

Reappropriation of Economic Development Fund

CRA BOARD MEETING

November 15, 2010



OVERVIEW

- Need to separate GTEC in Economic Development Fund (ED Fund).
- Need to clean up other appropriations and subsequently reallocate/move funds out of ED Fund.
- Present recommendation on where to reallocate these funds, to maximize City's ROI.



ECONOMIC DEVELOPMENT FUND

- ED Fund is multi-year General Government account, set up to fund city-wide economic development initiatives.
- Over the years, several appropriations have been made in the ED Fund to reflect varying programmatic objectives.
- The largest appropriation in the ED Fund is for GTEC operations (#6660).



SEPARATE GTEC ACCOUNTING

- GTEC should be accounted for as a separate, stand-alone business unit.
- City Budget and Finance recommends that the ED Fund be used only for GTEC-related programming, and that funds for other economic development initiatives be moved to different accounts.



OTHER APPROPRIATIONS

Other line items represent appropriations that are no longer needed:

- Entrepreneurship Charter School - \$50,000
 - Moved to Equal Opportunity for Mentoring Program
- Business Retention Program - \$756
- GTEC Tenant Transition Program - \$30,000
- Land Acquisition Program - \$38,719
 - Land adjacent to GTEC purchased by the City



OTHER APPROPRIATIONS

- Economic Dev/GRU Initiatives - \$100,000
 - Transferred in FY05 from GRU for economic development initiatives
- DayJet QTI - \$34,000
- Ignition QTI - \$50,000
- Current appropriations are greater than available fund balance.



ED FINANCE EFFORTS

- CRA recognized ED Finance as being an important driver for economic development.
- The goal of economic development financing is to stimulate private sector investment that results in the creation of an increased tax base, the creation of permanent private sector jobs and increased private sector productivity.
- National Development Council (NDC) contracted in November 2009 to assess citywide Economic Development Finance resources.



ED FINANCE EFFORTS

- Some findings from NDC Assessment, as presented to CRA in March 2010:
 - Limited government and/or non-profit economic development infrastructure.
 - Existing programs favor developers, not existing businesses looking to grow in Gainesville.
 - No non-bank SBA presence in City.
 - Gainesville has fewer ED financing options (i.e. equity sources) than many similarly-sized communities and many other “town & gown” cities.



CURRENT INITIATIVES

- Grow Gainesville Fund & SBA 504 Loan- Passed
- Developing other ED Finance initiatives
- CRA has staff resources to carry out ED Finance initiatives:
 - Small & Minority Business Development Coordinator
 - New Finance Manager
 - Other staff will be utilized
- GTEC contract responsibilities transferred to CRA:
 - Provides channel to implement ED Finance programs.
 - GTEC is a valuable economic development asset that will be reviewed collectively.



GAP IN EARLY-STAGE FUNDING

- NDC indentified deficiency in available seed capital.
- GTEC and other local incubators provide technical assistance, but without seed funds, companies have difficulty growing out of developmental stage.
- Consistent with:
 - City's Economic Development Strategic Plan
 - Redevelopment Plans
 - Innovation Gainesville efforts
 - Small business development best practices



