

Memorandum



CITY OF DALLAS

DATE January 13, 2012

TO Members of the Economic Development Committee: Tennell Atkins (Chair), Ann Margolin (Vice Chair) Jerry R. Allen, Sheffie Kadane, Monica Alonzo

SUBJECT **Dallas Source-Link: Providing Small Business and Entrepreneurs with the "Right Resources at the Right Time"**

On Tuesday, January 17, 2012, the Economic Development Committee will be briefed on. Dallas Source-Link: Providing Small Business and Entrepreneurs with the "Right Resources at the Right Time"

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.

A handwritten signature in black ink, appearing to read 'Ry - S E'.

Ryan S. Evans
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa Rios, Acting City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
A.C. Gonzalez, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Interim Assistant City Manager
Jeanne Chipperfield, Director, Chief Financial Services
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Stephanie Pegues-Cooper, Assistant to the City Manager

Dallas SourceLink:

Providing Small Businesses and Entrepreneurs with
the Right Resources at the Right Time

Economic Development Committee

January 17, 2012



**DALLAS
ECONOMIC
DEVELOPMENT**



City of Dallas

Purpose

- Discuss importance of **small business expansion to job growth and innovation**
- Introduce nationally recognized SourceLink business resource network model
- Propose adoption of a **customized Dallas SourceLink program**
- Recommend Economic Development Committee approval for Council consideration on January 25th of **\$750,000 in Public Private Partnership funds** to provide partial initial program support
 - Funded in **\$150,000/yr** increments for **five years**
 - **Matching grants** to be solicited from foundation and corporate resource partners

Why Focus on Small and Growing Businesses?

- **Net job growth** results from young, growing businesses⁽¹⁾.
 - 5% of all businesses account for 2/3 of job growth.
 - Most fast growing firms have 20 to 250 employees.
- New businesses are an **important source of innovation** and translate region's scientific and technical knowledge into market value⁽²⁾.
- Meaningful support for small growing companies offers **potential for a big return**⁽³⁾.

(1) High Growth Firms and the Future of the American Economy, Kaufman Foundation, 2010.

(2) The Innovation-Entrepreneurship Nexus, Advanced Research Technologies, LLC, 2005

(3) Business Creation in the United States, U.S. Small Business Administration, 2007.

Small Business Goals Differ by Type of Business

- 1) Most small businesses are **lifestyle companies** - owner doesn't expand beyond ability to manage and operate

Job growth comes from:

- 2) **Second stage growth companies**

- Up to \$50M in sales and 100 employees
- Focused on growth
- Require management staff and professional services, market information and export support
- Have collateral for debt financing.

- 3) **Innovation-led enterprises**

- High technology/life science product
- Requires specialized facilities, major funding and significant research component possibly with university partnership
- Typically rely on early equity financing

