



## King County Communities of Opportunity Commercial Affordability Pilot Final Report

### Introduction

King County Communities of Opportunity (COO) invested \$1.5 million to create a Commercial Affordability Pilot, recognizing that the issue of unaffordable commercial space relates to two critical and intersecting public issues in the region. One is the historic exclusion of people of color from equitable participation in the economic life of the region. The second is that a particular dynamic of the region's unprecedented economic growth – rapid gentrifying investment in existing BIPOC neighborhoods – has made it harder for BIPOC businesses to stay in the communities that they both serve and are integral to. Displacement occurs as commercial space becomes unaffordable to those small neighborhood businesses, who have no control over real estate assets.

COO awarded the Commercial Affordability Pilot contract to the National Development Council (NDC) and its partners, Craft3, BDS Planning & Urban Design, and Moving Beyond. The key components of the Commercial Affordability Pilot activities, developed in 2020 and implemented in early 2021, included:

1. Community-guided project solicitation and selection process
2. Capital funding for projects, in the form of debt financing backed by a loan loss reserve, and grant funding
3. Technical assistance for businesses related to access to capital, construction, design, and project management

The first phase of the Commercial Affordability Project demonstrated the viability of the business financing program model originally proposed and implemented: targeted financing and technical assistance for leasing and fitting out space. NDC and its partners recommend that King County and COO continue this important work with a permanent source of funding for program outreach, technical assistance, small business financing, grant-making, and program evaluation. Overarching recommendations include:

- 1) Expansion of the pilot into a permanent program;
- 2) Continue to combine debt and grant funding, ensuring that debt financing is provided by community-minded lenders and backed by credit enhancements to increase access to capital and that grant funding is right-sized to fill financial gaps; and
- 3) Expand technical assistance and provide it earlier in project development to ensure a pipeline of ready entrepreneurs equipped with the resources they need to succeed.

The following report describes the results of the Commercial Affordability Pilot through its work with four projects – Jackson's Catfish Corner, SeaTac International Mall, Spice Bridge, and Salvadorean Bakery. It includes recommendations for future funding and programming, key insights (Appendix A), project metrics (Appendix B) and case studies of a selection of the projects that participated in the pilot (Appendices C and D).



## Recommendations for future funding and programming

Initially, the project team and TAG sought to address the challenge of long-term affordability on two platforms: 1) that of the individual business enterprises and the issues related to their tenancy, and 2) by also creating an opportunity for ownership of the real estate that provides that space. Because the Commercial Affordability Pilot only provided funding for a year, three of the projects selected ended up focusing on the first solution— primarily addressing tenant improvements – because it is a more accessible problem and because there was initial funding to begin the program immediately and only within a short timeframe. One project, which concluded in mid-2022, well after the initial Pilot timeframe, was for ownership of commercial space.

The primary recommendation from the project team, participants, and TAG members is that the pilot needs to become permanent in order to address the scale of the problem. With a longer time period to work with businesses, it will be possible for the program to support more businesses at various stages of securing affordable space, financing, and executing tenant improvements. Additionally, a permanent source of funding would expand the program’s impact to also address the issue of real estate ownership and control, a much larger endeavor that will require significantly more capital and a longer timeline. With the lessons learned from the pilot, the program could next explore opportunities to demonstrate the practicality and effectiveness of acquiring and developing strategic commercial space whether through ownership or a master lease, in a Limited Liability Corporation (LLC) partnership with the owners of the tenant businesses.

A larger scale and longer-term funded program would facilitate the ability to support a pipeline of small business applicants to bring their projects to a shovel-ready position so they may apply for funding and complete their tenant buildouts when the appropriate space becomes available. With a more stable funding source, public or philanthropic community development sources can bridge the inevitable gap between project costs and the conventional financing available.

### **We recommend the following key elements of the pilot be continued and expanded upon in a permanent Commercial Affordability Program:**

1. **Partner with a Community Development Financial Institution (CDFI) to provide debt financing** to businesses in the program. Unlike traditional lenders, CDFIs value building a relationship with each business owner, can be patient and flexible through uncertain and lengthy project development processes, and be creative with finding solutions to meet the needs of business owners.
2. **Provide credit enhancements to reduce costs and offset the additional risk** a lender takes on to support new businesses, business owners with lower profit projections or applicants without a strong credit history. Credit enhancements, such as loan guarantee funds and loan loss reserves, support lenders’ ability to underwrite mid-size loans (those larger than \$250,000), which are needed for costly tenant improvement projects or real estate purchases.
3. **Grant funding is essential** to fill the gap between what debt service a business owner can afford to repay and the total project cost. To keep the project affordable for the business owner and allow them to retain profits and build wealth over time, a commercial affordability program must provide a stable funding source, public and/or philanthropic, to bridge the inevitable gap between project costs and the conventional financing available.



4. **Design a mechanism in the program to quickly release funds** to recipients or financial institutions they are working with, especially when it comes to funding construction or purchasing a property. This enables businesses to respond quickly to market opportunities and facilitates timely payment of contractors to minimize project delays.
5. **Technical assistance is just as important as financing itself** and should be an integral part of future commercial affordability programs, specifically when it comes to construction management, architectural design, financial literacy, and business development. When provided early on, it can result in reduced project costs, better timelines, and higher project success rates. Additionally, business owners often don't know where to find trusted professionals, particularly for construction projects. TA providers should maintain and share a vetted list of professionals (such as architects, contractors, and consultants) that have indicated a willingness to work with small businesses.
6. **Fund operating capital for project partners to continually collaborate.** Ongoing communication is critical for identifying solutions that may exist outside of the purview of a single expert. To fully understand the challenges a business owner is facing, construction, real estate, and finance technical experts must hear one about one another's experiences in order to design meaningful solutions that may lie outside their own area of expertise and control.
7. **Design a program that can reach more types of businesses at various stages** of securing affordable commercial space. The pilot demonstrated that "emerging" projects take longer and require both financial and construction technical assistance to become both financing and shovel ready. A permanent program could provide early technical assistance to promising projects, keeping project costs lower overall, and prepare businesses to be able to seize the right opportunity when it becomes available.
8. **The program should ensure that the entrepreneur remains centered, informed, listened to, and the final decision-maker.** The pilot highlighted the importance of advocates to connect business owners to resources. However, the challenge with bringing together business advocates trying to push for solutions is that it can create noise the business owner must filter through. To truly serve small business owners, their financing provider and project manager must center the owner's vision in making all decisions, and pivot interventions as the owner's vision and needs change.
9. **Local governments or community organizations can take the pressure off small business owners by strategically acquiring affordable commercial spaces.** An important (and challenging) part of developing a pipeline of small businesses to get their projects to the shovel-ready position is having space available when they are ready for it. Finding, bidding on, and building out a property is extremely expensive in this region, and requires speed and nimble financing. Some of these pressures could be alleviated if government or non-profit entities controlled commercial properties so that they could be matched with business owners at a more reasonable pace and price.
10. **Ground commercial affordability efforts in the communities the program serves.** Throughout the Pilot, the Technical Advisory Group (TAG) served as a meaningful process for community members to advocate for business owners, identify needs specific to communities the program intended to target, and help the project team fine-tune their approach so it continued to align with the program's goals. Any permanent program should create a comparable platform to collect feedback,

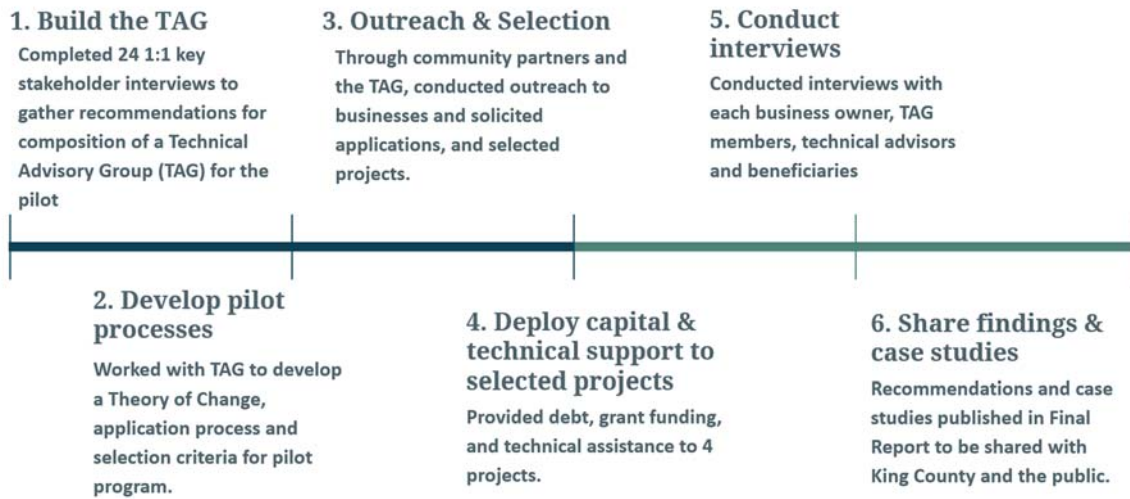


assist with outreach, and inform process improvements. The program should incorporate local business advocates to ensure resources reach the businesses they are intended for.

