



**INFORMATION PACKET
MEMORANDUM**

To: Mayor and Members of Council

From: Jane S. Brautigam, City Manager
Yvette Bowden, Community Vitality and Parks and Recreation Director
Cris Jones, Deputy Director, Community Vitality
Mark Woulf, Business Services Manager, Community Vitality
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Date: January 21, 2020

Subject: **Report on City of Boulder Small Business Support**

EXECUTIVE SUMMARY

As the [Boulder Valley Comprehensive Plan \(BVCP\)](#) provides, the city seeks to maintain a local environment conducive to the success and sustainability of businesses balanced by the needs and interests of the broader community of residents, workers and visitors.

This memorandum responds to a request from City Council during the July 9, 2019 study session for a report outlining the Community Vitality Department’s currently offered assistance for businesses and ways in which these efforts could be enhanced to better address current challenges faced by small, local, and women- and minority-owned businesses.

This response to council’s request coincides with the department’s development of a 2020-2023 Community Vitality Strategic Plan and supplements the Citywide Retail Strategy, which is currently under development. Unless otherwise directed, council should expect that recommendations suggested in this report will be further explored through upcoming council discussions on topics including Community Benefit (affordable commercial) policy-related work, the Citywide Retail Strategy, the East Boulder subcommunity plan and the proposed 2021 budget proposal.

I. BACKGROUND

Boulder is nationally recognized as an innovation and startup hub, and enjoys a robust local economy supported by the University of Colorado, federal labs, a well-educated and

highly skilled workforce, and businesses representing a wide range of industries. An economically vital community where all residents and businesses can access and benefit from a healthy and sustainable economy that is innovative, diverse and collaborative is an essential component of the city’s Sustainability and Resilience Framework. The presence of a diverse mix of businesses contributes to the strength of the local economy and quality of life.



Characteristics of local business community

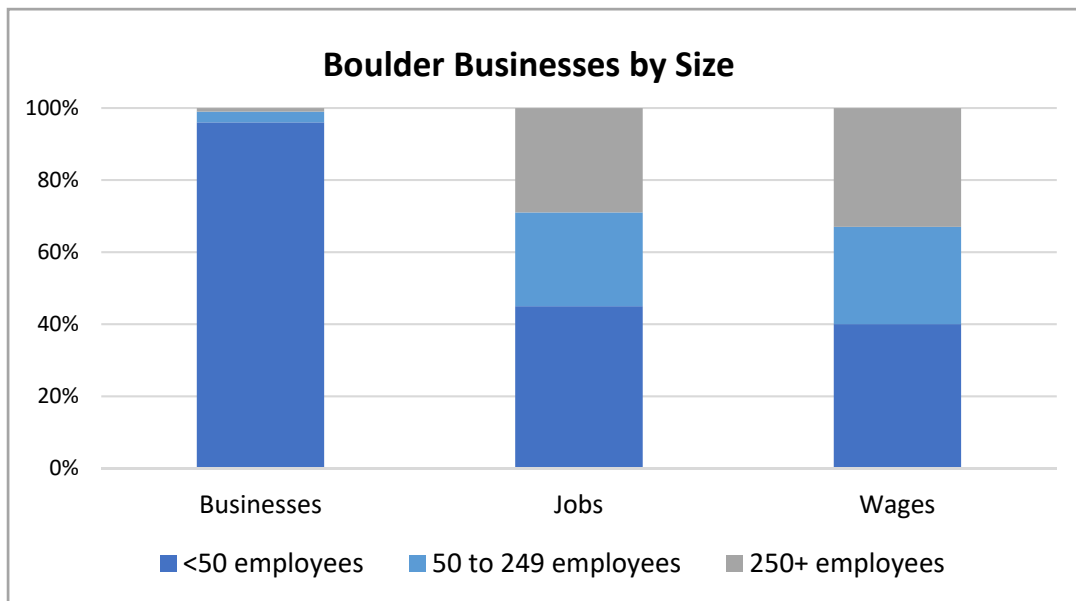
Notable characteristics of Boulder’s business community are highlighted below.

Most Boulder businesses are small and headquartered here.

- The majority (96%) of Boulder’s approximately 7,000 businesses are small businesses with fewer than 50 employees. Over three-fourths (78%) have fewer than 10 employees.
- Small businesses provide approximately half of the jobs and roughly 40% of wages in Boulder and many serve the needs of residents, workers, students and visitors.
- Approximately 90% of businesses in the city are headquartered in Boulder.

