



TDI: LOCAL SMALL BUSINESS AND CAPITAL RESOURCES LANDSCAPE

DISCOVERY PHASE: FINAL SESSION

JUNE 28, 2016

X OBJECTIVES FOR TODAY'S DISCUSSION



- > Share a framework for articulating and designing the roadmap for district revitalization
 - Key levers
 - Sequence of investments and priorities for TDI
 - How small business development fits into the roadmap

- > Highlight district-level insights about the small business 'ecosystem'
 - Similarities/differences and gaps/priorities relative to Boston (and other) work
 - Unique challenges for businesses in TDI districts

- > Implications for Mass Development's...
 - Approach to district-level use of TA and deployment of Fellows
 - Potential roles and areas of focus – overall and by district
 - Specific near-term actions and priorities at the district, regional and state level

- > Discuss potential paths forward



Project Recap & Update

X RECAP: PROJECT CONTEXT & OBJECTIVES



This effort was designed to understand the small business ecosystem and capital landscape within and around TDI Districts, and to develop a strategic approach to leveraging and complementing local resources that will maximize impact toward specific target uses.

Context

- > TDI's **integrative, place-based approach to community development** is designed to bring all the resources of MassDevelopment and Partners to each District
- > There is an opportunity to **extend and connect these efforts to the landscape of local enterprises and resources** that collectively will make the Districts successful
 - Current and potential future enterprises that will operate in the District
 - The 'ecosystem' of business supports and resources locally and regionally
 - Local sources and pools of capital that can be brought into the District with MassDevelopment's support / guidance

Project Objectives

- > **Map the small business ecosystem** of services and identify areas of needs and gaps, along with priorities and strategies that should be developed to address these within and across Districts
- > Identify sources and tools in the local landscapes targeted for small business support, **seeking out a potential role for MassDevelopment's statewide infrastructure to amplify** these for District impact
- > Identify **specific uses** for potential new or refined existing resources
- > **Start with 3 districts in a 2-month 'Discovery Phase'** to then deepen research and further test hypotheses based on learnings

X RECAP: PROJECT PHASING

We agreed to start this effort with a 2-month ‘Discovery Phase’ designed to identify existing data and better inform / scope a targeted set of hypotheses and approach for the remainder of the work.



District Selection

- > Collect ingoing fact base on the 6+ TDI districts under consideration
- > Facilitate a working session with the MassDev team to select 3 pilot districts
- > Refine the hypotheses and questions we need to test and answer during discovery

Internal Review

- > Request available research and data relevant to the selected districts
- > Group interviews with the three TDI district teams; 1:1 interviews with central MassDev team members
- > High-level research / landscape analysis
- > Working session to discuss initial findings and decide on ‘the right’ local stakeholders to interview

External Review

- > Site visit to each of the three selected TDI districts, including interviews with 3 – 4 key stakeholders
- > Collect and aggregate stakeholder-provided data and research
- > Synthesis of key insights and findings with implications for next steps

Synthesis & Path Forward

- > Synthesize findings into an integrative fact base for each district
- > Working session with the MassDev team to discuss lessons learned during the discovery phase, frame open questions to be further researched and hypotheses to be investigated
- > Define revised scope, approach, and timing for future work

X RECAP: INTERNAL STAKEHOLDER ENGAGEMENT



In the first weeks of Discovery, our discussions covered a wide base of internal stakeholders across the MassDevelopment central, regional, and district-level offices.

District Group Discussions

Haverhill

- > Noah Koretz, *TDI Fellow*
- > Eleni Varitimos, *VP Community Dev.*
- > Ken Goode, *VP Business Dev.*

Springfield

- > Laura Masulis, *TDI Fellow*
- > Sean Calnan, *VP Community Dev.*
- > Beth Murphy, *VP Real Estate*
- > Brandon Braxton, *VP Comm. Lending*

New Bedford

- > Jim McKeag, *TDI Fellow (new 5/2)*
- > Jim Walsh, *VP Community Dev.*
- > Larry Cameron, *VP Business Dev.*
- > Ed Starzec, *Director Land Entitlement*
- > Paul Moran, *VP Comm. Lending*

TDI 1:1 Interviews

- > Laura Canter
EVP, Finance Programs
- > Richard Henderson
EVP, Real Estate
- > RJ McGrail
Policy & Program Impact Officer
- > Anne Haynes
Director Transformative Development
- > Ian Jakus
Assistant Project Manager

Since our last discussion, we held initial calls with each district's core partnership group as well as conducted a site visit to meet (alongside the local Fellow) with each of the representatives below.

