

May 10, 2019

MEMORANDUM

To: Civil Rights, Utilities, Economic Development, and Arts Committee
From: Aly Pennucci, Analyst
Subject: Legacy Businesses

On Tuesday, May 14, the Civil Rights, Utilities, Economic Development, and Arts Committee (CRUEDA) will receive a briefing from the Office of Economic Development (OED) staff on the status of their work to implement a Legacy Business Program.

Legacy businesses are typically (but not exclusively) older, small, independently-owned business that often serve a community function beyond the goods and services the business provides and that contribute to the City's unique culture and character. The working definition that OED uses is "a type of small business that supports community identity and stability through its long tenure."¹ A legacy business program provides an opportunity to recognize, celebrate, and promote legacy business contributions to the community, and supports the business by providing technical assistance and promotion tools to reduce the risk of losing the business through displacement.

This memo (1) provides background on the investments the Council has made to date to develop a Legacy Business program and (2) outlines areas the Committee may want to consider further as this work moves forward.

Background

Under the leadership of Councilmember Herbold, the City Council added resources to OED's budget during the last three annual budget adoption processes to develop a legacy business program. This includes:

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| 2017 | \$50,000 General Fund to conduct a study to help inform a scope and definition for implementing a legacy business program. ² That report was released in September of 2017. ³ |
| 2018 | \$72,500 General Fund to provide consultant and staff resources to design and implement a Legacy Business Designation Program and provide and develop technical assistance services for legacy businesses. ⁴ In addition, the Council adopted a State of Legislative Intent (SLI) requesting a report from OED that: (1) describes the limitations the City faces in providing financial assistance to legacy businesses; (2) evaluates and make recommendations on opportunities to partner with other organizations, such as the Rainier Valley Community Development Fund, to provide financial support to |

¹ <http://www.seattle.gov/economicdevelopment/about-us/our-work/legacy-business-study>

² See green sheet (GS) [400-1-A-2017](#) for more detail.

³ [Legacy Business Report Final](#)

⁴ [GS 170-1-B-2-2018](#)

legacy businesses; and (3) investigates and makes recommendations on potential alternative sources of revenue that could be used for legacy business support.⁵

- 2019 \$110,000 General Fund to: (1) develop and launch a nomination and selection process for legacy business; (2) develop a marketing and branding plan; and (3) promote technical assistance tools, which have been designed specifically for legacy business, or general tools OED has developed that would benefit legacy business (including potential development of Memoranda of Understanding with existing entities that provide community development funds that provide business assistance.⁶
- 2020 \$60,000 General Fund in the 2020 endorsed budget for ongoing funding for the Legacy Business Program.⁶

These investments have resulted in several reports prepared in 2017 and 2018 that have informed the ongoing development of a legacy business program and identified key technical assistance strategies. OED has developed or is in the process of developing several of the technical assistance tools, such as a succession planning toolkit, to support legacy businesses. Work to develop a promotion and marketing program is just getting started with an expected rollout in late 2019 or early 2020. Development of a nomination and designation program is in the very initial stages and it is unclear when such a program will be implemented. In an update to the Chair of the Committee in the Fall of 2018, OED staff suggested that they would work with community-based groups to nominate eight legacy businesses per council district, however, that work has not yet come to fruition.

Key Questions for the Committee's Consideration

1. *What is the role of the community in nominating and designating legacy businesses?* OED has had initial conversations and will continue working with neighborhood business district organizations to develop nomination criteria and designation process. Business districts are certainly a key stakeholder in this process but given that the OED working definition for legacy businesses recognizes that a key feature of a legacy business is its contribution to community identity, the Committee may provide direction to OED to include a broader range of stakeholders as a nomination and designation process is developed.
2. *What is the Council's role in nominating and designating legacy businesses?* There are a variety of ways a nomination and designation process could be implemented. The Committee may want to consider what, if any, formal role the Council should have in the nomination or designation process. One example can be found in the City of San Francisco's program that requires that the Mayor or a member of the Board of Supervisors nominate a business for consideration and then the Small Business Commission determines whether the business meets the legacy business criteria.⁷

⁵ [SLI 170-2-A-1-2017](#)

⁶ [GS 22-2-A-2-2019](#)

⁷ For more information about San Francisco's program see: <https://sfosb.org/legacy-Business>.

3. *What financial tools are available to support legacy businesses? What additional steps can OED take to engage community development funds in this work?*

In terms of how best to help a legacy business facing displacement due to increased rent or the business location is planned for redevelopment, financial assistance could provide the greatest benefit. However, the City is limited by State law on providing financial assistance to for-profit businesses (particularly in the form of General Fund resources).

In March 2018, in [the response](#) to SLI 170-2-A-1-2017, OED outlined some of the limitations and briefly highlighted potential opportunities to partner with other organizations who may have more flexibility in providing financial support to legacy businesses. OED also identified potential alternative sources of revenue that could be used for this purpose.

One potential source is Community Development Block Grant (CDBG) funds if used to support businesses that meet the U.S. Department of Housing and Urban Development's (HUD) public benefit requirements. Currently, OED does not have available CDBG budget and any changes to how CDBG funding is allocated would involve programmatic trade-offs. For example, OED currently uses CDBG funding to support the City's [Only in Seattle](#) Initiative that provides grants and staff support to neighborhood business districts. Council could reallocate some of that funding for legacy businesses that meet CDBG requirements. That would require inclusion in the [Annual Action Plan](#) and may require changes to the 2018-2022 Consolidated Plan for Housing and Community Development.

Alternatively, or in addition to seeking non-General Fund City resources, the City could continue efforts to work with Community Development Financial Institutions (CDFIs) like the Rainier Valley Development Fund to provide private funds to support legacy businesses. Initial conversations with local CDFIs has indicated an interest in exploring opportunities to provide financing to legacy businesses but it is unclear if legacy businesses could be prioritized over other businesses. Councilmembers could request that OED continue those conversations and report back to the Committee before the 2020 budget adoption process begins in the Fall.

cc: Kirstan Arestad, Central Staff Director