## COMMITTEE AGENDA TOPICS

I. Subject: Small Business Strategy Plan
Action: Staff presentation of Small Business Strategy Plan and Committee discussion.

II. Subject: Feed-In-Tariffs
Action: Presentation of background information of Feed-In Tariffs and relation to the City's Clean Energy Economic Development Strategy.

## COMMITTEE INFORMATION

Present: Susan Burgess, James Mitchell, Nancy Carter, Andy Dulin and Patsy Kinsey.
Time: 3:30pm – 5:20pm.

## ATTACHMENTS

1. Attachment: Small Business Strategy Plan Presentation
2. Attachment: Feed-In Tariff & PACE Bond Programs Presentation

## DISCUSSION HIGHLIGHTS

I. Subject: Small Business Strategy Plan

Burgess: Our first agenda item is the Small Business Strategy Plan and Tom Flynn will lead that discussion.

Flynn: We are not asking for any decision today we are going to share a lot of information about the project we have engaged in with our partners. This will give you some idea of what small business in Charlotte Mecklenburg looks like and some of the activities that are ongoing and then discuss our thinking process about how we got some of the key recommendations. We will be coming back to your next Committee meeting to further discuss these recommendations and ask for approval to move forward from that point. This really began in the Economic Development & Planning Committee back in August, 2009. That Committee asked your Business Advisory Committee chaired by Scott Stone to identify opportunities to grow small business in Charlotte. Councilmember Carter asked that we show what small business can do with business opportunities. On January 11, 2010, City Council asked that staff work in collaboration with the City's partners to develop a clearer strategy to support small businesses. On January 26, Mayor Foxx initiated the Small Business Program Task Force. I will draw that distinction up front to show the difference between what our program is now and how it fits into a broader Small Business Strategy. Both of these things that you see going on are basically going to be rolling up into this broader

Economic Development Strategic Plan, your five year plan that will be coming back through this Committee for Council consideration and approval at the end of July and August timeframe. I think it's important for you to see how all of these pieces fit together as we go forward. There are a lot of business activities that fall into a Small Business Strategy. Everywhere from training programs and opportunities to free business counseling which SCORE provides. Free access to information, local government, small business advocate as well as business to business networking and purchase opportunities; the core of what the City does is around the purchasing opportunities. These are the building blocks of a broader Small Business Strategy and in Charlotte-Mecklenburg they are provided by a range of private non-profit and government institutions. We call these our Small Business Resource Partners. In your packet, we have tried to highlight them and what each one of them does and how they fit into all of this. For example, the Business Expansion Funding Corporation or BEFCOR provides Federal SBA 504 loan program funding, they are a capital provider. The Carolinas Minority Supplier Development Council offers managerial and technical services to assist minority entrepreneurs; they are both a North Carolina and South Carolina agency but are headquartered here. The Chamber is a member-driven organization provides networking, programs, resources and advocacy. We have SCORE represented here today; they provide free counseling to start-up or expanding businesses. Another key partner is the Institute for Entrepreneurship at CPCC we partner with them in terms of providing training opportunities for our certified small businesses. All of these partners are working with the City to build and develop recommendations that are coming to you. The County has a MWSBE Program as well as opportunities for purchasing. Self Help Credit Union is a non-profit provider of capital. The Small Business & Technology Development Center or SBTDC provides counseling to small and mid-size businesses; directed toward mature companies rather than start-up companies. So you can see that this an impressive list of resources based in this community that have grown up here.

Carter: Mecklenburg County Library do you think the downturns in budget will impact the services that they provide?

Flynn: Certainly it has already impacted the Library; their resources are much more confined. SCORE is there one day per week, but the amount of assistance that you can get from the Library staff is not what it was two or three years ago.

Carter: What about the County?

Flynn: The County's MWSBE had a staff of three and is now down to one staff member. We partnered with them on the City and County school initiative. They have a more limited program than we do at this point. So those are your resource providers to give you some sense of what small businesses look like and we will start with businesses under 100 employees. In 2007, there were 27,000 of them in Charlotte Mecklenburg. There are also 69,000 sole proprietorships defined as self employed with no paid employees. We think that a lot of these sole proprietorships, the person in that is also probably employed in something else we don't have a lot of statistics about sole proprietorships.

Dulin: Those 69,000 sole proprietorships do we know who they are or how many there are because they have incorporated or they have signed up for a business license?

Rosado: These are people that applied for a business license and obtained one, we don't know if they are actively in business or not.

Dulin: But most of those 69,000 are paying us the $50.00 that's where the $17,000,000 comes from, the $17,000,000 per year from Privilege License Fees?

Flynn: That would be part of that yes.

Burgess: Would that include realtors?

Flynn: That would depend on how the realtor does business and how they classify themselves.

Dulin: That is an interesting number when you add those two up you are pushing 100,000 businesses and there are only 700,000 of us living here.

Flynn: How does the Small Business Strategy compare to your current program around Small Business Opportunity you have 805 Certified SBE's that are in Charlotte and the seven surrounding counties. There is an overlap there; I just wanted to draw those differences between the two targets of the Opportunity Program versus the Strategy. In terms of employment and size of businesses, you can see that 52% of those have four employees or less and 72% have ten employees or less. They are employed in a wide variety of sectors the largest sector being professional, scientific and technology services. Retail trade at 13% is the next largest number and then a number of them around 8 or 9% are in financial and insurance. As you can see, it's much dispersed they are not a lot concentrated in one business sector. When other outside organizations look at us, we rank very well in terms of our small business environment. The accolades we have received such as best metro area for business and career and most affordable city to start a small business and others; from these prospective, we have a very vibrant small business community. When we look at our peer cities we rank high per thousand population basis in terms of the number of small businesses. This is how we know what our strengths are and where our weaknesses are, all this is building to what I wanted to share with you so if you have questions we have the data to show you.

Carter: These accolade dates come from 2008 and 2009 and 2010. Do we have a backlog? Is this a sustained trend that we are a recognized as a good place to start a business?

Flynn: Yes, that is why we showed you that. It's not just 2010, there are more that we could have put up there. We also did a Small Business Survey of the 227 that responded; 62% said that they were satisfied or very satisfied with how business vended we were. That's a good number but we can do better in that regard. On the other side, 43% said they were satisfied with the availability of business assisted programs.

Dulin: 62% satisfied but we can do better, what is our goal?

Flynn: Yes, we are going to set a goal and talk about metrics later on. The top issues that we hear about are access to financing, lower taxes and fees, assistance in receiving City contracts and City streamlining of permitting process.

Carter: That is really interesting most of those are imposed on businesses rather than in the way we generate services with the exception of streamlining processes. Education and partnership is not that important it's the imposition that is important to them.

Dulin: I see that you only had 227 respondents, how many did you issue the survey to?

Flynn: It was an on-line survey it was sent to all of our 800 SBE's. We also asked our partners to e-mail the link out to their clients. It sat on the front page of the City's web-site too, so we distributed it very broadly.

Cannon: Have you exercised this in the past through electronic mail? Does it give you a real feel of what the people are saying? Is this typical in the amount of responses?

Flynn: We have done a couple of these surveys before and this is somewhat similar to the rating we got when we asked the question for our BusinessFirst group. The business friendliness is around the same rating.

Cannon: But you typically e-mail out and wait for the responses to come back in?

Flynn: Yes, very low cost way to get things out. We also had a Small Business Forum and Mayor Pro-Tem Burgess was able to come out and kick that off for us. We got some really good information out of that; once again the access to capital came out as an issue for businesses. There are a number of Certified SBE's there so we clearly heard about the issues of getting contracts with the City. Most of them did not know about the availability of small business resources. We think this correlates back to the previous slide where you saw some very low activities around satisfaction of small business resources. One of the interesting things was the no mention about a physical one-stop small business center. They ask about ways to help other small businesses and promoting local business to business opportunities. Sharing information via the Internet is how they want to communicate. They would also like some type of "Google" like tool or search engine to help them find local resources and finally facilitate access to capital.

Mitchell: I think if we create some type of SBE e-mail that can be used when we have a City project. We can send it out to all 800 SBE's because the feedback that I receive is that they do not know when opportunities are available. I think them knowing about the opportunities that we have would be a way to grow the small businesses.

Rosado: We are actually looking into that and talking to the SBO Liaisons, as each department does things a little bit differently. We are working with the departments to see how we can communicate effectively.

Kinsey: Access to capital; are they referring to our partners or private capital?

Flynn: Yes, private capital. How can we help and our partners in the room help them to access private capital? How can we help them get ready for private capital and make sure when they meet with a lender that they have a good business plan? How can we on the local level provide some of that access to capital? Are there other players that can bring access to capital that are not presently in Charlotte?

Kinsey: Can you give us an example of one of those players that are not already in Charlotte?