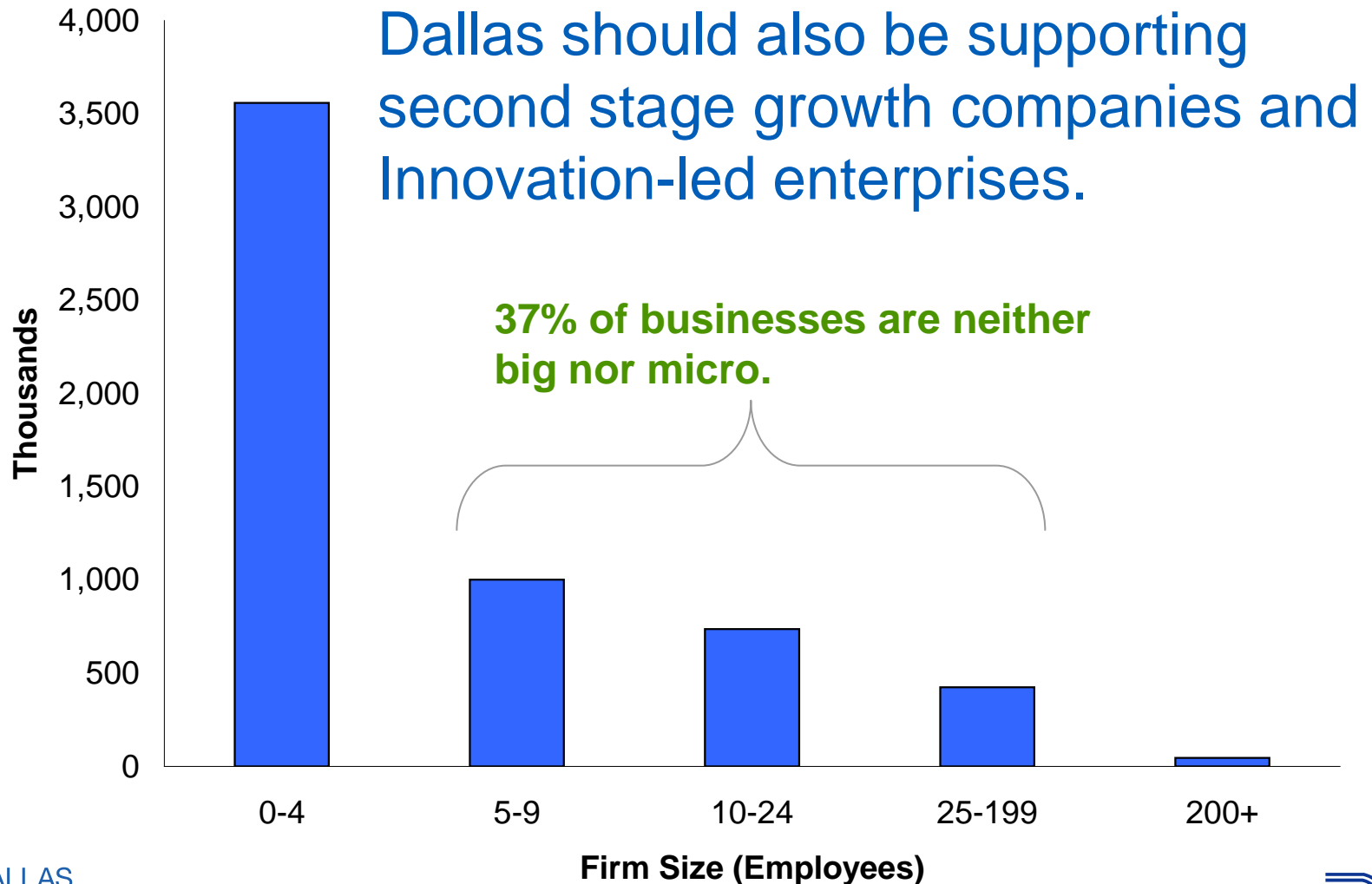
City Eco-related Small Business Programs

(Focused on low to moderate income (LMI) and **lifestyle businesses**)

- **Business Assistance Center Program**
 - Funded by Community Development Block Grant (CDBG) from HUD.
 - Intended to provide benefit for LMIs in the City through technical assistance and capacity building
- **South Dallas/Fair Park Trust Fund**
 - Facilitates economic and community development in the South Dallas / Fair Park community.
 - Commercial loans to small businesses
 - Grants to non-profit social service providers
- **Southern Dallas Development Corporation**
 - City provided \$500,000 annually in 2010 and 2011 for the Southern Dallas Small Business Loan Program
 - \$600,000 revolving loan program funded by CDBG

The Gap in Business Development

(U.S. Firms)



