



# Case Studies: Growing the Restaurant & Retail Sector in Montgomery County

OLO Report 2020-6 (March 24, 2020)

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Montgomery County Council  
Office of Legislative Oversight (OLO)



# INTRODUCTION

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**Restaurants and retail have a critical impact on daily life, from providing goods and services to creating community.** However, restaurant and retail businesses are not equally distributed throughout Montgomery County and many residents lack easy access to them. In addition, while many restaurants and retail businesses are thriving, some long-established locations are struggling to find tenants and businesses in today's changing consumer environment.

This OLO study will examine how other jurisdictions have encouraged the development of restaurants and retail businesses in underserved areas. Included in this analysis will be programs that utilize financial incentives and investments, restaurant incubators, and retail incubators. This study will also identify existing County programs that may be used to encourage restaurants and retail.



# OVERVIEW

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## Scope

OLO was tasked by the Montgomery County Council to examine strategies that would [encourage revitalization and increased occupancy in areas of the County underserved by the dining and entertainment sectors](#).

OLO reviewed current economic development programs in Montgomery County and explored strategies being implemented in other jurisdictions. [This report focuses on programs aimed to grow restaurant and retail stores](#).



## Acknowledgements

OLO staff members Stephanie Bryant and Blaise DeFazio conducted this study, with assistance from Kristen Latham and Kelli Robinson. OLO received a high level of cooperation from everyone involved in this study and appreciates the insights shared by all who participated. For a list of those who participated in this study, see page 56.

OLO appreciates the time taken by Executive Branch staff to review the draft report and to provide technical feedback. This report incorporates their technical corrections and feedback.

The written comments from the County Executive were not available at the printing of this report and will be available in future Council packets.



# OLO RESEARCH APPROACH

**County Government and Business Stakeholder Meetings.** OLO met with Executive Branch staff and business stakeholders to gather data on County economic development programs and business incubators. Stakeholders identified challenges with existing programs and opportunities for growth.

**Case Study Selection.** OLO selected case studies that linked directly to the challenges and opportunities identified by stakeholders. Each case study is based on a review of readily available information and organization websites. OLO selected case studies in each of the three identified categories:

**Financial Incentives and Investments.** Attract restaurants and retail stores or incentivize growth or investment through loans, grants, etc.

**Restaurant Incubators.** Stimulate growth in restaurant industry by offering shared, commercial cooking space, specialized equipment, job training, etc.

**Retail Incubators.** Encourage retail growth by offering opportunities for beginning retail outlets, including pop-ups, shared space, training, etc.





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# **Section 01: Retail Defined & County Retail Trends**

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# What is retail?


Montgomery Planning, contracting with Streetsense, a Bethesda-based retail strategy firm, conducted a County-wide retail market study to assess the strengths, challenges, and competitiveness of retail in the County in order to develop strategies that encourage and strengthen retail growth.


## Retail Trends Study Overview

Montgomery Planning's Retail Market Strategy Study utilized a comprehensive analysis of supply and demand in County submarkets to address current retail trends, define areas for new opportunities, and present recommendations to maintain and improve the retail environment.

Montgomery Planning broadly categorizes retail into three groups:

 **Neighborhood Goods & Services** (e.g., grocery stores, florists, bakeries, specialty food stores, etc.)

 **Food & Beverage** (e.g., sit-down restaurants, cafes, bars, sandwich shops, etc.)

 **General Merchandise, Apparel, Furnishings, & Other** (e.g., clothing stores, bookstores, gift boutiques, antique shops, etc.)





# Retail is strong, but opportunity and room for growth exist

The Montgomery Planning Retail Market Strategy Study presented three key findings:

**Montgomery County's diversity is an asset.** The County's small businesses offer a wide array of products and serve a highly diverse customer base, allowing them to thrive in a rapidly evolving retail market.

**Retail space is appropriately used.** Less than 14 percent of spaces dedicated to retail in the County are occupied by a non-traditional/non-retail use (e.g., banks or fitness centers), which is healthy.

**Montgomery County is appropriately supplied.** Retail supply compared to demand in Montgomery County is relatively balanced across its submarkets, with room for growth.

Based on a detailed review of County submarkets, Montgomery Planning detailed three study recommendations:

**Expand Neighborhood Goods & Services.** County submarkets (particularly those with many large-format stores) should transition into providing more neighborhood-serving retail, which is more resilient to market changes.

**Prioritize the redevelopment of existing retail space.** Retail vacancy rates and overall sales decline with aging retail developments. To maintain a healthy retail supply, development of existing spaces should be prioritized.

**Condense retail at major intersections.** Retail centers at highly visible intersections are most successful. Future retail development should occur at major intersections, particularly high growth areas of the County.



For the full report, see Montgomery Planning Retail Trends Study, at <https://montgomeryplanning.org/tools/research/special-studies/retail-market-strategy-study/>





## **Section 02: Best Practices & Case Studies – *Financial Incentives & Investments***

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- a. Government Financial Incentives**
- b. Private Investment in Emerging Businesses**
- c. Marketing & Mentoring Programs**



# Targeted financial incentives and investments help businesses grow

Local governments and private investors leverage various programs to attract new retail and restaurant businesses, encourage expansion by existing business owners, and mentor emerging business leaders.



**Government Financial Incentives** provide grants or loans to local business and property owners to encourage development in designated geographic areas.



**Private Investment in Emerging Businesses** focuses on providing initial funding, connection with investors, and marketing.



**Marketing and training** helps small business owners promote goods and services and build a foundation for success.



# Incentives emphasize community activation and revitalization

Government incentives and private investments help entrepreneurs and small businesses launch new businesses or expand operations through offering diverse programming ranging from no interest loans to fee reductions and tv marketing. The programs tend to focus on specific neighborhoods and lifting business owners in those communities, though some programs may apply city or county-wide. To participate businesses must meet a range of qualifications including receiving guidance from economic development staff, signing long-term leases, and hiring local workers.