In summary, the first year of the COO Commercial Affordability Project has demonstrated the viability of the business financing program model originally proposed and implemented: targeted financing and technical assistance for leasing and fitting out space. NDC and its partners recommend that King County and COO continue this important work with a permanent source of funding for program outreach, technical assistance, small business financing, grant-making, and program evaluation.

## Project Overview

### Timeline and Process



The project team created a community-informed process to guide the Pilot’s design and identify a practical combination of technical assistance and financing tools to close the funding gap businesses were facing to complete tenant improvements or purchase space. This process began with consultant BDS Planning conducting twenty-four stakeholder interviews to identify and invite community members to form a Technical Advisory Group (TAG). The TAG met four times in 2020 to discuss the goals of the pilot and together develop a Theory of Change to guide the Pilot’s approach. The TAG agreed upon a recruitment and selection process and assisted with the outreach once the applications opened. The TAG continued to meet in 2021 at key decision points to continue to inform the Pilot’s implementation and appropriating funds.

In August 2020, Pilot applications opened to the public. The project team, TAG members, program staff, and community partners reached out to businesses and organizations in COO target neighborhoods to share information about the pilot program and encourage them to apply. Fourteen businesses and non-profit organizations submitted applications, and the project team selected three projects for initial investment based on TAG review and recommendation. Projects were evaluated based on four key factors: viability, impact, scalability, and sustainability.



Projects include:

- **Jackson's Catfish Corner:** A legacy restaurant that moved back to its roots in Seattle's Central District. The Pilot provided technical assistance for tenant improvements, debt financing and grant funding to fill the project gap, supplementing resources from the Community House Mental Health Agency, City of Seattle, and others.
- **SeaTac International Mall:** A retail bazaar serving the East African immigrant community. The Pilot provided technical assistance for construction project management, Sharia-compliant debt financing, and grant funding for tenant improvements.
- **Spice Bridge:** A global food hall and restaurant incubator in Tukwila serving immigrant women of color food entrepreneurs. Funding from the Pilot filled the fundraising gap for the build-out of the incubator space.

Two projects were selected for continued technical assistance as they were not yet "shovel ready."

- **Salvadorean Bakery:** A legacy business in White Center. The Pilot provided technical assistance for site selection and design and a commitment of resources should the business purchase a space within the pilot's timeframe, which was then extended to accommodate the purchase. The Pilot ultimately provided funding in July 2022 to support the owners' purchase of a permanent home for the business.
- **Project Feast:** A non-profit social enterprise providing culinary training to low-income immigrants and refugees. The Pilot provided technical assistance for strategic planning and space design, ultimately resulting in a change of direction for the space.

After applicants were selected, the project team worked with business owners in the Pilot to identify the best combination of tools to increase their access to capital, provide technical assistance for capital improvements, and address other barriers to commercial affordability. Capital funding for the projects was provided to businesses in the form of debt-financing from Craft3, backed by a \$250,000 loan loss reserve. Craft3, a local Community Development Financial Institution (CDFI), worked closely with each business owner to understand their project, business plan, and financing needs. Craft3 underwrote each loan with more flexible criteria than a typical commercial bank, relying heavily on projected future income from the business after project completion, as well as historical profits, to determine the loan amount the business qualified for. A reliance on projections for sizing debt adds risk for the financial institution. For this reason, the loan loss reserve allowed Craft3 to mitigate its risk and provide loans to three of the Pilot projects. Beyond the businesses participating directly in the Pilot, the loan loss reserve allowed Craft3 to lend to six additional BIPOC-owned businesses in Communities of Opportunity target neighborhoods.

The Real Estate Development Fund, managed by NDC, provided direct capital to Pilot projects in the form of grants ranging between \$100,000 and \$300,000. This funding enabled the projects to leverage non-County capital resources (including debt, owner contributions, and landlord contributions) to fill the gap between what the business can afford to take out in debt and the cost of improving their commercial space. NDC worked closely with Craft3 and project sponsors to determine the funding gap remaining after owner contributions, debt, and other resources were identified.

In addition to capital, NDC provided technical assistance consultants to assist business owners with the design and management of construction projects. NDC also coordinated ongoing communication between all project partners, including organizing regular meetings to discuss project updates, and the individual



work each partner was doing with businesses. As challenges in each project were discussed during these meetings, the group could brainstorm solutions and additional resources. This collaborative process allowed the group to improve the quality of technical assistance and funding, take steps to avoid repeating the same setbacks in subsequent projects, and share learnings across projects.

Finally, Moving Beyond developed a learning and evaluation process (detailed in Appendix E) that interviewed business owners, project sponsors, TAG members and project team members to capture lessons learned to inform future programming.

## Project Highlights and Themes:

### **Jackson's Catfish Corner**

*Commercial Affordability Challenge:* The owner needed to fund costly tenant improvements so it could reopen the restaurant in its neighborhood of origin. The landlord, Community House Mental Health Agency, fronted a large portion of tenant improvement costs, but the business owner would have required a large loan to finance improvements that he ultimately didn't own. In addition, challenges during the construction process led to delays completing the project.

- *Technical assistance:* NDC consultant Darren Medina provided technical assistance during the project build-out including equipment planning, permitting, sourcing, signage design and fabrication, and support of the business owner through managing the construction process.
- *Funding:* A loan and grant supplemented resources from the building owner, City of Seattle, and others. Craft3's approach to financing includes providing financial technical assistance to assist the business owner in creating and submitting the correct business documentation and discussing tradeoffs of funding options at key decision points. NDC worked with the building owner, business owner, and consultant to determine the funding gap that could be filled by the Real Estate Development Fund. In response to construction delays postponing the business opening, NDC worked with Craft3 and the business owner to determine the additional funding needed to make it to opening.
- *Advocacy:* With support from advocates and technical assistance providers including Seattle University's RAMP program, the business owner negotiated a long-term lease with landlord to secure low monthly rent, creating long-term stability.

### **SeaTac International Mall**

*Commercial Affordability Challenge:* Three co-owners were developing a retail bazaar serving the East African immigrant community. The owners had invested \$115,000 of their own equity, secured a space, and begun construction when they applied to the Pilot.

- *Technical assistance:* Consultant Darren Medina provided construction monitoring assistance to the business owners to review their scope proposals, track progress, and ensure appropriate payments were made to the General Contractor. This mechanism helped Craft3 get comfortable disbursing funds without a traditional construction monitoring plan in place from the beginning and helped protect the owners.
- *Funding:* The project received a \$150,000 grant from the Real Estate Development Fund, used in part to buy down the interest on a \$200,000 Craft3 loan to zero percent, making the loan Sharia-compliant. With this funding, they were able to finance the remaining portion of tenant improvement and working capital costs needed to open. Later in the project, a supplemental grant helped with some of the build-out of the deli space.



- *Timing:* A significant funding challenge emerged: to keep the construction project on schedule, the Pilot team needed to dispense grant funding ahead of receipt of funds from King County. To pay construction sub-contractors on time and keep project costs from increasing, Craft3 sped up their loan approval process to disburse funds and NDC quickly set up a temporary fund to lend the remaining funds while awaiting reimbursement from the County.

