



Memo

Date: May 14, 2019

To: Councilmember Lisa Herbold, Chair
Councilmember Kshama Sawant
Councilmember Mike O'Brien
Councilmember Abel Pacheco

From: Bobby Lee, Acting Director, Office of Economic Development
Michael Wells, Small Business Advocate, Office of Economic Development

Subject: Legacy Business Program Status Report

Office of Economic Development (OED) staff have analyzed all previous research, reporting, data, and outreach to develop a series of actions to result in the creation of a Legacy Business Program. With the original Legacy Business Study of 2017, the design and implementation report, and the outreach reporting complete, OED staff are working to implement this program using 2018 and 2019 budget.

To date, we have focused on the following activities for legacy businesses:

- **Succession Planning Toolkit** - A legal services consultant is producing a 'Succession Planning Toolkit'. A designer will turn that document into a collateral piece which will be used in outreach in all seven districts. (end of 2019)
- **Commercial Lease Education Toolkit** - A WMBE consultant is producing a data visualization product on the [Commercial Lease Education toolkit](#). Using this tool, OED will be able to do one-on-one outreach, with individual consultation, to all seven council districts. (Q2)
- **Leveraging Collateral** - Both pieces of collateral will live on the OED website upon completion. The Small Business Development Team, Business Districts Team, and the Film & Music Team will have access and be trained on these tools to serve our various communities. (Ongoing)
- **Marketing and Branding** - By the end of Q2, we plan to have a local marketing firm on board to move forward with the marketing and branding priorities addressed in 2019's budget addition. Our goal is to have this company create a Legacy Business landing webpage. (end of 2019)

Legacy Business Program Overview

The Legacy Business Program is being designed to provide tools of support to the Seattle legacy business community. It is an effort to both combat displacement of long-standing, culturally relevant small businesses, and to support their continued stability and growth in a volatile period of economic growth, change, and opportunity.

OED's approach is to focus on the primary recommendations coming out of our body of research and flesh out those tools in order to address real world, operational concerns of legacy businesses and provide them with tools for a healthy future in business. To do so, OED staff has focused work-to-date and ongoing work on two primary elements of the recommendations: **Technical Assistance and Education**, which includes the toolkits referenced above, and **Marketing and Promotion**.

Working in parallel with these recommendations, OED staff are engaging with neighborhood business districts to discuss a legacy business program, their preferred criteria for **nomination** of legacy businesses in their communities, as well as a process for **designation** of those nominated. These businesses will enjoy the recommended benefits OED is currently working to produce (marketing, promotion, and the toolkits).

Legacy Business Program Components

As mentioned, the three program elements—two tracks of Technical Assistance, a Legacy Business Promotion and Marketing Program, and the nomination and designation process —are currently underway.

Technical Assistance

Content development specifically targeted to legacy businesses, provided in culturally competent and linguistically accessible formats.

- Lease Negotiation and Space Planning Assistance: Planning assistance to educate and assist business owners with lease renewal, negotiation, and tenant’s rights issues. Working with Wayfind, a nonprofit legal support service, OED staff have created a [Commercial Lease Toolkit](#). For accessibility and outreach purposes, the document is being distilled into a data visualization document (a trifold brochure), which will then be distributed, with consultation offered, throughout the seven City Council districts to businesses selected as designated Legacy Businesses.
- Succession Planning and Business Valuation Assistance: Using the same consultants who created the Commercial Lease Toolkit, OED staff will be replicating the data visualization product, consultation, and translation model for this collateral. This tool is intended to educate legacy business owners on a range of structural, ownership, and/or succession options, including transitioning to co-operative ownership, tenancies-in-common (TICs), non-profit structures, community crowd-funding, CBA negotiation, etc.

Technical assistance tools, as described, would be available to any business requesting them, but one-on-one consultation and outreach would be offered specifically to legacy businesses. We anticipate the full toolkits to live in perpetuity on a proposed Legacy Business Program website, and all tools are being created with a specific lens on legacy business needs.