Springfield

Partnership Group

- > Brian Connors / Rich Griffin, *City of Springfield*
- > Nick Fyntrilakis, *MassMutual*
- > Chris Russell, *BID*
- > Jay Minkarah, *Develop Springfield*

BSO

- > Samalid Hogan, *CoWork Springfield*

Capital Provider

- > Bill Horowitz, *Common Capital*

Small Business

- > Alfonso Santaniello, *Creative Strategy*

Property Owner

- > Victor Bruno

Haverhill

Partnership Group

- > Andrew Herlihy, *City of Haverhill*
- > Ron Trombley / Sally O'Rorke, *Greater Haverhill Foundation*

BSO

- > Beverly Donovan, *Greater Haverhill Chamber*

Capital Provider

- > Frank Carvalho, *Mill Cities Community Investments*

Small Business

- > Peter Carbone, *Haverhill Beef*

Property Owner

- > Gerry McSweeney, *Landmark Building*

New Bedford

Partnership Group

- > Derek Santos / Angela Johnston, *NBEDC*
- > Teri Bernert, *WHALE*
- > Mark Hess, *HallKeen*

BSO

- > Shelley Cardoos, *E for All*
- > Dena Haden / Sarah Athanas, *Groundwork*

Capital Provider

- > Maria Gooch-Smith, *SEED*
- > Orson Watson, *Garfield Foundation*

Small Business

- > Amelia Ruvich, *dNB Burgers*

Property Owner

- > Kristal Reis, *Bristol Building*

Cross-District Capital Partner

- > Larry Andrews / Neil Martin / Rob Williams / Angela Miele, *MGCC*



TDI 'Roadmap' Development

- > Within each district, MassDevelopment **set out under TDI** to:
 - Accelerate *local collaboration, engagement, and strategic* focus through TA planning and boots-on-the-ground coordination support via Fellows
 - Aggregate *existing tools* and add *new resources* (e.g., equity investments, place-making grants, and co-work programs) to be deployed in targeted ways to further catalyze revitalization

- > District partnerships are **clearly seeing the value of TDI** – in particular:
 - *Planning studies* and potential for direct investments in district Environment
 - The added capacity of Fellows to *focus collaboration / direction* and ‘*plug a gap*’ in the missing *on-the-ground coordination / liaison* role

- > However, through our work, it is also clear that there is a **breadth of other needs / barriers** that district partnerships must be ready to **more strategically address** in support of business development activity
 - Our work has created a *baseline ‘fact-base’* about the *current state of business activity and supports* in the districts
 - It has also resulted in a ‘*long-list*’ of *themes for potential action* – to be further prioritized in the context of each district’s key levers for revitalization