### **Spice Bridge**

*Commercial Affordability Challenge:* Non-profit Global to Local created an incubator space for immigrant women of color food entrepreneurs to launch and grow businesses with affordable startup costs. Funding from the Pilot filled the fundraising gap for the build-out of the incubator space to enable the non-profit to complete the project without taking on debt, which allows them increased flexibility to provide affordable space for entrepreneurs in the program.

- *Funding:* The Real Estate Development Fund contributed \$100,000 to fill the gap between the capital campaign and other fundraising, to cover the total cost of tenant improvements, \$770,380.
- An additional \$10,000 provided rent subsidies to small businesses located in Spice Bridge, providing temporary support to get through decreased operations due to the COVID-19 pandemic.
- *Timing:* While not directly involved, the Pilot learned from the Spice Bridge development. Advance funding from the developer, later repaid from the capital campaign, was critical to the project's development and mitigated many of the timing challenges seen in other projects.
- *Advocacy* from the City of Tukwila was also key to bringing each of the partners together and facilitating the development.

### **Salvadorean Bakery**

*Commercial Affordability Challenge:* A legacy business in White Center was seeking to purchase property to ensure they could stay in their neighborhood as commercial rents rise. The Pilot provided technical assistance for site selection and design and set aside funding to support the owners' purchase of commercial space. Despite having multiple offers fall through in White Center, the owners were ultimately able to secure a building in Burien in July 2022.

- *Advocacy:* The business worked closely with the White Center Community Development Association (WCCDA), which acted as an advocate, coach, and liaison between the business owners and potential property owners. The WCCDA also applied to the Pilot on behalf of the business.
- *Technical Assistance:* NDC Consultant Darren Medina met with owners to understand their commercial kitchen needs and develop an operations plan. Together they toured numerous properties and discussed potential plans for tenant improvements that would need to be made and add to cost. Upon identifying the Burien space, Medina sketched out multiple layout options to help the owners plan for the new space.
- *Funding:* Craft3 worked with the business owners to determine a loan amount that could be made to support a building purchase. Additional funding of \$300,000 from the Real Estate Development Fund helped fill the gap between debt and owner equity available and the purchase price.

*See Appendix C and D for project case studies.*



## Impact Summary

The numbers below summarize the quantitative impact of the Commercial Affordability Pilot in terms of dollars invested and leveraged and jobs created. While each of the projects continues to evolve, initial successes include:

- The SeaTac International Mall is fully constructed and leased out, providing space to 21 small businesses supporting 55 jobs in the East African immigrant community. Just as important, they provide a cultural hub where the community can gather, socialize, and purchase culturally relevant items. Due to the success of their first location, the owners are considering expansion to a second location.
- Jackson's Catfish Corner is up and running in its new location in the Central District. Technical and financial support from the pilot, along with support from the building owner, Seattle University's RAMP program, City of Seattle, and others, has resulted in a sufficiently built-out space while minimizing the debt to the business. With a 15-year lease, Catfish Corner finally has a stable location in the neighborhood where it first started and provides six full-time jobs and opportunities for students in the neighborhood to gain work experience. Catfish Corner has received immense community support and positive press since it opened in June 2021. However, while sales have exceeded expectations, increased labor and food costs have created significant challenges.
- Spice Bridge is fully constructed and in operations, without having to take on any debt to fund development of the incubator. The program employs six staff members directly and provides space to 13 immigrant women of color businesses with 21 employees. Three businesses had graduated from the program as of the end of 2021. The program reduces barriers of entry to opening a food business and incubates businesses by providing entrepreneurs with physical space, technical assistance, and resources to become successful. They are also involved in local and regional discussions on food business needs and opportunities for businesses graduating from Spice Bridge to continue to support them as they grow and scale, and they inform other communities interested in learning from their approach.
- Salvadorean Bakery has secured a permanent home in Burien. They plan to keep their lease in White Center for the time being, but the new location allows them to expand the business, creating a limited-service restaurant selling primarily pupusas, coffee, and baked goods. They will retain 20 FTE jobs and four part-time/seasonal jobs in the current location and expect to hire six employees for the new location. They now have a stable location in which they can grow the business and pass it to the next generation.
- Beyond the projects directly participating in the pilot, the loan loss reserve enabled Craft3 to provide small business loans totaling just over \$500,000 for tenant improvement projects to six additional BIPOC-owned businesses in COO neighborhoods in Central Seattle and South King County.





## By the Numbers:

### *Number of businesses/organizations supported: 10*

- 3 direct businesses and 1 non-profit organization received direct funding
  - 100% are owned by or serve BIPOC and historically underrepresented communities
- 6 businesses supported by Loan Loss Reserve
  - 100% BIPOC business ownership

### *Total Dollars Invested: \$925,900<sup>1</sup>*

- Direct Project Grants: \$865,800
- Direct Technical Assistance: \$60,100

### *Total Dollars Leveraged: \$3,160,056*

- Craft3 Loans to Pilot Projects: \$1,181,790
- Other Capital for Pilot Projects (owner equity and other public and private funding): \$1,475,566
- Craft3 Loans Leveraged by Loan Loss Reserve (excluding Pilot projects): \$502,700

### *Job Creation and Retention:*

- Total Jobs Created (direct): 15
  - In addition, Salvadorean Bakery expects to create 6 jobs in the new location
- Total Jobs Retained (direct): 20<sup>2</sup>
- Total Jobs Created (indirect): 94<sup>3</sup>

### *Project Geographies:*

- 100% of Pilot projects are located in Communities of Opportunity (COO) place-based areas, measured by a composite index including life expectancy, poverty, unemployment, housing conditions, and a variety of health indicators.
- 100% of Pilot projects are located in Qualified Census Tracts (QCTs), meaning 50% of households have incomes below 60% of the Area Median Income) or poverty rate of 25% or more.

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<sup>1</sup> Includes direct project funding only; excludes funding for loan loss reserve and other program costs.

<sup>2</sup> Includes 20 jobs in Salvadorean Bakery's existing White Center location.

<sup>3</sup> Indirect jobs include businesses located in Spice Bridge incubator and SeaTac International mall.



## Appendix A: Detailed Themes and Insights

The following themes and considerations emerged over the course of the Pilot in interviews with business owners, members of the TAG, project partners, and technical support experts who participated in the process. Overall, the Pilot revealed a significant regional appetite for investment in businesses owned and operated by historically underrepresented, excluded and marginalized groups – including first time entrepreneurs from communities of color, immigrants, and non-native English speakers. Business owners across all projects demonstrated high ambition, a desire to balance building up their community as well as the profitability of their business, and a willingness to *hustle*. See *Appendix E for evaluation design methodology*.

### 1. There are tradeoffs between investing in “shovel-ready” vs. “emerging” projects.

When evaluating the applications from business owners, the project team and TAG members debated between investing in emerging ideas and projects vs. investing and supporting those businesses with established concepts or projects that were underway at the start of the pilot.

Due to short-term nature of a pilot program, supporting entrepreneurs at early stages of developing a project or idea was not feasible. This required the pilot to react to current efforts rather than catalyze new projects.

Throughout the Pilot, it became evident however, that common construction process pitfalls could have been easily avoided had technical assistance started earlier and had the funds been in hand to quickly deploy. Earlier involvement could have saved additional money on tenant improvement costs and potentially sped up project schedules.

### 2. Entrepreneurs with limited business experience require early investment to build a pipeline of “ready talent.”

Investment in emerging BIPOC entrepreneurs is critical to developing the skills and experience needed to start and run a business and prepare to apply for funding opportunities as they arise. More targeted public investments in individuals with an entrepreneurial mindset would prepare them for the challenges of opening and running a small business and make them stronger candidates for programs like the Commercial Affordability Pilot.

Business owners identified access to financial planning and business development tools as an area they would benefit from. In addition, a safe space to try out new business ideas at a small scale, such as a pop-up location, incubator, or shared space would reduce start-up costs that currently are a barrier to entry for many. Last, being able to access differentiated business training programs based on language spoken, types of business, race, ethnicity, and with schedules compatible to those with household/caregiving obligations would expand program services and relevance to more business owners who are currently underserved, particularly historically disadvantaged and excluded groups.