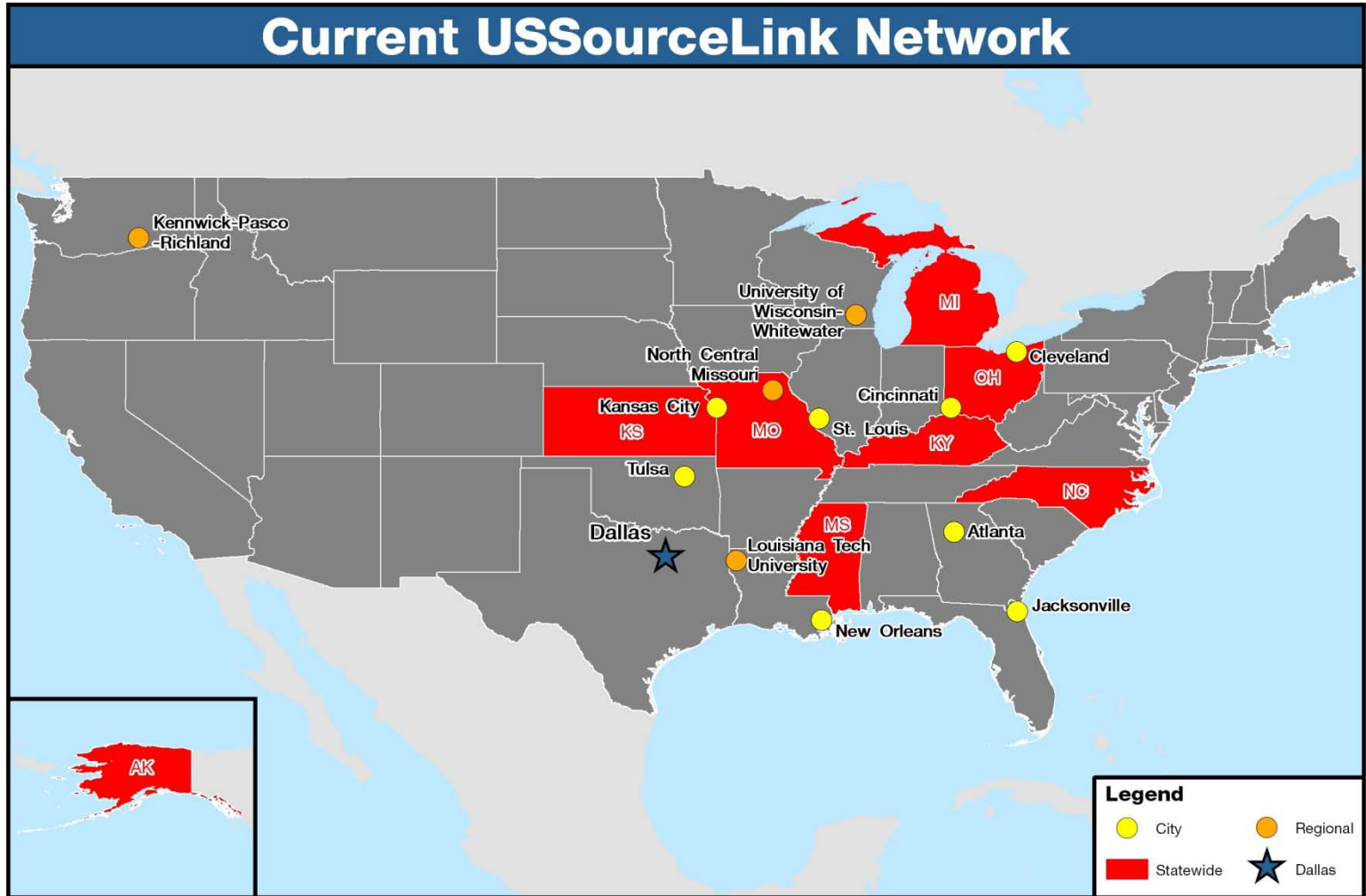
Small Businesses Benefit Most from a Strong Network of Resource Providers

- Large volume makes it difficult for City to offer services directly
- More effective to strengthen the **service provider network**
- Small businesses benefit from a strong network of resource providers for:
 - Funding
 - Counseling
 - Planning & marketing
 - Networking
- **SourceLink model** developed in Kansas City provides a solution

What is SourceLink?

- **Originated in Kansas City (2003)** and developed by a partnership between Ewing Kauffman Foundation, University of Missouri – Kansas City and U.S. Small Business Administration.
- Program model **organizes business support organizations** and creates linkage with small businesses / entrepreneurs
 - Resource center operated by **economic development professionals**
 - Uses robust, **customized web-portal**
 - Incorporates a **telephone hotline** to connect callers to the right partner / ensure follow-up
- Nationally acclaimed and **successfully implemented** in 20 cities, counties and states
 - Awarded the U.S. Economic Development Administration's Excellence in Economic Development Award in 2007