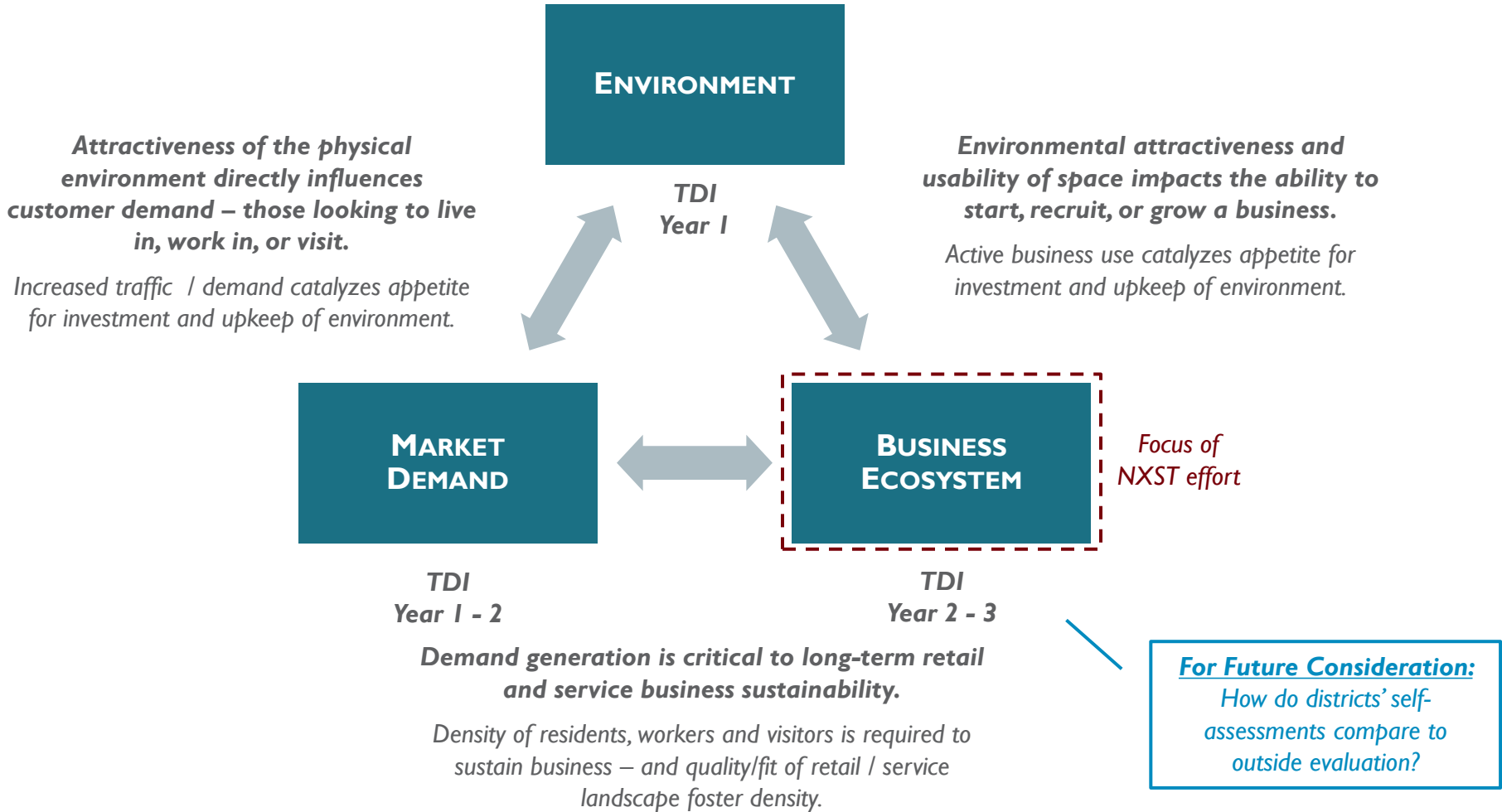
- > Overall, we observed **many of the same ecosystem gaps** we see in Boston and other cities
 - A range of resources are available across districts, but *awareness is low* and it can be very difficult to navigate
 - Some districts *garner less attention from service providers* (relative to surrounding communities) and may struggle to secure resources, even when it is theoretically available from an area provider
 - There are particular challenges relating to the mismatch of capital – many small, local businesses who would be attractive for a TDI district will struggle with traditional bank loan products, but there is *limited availability of alternative and lower cost products* with more flexible underwriting and terms

- > There are also **unique barriers to small business development in TDI districts** that are inhibiting a larger wave of businesses from coming in
 - The *poor and outdated condition of many district buildings* often requires costly upgrades before businesses can move in, and even engaged property owners may not be able to adequately invest
 - The *economics for a business of moving into a TDI district are challenging*, particularly for retail/restaurants who will need to weather a period of low demand before seeing a return, and need to take on costly fit-out and improvements up front
 - There are *few if any direct incentives* to move into the district (as opposed to another city – or even another part of the same city)



X TDI 'LEVERS' FOR DISTRICT REVITALIZATION

While our work has focused on small business activity, the environment and underlying demand in each district are also critical, interdependent factors contributing to economic revitalization through TDI.