Promotion and Marketing

OED is working to create and fund a dedicated legacy business promotional and marketing program to provide in-kind support for Seattle legacy businesses through direct marketing and inclusion in a promotional program. Resources could include (but are not limited to) a branded online guide and map to Seattle legacy businesses, on-site promotional materials, events, collateral and public relations material, social media campaigns, creation of a Legacy Business Program website, etc.

Bearing in mind the skepticism towards City programs we heard from small businesses throughout our outreach efforts, we plan to enlist the help of marketing professionals to ensure that we promote this program as effectively as possible. OED staff has begun the work of reaching out to our partners around the City to identify marketing and/or branding firms to complete this work. We anticipate all elements identified and defined in 2019, with an anticipated rollout before end of year or early 2020, dependent on the recommendations of the selected marketing consultants.

It is in this phase of the work that OED staff anticipate a selection and designation program to be clearly identified and communicated. The recognition status is an essential tool for marketing and promotion of the program, as well as the designated businesses. We anticipate a selection process in which legacy businesses are identified through OED's community/business support organization partners. A question remains as to how those businesses will be further selected for recognition and/or further support. We anticipate answering that question with the help of a selected marketing firm.

Nomination and Designation

OED has begun initial conversations with neighborhood business districts on a proposed Legacy Business Program in the city. As part of that process, OED will be seeking criteria from each of the neighborhood business districts for businesses to qualify as a "legacy" in their determination. OED expects criteria to be different between business districts, but each should be grounded in the definition (see Appendix A) of a legacy business as provided by the City. OED will also encourage an equity lens be used in this process.

In addition to the nomination criteria, OED will support neighborhood business district organizations in outlining the designation process for the nominated businesses. A final designation process will be the goal, with guidance from a selected marketing consultant and with input from various stakeholders in the community and City. The ongoing funding to support this process is in place.

The resulting nominated and designated Legacy Businesses will benefit through the marketing and promotion of their businesses as well as technical assistance and education relevant to legacy business issues, as noted above. OED will continue to develop this program element in 2019 and 2020.

Neighborhood Business District Outreach

OED staff have included neighborhood business support organizations in all relevant conversations and outreach efforts involving the development of Legacy Business Program to-date and recognizes it will be essential to continue in this work moving forward with the program.

The initial conversations in 2015 within the Commercial Affordability Committee included organizational representation from Chinatown International District, Pioneer Square, Capitol Hill, the Central Area, and the Downtown retail core. Members of the Committee included business owners from Georgetown, Lake City, Little Saigon, Hillman City, West Seattle, and Belltown neighborhoods.

Focus groups convened for the original Legacy Business Report covered a wide range of topics on the program, including definition and selection. Neighborhood support organizations have been an integral part of the fleshing out of all elements from inception. The acknowledgement page from the initial report identifies the leads from the various partner organizations that we worked with for input; specifically, Maiko Winkler-Chin, Dennis Coleman, Tracy Taylor, among others. OED reached far to get input on how to move forward with the program from our neighborhood partners.

When completing outreach with consultant Soul Light for the program OED depended on our neighborhood partners for dissemination of the Small Business surveys, which received approximately 400 responses. Those responses were primarily from businesses responding to email requests from our business organization partners.

We are in conversation with the Neighborhood Business District / Only in Seattle team at OED about formalizing an identification process through our neighborhood business contacts. Currently, we're examining our OED business organization list to form our approach and make sure that we are identifying and communication fully with partners on this discussion, as well as asking for their input on selection and nomination process and the program in general. They will be helping in determining the selection and nomination processes moving forward.

Further Action

There are possible further actions identified in the design and implementation report of 2018, including Small Business Data Implementation, the possibility of regulatory solutions such as a Commercial Lease Negotiation Policy tool, exploration of a 'Buy Your Building' Program, etc. In its work to date, OED has focused on the most immediate, feasible, and sustainable steps to support the legacy business community. OED is not opposed to further exploration of these other tools, but in the interest of capacity and immediacy, we have organized our work to date as laid out in this document.

