



Legislation Text

File #: 23-1997, **Version:** 1

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

- 1) Approve and authorize the Chair to sign Agreement 8279 with Growth Factory for the provision of accelerator services, with a not-to-exceed amount of \$100,000 and a term of two (2) years effective upon execution;
- 2) Authorize the Planning and Building Director to execute any further documents determined necessary related to Agreement 8279, including amendments which do not increase the not-to-exceed amount or term of the Agreement, contingent upon approval by County Counsel and Risk Management; and
- 3) Approve and authorize the Chair to sign a budget transfer amending the Fiscal Year 2023-24 Adopted Budget increasing revenue and appropriations by \$500,000 in the Economic Development budget and increase in Transient Occupancy Tax budget with \$500,000 in transfers out. (4/5 vote required)

FUNDING: Transient Occupancy Tax Funds.

DISCUSSION/BACKGROUND

The County's adopted Strategic Plan contains five (5) main strategic goals, including Economic Development with a focus on enabling a prosperous and vibrant community. This element is now known as Thriving Economies. The Economic Development component further identifies goals and priorities to retain, develop, and attract businesses that provide economic sustainability and quality job creation, invest in infrastructure needs to maintain competitiveness, and nurture the County and Community's business friendly environment.

To further support the County's Strategic Plan, the Board has adopted several economic-development related policies. Policy J-7, Economic Development Incentives, offers various incentives, one of which provides a one-time commitment of up to \$500,000 of Transient Occupancy Tax (TOT) funds to support small businesses or entrepreneurs that have been accepted into a cohort of an approved incubator or accelerator. These funds will provide technical assistance, support, training, and access to funding to El Dorado County-based businesses with the requirement that they remain in the County for at least three (3) years. Grant applicants will initially go through an application process with an accelerator or incubator to be considered for a grant award. The grant applicant will then go through two (2) rounds of vetting where they will have to pitch their company and provide financial statements and business plans for the future growth of their company. If the grant applicant makes it through both rounds and is still considered a viable candidate, the grant applicant will present their company to the Board of Supervisors for grant award determination. Each eligible business will be eligible for an award amount of up to \$50,000. Policy J-9, Startup and Entrepreneur Technical Assistance Program, details the procedure for the use of the allocated funds under Policy J-7.

Originating in Rocklin, CA and with a working space in El Dorado Hills, the Growth Factory is a nonprofit startup accelerator composed of a team of top tier mentors, investors and partners

providing small businesses and entrepreneurs within the Greater Sacramento region with the necessary educational and informational opportunities to accelerate their venture backed startup companies. Growth Factory is equipped with an expert mentorship program to begin accelerating small businesses and entrepreneurs within El Dorado County.

The Planning and Building Department, Economic Development Division (Economic Development), desires to collaborate with Growth Factory for the provision of accelerator services, with a not-to-exceed amount of \$100,000 and a term of two (2) years. Proposed accelerator services include, but are not limited to:

- Grant Management - Manage and disburse J-9 funds to eligible startup companies based on Board approval.
- Sourcing - Through events, media, promotion, and network partners, identify eligible startup companies that are a potential fit for J-9 funding.
- Screening - In collaboration with a subconsultant, Growth Factory Ventures, conduct founder meetings, review materials (decks, financials, product demos, etc.) and provide expert network feedback.
- Accelerating - Create a custom roadmap and identify Key Performance Indicators for each eligible startup company. In collaboration with Growth Factory Ventures, provide one on one advising while creating connections and identifying use of funds.
- Amplifying - Create social media posts to promote either startup companies, grant programs, and/or events.

Agreement 8279 proposes to utilize a portion of the allocated one-time funding of \$500,000 in TOT funds under Policy J-7, where the remaining \$400,000 not used for the Agreement will be awarded to small businesses and entrepreneurs that are eligible for funds under Policy J-9 and that have been accepted into a Growth Factory accelerator/incubator program. At this time, it is not known how many small businesses will be awarded funds or what the total awarded fund amount will be; however, Growth Factory proposes to utilize their skills and networking connections and subconsultant, Growth Factory Ventures, to onboard a minimum of eight (8) businesses within the term of the Agreement. This estimate assumes that each eligible small business is awarded the max grant amount of \$50,000.

Under proposed Agreement 8279, the County and Growth Factory will collaborate with one another to support El Dorado County high growth startup companies and entrepreneurs by validating their business model, growing customer traction, and supporting the activities that will spur these small businesses and entrepreneurs to the next level of success.

ALTERNATIVES

The Board could choose not to approve the use of J-7 TOT funds for Agreement 8279 with Growth Factory and direct staff to explore other options; however, Policy J-9 requires that any funds awarded to small businesses and entrepreneurs be issued to an accelerator/incubator within El Dorado County that has accepted the applicant into their program/cohort.

PRIOR BOARD ACTION

On November 8, 2022 (File No. 22-1920, Item No. 32), the Board discussed proposed revisions to Policy J-7 and provided conceptual review and approval of draft Policy J-9 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.

On March 14, 2023 (File No. 23-0392, Item No. 13), the Board adopted revisions to Policy J-7 and adopted a new Policy J-9. Adopted revisions to Policy J-7 includes the addition of a new incentive, Technical Assistance for Local Startups and Entrepreneurs. This incentive proposes a one-time commitment of up to \$500,000 in TOT funds to support small businesses and entrepreneurs that have been accepted into a cohort of an approved incubator or accelerator located in El Dorado County. Although the allocation of funds was intended to be utilized during the Fiscal Year of 2022-23, it was expressed that these funds roll to the following Fiscal Year of 2023-24 if they were not expended. In addition to revisions to Policy J-7, Policy J-9 was adopted to put in place a procedure for use of these allocated funds. Policy J-9 requires that any funds awarded to eligible small businesses and entrepreneurs be issued to the accelerator/incubator for distribution.

OTHER DEPARTMENT/AGENCY INVOLVEMENT

Chief Administrative Office, County Counsel, Risk Management

CAO RECOMMENDATION

Approve as recommended.

FINANCIAL IMPACT

The proposed Budget Transfer will amend the Fiscal Year 2023-24 Adopted Budget increasing revenue and appropriations by \$500,000 in the Economic Development budget and increase in Transient Occupancy Tax budget with \$500,000 in transfers out.

CLERK OF THE BOARD FOLLOW UP ACTIONS

- 1) The Clerk of the Board will obtain the Chair's signature on two (2) original copies of Agreement 8279;
- 2) The Clerk of the Board will forward one (1) fully-executed original Agreement 8279 to the Chief Administrative Office, Procurement and Contracts Division, for further processing;
- 3) The Clerk of the Board will obtain the Chair's signature on the original copy of the Budget Transfer; and
- 4) The Clerk of the Board will forward the signed Budget Transfer form to the Chief Administrative Office for processing.

STRATEGIC PLAN COMPONENT

Economic Development: This Agreement furthers the Strategic Plan goals of retaining, developing, and attracting businesses that provide economic sustainability and quality job creation.

CONTACT

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