Businesses of all sizes play an important role in the local economy.

- Businesses with 50 or more employees represent only four percent of Boulder businesses. Less than one percent have 250 or more employees.
- Medium-sized and large businesses provide half the jobs and 60% of wages in Boulder and stabilize the local economy by providing a significant number of jobs, wages, local taxes and essential goods and services while supporting small, local businesses.

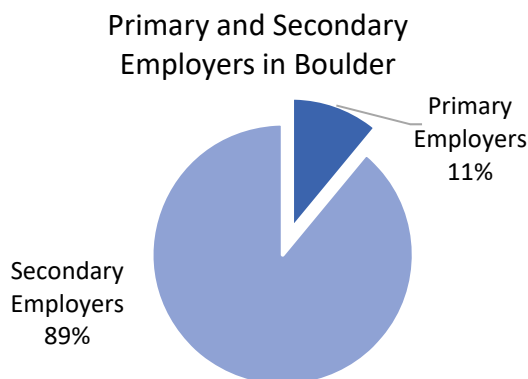


Boulder businesses represent a diverse mix of industries.

- A diverse mix of businesses and employment opportunities help stabilize the local economy. There are approximately 7,000 businesses in Boulder with at least one

employee. Employment in Boulder is spread across many industries, with the largest concentration in government (including federal labs, the University of Colorado, Boulder Valley School District and both county and municipal employment presence), professional and technical services, accommodation and food services, manufacturing and health care.

- The city has a higher concentration of aerospace, beverage manufacturing, bioscience, clean tech, information technology, natural and organic products, and outdoor recreation businesses than many other communities (regional and national comparisons), reflecting strength in research and innovation.
- Approximately 11% of Boulder businesses are **primary employers** (*businesses of any size that sell more than half their goods and services outside the area*). These businesses play a critical role in infusing new (not locally generated) money into the local economy. Examples include businesses in manufacturing and information technology ranging from startups to several of the largest companies headquartered or with facilities in Boulder, such as Ball Aerospace, Celestial Seasonings, and IBM.
- The majority (89%) of businesses in the city are **secondary employers** that mostly sell their goods and services to local customers. These businesses play an important role in serving the needs of the community and generating economic activity and, in some cases, sales tax revenue. Examples include businesses of all sizes in the retail, food services, entertainment, financial services and health care industries.



Role of Community Vitality and economic resilience efforts in Boulder

To support local economic vitality and address the needs of Boulder’s businesses, including small businesses and nonprofits, the Community Vitality Department establishes, leads and monitors the performance of initiatives that address economic challenges and opportunities. While other departments service and regularly interact with the Boulder business community, it remains Community Vitality’s role to provide direct services related to economic vitality and to fund and manage relationships with city partner organizations directly related to the success and sustainability of the local business community. Referenced collaborative partnerships expand the City of Boulder’s own reach while minimizing duplication of efforts in supporting businesses and, to name a few, include:

- Financial support (rebates, loans and grants);
- Information about the local business environment, including market and economic data;
- Responses to questions, concerns and requests for assistance;
- Workshops on a variety of business topics and consulting with industry experts; and
- Workforce development programs.

While economic development and/or economic vitality services are relatively commonplace among municipalities in Colorado and throughout the country, Boulder’s economic vitality programs place less emphasis on attracting new businesses, and greater focus on retaining existing businesses and supporting startups.

Last year, programs and services provided by Community Vitality and the city’s economic vitality partners benefited more than 1,800 businesses, more than 80% of which were local small businesses or startups.

During a prior period of steady sales tax growth and relatively little loss of small and local businesses, Community Vitality Department funding allocated for Boulder’s core business support programs remained relatively flat with no significant program enhancements. Current funding also provides for 2.5 full-time employees (FTEs) in the department (only one of whom has economic vitality business support as a sole function) aided by the partial support of several other department staff otherwise responsible for special district management and department leadership/administration.

II. ANALYSIS

While Boulder offers a collaborative, resource-rich environment for businesses, council’s request for exploration of an enhanced support program presents an opportunity to lend greater focus to the needs of small, local, and women and minority owned businesses located in and/or serving the community. The following summary highlights current programming offered or funded through the Community Vitality Department’s budget allocation, describes how they respond to expressed small business challenges and identifies those which might be enhanced to better support the business sectors of council’s recent concern.