Our goal is to facilitate the creation of a Legacy Business Program to preserve the small neighborhood businesses that Seattle residents cherish, support their continued growth and advancement in today's challenging marketplace, and to bolster the city's economy. The proposed program would advance the work already accomplished through the City's Legacy Business Study, issued in September 2017, and that of the Small Business Advisory Council set up by the Mayor to evaluate impediments to neighborhood business preservation.

Legacy Business Program Budget

	2018 Budget	Expended LTD	Balance Remaining as of 3/13/19*	2019 Budget	2020 Budget	Timeline/Notes
Legacy Business Design and Implementation CAI report	20,000	20,000	-			Completed November 2018
Outreach Soul Light report	10,000	10,000	-			Completed July 2018
Commercial Lease Education Toolkit Data Visualization & Succession Planning and Business Valuation Visual Infographics	26,700	11,125	15,575			Lease Toolkit Brochure - Q3 2019 – (includes translation into Simplified Chinese, Vietnamese, Spanish) Succession Planning Toolkit Q4 2019
Printing	1,300		1,300	10,000	10,000	
Outreach	14,500		14,500			Beginning Q3 of 2019, ongoing
Marketing Consultant				30,000	20,000	
Branding				20,000		
Design				20,000		
Event Production				30,000	30,000	
Total	\$72,500	\$41,125	\$31,375	\$110,000	\$60,000	

**Note: All 2018 balances will be requested for carryforward for 2019 expenditure to support the work of the program.*



APPENDIX A - Legacy Business Background

Work to date / Background

In April of 2016, the Office of Economic Development (OED) released the Commercial Affordability Recommendations Report, completed with the assistance of a 15-member committee made up of neighborhood business partners in retail, restaurants, commercial real estate, for-profit and nonprofit commercial developers, economic development professionals, and neighborhood business advocates. OED staff researched Legacy Business and looked at models in other municipalities, primarily the San Francisco program, and provided that research to committee members.

In the Commercial Affordability Recommendations Report, exploration of a Legacy Business Program is called out under Further Recommendations. Based on that report, City Council included funding for a study to better understand issues around legacy business and consider recommendations to support legacy business.

The first Legacy Business Study was completed in July of 2017 by ECONorthwest. The study utilized focus groups, one-on-one interviews, case studies, and best practice data gathered from other municipalities. The study's primary findings, in summary, can be found below under **Definition, Findings, and Outreach**.

In 2018, OED engaged Community Attributes, Inc. (CAI) to complete a design and implementation report for a Legacy Business Program. OED also engaged Soul Light for further outreach to the small business community to examine their desires and preferences related to a Legacy Business Program. In August of 2018, OED received the final outreach report from Soul Light, and the CAI report was completed in November of 2018.

In the winter of 2018, based on the recommendations from all three reports, OED began creating education and technical assistance tools to support legacy business - specifically [Commercial Lease Education](#) and Succession Planning toolkits and infographics. Technical assistance tools were identified by CAI as a top priority for implementation of a Legacy Business program. Creation of those tools, combined with planning for translation and outreach to accompany those tools, has been the primary work of OED on the Legacy Business Program to date in 2019.

Definition

A legacy business is a type of small business that supports community identity and stability through its long tenure. (Legacy Business study, July 2017).

This is the definition that OED has been operating with from July 2017 forward.

Further criteria identified in the 2017 Legacy Business Study's outreach:

1. A legacy business is independently owned.
2. A legacy business has a minimum of 10 years in operation.
3. A legacy business employs fewer than ten people.*
4. A legacy business focuses on retail or food service sectors.
5. A legacy business contributes to the ground-level streetscape (i.e., accessible and pedestrian-oriented).

6. A legacy business serves a community function above and beyond the simple sale of goods and services.

**Of the criteria originally identified in the 2017 report, this would be the one criteria OED staff would seek to expand and/or redefine.*

Findings

The Seattle area has seen an increase in the number of small, older firms. Fewer older businesses close today in Seattle than ten years ago.

