Mayor’s Core City Incentives Report

June 20th, 2013

Sponsored By:

Surdna Foundation
About the Author

Mass Economics is a Cambridge, MA-based consulting firm that works with the public, nonprofit, and philanthropic sectors on urban job creation and socially inclusive growth. Mass Economics’ principal is Teresa Lynch, former Senior Vice President and Director of Research at the Initiative for a Competitive Inner City (ICIC) in Boston.
Agenda

- **Background**
  - Ecosystem
  - Resources
  - MBE Landscape
  - Geography
  - Findings and Implications

- Existing Tools and Incentives

- Recommendations on Using Incentives to Drive Growth in Memphis
Ecosystem: Overview of Key Areas

The City has several organizations that are either playing a leading role and / or have the potential to do so across several key areas of the economic development and entrepreneurship eco-system.
Ecosystem: Recent Positive Efforts

In addition, several positive efforts have recently been implemented, including new organizations, new tools and incentives, and the development of new long-term strategies.

### New Organizations
- **EDGE**: Formed in 2011 to enhance public sector economic development functions. Local liaison for Brookings Institution's MBP project (see New Strategies).
- **Mayor’s Innovation Delivery Team (“MIDT”)**: Three-year effort funded by a Bloomberg Philanthropies Innovation Delivery Team grant.
- **Community LIFT**: Created in 2010 as a local community development intermediary.
- **Memphis Office of Resources and Enterprise (“MORE”)**: Initiative launched in 2012 to help small businesses and boost entrepreneurship.

### New Tools and Incentives
- Several new tools and incentives have recently been implemented or are being planned, including:
  - **MEM FIX/MEM SHOP/MEM MOBILE**
  - Economic Gardening Program
- In addition, there are several new efforts underway aimed at enhancing the business environment, including:
  - New/alternative sources of capital (e.g., Accion)
  - Expansion of business incubators
  - **MORE’s website / SourceLink**

### New Strategies
- Shelby County was recently selected for participation in Brookings’s Metropolitan Business Planning (“MBP”) program.
- MBP is an innovative public-private approach to spurring regional growth that encourages data-driven, strategic initiatives to capitalize on local competitive advantages.
- It will build on Memphis Fast Forward initiatives and involve more than 100 stakeholders.
- Community LIFT/River City Capital Investment Corp. and the MIDT are launching neighborhood-level, place-based economic development initiatives.

*Source: EDGE Website, Project Interviews*
Ecosystem: Challenges

Ecosystem challenges include technical assistance and capital gaps, limited collaboration and coordination, and a need for better data systems to track outcomes and trends.

**Technical Assistance and Capital Gaps**
- Capital: Some capital sources have been limited (e.g., NMTC, VC); although new sources have become available, gaps remain.
- Technical Assistance: Resources appear to be improving but gaps remain in terms of the number/scale of providers as well as effectiveness.
- Limited technical assistance and capital resources available to neighborhoods (beyond Downtown) and small businesses.
- Awareness of and education on available resources appears to be a challenge but also an opportunity.

**Collaboration/Coordination**
- Limited collaboration and coordination appears to be a challenge among EDOs. There also appears to be a lack of referral systems in place.
- M/WBE organizations – and the certification process in particular - would also benefit from enhanced collaboration and coordination.
- An understanding of the strengths of each organization would help identify areas of overlap, gaps, and opportunities for increasing the system’s effectiveness. The City could build on new resources (e.g., MORE’s website, SourceLink) to develop a provider “map” as part of this process.

**Data Tracking / Awareness**
- Lack of data appears to be a significant issue, including:
  - Data on outcomes that can be used to assess impact / efficacy of providers and offerings.
  - City employment data to understand industry, workforce, and other trends.
  - Data on available parcels located in neighborhoods, which can be used to attract businesses to particular sites.

*Source: Project Interviews*
Ecosystem: Sources of Capital

Memphis has historically underperformed in terms of capital availability, including VC funding and lending from the Small Business Administration ("SBA"). However, some recent activity suggests that this may be changing.

- The State of Tennessee and the City of Memphis have relatively small VC communities, although there have been some recent wins.
  - Tennessee ranked 26th in total VC investments from Q1 2012 to Q1 2013. Investments made in Georgia and North Carolina were 5x and 2x higher, respectively.
  - There appears to be some momentum, particularly in biosciences and technology, led by firms including Innova, MB Ventures, and SSM Partners.
  - One reason for this recent growth is the Tennessee Investment Small Business Company Act, passed in 2009, that spurred increased VC investments in small businesses around the state.*

- Similarly, SBA lending in Memphis has been limited historically compared to many other cities, but it appears to be increasing.
  - According to 2012 SBA report, only one of the top ten small business lenders in Tennessee from 2010 to 2011, Paragon National Bank, was focused on Memphis.
  - However, lending in Shelby County has increased significantly since 2010. In 2011, it topped $54M, more than a 160% increase from 2010 and gained ~13% from 2011 to 2012, reaching $61M.

- Local sources of small business capital also appear to be increasing and should provide a significant benefit to businesses located in the inner city, as well as an incentive to those looking to relocate there.
  - The EDGE Impact Fund is a loan program guaranteed by the National Development Council ("NDC"), a division of the SBA, that provides loans ranging from $150K to $2M. An amount of $500K from EDGE is being leveraged by NDC to provide $3M in loans to businesses in underserved areas.

Note: *The TNInvestco program provides funding to VC firms to invest in startup companies located in the state (or looking to relocate to it) through a $200M state fund. The program requires VC firms to invest 50% of their funding in the first two years and 100% in five years. Source: U.S. Small Business Administration, Memphis Business Journal, Tri-State Defender, Smart City Memphis, Memphis Business Journal, PricewaterhouseCoopers/National Venture Capital Association.
Ecosystem: Technical Assistance and Capital Providers

Memphis has several technical assistance and capital providers, but interview findings suggest that gaps remain. Clarity around organizational strengths, a focus on outcomes, and enhanced coordination can help enhance this ecosystem.

**Focus**

**Start-Up/Micro**
- Business Enterprise Resource Office
- alt.Consulting
- FedEx Institute of Technology*
- Memphis BioWorks*
- Emerge Memphis (Incubator)
- LaunchYourCity, Inc.
- Operation Jumpstart
- MAMCA*

**Small**
- SBA e200
- SEEDCO
- RBC
- TSBDC
- SCORE
- EDGE (Small Business Development Specialist)

**Medium/Large**
- Greater Memphis Chamber of Commerce
- International Trade Administration*
- MMBC/MBDA

**Technical Assistance**
- Accion**
- LOCCDC Micro Loan & PRIME Grant Programs
- River City Capital
- MAAG Revolving Loan Fund
- Innova*
- EDGE Impact Fund

**Capital**
- Paragon National Bank
- Magna Bank
- Tri State Bank
- MB Venture Partners*
- National Banks (BoA, Wells Fargo)

*Note: *Industry-specific providers/funders. **Accion opened their Memphis office in March 2013. Source: Various Resource Guides, Organization Websites, Project Interviews*
Resources: Philanthropic Support

Memphis has a few larger foundations and receives some support from national foundations; however, compared to many of other cities, the philanthropic community is fairly small.

The Memphis region is home to a few large community foundations and has received some support from national foundations, such as Surdna.