Flynn: One of the things that we did not realize was something called Community Development Finance Institution, Self Help is called a CDFI. When we looked around at out peer cities we only have two CDFI's most cities have a lot more CDFI's. So that is one area that we are looking at. Another thing is how can we as a city help develop a lenders roundtable so that we can communicate with the lenders.

Carter: Difficulty in accessing the business with the government. What are we doing to expedite access to our businesses?

Flynn: Access to getting government business?

Carter: Yes.

Flynn: Can we get to that directly? When think about the opportunity piece of this, the purchasing with the government piece of this, I think you are going to get some good recommendations from the Task Force that Michelle Fish is Chairing. We are going to be touching on that a little more.

Kinsey: Mr. Mitchell, you suggested getting information out to all the SBE's on the work that may be coming out.

Mitchell: Only the ones we approve that we sent out like the project on Davidson. We want to send out an e-mail that says here is an opportunity for SBE's.

Kinsey: But we would only do that for our projects and not private contractors that may be looking for SBE involvement. In other words, when we have work from the City we would be sending this information out to only SBE's in Charlotte?

Mitchell: Yes, only to Certified SBE's.

Flynn: It's really about promoting local businesses, helping them do business with other businesses. So how can we help them to that?

Mitchell: I think the argument is that SBE's say we do not have participation when the goal is set. SBE's will tell you that they did not know about the opportunities. If we create some way electronically to say here are the SBE opportunities and we send it out, maybe we can get more SBE's to participate and address that top issue of difficulty in getting City contracts.

Carter: To avoid discrimination, I think that information needs to be posted on our website as well as sending it out.

Rosado: The City bid opportunities are posted on their individual department websites.

Carter: Could they be brought together in categories under the Economic Development website?

Rosado: When you visit the Small Business Opportunity Development page we have links to all of those sites.

Flynn: Our information is on the City website. You really have to know where to go to get it. One of our recommendations is to create a larger web portal for small businesses. It's not about City contracting that is just one piece of it, it also will have a search engine on it where you can put some key phrases in and that will take you to the right places. So you might go in there and search City contracting opportunities so that is a recommendation later on in the presentation.

Carter: As we go into the clustering from resources to bio-metrics and all of that, I think clustering is following the way of the business world and grow the grass roots up to the cluster.

Flynn: We are talking about the 27,000 small businesses here. We have good small business resources and we have redundancy. There is a depth and capacity of existing services and free resources for start-up businesses through CPCC and SCORE. We have a talented workforce and we are small business friendly. Those are what we and the results from the partners have shown us from the survey. In terms of weaknesses, access to operating capital for small businesses in heard most often. Lack of overall strategy, we have lots of resource providers that talk to each other. But we need an overall strategy and a great support system for small businesses in our community. We also lack centralized marketing efforts. When you think about the providers that we are working with for the most part they are State government and non-profit institutions that have very small marketing budgets. Each one is doing their own thing with the small money they have to market their own thing. That is a key recommendation to address that issue of how we market more broadly so that small businesses know about the services that are out there.

Mitchell: Marketing is so important but how can we create opportunities for our small businesses? Marketing is the key but how do we present opportunities to them and how do we help them get the capacity for those opportunities? I think it will put us in a better light if we create more jobs.

Flynn: A lot of these small businesses do not know about the help that is out there to get ready for those opportunities. The point here is to market those services, not just our City services but those of SCORE, Self Help and others so that they are ready for those opportunities. Much more broadly than just the 800 SBE's we are talking about the 27,000 small businesses in the Charlotte area.

Carter: Whose responsibility is it to establish that overall strategy?

Flynn: We are getting to that point. It is our recommendation that the City is uniquely qualified to lead the development of that strategy. That is our recommendation to you and we will explain that further. In terms of the opportunities, clearly 62% were clearly satisfied. I think that the metric that you want is 90% satisfied. We have the opportunity to create a small business brand, in terms of branding providing an umbrella branding for all the resources out there. This would be a way of rising up the small business knowledge of the available services. We think that would be best accomplished through a central web portal. There has been a lot of collaboration between our resource partners to get to this point. We think there is an opportunity to continue that, clearly there are a lot of resource providers here locally. SBTDC goes beyond Mecklenburg County; CPCC has links to the regional and community colleges. There is real opportunity to build a business to business network and develop partnerships in City and non-city projects as well as an opportunity to purchase from one another. In terms of threats, the key threat has been the lack of funding to implement initiatives that come out of this process. You have heard a lot on the access to working capital. As we move forward the failure to keep up with changing economy and the way we do business with the Internet and alliances. If we were here three years ago, the issue would have been workforce and workforce training. There is a perception that Charlotte is an expensive place to do business and we are not business friendly. The statistics show Charlotte is below the national average in costs of doing business, the national average is 100 Charlotte is at 98. Small businesses have their market here they are not looking to locate their shop in other locations. They are looking at what the cost of doing business here in Charlotte-Mecklenburg versus doing business in Gaston County. I think that is a real issue for our small businesses.

Burgess: On the business to business recommendation, how does the City facilitate that?

Flynn: It may be something that will be on the web portal. The Chamber has taken an initial foray into this and maybe we should go back and work with them to see how they might improve on that. They may want to open that up to broader scope than just to their membership. We are viewed by our resource partners as a neutral party. We also are interested in the broad spectrum of small business resources, we are not just interested in capital or just interested in training, we are not a membership organization. We have experience in building and sustaining collaborations and partnerships and finally, of all the organizations in the region, we have the resources that can be allocated to at least the first stage of the proposed Strategic Plan. It's our recommendation as well as our partners that are around this room that the City should take over the leadership role.

Carter: Where are the funds coming from to do this?

Flynn: Our suggestion is that you take it out of the E.D. Business Corridor Funds.

Dulin: How much will it take?

Flynn: The first tier cost to build the web portal, develop the brand and the first year of marketing is approximately $150,000.

Cannon: What is the balance in the E.D. Business Corridor Fund?

Flynn: $15,000,000.

Dulin: So our goal is to reach more small and minority businesses or just minority businesses?

Flynn: No. Your goal if we proceed would be known as a "premier community for small business investment and growth" and you would do that by the proposed mission of "Creating an environment to help small businesses thrive in Charlotte-Mecklenburg through collaboration and public/private/non-profit partnerships". That is what we are recommending to you as your vision and your mission for this. This is much broader than the Small Business Program it is about the 7,000 small businesses in Charlotte-Mecklenburg.

Carter: There is enormous number of institutions of higher learning. When they graduate students that are uniquely qualified are you going to target them to keep them in the community?

Flynn: Yes, to the extent that they have resources that they know about if they want to start a business here this will help them do that.

Carter: I am talking about graduate students, targeting them as a market.

Flynn: Once again if you are in the city known for being small business friendly and you have the resources. Bob Morgan thought this was a tremendous idea to have this web portal and the focus on small business with the resources behind it as well as a marketing tool for the Chamber.

Carter: I would love to involve the academic world and I am not seeing it at this point.

Flynn: When you think of small business, the institution to work with would be the Institute of Entrepreneurial ship at CPCC; they are the ones that provide the training at that level.

Carter: I am interested in keeping these graduates here in the Charlotte-Mecklenburg area. So I am trying to make a pitch for a specific target such as marketing the universities by direct contact. We are trying to push the research and universities and the way to do that is to see that they can be successful here.

Burgess: I am not sure recent graduates are ready to become business owners.

Carter: Chapel Hill graduate students are starting their own businesses.

Cannon: And with that you may want to do your own research and tell me what the real number is before jumping into something like that. That way you can benchmark and determine if that is where you want to put your focus. That was a good suggestion non-the-less. I want to be sure I understand, I heard you mention 27,000 small businesses. Outside of those that are currently in business with the City of Charlotte, why would we be interested in growing our children that are currently in our home and then going out to welcome those on the outside to come into the same home? It would seem to me to be a greater level of focus to grow and develop and make sure these folks are interacting and getting all they need. That seems to me to be the shear focus.

Flynn: To the extent of the broader small business community is getting this information and you have these opportunities out there for them. We are not recommending de-emphasizing at all. As a matter of fact, we believe that through this we will be able to provide development opportunities for our Certified Small Businesses. That is clearly the focus building up the development side of the Certified Small Business.

Cannon: Is this just a pitch and promote to those small businesses on the outside?

Flynn: Most of those 27,000 small businesses we have no reason to purchase from them. The City has no reason to purchase from them they don't sell something that is commercially useful to the City. Your purchasing program is one piece of a larger small business strategy and that is what this Committee asked us to focus on, the larger Small Business Strategy for the 27,000. At the same time, we are focusing on improvement through the Task Force the opportunities of the 800. This is not at all going to take away from one or the other; it is an expansion of the City's leadership role.

