

# THE ANATOMY OF COOL ECONOMIC VITALITY

City of Durham

Thomas J. Bonfield, City Manager

For your consideration:

Innovation Award, Rapid Fire Session, and Case Studies

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## DURHAM'S LATEST COOL ACCOLADES

**RANKED HIGHEST PAYING IN THE SOUTH**

Source: Triangle Business Journal 2011

**RANKED #1 FOODIEST SMALL TOWNS (with  
Chapel Hill)**

Source: Bon Appetite

**RANKED #1 BEST PLACE TO RETIRE**

**RANKED #2 IN INTERNATIONAL THEATER  
SALES-**

Durham Performing Arts Center (DPAC)

**RANKED #4 EDUCATED CITY**

**RANKED #5 AMERICA'S GEEKIEST CITIES**

**RANKED #9 HOSPITAL IN AMERICA—DUKE UNIVERSITY  
HOSPITAL**

**RANKED #11 AMERICA'S FAVORITE FARMER'S  
MARKETS**

**RATED 17TH MOST WALKABLE CITY**

Source: Walk Score®

**RANKED 12TH BEST PLACE FOR BUSINESS & CAREERS**

Source: Forbes 2011

**RANKED #31 PLACE FOR BUSINESSES AND CAREERS**

**RANKED #37 ON BUSINESS WEEK'S LIST OF  
AMERICA'S 50 BEST CITIES**

Source: Business Week 2011

## SYNOPSIS:

Our Case study is not about one success story and how it could be implemented in other communities. Our story is told here through a series of case studies and examples. All of which speak to how Durham has evolved into something quite different from what it was 20 years ago. Thus, we present to you the **Anatomy of Cool** - how Durham, NC has used public-private partnership and unique funding mechanisms to promote economic sustainability through: small business development, entrepreneurial incubation, and job creation and placement.

Great change does not come about in a vacuum. Good intentions help, as does planning. But the sweet spot you hope for when you are looking for change is not to be Prometheus, and have to get the stone up the mountain by yourself but rather to gather momentum and have people come of their own accord to lend a hand and to get the ball rolling in earnest. It is through group effort that we provide sustainability.

In Durham, what might have appeared to be a Herculean task at first (the conversion of a tobacco/mill town whose core businesses had long ago gone by the wayside into a trailblazing 21<sup>st</sup> century incubator of small businesses specializing in high tech and bio tech innovation with downtown as a destination full of dining and entertainment) is actually a story of good investment, planning, and partnership. In a city made famous by a movie celebrating its baseball (*Bull Durham* and the Durham Bulls) it is a baseball film that best sums up its story- "If you build it, they will come."

Durham had a history of renovating and repurposing its city owned buildings, mills and warehouses (Brightleaf Square in the 80's, Carolina Theatre in the early 90's, Liggett and Meyer's Warehouses to condominiums in the early 2000's) but the City center still languished. Parrish Street, once nationally known as America's Black Wall Street had become emblematic of that lack of interest and neglect for which Downtown Durham had become known.

Ten (10) years ago the City of Durham and Durham County made a bet that the renovation of the American Tobacco Campus (16 acres and 11 rentable buildings) in Downtown Durham by Capitol Broadcasting Company would be the start; so they built parking garages to a tune of \$42 million to support the complex and Downtown Durham. Since its opening in 2004, American Tobacco Campus (ATC) has won national awards for Best Mixed Use Development, Best Renovated Commercial Property, and Best Redevelopment Project. ATC anchored their development with large tenants like McKinney, Duke, and Burt's Bees. *A Downtown Fund was enhanced from the tax revenue that was generated from this partnership.*

One of the five strategic goals for Durham is to have a *Strong and Diverse Community*. In focusing on this goal, The Office of Economic and Workforce Development has strengthened its partnerships with not only businesses like Capitol Broadcasting but also organizations like Downtown Durham Inc. (which we partially fund) and the Greater Durham Chamber of Commerce to bring about a sea change.

In March 2010, a group consisting of Office of Economic and Workforce Development staff, Greater Durham Chamber of Commerce reps, Downtown Durham Inc. reps and private developers (small, medium, and large) met to devise a way that a retail market analysis they had done of the city could be implemented. What they developed essentially revised our economic development policy in a major way. It provided a way to provide grants that would aid the efforts of small developers and property owners seeking to revitalize vacant and underutilized buildings. It also, provided a way for small businesses to access capital for their expansion needs.