X DEVELOPING A TDI “ROADMAP”



Experience to date in TDI reflects a critical sequence of assessment, strategy, and execution activities in the “roadmap;” small business development is important – but must be linked to environmental realities and market strategies.



Element

- Type and condition/ usability of existing space
- Occupancy mix and vacancy rate
- Public safety, traffic, and parking issues
- Existing market demand; projects underway/future anchors

- Desired identity for the district
- Sources of and strategies to attract market demand
- Mix of businesses needed ; opportunities for small/ local businesses

- Goals for business attraction and retention/ expansion/relocation
- Available service/capital supports
- Needs and gaps to achieve goals, e.g., financial feasibility; capital access

- Investments
- Subsidies and incentives
- Enterprise-level TA and support services
- Capital structures and terms, referrals/flows
- Navigation
- Marketing
- Other



- Role of the Fellow, TDI program, and others within Finance Programs and Real Estate
- Role for MGCC, other state agencies; local partnership; other local / regional players

TDI Investments

- | | | | |
|---------------|---------------------------------|------------------------------------|--------------------|
| • Springfield | • Longstanding planning efforts | • Year 1 – Ninigret (with Fellow) | • Current effort |
| • New Bedford | • Longstanding planning efforts | • Year 1 – Graffito (w/out Fellow) | • Current effort |
| • Haverhill | • Year 1 – Utile (with Fellow) | • Year 2 Focus | • Year 2 – 3 focus |

There are a range of tools and activities that TDI and its partners can deploy against each of these levers for district revitalization.

| | | Example Tools/Activities | Impacted Audiences |
|---|-----------------------------------|---|--|
| ENVIRONMENT | Atmosphere | <ul style="list-style-type: none"> > Public space maintenance / appearance > Building facades > Safety > Parking strategy | <ul style="list-style-type: none"> > Customers > Business owners > Building owners |
| | Real Estate Usability | <ul style="list-style-type: none"> > Building infrastructure > Tenant space | <ul style="list-style-type: none"> > Building owners > Business owners |
| MARKET DEMAND | Live | <ul style="list-style-type: none"> > Incentives for residents to locate within the area | <ul style="list-style-type: none"> > Residents |
| | Work | <ul style="list-style-type: none"> > Incentives for non-retail to locate within the area | <ul style="list-style-type: none"> > Business owners |
| | Visit | <ul style="list-style-type: none"> > Local events > Programming | <ul style="list-style-type: none"> > Customers |
| BUSINESS ECOSYSTEM DEVELOP, ATTRACT, RETAIN, & GROW | Navigation & Packaging | <ul style="list-style-type: none"> > Ecosystem mapping > Services/regulatory navigation | <ul style="list-style-type: none"> > Business owners |
| | Small Business Financing | <ul style="list-style-type: none"> > General lending pools > Specialized target incentives | <ul style="list-style-type: none"> > Business owners |
| | Small Business Services | <ul style="list-style-type: none"> > Startup programs / supports > Post-startup services / advice | <ul style="list-style-type: none"> > Business owners |

Focus of NXST effort

Selected actions will be the focus of Year 2 in each district



District Insights & Future Toolkit

X KEY INSIGHTS: 3-DISTRICT SUMMARY



Across district ecosystems, there are similar overarching needs which manifest differently based on the unique dynamics of a district. Based on observations, MassDev should likely aim to develop broad options / pools against identified needs to then be tailored and delivered by partners to meet localized needs.