Cannon: I understand, thank you.

Flynn: Deeper than the proposed objectives of the Strategic Plan are to build and strengthen a local consortium, increase public awareness around small business resources, provide information that meet changing market needs. We have a list of action steps and suggested metrics to come back with next time. Promote public/private/non-profit partnerships to enable business owners to find capital. Increase opportunities for small businesses to expand sales locally that means through government and business to business opportunities. It really is about promoting partnerships to enable them to find it and when they walk into the bank they have a good package and a good story.

Dulin: It is your thought that we would get them together then back out and let the businesses take over or would we have an ongoing relationship?

Flynn: I think our role to make sure that they knew that they were prepared when they walk in to talk to the bank's lending officer. That they were well prepared and a good business plan with them; that is the role of the resource partners.

Dulin: Resource partners like SCORE?

Flynn: Yes.

Horrigan: My name is Mike Horrigan I am a SCORE volunteer. I was asked to join my SCORE colleagues debate on this very subject of what is the goal? This discussion has touched on education, CPCC and other institutions that provide guidance on how to succeed in business and how to access capital whether private or public. The SCORE debate was how do you measure success? It is theoretically possible to create another 25,000 business entities but not create a job in the process. If success is 25,000 new jobs then that could be each one of the small businesses hiring one person. That is success for all of us rather than creating 25,000 new entities for the sake of new tax I.D. numbers. I can make this successful by buying five more tax I.D. numbers and it could be a misleading sign of success. The SCORE folks would have me ask you, what is the crystal clear goal? If the goal is to help create jobs through small business then counting the number of businesses is certainly one way to do it, so counting the number of jobs created by business growth maybe just as much or maybe the more likely successful avenue to do that. Education will help many have left having heard what they did not want to hear but needed to hear which is that they did not have a

viable business concept. I have never had anybody ask how to they put together a business plan to come to the government to ask for a contract. I wonder as a tax payer if the government is at this point is looking around for a lot more contractors to distribute money, I doubt it.

Dulin: My question was at what point we stand down and let them ride their bike?

Flynn: Is your question based on financing and lending?

Dulin: We always get in front of you Tom, I am sorry. On page 12, we have annual operating expenses and I am wondering how long that relationship is going to last once we get a small business up and running?

Mumford: We are a connector. We can connect people to resources we are not in it for the long haul. We connect them to SCORE, we connect them to a bank, we connect them to CPCC and then we go and connect other people to other resources.

Dulin: I want us to help folks and then get out of their way and let them sink or swim. It's not our job to go into 800 new businesses every year, but it is our business to help 800 new businesses every year.

Horrigan: if you can provide information in which people can make choices in whether to swim or not and then actually give them guidance or swimming lessons then back away.

Dulin: I am willing to support that, what I am not willing to do is get in on these businesses.

Flynn: That is the intention of the web portal to put a lot of that information in one place.

Burgess: A lot of start-up businesses need support in the beginning so I would not want to abandon them immediately, guide them toward those sources that could help them.

Dulin: For instance, I met with a young scholar from Argentina two weeks ago when he moved to Charlotte and is trying to figure out what he wants to do. So I would like to capture and help him if we can. I think he is going toward the Ben Craig Center. So he is not waiting on anybody to help him he is working on it himself.

Burgess: We have another big agenda item so I am sensitive to time. But I do want to include in our Strategic Plan a lenders roundtable and increasing the number of CDFI's.

Flynn: We are not asking for approval today, but rather touching on all the recommendations throughout the course of the presentation. Some of the other recommendations are the small business advocate in City government, online "Business to Business" marketplace, "Buy Local" campaign, and explore the local program mirroring State's price-matching opportunity which is Executive Order No. 50. We have some metrics that include improving the annual survey of small businesses. Clearly, if we have a web portal we want it to come up as number one, two or three when you goggle small business Charlotte. Increase the utilization of small business resource partners. What are the specific measures around small business viability such as how many jobs and how many businesses are in business five years from now. We talked about resource allocation about the $150,000 that we recommend that we use from the Business Corridor Fund, this would be a one-time use. In terms of our next steps, we did brief the SBO Task Force on Wednesday. We are going to be presenting to some small business organizations such as NAWBO and the Latin American Chamber. The County is a partner they have the County Economic Development Committee. I met with John Allen and Commissioner Harold Cogdell so we will be briefing them. We will be bringing this back to you on May 13 with a recommendation to the full Council on May 24. Then a Strategic Plan will be coming back to you in July or August.

Mitchell: I am making the assumption that there are more small business organizations than you have mentioned there?

Flynn: Absolutely there are probably 20 including the African-American, Asian, Latin-American Chambers, Metrolina Minority Contractors and others.

Mitchell: I did not see any mention about disparity in all of this information. In the feedback that we have received from the 227 do we not need a Disparity Study, we are coming up on number five?

Flynn: That is being looked at by the Small Business Opportunity Task Force, by Michelle Fish. When we met with the Metrolina Minority Contractors Association presented to them and they brought up the issue of looking at Disparity Study.

Mitchell: Before we make a recommendation, I would like to identify the source of funds.

Flynn: The recommendation will come through the Small Business Opportunity Task Force directly to the Council. Then you will decide how to do that from there.

Burgess: Thank you. I think we are now ready to move to the next agenda Item which is Feed-In-Tariffs. A short definition is a financing mechanism to help develop renewable energy. The timing of looking at a particular tool such as this good for this Committee because it's part of the Economic Development Strategic Framework. You have a goal to develop a clean energy strategy. This is a particular tool that might be a part of that so I am going to turn this over to Brad Richardson. He will quickly walk you through that, not only as a Feed-In-Tariff as a tool, but others.

II. Subject: Feed-In-Tariffs

Richardson: It's a very complicated issue we don't have time to do it all, I will over simplify it. We want to talk about two programs one is Feed-In-Tariff show a little about what is happening in Gainesville, Florida. Property Assessed Clean Energy (PACE) Bonds and a case study there that took place in Boulder County, Colorado. At the risk of over simplifying, Feed-In-Tariff renewable energy installations are difficult to enact because generally speaking it's relatively expensive and difficult for a homeowner and a developer install and to finance. If you have access to a power grid and you want to sell it back to the grid, the local utility in your community will not likely pay you enough to make the upfront cost. You need to have a way to recover your upfront cost and get a reasonable return. Tax credits are available on the State and Federal level but you have to be making money due to the limited appeal and utility. The market demands to recover costs in renewable energy development, as well as be bankable and provide an adequate return on investment of 17.5 cents. That is just a ball park number. The local utility will not pay that much, they will pay a portion of that but certainly will not pay it all. So there is a gap there and the Feed-In-Tariff is a pool of money most likely provided by a utility company and we will talk more about that in a moment. Local utility and not local government to make up that gap, they do it through assessments on utility bills. This has played out well in Europe and catching on in America. You need to have a return on investment, a long term contract and the utility has to guarantee that they are going to purchase from you for a 20-year period to make it work. You have to recognize that incremental payment decreases in expectation of technology advances and economies of scale happen will go down. That is not a major point for today. Generally, they are enacted by utilities to meet

renewable energy goals and some are enacted by states through the Utility Commission. Utility have the means to pay you on the utility bill and that is where you see most of these things happening. Some states are doing it through a utility commission mandating that utilities do it, not the case in North Carolina. We chose Gainesville because they were the first to implement the program at the municipal level, through a city-owned utility. Gainesville owns their local power utility. Charlotte does not own the power utility, Charlotte owns the water utility. If the local utility does not participate in this, they are not interested in doing it for whatever reason someone else has to fund it. To pay the installer and the equipment provider you need a pool of funds. In North Carolina, we have something called NC GreenPower (NCGP) it operates in a similar fashion, it's a bonded program it's got the State Utility Commission support. For example, you can have $4.00 added to your utility bill. They will in turn pay generators around the State that difference to make it worth their while. The statewide Green Energy Program is supported by all the state's Utilities commission and administered by Advanced Energy, a Raleigh non-profit company. Small solar producers receive approximately $0.15 per kilowatt hour (kWh) from the NCGP, plus approximately $0.04 per kWh from their utility under a power-purchase agreement for a total production payment of about $0.19 per kWh. In North Carolina, there are currently 307 participants on the generation side not on the contribution side of the program including nine in Mecklenburg County that are generating power. Participants are in solar PV, wind, landfill methane gas, wood waste and small hydroelectric facilities. City-owner Gainesville Regional Utilities (GRU) provides electric, gas, water and wastewater services.

Dulin: That is 307 statewide?