However, the overall size of the philanthropic community in Memphis is small compared to many other cities.

For example, the Kresge Foundation, one of many large foundations that focuses on Detroit, has assets of $3.1B (more than 10x the size of Memphis’s largest foundation).

In addition, only one of the top 50 U.S. foundations awarding community improvement and development grants is located in or focused on Memphis (Surdna, ranked 11th).

Top Foundations Awarding Grants in the State of Tennessee

<table>
<thead>
<tr>
<th>Foundation</th>
<th>Location</th>
<th>Type</th>
<th>Assets ($M)</th>
<th>Dollars Awarded in TN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Foundation of Middle Tennessee</td>
<td>Nashville</td>
<td>CM</td>
<td>$370M</td>
<td>$37M</td>
</tr>
<tr>
<td>Community Foundation of Greater Memphis</td>
<td>Memphis</td>
<td>CM</td>
<td>$280M</td>
<td>$16M</td>
</tr>
<tr>
<td>The Poplar Foundation</td>
<td>Memphis</td>
<td>IN</td>
<td>$200M</td>
<td>$13M</td>
</tr>
<tr>
<td>Lyndhurst Foundation</td>
<td>Chattanooga</td>
<td>IN</td>
<td>$160M</td>
<td>$11M</td>
</tr>
<tr>
<td>The Plough Foundation</td>
<td>Memphis</td>
<td>IN</td>
<td>$108M</td>
<td>$10M</td>
</tr>
<tr>
<td>Hyde Family Foundations</td>
<td>Memphis</td>
<td>IN</td>
<td>$115M</td>
<td>$9M</td>
</tr>
<tr>
<td>The Assisi Foundation of Memphis, Inc.</td>
<td>Memphis</td>
<td>IN</td>
<td>$190M</td>
<td>$8M</td>
</tr>
<tr>
<td>The Frist Foundation</td>
<td>Nashville</td>
<td>IN</td>
<td>$200M</td>
<td>$7M</td>
</tr>
<tr>
<td>Community Foundation of Greater Chattanooga</td>
<td>Chattanooga</td>
<td>CM</td>
<td>$90M</td>
<td>$7M</td>
</tr>
<tr>
<td>Lilly Endowment</td>
<td>Indiana</td>
<td>IN</td>
<td>$6,148M</td>
<td>$6M</td>
</tr>
</tbody>
</table>

CM = Community Foundation, IN = Independent Foundation

Note: FedEx also has a sizeable corporate giving program (The FedEx Corporation Contributions Program) that is focused on Disaster Readiness, Relief and Recovery; Pedestrian and Road Safety; and Environmental Sustainability. In 2011, the company’s cash and in-kind giving totaled 1.51% of pre-tax profits (or ~$34M). Source: The Foundation Center, FedEx Website and 10K
Resources: Federal Support

Similarly, Memphis historically has underperformed other cities in accessing and leveraging available federal resources. Despite some recent wins (e.g., SC2, U.S. EDA), Memphis (both the City and region) have underperformed in accessing federal resources.

- For example, the City of Memphis ranks 20th in population but 52nd and 599th in total and non-real estate NMTC investments.
- In addition, federal money that has been awarded has not always been leveraged or spent successfully. Two examples include:
  - MAAG loan program, which almost shut down previously because of unspent funds.
  - WIN funding, which at one point had to turn back nearly $6M annually.
- The City does not appear to have an organized delegation tracking federal money and trends. This is likely to become even more important going forward as federal funding to states and state funding to cities declines.

### New Markets Tax Credit Investments (2003-10)*

<table>
<thead>
<tr>
<th>NMTC Investments Total / By Type</th>
<th>Amount (2003-10)</th>
<th>Rank out of All U.S. Cities with NMTC Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total NMTC Investments</td>
<td>$77,553,136</td>
<td>52nd</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$77,343,136</td>
<td>38th</td>
</tr>
<tr>
<td>Non-Real Estate</td>
<td>$210,000</td>
<td>599th</td>
</tr>
<tr>
<td>Loan/Investment to a Community Development Entity</td>
<td>$ -</td>
<td>N/A</td>
</tr>
</tbody>
</table>

A recent analysis of NMTC investments found a split of 18% business/82% real estate for inner cities and 22%/78% for Rest of Central City areas. Assuming that Memphis’s real estate NMTC investments are fixed, this suggests that $17M to $22M in business NMTC investments is being left on the table.

MBE Landscape: Firm Ownership By Type and Race

Black/African-American-owned firms account for nearly 40% of the firms in Memphis; however, the vast majority of these firms have no employees (i.e., they are mostly self-employed workers).

Memphis Firms: Ownership By Race (2007)*

- Memphis has more than 50K firms, of which nearly 20K (or 40%) are Black/ African American-owned.

- However, there is a significant difference in the type and size of White- and Black-owned firms. Black-owned firms account for 47% of firms without employees but only 8% of firms with employees.

- One factor behind these trends is low “graduation” rates of Black-owned firms from firms without employees into firms with employees. Memphis ranks fourth among the largest 50 cities in graduating White-owned firms but 44th in graduating Black-owned firms.

Note: * Classifiable firms only. Source: U.S. Census Survey of Business Owners 2007; Mass Economics Analysis.
MBE Landscape: Memphis v. Other Major Cities

Memphis ranks about average in terms of firms-to.population overall. However, a comparison of firms with employees shows that Memphis has proportionately fewer Black-owned firms relative to White-owned firms, although the Black-owned firms that do have employees earn higher-than-average revenues per firm compared to their national peers.

### Firms with and without Employees-to-Population

<table>
<thead>
<tr>
<th>Type of Firm / Rank</th>
<th>All Firms</th>
<th>White Owned Firms</th>
<th>Black Owned Firms</th>
<th>Ratio of White- to Black-Owned Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td># Firms - All Firms</td>
<td>52,130</td>
<td>27,695</td>
<td>19,895</td>
<td>1.4</td>
</tr>
<tr>
<td>Ratio of Firms to Population ('000)</td>
<td>154</td>
<td>257</td>
<td>96</td>
<td>2.7</td>
</tr>
<tr>
<td>Rank out of 50 Largest Cities</td>
<td>30</td>
<td>10</td>
<td>19</td>
<td>36</td>
</tr>
<tr>
<td>Revenue / Firm - All Firms</td>
<td>220,914</td>
<td>172,529</td>
<td>41,207</td>
<td>4.2</td>
</tr>
<tr>
<td>Rank out of 50 Largest Cities</td>
<td>31</td>
<td>12</td>
<td>33</td>
<td>N/A</td>
</tr>
<tr>
<td># Firms - Without Employees</td>
<td>40,973</td>
<td>19,913</td>
<td>19,157</td>
<td>1.0</td>
</tr>
<tr>
<td>Ratio of Firms to Population ('000)</td>
<td>121</td>
<td>185</td>
<td>92</td>
<td>2.0</td>
</tr>
<tr>
<td>Rank out of 50 Largest Cities</td>
<td>29</td>
<td>12</td>
<td>15</td>
<td>23</td>
</tr>
<tr>
<td>Revenue / Firm - Firms Without Employees</td>
<td>37,975</td>
<td>53,872</td>
<td>17,491</td>
<td>3.1</td>
</tr>
<tr>
<td>Rank out of 50 Largest Cities</td>
<td>46</td>
<td>9</td>
<td>35</td>
<td>N/A</td>
</tr>
<tr>
<td># Firms - With Employees</td>
<td>11,156</td>
<td>7,782</td>
<td>737</td>
<td>10.6</td>
</tr>
<tr>
<td>Ratio of Firms to Population ('000)</td>
<td>33</td>
<td>72</td>
<td>4</td>
<td>20.3</td>
</tr>
<tr>
<td>Rank out of 50 Largest Cities</td>
<td>38</td>
<td>4</td>
<td>41</td>
<td>47</td>
</tr>
<tr>
<td>Revenue / Firm - Firms With Employees</td>
<td>$ 240,668</td>
<td>$ 190,852</td>
<td>129,480</td>
<td>1.5</td>
</tr>
<tr>
<td>Rank out of 50 Largest Cities</td>
<td>35</td>
<td>21</td>
<td>8</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: U.S. Census Survey of Business Owners 2007; Mass Economics Analysis
MBE Landscape: Differences in Industry Mix