Cross-District Themes / Needs

| | NAVIGATION & PACKAGING | SMALL BUSINESS FINANCING | SMALL BUSINESS SERVICES |
|--|--|--|--|
| | <i>Small business resources – both capital and services – are dispersed and difficult to navigate; no formal platforms or centralized ‘outreach’ owners typically exist within the TDI communities</i> | <i>General alternative lending pools are critical and require capital partners to fund local efforts; specialized programs with attractive terms are needed to catalyze district-specific investment</i> | <i>Robust supports are needed for both the entrepreneurship / startup ecosystem as well as the post-startup stages of growth; formal programmatic support is most often targeted to the former</i> |

Springfield-Specific

| | | |
|--|--|--|
| <ul style="list-style-type: none"> > Wealth of supports, but city-wide providers mean less TDI focus > No central inventorying or frequent outreach; Fellow playing role today but long-term solution needed | <ul style="list-style-type: none"> > Alternative lenders exist, but regional nature limits TDI on-the-ground presence or focus > Ongoing need for loan capital and specific incentives to focus on TDI | <ul style="list-style-type: none"> > Wealth of startup programming but gaps in post-startup services > Need for wrap-around supports to specialized programs like restaurant loan fund to increase success |
|--|--|--|

Haverhill-Specific

| | | |
|--|---|--|
| <ul style="list-style-type: none"> > Navigation needs amplified by City’s strapped resources and limited, widely dispersed regional providers > No inventorying or formal documentation; Fellow playing role | <ul style="list-style-type: none"> > Limited infrastructure in place for local small business lending; existing providers dispersed or ad-hoc > Willing partners like Mill Cities exist but need investment to catalyze | <ul style="list-style-type: none"> > Need to develop more local or virtual service options given dearth of quality options today > Both startup programming and post-startup services needed |
|--|---|--|

New Bedford-Specific



| | | |
|--|---|---|
| <ul style="list-style-type: none"> > Extremely active EDC filling ‘case manager’ role; however, stretched capacity limits focus solely on district > No inventorying or formal documentation; lives ‘in their heads’ | <ul style="list-style-type: none"> > Extensive small business lending infrastructure in place, including city-specific focused pools like EDC > Ongoing need for loan capital and specific incentives to focus on TDI | <ul style="list-style-type: none"> > Robust local startup ecosystem and co-work models > Need for more established business networks / mentorships (e.g., no strong Chamber or DTC) |
|--|---|---|

X KEY INSIGHTS: CURRENT SB FINANCING TOOLS



The current set of small business financing tools has had varying impact in the districts, and is not widely viewed as a core benefit of TDI or Mass Development.

Observations

- > Mass Dev's existing partnerships / small business finance tools have been largely around 'generic' lending pools or broader programs without specialization for TDI... 
- > ... and the agency's investments in partner programs vary in volume, terms, and logistics, with some heavily utilized and others not at all 
- > Lack of district-level awareness and understanding of financing tools have been cited as a key deployment challenge – and much of the perceived value of TDI has been elsewhere (TA grants, Fellow role, and real estate)
- > It is also worth noting that local structures (that may include a local CDFI or other alternative lender along with linkages to commercial bank deal flow and capital from Mass Dev and MGCC, plus some kind of loss reserve/backstop) have shown promise and could be tailored/replicated elsewhere

Key Learnings

- > Success will likely require a **portfolio of creative tools and incentives**, rather than a 'one-size-fits-all' solution, directly linked to identified market needs and gaps
- > Addressing **fundamental 'ease of use' factors** in current and future partnership structures may unlock greater investment
- > Strategically designed tools will **require clarity as well as marketing, packaging, and navigation of available offerings** across partners to ensure success
- > In creating a 'continuum' of tools, MassDev must consider core strengths to **determine where to act directly** (packaging / marketing tools in Springfield), **foster existing partner programs** (restructure NBEDC program partnership), **and/or co-develop new options with local delivery partners** (Mill Cities partnership in Haverhill)

In order to develop a robust strategy and toolkit, MassDevelopment will need to screen and evaluate options – for both finance and business service needs – across a variety of dimensions before implementing specific solutions.

Screening / Evaluation Framework

Key Needs

- > What are the discrete challenges identified in the market?
- > Is this a general need or TDI-specific need?
- > Is it applicable across all TDI districts or only certain ‘archetypes’?