Richardson: Yes. In Gainesville, Florida they approved a Solar FIT program in April of 2009. Their customers can sign up for the Solar Fit Program and invest in their own PV systems, selling energy directly to GRU under a contract with a 20-year fixed price. Prior to that program, 302 kWh were generated by renewable solar. In the first nine months after that, 564 kWh were produced by those participants in the program. So at least in Gainesville that it would help spur demand and be a nice tool. FIT customers spent $2,500,000 on installation in the first six months of the program. There was 119 MWh of power purchased in the first six months of the program for $38,000. The difference between Gainesville and Charlotte is that Gainesville owns the utility. Why is that an economic development issue? There are job creation opportunities for both the FIT and the Property Assessment Clean Energy Bonds. The difference in the two is the FIT spurs generation solar, wind and others depending on the demographics. We think it would complement the "New Energy Capital" strategy that we are spending a lot of time and energy working on. At the Charlotte Regional Partnership meeting tomorrow, we will be talking about energy. There are folks in the room that can talk a lot more and answer the technical questions.

Mitchell: No questions, good job.

Richardson: Let me move quickly into this discussion about Property Assessed Clean Energy Bonds (PACE). Asheville, North Carolina will be the first city in our State to do this. They had a public hearing Monday night with 140 people. There is a really strong grass roots effort to do this, once I tell you what that is, you will say that it is interesting. There are some pros and cons and we will talk about that. Simply a local government

authorizes funding from special assessment bond revenue and/or stimulus funds to capitalize a loan pool. Loans are provided to residential and commercial property owners to finance eligible energy efficiency and/or renewable energy projects on their own property. This is voluntary participation by property owners. You sign up for it, it's not mandated. Loans are repaid through special assessments on the improved property in the property tax payments. So you voluntarily sign up to pay more property taxes in the next 10, 15, 20 years to repay the loan to the local government. If I sell my house, the property assessment stays with the home not with the owner. So you would need to negotiate that out with the buyer or the mortgage company. There are cost savings ostensibly from certain technologies today that would offset the cost of the improvement and the increased property taxes, in theory that is how it should work. Often times the interest rates may be lower terms of doing this in five to 15 year terms. Cost savings to the property owner from reduced utility bills should approximate or exceed the cost of repaying the loan.

Dulin: The important word there is "should", it's a risk.

Richardson: I don't have the history; there are some in the room that can talk to you more specifically about that. I think one of the things we will watch carefully with other communities is that some communities will require an audit ahead of time. They may require that the loan recipient sign a waiver giving them access to the utility bills so they can monitor the differences. But yes, you raised a good point. The case study that was done in Boulder County, Colorado is a case in point. In 2008, they approved "Clean Energy Options Local Improvement District" and authorized up to $40,000,000 in special assessment bonds for residential and commercial. Homeowner loans ranged from $3,000 to $50,000, the maximum for commercial use was $210,000. The loans were set in terms of five years to 15 years at rates of 6.75% to 8.75%. The participants signed a waiver with the County so that their utility bills could be released in order to track the impact of the program. At the end of 2009, there were 612 participants in the program and the County is touting it as a successful program. There was approximately $10,000,000 loaned out in the program. Most of the programs were energy efficiency loans getting the home weatherization, or new installations. There were also some job opportunities created for more than 280 installers, contractors, and vendors. If you think about the new job creation potential it happens on the side of installers such as the technicians and those doing the audits. Currently 18 states have authorized the PACE Program. Of those, 16 states have passed legislation and two states permit it based on law. North Carolina allows local power utilities to do this and allows local bonding and property assessment programs for the purchase. The current volume nationwide is 233,000,000. Voters had approved the local special revenue bonds that were used in Colorado, so when you sign up for the bonds, you become part of this special district. The issue for Charlotte is we don't own our utility. The FIT program for electricity would require support and implementation of Duke Energy or the City would need an alternative source of funding for a Feed-In-Tariff program. We don't know how much community support we have for this type of program. Gainesville had broad community support more than 75% in support of an assessment on the utility bill, it's a small college town and demographically different. Asheville had a very large group support for the voluntary property assessment where you could opt in. This is not necessarily an option. It may be but it's more likely an

assessment that creates the funds to do it. The question comes up since we don't have direct control over the power utility, we don't own or operate it. We do own the water utility. Can we do something through water conservation? Not an idea just a thought. It really goes to the logic of doing what you can through what you control. In regards to the PACE Bond Program, what is the real driver for a homeowner or commercial building owner to do some fix it ups? Why are more people not doing it? Is it due to not having access to financial needs, can they not take out conventional loans with banks or is there still some learning to be done about the actual efficiency and the actual payback period, to your point Mr. Dulin. So that is a question that we need to understand. We are putting together our five year E.D. Strategic Framework we anticipate having in there a Clean Energy Strategy. We are doing an inventory now with the Chamber of Commerce as a partner to catalog the existing Clean Energy Economy so that we know as we grow jobs what that delta has been. That is where we will see the Clean Energy Strategy emerge in that five year plan that will be wrapped up sometime this spring toward the summer. These recommended actions will be included in the City's Clean Energy Strategy, part of the City's FY2011-2016 ED Strategic Framework. That is the conclusion of my presentation I can answer some questions and we have partners in the room that can give you specifics.

Burgess: Are there any questions?

Dulin: I have a few I just don't know what they are. On Page 11 about the Issues for Charlotte; we talked about having some sort of rebate program for people who were saving water during the drought. My family installed a hot water widget that provides hot water instantly. It was fabulous, we wore it out and now those guys are out of business and I can't get another one. I was really excited about saving water and I don't know if this is where we would bring up an issue like that again or not? I still would be interested in having some sort of program like that. I was somewhere and saw where they had waterless toilets. I don't know if those are going residential yet or not.

Richardson: Yes, Mecklenburg County has them at the Aquatic Center. As we develop our thoughts and recommendations to you on how we want grow the Renewable Clean Energy Economy those are the things we certainly want to consider.

Dulin: Are there solar people in the room? Good, we just talked about Duke's solar out on Highway 51 on Monday night. Do we foresee pockets of solar panels on residential homes all over Charlotte?

Olsen: I am Joel Olsen of 02Energies. Of those 307 installations, we have less than 10% solar in Charlotte; somehow the Charlotte region is behind.

Dulin: That's less than 30 homes in Charlotte with solar.

Olsen: Under the NC Green Power Program that's correct. In Charlotte we see the larger rooftops that we see around the Airport and municipal buildings. There is a lot of land that is not being put to good use but could be. It could be put to use for the property owner the business owner and the City. There are jobs that could be created doing that; it's not just residential. We see that when it comes to renewable energy the larger scale you can do it, the cheaper it can be. Therefore, residential being the most expensive. NC Green Power has put us a step forward ahead of any other state around us in getting that done. We are really looking at more than just residential for this program.

Dulin: Thank you very much. In the Interest of time, I am not going to continue that direction. The gap is why we are sitting here, the $ 0.08 that utilities is willing to pay and the $0.17 that we need to make it profitable.

Richardson: That is a simplified understanding.

Olsen: Usually when municipals do anything related to promoting renewable energy they do it in one of two ways. Either they do it in an upfront rebate which more often does not work out well, because they pay it out one time then no one cares if it creates energy or not or they do a production based incentive. Production based incentive has been what has put the U.S. on the map for wind is 90% of all the renewable energy deployed successfully worldwide. It's done on a production-based incentive. We don't pay out $50,000,000 in one year, but we pay out $100,000 or $75,000 a month based on what is actually produced. It's easier to raise those funds. It's easier to show what they are being used through. In that program, you can directly correlate it to jobs, property taxes, income taxes that would be generated from this new economic development vehicle as well as attracting companies to Charlotte that want to produce and supply to a market that is vibrant.

Burgess: Has Duke Energy taken any position on this?

Gause: Tim Gause, Regional Director for Duke Energy Carolinas. We are hearing this for the first time; we did have an inclination that there would be a discussion today on this. A couple of comments we are seeing that gap is beginning to close. We have invested on a $50,000,000 scale in solar and we have identified projects that on a much larger scale. That is where we are trying to gain our experience in terms of these tariffs. We see again the gap closing as the technology becomes less expensive to install.