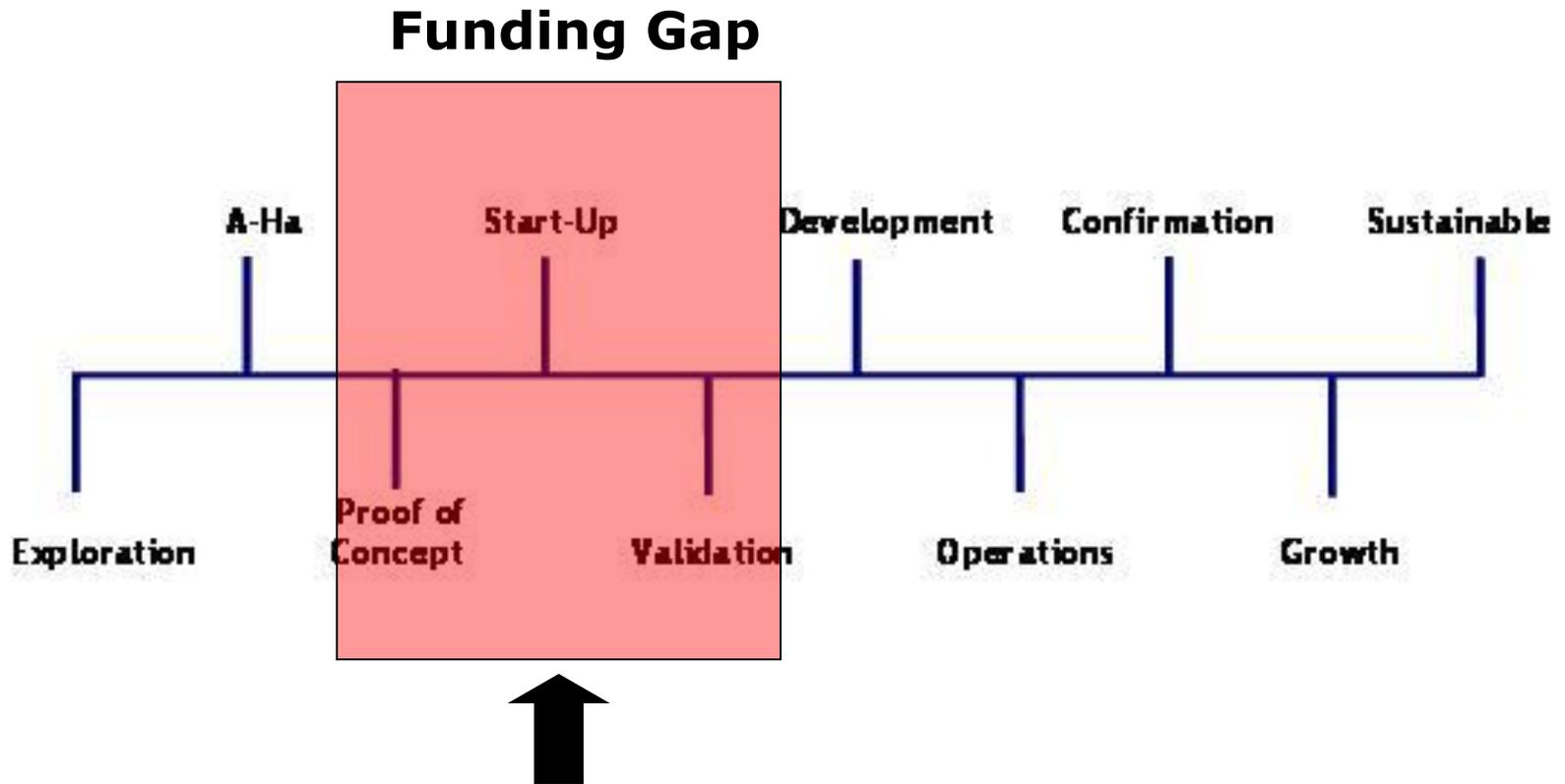
SEED FUND CONCEPT

“Seed and venture capital, delivered locally by resident professionals, is a key ingredient for growing entrepreneurship, particularly in communities where the knowledge and experience of business venturing is less common. For policymakers concerned about local, state, and regional economic development, finding ways to nurture the culture of entrepreneurs, and the capital that feeds them, must become a top priority.”

(Heard and Sibert. *Growing New Businesses with Seed and Venture Capital: State Experiences and Options*)



FUNDING CONTINUUM



*Underlying graph from NE Ohio Incubator Collaborative, *Entrepreneur and Business Startup Financing*.



SEED FUND CONCEPT

Development of a local fund to:

- To provide Gainesville's most promising seed-stage companies with the investment necessary to develop their ideas, create initial products, and fund preliminary business operations.



WHY?

- Help create high-paying jobs.
- Foster local entrepreneurial ecosystem and development of “Creative Class” entrepreneurs.
- Retain UF and SFC graduates.
- Strengthen local angel and VC network.
- Attract outside companies that follow funding.
- Spark development of supporting businesses.
- Be “Evergreen” and perpetually reinvest all returns.