Minority firms tend to concentrate in local sectors, such as retail, health care, and local services; non-minority firms are in general more diversified and have relatively higher concentrations in certain sectors, such as professional services.

Memphis Firms By Industry, Ownership, and Type

Note: * Other Services includes activities not classified elsewhere, such as equipment and machinery repairing, promoting or administering religious activities, dry cleaning/laundry services, etc. **Other includes manufacturing, transportation and warehousing, information, educational services, management of companies, and arts, entertainment, and recreation. Source: U.S. Census Survey of Business Owners 2007; Mass Economics Analysis
Geography: Regional Population and Employment Growth

The Memphis Region (or MSA) has kept pace with the nation in terms of population growth, and while employment growth exceeded that of the nation from 1990 to 2000, it has underperformed the U.S. growth rate over the past decade.


<table>
<thead>
<tr>
<th></th>
<th>Shelby County</th>
<th>Memphis MSA</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population 1990-2000</td>
<td>8%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Population 2000-2010</td>
<td>3%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Employment 1990-2000</td>
<td>23%</td>
<td>28%</td>
<td>21%</td>
</tr>
<tr>
<td>Employment 2000-2010</td>
<td>-8%</td>
<td>-6%</td>
<td>-3%</td>
</tr>
<tr>
<td>Manufacturing Employment 1990-2000</td>
<td>-11%</td>
<td>-8%</td>
<td>-3%</td>
</tr>
<tr>
<td>Manufacturing Employment 2000-2010</td>
<td>-22%</td>
<td>-28%</td>
<td>-34%</td>
</tr>
</tbody>
</table>

From 2000 to 2010, Shelby County's manufacturing employment declined significantly less than that of the U.S.

**Source:** U.S. Census Decennial Census, Quarterly Census of Employment and Wages
Geography: City Population and Employment Density

Memphis is less densely populated than most major cities and is becoming increasingly sprawled out given stagnant population and declining employment growth combined with a growing land area.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><img src="chart.png" alt="Bar Chart" /></td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>2010</td>
</tr>
</tbody>
</table>

- From 2000-10, the City of Memphis experienced stagnant population growth and declining employment (-18%) while its land area increased 13%.
- As a result, population and employment density – already low compared to most large cities – has become even lower.
- In addition, Memphis’s vacancy rates exceed national averages. As of Q1 2013, the region’s rental housing vacancy rate (15%) ranked 71st out of 75 regions.
- These issues will exacerbate the widespread belief in investing in all neighborhoods, which appears to be a major hurdle for targeting incentives as part of a city-wide vision for growth.

<table>
<thead>
<tr>
<th>Land Area (Sq. Mi.)</th>
<th>279</th>
<th>315</th>
</tr>
</thead>
<tbody>
<tr>
<td>Density (‘000)</td>
<td>2.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Rank - Top 100 Cities</td>
<td>71</td>
<td>66</td>
</tr>
</tbody>
</table>

Source: U.S. Census County Business Patterns, Decennial Census, Housing Vacancies and Homeownership; Initiative for a Competitive Inner City, et al, Detroit Future City Analysis; Federal Reserve, The Regional Economist (July 2010)
Opportunities / Barriers: Findings and Implications

Several implications arose from the findings, including the need for strategies around funding sources and land use.

**Findings**

- **Ecosystem**: Solid base of EDOs/providers and new organizations and initiatives but also a lack of collaboration and coordination, technical assistance and capital gaps, and a need for better data systems.

- **Resources**: Relatively small philanthropic community, limited use of federal resources, changing landscape of federal and state support.

- **MBE Landscape**: Significant difference in “graduation rates” between White- and Black-owned firms, fairly strong performance of Black-owned firms with employees, underperformance of non-employer firms.

- **Geography**: The City of Memphis is becoming less dense as its population has been stagnant and employment has declined. It also has very high vacancy rates compared to other major cities.

**Implications**

- Better coordination/collaboration aided by a deeper understanding of each organization’s strengths and how they fit together can play a role in addressing gaps. Data/outcomes tracking will be vital.

- Memphis needs a strategy for attracting state, federal, and national philanthropic money that reflects the radical changes occurring in these funding sources.

- Performance of MBEs is likely a reflection of specific challenges facing these firms. A focus on supporting firm growth, more coordination among providers, and an improved certification process will be important.

- Low density has implications for resource decisions, making it harder to invest across neighborhoods. There is a need for large-scale land use planning as well as innovative ideas (e.g., shared services).
Agenda

– Background

– **Existing Tools and Incentives**
  – Overview of Tools and Incentives
  – Applicability to Small Businesses

– Recommendations on Using Incentives to Drive Growth in Memphis
Tools and Incentives: Overview By Category

There are nearly 50 tools and incentives available to companies and other entities located in the Memphis Region. Nearly half of the available incentives are tax credits, and most incentives are targeted to either a specific industry, location, or type of investment (e.g., housing, green energy).

Number of Tools and Incentives – By Category*

Note: *Most incentives fall into multiple categories. Source: Community LIFT Memphis – All Incentives Guide, Organization Websites
Tools and Incentives: Overview By Issuing Organization

The State of Tennessee is by far the largest issuer of incentives, followed by EDGE, MLGW, and the Tennessee Housing Development Agency

Source: Community LIFT Memphis – All Incentives Guide, Organization Websites
Tools and Incentives: Applicability to Small Businesses

The vast majority of available tools and incentives are not applicable for most small businesses in Shelby County due to various requirements, such as size of investment, geographic location, or type of industry.