Target Audiences

- > Who are we trying to influence as the ‘end-beneficiary’?

Options / Approaches

- > What tools may be developed that provide a solution?
- > Is there more than one way to ‘channel’ this solution (e.g., late-stage direct to business vs. early-stage to building owner with pass-thru to business)?
- > What are the benefits and risks of each potential model given the desired solution and resources available?

Focus & Incentive

- > How broad of an audience are we trying to influence (e.g., specific geography or specific segment)? Do we need to ‘incent’ action in one place vs. another or offer general access to fill an overall void?
- > If so, what options are available to shape specialized incentives for action (e.g., restricted access, unique terms)?

Roles & Delivery

- > Are there existing local programs that could be enhanced, amplified, or modified to meet the need?
- > If not, should MassDev offer directly or co-develop with local partners?
- > Is there a ‘backbone’ or ‘platform’ role that MassDev could or should play?

Based on the above, what programmatic and investment model may make the most sense for implementation?

EXAMPLE 'SKETCHES' OF FUTURE OPTIONS

①

Navigational Challenges

②

General Small Business Lending

③

Tenant Fit-out / Storefront Incentives

Key Needs

Target Audiences

Options / Approaches

Focus & Incentive

Roles & Delivery

Options to Explore

- > Small business resources - even when robust – are dispersed and difficult to navigate

- > Existing district businesses
- > New or relocating businesses

- > 'Platform' to codify knowledge into formal, accessible provider inventories
- > Funding for longer-term on-the-ground 'case manager' FTE

- > Desire to increase navigation for district businesses but easy platform applicability city-wide
- > Start building with district focus for local owners to expand upon over time

- > Local knowledge exists but no solid solutions appear in place
- > Natural 'backbone' best-practice opportunity, with local owners
- > Liaison is needed to help navigate often difficult permit processes

- Create inventory and navigation platform / package
- Provide buildout support grant for Fellow or local partner

- > General alternative lending is critical in all cities; providers must 'piece together' capital pools

- > Existing district businesses
- > New or relocating businesses

- > Catalyze existing local partners with flexible capital investments
- > Incent alternative providers to import to areas where not active
- > Start MassDev loan program

- > Desire to increase specific activity within district but also support overall access to capital
- > Provide capital to overall local loan pools; offer 'incentive' terms (e.g., rates) for district businesses

- > Most areas have existing local alternative providers / CDFIs / etc.
- > Haverhill has no active player but interested parties as easy partners
- > MGCC relies on partners to market their tools (including TDI)

- Establish TDI-wide capital program for local partner pools
- Fix broken existing (NBEDC)
- Activate new partners (MCCI)

- > Fit-out / storefront improvement costs are a barrier to entry in buildings across most TDI

- > Business owners to fill spaces
- > Prop. owners to improve storefronts

- > Low/no interest fit-out loans
- > Rental subsidy if tenant fronts cost
- > Build in fit-out in early development planning

- > Desire to incent action in TDI districts only
- > Offer program only to those locating in district

- > Springfield restaurant program in place; desire to grow capital pool
- > No formal programs exist in other districts currently

- If successful, support Springfield program growth
- Commit capital / find partner to manage in other districts

X SELECTED NEAR-TERM ACTIONS



While long-term impact will require a continuum of creative tools and incentives, there are ‘no regrets’ near-term opportunities at the district and state level that should be undertaken to both continue critical momentum and lay the groundwork for longer-term action.

Near Term Action

Objective / Rationale

Springfield

- > Build on Restaurant Loan Fund to test spectrum of tenant fit-out or storefront incentives; design non-restaurant, district-only ‘matching’ solution
- > Explore relationship with Common Capital to bring TDI-specific lending in; invest general loan capital

- > Leverage existing program / infrastructure discussions to **pilot test a broader array of incentives** directly targeted to a core need of the district
- > **Incentivize focus within regional provider resources** around MassDev’s district of interest

New Bedford

- > Resolve structural challenges with the NBEDC MassDev line (dual approvals, risk issues) and negotiate ‘carve-out’ of funds for district activity
- > Pilot investment in formal navigation / packaging solution with EDC partner and new Fellow

