



Legislation Text

File #: 22-1920, **Version:** 1

Planning and Building, Economic Development Division, recommending the Board consider the following:

- 1) Receive an overview of potential options to further support small businesses through proposed revisions to Board of Supervisors Policy J-7, Economic Development Incentive Policy, and provide feedback on said revisions;
- 2) Receive an overview and provide conceptual approval of a draft Board of Supervisors Policy J-9, Accelerator and Incubator Incentive Program, including any modifications as discussed; and
- 3) Direct staff to return to the Board with a final version of both Policy J-7 and Policy J-9 for adoption.

FUNDING: Transient Occupancy Tax. (General Fund)

DISCUSSION / BACKGROUND

On December 17, 2013 (File No. 13-1579, Item No. 7), the Board directed staff to prepare an Economic Development Incentive Policy to include incentive tools designed to attract, support, and expand economic development within El Dorado County. The use of incentives is referenced in the Economic Development Element of the 2004 General Plan and is a common economic development practice of other local jurisdictions.

On February 11, 2014 (File No. 14-0171 V1, Item No. 33), the Board approved Policy J-7, Economic Development Incentives. Policy J-7 is an overall statement of intent that the County will consider economic development incentives through sales tax or property tax rebates/reductions, permit process assistance, deferral/reduction of permit or impact fees, small business and micro-enterprise assistance, state programs, or workforce development assistance as part of a broader strategy of business attraction for targeted business sectors that have the highest potential for growth and offer the highest level of economic impact. This policy also identified the specific targeted business sectors, incentive options, and the procedures to implement the policy will be developed.

On February 10, 2015, (File No. 14-0171 V2, Item No. 6), the Board extended Policy J-7 with an expiration of the policy at the end of nine (9) months (November 2015). Due to the ongoing preparation of the County's Economic Development Strategic Plan and the need for greater policy research, Policy J-7 was allowed to expire in November 2015, its adopted sunset date.

On April 19, 2016 (File No. 14-0171 V3, Item 31), the Board approved the reinstatement of Policy J-7 with a new sunset date of April 18, 2017.

On April 11, 2017 (File No. 14-0171 V4, Item 3), the Board approved minor revisions to Policy J-7 and extended the policy through April 30, 2020.

On November 7, 2017 (File No. 17-0338 V3, Item No. 37), the Board received an update on the implementation of the Economic Development goal of the County's Strategic Plan and directed the Chief Administrative Officer, Auditor-Controller, and Assessor to return to the Board with recommendations to implement Policy J-7 (Economic Development Incentives), including providing

the Chief Administrative Officer the delegated authority to negotiate incentives under specific criteria. Based on this direction, staff from the Chief Administrative Office, Treasurer-Tax Collector's Office, Auditor-Controller, and Assessor met and continued to discuss various incentive policies.

On April 24, 2018 (File No. 18-0655, Item No. 44), the Board directed staff to explore options to develop an economic development incentive policy that allows for the County to reimburse non-residential developers for the cost of impact fees established on behalf of special districts (e.g., Fire Districts, Community Service Districts, and Parks & Recreation Districts) related to non-residential development, such as retail/commercial, office, research and development, industrial, agriculture or warehouse/distribution development, and to return to the Board within 90 days with a draft policy for consideration.

On October 9, 2018 (File No. 18-1552, Item No. 35), the Board adopted Policy J-8 which provides for the ability to offset special district fees for targeted non-residential business develop and also delegated authority to the Chief Administrative Officer to negotiate and approve the allocation of special district offset incentives in an amount up to \$20,000.

Following the Board's continuation of Policy J-7, adoption of Policy J-8, and based on the continued desire of the Board through the County's Strategic Plan, Economic Development staff has continued to pursue creative incentive policies based on the foundational incentive Policy J-7. Staff has continued to explore additional ways to support our local businesses and are recommending the Board consider the creation of Policy J-9, Startup and Entrepreneur Technical Assistance Program, which is aimed to support local startup companies with funding to successfully grow and scale their businesses.

Through collaborative efforts within the region and considering emerging startup culture in El Dorado County, staff has identified the success of Accelerators and Incubators for business support. Small business creation is a cornerstone of every economic development effort; however, not all small businesses are created equal. The small businesses that have the greatest economic impact are known as "scale-up" companies in tradable sectors that have the right business plan, management team, and access to capital. These companies have greater than 40 employees and have revenue over \$10 million. Becoming a scale-up company is difficult, but with proper support, one can tip the scales by helping start-ups become scale-up companies.

A recent report by Insight and Wakefield Research noted that "scale-up" companies represent around 2% of companies in the US but accounted for nearly 33% of the US job gains during the last recession. These companies can realize what is known as hockey stick growth, meaning they scale quickly adding jobs, making investments which all translate into greater economic activity for a community. El Dorado County is well positioned to capture these types of companies.

Below is the definition of an Incubator and an Accelerator:

Incubator: A program that supports early-stage startup companies convert their ideas into a business model and eventually into a working business. Incubators traditionally do not provide funding to the startups.

Accelerator: An organization that helps develop startups by providing structured guidance, mentorship, access to investors and other support. Accelerators help young startups and businesses

scale their growth while testing and validating product market fit.

Accelerators, like the Growth Factory, bring together the tools and expert mentorship to accelerate companies from minimum value product to product-market fit and access to venture-backing. Accelerators are a common business practice that take companies that have all the ingredients to grow and add any missing pieces such as financial assistance to ensure their success. Businesses that go through an accelerator add eight (8) more jobs than similar firms that did not receive the benefits of acceleration, and they are 24% more likely to receive venture capital follow-on financing.

Policy J-9 is aimed to provide financial support for El Dorado County based companies that have been accepted into an accelerator or incubation cohort. The estimated cost of support for a company accepted into an accelerator program is \$40,000 to \$50,000.

Staff are recommending the Board consider the attached draft Policy J-9 as an additional way to support these targeted businesses, provide any feedback or suggestions, and provide conceptual approval of this policy. Staff have also made revisions to Policy J-7 to reflect the addition of the technical assistance for local startups and entrepreneurs incentive option as well as identifying the procedures for evaluating and seeking approval for economic development incentives. Once both policies are finalized, staff will return to the Board for final consideration and approval.

ALTERNATIVES

The Board may choose not to conceptually approve the proposed revisions to Policy J-7 and draft Policy J-9. The Board may also choose to direct staff to explore other options related to each Policy and return to the Board at a later date for further consideration.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

Chief Administrative Office, Auditor-Controller, County Counsel, Treasurer-Tax Collector, and Assessor

CAO RECOMMENDATION / COMMENTS

Provide direction as recommended.

FINANCIAL IMPACT

As identified in the conceptual revisions to Policy J-7 and draft Policy J-9, the incentivized sponsorship of local businesses that have been accepted into business support program will represent a cost increase to the County's TOT funding in the short term; however, if successful, these costs will be offset by long term revenue increases in the form of sales and property tax revenue associated with growth in Business Development. Actual financial impacts will not be known until requests are received; however, upon completion of an in-depth review of each request, staff will provide a recommendation of the incentive for approval by the Chief Administrative Officer and/or Board as identified in each Policy.

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT

Good Governance and Economic Development - This action furthers the Strategic Plan goal of

retaining, developing, and attracting businesses that provide economic sustainability and quality job creation.

CONTACT

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