Current Programming to Support Businesses

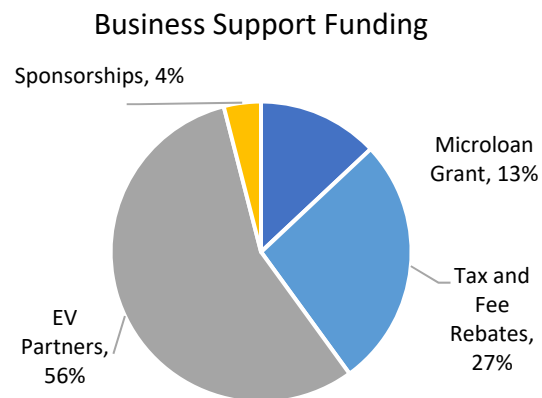
Community Vitality directly delivers or provides funding for a wide range of services to address the needs of businesses, including nonprofit and small businesses across all industries, all aligned with policies outlined in the Boulder Valley Comprehensive Plan and generally fitting into the following five categories.

Business support currently provided or funded by Community Vitality	
Information	Information about doing business in Boulder Economic, demographic and other market data
Direct assistance	Responses to inquiries, requests and concerns Connections to government and private sector resources
Education and training	Low-cost workshops on variety of business topics Free consulting or mentoring from business experts Specialized business accelerator programs
Workforce development	Partnerships with industries to develop a skilled and diverse workforce Partnerships to facilitate multimodal employee transportation
Financial support	Rebates of fees and taxes to support business retention and expansion Loans for small businesses not served by traditional sources

In addition to managing the city’s financial support for businesses and coordinating services provided by economic vitality partners, staff provides information and directly responds to business-related inquiries and requests from businesses, aspiring entrepreneurs and other community members. Staff also provides business and economic perspective on city initiatives working collaboratively with peer local, regional and state agencies, nonprofit organizations, research institutions and economic development organizations to broaden and share best practices in supporting the community’s local economic health.

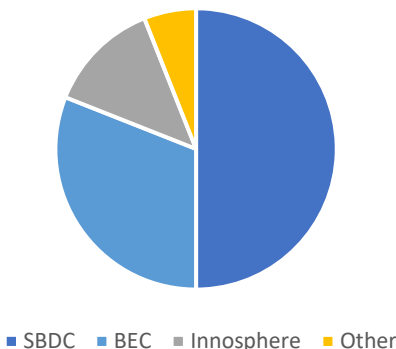
In 2019, the council-approved Community Vitality budget invested \$390,569 in financial support for economic vitality partners and direct business support programs.

Of that amount, \$219,300 funded direct services provided by the Boulder Small Business Development Center (SBDC), Boulder Economic Council (BEC) and Innosphere; \$107,269 funded fee and tax rebate payments to Flexible Rebate Program participants; \$50,000 funded loans through the Boulder Microloan Program and \$14,000 funded other organizations that support economic vitality including the Boulder International Film Festival, CO-LABS, Naturally Boulder and Boulder Independent Business Alliance (BIBA).



Nearly two-thirds (64%) of the funding for economic vitality partners last year went to organizations that exclusively serve small businesses. Other economic vitality partners such as the BEC and Naturally Boulder serve businesses of all sizes including many small businesses.

2019 EV Partner Funding



Half of the resources provided for economic vitality partners in 2019 funded educational programming and consulting provided by the Boulder SBDC, 31% funded business outreach, retention and direct assistance, and economic research provided by the BEC, and 13% funded mentoring and programs provided by Innosphere for startups and early stage companies.

Organizations funded by Community Vitality leverage city funding with funds from other public and private sources. For example, grants provided by the city to fund loans made to small businesses through the Boulder Microloan Program

(\$550,000 from 2009 through 2019) represent about 10% of the total loans made through the program (\$5.6 million). Participating local financial institutions and matching grants from federal programs and other sources have provided funding for the remainder of the loans made to the borrowers served by the program.

The city’s economic vitality partners that received more than \$10,000 in funding from Community Vitality in 2019 are highlighted below.