Felt: Emily Felt, Director, Duke Energy Renewable Strategy and Compliance. To give you some prospective, on the eastern part of the State, Progress Energy North Carolina has offered a SunSense Program. It's about $0.18 per kWh for someone who installs solar. That is the equivalent mechanism of Feed-In-Tariff. I don't know how long they have offered that, but probably as least a year if not two years. The Program is almost fully subscribed, it's been very popular. We have chosen to meet the law in North Carolina that requires us to bring on almost .02% the larger generation must be from solar by this year. We have chosen to go about it in a very different manner. That has been to deploy our own generation, own/operate distribute generation, as well as purchasing some very large hotel contracts with the solar farm in Davidson County. We have also made some investments in contracting with a solar thermal installer to do the large installations. We do offer a mechanism for smaller scale projects to do business with us, that's what we call our standard offer. We update that quarterly, we will pay all in about $0.18, keep in mind that we are paid about $0.10 all in per kWh's. For a long time, we have been criticized for that not being rich enough from the Feed-In-Tariff prospective. We are actually finding that some folks are finding it economical to do business with us at that rate. We have gotten a lot of criticism for not offering more, but in our world, all renewable costs are costs to our customers. If we offer a lot of money for these solar installations, if it's a very rich offer, then that cost is reflected in the customer's bill. I am a customer of my own company and I don't want my bill to go up and I don't imagine that a lot of people do. Half of our customers live at or below poverty. That gives you some of the background on why we are not offering $0.18 per kWh. The positive news is that prices on solar have

fallen dramatically; count your lucky stars that you did not buy two years ago. It is getting much more economical to invest in solar. That gap is becoming much smaller and folks are finding that our $0.03 subsidy and $0.06 that we will pay for their spare energy to actually work with their financial model. Maybe a year or so that may not have been the case but the market is maxing out with what we expected it to do and some folks are actually able to deploy the standard offer that we have. The standard offer that we have is not for small scale stuff, we are relying on NC GreenPower to subsidize that residential scale business. Our offer is for installations that are roughly about 35 kilowatts and up. We are not offering it for one megawatt installations; it is physically a commercial rooftop installation of something like 150 kilowatts. We are participating but we are not paying premiums for this because we feel like we need to act in the best interest of our customers.

Burgess: Joel do you want to add something?

Olsen: No, thank you.

Dulin: I want to compliment what Emily had mentioned. There was a statement made that Duke would have to administer this program. I think what is very important is that we are talking about a regional program that would not involve Duke. All they would have to do is pay what they are required to pay by law. When we start paying for the nuclear development cost, that cost is said to go up 6% per year for the next six years based on a nuclear power plant we will not get for the next ten years. We are not asking for anything but the bare minimum cost. This gap that we are taking about; how as a region and city promote clean energy? We could actually put in very large installations with $0.03 gaps if we have get panels bought from China with loans from the Chinese government; that's possible to do. What we are really looking at is 10Kw which is residential level which NC GreenPower sells up to some point that makes sense to the City. We want to see it, we want people employed in this, we want to build a supply chain because we don't want to be buying this from Germany or California. If people participate the amount of cost to get that into our universities and in our workforce now is really pennies per month. I sympathize with Duke, Tim, Emily and Joel they have commercial companies that do not want their bills to increase. Anything that Duke does has to be approved by the Utilities Commission which is a bureaucratic mess. This is why we saw nothing happening on a Federal level but we as a State went for it. We as a region have some perks and with plenty of regions that give rebates that don't have electric utilities; we could have a production based incentive instead of an upfront rebate. How can we do that there is a variety of options; but it's the concept that I would like to see us investigate. It's the cheapest cost without doing a lot of financial acrobatics or tax credits to get it done. We are taking about a program that allows independent power producers, businesses, companies to generate their own power and make it profitable enough to get it financed.

Burgess: Fascinating topic we could spend another hour just discussing it.

Mitchell: I just want to thank staff, Tom I think we were at the Whitewater presentation and had this energy conference, Joel that was your organization, thank you. Tom, thank you for putting this on our agenda.

Burgess: Joel, I want to thank you for your generous gift to the Cultural Campus. This was so generous for the community in so many ways and we do appreciate it. Thank you to staff for a brief summary on a very complex issue.

Richardson: In conclusion of our presentation as part of our FY11-FY15 five year plan for the City Economic Development work, we anticipate having a clean energy plan that will be blessed by the Council before the end of this fiscal year. It will have words in it like the ones today such as performance based incentives and solar savings, that kind of stuff. We will have an action plan as we get smarter about this and bring it back to the table. We would like again to have this dialog.

Burgess: Our next meeting is May 13th in this room at 3:30pm; I am not sure what is on the agenda. We are adjourned.

Adjourned: 5:15pm.

Economic Development Council Committee
Thursday, April 22, 2010 at 3:30pm
Charlotte-Mecklenburg Government Center
Room 280

Committee Members: Susan Burgess, Chair
James Mitchell, Vice Chair
Nancy Carter
Andy Dulin
Patsy Kinsey

Staff Resource: Julie Burch, Assistant City Manager

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AGENDA

I. SMALL BUSINESS STRATEGY PLAN - 30 minutes
*Staff:* *Tom Flynn, Economic Development Manager*
Action: Staff Presentation of Small Business Strategy and Committee Discussion (See Attachment)

II. FEED-IN TARIFFS – 30 minutes
*Staff:* *Tom Flynn, Economic Development Manager*
*Brad Richardson, Business Retention & Expansion Manager*
Action: Presentation of background information of Feed-In Tariffs and relation to the City's Clean Energy Economic Development Strategy

Next Meeting: May 13, 2010

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Distribution: Mayor/City Council Curt Walton, City Manager Leadership Team Executive Team

CHARLOTTE

NEIGHBORHOOD & BUSINESS SERVICES

# Economic Development Committee Meeting

# Small Business Strategic Plan

April 22, 2010

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# Introduction

- January 11, 2010 - City Council charge to develop Small Business Strategic Plan:
  - "Direct staff to work in collaboration with the City's partners to develop a clearer strategy to support small businesses."
- January 26, 2010 – Mayor Foxx initiated Small Business Program Task Force
  - "The Small Business Task Force will review the Small Business Opportunity Program outcomes to identify ways to strengthen SBE utilization. The Task Force may also recommend additional strategies to promote small business growth."
- July-August 2010: Council considers approval of new Five-Year Economic Development Strategic Plan

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- Elements of a Small Business Strategy
  - Training Programs and Opportunities
  - Access to Capital
  - Free Business Counseling
  - Purchasing Opportunities
    - Government
    - Business to Business
  - Free Access to Business Information
  - Marketing of Programs and Resources
  - Local Government Small Business Advocate
  - Business to Business Networking Opportunities

CITY OF CHARLOTTE

# Small Business Resource Partners

- Business Expansion Funding Corporation (BEFCOR)
  - Provides federal 504 loan program *(Access to Capital)*
- Carolinas Minority Supplier Development Council
  - Offers managerial & technical services to assist minority entrepreneurs *(Training Programs & Opportunities, Networking)*
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CITY OF CHARLOTTE

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CITY OF CHARLOTTE

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CITY OF CHARLOTTE

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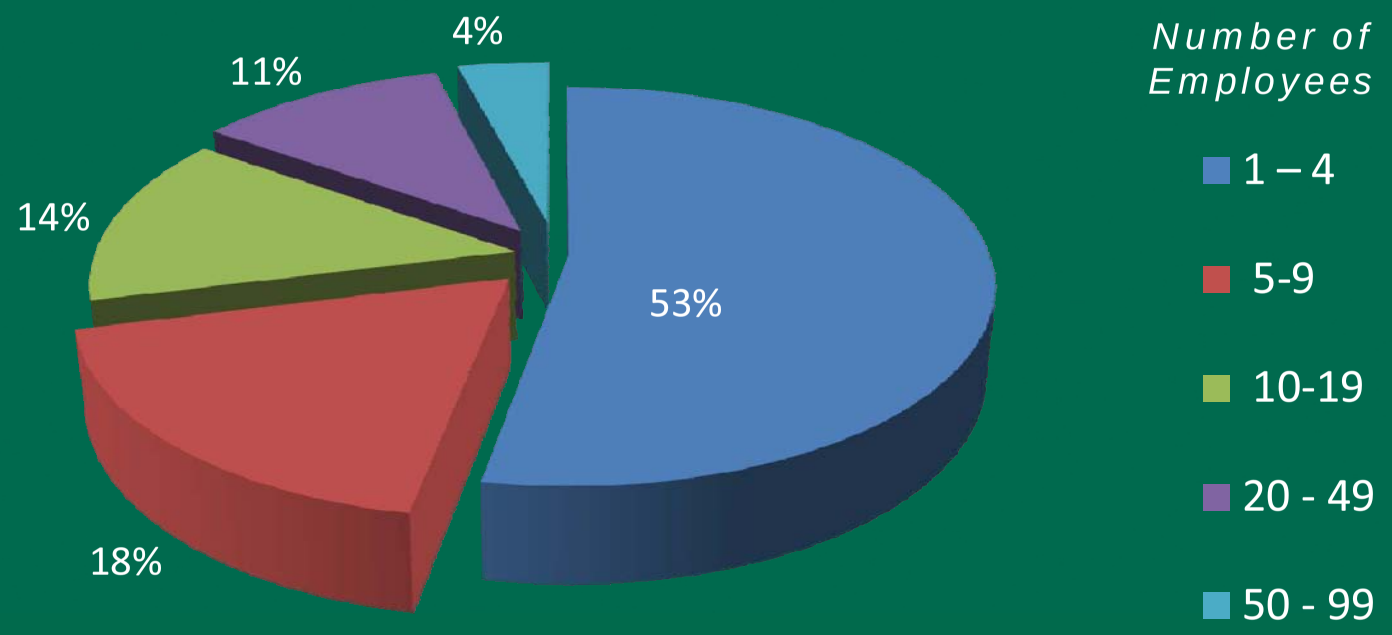


