

Communities of Opportunity Commercial Affordability Pilot Program

Stakeholder Interview Summary & Recommendations

May 2020

REPORT BACKGROUND & OUTLINE

On behalf of the National Development Council (NDC) team supporting King County's Communities of Opportunity (COO) Commercial Affordability pilot, *BDS Planning and Urban Design* (BDS) conducted 24 one-on-one key stakeholder phone interviews with small businesses, property owners, community organizations, and lenders. Guided through a consistent set of questions, the team gathered insights regarding commercial affordability efforts within and across COO geographies, and about ways to support COO in its efforts to develop pilot programs.

Information from these stakeholder interviews supported the consultant team in recommending possible membership of a Technical Advisory Group meant to aid in the development of the Commercial Affordability Pilot Program.

Though the project began before the COVID-19 outbreak, nearly 80% of the interviews were conducted after the initial Stay Home, Stay Healthy Order ("order") from Governor Inslee was in full effect on March 25, 2020 (i.e. both residents were required to stay home and all, but essential, businesses were closed). The distribution of interviews was as follows:

- Five interviews (~20%) prior to order.
- Two interviews (~9%) in week one of the order.
- Four interviews (~17%) in week two of the order.
- Eight interviews (~33%) in week three of the order.
- Five interviews (~20%) in week four of the order.

STAKEHOLDER INTERVIEWS SUMMARY

This report includes initial insights and details emergent themes are organized as follows:

- Background: Contextualizing the Opportunity of the Commercial Affordability Pilot
- Visions for Success:
 - Highlighting What Is Working Well and Identifying Why; &
 - Challenges and Barriers to Address
- Informing Next Steps: Considerations for The Technical Advisory Group and Overall Pilot Development.

The opening section offers broad insights from interviewees on their understanding of commercial affordability. The terminology used in the interview summary directly reflects the language used by the informants and commonly in their own words. Each person's understanding of this topic - which is often rooted in the particular cultural context they are most familiar with - reflected their approach to ensuring equitable

access for historically marginalized communities in the region - including a mix of traditional approaches and innovative thinking. The summary has been used by the consultant team to interpret and inform the technical recommendations shared in this report.

RECOMMENDATIONS

Informed by the Key Informant Interviews, the consultant team has developed a set of recommendations for:

- Overall Pilot Program Goals and Approach
- The Composition of the Technical Advisory Group (TAG)
- Specific Individuals and Organizations Who Should Be On the TAG
- Roles and Responsibilities of the Technical Advisory Group
- Technical Advisory Group Decision-Making Structure
- Conflict of Interest Policy for the Technical Advisory Group

The information in this report will be used by the consultant team to inform the work of the Technical Advisory Group in developing a process for identifying and selecting sample pilot projects and informing measures for success.

STAKEHOLDER INTERVIEWS SUMMARY

INTERVIEW SUBJECTS (IN ORDER INTERVIEWED)

#	Name/Organization	Perspective	Project Experience*	Affordability Approach**	Geography
1	Patty Julio, Julio Consulting	Community Organizer/ Non-Profit Consultant	Medium	Innovative	Burien, White Center
2	Kara Martin, Food Innovation Network	Non-Profit (c3) Business Incubator	High	Innovative	Tukwila
3	Eli Coffin, GSBA	Non-Profit (c6) Business Association	Medium	Traditional & Innovative	Seattle and Puget Sound, particularly Capitol Hill
4	Evelyn Thomas Allen, Black Community Impact Alliance	Non-Profit alliance	High	Innovative	Central District
5	Faduma Ahmed, HomeSight	Non-Profit (c3) Developer	High	Innovative	Othello Square
6	Howard Greenwich & Ab Juaner, Puget Sound Sage	Non-Profit (c3)	High	Innovative	Tukwila, SeaTac
7	Amelia Marckworth & Randy Massengale, Seattle University Innovation and Entrepreneurship Center	Public Agency	High	Innovative	Central District
8	Eldon Tam, 4Culture	Non-Profit (c3) / Public Agency	Medium	Innovative	King County

#	Name/Organization	Perspective	Project Experience*	Affordability Approach**	Geography
9	Curtiss Calhoun, Black Dot	Non-Profit (c3)	High	Innovative	Central District
10	Valerie Tran, friends of Little Saigon & Tam Nguyen, Tamarind Tree/Long Provincial (restaurants)	Non-Profit (c3) & Business Owner	High	Traditional & Innovative	Little Saigon, Chinatown- International District
11	Beto Yarce, Ventures	Financial Institution (CDFI)	High	Innovative	Puget Sound
12	AJ McClure, Global to Local	Non-Profit (c3)	High	Traditional & Innovative	SeaTac, Tukwila
13	Helen-Shor-Wong, White Center Community Development Association	Non-Profit (c3)	Low	Traditional	White Center
14	Hillary Wilson, Forterra	Non-Profit (c3) Developer	High	Innovative	Rainier Beach, Tukwila
15	Hugo Garcia, Local Service Division, King County	Public Agency	Medium	Traditional	Burien, White Center, Skyway, Vashon
16	JeeYoung Dobbs, Ostara Group	Non-Profit Consultant	Medium	Traditional	Seattle
17	Vivian Valencia & Justin Martin, Verity Credit Union	Financial Institution (Credit Union)	Medium	Traditional	Othello Square