MAKING THE CONNECTION

- Seed funding increases the chances of a business growing past the critical early stages in its life cycle.
- “Small business growth is a key element in effective economic and community development: creating jobs, stimulating investment, and building entrepreneurship and community wealth.” (National Development Council)



MAKING THE CONNECTION

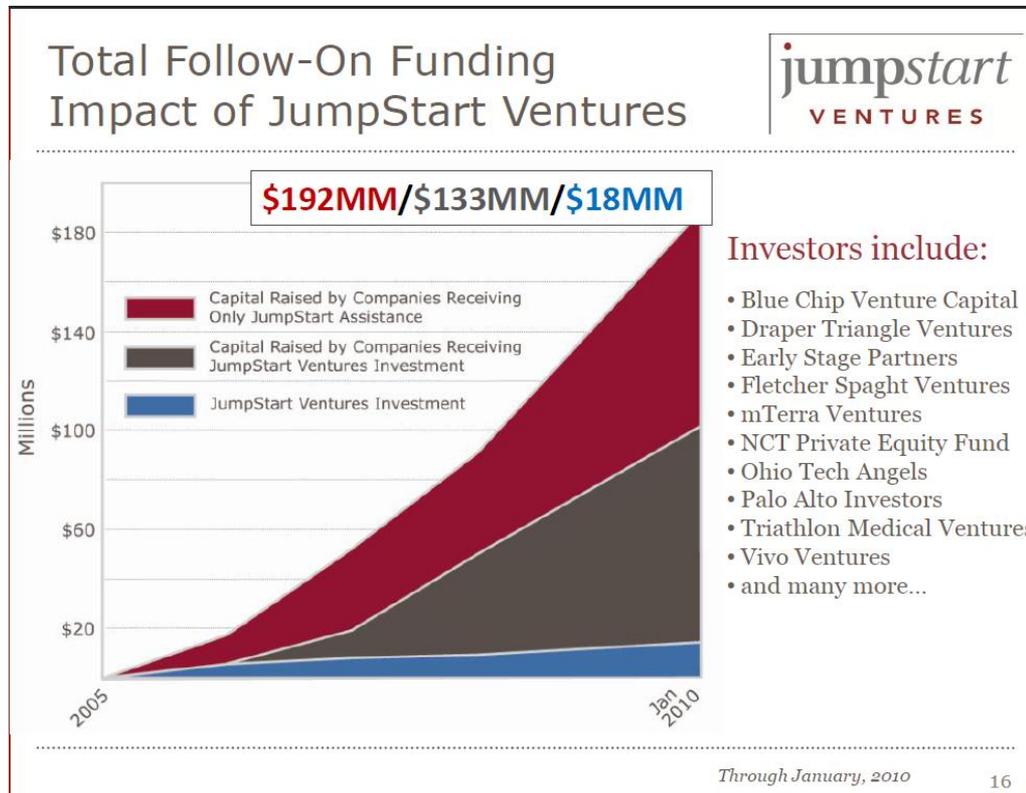


- Based in Cleveland, OH
- Non-profit model
- Investments have generated \$56.3M and creation of 346 new jobs
- Gives companies a better shot at follow-on funding



MAKING THE CONNECTION

- Gives companies a better shot at follow-on funding.



OTHER BEST PRACTICES



Portland Seed Fund
Seeding Growth and Innovation in Portland



WHAT ALL THIS MEANS

- Efforts are about building a viable entrepreneurial ecosystem.



GAINESVILLE IS WELL-POSITIONED

1. Potential angel community is developing.
 - Public/private interest in developing fund
2. Regional strength in particular industries.
 - “Creative Class”, Biotech, UF technology, solar
3. Growing entrepreneurial pool.
4. Strengthening entrepreneurial infrastructure/training.
5. Good pool of support services/teams.
6. Developing sources of follow-on funding.
 - Seed Fund will help development



POTENTIAL PARTNERS

- Gainesville Community Redevelopment Agency (CRA)
- City of Gainesville
- University of Florida
- Santa Fe College
- Gainesville Area Chamber of Commerce/GCEO
- Shands
- Local Banks
- Corporations
- Foundations
- High-net-worth individuals



NEXT STEPS

- Continue researching existing models to determine best practices.
- Engage stakeholders and investment partners.
- Develop program parameters tailored to meet local needs and fill existing gap.
- Bring back proposed model to the City Commission in December 2010.



ED FUND REALLOCATION

1. Separate accounting for GTEC-related programming.
2. Reprogram current appropriations in ED Fund.
3. Appropriate and move \$75,000 of the ED Fund fund balance for the potential capitalization of a future Seed Fund program.



RECOMMENDATION

- Hear a brief presentation from Staff.
- Request the City Commission to release appropriations, and subsequently re-appropriate fund balance in the Economic Development Fund as outlined in this item.
- Direct CRA staff to bring back a model for the Seed Fund program to the City Commission in December 2010.

