

Meeting Date: 6/21/2016

Report Type: Staff/Discussion

Report ID: 2016-00671

Title: Innovation and Growth Fund Policy, Procedures and Guidelines and E 3.0 Business Climate Recommendations

Location: Citywide

Recommendation: 1) Pass a Resolution approving the Innovation Growth Fund Policy, Procedures and Guidelines; and 2) review and provide direction to staff on the E 3.0 Business Climate Recommendations.

Contact: Crystal Strait, Chief of Staff, (916) 808-7881, Office of the Mayor

Presenter: Abhi Nemani, Consultant

Department: Mayor/Council

Division: Mayor

Dept ID: 01001191

Attachments:

- 1-Description/Analysis
- 2-Business Climate Recommendations
- 3-Resolution
- 4-Exhibit A (Draft IGF Policies)

City Attorney Review

Approved as to Form
Michael Sparks
6/16/2016 12:52:03 PM

Description/Analysis

Issue Detail: In this year's State of the City Address, Mayor Johnson outlined his Economic Development 3.0 (E 3.0) initiative that included three major strategies: (1) Priority Neighborhoods: attracting private sector jobs, investments and businesses to underserved communities; (2) Innovation Zones: enabling entrepreneurs, startups and the innovation ecosystem to encourage growth; and, (3) Business Climate: making Sacramento the easiest and smartest place to do business in California. The E 3.0 Innovation and Growth Fund and E 3.0 Business Climate Recommendations advance the latter two E 3.0 strategies.

I. E 3.0 Innovation and Growth Fund

As part of the Fiscal Year (FY) 2013/14 budget, City Council authorized the establishment of the Economic Development Fund (Fund 2031) to be funded with net property tax revenues received as a result of the dissolution of California redevelopment agencies (Resolution 2013-0198); this was to be the Fund's primary funding source. In May 2014, Council adopted the Economic Development Fund (ED Fund) policy, and directed staff to return with guidelines and process and procedures (Resolution 2014-0151). On February 10, 2015, the City Council directed future proceeds from General Fund and Redevelopment Agency Successor Agency surplus land sales, unless otherwise specified, to be deposited in the ED Fund (Resolution 2015-0038). At the request of Council, the ED Fund was renamed the Innovation and Growth Fund (Fund) to reflect the aspirations of the program; this change was effective with the FY2015/16 budget. Amended Fund policy and guidelines are attached to this report. These new Fund policy and guidelines supersede the previously adopted Fund policy, guidelines, and procedures (Resolution 2015-0172). The Fund will provide an ongoing source of revenue to support innovation programs.

In order to advance and implement innovative best learnings from around the country, the Mayor's Office for Innovation & Entrepreneurship ("MOFIE"), under the revised Fund policy and guidelines, will work hand-in-hand with startups, the ecosystem, and City Hall. MOFIE will source ideas to the Economic Development Department ("EDD") who will administer the Fund with approval from the City Council.

The Fund will focus resources on the following distinct capital program areas (Capital Fund Programs):

1. Rails Grants

The Rapid Acceleration, Innovation, and Leadership in Sacramento ("RAILS") program will build a pipeline for new and innovative startup companies in various sectors (technology, food & agriculture, health, etc.) in Sacramento. This pipeline is designed to scale ideas and companies into viable businesses. The RAILS program

focuses on leadership training for potential entrepreneurs, innovative opportunities to test new ideas, and startup accelerators to scale the ideas that work.

2. Local Investments

In order to exponentially leverage the Fund to see more startups founded in Sacramento, the City will consider partnering with a non-profit economic development focused organization to invest in a local venture fund. An economic development activity, more than an investment activity, local investments aim to increase the overall number of startups that choose to grow and stay in Sacramento. Further, investing in local startups also offers the possibility of a return on investment that will promote the sustainability of the Innovation & Growth Fund.

3. Strategic Investments

Sacramento has the opportunity to attract new companies, investors and mentors into the area. To do so, the City will consider partnering with a non-profit economic development-focused organization in order to strategically invest in a nationally recognized venture fund. Strategic investments aim to increase the number of startups from outside of the region that choose to launch in or relocate to Sacramento. Further, by aligning the City with a prominent venture capital fund, the City demonstrates on a national stage its commitment to building a local innovation community.

The City must demonstrate leadership in the innovation community by championing entrepreneurship and implementing creative, best practices within government. The City will be a platform from which entrepreneurs and startups can find centralized and curated services to aid them in launching, growing and scaling their ideas and products. Leading by example allows the City to promote innovation inward to the organization while providing startups with resources and services that promote innovation outward to the community.

The Fund guidelines are to support and advance economic development projects and programs that result in achieving at least one of the following:

1. Create Jobs: Projects and programs that create or retain permanent jobs.
2. Make it easier to conduct business: Projects and programs that decrease or eliminate barriers for business to operate in the City.
3. Leverage Funds with other private or public funds: The Fund will fill financial gaps in projects and programs.
4. Increase revenue to the City: Projects and programs using Fund resources that directly or indirectly increase short-term revenue potential.

5. Accelerate Growth: Projects and programs that promote the formation and growth of business that engage in the commercialization of innovative research and products, or promote emerging industries.
6. Encourage diversity: Projects and programs that encourage diversity and inclusion in the innovation community.

The Fund could be utilized in the form of a grant and/or loan, depending on the needs of the project or program, and will be negotiated on an individual project/ program basis.

II. E 3.0 Business Climate Recommendations

In the first half of 2016, Mayor Johnson held focus groups with the business and innovation communities, in addition to meetings with city officials and other civic leaders, to explore opportunities for improving the business climate in Sacramento. These meetings resulted in a set of Economic Development 3.0 Business Climate Recommendations. The Recommendations comprise policies, processes, resources, and incentives, and are intended to guide the development of potential initiatives that would create the right business environment, improve efficiencies, invest in the future, and stimulate economic growth. Council is being asked to review and provide direction to staff on the Recommendations. Individual items in the Recommendations may come back to the Council in the future for separate action as necessary.

Policy Considerations: The Fund Policy and Guidelines and Economic Development 3.0 Business Climate Recommendations are consistent with the adopted 2013 Economic Development Strategy goal to invest in building Sacramento and the objective to “encourage strategic investments and initiatives that lead to the economic development, job growth and enhance the quality of life in Sacramento.”

Environmental Considerations:

California Environmental Quality Act (CEQA): This report concerns administrative activities and government fiscal activities that do not constitute a “project” as defined by the CEQA Guidelines Sections 15378(b)(2) and 15378(b)(4) and are not subject to the provisions of CEQA (CEQA Guidelines, §15060(c)(3)).

Economic Impacts: None at this time. Economic impact will be measured with each approved project and/or program.

Rationale for Recommendation: The Fund is the City’s primary funding source for investing in public-private partnerships to boost the City’s economic base and job growth. The Fund is specifically targeted to projects and programs that provide a significant return on investment to the City.

As noted in the City of Sacramento 2013 Economic Development Strategy, Sacramento's economy has been over-reliant on government and real estate industries. Without an intentional shift towards new industries, and without a specific commitment to diversity and inclusion, Sacramento will continue to stall economically compared to other cities, including comparable capital cities. Moving forward, Sacramento must become a hub of innovation, technology and entrepreneurship. In order to be recognized as a national innovation leader, Sacramento must become a platform to startups, the innovation ecosystem, and make City Hall open for business.

Similarly, the City of Sacramento must continue to improve the overall business climate for existing companies to grow and thrive. The Economic Development 3.0 Business Climate Recommendations will guide new and existing efforts to ensure that Sacramento is both the easiest and smartest place to do business.

Financial Considerations: Ongoing program costs will be paid for by the Fund and will not impact the General Fund. The current available Fund balance is approximately \$10 million. At this time, it is difficult to estimate the amount of annual contribution the Fund will receive from the County Assessor, due to fluctuations in tax receipts and ongoing obligations of the former redevelopment areas. The attached resolution does not allocate or authorize spending of the Fund.

Local Business Enterprise (LBE): Not applicable.

E 3.0 Business Climate Recommendations

“If cities are going to drive the revitalization of this nation then we need to become the laboratories and incubators of change. We must be the engines driving the local and national economy.”

— Mayor Kevin Johnson

Mayor Kevin Johnson has engaged with business and innovation community stakeholders, a Leadership Committee, and city staff to develop the following set of Business Climate Recommendations to complete his Economic Development 3.0 Initiative. These conversations focused on identifying the necessary components to advance the initiative and result in the following recommendations:

POLICIES
1.1 Ensure that all City Departments deliver fair, informative and efficient customer service: The City should ensure that customer interactions are consistently met with a positive attitude by city staff. The City should strive to become a partner and a facilitator at every customer touchpoint.
1.2 Promote planning and development initiatives that create business-friendly conditions: The City should continue to build and expand the initiative to cover all permitting processes that are vital to economic activity. New technologies should be piloted and implemented to increase efficiencies.
1.3 Support entrepreneurs and build Sacramento’s innovation ecosystem: The City should support efforts to create, foster, and promote a climate that supports entrepreneurial start-ups which will advance Sacramento’s position as a hub of innovation, entrepreneurship, and technology.
1.4 Encourage investment and development in Sacramento’s priority neighborhoods: The City should concentrate on developing programs and projects that create jobs, opportunities, and build community wealth in our priority neighborhoods.

POLICY IMPLEMENTATION					
Process Improvement	Lead Entity	Q3 2016	Q4 2016	Q1 2017	Ongoing
2.1 Establish a city-wide customer service policy for all departments	CMO		x		
2.2 Develop metrics to measure the customer service experience city-wide	CMO		x		
2.3 Create an externship program for city employees to gain private sector perspective	CDD				x
2.4 Implement systems and staff training to consistently apply regulations and codes within the permit approval process	CDD/DOU DPW/FD				x
2.5 Evaluate the benefits of reestablishing the Development and Oversight Commission	CDD		x		
2.6 Establish a small business ombudsman program to address business issues and facilitate business growth	EDD			x	
2.7 Continue to streamline the planning, building and business permitting process through interdisciplinary process review consultations with stakeholders and city departments	CDD				x
2.8 Expand the eligibility for the one-day “fast track	CDD		x		

permit program"					
2.9 Complete the comprehensive simplification and update of the development-fee schedule	CDD	x			
2.10 Review and update current ordinances to enhance the business climate	City-wide				x
2.11 Launch a stakeholder education campaign to inform the public of the City's efforts and initiatives that enhance Sacramento's business climate	CDD/EDD			x	
Resource Enhancement and Development	Lead Entity	Q3 2016	Q4 2016	Q1 2017	Ongoing
3.1 Pursue funding opportunities (State, Federal & Private Sources)	City-wide				x
3.2 Activate the SEED Corp by inducting an initial board of directors and commencing a capital campaign for sustainable operations	EDD		x		
3.3 Develop legislative platform to support the City's business and innovation ecosystem	CMO		x		
3.4 Support small businesses through co-located ethnic chambers	EDD	x			
3.5 Implement the RAILS program to foster local business growth and employment	EDD/MOFIE				
3.6 Strengthen linkages between entrepreneurs and private investors to facilitate access to capital	MOFIE				x
Creation and Implementation of Incentives	Lead Entity	Q3 2016	Q4 2016	Q1 2017	Ongoing
4.1 Implement the Innovation & Growth Fund to induce new investment in targeted industries	MOFIE/EDD	x			
4.2 Establish a fee deferral program for targeted development	CDD	x			
4.3 Implement methods to decrease infrastructure costs for businesses	DOU/CDD DPW				x
4.4 Utilize the Innovation and Growth Fund to incentivize business attraction and growth	EDD	x			
4.5 Expand the availability of high-speed broadband communications, including fiber and wireless infrastructure	IT				x
4.6 Develop an online toolkit for businesses, which will serve as a "One-Stop" shop	EDD/IT		x		
4.7 Establish incentives for locating in Sacramento's existing innovation zones	EDD/MOFIE	x			
4.8 Establish incentives to encourage revitalization of Sacramento's priority neighborhoods	EDD		x		
4.9 Create a "business connect" program to facilitate business-to-business relationships for retention, expansion and recruitment	EDD		x		
4.10 Launch marketing campaign to highlight entrepreneurial risk-taking and business success	EDD/MOFIE	x			x

Key: CDD = Community Development Department, CMO = City Manager's Office, EDD = Economic Development Department, IT = Information Technology, MOFIE = Mayor's Office for Innovation & Entrepreneurship

RESOLUTION NO. 2016-

Adopted by the Sacramento City Council

APPROVE INNOVATION AND GROWTH FUND POLICY, GUIDELINES, AND PROCEDURES

BACKGROUND:

- A. The dissolution of Redevelopment in 2011 resulted in the loss of an important source of funding for economic development projects within the city of Sacramento.
- B. In recognition of the critical nature of these projects to job creation and private investment, on June 11, 2013, the City Council established the Economic Development Fund (ED Fund, Fund 2031) to be funded with property tax revenues received as a result of the dissolution of Redevelopment (Resolution 2013-0198).
- C. On May 27, 2014, the City Council expanded the ED Fund to include unobligated revenues from sources such as land sales, lease revenues, loan repayments, and interest income and adopted Economic Development Fund policy with direction to return to City Council with Guidelines, and Process and Procedures, for approval (Resolution 2014-0151).
- D. As part of the Fiscal Year (FY) 2015/16 budget, the ED Fund was renamed to the Innovation and Growth Fund (Fund) to reflect the aspirations of the program.
- E. New Fund Policy, Guidelines, and Procedures, developed to reflect the aspirations of the program, were adopted by the City Council on June 9, 2015, in Resolution 2015-0172.
- F. These new Fund Policy, Guidelines, and Procedures supersede the previously adopted Economic Development Fund policy (Resolution 2015-0172).
- G. On June 9, 2016, the Budget and Audit Committee approved a motion to forward the proposed Fund Policy, Guidelines, and Procedures to City Council for adoption.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The Innovation and Growth Fund Policy, Guidelines, and Procedures attached as Exhibit A are hereby approved.

Section 2. The City Manager or the City Manager's designee is hereby authorized to take administrative actions and develop procedures to implement the Innovation and Growth Fund Policy, Guidelines, and Procedures.

Table of Contents:

Exhibit A - Innovation and Growth Fund Policy, Guidelines, and Procedures

INNOVATION & GROWTH FUND

SACRAMENTO AS A PLATFORM

Expand the
Startup
pipeline

Engage the innovation
Ecosystem
to put the City on the map

Make
City Hall
open for business

CONTENTS

I.	Objective	2
II.	Background and Operations	2
III.	Fund Administration	2
IV.	Mayor’s Tech Council.....	2
V.	Guidelines	3
VI.	Criteria	3
VII.	Capital Programs	3
1.	RAILS Grants.....	4
2.	Local Investments	5
3.	Strategic Investments	6
VIII.	Administrative Programs	7
1.	Mayor’s Office for Innovation & Entrepreneurship (MOFIE)	7
2.	Innovation Incentives	8
3.	City Hall Tech.....	8
IX.	Reporting	9

INNOVATION & GROWTH FUND POLICY, GUIDELINES, AND CRITERIA

I. OBJECTIVE

As noted in the City of Sacramento 2013 Economic Development Strategy, Sacramento's economy has been overreliant on government and real estate industries.¹ Without an intentional shift towards new industries, and without a specific commitment to diversity and inclusion, Sacramento will continue to stall economically compared to other cities, including comparable capital cities. Moving forward, Sacramento must become a hub of innovation, technology, and entrepreneurship. In order to be recognized as a national innovation leader, Sacramento must become a platform to expand the [startup](#) pipeline, engage the [innovation](#) ecosystem, and make [City Hall](#) open for business.

II. BACKGROUND AND OPERATIONS

In 2015, the City Council created the Innovation & Growth Fund (the "Fund") as the main funding mechanism to establish Sacramento as leading hub of innovation.² [The Fund goals are to advance innovation, economic growth, and job creation in Sacramento.](#) The Fund will provide an ongoing source of revenue to support innovation programs.

III. FUND ADMINISTRATION

In order to adopt innovative best learnings from around the country, the [Mayor's Office for Innovation & Entrepreneurship](#) ("MOFIE") will be established to work hand-in-hand with startups, the community, and departments within City Hall to foster a sustainable ecosystem for innovation. MOFIE will source ideas and provide expertise to the Economic Development Department ("EDD"), who will administer the Fund with approval from the City Council. MOFIE will provide fund recipients additional services, track metrics, and gauge program success over time as the City Council's conduit to the innovation community.

IV. MAYOR'S TECH COUNCIL

In order to tap into the deep wealth of knowledge and experience that exists among the Sacramento innovation ecosystem, the Mayor will appoint a Tech Council of regional innovation experts. The Tech Council will advise MOFIE on matters related to economic development in the technology sector. Further, the Tech Council will play specific roles vetting and recommending grants and investments available through the Innovation & Growth Fund policies. The Tech Council will meet no less than once per quarter and be staffed by MOFIE.

¹ 2013 City of Sacramento Economic Development Strategy:

<https://www.cityofsacramento.org/~media/Corporate/Files/EDD/2013%20Strategy.pdf>

² City Council authorized the establishment of the Economic Development Fund (ED Fund) as part of the Fiscal Year 2013/14 budget (Resolution 2013-0198) to be funded with net property tax revenues received as a result of the dissolution of California redevelopment agencies. In February 2015, the City Council expanded the Fund to include future proceeds from General Fund and Redevelopment Agency Successor Agency surplus land sales, unless otherwise specified, to be deposited in the IGF Fund.

V. GUIDELINES

All funds allocated under the distinct program areas must advance economic development projects and programs that result in at least one of the following:

1. CREATE JOBS: Projects and programs that create or retain permanent jobs.
2. MAKE IT EASIER TO CONDUCT BUSINESS: Projects and programs that decrease or eliminate barriers for businesses to operate in the City.
3. LEVERAGE FUNDS WITH OTHER PRIVATE OR PUBLIC FUNDS: The Fund will fill financial gaps in projects and programs.
4. INCREASE REVENUE TO THE CITY: Projects and programs using Fund resources that directly or indirectly increase short-term city revenue or long-term revenue potential.
5. ACCELERATE GROWTH: Projects and programs that promote the formation and growth of businesses that engage in the commercialization of innovative research and products, or promote emerging industries.
6. ENCOURAGE DIVERSITY: Projects and programs that encourage diversity and inclusion in the innovation community.

VI. CRITERIA

Entities requesting funds for projects and/or programs requesting funds will be evaluated based on the following:

1. PROVEN TRACK RECORD
2. CLEAR, ACTIONABLE PLANS THAT ACHIEVE FUND OBJECTIVES
3. FILLS AN INDUSTRY GAP OR LOCAL MARKET NEED
4. CITY FUNDS WOULD BE "CATALYTIC" TO COMPLETING THE PROJECT/PROGRAM
5. VALUE TO THE SACRAMENTO INNOVATION ECOSYSTEM
6. PROGRAM DELIVERABLES AND METRICS

VII. CAPITAL PROGRAMS

In order to ensure a robust ecosystem that supports Sacramento as a hub of innovation, technology, and entrepreneurship, the majority of the Fund will be distributed in grants and investments that can be leveraged with private capital in order to increase industry diversity, company valuations, and the number of jobs and startups throughout the entire City.

The three capital programs are:

1. RAILS GRANTS: RAPID ACCELERATION, INNOVATION & LEADERSHIP IN SACRAMENTO
2. LOCAL INVESTMENTS
3. STRATEGIC INVESTMENTS

1. RAILS GRANTS

Overview: The Rapid Acceleration, Innovation, and Leadership in Sacramento (“RAILS”) program will build a pipeline for new and innovative startup companies in various sectors (technology, food & agriculture, health, etc.) in Sacramento. This pipeline is designed to scale ideas and companies into viable businesses. The RAILS program focuses on leadership training for potential entrepreneurs, innovative opportunities to test news ideas, and startup accelerators to scale the ideas that work. Total RAILS grant awards should not exceed \$1,000,000 per year.

RAPID ACCELERATION PARTNERS: These grants are for accelerator/incubator programs that support Sacramento startups through mentorship, networking, and education to raise capital, grow businesses, and create jobs. Grants of \$50,000-\$250,000 will be available as funding permits.

INNOVATION PARTNERS: These grants are for tech companies and organizations that make it easier to work with and in Sacramento; or for local organizations that showcase Sacramento’s innovation community. Grants of \$20,000-\$100,000 will be available as funding permits.

LEADERSHIP PARTNERS: These grants are for organizations that train entrepreneurs in technology and businesses to build Sacramento-based startups. Grants of \$10,000-\$50,000 will be available as funding permits.

Eligibility:

Individuals, non-profit, and for-profit entities may apply for grants as long as proposed programs accomplish Fund goals and meet minimum guidelines and criteria.

Approval Process:

1. RAILS APPLICATIONS SUBMITTED TO MOFIE
2. APPLICATIONS ARE SCREENED BY MOFIE AND EDD
3. TOP APPLICATIONS ARE RANKED BY THE MAYOR’S TECH COUNCIL
4. EDD PRESENTS RECOMMENDATIONS TO THE CITY COUNCIL
5. CITY COUNCIL VOTES ON RECOMMENDATIONS
6. EDD ADMINISTERS FUNDS
7. MOFIE CONDUCTS FOLLOW UP WITH AND TRACKS PERFORMANCE METRICS OF GRANT RECIPIENTS

2. LOCAL INVESTMENTS

Overview: In order to exponentially leverage the Fund to see more startups founded in Sacramento the City will consider partnering with a non-profit economic development-focused organization to invest in a local venture fund. An economic development activity, more than an investment activity, local investments aim to increase the overall number of startups that choose to grow and stay in Sacramento. Further, investing in local startups also offers the possibility of a return on investment that will promote the sustainability of the Innovation & Growth Fund. The initial Local Investments program should not exceed \$1 million, with additional investments shall be considered by the City Council on an as-needed basis.

Eligibility: Recommendations for a non-profit investment partner will be provided by MOFIE to the City Council for final selection. A method to solicit a local venture capital fund and the appropriate amount to invest within the maximum established by the City Council will be derived jointly by MOFIE and the City Council's chosen non-profit investment partner.

Approval Process:

1. SELECTION PROCESS DESIGNED BY MOFIE
2. MOFIE AND EDD CONDUCT INITIAL VETTING OF NON-PROFIT INVESTMENT PARTNERS
3. TOP NON-PROFIT INVESTMENT PARTNERS ARE VETTED BY TECH COUNCIL
4. RECOMMENDATIONS PRESENTED TO CITY COUNCIL
5. CITY COUNCIL VOTES ON CONTRACT WITH NON-PROFIT INVESTMENT PARTNER
6. EDD ADMINISTERS FUND DISTRIBUTION TO NON-PROFIT INVESTMENT PARTNER
7. NON-PROFIT INVESTMENT PARTNER INVESTS AS LIMITED PARTNER IN FUND WITH INVESTMENT MANAGER
8. FUND INVESTMENT MANAGER VETS AND INVESTS IN LOCAL STARTUPS
9. MOFIE CONDUCTS FOLLOW UP WITH INVESTED COMPANIES

3. STRATEGIC INVESTMENTS

Overview: Sacramento has the opportunity to attract new companies, investors and mentors into the area. To do so, the City will consider partnering with a non-profit economic development-focused organization in order to strategically invest in a nationally recognized venture fund. Strategic investments aim to increase the number of startups from outside of the region that choose to launch in or relocate to Sacramento. Further, by aligning the City with a prominent venture capital fund, the City demonstrates on a national stage its commitment to building a local innovation community.

Eligibility: Recommendations for a non-profit investment partner will be provided by MOFIE to the City Council for final selection. A method to solicit a venture capital fund and the appropriate amount to invest within the maximum established by the City Council will be derived jointly by MOFIE and the City Council's chosen non-profit investment partner.

Approval Process:

1. SELECTION PROCESS DESIGNED BY MOFIE
2. MOFIE AND EDD CONDUCT INITIAL VETTING OF NON-PROFIT INVESTMENT PARTNERS
3. TOP NON-PROFIT INVESTMENT PARTNERS ARE VETTED BY TECH COUNCIL
4. RECOMMENDATIONS PRESENTED TO CITY COUNCIL
5. CITY COUNCIL VOTES ON CONTRACT WITH NON-PROFIT INVESTMENT PARTNER
6. EDD ADMINISTERS FUND DISTRIBUTION TO NON-PROFIT INVESTMENT PARTNER
7. NON-PROFIT INVESTMENT PARTNER INVESTS AS LIMITED PARTNER IN FUND WITH INVESTMENT MANAGER
8. FUND INVESTMENT MANAGER VETS AND INVESTS IN NATIONAL AND INTERNATIONAL STARTUPS
9. MOFIE CONDUCTS FOLLOW UP WITH INVESTED COMPANIES

VIII. ADMINISTRATIVE PROGRAMS

City Hall must demonstrate leadership in the innovation community by championing entrepreneurship and implementing creative, best practices within government. The City will be a platform from which entrepreneurs and startups can find centralized and curated services to aide them in launching, growing and scaling their ideas and products. Leading by example allows City Hall to promote innovation inward in City Hall while providing startups with resources and services promotes innovation outward to the community.

The three administrative programs are:

1. MAYOR'S OFFICE FOR INNOVATION & ENTREPRENEURSHIP (MOFIE)
2. CITY HALL TECH
3. INNOVATION INCENTIVES

1. MAYOR'S OFFICE FOR INNOVATION & ENTREPRENEURSHIP (MOFIE)

Overview: The Mayor's Office for Innovation & Entrepreneurship ("MOFIE") is the City Council's conduit to the entrepreneurial community in Sacramento, providing leadership and organization for the regional innovation community. Further, MOFIE will act as the City's autonomous R&D unit, sourcing innovative ideas, technologies, products and talent for internal departments.

MOFIE focus areas:

- Drive the growth of new, innovative startups in Sacramento
- Encourage greater diversity and inclusion within Sacramento's innovation community
- Support the innovation talent pipeline and retention in the region
- Foster a culture of innovation and entrepreneurship within City Hall
- Promote Innovation & Growth Fund programs
- Provide recommendations to EDD and IT for Fund activities
- Celebrate entrepreneurs and risk takers
- Evangelize on behalf of the Sacramento Innovation Ecosystem
- Support the Mayor's Tech Council

Approval Process:

1. MAYOR'S OFFICE CREATES MOFIE OPERATIONS BUDGET
2. CITY COUNCIL APPROVES MOFIE BUDGET
3. MOFIE STAFF HIRED AND OFFICE ESTABLISHED

2. INNOVATION INCENTIVES

Overview: Sacramento's innovation ecosystem, while growing organically, benefits tremendously from an inflow of tech talent from Silicon Valley and across the country. In order to encourage key entrepreneurs and startups to locate, grow and create jobs in Sacramento, EDD may issue incentives to promising companies in the form of grants, loans, or other tools. Incentives up to \$100,000 can be approved jointly by the Mayor and City Manager; incentives exceeding \$100,000 require City Council approval. Incentives are not to exceed \$500,000 annually.

Eligibility:

- Must remain in Sacramento for a designated period of time
- Must provide innovative jobs, products or services

Approval Process:

1. EDD RECOMMENDS INNOVATION INCENTIVE RECIPIENTS
2. MAYOR AND CITY MANAGER APPROVE INNOVATION INCENTIVE RECIPIENTS
3. EDD ADMINISTERS INNOVATION INCENTIVE DISTRIBUTION

3. CITY HALL TECH

Overview: In order to make Sacramento the easiest place to do business in California, City Hall has to provide leadership in adopting innovative best practices. By investing in technology that will make local government more efficient for entrepreneurs, the City is encouraging additional business creation and job growth. City Hall Tech costs will not exceed \$125,000 per year; projects over \$100,000 require City Council approval.

Eligibility:

- Technology purchased or subscribed to through the Fund must provide explicit economic development value such as, but not limited to:
 - Testing or implementing the product or service of a local company
 - