate, equipment, or inventory.
- **Experience** - Applicant's level of experience with the specific business type as well as other general employment, educational, and management experience. Attendance at small business seminars such as those described in section 5.1 may be cited in place of or in addition to other formal education or business related experience.

Following the submittal, applicants are interviewed by a panel. The panel is a subset of the Redevelopment Commission members. This panel is voted on and approved by the RDC. Importantly, panelists are provided applications before the interview for review. Applicants attend a 30-minute interview to provide a brief overview of the company, provide additional information about the business, and answer questions for clarity. After all interviews are complete the panel discusses the interview results and makes a recommendation on which applicants to fund.

After the Small Business Panel received feedback about the process in May 2016, they changed procedures. As a result, it is now standard operating procedure that those not recommended for funding are contacted by phone and provided suggestions for improving their next submittal.

The small business panel brings funding recommendations to the RDC. The RDC votes on the panel recommendations. Once recommendations are approved (or not), the project manager processes the paperwork for each winning applicant and grants are provided.

Submittal Problems

The predominant reason businesses are not funded is the lack of financial understanding and planning, demonstrating the knowledge on how to operate a business, and cost estimation for inventory and expenses. Other reasons have included business plan needs refining, lack of industry knowledge, or some applicants viewing this small business opportunity as a grant as opposed to seed funding for a sustainable business.