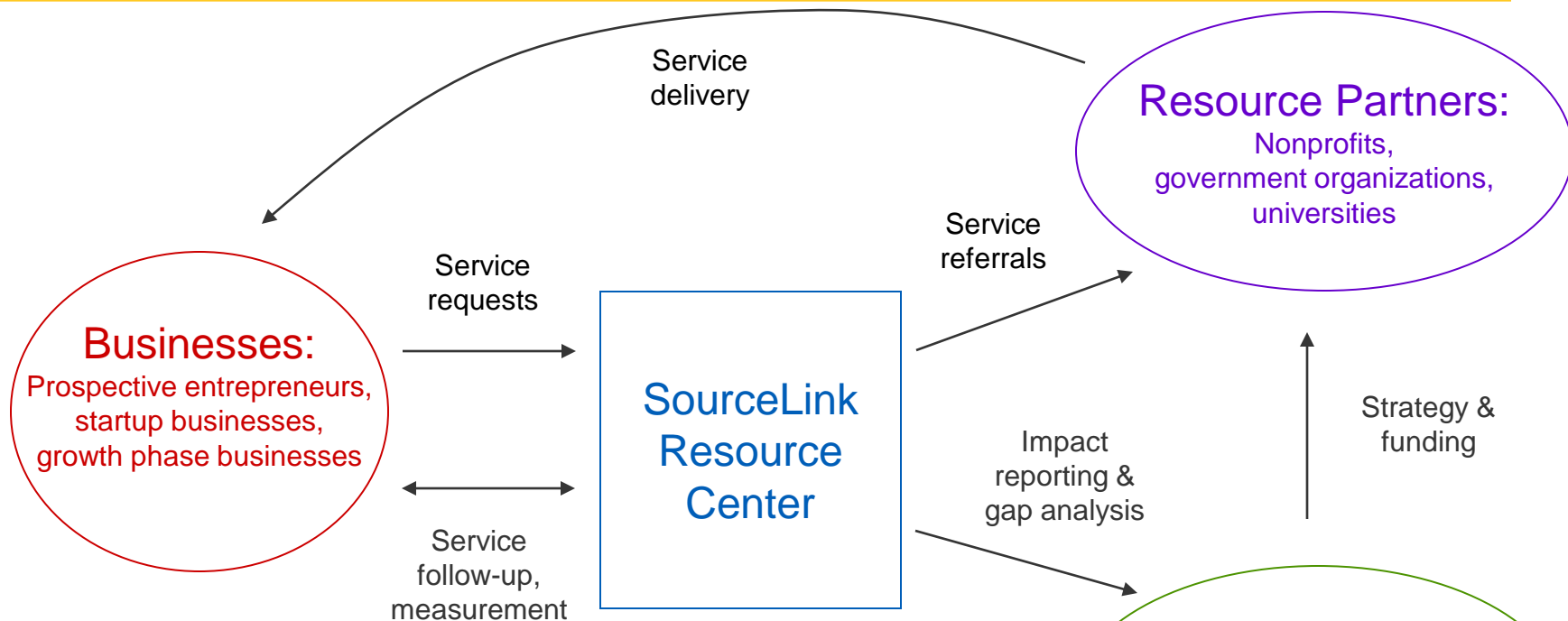
SourceLink in Use



SourceLink Components

- **On-Line**
 - **Web site** template designed to connect small business community to business development services (seminars, events, consulting services)
 - **Customized search engine** (connects businesses and entrepreneurs to support services)
 - **Client relationship management system** designed especially for small businesses
 - Resource library, FAQs
- **Offline**
 - **Hotline** feature to help business owners reach the right resources at the right time
 - **Social media** and marketing component
 - Significant **community engagement** component: speaking events, articles in association newsletters, Chamber partnerships, business show exhibitions

SourceLink Process



SourceLink Resource Center:

- Staffed by economic development professionals
- Markets/implements program
- Recruits & maintains resource partner base
- Facilitates collaborations
- Ensures data integrity and quality

Potential Resource and Funding Partners

- **Funding Partners**
 - City government
 - Foundations
 - Financial institutions
 - Corporations
 - Regional community & social service organizations
- **Resource partners**
 - Colleges, universities and work force training organizations
 - Business planning, training and mentoring groups
 - Chambers of commerce and business networking groups
 - Research centers
 - Incubators and accelerators
 - Economic development organizations, banks, venture capital firms, angel investor networks

SourceLink Success Stories: Zafar Boutique, Salon and Spa

- Annette Jones, Founder and Owner
- Hair salon, massage therapy, and beauty product boutique
- Needs included: business planning, funding and retail business counseling
- KC SourceLink referred to First Step program for business planning and helped her through the start-up process
- Connected to Cordish Corporation (operators of KC Downtown Development District and Downtown Minority Development District) to secure funding
- Opened a 3,000 sq ft salon and spa with 10 hair stations, two massage therapists, two estheticians and retail products including cosmetics, beauty supplies and perfume

SourceLink Success Story: MicroJek

- Mike Jackson, President and CEO
- Exclusive line of microinjection needles used in cellular research and nanotechnology
- Needed better networking to better position MicroJek in high tech, biotech community; also wanted to develop Angel Investor contacts
- Used KC SourceLink network to meet web development company to design new e-commerce enabled site; also to present at Life Sciences Research Conference
- MicroJek products now used in mouse RNA experiments at MIT and Tufts, cited in published professional journals and developed specialty needles for MIT, Harvard and University of Rochester
- 100% revenue growth per year for 3 years

