



Legislation Text

File #: 23-0392, **Version:** 2

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

- 1) Approve and adopt revisions to Policy J-7, Economic Development Incentives, and update the sunset review date; and
- 2) Approve and adopt Policy J-9, Startup and Entrepreneur Technical Assistance Program, and establish the next review date.

FUNDING: Transient Occupancy Tax funds.

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 of 2015). Due to the drafting of the County's Economic Development Strategic Plan and the need for greater policy research, Policy J-7 was allowed to expire in November of 2015, its adopted sunset date.

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

On April 11, 2017 (File No. 14-0171 V4, Item No. 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.

On April 14, 2020 (File No. 20-0467, Item No. 17), the Board approved a revised sunset review date of April 30, 2022 to Policy J-7.

On April 19, 2022 (File No. 22-0059, Item No. 30), the Board approved minor revisions to Policy J-7 with a new sunset review date of April 30, 2026.

On November 8, 2022 (File No. 22-1920, Item No. 31), the Board discussed proposed revisions to Policy J-7 and provided conceptual review and approval of draft Policy J-9, Startup and Entrepreneur Technical Assistance Program, to further support small businesses. The Board also directed staff to return to the Board with final versions of both Policy J-7 and Policy J-9 for adoption.

Since the adoption of J-8 and based on the continued desire of the Board through the County's Strategic Plan, Economic Development staff have continued to pursue creative incentive policies based on the foundational incentive policy J-7. Staff has continued to look for new ways to support our local businesses and Policy J-9 is aimed to support local startup companies to successfully grow and scale their businesses.

Through collaborative efforts within the region and considering emerging startup culture in El Dorado County, staff have seen 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 have access to capital. These companies have greater than 40 employees and have revenue of 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 United States but accounted for nearly 33% of the United States job gains during the last recession. These companies can realize what is known as hockey stick growth, meaning they scale quickly adding jobs and 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 and 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 takes companies that have all the ingredients to grow and adds any missing pieces 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, they are 24% more likely to receive venture capital follow-on financing.

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

ALTERNATIVES

The Board may choose not to approve the recommended changes to Policy J-7 and/or Policy J-9, or direct staff to make additional modifications.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

All Departments

CAO RECOMMENDATION/COMMENTS

Approve as recommended.

FINANCIAL IMPACT

There is no change to Net County Cost associated with the approval of Policies J-7 and J-9. As the County's financial contribution or incentive option will vary per applicant, the specific financial impacts will be determined and evaluated during the application review and recommendation process to the Board, at which time staff will be able to provide a more thorough evaluation of cost to the County. It's anticipated that under both Policies J-7 and J-9 there will be a cost increase to the County in the short-term; however, if successful, the short-term costs will be offset by long term revenue increases in the form of sales and property tax associated with growth in Business Development.

CLERK OF THE BOARD FOLLOW UP ACTIONS

Upon approval of both Policy J-7 and J-9, the Clerk of the Board will publish the updated Policies to the Board of Supervisors Policy Manual webpage.

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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