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MEMORANDUM

TO: Mayor and Town Council
FROM: W. Calvin Horton, Town Manager
SUBJECT: Request from EmPOWERment, Inc.
DATE: August 28, 2000

The purpose of this memorandum is to respond to a request from EmPOWERment, Inc. to rent space in the Midway Business Center to a non-profit organization (please see Attachment 1).

The attached resolution would authorize EmPOWERment, Inc. to rent up to 10% of the office space in the Midway Business Center to non-profit organizations.

BACKGROUND

On March 2, 1998, the Council budgeted \$150,000 of Community Development funds to EmPOWERment, Inc. to acquire a property on Graham Street in the Midway Business District. EmPOWERment, Inc. demolished an existing building and construction of a new building is now underway.

On June 29, 2000, we entered into a Performance Agreement with EmPOWERment, Inc. to construct a small business incubator of at least 4,100 square feet (please see Attachment 2). It is now estimated that the incubator will be approximately 6,000 square feet. Key stipulations of the Agreement include:

- (1) EmPOWERment will conduct outreach into low-income communities to identify potential entrepreneurs to locate their businesses in the small business incubator;
- (2) EmPOWERment will document that at least 51% of the jobs created in the incubator will be held by or will be available to low- and moderate-income persons (individuals earning less than 80% of the area median income by household size).
- (3) All tenants of the building will be incubator businesses and the building will not be used for market-rate commercial, retail or office space.

On April 12, 1999, the Council authorized a portion of the previously allotted \$150,000 of Community Development funds to be used for sidewalk improvements and other site improvements.

On November 23, 1999, the Council authorized an amendment to the Town's June 29, 1998 Performance Agreement with EmPOWERment and budgeted an additional \$60,120 of

Community Development funds for the Midway Business Center to fill a funding gap. The funds have been used for professional services related to the construction of the incubator such as Architectural, engineering and legal services, and option payments.

THE REQUEST

In the attached letter dated June 19, 2000, EmPOWERment, Inc. requested permission from the Town to lease space in the Midway Business Center to a non-profit organization.

DISCUSSION

EmPOWERment's request to rent space in the Midway Business Center would be a change to the initial proposal submitted to and approved by the Council in 1998. We have discussed this modification with our U.S. Department of Housing and Urban Development Representative. The federal Community Development regulations would permit space to be rented to non-profit or any business or organization as long as 51% of the jobs created by the businesses located in the Midway Business Center benefit lower and moderate-income individuals (individuals earning less than 80% of the area median income by household size). If this request were approved, we would require EmPOWERment to annually certify that they meet the requirements in our Agreement.

Considerations in support of this request include:

1. The non-profit's office would be in a convenient location easily accessible by its clients and at an affordable rent.
2. The non-profit would have access to shared facilities provided by the incubator (i.e. conference room, office equipment).
3. The non-profit will benefit from the services that the Midway Business Center will provide (i.e. assistance with developing a business and marketing plan).
4. Federal regulations permit space in the incubator to be rented to non-profit organizations as long as 51% of the jobs created are for low and moderate-income individuals.

We note the following reasons for the Council's consideration that are not in support of this request:

1. The incubator was initially proposed and approved by the Council for small businesses for the purpose of promoting economic development for low and moderate-income persons.
2. Many other non-profit organizations are in need of space in the community and could benefit from locating in the Midway Business Center. Without occupancy restrictions, the original goal of providing affordable rental space to small for-profit businesses may not be accomplished if non-profit organizations are permitted to occupy the building.

We recommend that EmPOWERment reserve no more than 10% (approximately 600 square feet) of the available rental space for non-profit organizations. We believe it is important to retain most of the space for small businesses in keeping with the project scope originally approved by the Council.

RECOMMENDATION

That the Council adopt the attached resolution allowing EmPOWERment, Inc. to rent up to 10% of office space in the Midway Business Center to non-profit organizations.

ATTACHMENTS

1. June 19, 2000 letter from EmPOWERment, Inc. (p. 5)
2. June 29, 1998 Performance Agreement (p. 8)

A RESOLUTION AUTHORIZING EMPOWERMENT, INC. TO RENT UP TO 10% OF OFFICE SPACE IN THE MIDWAY BUSINESS CENTER TO NON-PROFIT ORGANIZATIONS (2000-8-28/R-10)

WHEREAS, the Town executed a Performance Agreement with EmPOWERment, Inc. for use of Community Development funds to develop the Midway Business Center on North Graham Street as a small business incubator; and

WHEREAS, EmPOWERment, Inc. has requested the authority to rent office space to non-profit organizations;

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that EmPOWERment, Inc. is authorized to rent up to 10% of office space in the Midway Business Center to non-profit organizations.

BE IT FURTHER RESOLVED that EmPOWERment, Inc. will annually certify that 51% of the jobs created by the businesses located in the Midway Business Center must benefit lower and moderate-income individuals (individuals earning less than 80% of the area median income by household size).

BE IT FURTHER RESOLVED that the Council authorizes the Manager to amend the Town's Performance Agreement with EmPOWERment, Inc. to include these terms.

This the 28th day of August, 2000.

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Em **POWER** ment INC.

Reclaiming the *POWER* of our Communities

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ADDRESS

705-A West Rosemary Street
Carrboro, NC 27510
Phone: (919) 967-8779
Fax: (919) 967-0710
.mpowermentinc@mindspring.com

June 19, 2000

Mayor Rosemary Waldorf
Town of Chapel Hill
306 N. Columbia Street
Chapel Hill, NC 27516

Dear Rosemary:

When we met recently with the Manager and Planning Staff, I mentioned that a fledgling non-profit is interested in leasing space in the Midway Business Center. The organization is called Project Odyssey, and is focused on helping people with developmental disabilities to achieve greater independence through controlling their own mental health services. I have met with the manager of Project Odyssey, Lesley Wyatt, and am impressed with her approach to building this organization. She is very aware of the challenges of running a non-profit business in the healthcare field and is eager to develop an organization that will not only survive, but prosper.

I know that the Council's impression of the Midway Business Center project has been that we will focus exclusively on for-profit businesses. Looking at EmPOWERment, Inc.'s own growth, I no longer see so many differences between for-profits and non-profits, especially non-profits with opportunities for significant fee income, such as Project Odyssey. In four years we have grown from a vision to a staff of five, an operating budget over \$200,000 and a balance sheet of \$1.6 million. We are vision driven but we know that we have to run the organization like a business if we hope to be here for the long run.

I have enclosed some information from Project Odyssey that describes their program and some of the challenges they face. I hope that you will be willing to reconsider the limitation of only working with for-profit businesses. I think that a token non-profit would contribute to a healthy mix of tenants, and I firmly believe that the issues faced by non-profits and for-profits are far more similar than different.

I look forward to hearing from you.

Best regards,



Myles Presler
Director