Tools and Incentives - Analysis

- **47 Total Incentives**
  - **44 Applicable to Shelby County**
  - **3 Rural Focus/Not Applicable to Shelby County**

  - **33 Focused on Business**
    - **6 Capital Investment**
      - *Incentive/Tool Focus & Small Businesses Applicability*
        - Large investment requirements (3); Targeted to communities (1); Applicable only to Downtown (1); Possibly applicable to small businesses but underleveraged (1, NMTCs)
  - **11 Focused on Housing**
    - **8 Energy/Green**
      - Targeted to small businesses in certain industries (1); May be applicable to small businesses but have requirements (3); Geared toward medium/large businesses (4)
    - **3 General Business Investment**
      - Applicable to small businesses (3)
    - **6 Industry Specific**
      - Geared toward medium/large businesses (3); Restrictions in terms of industry/location (3)
  - **7 Workforce/Training**
    - Geared toward large businesses (3); Require development of training plans, a possible barrier (3); May be applicable for small businesses hiring certain types of employees (1)
  - **3 Headquarters**
    - Geared toward medium / large businesses with headquarters (3)

Source: Community LIFT Memphis – All Incentives Guide, Organization Websites
Tools and Incentives: Applicability to Small Businesses

There are five tools and incentives geared specifically toward small businesses, which are mostly focused on businesses that are more established (e.g., revenues of $1M and up). A few additional tools and incentives (e.g., MEM SHOP) are being piloted or developed and will help to increase the support provided to Memphis’s small businesses.

### Tools and Incentives – Small Business Focus

<table>
<thead>
<tr>
<th>Incentive / Tool</th>
<th>Description</th>
<th>Notes/Restrictions</th>
</tr>
</thead>
</table>
| New Markets Tax Credit (NMTC)                       | - Designed to subsidize private sector investment in low-income communities by creating a 39% tax credit for equity investments in an NMTC recipient (Community Development Entities, or CDEs)                 | - NMTCs, and particularly non-real estate loans, have been historically underleveraged in Memphis  
- Criteria and compliance can be barriers for investors pursuing business investments |
| *U.S. Department of the Treasury, Tennessee Department of Treasury* | - Includes real estate and non-real estate business investments in low-income communities. The average investment sizes in cities (based on 2004-08 data) were $3.0M to $3.2M for business loans and $7.0M to $7.5M for commercial real estate loans |                                                                                                                                                                                                              |
| Small Business Energy Loan Program State of Tennessee | - Provides low-interest loans of up to $300K to facilitate the adoption of energy efficiency measures  
- Created to facilitate in the identification, installation, and incorporation of energy efficiency measures into existing facilities  
- Applicants must be a small business of less than 300 employees or less than $3.5M in annual gross sales or receipts (or a government entity on their behalf) | - Limited to energy efficiency  
- Part of the Small Business Environmental Assistance Program mandated by the Federal 1990 Clean Air Act Amendments                                                                                     |
| Economic Gardening Program *EDGE, MIDT*             | - Recently launched program to support home-grown businesses in Memphis and Shelby County  
- Focuses on growth businesses with revenue between $1M and $50M and 10 to 100 employees  
- Provides technical assistance to develop and expand existing local businesses with growth potential | - New program. The incentive is being tested with a pilot of 22 businesses in Memphis but may expand in the future                                                                                           |
| Impact and Grow America Fund Programs *EDGE*        | - Provides expansion loans to established businesses with an emphasis on manufacturers and distributors  
- Loans range from $150K to $2M and may be used for any legitimate business purpose (working capital, equipment, property acquisition/construction, etc.) | - Requires that businesses be operating for at least 18 months and be in good financial standing                                                                                                                   |
| Revolving Loan Fund Program *Memphis Area Association of Governments (MAAG)* | - EDA fund that targets small businesses and entrepreneurs with the primary purpose of creating and retaining jobs. Provides gap financing for business startup; expansion and conversion costs; and working capital  
- Loans range from $25K to $150K and terms are flexible | - Requires some bank financing  
- Requires a fairly detailed application                                                                                                                                                        |

Agenda

- Background
- Existing Tools and Incentives

- **Recommendations on Using Incentives to Drive Growth in Memphis**
  - Framing
  - Initiatives
  - Pilot Recommendations
Framing: Key Areas of Focus

The long list of potential initiatives is focused on five key areas that would help to address the biggest barriers to inclusive growth

Key Areas of Focus

- **Technical Assistance**
  - Understand the need for technical assistance among firms of all types and sizes
  - Work to identify and address gaps in technical assistance resources
  - Data systems that track outcomes can play an important role

- **Capital Availability**
  - Similar to technical assistance, understanding and addressing gaps will be important
  - Opportunities to leverage a variety of capital sources that Memphis has not effectively leveraged in the past

- **M/WBE Resources**
  - National debate on how best to support M/WBE growth, which also appears to be playing out in Memphis (support high-growth or small/lower-growth M/WBEs). Memphis likely needs both as well as a better coordinated certification system

- **Incentives to Invest**
  - Opportunities to build upon recent successes and to make some incentives more accessible/applicable to small businesses
  - Innovative solutions (such as MEM SHOP) will be important, particularly in developing tools and incentives that align with new economic development approaches

- **Neighborhood Focus**
  - Short-term opportunities exist to enhance awareness and education in neighborhoods
  - For longer-term strategies, the City would benefit from a full-scale land use planning exercise, which could be used to inform strategies such as employment districts
Framing: Timing of Initiatives

Timing was also taken into account in developing the long list of initiatives.

Scale the Best Current Initiatives
- Includes initiatives that are in place, recently implemented, or are being planned, with a focus on scaling the “best of” initiatives

Implement Short-Term Initiatives
- Includes initiatives that might be considered “low hanging fruit” or be put into place over the next six months

Work Toward Long-Term Solutions and Alignment
- Includes initiatives that involve long-term planning or that require a longer time frame to implement

Enhanced Communication and Collaboration
Framing: Approaches to Changing Incentives

There may be opportunities to aggregate small business activity – rather than scale incentives down – as a means to overcome some of the existing barriers to supporting small businesses.

<table>
<thead>
<tr>
<th>Tools and Incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Approach 1: Scale Tools/Incentives Down</strong></td>
</tr>
<tr>
<td>- Reduce size of tool/incentive (e.g., smaller loan sizes)</td>
</tr>
<tr>
<td>- Reduce requirements for obtaining tool/incentive (e.g., number of jobs created, size of investment)</td>
</tr>
<tr>
<td>- Increase access to tool/incentive (e.g., reducing resources needed to access the tool/incentive)</td>
</tr>
<tr>
<td>- <em>This approach may require policy changes and internal champions given that many of the organizations involved are large bureaucracies</em></td>
</tr>
</tbody>
</table>

| **Approach 2: Aggregate Small Business Activity** |
| - Companies in shared spaces, or even on shared city blocks, may be able to work together to increase efficiencies (e.g., one point of contact) and leverage incentives targeted to larger companies/users |

Small Business Activity
Initiatives: Technical Assistance

Focus: Strengthening the current system of technical assistance providers, specifically through understanding strengths, identifying and addressing gaps, and enhancing data systems

Scale Current Initiatives

- EDGE Small Business Programs (Economic Gardening Program)
- Initiatives of other providers, particularly where there is a need for services (e.g., alt.Consulting for smaller businesses, MMBC for M/WBE businesses)
- Invest in resources that support and drive the entrepreneurial ecosystem (e.g., MORE)

Implement Short-Term Initiatives

- Complete map of technical assistance resources with a focus on small businesses
- Implement a referral system between EDOs and providers and among providers
- Leverage Chamber of Commerce’s Chairman’s Circle to gain support for efforts to support small, local, and M/WBE businesses

Work Toward Long-Term Solutions & Alignment

- Implement a system for tracking outcomes
- Fill existing technical assistance gaps by working to make current providers more effective (which data tracking should help) and, if necessary, by attracting additional providers
Initiatives: Capital Availability