### **3. Mid-sized projects are challenging to fund.**

The current funding ecosystem is challenging for projects seeking more than \$250,000 but less than \$1 million, which is often the range that many first time and small to mid-sized businesses need to launch projects that involve a real estate or tenant improvement (TI) component. While debt options exist, lack of collateral and increased risk from construction projects necessitates credit enhancements, such as loan guarantees, to improve access.

Many small businesses can start a business with less, but as soon as construction is involved, the project costs increase immediately, especially in King County – where construction costs are high, contractors are difficult to find, and available space is often in newly constructed buildings where they are starting from a shell.

From a financing perspective, construction projects are generally seen as higher risk because of the tendency to go over budget, be complex and difficult to manage, and collateral is typically required by lenders. There remains a need for more tenant improvement and construction financing options for small businesses along with systems of technical support to manage costs and timelines.

Grant funding can also be difficult to obtain for mid-sized projects. During their capital campaign raising funds for Spice Bridge, Global 2 Local experienced the challenge of being attractive to funders with a project size of less than \$1 million. Conversely, there are few grants for small businesses that reach the size needed for projects involving real estate.

### **4. Tenant improvement construction projects require a mechanism to quickly deliver funds.**

Construction projects are delicate, with many moving parts and funding deadlines that depend on each other, where delays create cascading effects and increase overall costs. To ensure project success, funding needs to be secured prior to construction. In several instances throughout the Commercial Affordability Pilot, funds were needed but could not be accessed quickly through the County’s funding system. This was addressed later in the Pilot, but in the beginning, uncertainty and delays in receiving funding created challenges for businesses dependent on them to meet urgent project deadlines, such as paying contractors for work or submitting an offer on real estate. To address this unexpected issue, Craft3 debt supported businesses awaiting funds and NDC advanced funds to a project ahead of receipt from King County.

### **5. Well-timed technical assistance is key to the success of projects.**

Most business owners are skilled at running their business, but lack experience managing construction projects, as it falls outside their normal course of business operations. In the Pilot, technical assistance during the buildout phase played a key role in timely completion and reducing cost overruns. Experienced advisors, acting like an owner’s rep, are able to foresee needs and challenges in the construction process that a business owner may not.

All the tenant improvement projects selected were “shovel-ready” and had begun construction prior to participating in the Pilot. Even though advisor Darren Medina got involved partway through projects, he was able to identify and correct some significant issues that would have caused delays and added expenses. For example, in one project, the original architect and project manager who were hired were qualified but lacked restaurant experience and did not submit the required permit



applications to the health department. Medina also had to ensure that the furniture and interior design layout satisfied building and health department code requirements. Lastly, several other costs (such as exterior signage) were not built into the project budget and had to be added. Had an Owner's Representative been involved from the beginning, the project may likely have had a lower overall cost and the restaurant may have been able to open sooner.

Overall, the business owners benefitted from reliable, experienced project managers to represent their interests and keep projects on track, communicate with vendors, and manage project budgets. The technical assistance provided was not only about helping manage the process but also about providing business owners with information so that they could participate in developing solutions for themselves. In Medina's experience, working with Salvadorean Bakery at the very early stages of identifying potential properties and necessary improvements helped the owners have a much clearer idea of their needs and the cost to build as they continued their search and ultimately purchased a building. The ultimate goal is to help the business avoid unexpected costs that would prevent the project from being completed.

**6. Small business owners have a wide variety of needs and situations that impact their ability to secure affordable commercial space. A comprehensive and collaborative network of support services and advocates leads to better results for business owners.**

Designing a program to prevent displacement and increase access to affordable commercial space requires not just capital, but some combination of financial, business, and project technical assistance, with opportunities to ultimately address some of the market forces affecting availability of real estate. A solution tailored to one business owner may not make sense or be helpful for another. The Pilot demonstrated that a program that aims to assist small businesses in securing commercial space must be flexible, comprehensive and responsive to the needs of diverse businesses, particularly in the following areas:

*Ownership vs. Leasing:* Due to the short-term nature of the Pilot, we supported businesses entering into long-term leases. We have supported and learned from one project, Salvadorean Bakery, as they seek to purchase real estate. While leasing remains the most accessible option for most businesses, support attaining real estate ownership may be the right option for a subset of small businesses, and for others, community control through purchase by public or non-profit partners may provide the benefits of ownership (namely long-term control and wealth creation) without the risks and costs of individual ownership.

*Commercial location:* An owner of SeaTac International Mall, which serves the East African immigrant community, shared that his community prefers having access to multiple businesses in a single space, with easy access to parking. The owner of Jackson's Catfish Corner saw value in returning to a community with high foot traffic, and where it has historical roots. For many businesses, transportation is a key consideration, and locations along bus lines or where there is free or low-cost parking are desired.

*Ease of access to trusted resources:* Many business owners voiced how difficult it is to find resources quickly and easily. They expressed the desire for a central hub where they could seek out business support and recommendations. Currently, resources and expertise are scattered across multiple websites, and organizations. The COVID-19 pandemic has posed many challenges for small



to mid-sized businesses, and better access and awareness of support services would have helped business owners mitigate risk in times of economic uncertainty.

*Advocacy:* Participating businesses benefited from having advocates who made them aware of funding opportunities, helped them apply, and continued to support them during the pilot and beyond. For Catfish Corner, one such advocate was Seattle University's RAMP program. For Salvadorean Bakery, it was the White Center Community Development Association (CDA). Spice Bridge experienced early advocacy from the city of Tukwila as well as support from the building owner which allowed the project to move forward more smoothly and allowed the non-profit to focus on fundraising for a longer time period.

#### **7. Collaboration between business owners, funders, and TA providers leads to better results.**

Pilot partners and TA providers described the benefits of working collaboratively to assist businesses throughout the pilot. They credited the success of some of the projects (and the affordability solutions that were tried) to the level of communication with each other and across sectors. A measure of success for future public funded programming should be whether it is flexible enough to meet business owners at various levels of experience with business financing, project management, or real estate development. It would also be able to provide them with information and options that would help them grow and thrive, including finding financing, grant programs, affordable commercial space options, and technical support services. To meet the varied needs of business owners, government and program staff can prioritize building strong relationships with members of communities they are serving to ensure that services and solutions truly match the needs of small business owners.



## Appendix B – Quantitative Results

Jackson's Catfish Corner	
<b>Total \$ Invested by Pilot</b>	COO Grant Funding: \$280,800 <ul style="list-style-type: none"> <li>• \$245,000 directly to landlord for business's portion of tenant improvement costs</li> <li>• \$35,800 to business for unanticipated costs and working capital</li> </ul>
	Craft3 Debt: \$100,000
<b>Total \$ Leveraged</b>	Community House Mental Health Agency investment in tenant improvements: \$437,786 City of Seattle: \$100,000
<b>Employment</b>	New Jobs Created: 6
	Jobs Retained: 1
<b>Annual Gross Revenue</b>	Pre-pilot 2020: \$650,000
	Post-pilot 2021: \$800,000
What is the length and terms of small business lease? How does it compare to market rate lease terms?	15-year lease at below-market rent

SeaTac International Mall	
<b>Total \$ Invested by Pilot</b>	COO Grant Funding: \$175,000
	Craft3 Debt: \$200,000
<b>Total \$ Leveraged</b>	Owner investment: \$160,000



<b>Employment</b>	New Jobs Created (W2): 0 New Jobs Created (1099): 3 direct, 55 jobs created by tenant businesses
<b>Annual Gross Revenue</b>	Pre-pilot 2020: \$0 (new business)
	Post-pilot 2021: \$150,000 estimate
What is the length and terms of small business lease? How does it compare to market rate lease terms?	7-year lease; renegotiating to 10-15 years, with the potential of buying the property  The current lease is within market rate compared to other properties in the SeaTac market.
Source of Revenue	Monthly rent from sub-leasing retail space (21 stalls total)  \$1,400 double stall (4 total)  \$650 for single