#	Name/Organization	Perspective	Project Experience*	Affordability Approach**	Geography
18	Paul Baudin, Express Credit Union	Financial Institution	High	Traditional	SoDo (members throughout King and Pierce Counties)
19	Andrea Reay, Seattle Southside Chamber	Non-Profit (c6) Business Association	Low	Traditional	SW King County (Burien, Des Moines, Renton, Normandy Park, SeaTac, Tukwila)
20	Jimmy Matta, Mayor of Burien Empresarios Unidos	Non-Profit, Business Owner	Medium	Traditional	Burien
21	Mauricio Ayon, Community Corner (formerly Kona Kai Coffee)	Non-Profit, Business Incubator	High	Innovative	Tukwila, Kent
22	Terrell Jackson, Catfish Corner	Business Owner	Medium	Traditional	Central District, Skyway
23	Zenovia Harris, Kent Chamber	Non-Profit (c6) Business Association	Low	Traditional	Kent
24	Kateesha Atterberry, Rainier Valley CDF	Financial Institution (CDFI)	High	Traditional & Innovative	Pike Place, Rainier Valley

*Project experience in the matrix above relates to the interviewee's experience in creating/executing solutions to tackling commercial affordability. Those with the highest level of experience also have tend to have expertise of the landscape of commercial affordability work.

**Affordability approach in the matrix above relates to the interviewee's experience with various methods to addressing commercial affordability, with "traditional" being more oriented to ownership and standard commercial leases, and "innovative" being oriented to solutions that are not currently widespread but tackle commercial affordability through a social justice and racial equity lens.

BACKGROUND: CONTEXTUALIZING THE OPPORTUNITY OF THE COMMERCIAL AFFORDABILITY PILOT

INTERVIEWEES

Communities included in these interviews are culturally and geographically diverse, and nearly everyone involved in these interviews approached their work with a racial equity and social justice lens, with varying degrees of experience in applying it to projects.

- Seattle and South King County communities were well represented, with a slight tilt toward individuals involved in South King County projects.
- Interviewees work with a wide range of racial and ethnic groups representative of King County's demographics, with a strong focus on communities of color and immigrants and refugees, including the African Diaspora (in-particular Somali), African-American, Vietnamese, Hispanic/Latino, Muslim, Indigenous, and more.
- Programs, projects, and products discussed also serve other marginalized communities that face barriers on issues of commercial affordability including those who are low-income, have criminal justice involvement, veterans, or identifying as LGBTQIA (lesbian, gay, bisexual, transgender, queer, intersex or asexual).

COMMERCIAL AFFORDABILITY

Commercial affordability is when businesses and nonprofits have commercial spaces available that meet their needs in terms of affordability, location, and size/quality that allow them to stay in the neighborhoods they serve – Communities of Opportunity Definition of "Commercial Affordability"

Commercial affordability means that businesses can stay within the communities* that they call home, offer products and services that are relevant to the community, and be viable businesses.

Note: Interviewees defined community primarily along racial, ethnic, and cultural lines e.g., "the Somali community" or "the African American community" and the geographies or clusters of where these groups live currently or have resided historically. Additionally, interviewees also referred to community as the place-based constituency in which the interviewees, or the organizations of the interviewees, serve or belong to.

- Businesses need access to capital and financing, to spaces that are the right size, and in the locations where they actually want and need to work.

- The target communities for this pilot should be low-income, diverse cultural groups whose businesses have been displaced or are at risk of displacement; in many instances, businesses are leaving the community but not because they want to or because there is no demand.
- These businesses and business owners want to contribute to the economic fiber of their community, providing value and solutions unmet by traditional big-box stores (e.g., ethnic groceries or specialty products).

“How do you find sustainable ways for commercial spaces to be occupied by the small businesses that have traditionally served those communities, as economic development comes and [they] are faced with commercial and rent increases?” –Justin Martin, Verity Credit Union

Displacement erodes the culture of communities as businesses are more than just a place for cash flow; they are a place of cultural connection.

- Businesses owned by people of color, immigrants and refugees are cultural hubs in communities, and when these businesses go away, the glue that holds the community together is lost.
- Clients of these businesses are going not just as customers but as community members; businesses are part of a holistic community where people gather.
- Displacement disproportionately impacts micro-businesses that are owned by people of color offering culturally appropriate products and services not supported by mainstream retailers.