## Goals

Government and private investment and business mentoring programs aim to reach several, often overlapping goals, to attract and serve retail and restaurant business owners and invigorate the local economy.



**Ignite Businesses** (e.g., create jobs, increase investment, market businesses, etc.)



**Revitalization** (e.g., decrease vacancy rates, increase tax base, etc.)



**Differentiate Dining and Entertainment Venues** (e.g., attract unique restaurants and retail, increase number of visitors, etc.)



**Access to Affordable Capital** (e.g., zero interest loans, crowdfunding, investor recruitment, etc.)



**Support locally-owned, non-chain restaurants and retail** (e.g., loan programs, business training, and marketing, etc.)



**Walkability and Vitality of Neighborhoods** (e.g., outdoor dining areas, façade improvements, lighting, landscaping, etc.)



## **a. Government Financial Incentives**

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# Façade programs aim to reactivate neighborhoods

## **BUSINESS ASSISTANCE GRANT (Des Plaines, IL)**

offers City-funded façade grants to businesses that generate sales or food and beverage tax. Five grants offered: New Awnings \$5,000 – 75% of costs reimbursed; Outdoor Dining \$10,000 – 50% of costs reimbursed; Interior Build Outs \$15,000 - 50% of costs reimbursed; Façade Improvements \$20,000 - 50% of costs reimbursed; Rehabilitation Grant for Retail with Two or More tenants \$50,000. In 2017 and 2018, the City budgeted \$150,000 per year and awarded grants to 24 businesses.

## **ZERO INTEREST LOANS (Arlington Heights, IL)**

provides no interest loans for up to 50% of project costs (not to exceed \$20,000) to new or existing businesses that will increase employment and decrease vacancies. Eligible projects include interior buildouts, energy efficiency improvements, technology upgrades, fees, etc. Drawings must be approved by officials and borrowers must provide collateral, a business plan, a lease, property description, and employment projections.

## **NEIGHBORHOOD RETAIL ASSISTANCE PROGRAM (Cleveland, OH)**

offers loans to locally-owned retail, restaurants, and grocery stores that will create at least one full time job.

**Program Year** - 2006

**Run By** - Local Government

**Business Stages** - Early to Established

**Loan Details** - Maximum City loan is \$50,000; 0% interest during construction then 3% interest for remaining loan term up to five years; 10% equity required.

**Process** - Eligible projects include equipment, furniture and fixtures; design and engineering costs, IT installation, and exterior building improvements (e.g., signage and lighting). The City annually tracks job creation for duration of the loan and borrower must sign workforce development agreement to hire unemployed persons. Program has loaned \$479,500 to 13 businesses that leveraged private investment of \$1,780,000 to create 40 new jobs and retain 13 jobs.





# Inclusion of soft costs in façade programs provides flexibility

## DC GREAT STREETS SMALL BUSINESS GRANT

**(Washington, DC)** offers competitive grants for small retail and service-oriented businesses, along with arts-based businesses. Businesses must be in select corridors in the city. Excludes certain business types: professional services; bars, taverns, and nightclubs; auto body repair shops; liquor stores, etc.

**Program Start Year** - 2006

**Run By** - Local Government

**Business Stages** - Small businesses (annual sales must be less than \$1 million; franchise owners may participate if own three or fewer locations)

**Loan Details** - Varies, depends on grant awarded

**Process** - The majority of the grant (80%) may be applied to hard costs (building of new or vacant space; interior or exterior renovations; purchase of equipment attached). The remaining 20% of grant may be applied to soft costs (movable furniture, point of sale or inventory management; business consultation services; marketing materials). Applications are submitted and reviewed annually. Since 2015, 208 businesses have received grants; this includes retail, grocery/convenience store, retail-food, and coffee shops. City investment in 2019 totaled \$2.171 million.







# Fee waivers are another means to attract restaurants and retail

**ECONOMIC DEVELOPMENT INCENTIVE PROGRAM FOR RESTAURANTS AND BARS (Laredo, TX)** waives the following fees to attract restaurants and bars (in addition to façade improvements and loans): permit fees, new business application fees, food handlers permit fee, water pollution control division fees, parking meter permit fee, and fire code inspection (re-inspection fees not waived). Applicants must pay application fee of \$100.

**BUSINESS ENHANCEMENT ZONE INCENTIVES (Escondido, CA)** offers fee reductions to select businesses in a specific geographic area (e.g., quality restaurants, micro-breweries, cafes, unique bookstores, etc.), including wastewater, water, and traffic fees. Restaurants must encourage daytime/nighttime activity, offer waiter service, and provide a unique dining experience. City also grants waivers of permit fees for plan reviews, sign permits, façade improvements, and awning improvements. Fee waiver cannot exceed \$500 and improvements must be street visible.

**REBATE PROGRAM (Emeryville, CA)** offers a rebate program for small independent restaurant and retail owners (in addition to façade improvements). The program provides business tax rebates and fire inspection fee rebates. Business must submit an application to claim rebate.





# Governments use special programs to attract destination businesses

## **SPECIALTY RETAIL AND RESTAURANTS (Carrollton, TX)**

destination retailer or restaurant aiming to attract customers from an outside area. The business must not be within a five-mile radius and must fit into existing retail and provide a new experience.

**Run By** - Local Government

**Business Stage** - Experienced, includes local, regional, and national retailers (applies to developers).

**Incentive Details** - City reviews eligible business applications based on three parts. (1) Fiscal Impact – sales tax revenue, jobs, payroll generated, and ad valorem tax generated; (2) Community Impact – does the business meet the need for something unique and new?; and (3) Competitive Impact – effect of project on existing businesses and a list of businesses seen as competitors. The purpose of the program is to retain; the City may not give a loan to a business that would compete against or displace an existing business.

**Process** - Program offers several incentives: matching grants for façade improvements; development and permit fee rebates; rent assistance (up to 12 months); tax incentives; and sales tax rebates (regional and national retailers only). Businesses must sign a minimum of 5-year lease. Based on value of incentive, the City may require a longer lease period.





## **b. Private Investment in Emerging Businesses**

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# Targeted private investments propel local businesses forward

**CHAIN REACTION PROJECT (Cleveland, Ohio)** teams investors with local businesses to increase prosperity in local neighborhoods.

**Program Year** - 2017

**Run By** - Private and non-profit entities, with funding support from the City of Cleveland.

**Business Stages** - Varies, depends on scalability

**Fees to Participate** - None

**Process** - JumpStart Inc. and Greater Cleveland Partnership serve as lead investors, with each pledging \$125,000 to invest in the winning small businesses. Neighborhoods compete to participate in the Program, with one selected each year. Once a neighborhood is selected, only businesses located within may submit an application and pitch video to participate in the program. The local Fox cable station airs the process. Investors are matched with selected business and businesses receive training and education. Additional private investors attend pitch presentations and can invest a minimum of \$10,000 in any business. Total of \$1.2 million invested in two neighborhoods in 2017 and 2018.







# Crowdfunding with social underwriting helps small businesses

**KIVA ROCHESTER (Rochester, NY)** leverages crowdfunding to help entrepreneurs launch businesses.

**Program Year** - 2016 (Rochester). Company started in 2005 (also works in Pittsburgh, PA and Detroit, MI).

**Run By** - Private company with support from the City of Rochester (including using space in a City library).

**Business Stages** - Early 1-5 years, no franchisees.

**Loan Details** - 0% interest rate; Loan period is 12-36 months; Total loan ranges from \$1,000 to \$10,000 depending on business stage. No minimum credit score.

**Process** - Entrepreneurs apply for a loan through KIVA. Borrowers must secure initial funding (\$25 increments) from 5-35 friends and family (social underwriting). Once achieved, loan is publicly posted to KIVA's website for 30 days. Individuals contribute in \$25 increments and loan disbursed once funding is achieved. Payback of loan begins at disbursement. Since 2016, Kiva Rochester has funded 82 loans totaling \$423,525. The average self-reported borrower credit score is 575 and the median income is \$35,000. Of borrowers 76% are people of color and 49% are women.





## **c. Marketing & Mentoring Programs**

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# Media, legal aid, and mentoring help bridge gaps for new retailers

**ARLINGTON ECONOMIC ALLIANCE BUSINESS MARKETING PROGRAM (Arlington Heights, IL)** airs business marketing videos free of charge on the municipal access channel for 90 days. *Keep it Local Business* showcases businesses using 30 seconds to 120 seconds videos. Segments are broadcasted six times per day for 90 days. Videos are also posted on YouTube and linked to the Village's government website. The local government negotiated reduced-cost video production from locally-owned video production company.

**MICRO-ENTREPRENEUR PRO BONO PROJECT (Rochester, NY)** provides pro bono (free) legal assistance to small business owners and micro-entrepreneurs. Businesses must be located in economically distressed area of Monroe County and the applicant must meet eligibility criteria including income eligibility. Legal matters include incorporation, contracts, license or permits, taxes, etc.

**RETAIL INCENTIVE PROGRAM (Mandan, ND)** offers loan to retail stores to open a new location within the city or provide new or underserved products. Mentors first-time retailers. Targets specific types of retail.

**Program Year** - 2009

**Run By** - Local Government

**Business Stages** - Early to experienced businesses

**Loan Details** - Up to \$5 per square foot of operating space, not to exceed \$20,000. 0% interest rate, prorated over 3 years. Business must be open for one month and meet qualifications including the degree to which business fills gap identified by market retail study, hours of operation, total private investment, etc.

**Process** - New retailers must submit application through North Dakota Small Business Development Center and participate in quarterly meetings. All businesses receiving loans must submit yearly business reports.





## **Section 03: Best Practices & Case Studies – *Restaurant Incubators***

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- a. Restaurant Incubators Operated by Non-Profits**
- b. For-Profit Restaurant Incubators**



# Restaurant incubators thrive by offering shared space and training

Restaurant incubators help individuals and businesses achieve success in the marketplace through shared kitchen space, culinary training, business development training, and access to services such as legal aid, marketing, packaging, label printing, and distribution. Instead of investing in their own facility and equipment before their product/service has been developed, restauranteurs can benefit from shared resources and experiment with products/service. On site, most incubators have shared kitchen space and storage, stalls to serve food, pop-up stalls for temporary engagements, and training areas.

## Goals

The restaurant incubators aim to reach several, often overlapping goals, to serve multiple food entrepreneurs, such as bakers, chefs, caterers, food producers, and restaurant workers.



**Ignite Businesses** (e.g., provide the guidance and resources needed for market success, pathway, etc.)



**Training** (e.g., professional culinary training, etc.)



**Food Diversity** (e.g., provide a variety of ethnic foods not widely available, provide a community meeting spot to try these different foods, etc.)



**Professional Guidance** (e.g., how to run a business, marketing, etc.)



**Revitalization\*** (e.g., repurpose buildings in historic areas, revitalize vacant retail space, etc.)



**Social Purpose** (e.g., help train immigrants, provide structure and business acumen for low-income women, provide employment, etc.)

Note: Restaurant incubators are also referred to as kitchen and culinary incubators.

\*Usually as part of a private development, such as a pop-up within a food hall with established vendors.



## **a. Restaurant Incubators Operated by Non-Profits**

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# Incubators with a social purpose prominent in diverse communities

**COMAL HERITAGE FOOD INCUBATOR (Denver, CO)** provides culinary skills and business knowledge to women - many originating from Mexico, El Salvador, Syria, Iraq and Ethiopia - to maintain and celebrate their traditions through entrepreneurial ventures. Provides an industrial kitchen and training under a seasoned chef who teaches the enrollees how to refine a recipe for scaling up, how to source food, and how to shape a menu.

**Program Start Year** - 2016

**Run By** - Non-profit

**Business Stages** - Early

**Fees to Participate** - None

**Process** - Enrollees first learn basic health code rules, followed by prep skills, commercial equipment training, ingredient buying, and customer service. Enrollees then apply the learned skills at weekday lunch service and catering.





# Leveraging diversity, non-profit incubators can lift communities

**LA COCINA (San Francisco, CA)** provides an affordable commercial kitchen space, industry-specific technical assistance, and access to market opportunities. They focus primarily on providing resources to women of color from immigrant communities.

**Program Start Year** - 2005

**Run By** - Non-profit

**Business Stages** - All stages, but geared towards start-ups

**Fees to Participate** - \$25 to \$30/month

**Process** - Participants initially receive technical assistance to establish the foundations of their business in the areas of product, marketing, finance, and operations. If successful, they will continue to receive technical assistance and have access to commercial kitchen space and storage







# Culinary training offered by incubators can lead to lasting careers

**HOT BREAD KITCHEN (New York, NY)** provides a culinary incubator program which offers licensed commercial kitchen space and tailored technical assistance to small food businesses, and a culinary training program that trains low-income and immigrant women for jobs in the food industry. Hot Bread Kitchen (HBK) operates a commercial bakery in East Harlem and sells breads inspired by the women trained.

**Program Start Year** - 2008; Incubator started in 2011

**Run By** - Non-profit

**Business Stages** - Entrepreneurs with proven sales

**Fees to Participate** - Membership fees and hourly rates to rent space; over half of the participants are subsidized

**Process** - Participants first receive four weeks of instruction in kitchen fundamentals and personal and professional readiness. Then the entrepreneur runs their business and receives an average of two years of guidance from HBK staff, who guide product development, marketing, and customer support.

Those not ready to enter the incubator program can join the entrepreneurial assistance program, which is a theory-based program to provide instruction, training, technical assistance, and support services.





## **b. For-Profit Restaurant Incubators**

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# For-profit incubators accelerate growth and create jobs

**UNION KITCHEN (Washington, DC)** is a food business accelerator that works with businesses that launch locally, grow regionally, and scale nationally. It includes a commercial kitchen, a distribution company, grocery stores, and an accelerator program designed to drive value to food businesses at all stages of growth. It provides numerous jobs for local community members, including accelerator intern, distribution team member, grocery team member, kitchen team member, and a career development program for Supplemental Nutrition Assistance Program (SNAP) recipients.

**Program Start Year** - 2012

**Run By** - Private business

**Business Stages** - All stages

**Fees to Participate** - Free research and development kitchen access for three months; after first three months there is a monthly fee (from \$895 to \$1,395); Union Kitchen also becomes 10% equity partners in the business.

**Process** - Entrepreneurs apply and 6 to 10 applicants are chosen each quarter. Then they go through a 12-week launch program to turn ideas in market ready products, followed by food products going into Union Kitchen Stores, and then working on expanding a product line into national networks and building operations to support next level growth. From there, the businesses determine the scale – potential acquisition, a large investment, international expansion, etc.





# Incubators can create community, while increasing food options

**SAVOR AT STUDIO 3807 (Brentwood, MD)** creates a home for chefs who have previously served customers through food trucks or temporary pop-ups. It also provides a pop-up on site for aspiring restauranteurs. Besides the four-to-five mini restaurants, Savor has private space to rent, a removable stage for live performances, an indoor farmer's market, and an artisan's market that carries soaps, home furnishings, lotions, jewelry, books, candles, and accessories.

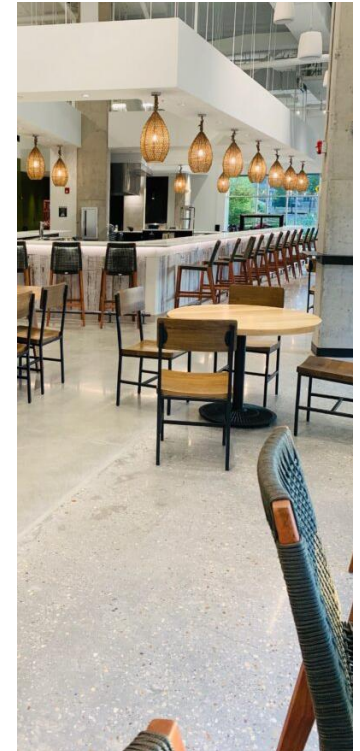
**Program Start Year** - 2019

**Run By** - Private business in conjunction with a developer

**Business Stages** - Established chefs without a traditional space

**Fees to Participate** - Monthly lease-costs range from \$2,000 to \$6,500. If vendors exceed a certain breakpoint in sales, a percentage of sales is added to the rent payment on a quarterly basis.

**Process** - Chefs/restaurants apply, being asked about their experience, social media presence, equipment needed, how much capital is available, and when they can start. If approved, the chef/restaurant will receive technical assistance for menu development, food science, business operations, legal needs, accounting, and workforce development.







# Food halls with incubators can revitalize dormant areas

**R. HOUSE (Baltimore, MD)** serves predominately as a food hall for 10 restaurants, but also has a pop-up stall for chefs to test new recipes on a short-term basis (one to two weeks). The R House was a notable automobile showroom built in 1924 converted by the Seawall Development Corporation to a food hall in 2014.

**Program Start Year** - 2016

**Run By** - Private business in conjunction with a developer

**Business Stages** - Established chefs/restaurants looking to try new concepts and get exposure

**Fees to Participate** - \$1,500 per week; \$500 deposit

**Process** - Chefs/restaurants send an email to R House, explaining their pop-up idea with as many details as possible. The chefs will be contacted by the R House staff and if they meet the criteria, R House will determine a time frame for the chef to participate.





# **Section 4: Best Practices & Case Studies – *Retail Incubators***

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# Retail incubators can create marketplace success

Retail incubators help individuals and businesses achieve success in the marketplace through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections. Like restaurant incubators, entrepreneurs can benefit from shared resources and experiment with products/service before investing in their own facility and equipment. On site, the incubators can be space-based (such as an open-air, indoor market) with shared resources or program-based, where businesses are incubated in their temporary or permanent location. Retail incubators are not as widespread as other incubator programs because foot-traffic is a requirement and prominent, visible spaces are not readily available.

## Goals

The retail incubators aim to reach several, often intersecting goals, to serve retail entrepreneurs.



**Ignite Businesses** (e.g., provide the guidance and resources needed for market success, pathway, etc.)



**Retail Variety** (e.g., multiple types of vendors provide foot traffic, provides a community meeting spot, provides job opportunities, etc.)



**Build on Strengths** (e.g., leveraging business advantages, providing services/products that are need and compliment the existing retail environment, etc.)



**Training** (e.g., professional training for point-of-sale inventory management, customer service relations, tax preparation and planning, e-commerce, etc.)



**Professional Guidance** (e.g., how to run a business, marketing, advertising, etc.)



**Overcoming Challenges** (e.g., specialist who assists with loans, leasing space below market value until the business grows, providing matching grants, etc.)



# Incubators assist low-income entrepreneurs and create community

**PLAZA VIGIL (Watsonville, CA)** assists low- to moderate-income, Spanish-speaking entrepreneurs with starting and operating successful businesses. Provides free access to El Pajaro Community Development Corporation's business services, including technical assistance, help in acquiring loans, developing business plans and crafting marketing and promotion campaigns, managing employees, and navigating the legal system. Creates a mix of services including beauty, health, shopping, and dining to make it an attraction.

**Program Start Year** - 1996

**Run By** - El Pajaro Community Development Corporation

**Business Stages** - Early

**Fees to Participate** - Rent; receive grants to supplement costs

**Process** - Once selected through the application process, the entrepreneur participates in business service programs until they are able to begin operating.





# Unique ideas place retail incubators in areas with foot traffic

**THE BLACK BOX (Portland, ME)** Offers unique, flexible, low-commitment retail space for five businesses using repurposed shipping containers in the highly-visible East End in Portland, Maine. Each retail unit is approximately 300 square feet with space for signage and double glass doors that open to the sidewalk. The five units share a patio, two restrooms, WiFi, and storage space. The units are specifically made to be flexible and move-in-ready, using monthly leases and no construction costs, making it easy for businesses to come and go.

**Program Start Year** - 2018

**Run By** - Private (Dayton Group)

**Business Stages** - Established

**Fees to Participate** - Rent (all inclusive)

**Process** - Businesses apply and are put on a waiting list. Business training and assistance are not provided.





# Non-restrictive space requirements assist start-up flexibility

**THE DOWNTOWN MIDLAND BUSINESS INCUBATOR PROGRAM (Midland, MI)** is available to for-profit businesses, including retail, restaurants, and entertainment in the Tax Increment Finance district. There is no space or building for the program; business owners may choose a location that is consistent with Midland Downtown Development Authority's requirements. Businesses receive a rental subsidy for the first 18 months and training in merchandise management, marketing, human resources, financial management, and customer service. In return, the businesses must be open for normal business hours at least six days a week; they must obtain services from a credentialed bookkeeper, attorney, and accountant; and they shall meet with a mentor each quarter. The mentor will have access to financial statements and other pertinent information one week prior to the meeting.

**Program Start Year** - 2012

**Run By** - Downtown Development Authority

**Business Stages** - Early through Established

**Fees to Participate** - Rent, Utilities, etc.; receive subsidies

**Process** - Businesses apply and if accepted, attend training. During the training they develop a detailed business plan. Then the businesses secure an approved lease and businesses have 180 days to open. The business owner is required to remain open for three years or subsidies are returned.





## **Section 05: Existing Relevant County Programs**

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- a. Economic Development Fund Programs**
- b. Business Incubators**
- c. Stakeholder Identified Challenges**





## **a. Economic Development Fund Programs**

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# Limited program availability for restaurant and retail sectors

Local governments, including Montgomery County, provide incentives as means to increase local economic growth through business investment and job creation. Montgomery County's primary pathway to assist restaurant and retail businesses is through the Economic Development Fund (EDF).

**Economic Development Fund.** The EDF is designed to assist private employers who are located, plan to locate, or substantially expand operations in the County. The EDF is a discretionary program administered by the Department of Finance.

The EDF is flexible and houses programs that incentivize economic growth in sectors that may not be significant job creators immediately. For example, programs that incentivize investment in early-stage biotechnology/cybersecurity companies or assist businesses experiencing loss in revenues during the construction of a County project.

Only **four of the eight programs** actively administered by the EDF are available to restaurant and retail businesses.

## APPLY

- ✓ Grant and Loan
- ✓ Small Business Assistance Program
- ✓ Impact Assistance Fund
- ✓ Microloan Fund





## DO NOT APPLY

- X MOVE Program
- X Biotechnology Investor Incentive Program
- X Cybersecurity Supplement Program
- X SBIR/STTR Matching Grant Program



# Of those available, majority have program restrictions

Three out of four programs have either priority areas of investment or place-based restrictions.

 Aligned to Priority Businesses Types	<b>Grant and Loan Program</b>	Provides financial assistance to employers that retain jobs or stimulate new job creation in the County. Priority is given to high technology companies, manufacturing companies, businesses in urban revitalization areas, and other private employers that provide the greatest return on investment of public dollars. <a href="#">Stakeholders report that while this program is available to restaurants and retail, the program's priority industries limits its applicability.</a>
 Place-Based	<b>Small Business Assistance Program</b>	Provides technical and financial assistance to businesses adversely impacted by redevelopment projects (County-funded or located on County-owned land in an Urban Renewal Area or Enterprise Zone). <a href="#">Currently, only available to businesses in the Wheaton Redevelopment Project.</a>
 Place-Based	<b>Impact Assistance Fund</b>	Provides grants to businesses adversely affected by County-initiated development, re-development, or renovation projects. <a href="#">Currently, limited to businesses located in the Silver Spring Studio Plaza Development; Bethesda Metro Project; and Clarksburg Square Road Extension Project.</a>
 No Restrictions	<b>Microloan Program</b>	Utilizes experienced microloan lenders to provide loans ranging from \$500 to \$15,000 for County residents needing additional help to start or grow a small business. <a href="#">Available to all businesses.</a>



# Few food and retail businesses leverage the Microloan Program

Created by the Council in 2017, the Microloan Program provides loans ranging from \$500 to \$15,000 to County residents needing additional help to start a small business. The County contracts with Life Asset and Latino Economic Development Corporation (LEDC) to underwrite and monitor the microloans. Applications are made by small businesses directly to the lenders.

Finance manages this program through the Economic Development Fund. Funding for this program is disbursed to the lenders in \$50,000 increments. As of March 2019, the lenders have received \$200,000 to fund the Program.

**Data Analysis.** OLO analyzed microloan business and loan data obtained from the Department of Finance. Each contracted lender is required to report to the County loan recipients, business types, and loan details. Business types are defined by each lender.

**Program Transparency.** OLO found that data on microloan awardees is not readily available. Further, the lender's websites do not directly advertise the Microloan Program, rather stakeholders report that the program is offered to qualified borrowers as part of each lenders larger loan portfolio. OLO found that this may limit transparency and ability of the County to leverage program success stories.

**Fifty small businesses receiving County-fund microloans are classified as food and retail businesses.**

## FY18 LOANS

	Loans Made	Total No. of Businesses	No. Food & Retail Businesses**	%
Life Asset	\$102,900	44	14	32%
LEDC	\$49,000	5	--	--

## FY19 LOANS

Life Asset	\$50,298*	92	33	36%
LEDC	\$81,317	13	3	23%

Source. OLO; Department of Finance

\*Loan total represents loans made with County funds,. Life Asset also leveraged County funds to secure a Small Business Administration (SBA) loan, totaling \$157,850 to businesses in the County.

\*\*In FY19, Life Asset provided loans to 10 catering businesses, including coffee service.

**For FY18 and FY19 combined, the average loan to food and retail businesses ranges from \$2,400 to \$5,300.**

	Avg. Loan to MicroLoan Small Businesses	Avg. Loan to Food and Retail Businesses
Life Asset	\$2,317	\$2,284
LEDC	\$7,621	\$5,333

Source. OLO; Department of Finance



## **b. Business Incubators**

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# Leveraging other County programs may benefit targeted sectors

## BUSINESS INCUBATORS

**County Business Innovation Network (BIN)** offers entrepreneurs in emerging technology, cyber, or life sciences companies the opportunity to grow their business in one of three County owned or leased incubators in Germantown, Rockville, and Silver Spring.

BIN offers a range of resources including access to specialized equipment, flexible lease terms, and mentoring and networking services. Admission is based on eligibility requirements and an evaluation process. Applicants must provide current financial statements; a business plan; and overview of the leadership team.

For a small monthly fee businesses not located in one of the incubator facilities have access to conference rooms, copier and mail services, trainings, support services, etc.

As of April 2019, 56 companies rent incubator space and employ 238 full-time jobs. The County operates the three incubators with the assistance of a \$1.3 million-a-year operating subsidy.

## FOOD HALL AND WORKFORCE DEVELOPMENT

The non-profit **Montgomery County Food Hall Market, Inc.** received a FY20 community grant for consulting services for the design, development, and implementation of a County-based kitchen training center and food hall, which would include pop-up space.

The proposed plan would include 10 food stalls and implement a year-long workforce development program for those seeking careers in the hospitality industry. The businesses would share restaurant equipment, storage space, restrooms, and flatware. The businesses would have a three-year lease before they move on to a dedicated space in the County.

The workforce program would last eight weeks, graduating approximately 100 participants per year.

However, obstacles remain before the plan can move forward. It is estimated that \$6 million would be needed to successfully get space and launch the program. Additionally, a location has yet to be determined.



## c. Stakeholder Identified Challenges

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# Five challenges identified to improving existing programs



**Marketing of County programs** and transparency of results is limited, decreasing ability to leverage success stories.



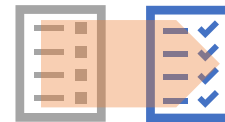
**Improvement of customer service** to help businesses better navigate County departments and requirements.



**County incentive programs** are not geared towards retail or restaurants businesses.



**Dynamic programs needed** to meet demand for restaurants, retail, and supply chains for a diverse population.



**Business training programs** needed to help new business owners learn how to operate a restaurant or retail business.



# **Section 06: Findings**

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# FINDING # 1

## **Current County economic development incentive programs are not aimed at attracting restaurant and retail businesses to the County.**

- The County's Economic Development Fund (EDF) is the primary way the County provides incentives to encourage growth in businesses. Four out of eight active EDF programs are geared to targeted sectors – technology, cybersecurity, and life sciences.
- Of the remaining four EDF programs available to restaurants and retail, only one – the microloan program – is not limited by business type or geographic location.
- Food and retail businesses comprise 50 out of 154 (32%) businesses that participated in the microloan program (FY18 and FY19).
- Detailed data on the microloan awardees is not readily available. Further, the lender's websites do not advertise the program as a County-funded program. This limits transparency and the County's ability to track data and promote success stories.
- Similar to the EDF program, County business incubators focus on targeted sectors and do not include restaurants and retail stores.
- Common challenges identified by stakeholders include lack of marketing and meeting demand for restaurants, retail, and supply chains for a diverse population.





## FINDING #2

### **Financial incentive programs are offered in some other jurisdictions to activate and revitalize communities by growing the restaurant and retail sectors.**

- Incentive programs reviewed are available to both landlords and/or business owners (tenants).
- Businesses applying for incentive programs must submit applications which can require business plans and employment projections. Programs often require an entrepreneur to present a viable business plan and supporting documentation in order to determine a business's eligibility.
- Local government incentive programs provide multiple approaches:
  - 1) Façade programs provide funding assistance for exterior and interior construction projects;
  - 2) Expanded façade programs allow for construction projects and soft costs (e.g., marketing, consultant fees, point-of-sale technology);
  - 3) Fee waiver or reduction programs to reduce the cost of starting a business; and
  - 4) Multi-incentive programs designed to attract destination retail.
- Private investment and crowdfunding build community and offer strategic partnerships, mentoring, and business training.
- Many programs interweave multiple layers of assistance designed to help micro-entrepreneurs and local small businesses succeed (including marketing, training, mentoring, and annual reporting requirements).



## FINDING #3

**Restaurant incubators seek to grow businesses by offering entrepreneurs shared facilities, training, and business development services (e.g., legal assistance, marketing, distribution).**

- Restaurant incubators are operated by either non-profit or for-profit organizations.
- Non-profit operated restaurant incubators leverage a community's diversity to create food centers with social purposes. These programs work with immigrant communities, women of color, or low-income residents to offer culinary and business training.
- Non-profit incubators generally cater to emerging entrepreneurs by offering zero to low-cost membership fees, extensive culinary and business training, and mentoring. Graduates of programs learn valuable skills with potential to launch a culinary career.
- For-profit restaurant incubators aim to accelerate business growth through intensive training or pop-ups. Programs cater to experienced chefs, those with food business experience (e.g., operating a food truck) or small distributors.
- For-profit incubators have stringent application requirements, charge higher monthly fees to participants, may require an equity investment in the product produced.



## FINDING #4

### **Retail incubators leverage shared space, coaching, and networking to help entrepreneur launch products.**

- Retail incubators can be spaced-based with shared resources or program-based, using temporary or time-limited locations.
- To be successful, retail incubators require a highly visible location with foot-traffic.
- Retail incubators offers unique opportunities to reuse or adapt space for new uses (i.e., renovated shipping containers).
- Some programs gear participation towards low-income entrepreneurs and provide business support services to help launch a business.
- Participants are usually charged rent and utilities for incubator space. Some programs provide subsidies or grants to ensure people can participate.
- Programs require entrepreneurs to submit applications to participate. Programs may require business owners to keep guaranteed hours.



# **Section 07: Recommendations**

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# RECOMMENDATION #1

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## **Create a Pilot Program for a Specific Geographic Area in the County and Analyze Regulatory Barriers Impeding Development of Restaurants and Retail**

Addresses: Barriers affecting business owners vary by geography and sector

- ✓ Develop specific restaurant and retail training programs to help business owners to successfully navigate the complexities running a successful business
- ✓ Evaluate opportunities to change laws/regulations to make it easier for local businesses to succeed
- ✓ Leverage best practices and implement innovative programs specifically targeting restaurants and retail
- ✓ Explore possible reuse of historic structures or office space to increase availability of space





## RECOMMENDATION #2

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### **Increase Transparency and Ease of Navigation of County Economic Development Programs for Business Owners**

Addresses: Information resources are across multiple sites, making it difficult for business owners to navigate

- ✓ Provide better customer service to guide businesses
- ✓ Enhance coordination of County resources with links to municipality laws and incentives
- ✓ Increase use of microloan program to better reach food and retail businesses
- ✓ Ensure microloan program is prominently advertised as a County program to increase transparency and marketing of success stories



## RECOMMENDATION #3

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### **Increase Focus of Incentive Programs on Targeting Restaurants and Retail Businesses**

Addresses: Current programs are limited to targeted sectors or geographies

- ✓ Explore opportunities to expand existing county programs (e.g., relocation incentives, business incubators) to encourage growth
- ✓ Examine feasibility of providing financial assistance to businesses in the first two years, when profit margins are slim



# **Section 08: Acknowledgements**

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- |   |   |
|---|---|
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## Business Stakeholders

- |  |                         |
|--|-------------------------|
| Susan Callahan, University<br>of Maryland Eastern Shore<br>at the Universities at<br>Shady Grove | Blake Kutner, La Cocina |
| Mike Houston, Takoma<br>Park Silver Spring Co-Op   |                         |
| Stephen King, R. House   |                         |

# ABOUT US

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The mission of the Montgomery County Council (MD) Office of Legislative Oversight (OLO) is to provide accurate information, analysis, and independent findings and recommendations that help the County Council fulfill its legislative function. The Office works for the County Council as a whole and is comprised of a 13-member staff of professional analysts with graduate degrees in education, law, and/or public administration.



## **Timely, Fact-Based Research & Analysis**

OLO staff conduct program evaluations, budget analyses, audits, investigations, and other special studies. In close consult with Councilmembers and Council staff, OLO develops an annual work program, comprised of 15 to 20 projects.



## **Independent, Nonpartisan**

While OLO's projects are sponsored by Councilmembers, once work begins on a project, OLO staff conduct research/analysis and develop findings and recommendations independently. OLO works to ensure that a project addresses all relevant viewpoints from all relevant stakeholders.



## **Collaborative Approach**

Projects span the gamut of local government agencies (i.e., Executive and Legislative Branch departments and offices, Montgomery County Public Schools, Park and Planning, and Montgomery College). OLO staff work collaboratively with staff to produce the best quality product for the Council.



# THANK YOU

*To learn more, please visit:*

[Montgomery County Council  
Office of Legislative Oversight \(OLO\)](#)

OLO Report 2020-6  
Case Studies: Growing the Restaurant & Retail  
Sector in Montgomery County

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# CASE STUDIES: GROWING THE RESTAURANT & RETAIL SECTOR IN MONTGOMERY COUNTY



This report responds to the Council's request to examine strategies that would encourage revitalization and increased occupancy in areas of the County underserved by the dining and entertainment sectors. To do so, OLO met with Executive Branch staff to gather data on existing County programs and developed case studies of 21 different restaurant and retail attraction, retention programs in 17 jurisdictions.

## SUMMARY OF CASE STUDIES

OLO selected case studies that link to challenges and opportunities identified by stakeholders. For each program, OLO reviewed goals, operations, and target populations. OLO does not recommend specific programs for implementation, rather best practices and case studies are presented as a toolbox for Council consideration when exploring options to encourage growth in these sectors.



### FINANCIAL INCENTIVES & INVESTMENTS

Ex. façade improvements, fee waivers, rent subsidies, crowdfunding, etc.

- Goals: activate communities; support local businesses; provide affordable capital
- Operated by local governments and private businesses with programs available to landlords and business owners (tenants)
- Programs may require long-term leases, jobs, hours of operation, etc.
- Review may include fiscal, community, and competitive impact



### RESTAURANT INCUBATORS

Ex. shared commercial kitchens, culinary training, business services, etc.

- Goals: food diversity, training, social purpose, etc.
- Non-profit incubators – offer zero to low-cost programs to emerging entrepreneurs and work with immigrant communities, low-income residents, etc.
- For profit incubators – accelerate business growth through intensive training or pop-ups coupled with stringent application requirements and high monthly fees



### RETAIL INCUBATORS

Ex. shared retail space, business training, etc.

- Goals: Offer retail variety, build on community strengths, training, etc.
- Highly –visible locations with foot traffic is essential to success
- May be spaced-based or program-based with entrepreneurs charged rent and utilities

### CASE STUDY LOCATIONS

Arlington Heights, Illinois  
Baltimore, Maryland  
Brentwood, Maryland  
Carrollton, Texas  
Cleveland, Ohio  
Denver, Colorado  
Des Plaines, Illinois  
Escondido, California  
Laredo, Texas  
Mandan, North Dakota  
Midland, Michigan  
New York, New York  
Portland, Maine  
Rochester, New York  
San Francisco, California  
Washington, DC  
Watsonville, California

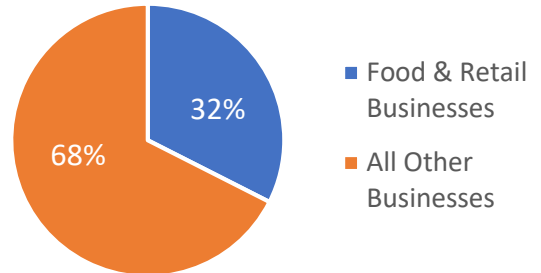


## REVIEW OF EXISTING COUNTY PROGRAMS

OLO found that current County economic development incentive programs are not aimed at attracting restaurants and retail businesses to the County. Four out of eight Economic Development Fund (EDF) Programs (the primary mechanism to encourage growth) are geared to targeted sectors – technology, cybersecurity, and life sciences. Similarly, County business incubators focus on targeted sectors and do not include restaurants and retail stores.

**Microloan Program:** Four EDF Programs are available to restaurants and retail, but only one – the microloan program – is not limited by business type or geographic location. Food and retail business comprise 50 (32%) out of 154 businesses that participated in the Microloan Program in FY18 and FY19. OLO found detailed data on the microloan program is not readily available. Further participating lender websites do not advertise the program as a County-funded program. This limits transparency, ability to track data, and promote success stories.

Business Types Awarded Microloans



## KEY RECOMMENDATIONS

**Create a Pilot Program for a Specific Geographic Area in the County:** Leverage best practices to implement programs that target restaurants and retail, including offering industry specific training to help entrepreneurs navigate the complexities of running a successful business. Explore opportunities to change regulatory barriers impeding development of restaurants and retail and reuse of existing structures to increase availability of space.

**Increase Transparency:** Information on existing County economic development programs is located on multiple sites, making it difficult for business owners to navigate. Examine ways to improve customer service, including enhancing ways to improve coordination with municipality laws and incentives. Increase use of microloan program to better reach food and retail businesses and ensure the program is prominently advertised as a County program to increase transparency and marketability.

**Increase Focus of Incentive Programs on Targeting Restaurants and Retail Businesses:** Current County programs are limited to targeted sectors or geographies. Explore opportunities to expand existing programs to better reach restaurants and retail. Examine feasibility of providing financial assistance in first two years of operation, when profit margins are slim.

### Questions, Comments?

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