<b>Spice Bridge (Global to Local)</b>																	
<b>Total \$ Invested by Pilot</b>	COO Grant Funding: \$110,000 <ul style="list-style-type: none"> <li>• \$100,000 for tenant improvements</li> <li>• \$10,000 supplemental funding for rent support for tenant businesses due to COVID-19 impacts</li> </ul>																
<b>Total \$ Leveraged</b>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">State government</td> <td style="text-align: right;">\$ 392,000</td> </tr> <tr> <td>Local government</td> <td style="text-align: right;">\$ 200,907</td> </tr> <tr> <td>Tenant improvement credits</td> <td style="text-align: right;">\$ 52,261</td> </tr> <tr> <td>Foundations</td> <td style="text-align: right;">\$ 30,000</td> </tr> <tr> <td>Corporation and partner sponsorships</td> <td style="text-align: right;">\$ 67,490</td> </tr> <tr> <td>Individual donations and special events</td> <td style="text-align: right;">\$ 89,739</td> </tr> <tr> <td>In-kind</td> <td style="text-align: right;">\$ 12,858</td> </tr> <tr> <td><b>TOTAL</b></td> <td style="text-align: right;"><b>\$ 845,256</b></td> </tr> </table>	State government	\$ 392,000	Local government	\$ 200,907	Tenant improvement credits	\$ 52,261	Foundations	\$ 30,000	Corporation and partner sponsorships	\$ 67,490	Individual donations and special events	\$ 89,739	In-kind	\$ 12,858	<b>TOTAL</b>	<b>\$ 845,256</b>
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<b>TOTAL</b>	<b>\$ 845,256</b>																



<b>Employment</b>	New Jobs Created: 6 (Spice Bridge Staff), 18 (business owners), 21 (incubator business employees)
	Jobs Retained: 0
What is the length and terms of small business lease? How does it compare to market rate lease terms?	10-year lease with option to renew; terms are comparable to other market-rate leases in the area.

<b>Salvadorean Bakery</b>	
<b>Total \$ Invested by Pilot</b>	COO Grant Funding: \$300,000
	Craft3 Debt: \$881,790
<b>Total \$ Leveraged</b>	Owner investment: \$50,000 (down payment)  The owners plan to invest an additional estimated \$500,000 to improve the space.
<b>Employment</b>	New Jobs Created: project 6 new jobs at new location  Jobs Retained: 20 FTE and 4 part-time/seasonal
What is the length and terms of small business lease? How does it compare to market rate lease terms?	Not applicable (own property)





## Appendix C: Jackson's Catfish Corner and SeaTac International Mall Case Study

*Created by Moving Beyond*

SeaTac International Mall in many ways remains hidden in plain sight. The building is on the corner of Pacific Hwy and S. 208<sup>th</sup> Street in SeaTac, Washington. On the way to the mall, you see dozens of planes flying overhead and large warehouses supporting the nearby airport.

But the instant you walk into the building, you're magically transported – the sounds, smells, an abundance of trendy *abayas* and *hijabs*, women sipping on chai chitchatting in 200 sq ft stalls, and children running around. One moment you're navigating a familiar street, and the next, you could be in a bazaar in the proprietor's home country, Somalia.

In the past year, Faisal Abdi, a former procurement specialist at Amazon, and his two business partners, Abdirashid Hersi and Mahamud Duale, have converted an empty warehouse into a multi-purpose "mall" which features twenty-one (21) stores that sell everything from clothing to furniture, familiar household items imported from around the world, salon services, and even a bridal boutique. The building houses a quick-stop grocery and deli, an outpost of East African Community Services with tutoring for young adults, and a chiropractor's office. At prayer time, people can be found in the established prayer rooms – adults and children alike.

Ten miles to the north of SeaTac, within the Central District in Seattle, is the newly established outpost of a decades-long Seattle dining establishment, Jackson's Catfish Corner. Owned by Terrell Jackson, the restaurant sits at the corner of Jackson and 23<sup>rd</sup> in the Central District in an affordable housing project owned by Community House Mental Health Agency. This location marks a return to the neighborhood where the restaurant was founded in 1985 by Jackson's grandparents, Woodrow and Rosemary Jackson. Customers walk in to a chorus of friendly voices and the smell of french fries. Entering Jackson's Catfish Corner feels like coming home to family – comfortable, simple, and delicious.

Both establishments and their owners' stories are connected to the gentrification of the Seattle area and its surroundings, and a desire to build something for their communities. Communities that are black – both African American and African diaspora. Communities that are resilient and grounded. And communities that don't mirror Seattle's affluent tech-workforce.

Jackson's Catfish Corner and SeaTac International Mall are participants in King County Communities of Opportunity (COO) Commercial Affordability Pilot. Intended to address commercial displacement, the pilot provided funding (in the form of debt and grant funding) and technical assistance to support businesses at risk of being displaced from their neighborhoods as a result of rising costs and lack of access to capital.

Jackson's Catfish Corner, working with Seattle University's RAMP program, applied for the Commercial Affordability Pilot in August 2020. At the time of application, the business was in negotiations to secure a long-term lease in the ground floor of Community House's new affordable housing project. While Community House provided a generous tenant improvement allowance and fronted costs for improvements in the blank shell, Jackson would be responsible for funding a significant portion and had applied to Craft3 for a small business loan. Community House was also managing the build-out and had



hired contractors. As a participant in the Commercial Affordability Pilot, Jackson received technical assistance from NDC advisor, Darren Medina. Though construction had already started, Medina noticed several challenges. The architect and project manager, who were very well qualified and experienced in commercial development, did not have prior restaurant experience. Medina noticed that the health department permit application had not been submitted – the first step in the permit process, even though the contractor was already months into the project. They were able to quickly secure the required permit and avoid penalties and further delays.

Medina also spotted several costs that were not built into the project budget or process such as exterior building signage and was able to connect the business owner to personal contacts to design and fabricate them in time for the grand opening. Additionally, while reviewing furniture orders by the interior design team, Medina realized that the furniture quantity would not accommodate the code- required circulation, so he was able to work with the interior designer to make the adjustments to the order and layout.

Throughout the build-out, Jackson’s Catfish Corner continued to receive critical advocacy and technical support from Seattle University and worked with Craft3 to apply for a small business loan for working capital. NDC, working with Community House, Medina, and Craft3, identified the funding gap that would need to be filled by grant funding from King County.

During the same time, Faisal Abdi and his business partners applied for the Commercial Affordability Pilot, with a vision of building a business from scratch to provide a hub for entrepreneurs providing goods and services to the East African immigrant community. Many of the businesses had been recently displaced with the closure of Bakaro Mall due to redevelopment. Between the time the project was selected and when funds were awarded, Mohammed and his partners had begun construction on their ambitious project. Craft3 quickly worked to approve a loan to fund construction. The loan loss reserve funded by the pilot, and grant funding that could buy down the interest to make it Sharia-compliant, were critical for accessing debt. Typically, lenders fund construction after reviewing contracts and have a plan to monitor progress. It was quickly noticed that the general contractor’s payments were not tied to project completion, which puts the business at risk – as they are on the line for paying for work without verification that it has been completed. Working with the owner and the general contractor, Medina helped guide them towards developing a construction and payment schedule that was then used to monitor project completion. Again, communication between NDC, Craft3, and the technical assistance provider, proved critical for releasing funds.

Both Commercial Affordability Pilot projects revealed a less appreciated truth about the state of small and minority-owned businesses – that they are not all the same. The pilot tested and upended many assumptions about what business owners need to build from the ground up or re-establish in a new neighborhood. While the census would categorize both business owners – Terrell Jackson and Faisal Abdi – as the same (Black or African American) the pilot highlighted the differences in the experience of African Americans in the Seattle Area, and those of African immigrants, many first generation setting up businesses.

The following section explores lessons learned through the pilot.

### **1. Location matters**

Location was a critical consideration for both businesses, in part due to the type of business they are – restaurant vs. mixed retail, and in part due to the regional spread of their communities. In addition to seeking out a low-cost space, business owners must carefully consider the location for their business. For many, a key priority is accessibility, which for some is an area with lots of foot



traffic to grow clientele. For others, fast bus lines or affordable or free parking would draw more customers.