Focus: Scaling new sources of capital, creating a referral system, and finding ways to leverage federal and philanthropic resources

<table>
<thead>
<tr>
<th>Scale Current Initiatives</th>
<th>Implement Short-Term Initiatives</th>
<th>Work Toward Long-Term Solutions &amp; Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDGE Financing (Impact and Grow America Fund Programs)</td>
<td>Complete map of capital resources with a focus on small businesses</td>
<td>Implement a system for tracking outcomes</td>
</tr>
<tr>
<td>Other sources of capital that have recently come online (e.g., River City Capital, Accion)</td>
<td>Implement a referral system between EDOs and providers and among providers, including banks and other relevant financial institutions</td>
<td>Fill existing capital gaps through the scaling of current initiatives and/or the attraction of additional capital providers</td>
</tr>
<tr>
<td></td>
<td>Further analyze opportunities for leveraging available capital sources (e.g., federal, philanthropic), including a formal resource/delegation for watching federal money and trends</td>
<td>Consider creation of a pool of local funds, created through philanthropic support, that can be accessed by those seeking federal funding, which in many cases require matching funds*</td>
</tr>
</tbody>
</table>

Note: *In Cleveland, for example, the region, through foundation support, has developed a very expensive EDO system; however, the EDOs have attracted approximately $40M in federal grants over the past three years, which represents a high ROI for philanthropic dollars.
Initiatives: M/WBE Resources

Focus: Identifying gaps in support for M/WBEs of different types and sizes, creating a more flexible and coordinated certification system, and ensuring that inclusion strategies are part of the MBP process

<table>
<thead>
<tr>
<th>Scale Current Initiatives</th>
<th>Implement Short-Term Initiatives</th>
<th>Work Toward Long-Term Solutions &amp; Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>– Several M/WBE providers, including MMBC, NAWBO, Black Business Directory, Black Business Association, among others</td>
<td>– The mapping of providers should include organizations focused on M/WBEs to understand how different types and sizes of M/WBEs are being supported and to identify gaps</td>
<td>– Implement a system for tracking outcomes</td>
</tr>
<tr>
<td>– Invest in resources that support and drive M/WBE growth (e.g., MORE)</td>
<td>– Leverage the Chamber of Commerce’s Chairman’s Circle to gain support for M/WBE efforts</td>
<td>– Implement cluster-specific approaches to M/WBE inclusion, which could potentially be part of the MBP process</td>
</tr>
<tr>
<td></td>
<td>– Address certification issues by enhancing coordination (e.g., reciprocity) and increasing flexibility for M/WBEs in need of certification</td>
<td>– Leverage successful local examples (e.g., City’s recent increase in M/WBE spend, MLGW) to identify and spread best practices among Memphis’s corporations</td>
</tr>
</tbody>
</table>
### Initiatives: Incentives to Invest

**Focus:** Scaling current initiatives (particularly MEM SHOP), evaluating some shorter term initiatives to leverage existing resources and incentives, and thinking about incentives in the context of longer-term strategic planning

<table>
<thead>
<tr>
<th>Scale Current Initiatives</th>
<th>Implement Short-Term Initiatives</th>
<th>Work Toward Long-Term Solutions &amp; Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly implemented incentives (MEM FIX/MEM SHOP/MEM MOBILE)</td>
<td>Expand MEM SHOP to include services (e.g., Local B2B)</td>
<td>Implement system for tracking outcomes</td>
</tr>
<tr>
<td>Existing incentives (State of Tennessee, TVA/MLGW, DMC, etc.)</td>
<td>Continue evaluating options for alternative incentives (e.g., TIFs, NMTCs)</td>
<td>Consider census tract level incentives (e.g., PILOTs) as part of longer-term / MBP efforts</td>
</tr>
<tr>
<td>Leverage/market availability of capital resources as an incentive</td>
<td>Develop a job creation incentive that provides credits for new jobs regardless of the overall number of jobs created</td>
<td>The use of shared spaces (see next page) could alleviate barriers to investment, particularly the owner / tenant challenge</td>
</tr>
<tr>
<td></td>
<td>Create a fund (or leverage the MAAG fund) to provide loans for energy investments (i.e., where MLGW incentives do not cover the full cost) or create alternative payback schedules (e.g., installments)</td>
<td>These might be industry specific – e.g., food incubators</td>
</tr>
</tbody>
</table>

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## Initiatives: Neighborhood Focus

Focus: Strengthening the links between resources and neighborhoods and developing long-term strategies for investing in neighborhoods

<table>
<thead>
<tr>
<th>Scale Current Initiatives</th>
<th>Implement Short-Term Initiatives</th>
<th>Work Toward Long-Term Solutions &amp; Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>–Community LIFT</td>
<td>–Align geography of incentives with MBP spatial efficiency efforts</td>
<td>–Consider the use and development of shared spaces, which would not only alleviate investment barriers but would also enhance efficiencies (e.g., creating a single point of contact) and align incentives with opportunities</td>
</tr>
<tr>
<td>–MIDT</td>
<td>–Implement stakeholder alignment groups</td>
<td>–Evaluate opportunities for conducting a large-scale land use planning project</td>
</tr>
<tr>
<td>–Sear’s Crosstown (as a shared space)</td>
<td>–Provide resources to strengthen neighborhood marketing and education efforts (e.g., financial literacy)</td>
<td>–Identify employment districts to target for investment</td>
</tr>
<tr>
<td></td>
<td>–Implement neighborhood-specific anchor strategies</td>
<td></td>
</tr>
</tbody>
</table>
## Pilot Recommendations: Overview

The following 12 initiatives are recommended for piloting

<table>
<thead>
<tr>
<th>Initiative/Tool/Incentive</th>
<th>Potential Partner(s)</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revise/create a new PILOT program in targeted, strategic areas</td>
<td>EDGE, Health Education Board</td>
<td>3-6 Months</td>
</tr>
<tr>
<td>2. Revise/create an installment plan policy for small business utility costs</td>
<td>MLGW, Mayor’s Office, MAAG, Banks</td>
<td>3-6 Months</td>
</tr>
<tr>
<td>3. Launch a façade program for commercial corridors</td>
<td>EDGE, MIDT, Mayor’s Office</td>
<td>3-6 Months</td>
</tr>
<tr>
<td>4. Develop a tenant improvement program</td>
<td>EDGE, MIDT, River City Capital</td>
<td>3-6 Months</td>
</tr>
<tr>
<td>5. Designate a portion of loan funds toward a core city loan product</td>
<td>EDGE, MAAG, River City Capital</td>
<td>3-6 Months</td>
</tr>
<tr>
<td>6. Provide urban market analysis and data to inner-city businesses</td>
<td>TVA, MLGW, Mayor’s Office, U. of M.</td>
<td>3-6 Months</td>
</tr>
<tr>
<td>7. Expand Local B2B efforts to a larger Memphis-to-Memphis Initiative</td>
<td>Mayor’s Office, MORE, MMBC, Chamber, Memphis Tomorrow</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>8. Expand the Special Opportunities Counties Fund to targeted urban areas</td>
<td>TVA, MLGW, Mayor’s Office</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>9. Scale down the Valley Investment Initiative to include small businesses</td>
<td>TVA, MLGW, Mayor’s Office</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>10. Revise job incentive programs to benefit inner city / small businesses</td>
<td>TN Dept. of ECD, Mayor’s Office, WIN</td>
<td>6-12 Months</td>
</tr>
<tr>
<td>11. Study the feasibility of employment districts</td>
<td>EDGE, Community LIFT, MIDT</td>
<td>6-18 Months</td>
</tr>
<tr>
<td>12. Align with longer-term planning processes (e.g., MBP)</td>
<td>EDGE, Community LIFT, MIDT</td>
<td>0-36 Months</td>
</tr>
</tbody>
</table>
Pilot Recommendations: 3-6 Months