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CITY OF CHARLOTTE

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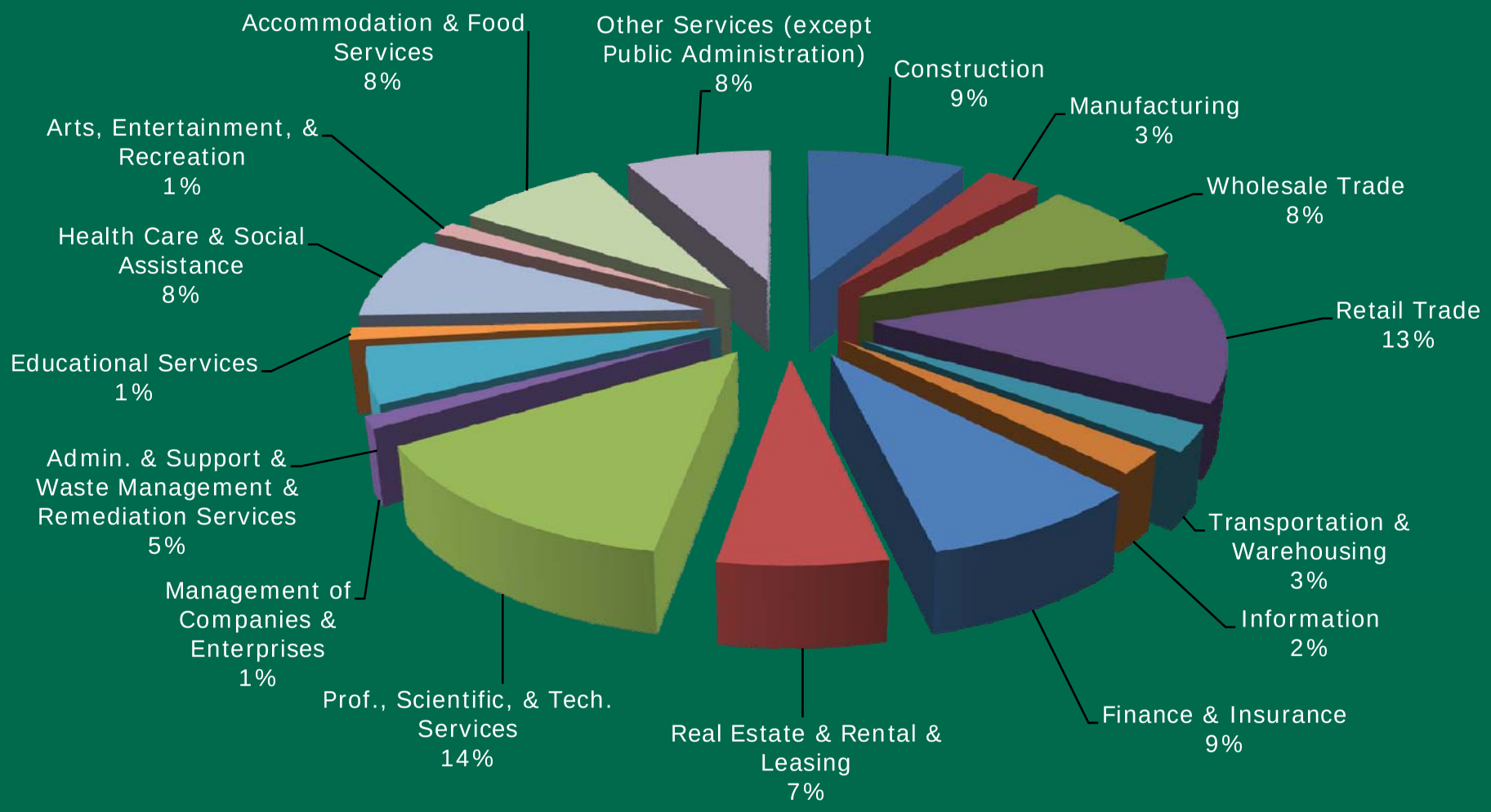


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CITY OF CHARLOTTE

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CITY OF CHARLOTTE

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CITY OF CHARLOTTE

# Small Business Survey

- Small Business Survey – 227 Respondents
- 62.4% were “Satisfied” or “Very Satisfied” with the “Business Friendliness” of Charlotte
- 43.7% were “Satisfied” or “Very Satisfied” with the Availability of Business Assistance Programs
- Top Issues:
  - Assistance with financing/ access to capital
  - Lower taxes and fees/provide incentives or stimulus funds
  - Assistance in receiving City/government contracts
  - Streamline City/government permitting & processes

CITY OF CHARLOTTE

# Small Business Forum

- Top Issues:
  - Access to capital
  - Difficult to win contracts with City
- Most did not know of available small business resources
  - Suggested using web to share this information
  - No mention of physical “one-stop” center
- Suggested ways to help grow small business
  - Promote local business to business opportunities
  - Share information via web
  - “Google” like tool to find local resources
  - Facilitate access to capital

# SWOT Analysis

## Strengths:

- Quality of small business resources
  - Variety
  - Limited redundancy
- Depth and capacity of existing services
- Free resources available for start-up businesses
- Talented workforce
- Small business friendly

# SWOT Analysis

## Weaknesses:

- Access to operating capital for small businesses
- Lack of overall strategy
- Lack of centralized marketing efforts
  - Online portal and web based resources
  - Communications with small businesses

# SWOT Analysis

## Opportunities:

- Enhance perception of small business friendliness
- Create a small business brand through:
  - A central web portal for business resource information
  - Consortium of small business resource providers
- Collaboration to create and implement a strategic plan
- Enhanced resources to support start-up, mid-cycle, maturing and failing small businesses
- Link Charlotte-Mecklenburg to regional resources
- Business to Business network
  - Opportunity to partner to go after project
  - Opportunity to purchase from one another

# SWOT Analysis

## Threats:

- Lack of funding to implement initiatives that come out of this process
- Access to working capital for the small businesses
- Failure to keep up with changing economy: way to do business with internet, alliances, etc.,
- Perception of unfavorable cost of doing business
- Perception of business environment stifling attraction and growth

CITY OF CHARLOTTE

# Importance of City Leadership

- City viewed as neutral party by resource providers
- City interested in all elements of small business plan (capital, counseling, information, purchasing, advocacy, etc)
- City has experience in building and maintaining partnerships
- City has resources it can reallocate to implement strategic plan

# Strategic Plan

Proposed Vision:

To be the premier community for small business investment and growth

Proposed Mission:

Create an environment to help small businesses thrive in Charlotte-Mecklenburg through collaboration and public/private/non-profit partnerships

CITY OF CHARLOTTE

# Strategic Plan

Proposed Objectives:

1. Build and strengthen a sustainable local consortium of business resource providers
2. Increase public awareness of small business resources through a recognizable brand
3. Provide information and resources that meet changing market needs
4. Promote public/private/non-profit partnerships to enable business owners to find capital
5. Increase opportunities for small businesses to expand sales locally

CITY OF CHARLOTTE

# Key Recommendations

- City assume leadership role to organize small business resource provider consortium
- City lead effort to build and maintain small business web portal focused on providing business resource information
  - Small business calendar
  - City/County small business search engine
  - Info and links from small business resource providers
- City lead effort to develop and market the “web portal” brand

CITY OF CHARLOTTE

# Other Recommendations

- Small Business Advocate in City government
- Market small business resources through Business License Office
- Potential Phase Two of Web Portal:
  - Online “Business to Business” marketplace
  - Social Media/Online Community
- “Buy Local” campaign
- Explore local program mirroring State’s price-matching opportunity (Executive Order No. 50)

CITY OF CHARLOTTE

# Metrics

- Annual Survey of Small Businesses
- Web Analytics to Measure Success of Web Portal
- Increase Utilization of Small Business Resource Partners
- Specific Measures Around Small Business Viability

CITY OF CHARLOTTE

# Resource Allocation

- City has resources that could be reallocated to build, maintain and market web site
  - Realignment of existing ED Staff
  - $150,000 from Business Corridor Fund (One-Time)
    - Build web portal
    - Develop brand
    - Initial marketing
  - $ 20,000-30,000 Annual Operating Cost Estimate
    - Web portal maintenance
    - On-going marketing
    - Partners to provide in-kind resources