“When we displace a business, we are not just displacing one business. We’re often displacing an entire community. [It] changes the whole fabric and dynamic of the community.”
–Andrea Reay, Seattle Southside Chamber of Commerce

Commercial affordability is an inherently political issue. Major displacements in recent history have involved choices made by elected officials.

- Significant examples provided include the displacement of Bakaro Mall and other commercial spaces in Tukwila, primarily serving the Somali community.

The perceptions of and trust in SeaTac elected officials have suffered as a consequence.

- Lack of action on land use code and zoning for nearly 20 years in unincorporated areas of King County is fueling displacement as businesses (and community-at-large) cannot keep up with market-rate rents.
- Government agencies are largely viewed by business owners of color as patronizing of communities of color and not trusted. Even well-intended projects haven't always gone forward as intended, straining relationships between the community and public and private investors.
 - Stakeholders reported a history of unfulfilled promises and community organizations drifting from their mission to fit the demands of investors
 - A need for greater equity in the relationships between communities and investors; community would like to be involved in the design process and processes, generally speaking, need to be more transparent.
 - Poor execution of projects in Seattle that affect commercial affordability were provided as examples, including the Yesler Place development and Navigation Center citing.
- There is a desire to see change take place, with urgency and faster than the speed of displacement.

"I find it hard to ask business owners to work with the City because they feel like nothing has been done to address their concerns."

–Tam Nguyen, Long Provincial & Tamarind Tree

"More people need to be aware that it's the elected officials, at the end of the day, that impact the direction of the city and the unincorporated areas. There is a gap in understanding on how land use and zoning impacts commercial affordability." –Hugo Garcia, Department of Local Services, King County

Access to opportunities in the City of Seattle do not extend to communities in South King County.

The City of Seattle and King County received praise for public investments in commercial affordability, and non-profit developers generally get good marks for involvement in mission-oriented projects.

- A number of interviewees and their organizations have good (i.e., working) relationships with the City of Seattle’s Office of Economic Development (OED), Equitable Development Initiative (EDI), Office of Arts & Culture, etc.
- Interviewees recognized the work of King County with Communities of Opportunity (COO).
- A number of private investors and developers are seen as doing well with respect to equitable development across affordable and mixed-income housing projects (Capitol Hill Housing, Forterra, HomeSight, etc.). Stakeholders offered praise for NDC and Craft3 specifically for their role in these projects.
- UW Foster School of Business and Pierce County also got positive mentions among public investors.
- There is a general sense from interviewees representing nonprofits that resources and infrastructure is in place in Seattle for collaboration and coordinating among interested stakeholders.

“We recognize as a white-led conservation and attainable housing organization, that historical methods of land acquisition and development have disproportionately marginalized communities of color. As part of our mission, we are committed to equity and partner directly with communities.”
 – Hillary Wilson, Forterra

Certain unincorporated areas have unique advantages and associated challenges.

- White Center, Skyway and other unincorporated areas of the county continue to have affordable commercial spaces due to gentrification; businesses have followed communities who have been displaced (e.g., moving to more affordable cities across South King County and neighboring Pierce County).
- Property in these areas tends to be low-quality and owned by absentee landlords, leading legacy businesses to be autonomous and self-sufficient, rarely asking property owners to make repairs and improvements typically covered by the owners. As a result, while rents are not being increased, there is little to no relationship between the tenants and their landlords.

“I would invest in Skyway. Skyway is the next thing to gentrify. Property around here is vacant, really low rent, or for sale. Next 3-4 years, [prices are] going to be triple.” –Terrell Jackson, Owner, Catfish Corner Express

Conversely, interviewees noted little is happening on commercial affordability efforts in South King County, outside of Tukwila, however recent changes in leadership may create opportunity.

- White Center Community Development Association reported a poor relationship with private landlords for properties housing key legacy businesses, struggling to get them to respond to calls and other outreach, in efforts to ensure commercial affordability.
- Seattle Southside Chamber of Commerce and Kent Chamber of Commerce represent communities that are incredibly diverse, but engagement of businesses owned by people of color is limited and efforts of these chambers lack a racial and social equity lens. Interviewees indicated that relatively new leadership at each organization hopes to change that.
- Similarly, SeaTac City Council members who authorized massive displacement of small businesses were partially replaced in the 2019 election by community activists turned candidates, bringing hope to organizers working in South King County.
- In light of a leadership vacuum, a number of individuals have stepped up to support businesses and build capacity:
 - According to Mayor Jimmy Mata, when the Burien Chamber did little to engage businesses in marginalized communities, he took it upon himself to do this, creating Empresarios Unidos, focused on business owners who are native-Spanish, and often non-English, speaking.
 - Tukwila City Council Member Zak Idan, who is a member of Abu Bakr Mosque, is now involved in Tukwila Boulevard Developments with Forterra, including Wadajir.
 - Hugo Garcia is the only countywide economic developer at King County, focused on unincorporated areas, including coordinating with an all-volunteer organization, West Hills Community Association, in Skyway.
 - In response to the meager infrastructure in the smallest cities and unincorporated areas, Seattle Southside Chamber serves the less than 100 businesses in Normandy Park.