Six of the 12 initiatives recommended for piloting would take place over a three-to-six-month period

<table>
<thead>
<tr>
<th>Initiative/Tool/Incentive</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1. Revise/create a new PILOT program in targeted, strategic areas | - Revise or create a new Payment in Lieu of Taxes (“PILOT”) Program that mirrors that of the Downtown Memphis Commission*  
- The PILOT program is designed to encourage commercial real estate development in and around downtown by "freezing" property taxes at the predevelopment level for a predetermined period of time. Goals include attracting private sector investment for redeveloping vacant and existing property and getting property back to its highest and best use. There is no job requirement and the project must pass the “but for” test (i.e., but for the incentive, the project’s finances would not work)  
- A revised PILOT could be tested over three to five years in the four LIFT/MIDT neighborhoods and eventually expanded to the core city**  
- Potential Partners: EDGE, Health Education Board |
| 2. Revise/create an installment plan policy for small business utility costs | - Revise or create a policy that allows small businesses (i.e., 1 to 25 employees and less than $2M in receipts) to have an installment plan for MLGW-related construction costs. Paying these fees upfront can be a significant barrier  
- Alternatively, partner with the City or others (e.g., MAAG) to create a fund to provide energy investment loans (i.e., where MLGW’s utility construction incentive does not cover the full cost) or allow for alternative payback schedules (e.g., installments). Companies receiving loans would be supported by EDGE, LIFT, or another provider  
- Any vacancy created when a participating firm goes out of business could be added to a site selection “priority list” to increase the likelihood of reoccupation  
- Potential Partners: MLGW, Mayor’s Office, MAAG, Banks |

Note: * Refer to the Appendix for information regarding specific incentives mentioned in this section. ** Refer to the Appendix for information on the LIFT/MIDT neighborhoods. Source: Project Interviews, Community LIFT – All Incentives Guide/Website
Pilot Recommendations: 3-6 Months (continued)

Six of the 12 initiatives recommended for piloting would take place over a three-to-six-month period

<table>
<thead>
<tr>
<th>Initiative/Tool/Incentive</th>
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</table>
| 3. Launch a façade program for commercial corridors | - Part of the Inner City Economic Development (“ICED”) Program*, the Façade Program is a forgivable loan program that will provide a minimum of eight businesses with loans of up to $25K, a portion of which must be matched by the business, for investing in the façade and/or interior improvements. Improvement loans to businesses are forgivable at a rate of 20% per year from the loan close
- Businesses must submit plans for the proposed projects and engage EDGE/MIDT-approved architects to complete the work
- Businesses receiving loans will also receive up to 24 hours of business development consulting services and retail trends assistance
- **Potential Partners: EDGE, MIDT, Mayor’s Office** |
| 4. Develop a tenant improvement program | - Develop a tenant improvement program to incentivize existing commercial property owners to make improvements either before or after a tenant has been identified
- This program would be similar to DMC’s Development Loan Program, which is designed to encourage commercial real estate development within the Central Business Improvement District. DMC’s program offers low-interest loans of up to $90K to finance building renovations. Loans are amortized over a 20-year period at a 3% interest rate with a balloon payment due at the end of the 10th year
- **Potential Partner: EDGE, MIDT, River City Capital** |

*Phase I of the ICED Program will focus on program testing and refinement. During this phase, EDGE will allocate an initial $175K from the ICED fund to test and refine potential programs. This allocation will be leveraged with $50K from MIDT. Program testing will be completed no later than October 2014. The program budget will be allocated as follows: Business Façade and Interiors Improvement – Forgivable Loan ($125K), Streetscape Improvements and Street Furniture ($50K), Improved Signage ($20K), Business Marketing Support ($10K), and Business Mentorship/Consulting Work ($20K). Phase II of ICED will be the full program launch. Source: Project Interviews, Draft ICED Resolution, Community LIFT – All Incentives Guide/Website
**Pilot Recommendations: 3-6 Months (continued)**

Six of the 12 initiatives recommended for piloting would take place over a three-to-six-month period.

<table>
<thead>
<tr>
<th>Initiative/Tool/Incentive</th>
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</tr>
</thead>
<tbody>
<tr>
<td>5. Designate a portion of loan funds toward a core city loan product</td>
<td>- Designate a portion of available loan funds from MAAG and EDGE, as well as funds from River City Capital, toward a core city loan product&lt;br&gt;- A core city loan product could be used to support small businesses (e.g., an Urban Small Business and Entrepreneurship Loan Fund targeting low-income census tracts with commercial/industrial areas) or provide loans for utility investments (as per Initiative #2)&lt;br&gt;- A core city focus would ensure that the City of Memphis benefits from the $600K investment it gave to MAAG for an EDA match grant of $3M, which required an 80-20 match and helped refinance MAAG’s Revolving Loan Fund&lt;br&gt;- Potential Partners: EDGE, MAAG, River City Capital</td>
</tr>
<tr>
<td>6. Provide urban market analysis and data to inner-city businesses</td>
<td>- Make available urban market analysis, data, and research for businesses that are located or looking to locate within the inner city and that are partnering or working with the Chamber of Commerce, MIDT, LIFT, MORE, and/or EDGE&lt;br&gt;- Data will provide firms and economic development leaders with a deeper understanding of the inner city landscape, including the opportunities, assets, and challenges, and help enhance decision making&lt;br&gt;- Revitalize Memphis’s participation in the National Neighborhood Indicators Partnership (“NNIP”), a collaboration of the Urban Institute and local partners in 37 cities to further the development and use of neighborhood-level information systems for community building and local decision-making&lt;br&gt;- Potential Partners: TVA, MLGW, Mayor’s Office, University of Memphis</td>
</tr>
</tbody>
</table>

Source: Project Interviews, Community LIFT – All Incentives Guide/Website
Pilot Recommendations: 6-12 Months

Four of the 12 initiatives recommended for piloting would take place over a six-to-twelve month period