- > Utilize long-standing relationship and established partner to **‘work out the kinks’ of loan pool investments** before replicating in other districts
- > Robust existing ecosystem, already active partner, and Fellow at ‘ground zero’ is **perfect pilot ‘sandbox’**

Haverhill

- > Explore Mill Cities partner to ‘import’ their services – translating Lawrence model successes to Haverhill (e.g., explore GHF guarantee, MD loan capital)
- > Focus on market strategy development and alignment of priority actions among local partners

- > Baseline small business infrastructure like alternative capital and localized TA are **missing in Haverhill**
- > **MassDev can catalyze this early infrastructure** while market strategy is being developed; then pursue additional future efforts based on strategy needs

State / Regional

- > Evaluate if MGCC’s TDI product meets the ‘high-risk’ need they are best to cover; restructure or co-design marketing approach based on findings
- > Define MOBD’s role within the SB support ecosystem; address TA deficiencies (e.g., SBDC)

- > Statewide players like MGCC and MOBD do not have the infrastructure to be on-the-ground in TDI districts but **their resources could be leveraged through local partners if designed correctly**

1. How can **TDI strategically prioritize, select, and sequence its involvement and investments** in districts based on:
 - > The district ‘archetype’ and critical next wave of ‘moving pieces’ (e.g., Springfield focus on restaurant/business attraction and development vs. Haverhill need to define a market strategy that will make Harbor Place and subsequent investments successful)
 - > Where and how the Fellow is best utilized to drive specific outcomes and/or fill local capacity gaps – and at what stage and type of district the investment in the Fellow is most valuable
 - > The agency’s ability to bring subsidies to the table in order to directly invest in or encourage others to take on real estate projects (e.g., what are the next 3 Stearns Squares vs. other incentives?)

2. What role should Mass Dev play in **shaping capital and business supports for small businesses**, including:
 - > Navigation and marketing of available resources
 - > Convening and orchestrating local solutions to capital access and products (e.g., connecting alternative providers and CDFIs to commercial banks and providing flexible capital/loss reserves)
 - > Developing multi-city business support partners and solutions, including capital (Mill Cities, SEED, Common Capital), TA (E for All, Interise) – and addressing known gaps/deficiencies in publicly funded services (e.g., Salem State SBDC)
 - > Driving the creation/deployment of statewide tools targeted to TDI districts (i.e., MGCC loan program, MOBD role in small business TA and navigation)

3. How should the rest of Mass Development ‘show up’ in the TDI cities and districts – **what organizational model will best enable the full breadth of finance and real estate programs** to be strategically planned and deployed in partnership with TDI?



Path Forward

X POTENTIAL NEXT-WAVE FOCUS AREAS

CREATE DISTRICT ROADMAPS

- > Go one level deeper to define Year 2 action plans and toolkits for each of the three districts

EXPAND TO OTHER DISTRICTS

- > Undertake similar assessment in other districts, potentially in partnership with statewide partners such as key CDFIs (e.g., BCC) or peer agencies (MGCC, MOBD)

BUILD OUT SELECTED TOOLS

- > Initiate work on 'no regrets' opportunities, including local capital structures/partnerships; resource navigation/marketing; district-specific incentives and subsidies

TDI PROGRAM STRATEGY

- > What should be the 'second wave' of the TDI program following its initial 3-year term?

- > *What work is already underway in these areas? What are likely priorities over the next 6-9 months?*
- > *What commitments and decisions will need to be made, in what timeframe, for future TDI budget and continuation?*
- > *What is potential for involvement of peer agencies?*

X IMMEDIATE NEXT STEPS



- > NXST to share final 'package' of content including working session deliverables, detailed district notes, etc.
- > Determine any immediate actions to be implemented and detailed needs
- > Align on 'next phase' priorities and approach for pursuing further investigation, feasibility assessment, and/or implementation planning
- > Discuss MassDevelopment approach for 'sharing back' relevant conclusions of the work with the key partners and stakeholders engaged during the process