CITY OF CHARLOTTE

# Next Steps

- April 21st: SBO Task Force
- April 22nd: City Economic Development Committee
- May 4th: Present to heads of small business organizations (i.e. NAWBO, Latin American Chamber, etc.)
- May 11th: County Economic Development Committee
- May 13th:City Economic Development Committee for recommendation to City Council
- May 24th: Present completed Small Business Strategic Plan to City Council for approval
- July/August: Incorporation into City Economic Development Strategic Plan 2011-2016

CHARLOTTE.
NEIGHBORHOOD & BUSINESS SERVICES

# Economic Development Committee Meeting

## Small Business Strategic Plan

**April 22, 2010**

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CITY OF CHARLOTTE

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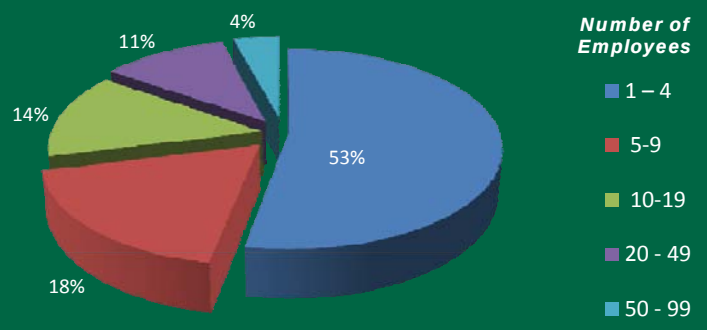


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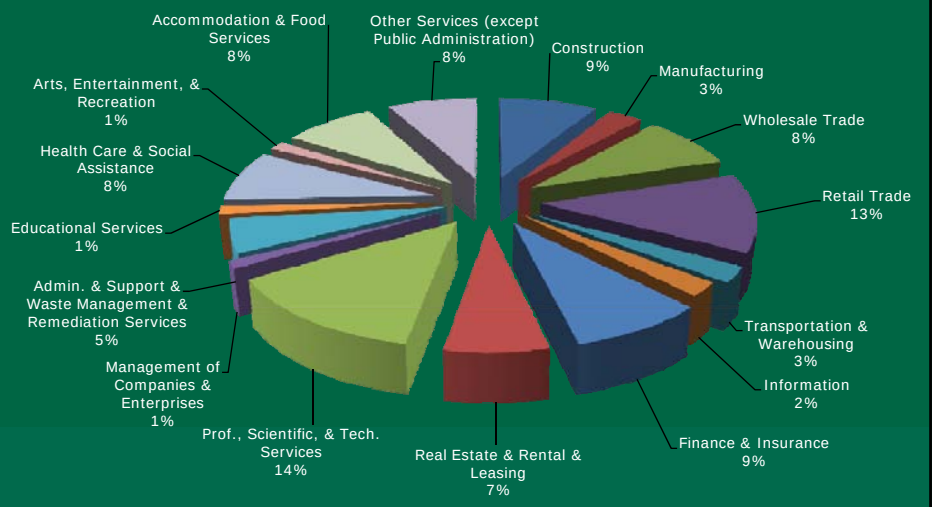


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- 43.7% were “Satisfied” or “Very Satisfied” with the Availability of Business Assistance Programs
- Top Issues:
  - Assistance with financing/ access to capital
  - Lower taxes and fees/provide incentives or stimulus funds
  - Assistance in receiving City/government contracts
  - Streamline City/government permitting & processes

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## Small Business Forum

- Top Issues:
  - Access to capital
  - Difficult to win contracts with City
- Most did not know of available small business resources
  - Suggested using web to share this information
  - No mention of physical “one-stop” center
- Suggested ways to help grow small business
  - Promote local business to business opportunities
  - Share information via web
  - “Google” like tool to find local resources
  - Facilitate access to capital

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## SWOT Analysis

### Strengths:

- Quality of small business resources
  - Variety
  - Limited redundancy
- Depth and capacity of existing services
- Free resources available for start-up businesses
- Talented workforce
- Small business friendly

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## SWOT Analysis

### Weaknesses:

- Access to operating capital for small businesses
- Lack of overall strategy
- Lack of centralized marketing efforts
  - Online portal and web based resources
  - Communications with small businesses

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## SWOT Analysis

### Opportunities:

- Enhance perception of small business friendliness
- Create a small business brand through:
  - A central web portal for business resource information
  - Consortium of small business resource providers
- Collaboration to create and implement a strategic plan
- Enhanced resources to support start-up, mid-cycle, maturing and failing small businesses
- Link Charlotte-Mecklenburg to regional resources
- Business to Business network
  - Opportunity to partner to go after project
  - Opportunity to purchase from one another

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## SWOT Analysis

### Threats:

- Lack of funding to implement initiatives that come out of this process
- Access to working capital for the small businesses
- Failure to keep up with changing economy: way to do business with internet, alliances, etc.,
- Perception of unfavorable cost of doing business
- Perception of business environment stifling attraction and growth

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## Importance of City Leadership

- City viewed as neutral party by resource providers
- City interested in all elements of small business plan (capital, counseling, information, purchasing, advocacy, etc)
- City has experience in building and maintaining partnerships
- City has resources it can reallocate to implement strategic plan

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## Strategic Plan

**Proposed Vision:**

To be the premier community for small business investment and growth

**Proposed Mission:**

Create an environment to help small businesses thrive in Charlotte-Mecklenburg through collaboration and public/private/non-profit partnerships

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## Strategic Plan

**Proposed Objectives:**

1. Build and strengthen a sustainable local consortium of business resource providers
2. Increase public awareness of small business resources through a recognizable brand
3. Provide information and resources that meet changing market needs
4. Promote public/private/non-profit partnerships to enable business owners to find capital
5. Increase opportunities for small businesses to expand sales locally

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## Key Recommendations

- City assume leadership role to organize small business resource provider consortium
- City lead effort to build and maintain small business web portal focused on providing business resource information
  - Small business calendar
  - City/County small business search engine
  - Info and links from small business resource providers
- City lead effort to develop and market the “web portal” brand

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## Other Recommendations

- Small Business Advocate in City government
- Market small business resources through Business License Office
- Potential Phase Two of Web Portal:
  - Online "Business to Business" marketplace
  - Social Media/Online Community
- "Buy Local" campaign
- Explore local program mirroring State's price-matching opportunity (Executive Order No. 50)

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## Metrics

- Annual Survey of Small Businesses
- Web Analytics to Measure Success of Web Portal
- Increase Utilization of Small Business Resource Partners
- Specific Measures Around Small Business Viability

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## Resource Allocation

- City has resources that could be reallocated to build, maintain and market web site
  - Realignment of existing ED Staff
  - $150,000 from Business Corridor Fund (One-Time)
    - Build web portal
    - Develop brand
    - Initial marketing
  - $ 20,000-30,000 Annual Operating Cost Estimate
    - Web portal maintenance
    - On-going marketing
    - Partners to provide in-kind resources

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## Next Steps

- **April 21st**: SBO Task Force
- **April 22nd**: City Economic Development Committee
- **May 4th**: Present to heads of small business organizations (i.e. NAWBO, Latin American Chamber, etc.)
- **May 11th**: County Economic Development Committee
- **May 13th**:City Economic Development Committee for recommendation to City Council
- **May 24th**: Present completed Small Business Strategic Plan to City Council for approval
- **July / August**: Incorporation into City Economic Development Strategic Plan 2011-2016

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# Overview of Feed-in Tariff & PACE Bond Programs

Economic Development Committee

April 22, 2010

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## Background

- The ED Focus Area Plan includes an objective to attract "clean energy" industry and jobs to Charlotte.
- The City is currently developing a Clean Energy Strategy as part of the FY11-16 ED Strategic Framework.
  - First step is an inventory of the City's Clean Energy Economy in partnership with the Charlotte Chamber
- Issue of Feed-in Tariff programs was referred to committee at Councilmember Peacock's request
  - Feed-In Tariff is one option for growing "clean energy"

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## Outline

- Obstacles to Renewable Energy Development
- Emerging Tools
  - Feed-in Tariff Programs (FiT)
    - Case Study – Gainesville, FL
  - Property Assessed Clean Energy (PACE) Bonds
    - Case Study – Boulder County, CO
- Questions for consideration
- Next steps

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## Obstacles to RE Development

- Renewable energy installations are relatively expensive and difficult to finance.
- If access to the power grid is available, prevailing rates paid by local utility do not provide adequate recovery of project costs plus a reasonable rate of return.
- Available tax credits at State level have limited appeal and utility.