<table>
<thead>
<tr>
<th>Initiative/Tool/Incentive</th>
<th>Description</th>
</tr>
</thead>
</table>
| 7. Expand Local B2B efforts to a larger Memphis-to-Memphis Initiative | - Expand Business-to-Business (B2B) efforts to a Memphis-to-Memphis Initiative  
- Conduct an in-depth study to understand the needs of the City’s major purchasers in order to develop this broader initiative. The study would include an analysis of the opportunities to grow and strengthen TDL-related B2B and a separate analysis on the needs of anchor institutions, including a data tracking system  
- This exercise would help get larger buyers on board as it would be focused on meeting their needs for goods and services more effectively  
- Additionally, revise and strengthen the local Bonding Program to support local B2B firms requiring capital to fulfill larger contracts  
- *Potential Partners: Mayor’s Office, MORE, MMBC, Chamber, Memphis Tomorrow* |
| 8. Expand the SOCF to targeted urban areas | - Expand the Special Opportunities Counties Fund ("SOCF") to have a special designation for low-income census tracts within urban areas  
- The SOCF provides economically distressed counties with loans for industrial expansion, relocation, retention, and infrastructure development. SOC loans are made to businesses but can also be made to local economic development entities for capacity-building projects  
- The census tracts could be designated using the same approach as used to identify qualifying counties (e.g., lowest per capita personal income) and would be approved by the mayor of each urban area  
- *Potential Partners: TVA, MLGW, Mayor’s Office* |

Source: Project Interviews, http://www.neighborhoodindicators.org, Community LIFT – All Incentives Guide/Website
Pilot Recommendations: 6-12 Months (continued)

Four of the 12 initiatives recommended for piloting would take place over a six-to-twelve month period

<table>
<thead>
<tr>
<th>Initiative/Tool/Incentive</th>
<th>Description</th>
</tr>
</thead>
</table>
| 9. Scale down the Valley Investment Initiative to include small businesses | - Scale down the requirements of the Valley Investment Initiative so that small businesses can also benefit from this incentive  
- The Valley Investment Initiative provides monthly power bill credits to qualifying power customers who contribute to the economic development of the Tennessee Valley. There are several requirements: a 250-kW peak monthly demand; a 25-employee minimum; a commitment to a five-year capital investment of 25 percent of an existing facility’s book value or $2.5M in a new facility; and others  
- Revise requirements to allow density as a qualification criteria. The incentive could be adjusted to benefit areas with a high density of businesses or shared spaces, both of which serve to aggregate small business activity  
- Potential Partners: TVA, MLGW, Mayor’s Office |
| 10. Revise job incentive programs to benefit inner city / small businesses | - Revise existing job creation incentives to support inner-city / small businesses  
- The Rural Opportunity Initiative Enhanced Job Tax Credit provides businesses that are expanding or relocating in rural areas with annual tax credits of $4.5K for each qualified job. A similar initiative could target low-income census tracts with commercial and industrial nodes or corridors that have been identified by city mayors  
- The Jobs Tax Credit provides a credit of $4.5K per new job to offset up to 50% of franchise and excise taxes for business creating at least 25 new jobs within a 36-month period and investing at least $500K in a qualified business enterprise. These requirements could be revised to allow density as a qualification criteria, as above  
- Potential Partners: TN Dept. of ECD, Mayor’s Office, WIN |

Source: Project Interviews, Community LIFT – All Incentives Guide/Website
Pilot Recommendations: 6-18 Months

One of the 12 initiatives recommended for piloting would take place over a six-to-18 month period

<table>
<thead>
<tr>
<th>Initiative/Tool/Incentive</th>
<th>Description</th>
</tr>
</thead>
</table>
| 11. Study the feasibility of employment districts | - Consider the creation of employment districts as a way to prioritize investments, enhance the potential impact of these investments, and increase the likelihood that limited resources are spent effectively  
- The MBP strategic planning process as well as a large-scale land use planning project (if feasible) can help the City to identify potential employment districts  
- Employment districts might be those areas that fill certain criteria, such as 1) areas with a low-income designation and 2) areas that include nodes or corridors of commercial or industrial activity  
- Employment districts might also be targeted toward specific industries or clusters (e.g., clusters that are expected to grow and / or create opportunities for local residents), an area that will also be informed by the MBP process  
- Potential Partners: EDGE, Community LIFT, MIDT |

Source: Project Interviews
Pilot Recommendations: 0-36 Months

The final initiative recommended for piloting would take place over a zero-to-36 month period

<table>
<thead>
<tr>
<th>Initiative/Tool/Incentive</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>12. Align with longer-term planning processes (e.g., MBP)</td>
<td>- In addition to the creation of employment districts, take steps to ensure that the geography of incentives (e.g., targeting of neighborhoods) and efforts to support the core city neighborhoods align with the MBP strategic planning process, particularly in the areas of spatial efficiency and cluster development</td>
</tr>
<tr>
<td></td>
<td>- Alignment with longer-term planning processes, particularly MBP, can help the City to ensure a focus on its assets and strengths in terms of economic activity (e.g., anchors, Local B2B) in relation to those of Shelby County and link core city efforts to regional strategies</td>
</tr>
<tr>
<td></td>
<td>- Work toward ensuring that the alignment of core city efforts with regional strategies is a specified deliverable of the MBP process</td>
</tr>
<tr>
<td></td>
<td>- Potential Partners: EDGE, Community LIFT, MIDT</td>
</tr>
</tbody>
</table>

Source: Project Interviews
Appendix
The diagram illustrates the "Firm 'Graduation Rates'" for both White-owned and Black-owned firms across various cities. Memphis ranks fourth among the top 50 cities in graduating White-owned firms and 44th in graduating Black-owned firms.

The graph shows the percent of firms with employees to firms without employees for 2007. The cities are ranked by their 'Graduation Rates' with White-owned firms represented in blue and Black-owned firms in red.

Source: U.S. Census Survey of Business Owners 2007; Mass Economics Analysis
MBE Landscape: MBE Revenues v. Other Major Cities

Though Black/African American-owned firms with employees in Memphis have lower average revenues than White-owned firms, they perform well compared to Black-owned firms located in other large cities, ranking 8th overall

Revenues (Sales Receipts) By Type of Firm Ownership

- Overall, Memphis ranks about average in terms of firms with employees
  - The City ranks 35th for All Firms (which includes public firms) and 21st for both All Classifiable Firms (not shown) and White-owned firms
  - However, Memphis’s Black/African American-owned firms with employees rank 8th among the top 50 cities

- Performance for Firms without employees shows a different pattern
  - The City ranks 46th for All Firms
  - White-owned firms in this group rank 9th while Black-owned firms rank 35th

Source: U.S. Census Survey of Business Owners 2007; Mass Economics Analysis
MBE Landscape: Firm Size v. Mix – All Firms

Firm size (i.e., revenue per firm) and industry mix are the major factors explaining different revenue totals earned by minority and non-minority firms. Firm size is the biggest factor when looking across all firm types.

**Firm Size v. Mix – Firms with and without Employees**

Source: U.S. Census Survey of Business Owners 2007; Mass Economics Analysis
MBE Landscape: Firm Size v. Mix – Employee Firms

However, differences in firm size are minimal for firms with employees. For these firms, it is mainly the overall number of firms that is driving the difference in revenues between minority and non-minority firms.

**Firm Size v. Mix: Minority v. Non-Minority Firms – Firms with Employees**

Scenario in which minority firms have the same industry mix as non-minority firms.

Source: U.S. Census Survey of Business Owners 2007; Mass Economics Analysis
The City of Memphis has more minority non-employer firms than non-minority firms; however, minority firms earn significantly less money per firm ($21K v. $52K), lending to overall lower total revenues.

Source: U.S. Census Survey of Business Owners 2007; Mass Economics Analysis
Geography: Population and Employment

The Memphis Region (or MSA) has kept pace with the nation in terms of population growth, and while employment growth exceeded that of the nation from 1990 to 2000, it has underperformed the U.S. growth rate over the past decade.