It's worth noting that gentrification and subsequent displacement doesn't look the same across for all groups in our region<sup>4</sup>, and *the choice of neighborhood is dictated by the proximity to where groups now reside, ease of travel and transportation, and availability of other nearby services.*

For Catfish Corner, being in an area that is connected to the family legacy of the business, in a part of town with a significant African American population, easily connected by bus services and with great foot traffic were important considerations. The restaurant is across the street from a community-centered Starbucks, and a few blocks south of Garfield Highschool, with a myriad of community-based organizations within walking distance.

The new location, in addition to being in the same neighborhood where the restaurant began, also comes with a favorable 25-year lease with low annual increases that will add to the stability of the business. In the previous decade, due to ever-increasing rent prices, the restaurant has gone from brick and mortar, to a temporary pop-up, to closures<sup>5</sup>, to brick and mortar again, along with a recent move that took it south of Seattle to Skyway<sup>6</sup>. Terrell stated that the rent in the new location is more favorable than his previous location because of the custom build and predictability of rent increases.

While walkability and legacy are most important to Terrell, for the SeaTac International Mall access to parking was a significant consideration – along with being located midway between South Seattle and South King County for Somali families based in both communities. In an interview, the owners stated that given the size and preferences of families, traveling via public transportation is not desirable. Neither is having to stop at multiple places for groceries, salon services, clothing and community time. The location they chose is convenient for many clusters of Somali families in the Greater Seattle Area. Driving to the mall, you immediately notice the large adjacent parking lot, and dozens of parked mini vans.

An owner of the SeaTac International Mall shared that his community preferred having access to multiple businesses clustered in order to meet their needs in a limited number of trips. In his and other TAG members' experiences, successful businesses who were formerly in the Bakaro Mall suffered and eventually closed when they relocated because customers could no longer access multiple services (such as food, hair care, and clothing) in one trip.

**2. Community need in non-dominant groups is not met by finance systems that operate from dominant-culture expectations, desires, or realities**

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<sup>4</sup> <https://www.seattletimes.com/seattle-news/gentrification-battle-moves-to-seatac-as-immigrant-owned-businesses-face-displacement/>

<sup>5</sup> <https://www.capitolhillseattle.com/2014/08/central-district-says-goodbye-to-legendary-catfish-corner/>

<sup>6</sup> <https://patch.com/washington/seattle/catfish-corner-returns-new-skyway-location>



For most businesses, the ability to raise capital is largely dependent on being seen as important, credible and viable – by those whose lives and experiences likely differ widely from the participants in the Commercial Affordability Pilot.

While most non-Somali or non-East African individuals would find the shops at the mall irrelevant to their day-to-day needs, the mall meets daily needs for their target community<sup>7</sup>. It's evident in the floor plan, and the ease with which people of all ages move through the various spaces. In normative American businesses places, this way of using space might even be seen as chaotic – but at the mall, it works wonderfully.

When asked what success looks like, Faisal Abdi replied - *“our community feels a sense of having this space”*. He applied to the pilot so that *“people that are from the same country (as Faisal) will have a voice. It's bigger than our project. It's seeing the representation of the Somali community”*. He is also keen on raising awareness of Sharia-based<sup>8</sup> financing, to make starting new businesses more viable for his community.

Both businesses are building spaces for their communities to gather, connect and are doing so in culturally relevant ways.

As the region and country becomes increasingly diverse, institutions must recognize entrepreneurs of color, and shift their program design to better support them. *Local governments and investors must recognize the knowledge and expertise that exists within communities of color to inform their targeted business development programs.* This knowledge is ultimately what allowed three novice business owners to fill each stall in the mall before opening day, continue to collect rent on time, and grow the retail operation – and hire three people to support operations, all within six months.

According to the latest census data, Seattle's surrounding suburbs and South King County are diversifying rapidly. As the region and country becomes increasingly diverse, which is to say majority non-white, who we see as entrepreneurs will need to shift, along with how we support them.

*Overall, the city of Seattle is less racially diverse than the surrounding King County. Additionally, since 2010, the suburbs have diversified at a significantly faster pace than the city.*

*For 2018, Seattle's diversity-index score is 56.5, up more than three points from 2010. But for surrounding King County, the 2018 index score of 62.6 represents an increase of more than seven points<sup>9</sup>.*

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<sup>7</sup> <https://www.seattletimes.com/seattle-news/displaced-east-african-busines-owners-find-new-home-at-seatac-international-mall/>

<sup>8</sup> Islamic Financing or Sharia Based Financing [https://en.wikipedia.org/wiki/Islamic\\_banking\\_and\\_finance](https://en.wikipedia.org/wiki/Islamic_banking_and_finance)

<sup>9</sup> <https://www.seattletimes.com/seattle-news/data/federal-way-to-vashon-island-here-are-the-most-and-least-diverse-places-in-king-county/>



Groups that have been historically underrepresented want a voice and a part of our region's economic success. In an interview, Terrell said, *"Seattle has a lot of money, millions of dollars in bank accounts"*, but it's not going to Black i.e., African American businesses who *"need to have more financial room to help their businesses grow."*

### **3. Capital alone is not enough**

Making culturally relevant financing and affordable commercial spaces is a step in the right direction. It needs to be followed with supporting people of all backgrounds, in particularly those who have been excluded, marginalized or otherwise underrepresented – to own and run businesses. Furthermore, the support services that exist tend to be fractured and are one-size fits all. In interviews with both business owners, it became clear early on that they need both capital *and dedicated wrap-around support and technical assistance, and it is not usually clear where to go for this type of help.*

In the Commercial Affordability Pilot, most participating business owners were new to the development process. It quickly became clear that well-timed technical assistance is key to keeping construction projects moving forward, making informed decisions and keeping cost over-runs low. Business owners needed technical support on many issues that arose during the build-out of tenant improvements such as HVAC systems, signage, navigating the permitting process and code compliance.

In the case of both Catfish Corner and SeaTac International Mall, technical support and advice from Darren Media played a key role in bringing projects to completion. As a neutral third party dedicated to supporting these two owners, Darren said, *"every new business owners need a 'business rep' – someone who is looking out for their best interest"*.

Both projects in this case study encountered unexpected challenges for the owners as novices in building out spaces. At the mall, the general contractor's payments were not tied to project completion - something a first-time business owner may not know. While at the restaurant, Darren quickly identified issues with the general contractors, payment schedules, equipment substitutions and missed steps with respect to process and permitting due to the limited restaurant experience of the architect, project manager, and interior designer. This assistance helped Terrell avoid an expensive (long-term) investment with his equipment purchasing, obtain required permits, and have exterior signage installed prior to opening so that his business had visibility on a heavily trafficked intersection.

In the final interview with Darren, he added that in a Commercial Affordability program like this there are *"certain costs that the City and County have to eat for the business owner to be a success. If the support comes early, certain cost overruns aren't going to happen."* He also suggested that when he advised small businesses it was most *"helpful to lay out all the steps at the very beginning"*. As the City and County look to invest in meaningful programs to help small businesses navigate a fractured financing and technical support landscape, business owners would benefit from more information about permitting and construction processes, along with lists of vetted and preferred vendors – architects, designers, general contractors, and other specialists.



*“Funding is only one part of it,” according to NDC consultant Darren Medina “There has to be more structure for the business owners, including tools that business owners can access starting with a process "roadmap" then a resource list that can help with the process. These are tools that are needed by all small business owners, but for BIPOC/minority owned businesses, it seems that the network of those with this experience to share is limited - thus the need for cities, counties, and other jurisdictions to develop the tools and structure. In the end, what needs to be developed is a system that promotes awareness, accessibility, and advocacy.”*

**4. *Local Governments and funders must trust the resilience and capability of BIPOC business owners.***

The biggest learning from watching these two businesses get off the ground and build a local customer base is this – local governments and funders have reasons to trust the resilience and capability of small and minority business owners. However, in interviews throughout the process, both pilot business owners reflected on how they felt minimized by the status-quo expectations of small business owners in traditional (namely white) spaces – they were told that a larger percentage of new businesses will both fail and fail to become profitable in the first 2-3 years. By contrast, these owners expected to become profitable immediately and demonstrated this within the first few months of opening. Furthermore, they would have felt more supported and valued as a member of the local business community if the service and finance providers they worked with recognized their work ethic and commitment as a potential for success.