City partner organizations and their role in supporting local business	
Boulder Small Business Development Center (SBDC)	The SBDC works exclusively with small businesses in a wide range of industries providing low-cost workshops, one-on-one consulting with business experts, connections to resources and other assistance. The center also offers specialized programming for tech companies, women- and minority-owned businesses (including consulting services and workshops in Spanish), and individuals with low- to moderate-incomes. In 2019, the SBDC produced 55 workshops and events with over 1,100 attendees and provided over 2,338 hours of consulting to 632 businesses.
Boulder Chamber/Boulder Economic Council (BEC)	The BEC provides information and assistance to businesses of all sizes, conducts economic research, hosts community economic events and participates in local and regional economic initiatives. Last year, the BEC assisted 187 businesses, over half of which were small or startups; hosted two events and launched several workforce development initiatives including training over 100 companies in skills-based hiring, convening four industry partnerships and increasing apprenticeship and internship opportunities for youth and adults.
Boulder Microloan Fund managed by Colorado Enterprise Fund (CEF)	The Boulder Microloan Program provides loans and business counseling to qualified small businesses that may not qualify for financing through traditional sources. The program is funded by the city and local financial institutions and managed by CEF. In 2019, 16 new loans totaling \$712,740 were made and 128 hours of counseling were provided through the program. Borrowers included retail stores, restaurants and service providers. More than half the borrowers were individuals with low incomes.
Innosphere	Innosphere helps startups and early stage businesses including companies being formed based on technologies developed by university researchers or people from the local community. In addition to mentoring by experienced business advisors, clients may participate in the organization’s accelerator program. Last year, Innosphere hosted 11 events with 705 attendees in Boulder and 13 Boulder companies were Innosphere accelerator clients.

In general, the above-referenced services are provided on a first-come, first-served basis as sought by businesses. Extra efforts have been implemented to reinforce the effectiveness of these programs in meeting the needs of particular businesses. For example, the Boulder SBDC has developed specialized programming and workshops led by Spanish speakers to Boulder businesses owned or operated by persons whose primary or preferred language is Spanish. The SBDC is also working with the state Minority Business Office and others to increase awareness of resources currently available to women- and minority-owned small businesses in Boulder.

Addressing Specific Challenges Faced by Small Businesses

Recently through survey responses or media, a number of local small businesses have reported experiencing challenges which make their business operations in Boulder increasingly difficult, including:

- Rising operating costs, especially commercial lease rates and labor;
- Increased competition in finding and retaining employees;

- Availability and access to financing and other resources;
- Cost and effort required to comply with city regulations and navigate city processes; and
- Industry-specific challenges such as increased retail competition.

Though these challenges appear to cross industries and affect businesses of all sizes, it is important to note that small businesses seem to be more significantly impacted by these factors than larger businesses. Greater detail is provided below concerning these challenges and city programs and initiatives to help address these challenges. In most cases, noted actions the city has or might take to respond to these challenges reflect enhancements to existing programs. New programs or initiatives are also noted.

Challenges expressed by small businesses	Responsive programs and initiatives <i>(* continued or enhanced existing program)</i> <i>(+ new program or initiative)</i>
<p>Rising operating costs</p> <p>Small businesses report rising costs of leased space (office, retail and industrial) and that ownership may not be a viable option. Startups report challenges in finding suitable space for growth and small businesses, especially restaurants and retailers, report revenues cannot cover operating costs. Rising lease rates reflect increases in property taxes, maintenance and utility costs added to base rents. Small businesses also report significant impacts from increases in applicable minimum wage and health care costs.</p>	<p>Short term goals:</p> <ol style="list-style-type: none"> 1. Aid in affordability of leased space 2. Increase access to commercial ownership programs 3. Seek small business input as local minimum wage adjustments are considered <p>Current efforts to address challenges include:</p> <ul style="list-style-type: none"> • Affordable commercial pilot offering below-market lease rates to qualified small, local businesses • Exploring the creation of smaller, more affordable retail spaces to meet changing retailer needs * • Exploring use of Central Area General Improvement District (CAGID)-owned properties to provide more affordable commercial spaces + • Exploring an expanded definition encouraging affordable commercial space options in definition of 'community benefit' *
<p>Competition for talent</p> <p>Across the region, the robust economy and low unemployment rate, aging workforce and other factors have presented a challenge for small businesses in attracting and retaining talent. In addition, the cost of housing in Boulder is hitting small employers particularly hard and forcing small businesses to operate with fewer employees that may be called to work extended hours.</p>	<p>Short term goal:</p> <p>Help small businesses attract and retain employees by reducing worker expenses and encouraging employment with Boulder employers including small businesses</p> <p>Current efforts to address challenges include:</p> <ul style="list-style-type: none"> • Parking pilot offering discounted rate for evening workers in downtown Boulder +* • Partnerships to develop strategies to recruit, train and retain workers in key industries * • Events to facilitate connections between employers and job seekers *
<p>Access to financing</p> <p>Availability and access to financing and other resources is an ever- present need for businesses. While there are many financial institutions and other sources for financing that serve Boulder</p>	<p>Short term goal:</p> <p>Provide information and tools for qualified small, local, and women- and minority-owned businesses to gain access to financing</p> <p>Current efforts to address challenges include:</p>