Population

- Population - Memphis: 13% growth 1990-2000, 10% growth 2000-10

Employment

- Employment - Memphis: 28% growth 1990-2000, -6% growth 2000-10

Source: U.S. Census Decennial Census, Quarterly Census of Employment and Wages
Industry Clusters: Local B2B Opportunity

Shelby County’s Local B2B cluster employs over 100K people and accounts for a relatively high share of employment. There are likely opportunities to create jobs both by building on existing strengths and by addressing gaps.

Opportunities for Job Creation within Local B2B

Source: U.S. Census County Business Patterns
Tools and Incentives: Details

**PILOT (Payment-In-Lieu-of Tax) or Tax-Freeze Program (Downtown Memphis Commission)**
- The PILOT program is a financial incentive that is designed to encourage commercial real estate development in and around the Central Business Improvement District by "freezing" property taxes at the predevelopment level for a predetermined period of time.
- To be eligible for a PILOT, the value of the building renovations, site improvements or new construction must be equal to or greater than 60% of the total project cost.
- The program is administered by the Center City Revenue Finance Corporation through an application and review process.

**Utility Construction Incentive (MLGW)**
- When a customer wants to begin or increase its electrical load, MLGW automatically calculates the additional margin that it will receive from this customer over a three-year period and then subtracts that amount from the cost of the investment.
- Where this amount does not fully cover the investment, the customer is responsible for the remaining cost of the construction.

**Downtown Additional Allowance Incentive (MLGW)**
- Allows an additional 50% revenue allowance over MLGW’s standard policy for customers located downtown.
- Eligible customers include developers, residential and commercial. The target area is bounded by Chelsea, Danny Thomas, Crump Blvd and the Mississippi River. These additional incentives are only for revenue extensions.
- Created to promote use of MLGW’s installed capacity in the downtown area.

*Source: Community LIFT – All Incentives Guide/Website, Downtown Memphis Commission Website, Project Interviews*
Tools and Incentives: Details

Development Loan Program (Downtown Memphis Commission)
- Offers low-interest loans to finance building renovations in downtown area
- Low-interest loan program offers up to $90K for building renovations based on established project evaluation criteria. The loan is amortized over a 20-year period at a 3% interest rate with a balloon payment due at the end of the tenth year. The Development Loan Program is offered for redevelopment projects within the Memphis Central Business Improvement District (“CBID”), which is bound by Crump Boulevard on the south, Danny Thomas Boulevard on the east, the Wolf River on the north and the Mississippi River on the west. The CBID extends through the Medical Center which is bound by Linden Avenue on the south, Watkins Street on the east, Poplar Avenue on the north and Danny Thomas on the west
- Designed to encourage commercial real estate development within the Central Business Improvement District

Special Opportunities Counties Fund (TVA)
- Provides economically distressed counties with loans for industrial expansion, relocation, retention, and infrastructure development
- Only counties with the lowest per capita personal income, the highest percentage of residents below the poverty level, and the highest annual average unemployment rates are eligible for this program. SOC loans are made for buildings, plant equipment, infrastructure, or real estate based on the capital investment leveraged and the number of jobs created by a venture. SOC loans can also be made to local economic development entities for capacity-building projects such as sites or buildings
- Created to spur growth in economically distressed counties

Source: Community LIFT – All Incentives Guide/Website
Tools and Incentives: Details

**Valley Investment Initiative (TVA, MLGW)**
- Monthly power bill credits to qualifying power customers who contribute to the economic development of the Tennessee Valley
- Award amounts based on capital investment, jobs added or retained, average wages paid, and annual load factor. Requires at 250-kilowatt peak monthly demand, and minimum of 25 employees with no plans to reduce workforce by 50% or more. Must commit to a projected five-year capital investment of 25 percent of an existing facility’s book value, or $2.5 million in a new facility. Requires standard power contract with a remaining term at least as long as the five- or eight-year award period
- Created to lower energy costs for companies that contribute to economic growth

**Rural Opportunity Initiative Enhanced Job Tax Credit (TN Dept. of ECD)**
- Allows tax abatement of up to 100% of franchise and excise taxes in designated rural counties
- If a qualified business enterprise locates or expands in a Tier 2 or Tier 3 Enhancement County, the company will be eligible for an annual Enhanced Job Tax Credit of $4.5K for each qualified job, provided that the job remains filled during the year in which the credit is being taken. The annual credit may be used to offset up to 100% of the company's total franchise and excise tax liability each year for a three-year period in Tier 2 counties and a five-year period in Tier 3 counties. The Enhanced Job Tax Credit for Tier 2 and Tier 3 Enhancement Counties is in addition to the regular Job Tax Credit and cannot be carried forward
- The Enhanced Job Tax Credit was created to promote new industry locations and expansions in more rural areas of the state

*Source: Community LIFT – All Incentives Guide/Website*
Tools and Incentives: Details

**Jobs Tax Credit (TN Dept. of ECD)**
- Credit of $4.5K per new job to offset up to 50% of franchise and excise taxes
- Must create at least 25 new jobs within a 36-month period and invest at least $500K in a qualified business enterprise. May be carried forward for 15 years. A qualified business locating or expanding in a Tier 2 county may take three years to create 25 jobs, and business locating or expanding in a Tier 3 county may take five years to create 25 jobs. The credit may not be taken until the year the 25 job threshold is met unless the business has requested and received a waiver

**MEM FIX, MEM SHOP and MEM MOBILE (Mayor’s Innovation Delivery Team)**
- MEM FIX (Like New Face for an old Broad) – Temporarily activate neighborhood blocks to show how a great street is a driver of economic vitality
- MEM SHOP (Pop-up Retail) – Public/Private initiative that activates vacant shop fronts for limited periods of time to test markets, concepts and to reduce the barriers to entry for new businesses
- MEM MOBILE – Review and update policies that impact mobile retail (food and dry goods). Develop demonstration projects to show the placemaking ability of mobile retail

*Source: Community LIFT – All Incentives Guide/Website, Mayor’s Innovation Delivery Team Presentation*
Overview of Community LIFT Neighborhoods

- **Binghampton**: Binghampton is named after Bingham Street. It is bordered by the CSX railroad in the North, Holmes Street in the East, Poplar Avenue in the south, and East Parkway North and North Trezevant Street in the west.

- **Frayser**: Frayser is bordered by I-240 to the South, Illinois Central Railroad to the East, and Thomas Street, I-55, Watkins, Mario Street and Benjestown to the east.

- **Upper South Memphis**: Upper South Memphis is bordered by Bellevue and I-240 to the east, Vance, E.H. Crump and Danny Thomas to the North, Jack Carley and I-55 to the West, and South Parkway East, Grimes, Person, and Kerr to the south.
Maps: Community LIFT (Binghampton)

Source: Community LIFT

Legend

- Binghampton
Maps: Community LIFT (Frayser)
Maps: Community LIFT (Upper South Memphis)

Source: Community LIFT
Maps: Mayor’s Innovation Delivery Team (All Focus Areas)

Source: Mayor’s Innovation Delivery Team
Maps: Mayor’s Innovation Delivery Team (Madison Ave.)

Source: Community LIFT

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