VISION FOR SUCCESS: HIGHLIGHTING WHAT IS WORKING WELL AND IDENTIFYING WHY

Across the 24 interviews, there was no single definition of what success means, however strong community involvement, two-way communication, and attention of key stakeholders emerged as necessary elements of any new initiative.

- A shared responsibility for creating success emerged as a key theme across interviews. Interviewees envision a future where stakeholders are at the same table - community members who are interested in being in the commercial space and providing a high quality product and service, and on the other side, people engaged in commercial real estate development seeking to keep businesses in the community while providing opportunities that may not have been available in the past.
- Success is everyone having a seat at the same table; including lenders, property owners, business owners, and the city having a conversation at one time, along with strong community support for projects.
- Continued attention from critical stakeholders (i.e. government funders, real estate developers) working to address the historical legacy of inequity and racism in the Greater Seattle Area (i.e. as reflected in the Liberty Bank project).

"I'm seeing this 'by us/for us' approach. Communities of color gathering together saying 'this is what we need' and dictating the future of what they are going to do."

-JeeYoung Dobbs, Ostara Group

Organic collaborations can reliably address displacement and commercial affordability issues, however, working solutions should be scaled with institutional backing.

- There's a sense among interviewees that collaboration and community organizing is taking place, at greater rates to bring support through partnership, including non-profit and faith-based organizations along, with increased engagement in advocacy.
- Businesses and communities are being resourceful given the threat of displacement; they're self-organizing to find ways to stay in-communities or co-locating.
- A number of larger community funders and state organizations are trying to be flexible to meet the needs of these innovative projects.

“Leveraging each other is strong. [We’re] filling gaps, prioritizing data, getting on the ground. Huge advocacy pieces of partnership and trust.”

– Faduma Ahmed, HomeSight

Organic collaborations are creating an environment where specific needs of marginalized communities are being addressed. Examples provided by interviewees include:

- Mixed-use real estate projects with first floor commercial spaces. However, a number of interviewees remain cautious about this approach, which is often large commercial spaces, at market rental rates, in affordable housing projects, which is often not the right mix of factors to support businesses.
- More openness to microenterprises and smaller spaces, such as carts/stalls for entrepreneurs in traditional and new markets.
- Peer-to-peer lending, in which entrepreneurs pitch an idea to peers and undergo a rigorous vetting process and review, providing microenterprises a path to a loan that is an alternative to seeking funding via the U.S. Small Business Administration and/or a bank with often unattainable lending standards.
- Tenant improvement funds fill a critical area of need, and more are needed.

CHALLENGES AND BARRIERS TO ADDRESS

Access to capital is a challenge, given a wide range of issues including cultural factors. Additionally, limited access to resources and the means to acquire it, disadvantage businesses from achieving commercial affordability.

- Lack of capital was mentioned as the key barrier to getting a business loan. It is difficult to identify lenders for projects that have capital and cash flow issues as track record is critical, and new businesses do not have it (credit, etc.).
- Critical capital needs include: working capital, equipment purchase, tenant improvements, and construction.
- Interviewees referenced a lack of inventory (or commercial space). Market rate rents for existing spaces are high.
- Many business owners need support with basic business planning, financing a build out of a commercial space and stay in the space, etc., for those starting new businesses. Organizations seeking to support these businesses lag on capacity (i.e. lack of funding, particularly government grants, coordination/advocacy

infrastructure, etc.). Seattle is better positioned than communities in South King County.

- There are not that many Sharia compliant financing vehicles, which has been a barrier for Somalis and East Africans. Verity Credit Union is exploring this with HomeSight for Othello Square (Craft3 has also begun offering a similar product).

Both innovative and more traditional projects seek to address key barriers faced by traditionally marginalized communities, with mixed outcomes.

- Mixed-use projects continue to offer large spaces, which are often out of the reach of immigrant and refugee owned businesses. Businesses that are going to be successful in those spaces may be POC-owned but are likely to be well established with strong revenue potential.
- Commercial space in many mixed-use projects is market-rate, and out of reach for small businesses.
 - Interviewees noted a gap in the financing approaches, specifically challenges with funding going into affordable housing projects because tax credits cannot be used to finance the commercial space on the first floor.
- Not enough “Bakaro Mall” models to draw from; these multi-business models are ideal for refugee and immigrant communities, and microenterprises; but have less revenue potential.

“[Mixed-use projects are] popular right now, but [are] very difficult. Cost is expensive on the construction side. People tend to fill in residential [but not commercial] quickly, [because it’s a] tax credit funded project. [In one example], the developer ran out of money, so they started leasing out the ground floor units as housing.”