<p>businesses, some small businesses do not qualify for funding from traditional sources.</p>	<ul style="list-style-type: none"> • Exploring increased funding microloan program * • Exploring ways to help mitigate impacts felt by small businesses temporary displaced by implementation of city redevelopment or area/sub-area plans +* • Exploring ways to help offset costs of increasing environmental sustainability of small businesses. + • Connecting small businesses to corporations or agencies with grant or contract opportunities * • Enhancing outreach to increase awareness of financing and other small business resources *
<p>Navigating city processes</p> <p>Complying with city regulations and navigating city departments and processes can present a burden to small businesses that may not have the knowledge, resources or time needed to meet business licensing, permitting and other requirements.</p>	<p>Longer term goal:</p> <p>Study and potentially simplify and enhance navigation ease in city licensing and permitting requirements affecting small businesses</p> <p>Current efforts to address challenges include:</p> <ul style="list-style-type: none"> • Assessment and strategic planning effort underway for Planning & Development Services • Providing input and helping inform businesses of upcoming changes to the business licensing system * • Improving ease of finding information about operating a business in Boulder +* • Conducting 2020 business survey to refine understanding of concerns and unmet needs *
<p>Industry-specific factors</p> <p>Small businesses in industries such as retail are facing additional challenges including increased competition and changes in market and customer dynamics.</p>	<p>Longer term goal:</p> <p>Monitor challenges faced by businesses in different industries and determine appropriate role, if any, for city</p> <p>Current efforts to address challenges include:</p> <ul style="list-style-type: none"> • Develop and implement citywide retail strategy *

Benchmarking and Enhanced Services to Meet Small Business Needs

As part of Community Vitality’s recent strategic planning and retail related work, staff completed benchmarking of economic development/economic vitality efforts supporting local business sustainability offered in nearby peer communities. A summary benchmarking those efforts (**Attachment A**) highlights the similarities and very few differences between programmed efforts of the City of Boulder and peer communities.

Noting the comparability of Boulder’s economic vitality-related programs, staff recognizes that addressing specific challenges experienced by Boulder small businesses will require a more comprehensive consideration of Boulder’s current policies and practices and the perhaps negative externalities resulting from those efforts. For example, Boulder’s efforts to be responsive to the climate emergency or address the ratio of jobs to population may make amending small business footprints (either expansions, shared spaces or the reconstruction of vacated commercial spaces) more challenging or may require costly changes impacting small business entities more intensely than larger entities. In such instances, council might wish to consider waiving certain fee requirements for properties owned and occupied by small

businesses (for-profit or nonprofit) below a certain threshold of annual sales or employment size. Small business relief might also be achieved through the creation of pilots offsetting expenses incurred by temporarily relocated small businesses where redevelopment implements an approved revitalization, area or subcommunity plan as negotiated with a private property owner. In addition, continued consideration of the city’s affordable commercial efforts might continue to explore small business impacts as program enhancements are made.

Areas where more can be done to support small, local businesses, including nonprofits and women- and minority-owned businesses are summarized below.

Planned and proposed enhancements to small business support programs	
Build awareness of current services and programs	<p>There are many business owners and managers who are not aware of resources currently available to small, local businesses. Community Vitality staff will work with internal and external partners to increase the awareness of these programs.</p> <p>This work will be informed by the business survey planned for first quarter 2020 and will likely include a more robust communications and outreach strategy specifically targeted to small, local and women- and minority-owned businesses.</p>
Increase Boulder Microloan Program funding	<p>To help address the ongoing need for access to financial support, the city will continue to work with Colorado Enterprise Fund and others to increase Boulder Microloan funding and the number of small businesses served by the program.</p> <p>Proposed enhancements to financial support may include a request for an increase in the annual grant provided by Community Vitality from \$50,000 to \$100,000 for a three-year period to enable more loans to be made and provide a greater match to help attract funding from other sources.</p>
Develop new programs to help increase affordable commercial space	<p>Increasing the supply of affordable commercial spaces for small, local businesses, including nonprofit and women- and minority-owned businesses, will require a multi-pronged approach by the city and other organizations.</p> <p>In addition to the 30 Pearl affordable commercial pilot, this may include exploring ways to:</p> <ul style="list-style-type: none"> • Incentivize the creation of smaller, more affordable retail spaces that meet retailer needs • Use CAGID-owned properties to provide more affordable commercial spaces • Incentivize the inclusion of affordable commercial space in development or redevelopment projects
Explore new programs to help keep small, local businesses in Boulder	<p>Community Vitality will continue to explore potential new programs to help retain small, local businesses in Boulder. Examples may include:</p> <ul style="list-style-type: none"> • Down payment assistance program to help more businesses and nonprofits own, rather than lease, the space they occupy • Grants to help small, local businesses offset business costs associated with temporary displacement related to city initiatives, such as redevelopment projects, to implement area or subcommunity plans • Fund to help small, local businesses offset the cost of city permit fees or taxes related to implementing programs to increase environmental sustainability, such as improving energy efficiency

