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Date: **March 14, 2014**

To: **Thomas J. Bonfield, City Manager**
Through: **Keith Chadwell, Deputy City Manager**
From: **Kevin Dick, Director-Office of Economic and Workforce Development**
Subject: **Proposed Revisions to Economic Development Policy**

Executive Summary
This item proposes changes in the Resolution Establishing an Economic Development Financial Assistance and Incentive Policy for Job Creation and Capital Investment ("Policy") that was approved by the Durham City Council in April 2011. The Office of Economic and Workforce Development ("OEWD") has conducted a review of the City's current policy and recommends changes and edits to the Policy to modify certain existing programs, and to provide greater clarity and consistency among all programs related to economic development incentives and financial assistance.

Recommendation
Staff recommends that the City Council:

1) hold a public hearing on the proposed revised resolution and;

2) adopt the revised "Resolution Establishing an Economic Development Financial Assistance and Incentive Policy for Job Creation and Capital Investment."

Background
The City Council adopted a resolution on April 4, 2011 that revised the existing job creation, retention and investment incentive policy approved by City Council in 2010. Both policies made available the use of City funds to promote capital investment and the creation and retention of jobs in order to stimulate economic development for the benefit of the general public. Such benefits include job creation, population growth, an increase in taxable property and an improvement of business prospects within the City of Durham. The current policy is applicable in the following geographic areas of the City – the Downtown Development Tier (including Parrish Street), the Community Development Area (CDA) outside the Downtown Development Tier (including targeted corridors), and targeted areas beyond the CDA, formerly known as the Urban Growth Area (UGA).

The proposed revisions would include the ability of the administration to administer grant and incentive programs within the Ninth Street Commercial District as an additional Targeted Area beyond the CDA. The designated area for the incentive grants would be: Ninth Street and Iredell Street –between Main and Green Streets and Main, Perry, and Green Streets and Markham Avenue – between Ninth and Iredell Streets and Safeway Street (see attached map outlining the proposed area).

Issues and Analysis
In an effort to continue to improve the process regarding the incentive grant programs, OEWD has solicited input and received information from various business owners asking that we modify the programs, where appropriate, to potentially allow more entities to participate and to make the application process simpler.

Additionally, staff would recommend that the Ninth Street Commercial corridor be included in the Incentive Grant Programs. Policy modifications focus on the following:

1. Designate Ninth Street as a Targeted Area, beyond the CDA. The designated streets for the incentive grants would be: Ninth Street and Iredell Street – between Main and Green Streets. Main, Perry, Markham and Green Streets – between Ninth and Iredell Streets and Safeway Street.

2. In response to concerns from business owners and an analysis by OEWD staff of the grant programs that have been operated in their current forms since 2010, staff members have determined that the $187,500.00 investment criteria was a deterrent to getting building owners to upgrade their properties in the CDA Targeted Areas outside of downtown. Therefore, staff recommends that a new private capital investment minimum for Building Improvement Grants (BIGs) in the CDA Targeted Areas outside of downtown be established at $50,000.00. We would keep the $187,500.00 minimum threshold for an investment needed to obtain the maximum reimbursement from the program of $75,000.00.

3. In the CDA Targeted areas outside of downtown, the total available incentive payment will remain as stated and not exceed 40% of the total capital investment project costs; (With a new minimum investment of $50,000.00, the reimbursement available would not exceed $20,000.00).

4. Expand the definition of the Retail Professional and Services Grant (RPSG) by adding exterior (sign and façade) improvements to it.

5. Merge the Sign and Façade Grants programs into the Retail and Professional Services Grants program. The funding for RPSGs would increase from $15,000.00 to the new maximum of $20,000.00. Funds would be awarded on 1:1 matching basis with funds provided by the applicant. Only funds spent on work performed after City approval of the grant would be eligible to be reimbursed (this stipulation would not be a change from the current program). Funds would be disbursed by cost reimbursement upon completion of the project and the submission of appropriate documentation proving compliance with relevant compliance guidelines. The funds for signage would remain capped at $2,500.00.

6. Change the time to complete the Building Improvement Grant (BIG) project from 12 months to 18 months.

7. Change the language of Urban Growth Area (UGA) to Targeted Areas beyond the CDA.

Alternatives
NA

Financial Impact
There are no immediate financial impacts. However, it should be noted that OEWD would bring forward a proposed budget amount as part of its FY15 budget proposal that, if approved, would provide resources for the programs.

SDBE Summary
An SDBE summary is inapplicable because no project-specific goals have been set and no SDBE's are involved in this item.

Attachments
Proposed Revised Resolution
Proposed Ninth Street Commercial Corridor Map
Targeted Neighborhood Community Development Commercial Area Map