– Hugo Garcia, Department of Local Services, King County

Ownership of commercial space is often the overarching goal as the best way to build wealth for individual business owners, but there’s a growing understanding that it may not only be out of reach but may not actually be the best model for all business owners.

- Control of space is the real underlying issue; people want to know that they are not going to be priced out and would prefer to have ownership of the space itself to exercise that control.

- Ownership may not be the right thing for every business, and community-owned spaces have proven effective as they address key issues around rent affordability, the tenant improvements, and long-term leases that justify making improvement-investments. etc.
- Commercial spaces in affordable housing buildings offer an opportunity for small and minority owned businesses with the potential to focus on ground floor spaces that are currently vacant in many buildings.
- Models being considered include larger community partners (4Culture, Ventures) taking on long-term leases and subletting to businesses to mitigate both risk and affordability, allowing the developer to trade (lowered) risk for (higher or market-rate) rent (so the community gets lower rent if a partner underwrites the risk for them).

"I go back and forth between the two. Ownership is a very capitalist way to get returns on it. The control of it, how accessible it is, is what the community is really looking for. Control gets a lot of power to community to continue to thrive." –Mauricio Ayon, Community Corner, formerly Kona Kai Coffee

IMPACT OF COVID-19 ON COMMERCIAL AFFORDABILITY

The interviews took place during an unprecedented moment in our lives - the arrival of the coronavirus (COVID-19) and with it, a slew of uncertainty. There is no doubt in the interviewee pool that COVID-19 will have long term impacts on the small business community in our region.

“With COVID-19, there is a ton of displacement being fast-forwarded. Particularly in unincorporated areas [there] has been the most affordable commercial real estate because of absentee landlords. It’s the lowest quality commercial affordability. Now, as we speak, we are having to find ways to communicate to landlords to get assistance but have yet to hear back. ”

– Hugo Garcia, Department of Local Services, King County

There is rampant fear about the devastating impacts of COVID-19 to small businesses, loss of revenue, and decreased momentum for the projects aimed to address commercial affordability.

- Affordable commercial spaces in unincorporated areas are at greater risk given the lack of relationship between absentee property owners and long-standing business. In the wake of COVID-19, many of these legacy businesses cannot afford to pay rent, and are struggling, trying to make arrangements with landlords without success, but can’t get calls back, fueling fears of immediate displacement. An interviewee suggested that the County should consider buying up property, to hold it as a strategy to avoid displacement.
- Many businesses are struggling due to COVID-19, interviewees suggested investing in funds to save existing businesses. Across interviewees, the type of business matters as some are more relevant to the community than others. There are existing businesses which, if invested in, will create an ecosystem. As discussed earlier, some of these businesses, if lost, displace not just one business, but an entire cultural community developed around it.

There are challenges with generating much needed revenue for operations and capital for projects.

- “Much of the funding for the capital projects come from the state and tax revenue (4Culture). But revenue is down. I’m really interested to see how this impacts the grantmaking ability of governments.” -JeeYoung Dobbs, Ostara Group

- “Post crisis, the need for capital is going to be much higher. A simple program with matching funds from the landlord [may not be funded].” -Andrea Reay, Seattle Southside Chamber of Commerce
- “The same communities that are marginalized are still going to be marginalized, more so. The way that we have to access information now is completely different. I’ve been sending out emails with how to apply for business loans.” - Zenovia Harris, Kent Chamber of Commerce
- “My biggest fear is after this corona virus, there is going to be a big push to go back to what is normal. What is normal should not exist anymore. Normal has been broken for a long time. People weren’t ready for a pandemic. Businesses weren’t ready. Government grants are running out. Government is not ready to accept that level of unemployment claims. Going back to normal is just not a good option.” -Mauricio Ayon, Community Corner, formerly Kona Kai Coffee

There are silver-lining and opportunities for policymakers to change their approach.

- “I’m curious to see if there will be more available on the market given what is happening. Can we have a shift in conversation on how organizations can access financing? It seems the opportunity is ripe to have that conversation, maybe after the panic settles.” -JeeYoung Dobbs, Ostara Group
- “I definitely think there is going to be more opportunity. It will come down to maintaining our businesses to the level that they can take advantage of the opportunity. How do we prop up our businesses enough so they can stay there long enough to, for instance, renegotiate their lease when the landlord is looking at bigger vacancy rates?” -Andrea Reay, Seattle Southside Chamber of Commerce

INFORMING NEXT STEPS: CONSIDERATIONS FOR THE TECHNICAL ADVISORY GROUP AND OVERALL PILOT DEVELOPMENT

Folks are really unsure what projects might be a fit for the pilot program, so they recommend having an open-minded approach.