	<ul style="list-style-type: none"> • Matching grants to help small businesses make improvements to their facilities or train staff
Refine reporting to more closely monitor progress	<p>Staff will continue to work with organizations that receive funding through the city’s economic vitality budget to monitor how funds are being used to support businesses including small, local, and women- and minority-owned businesses.</p> <p>This will include more refined reporting of business services and outcomes which will be shared with City Council.</p>
Improve ease of doing business in city	<p>Staff will work with Planning and Finance Departments and others to study, simplify and improve city licensing and permitting requirements that affect small businesses.</p>

III. NEXT STEPS

Staff welcomes council member questions or feedback concerning this Information Packet item which can be provided directly to Yvette Bowden, director of Community Vitality, at 303-413-7215 or bowdeny@bouldercolorado.gov.

In addition, City Council should anticipate the following opportunities for community input and/or council discussion concerning exploration and potential implementation of the strategies and initiatives described above.

Q1 – Q2 2020	Boulder Business Survey to increase understanding of perceptions about business climate, priorities, plans, challenges and unmet needs
Q1 – Q2 2020	Community Vitality efforts to build awareness of resources
March 2020 (TENTATIVE)	Council consideration of Citywide Retail Strategy
August 2020	Council initial review and consideration of proposed 2021 budget including any proposed new funding necessary to enhance services and programs for small, local, and women- or minority-owned businesses

ATTACHMENTS

Attachment A: Summary of Business Support Programs offered by Local Peer Communities

Attachment A
Summary of Business Support Programs offered by Local Peer Communities

Support for small businesses offered by local government and nonprofit organizations	Boulder	Longmont	Louisville	Broomfield	Westminster	Arvada	Golden
Financial Assistance							
Grants for facility improvements ¹				X	X	X	
Microloans or small business loans	X	X		X		X	X
Rebates of fees or taxes	X	X	X	X	X		
Information							
Business databases	X	X	X	X	X	X	X
Business Resource Guide		X			X		
Economic and demographic information	X	X	X	X	X	X	X
Site selection database		X			X	X	
Direct assistance							
Business outreach and assistance	X	X	X	X	X	X	X
Employee bus passes (subsidized)	X						
Expedited permit review process ²		X		X			
Networking and connections	X	X	X	X	X	X	X
Education and training							
Business incubator/accelerator	X	X					
Business workshops	X	X	X	X	X	X	X
Consulting and mentoring	X	X	X	X	X	X	X
Workforce development							
Partnerships to train workers	X	X	X	X	X	X	X
Other programs							
Energy efficiency programs	X	X	X	X	X	X	X
Enterprise Zone (state tax credits)		X	X	X	X	X	
Makerspace	X	X	X	X	X		
Opportunity Zone (federal tax incentive)	X	X			X	X	

¹Grant amounts and eligibility vary by community, generally require an application and are intended to support specific community goals. Broomfield offers up to \$25,000 to help small businesses (<50 full-time employees) offset cost of external improvements to industrial and commercial properties that may be outdated, obsolete or underutilized or not accessible by those with disabilities. Westminster offers a “Small Business Capital Project Grant Program” that covers up to \$5,000 for expenses related to upgrade facilities or equipment, “Facelift Program” that reimburses 50% of the cost (up to \$5,000) for façade or landscaping improvements in historic areas, and “Small Business Scholarship Grant” that reimburses 50% of employee training expenses up to \$500 per year. Arvada Economic Development Association offers an “AEDA Exterior Improvements Grant” that provides a 50/50 match up to \$15,000 for exterior improvements to commercial properties.

²Broomfield offers “Fast Track Permitting” to help all businesses meet their deadlines. Longmont offers “expedited review for projects that bring primary jobs, commercial/retail opportunities and affordable housing to the city.”