## Appendix D: Salvadorean Bakery Case Study

Created by National Development Council (NDC)

### The Challenge

*“We want to complete our dreams and leave a legacy...” - Ana Castro, co-owner of Salvadorean Bakery*

Salvadorean Bakery opened in 1996 in a small corner of a building on SW Roxbury Street in King County’s White Center. It was founded by Aminta Elgin and Ana Castro, two sisters who had escaped El Salvador’s brutal civil wars and eventually found their way to Seattle. Over the years, it grew as a popular purveyor of baked goods and as a beloved restaurant, (the word “best” appears frequently in reviews) eventually taking over all of the space in their original building. From the beginning, it was more than just a commercial enterprise. **The sisters, their bakery and their restaurant became a fixture in the community, with a strong presence in its social and cultural life and strong bonds of mutual support among their peer businesses and White Center residents.** The bakery and restaurant function as a community center, where neighborhood groups gather regularly to discuss community issues.

The Castro sisters also had a long-term overarching plan: ensure that the business be a legacy for their future generations. They recognized and embraced the great potential for their business to grow. There is the constantly increasing demand for the restaurant and for the current line of baked goods. As noted by the White Center Community Development Association (WCCDA) in their application to the Commercial Affordability Pilot, there is a strong market for a greater range of products that innovate and celebrate Salvadorean culture and culinary arts along with a variety of other Latinx specialty products. And finally, the bakery can at last capture the opportunity to sell wholesale to other food outlets that they have had to turn away for lack of operating space. For all of this potential, they needed more space for producing baked goods, food preparation, storage and distribution.

Salvadorean Bakery was an ideal candidate for participation in the King County Communities of Opportunity (COO) Commercial Affordability Pilot program. The WCCDA applied on their behalf, stating that the primary goal for the Bakery/Restaurant’s participation in this Pilot is to use the right kinds of financial tools to ensure that costs of the acquisition loan do not overburden operating costs, so that the business can continue to earn a healthy net profit, to innovate, expand strategically and of course, **have the security and wealth-building potential of property ownership.**

The cost of commercial space in White Center reflects rising real estate costs throughout the region. Although gentrification has not (yet) overwhelmed White Center, **real estate costs are rising, reflecting the fact that gentrification elsewhere in the region is pushing demand in White Center from businesses and residents who cannot stay where costs have risen beyond their means.** But if the Commercial Affordability Pilot could provide the means for the Bakery to own and expand in White Center, the community would retain a robust business and its jobs for their locally based workforce.



## The Process

The project began with the assumption that support from the Commercial Affordability Pilot would enable the business to afford the purchase of a building in White Center, meeting the dual goals of the program: sustaining the business and its jobs, and preserving the community. Ultimately, through factors described below, the business secured a building in Burien, 10 minutes from their current home in White Center. While the outcome was different than initially imagined, several key factors contributed to the outcome of a permanent home for the business:

**Key factor #1: The project support team was present at the beginning and communicated regularly.** A diverse team of advocates, cheerleaders, and technical experts provided wraparound support early on, before jumping directly into the real estate search and selection process. The project support team comprised of (among others): Helen Shor-Wong, of WCDA; Hugo Garcia, King County; Melissa LaFayette, NDC Project Manager; Che Wong, Craft3 Senior Business Lender – Equitable Lending Program Manager; and Darren Medina, the architect hired for the Pilot to provide guidance in building analysis, evaluation, and design. The team met regularly to provide updates so that the business owners and each member – from the real estate broker to the lender – were all up to date.

**Key factor #2: There was a long and comprehensive planning process.** Ms. Shor-Wong of WCCDA worked with the bakery owners to develop an action plan that began with a business vision and plan and proceeded to identify an ecosystem of support that would be needed during the process (for example, King County’s Department of Local Services and the business’s accountant, among others). Finally, from this work came a prospectus of action steps to be taken.

Many meetings were held and many conversations took place for all to better understand the vision and the plan prior to any discussion of any building. Ana Castro stated that these sessions gave her a better analytical understanding of her business than she had ever had and helped her adjust her expectations and plans to fit the finance and real estate realities that emerged. Equally important, and more difficult to measure, was the impact of the support on the business owners. Ms. Castro and Ms. Elgin had deep expertise in their own business, but Ms. Castro noted that that they felt insecure and uncertain approaching the real estate search, design process, and move to a new location. They reported that the process provided the moral support they needed, alleviated the uncertainties and doubts they had, and generally boosted their confidence in the entire project.

**Key Factor #3: Conduct space and functional analysis early, before actual properties are identified.** Mr. Medina, as noted above, was brought in at a stage far earlier than a standard real estate project would require. His expert observation and analysis involved studying the business operations to understand spatial needs. As he visited the existing site, he gained insight not only into current operations but also how the business had evolved and grown – important to the future space planning. At the same time, a financial analysis showed what the bakery could afford. When it came time to identify and consider potential buildings, this work informed the consideration of specific sites. Without this work, it is possible that Ms. Castro and Ms. Elgin would have spent time and money pursuing dead ends, delaying the implementation of their plan and perhaps missing the opportunity that they did eventually find.

This early attention to spatial needs and general design issues requires the services of at least one design professional, in this case an architect, and is a costly element. But the COO assumption is that the public





purpose of the project requires financial elements outside typical market transactions, i.e., some kind of subsidy, to help the project meet its public purpose.

In this early stage, several White Center sites seemed to be potential candidates for the new location. However, with the insights gained in the planning process, those sites – all with the same owner – turned out to be either too expensive, too small or otherwise not well suited to the uses projected.

The conclusion that none of the White Center buildings would work was reached mutually. Although everyone would have preferred a White Center location, Ms. Castro and Ms. Elgin were probably the most disappointed of all the parties that they could not stay where their business had begun and grown and had become so rooted in the community. And although part of WCDA's mission is to help preserve and strengthen White Center's commercial core by helping business stay and grow there, Ms. Shor-Wong concurred that for the business to achieve its goals, it might need to move beyond that community. The decision was firmly grounded in the early planning work of the team, including the financial analysis that showed what the Bakery could afford and the costs of acquiring and owning those candidate buildings; and equally, in Mr. Medina's preliminary work, to analyze operations and their spatial needs.

## The Salvadorean Bakery Solution

Once the team had developed a consensus that there was no suitable and affordable property currently available in White Center, the search moved away from that community, staying as close as possible. The search was informed by Medina's work analyzing the production, retail and restaurant operations and translating the analysis into design criteria. Even so, they were unable to find a building large enough to hold all of it. Armed with three or four design approaches for smaller spaces, they settled on a smaller facility in Burien, 10 minutes away from their White Center building. The search led to another key decision that fundamentally changed the owners' near-term strategy about how to accommodate their growth and long-term viability: **even with the public subsidy and the more-than-conventional planning**, they would have to reconfigure their operations and continue to have two locations. **They will keep the restaurant and retail bakery in White Center for now and add a limited-service restaurant in Burien selling primarily pupusas, coffee, and baked goods.**

The selected building is located in Burien on the corner of Ambaum Blvd SW and SW 134<sup>th</sup> Street. It was purchased in very poor condition, needing immediate work for stabilization in addition to the substantial renovation for the buildout. In the future, the building will need to be expanded to consolidate the two spaces and become Salvadorean Bakery's flagship location.

The property's purchase price was \$1 million, with a total project cost including immediate repairs and contingencies of \$1.23 million. The sisters provided a \$350,000 down payment, sourced by a grant from the Commercial Affordability Pilot in the amount of \$300,000 and \$50,000 in owner equity. The total loan amount was \$881,790 for property acquisition, the stabilization repairs, contingency, and reserves. The next stage – buildout renovations – will be financed by Salvadorean Bakery family directly.

Upon site acquisition, the borrower took the necessary next steps to finalize designs with a licensed architect and complete the pre-construction planning work, including obtaining final construction bids and permits. The renovations will be phased for work to get the space functional as a quick service restaurant with limited menu and a longer-term plan for building expansion that would consolidate the two sites



under one roof. The building square footage is 1,386 but the nearly half-acre lot can accommodate the future growth needed for the planned flagship.