SourceLink Success Story: J&A Traffic Products

- Amanda Mindham, President and CEO
- Distributer of traffic products (street signs, cones, construction signs)
- Customers: Local and State traffic departments, private construction and traffic companies
- Called KC SourceLink to improve ability to run growing business; also interested in mentoring
- KC SourceLink referred her to five resource organizations including:
 - Kauffman Foundation's FastTrac Business Planning Course
 - KC Women's Business Center: Peer to Peer Roundtable
- Growth
 - 4 to 7 employees
 - Warehouse space from 7,500 to 20,000 sq ft
 - \$5 million in sales in five years

SourceLink Success Story: Gifts Etcetera

- Barbara Graham, Company Owner
- Gifts and party supplies
- Previously an elementary school teacher and spent 27 years in management capacity at SW Bell before starting own business
- Asked KC SourceLink for help in bridging gap between corporate management experience and ownership of retail store
- Through SourceLink: Participated in Kauffman Foundation FastTrac New Venture Program, matched with SCORE counselors, helped with business permits and licensing and provided access to research wholesaler resources for product
- Obtained financing to open Dollars & Sense store, an upscale dollar store

City Benefits

- **Fills gap** in services for small and growing businesses and **leverages resources** of many community partners.
- **Raises community awareness** of small business resources and increases entrepreneurial activity.
- **Improves performance** of existing businesses through better service provider matching.
- Supports **job creation** and **investment goals**.
- **Helps measure** small business economic impact.
- **Platform flexibility** creates potential for resource mapping and coordination with other types of clients (e.g. veterans or senior citizens)

Small Business Benefits

- **Quick access to service providers** community-wide.
- Reduces time searching for counseling, education, funding and planning support.
- This leads to:
 - **Better-planned** new businesses
 - **Improved processes** in existing businesses
 - **Faster growth** in expanding companies

Resource Partner Benefits

- SourceLink referral process creates a **more efficient match between business clients and resource partner services**
- **Better awareness** among providers – identify service gaps / collaboration opportunities
- Follow-up and monitoring
- Centralized resource library
- SourceLink complements and builds networks among partners.

Annual Program Funding Requirements

- \$300,000 annual budget, \$1.5M over five years
 - Half funded from Public Private Partnership Fund
 - Half from funding partner match

Budget / FY	2012	2013	2014	2015	2016
Software license / support	\$75,000	\$25,000	\$25,000	\$25,000	\$25,000
Rent / Utilities / System Upgrades	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Staff	\$215,000	\$215,000	\$215,000	\$215,000	\$215,000
Marketing / Misc.	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Total	\$340,000	\$290,000	\$290,000	\$290,000	\$290,000

Implementation Needs

- Identify key regional stakeholders
- Secure multiyear funding commitments for software, staff and program support
- Education re: SourceLink program and evaluation of model replication in Dallas
- Determine staffing requirements, governance and operations
 - Five-year funding cost = \$1,500,000 (including SourceLink program/technical support)

Governance Model

- Implementation will begin with existing City staff and resources.
- Procurement of software, license and technical support through an interlocal agreement with the Curators of University of Missouri.
- City and founding funding partners plan to organize a nonprofit corporation to administer the program long-term.
- City and partner funds would be held by the nonprofit Dallas SourceLink organization.

Implementation Time Table

(Start Up Phase - Six Months)

- Create an executive committee with founding partners.
- Secure funding commitments for the first five years.
- Form a nonprofit corporation to manage / operate the Dallas SourceLink program.
- Select and hire project leader and support team.
- Enter into an interlocal agreement for SourceLink software and technical support with the Curators of University of Missouri. (Three-year, renewable agreement to include consulting and strategic planning, Web site hosting, training, implementation guides, hotline and on-site support and system upgrades.)
- Create an asset map of the resources available in the community.
- Build and launch Dallas SourceLink website.

Program Sustainability

(1 year plus)

- Five-year funding request will provide resources to permit a demonstration period. Performance metrics will be available for evaluation.
- On an ongoing basis, staff will:
 - Maintain website, calendar and marketing efforts
 - Continue recruiting resource partners
 - Identify resource gaps and secure funding, partners and programs to continue enhancing the local economy
- Offline network-building activities encourage sharing and collaboration by resource partners.

Next Steps

- Economic Development Committee approval for Council consideration on January 25th of an initial \$150,000 for startup expenses to create a SourceLink program for Dallas, including an interlocal agreement with the Curators of University of Missouri to license the SourceLink software.
 - Funding source: Public Private Partnership Program
 - Overall program funded in \$150,000 increments for five years for a total of \$750,000.
 - Matching grants to be solicited from foundations and corporate resource partners
- Identify key funding and resource partners
- Establish nonprofit corporation to administer the Dallas SourceLink initiative