Large businesses need small businesses around them (restaurants, pharmacies etc...) to make the community around them appealing and healthy. Small businesses and entrepreneurs need access to capital, financial incentives, parking and a community around them that is healthy and cool. *The City of Durham is focused on growing small businesses through partnership and looking for ways to respond to businesses needs. Therefore, we engaged in a process like the one we embarked upon in 2010 where public and private stakeholders were actively engaged in policymaking that would have a strong economic impact on the community, rather than instituting policies and then see if they will work to stimulate the economy.* Staying nimble and not dictating from "on high" has been the key element that has been added to this community's economic vitality.

With the intent to create a strong, diverse, and vibrant downtown, Durham has created a unique opportunity for government and business to work together to create thriving businesses in areas that had

become the victim of blight. By providing grants to incentivize businesses in targeted areas to rehabilitate old buildings through the *Building Improvement Grants* and *Retail and Professional Service Grants* and encouraging business owners to beautify their exteriors through *Façade and Signage Grants*, the City is creating long lasting partnerships that help build trust in the neighborhoods and that intangible factor that led *The New York Times* to claim the Raleigh-Durham area is the “axis of cool” and to include Durham in the top 41 places to visit in the world.

**Highlights of the Three Grants:**

**✚ Building Improvement Grants**

To make the first floor more rentable or "retail/restaurant-ready".

**Funding Guidelines:**

The Building Improvement Grant maximum award is \$75,000 and has a minimum total project capital investment of \$225,000.

**✚ Retail and Professional Services Grants**

**Business Requirements for Grant**

- The project property must be a street level, retail business, restaurant or a certain professional or personal services business such as a childcare center or beauty salon.
- The business must be open at least five days a week, eight hours a day and funds must be used for capital improvements.

**Funding Guidelines**

- Funds are awarded up to \$15,000 on 1:1 matching basis with funds provided by the applicant.

**✚ Sign and Façade Grants**

**Business Requirements for Grant:**

- The property owner and/or tenant will be responsible for the maintenance of the signage for a period of five years from the project completion or until such time as the building is sold or the tenant changes.
- Façade improvements must be consistent with design guidelines, development review, streetscapes and enhancement of the pedestrian experience.
- Building signage must enhance the pedestrian experience, preference will be given to signage that is visible at night and that is aesthetically pleasing
- Façade improvements must be made to the exterior of the building and/or property visible from a public street or parking lot and preference will be given to improvements that reduce slum/blight

**Funding Guidelines:**

- The maximum incentive per business or address shall not exceed \$2,500 for the signage portion of a grant and \$5,000 overall. In no case shall the incentive exceed 50 percent of total project cost.

GRANTS BY TYPE	Applicants	Approved	Approved Amount	Matching Private Amount
Building Improvement Grants	20	13	\$952,000	\$4,963,649
Retail Professional Service Grants	34	12	\$171,348	\$382,089
Neighborhood Sign and Façade Grants	11	9	\$26,390	\$50,388
Downtown Sign and Façade Grants	36	32	\$64, 435	\$65,266
<b>TOTAL</b>	<b>101</b>	<b>66</b>	<b>\$1,214,174</b>	<b>\$5,461,392</b>

Over the past three years the City of Durham has invested a total of \$1,214,174 of city funds to grants that have helped generate a private investment of at least \$5,461,392. But this is not the full story...

The financial investment is one part of the story but the ability to respond and actively look for ways to make connections is the other.

Examples of the success of these partnerships abound. For example, the City, through its donation of necessary parking, has supported innovative programs like the Bull City Startup Stampede™ (run by Downtown Durham, Inc. and the Greater Durham Chamber of Commerce). Bull City Startup Stampede™ is a nationwide competition for entrepreneurs to receive support for 60 days in the form of free office space and furniture with access to accelerator programs, investors and support organizations. The Stampede is in its third year and has resulted in 15 new companies being funded and thriving in Downtown Durham.

American Underground, located in the basement of American Tobacco Campus houses multiple accelerators, startups and incubators all feeding off each other's energies and expertise. Making a natural environment for bio and high tech companies to find a home and food is just around the corner...