Older businesses are less likely to close than their younger counterparts. Younger businesses are more susceptible to economic shocks than their older counterparts, perhaps pointing to the relative resilience of established businesses. Most closures of older businesses are due to owner preference.

Small businesses are more at risk than their larger counterparts. Among businesses older than ten years, very small firms (less than 5 employees) are three times more likely to close than larger firms of a similar age.

Neighborhood-specific variation is meaningful. Some neighborhoods – including Magnolia, Ballard, the University District, Capitol Hill, South Park, and Georgetown – saw increases in the number of small retail businesses from 2008-2015. The University District, Eastlake, and the Downtown retail core each experienced net declines of 10 or more small accommodations and food service businesses.

Women or minority-owned firms have unique challenges. Women-owned businesses are slightly more likely to close due to lack of personal loans or credit. Minority business owners may face language, cultural, or other access barriers that make it more difficult to deal with changing business conditions. These businesses may also be more likely to be located in neighborhoods that are vulnerable to displacement.

Seattle is not losing older businesses at a higher rate; however, this does not mean that legacy businesses do not face challenges, or that there is nothing the city could do to assist.

Outreach revealed skepticism and hesitancy around the creation of a Legacy Business Program—business owners expressed disappointment with lack of tangible results from previous, similar efforts and were concerned that this pattern might be repeated.

Data from the original 2017 Legacy Business Study, referenced with original sourcing, is included in Appendix B.

Outreach

Outreach has been an integral part of all legacy business research from the outset of the work. Outreach requirements have been written into all OED legacy business-related contracts as a prime deliverable. ECONorthwest and Community Attributes contracts both included outreach components, and it was the full scope of work for the Soul Light contract.

The survey distributed from Soul Light received 400 responses and 25 individual businesses that could be identified as legacy were included in individual interviews. The survey was distributed widely through

networks provided by neighborhood business partners and members of the Mayor's Small Business Advisory Council.

Neighborhood support organizations engaged in these conversations include the Central Area, the University District, SODO, Pioneer Square, South Park, Georgetown, West Seattle, Chinatown/International District, and Capitol Hill. Staff has presented on Legacy Business to the Greater Seattle Business association (GSBA) and the Mayor's Small Business Advisory Council (SBAC), two partner organizations who are not geographically-based. Based on their interest, an additional roundtable discussion was held with University District small businesses.

Outreach has included (but is not limited to) focus groups, one-on-one interviews, surveys, case studies, and best practice data. Neighborhood business support organizations, the small business community, and businesses that would be considered legacy businesses have been the prime audience for this outreach, with an emphasis on low income and minority-based business communities and neighborhoods.

Since the completion of the Community Attributes and Soul Light reports, OED has continued to engage with our neighborhood partner organizations in all legacy-related conversations. All conversations in our office have included neighborhood business organization partners, including the selection of marketing firms to work with in the promotion and marketing work to come.

APPENDIX B - Legacy Business Studies

Legacy Business Report, September 2017;

http://www.seattle.gov/Documents/Departments/economicDevelopment/22820_Legacy_Report_2017-09-25.pdf

Legacy Business Outreach Report Recommendations, Soul Light, July 2017;

Final Outreach Report

file:///C:/Users/WellsM1/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/KZ7IK5WN/OED-Legacy%20Report_Final_073118.pdf

Recommendations

https://seattlegov-my.sharepoint.com/:w:/g/personal/michael_wells_seattle_gov/ESzSlwBLbFNFnPY-ngQNuD4BQjGgQ1hxLcAuGPps4aJYGg?e=YdK7UI

Outreach listing;

https://seattlegov-my.sharepoint.com/:w:/g/personal/michael_wells_seattle_gov/EVh--DQnZtFJoTMUfqIFEIUBcaFqfGUwm1LI0PrMJ4QE2Q?e=WlziYx

Legacy Design and Implementation Report, Community Attributes Incorporated, November 2018;

file:///C:/Users/WellsM1/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/KZ7IK5WN/OED-Legacy%20Report_Final_073118.pdf