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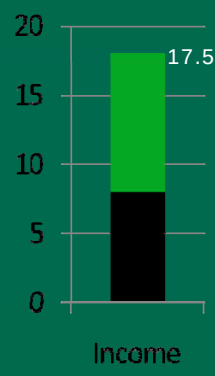
## Obstacles to RE Development




What the Market demands
- To recover costs
- To be bankable
- To provide adequate ROI

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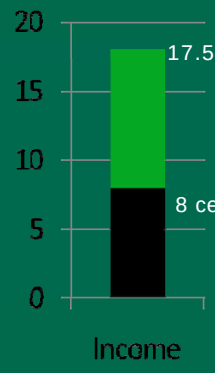
## Obstacles to RE Development




What the Market demands
- To recover costs
- To be bankable
- To provide adequate ROI

What the Utility will pay

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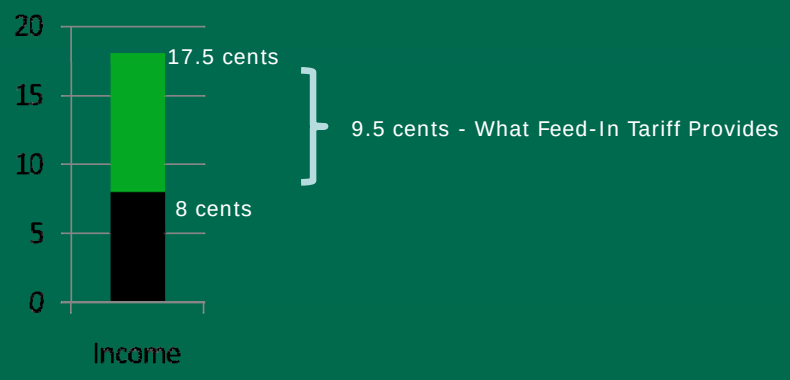


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## Basic Elements of FiT Program

- Successful FiT Programs …
  - Allow for an adequate recovery of project costs plus a reasonable rate of return.
  - Offer long-term (15-20 years) contracts to provide investment security
  - Introduce incremental payment decreases in expectation of technology advances and economies of scale.

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## Basic Elements of FiT Program

- FiT Programs are generally enacted by a Utility to meet renewable energy goals. Some are enacted by States through the Utility Commission.
- At municipal level, Gainesville, Florida was first to implement at the municipal level, through a City-owned utility.
- Financing is typically provided by assessments on the local utility bill.
- If local utility does not participate, FiT programs require a pool of funds from which to make payments.

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## NC GreenPower

NcGreenPower

- Statewide green energy program supported by all the state's Utilities Commission and administered by Advanced Energy, a Raleigh non-profit.
- NC residents can voluntarily contribute to the fund as part of their utility bill
- A portion of the proceeds compensate renewable energy generators

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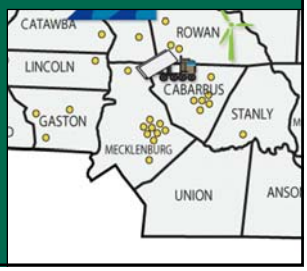
## NC GreenPower

- Small solar producers receive $0.15/kWh from NCGP, plus approximately $0.04/kWh from their utility under a power-purchase agreement, for a total production payment of about $0.19/kWh.
- 307 current participants:
  - Solar PV: 295
  - Wind: 7
  - Landfill methane gas: 2
  - Wood waste: 1
  - Small hydroelectric: 2

NcGreenPower

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## Case Study – Gainesville, FL

- City-owned Gainesville Regional Utilities (GRU) provides electric, gas, water, wastewater services.
- Approved Solar FiT program in April 2009
- Customers signing onto the Solar FiT program invest in their own PV systems and sell energy directly to GRU under a contract with a 20-year fixed price.

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## Case Study – Gainesville, FL

- 302kW — Total amount of solar PV installed in Gainesville from 1980-2008
- 564kW — Total amount of solar PV installed in first 9 months of Solar FiT program
- $2.5 million — Dollars spent by FiT customers on actual installation costs in first six months of program
- 119MWh — Amount of power purchased in first six months of program for $38,000

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## Feed-In Tariff Programs & Economic Development

- A local Feed-In Tariff program would increase the number of renewable energy installations
  - Create jobs building these installations
  - May attract solar manufactures to invest in the Charlotte region
- Complements "New Energy Capital" strategy

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Property Assessed Clean Energy Bonds
(PACE)

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## Basic Elements of PACE System

- A local government authorizes funding from special assessment bond revenue and/or stimulus funds to capitalize a loan pool
- Loans are provided to residential and commercial property owners to finance eligible energy efficiency and/or renewable energy projects
- Voluntary participation by property owners
- Loans are repaid through special assessments on the improved property

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## Basic Elements of PACE System

Benefits:

- Cost savings to property owners from reduced utility bills should approximate or exceed the cost of repaying the loan;
- Interest rates may be lower and repayment terms longer than conventional debt financing

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## Case Study – Boulder County, CO

ClimateSmart Loan Program

- In 2008, approved "Clean Energy Options Local Improvement District" and authorized up to $40 million in special assessment bonds
- Residential and commercial
- Homeowner loans range from $3,000 - $50,000 ($210,000 max for commercial)
- 5-15 year terms at rates of 6.75%-8.75%
- Participants sign a utility bill release so County can track impact of the program

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## Case Study – Boulder County, CO

ClimateSmart Loan Program

- 612 participants at end of 2009
- Approximately $10 million loaned
  - Energy efficiency
  - Renewable energy installations
- Created job opportunities for more than 280 installers, contractors and vendors.

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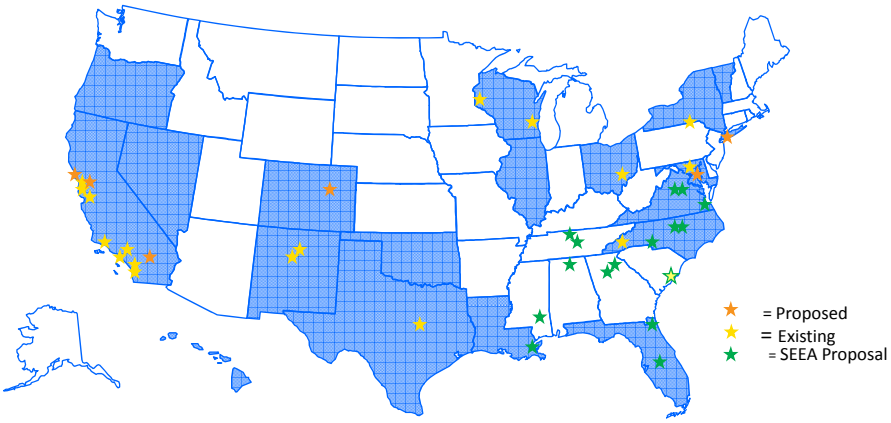
**18 states have authorized PACE** (16 states have passed legislation and two states permit it based on existing law)




Current Volume = $233 MM

Announced Volume > $350 MM



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## PACE & Economic Development

- A PACE-like program in Charlotte would provide a new financing mechanism for property owners, leading to more energy efficiency improvements.
- Jobs would be generated by the increase in construction and installation of energy efficient technologies.

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## Issues for Charlotte

Feed-In Tariffs

- The City does not own the local power utility
  - A Feed-in Tariff program for electricity would require the support and implementation of Duke Energy, or
  - The City would need an alternate source of funding for a Feed-in Tariff program
- Unknown community support for a mandatory assessment
  - Gainesville had broad community support (75%) for an assessment on the utility bill
- Since the City owns the water utility, should its primary focus be on water conservation?

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## Issues for Charlotte

PACE Bond Program

- Lack of understanding of the real community driver toward energy efficient installations
  - Do homeowner and developers need a financing tool, or is there a general lack of confidence in the technologies and the related pay back period

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## Next Steps

- Staff will be looking at these and other options as part of its work on the Clean Energy Strategy.
- Recommended actions will be included in the City's Clean Energy Strategy, part of the City's FY11-16 ED Strategic Framework

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Boulder County PACE

## Actual Costs Previous Rounds

| Amount you apply for | Approximate Closing Costs* | Assessment Rate | Annual Assessment |
|---|---|---|---|
| $5,000 | $632 | 5.2% | $550 |
| $13,000 | $1,486 | 5.2% | $1,350 |
| $10,000 | $1,594 | 6.68% | $1,248 |

* This amount includes 2009 interest, which was rolled into the principal amount.

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Pew Center

## Clean Energy Economy

*Defined*

| CLEAN ENERGY | ENERGY EFFICIENCY | ENVIRONMENTALLY FRIENDLY PRODUCTION | CONSERVATION AND POLLUTION MITIGATION |
|---|---|---|---|
| Building sustainable energy for the future | Reducing and managing our energy demand | Improving our products and processes | Recycling and remediating waste |

**TRAINING AND SUPPORT** Helping develop our clean energy economy

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