Another example of how deep the synchronicity can run is Bull City Burger and Brewery.

Roger's Alley, LLC the owner of a building at 107 E. Parrish Street received a *Building Improvement Grant*. Bull City Burger and Brewery, a brand new, locally sourced restaurant was the tenant of this building and received a *Retail and Professional Service Grant* and a *Sign and Façade Grant*. In the case of this building and business, the City's investment was \$92,500 which went towards a minimum private investment of \$364,555 and produced a change in tax value for the property of \$974,739.

By leveraging the private investment the return for the city and thus the citizens was *magnified*, resulting in a tangible change in the cityscape, the tax base, and the culinary experience. This was an extremely practical investment investing in a building in the heart of downtown which was focused on delivering high quality locally sourced food to serve a growing youthful population of entrepreneurs and small businesses locating in the heart of the city. Additionally, we went one step further in our efforts to expand partnerships and encourage a strong and diverse economy.

When Bull City Burger and Brewery then started looking to hire qualified staff, the Office of Economic and Workforce Development met with them about the "Greener Tomorrow Culinary Arts" job training program. This program, a partnership between North Carolina Central University and SEEDS, a local educational community garden, is designed to provide occupational skills training for youth parents over eight weeks, concentrating on gardening and culinary service orientation. Bull City Burger and Brewery employed several people as a result of their participation in this program. Bull City Burger and Brewery has added to the atmosphere on Parrish Street, helping to make Downtown Durham a destination for locals and tourists alike and in the process contributed to employing low income young parents from the community.

We try to support small businesses at every turn. Businesses can encounter obstacles in our grant process. (These obstacles can range from finding the matching funds to qualify for the grant to having a clear business plan).

One of the resources we have in response to small businesses challenges is the Office of Economic and Workforce Development's Small Business Advisory Committee which consists of a diverse cadre of individuals representing entrepreneurial ventures and small businesses; non-profit organizations; law firms; entrepreneurial support organizations; financial institutions; investment managers; colleges and universities; social entrepreneurial ventures; city government; and civic and community leaders. The Small Business Advisory Committee serves as an advocate and organized voice for small businesses and entrepreneurial ventures. Some of the obstacles that businesses encounter in our grant process have been assisted by the Small Business Advisory Committee. Further, the Small Business Advisory Committee offers capacity-building workshops to strengthen the operations and infrastructure of small businesses in order to be competitive in the grants process and in their industries.

In order to ensure its effectiveness and relevance, the Small Business Advisory Committee consistently "sharpens its saw" by actively participating in national, regional and local think-tanks and training conferences and conducting research studies that compares Durham to its benchmark cities nationally. This proactive approach to a continual process of development strengthens the committee's capacity to address the needs small businesses in Durham.

In asking businesses what they need and finding ways to make the connections that they need to thrive, partnerships are born and the partnerships provided the momentum which has contributed greatly to the economic sustainability of Downtown Durham.

By focusing first on an anchor, (American Tobacco Campus including Durham Performing Arts Center - now the #1 grossing theater in the USA in its 4th year of existence) then supporting smaller businesses and the revitalization of the rest of Downtown Durham, the City of Durham has helped create the conditions that are now making it possible for businesses - small and large - to find a home in Downtown Durham thus creating the momentum Durham needed to move forward.

c. Presentation Tools

We will have a game of Bingo based on “What makes a City Cool”, short PowerPoint presentation about the grants programs, then show a video about Bull City Burger and Brewery.

Presenters will be: Kevin Dick, Director of the Office of Economic and Workforce Development, Seth Gross from Bull City Burger and Brewery, Matthew Coppedge from Downtown Durham, Inc. and Michael Goodmon from Capitol Broadcasting Company.

BINGO GAME FOR ECONOMIC DEVELOPMENT ROUGH EXAMPLE CARD

R	I	G	P	A
<b>Retail Businesses</b>	<b>Infrastructure</b>	<b>Government Programs</b>	<b>Partnerships</b>	<b>Attractions</b>
Cupcake Store	Park	Grants	Downtown Inc.	Sports Stadium
Pharmacy	Buses	Historic Preservation Credit	Chamber of Commerce	Theater
Burger Joint	Walkable areas	Loans	Small Business Council	Multi Purpose Community Center
Ice Cream Shoppe	Trolleys	Free rent	Developers	Art Museum