While not what they originally intended, this solution allows the Salvadorean Bakery to settle into its new location with the streamlined and improved operations that the design process developed, expand the baking business and maintain the community-facing restaurant operation in White Center. **The solution will protect the bakery from the displacement risks at the heart of this experiment.** Equally important, Ms. Castro and Ms. Elgin have made a solid beginning to realizing their goal of building a legacy. The next generation of the family is deeply engaged with the bakery and the project. One son is part of the company, managing administrative operations (e.g., bookkeeping, ordering, payroll, records and reports). Another son, while engaged in another profession, is working as an “owner’s rep” with the construction team, helping develop new markets for the bakery, and more.

As they move forward in their intention to eventually make the Burien location the flagship, they plan to maintain their community role. In addition, this solution preserved their current jobs and kept them, along with future employment, not only in the King County labor market but in the local community, an important corollary to any displacement solution.

## The Takeaways

This project demonstrated the validity of the hypothesis of displacement as a potential destabilizing force, and demonstrated the need for and effectiveness of intervention with technical assistance, capacity building and targeted funds. Key takeaways include:

1. Interventions must center the business’s needs and wants and stay nimble to respond as those needs change. In the case of Salvadorean Bakery, this meant not only listening to the wants and needs of the owners, but also the next generation leaders.
2. The intervention must happen early in the process, so that the business doesn’t unnecessarily spend time looking for a real estate solution before its needs are understood.
3. The presence of a strong, local community organization helps because it will recognize and know when the threat of displacement is occurring and connect their business stakeholders with solution resources.
4. Professional design and planning assistance is needed. Again, most small businesses are limited in their understanding of space, design, and real estate. These are the most cost-related factors in business location, so it is critical to bring in the expertise and knowledge, and to bring it early.
5. Financial intervention in the form of debt and grant funding is critical. The business, though viable and strong, simply lacked the resources to compete in a gentrifying real estate market with rapidly rising values.
6. Preventing displacement is an articulated public purpose and like all public purposes and public goods, justifies the use of public resources. What is ultimately at stake is the reinforcement of strong communities that on their own cannot contend with real estate market forces. Public money, or public leverage of private funds, is necessary.



## Appendix E: Evaluation Approach and Methodology

### An Appreciative Inquiry Approach

Given the small number of organizations in the pilot project, Moving Beyond, the program evaluator, used an appreciative inquiry approach which focuses on strengths rather than on weaknesses - quite different to many approaches to evaluation which focus on deficits and problems. This approach harnessed the best of the pilot's multi-stakeholder group progress. AI lends itself as an approach to large-scale change, as it is a means for addressing issues, challenges, changes and concerns of an organization (i.e., pilot businesses) in ways that builds on the successful, effective and energizing experiences of its members (i.e., employees, stakeholders, community).

AI leaves room to focus on adaptive issues during the pilot due to a number of unforeseen issues; (1) the context has changed; (2) the clientele have changed significantly; (3) learning leads to a significant change; or (4) a creative, innovative alternative to a persistent issue or challenge has emerged.

Among other adaptive challenges, businesses in the pilot have the burden of navigating growth through a global pandemic and political upheaval. This approach is ideal in highly emergent and volatile situations, situations that are difficult to plan or predict because the variables and factors are interdependent and nonlinear, as well as situations with unknown outcomes where vision and values drive the processes.

By keeping the focus on what is working well, we have an opportunity to replicate success for small businesses in King County's evolving business landscape. AI shifts the focus of evaluation from "what problems are you having?" to "what's working well around here?" and "how can we do more of it?"

### Cross Case Study Methodology

Cross-case analysis is a method that involves the in-depth exploration of similarities and differences across cases. This approach takes several cases and looks for patterns across them to understand where the commonalities and differences lie and the possible reasons for the differences. Suitable for evaluating the pilot taking place in multiple sites, while accounting for the unique conditions in each site and the common conditions across them.

Evaluation follows guidance from the Impact Management Project's (IMP) 5 Dimensions, which build on COO's three core performance measurement questions: a) how much did we do?, b) how well did we do it?, and c) is anyone better off? We seek to understand the impact of the Commercial Affordability Pilot – in particular, what types of capacities were built/strengthened in the businesses? What capacities need to be addressed in the future? Would the businesses have succeeded without the pilot? Did the pilot promote equity and whether power has shifted to the community?

Case studies are built on in-person and virtual interviews, site visits and consultants with key stakeholders in the project. Moving Beyond conducted three interviews with three of the pilot businesses in 2021. The



fourth business, Salvadorean Bakery, was interviewed by NDC through a separate process because they were funded in 2022.

### Project Metrics

The following metrics will be collected for each project:

#### Business-level Data

<p>Total \$ Invested by Pilot</p> <ul style="list-style-type: none"> <li>- COO Real Estate Grant Funding</li> <li>- Craft3 Debt</li> </ul>
<p>Total \$ Leveraged</p> <ul style="list-style-type: none"> <li>- Total Debt</li> <li>- Owner investment(s)</li> <li>- Other grant funding by source</li> <li>- Landlord Tenant Improvement allowance</li> </ul>
<p>Employment</p> <ul style="list-style-type: none"> <li>- Total Jobs Created</li> <li>- Total Jobs Retained</li> </ul>
<p>Annual Gross Revenue</p> <p style="padding-left: 40px;">Pre-pilot EoY 2020</p> <p style="padding-left: 40px;">Post-pilot EoY 2021</p>
<p>What is the length and terms of small business lease?</p> <p>How does it compare to market rate lease terms? <i>Based on research conducted by businesses.</i></p>

### Questionnaire

1. What is the current state/stage of your project? *Open-ended, based on individual projects (e.g., construction)*
  
2. Do you feel stable in your business location?
  
3. Is your business at the risk of displacement?
  - a. Can you afford your current rent or mortgage? For how long?
  - b. What is your financial plan in case of an unexpected or unforeseen event?



4. *If applicable* - How would you define your relationship with the management/landlord? Do you own space or lease space? Do you have site control or lease in place?
5. In what ways has CV19 affected your business? What do you foresee being challenges for the remainder of 2021? What is needed to overcome the predicted/anticipated challenges?
6. What is your vision for what you wanted to achieve by participating in the COO Commercial Affordability pilot? *Focus inquiry on the experience of working with NDC and Craft3 on loans and grants, TAG involvement for support and guidance, and overall expectations for the business.*
7. As you reflect on your experience with the pilot thus far, what has been a high point(s)? What is working well for you at this time?
8. What did you feel was most successful?  
What factors contributed to success for the business? (e.g., changing bookkeeping practices, type of loan secured, # and/or type of staffing) What was most helpful or beneficial from the pilot that contributed to stability or success for the business?
9. What are the most outstanding stories or moments that made you proud during the pilot (including interactions with the Technical Advisory Group)?
10. In what ways, has the experience thus far changed outcomes for your business? *What is different now, than if you had built this without the support of the COO pilot (NDC, Craft3, TAG etc).*
11. How is your business meeting the criteria of impact, resilience, viability, and scale. *Please provide examples and/or evidence.*
  - a. Impact includes - building wealth and community ownership, providing relevant services for the community-at-large and for BIPOC groups in particular and has clear and measurable metrics to track business impact. *Ask the business owner what measure of success they are tracking or interested in tracking.*
  - b. Resilience includes - demonstrable short term operational/financial staying power, responsiveness to evolving community needs, short and long term business plans.
  - c. Viability includes - business has profitable operating history, projections that show potential profitability (may not be in pilot timeframe), sponsor/owner



demonstrates capacity/willingness to invest and sound business management team or access to strong support network.

- d. Scale includes - business approach demonstrates significant flexibility and adaptability to meet changing needs. Learning from support pilot business might help COO scale new approaches to commercial affordability for small businesses.

12. Do you feel adequately supported throughout the pilot process from NDC, Craft3 and the TAG? What is working well now? What supports were helpful, and to what extent they were helpful? What elements are critical to continue or support, what is scalable – for future commercial affordability efforts?

	Financial	Support / Technical Assistance	Other
Not Supported			
Support Not-Relevant			
Adequately Supported			
Support Exceed Expectations			

13. Do you feel adequately supported to avoid future displacement? What steps were beneficial?

14. What is an area where you need greater support or guidance? How can the pilot team help you be successful? What would be--the ideal?