- The range of possibilities is quite broad and seems to confound people on making specific suggestions, other than pointing to projects they know and/or in which they are involved. Interviewees suggested the pilot should focus both on community-owned real estate and privately-owned spaces, on new and existing businesses (though some businesses could stand to benefit from relocation), on those in mixed-use and commercial-only buildings, etc.
- There is general consensus that the Commercial Affordability Pilot target diverse businesses, with a slight bias toward a focus on community-owned property and other innovative approaches, as the traditional approach of ownership has generally been so out of reach for these businesses.
- There was a slight bias toward public-transit as important to a businesses' success, but ultimately "it depends;" shops and restaurants that are destinations for a cultural community that is geographically dispersed, for instance, may need parking.
- There is a desire to see projects where success can be measured in a 12-18-month timeline.

"When it comes to affordable housing or commercial space, developers must build in flexibility from the beginning, and be open to different opportunities to meeting community needs. We need to recognize that timelines and expectations might change once we're on the ground and engaging."

– Hillary Wilson, Forterra

Technical advisory group members should be diverse in geography, experience and expertise.

- The group should be representative of the community and should not be too large in size.
- Include individuals from community groups that are currently working to put forward commercial affordability projects throughout the region and include the developers and financing partners.

- Include actual business owners, including legacy businesses owners who have, and have not yet, been displaced, as well as entrepreneurs and microenterprises looking for space.

Technical advisory group's role needs to be very clearly stated and understood.

- Roles, responsibility, goals, time commitment, and impact on own projects should be very clear.
- Members of the community are used to serving on committees that don't have a direct benefit to their organization. This should be treated as an opportunity not only for providing expertise, but for learning.

Technical Advisory group members should be fairly compensated for their time and expertise, but the form of compensation depends on the member.

- Strong agreement across all interviews that technical advisory group members should be compensated, but not everyone named financial compensation specifically.
- Compensation may go to the individual or the organization they work for and members should be provided stipends and/or other types of support for their participation, particularly if a small business owner, a volunteer, or someone representing an organization that may not be able to allocate sufficient time without the stipend.
- Some members, like developers, bankers, or property owners, may not need financial compensation, but rather recognition of some sort.

"If you want something done right, you are going to have to pay to get some good people out there." – Amelia Marckworth & Randy Massengale, Seattle University Innovation and Entrepreneurship Center

RECOMMENDATIONS

OVERALL PILOT PROGRAM GOALS AND APPROACH

Pilot projects should have the potential for demonstrable success within one calendar year.

- Goals for these pilot projects are outcomes that are replicable and scalable, so a broader portion of the community may benefit from the work of the pilot program. Stakeholders interviewed hope that projects not ready to capture the opportunity of the current pilot, may have a chance to benefit with additional investments for a second round of pilot projects after 2021.

Timing of the start of the pilots may need to be modified due to COVID-19.

- There is very little certainty on when the current Stay Home, Stay Healthy order closing all but “essential” businesses will come to an end, and how long it will take businesses to recover when it does. While the 12-18-month timeline feels feasible to stakeholders, when that timeline *starts* will make a huge difference in the context of when the broader economy appears to be restarting.

Approach for the pilot program should carefully consider COVID-19 impacts and opportunities.

- There was a sense from stakeholders to “not waste a good crisis.” COVID-19 may provide a bit of a reset in terms of commercial affordability, for opportunities to own or lease, if the long-running strength of the local real estate market is finally pulled back. Additionally, the economic impacts may be so devastating that policymakers and investors may be open to innovative approaches they may not have been before because traditional ownership models are even more out of reach for marginalized communities.

Pilot program should include multiple, rather than a single pilot project.

To address both traditional and innovative approaches to commercial affordability, the following very broad definitions apply.

- **“Traditional” approach to commercial affordability** (where costs are predictable over time and within the business owner’s control) is most often characterized as ownership of a commercial property by an individual business owner. Tools typically needed to pursue this traditional approach are loan products that meet the unique needs of traditionally marginalized communities, including those

with limited access to capital, limited cash for a down payment, and limited or bad credit history.

- **“Innovative” approaches to commercial affordability** (where costs are more predictable over time and more within the business owner’s control than a typical at-will lease) is broadly characterized by creating alternative pathways that significantly reduce barriers to entry into affordable commercial space, outside the traditional ownership model described above. Several good examples exist locally.

Given limited resources, **higher priority should be placed on pilots focused on an innovative approach, rather than the traditional approach to commercial affordability.**

- The traditional ownership model is a proven method for commercial affordability, and the limits to accessing it are well understood. That said, if sufficient resources exist for a pilot focused on ownership to be included, it should. Privately owned (and leased) commercial space is the current norm, and ignoring it entirely is not advised.

Examples of innovative approaches to commercial affordability that have been, are being, or will be tested in the near future in the Seattle-King County Area include:

- **Commercial property owned by and leased from a non-profit** or similar organization that chooses to offer better lease terms and rates to commercial tenants than a traditional property-owner because they are mission, rather than profit, driven. Local examples include:
 - Capitol Hill Housing’s Liberty Bank Building Project in the Central District of Seattle where street-level commercial space is being leased as a part of an affordable housing project.
 - 4Culture is contemplating the option - in the wake of failures of performing arts and other arts and cultural organizations due to stay home orders related to COVID-19 - of purchasing venues to preserve them as performing arts spaces that could later be leased to different performing arts organizations.
- **Commercial spaced leased with terms that leverage nonprofits’ financing strengths.** Namely, terms that offset operating costs (i.e. rent) when nonprofits can make capital investments (i.e., initial build out, tenant improvements, etc.). Leverages non-profits’ strengths to secure capital funds through capital campaigns, private philanthropy and public grants, that is often easier to obtain than funding for ongoing operating costs.

- Community Corner (formerly Kona Kai Coffee), a non-profit organization and coffee shop, leases space from Bryan Park with the Tukwila Village Community Development Association and SHAG (Sustainable Housing for Ageless Generations). Lease terms include a percentage reduction in rent for increments of capital investments made. Community Corner is in year two of a 10-year lease, and has already reduced their monthly rent by an estimated 30 percent. Another \$300,000 of capital investments could reduce rent by another 50-60 percent, perhaps bringing their monthly rent to \$80 per month for the remaining years of the lease.
- **Commercial property sub-leased from a non-profit** or similar organization that holds a master lease with a private property owner and chooses to offer better sub-lease terms and rates to tenants than a traditional property-owner because they are mission, rather than profit, driven. This may be achieved by the primary leaseholder, the non-profit, taking on a longer-term lease in exchange for lower rent; an option that may not be prudent or feasible for a small business. Local examples include:
 - Community Corner (formerly Kona Kai Coffee) makes their space available to microenterprises who pay a portion of the rent. These microenterprises are also Ventures clients, and are supported with technical assistance.
 - Ventures is in final negotiations with Vulcan to take on a master lease of commercial space at Jackson Apartments at 23rd & Jackson (2309 S. Jackson Street), which they intend to sub-lease to micro-enterprise businesses.
 - 4Culture is considering through their Building for Equity program a similar model where they commit to a master lease for office and or multi-use space that they could then sub-lease to arts and culture organizations.
- **“Land banking” where property is purchased by a public or non-profit entity and held** while a community-based organization or other mission-oriented buyer gathers sufficient resources necessary to purchase the property (could be undeveloped land or existing building with commercial space). Local examples include:
 - Forterra purchased land property adjacent to Rainier Beach light rail station and is in the later stages of the process to sell this property to the Rainier Beach Action Coalition (RBAC). RBAC plans to build out this space to include a Food Innovation Center.

- **Culturally-Relevant Commercial Spaces are offered to lease by a non-profit** or similar organization that own the property.
 - The Tukwila Village Food Hall owned by the Food Innovation Network will be home to their Food Business Incubator program which includes a commercial kitchen and some retail space for lease.
- **Culturally-Relevant Commercial Spaces are offered to purchase in a co-op model by a non-profit** or similar organization that owns the broader property where the commercial space exists.
 - Forterra, in partnership with the Abu Bakr Islamic Center of Washington is creating the Wadajir Market (and residences), a 20,000 square-foot community market for local businesses (“Souq”). They hope this will become the new home for 85 small businesses currently facing displacement in the heart of Tukwila. Businesses and others have the option to buy shares in the market. That share is that business owner’s right to occupy the space in the market, and gives them a vote on the co-op board that deals with maintenance, sale of property, etc. The commercial cooperative model provides a more affordable down payment and lower-barrier pathway to long-term security and equity growth.

Examples of traditional approaches to commercial affordability that have been, are being, or will be tested in the near future in the Seattle-King County Area include:

- **Sharia-Compliant lending tools** for Muslim business owners whose religion dictates the cannot use loan products that, for instance, allow the payment or receipt of interest.
 - HomeSight is currently investigating options in partnership with Verity Credit Union, to offer this tool more broadly.
 - Craft3 is offering a similar product.
- **Lower-cost property owned or available for purchase or lease in unincorporated areas** of King County. White Center and Skyway are two areas of King County where marginalized communities have been able to purchase property for commercial use and have now established legacy businesses that are NOT facing displacement (at least prior to COVID-19). However, many businesses who are currently enjoying below-market-rate rents (often due to run down buildings, absentee landlords, and high vacancy rates) fear that displacement is right around the corner, and land should be purchased before prices rise.
 - Catfish Corner, a legacy business displaced from the Central District, currently has an “express” restaurant in Skyway. Owner Terrell Jackson

reports the business park in which his restaurant is located may be available for purchase for \$2 million, which includes at least 5-6 commercial spaces and a 100-car parking lot.

COMPOSITION OF THE TECHNICAL ADVISORY GROUP (TAG):

TAG membership should be diverse in experience, perspective, and geography to help best ensure that this same diversity is reflected in the overall approach for the pilot program.

- Experience: Individuals and organizations with varying degrees of experience in commercial affordability projects.
- Perspective: Individuals who are business owners, property developers, work for financial institutions like banks and Community Development Financial Institutions (CDFIs). Also, individuals who work for non-profits including both 501(c)3s that provide technical assistance, and other on-the-ground support to businesses, as well as 501c (6) organizations, like Chambers of Commerce.
- Geography: Individuals who live and/or work in Seattle, Tukwila, SeaTac, Burien and Kent, as well as unincorporated areas of King County such as White Center and Skyway.

TAG membership should include individuals involved in innovative and traditional approaches to commercial affordability.

- Innovative: nonprofits, developers and financial institutions crafting the innovative approaches to commercial affordability listed earlier.
- Traditional: chambers of commerce, CDFIs, business owners, entrepreneurs and others largely focused on approaching commercial affordability through a traditional lens.

TAG membership provides an opportunity to build capacity in S. King County, where little capacity and infrastructure exists to test innovative approaches to commercial affordability. By pairing individuals deeply involved in innovative projects in Seattle and Tukwila, with individuals from Burien, Kent, White Center and Skyway, where only traditional models are being deployed, we'll build capacity for COO's work long-term.

ROLES AND RESPONSIBILITIES OF THE TECHNICAL ADVISORY GROUP:

The role of the TAG members is to advise the consultant team in the development of the Commercial Affordability Pilot Program including, but not limited to:

- Help develop *a process for* identifying and selecting sample pilot projects that balances near-term and long-term project opportunities.
- Help identify and select pilot projects.
- Help develop selection criteria for projects, including evaluation scoring criteria.
- Help develop success measures for projects chosen.
- Represent their respective communities, seeking input and ideas, and sharing back information to, their community on decisions made and actions taken.

The responsibility of the TAG members is to engage with the TAG not only as advisors, but also as members of a learning community, following these guiding principles of participation:

- *Share perspective and information generously.* The TAG offers the opportunity to share insight, but also gain insight.
- *Be transparent.* Share your involvement and interest in projects for which you are advocating inclusion in the pilot program.
- *Balance the needs of you/your organization with the needs of the broader community.* Be mindful of balancing advocacy for your own project with the goals of the larger pilot program. Not every project can be included in this pilot program, but success may benefit the broader community by unlocking more resources for commercial affordability in the future.
- *Be open to partnership.* Consider new ways of approaching projects in which you are involved and may be considering for the pilot program. How can TAG members leverage each other's strengths to make the projects chosen for the pilot even stronger?
- *Bring resources to bear.* Every member of the TAG was chosen because of the unique experience, perspective and resources they bring to the table. Share them! Not all resources are financial.

COO and the consultants also have responsibility and accountability to the TAG members:

- Clearly communicating these roles and responsibilities.
- Carefully avoiding implying decision-making authority.
- Facilitating the TAG toward working consensus to accomplish assigned tasks.

- Providing project updates throughout the life of the pilot program to empower TAG members with information that can be shared out into community.
- Compensating TAG members for their time in a way that is meaningful to each person.

Compensation for TAG members should be given, with type identified on a case-by-case basis. Stakeholders interviewed - including many who are willing to serve on the TAG - had a wide-ranging comfort level with *financial* compensation, from it being a minimum requirement to participate for some, to others would not accept any sort of financial compensation as an organization and individual. All potential TAG participants seemed comfortable with other types of support, such as recognition of the organization or company, shared learning from other TAG members, or technical assistance and other supports to deploy ideas emerging from pilot program.

TECHNICAL ADVISORY GROUP DECISION-MAKING STRUCTURE

The technical advisory group will not have decision making authority; therefore, we are not advising a formalized decision-making structure.

- Rather, TAG facilitators will guide the technical advisory group to form recommendation through working consensus, where everyone gets a say and the group arrives at recommendations that everyone can accept.
- Through development of real-time graphic displays on large newsprint panels on the wall, TAG facilitators will allow everyone to know that they have been heard and help the group build a common understanding of the current consensus and the next steps. Should this work need to be done in a virtual environment due to stay home orders related to COVID-19, this same approach will be replicated using video calls and sharing the facilitators' screen. By doing this, participants can see notes being taken by the facilitators in real-time and can comment on whether or not we have accurately captured the sentiment of a given participant, and if we have properly portrayed the consensus and action steps agreed upon by participants as a whole.
- TAG facilitators will recap each meeting of the TAG with a summary of decisions, action items, and the contextual discussion that led to outcomes.
- TAG facilitators will also talk to members of the TAG on an one-on-one basis between meetings to ensure each meeting's agenda is structured for successful discussion and formulation of recommendations.

CONFLICT OF INTEREST POLICY FOR THE TECHNICAL ADVISORY GROUP

- The technical advisory group will not have formalized decision-making authority; therefore, **a strict conflict of interest policy is not necessary.**
- The consultant instead will advise all TAG members to informally divulge any role or interest they have in a given project that is being considered for inclusion in the pilot project program.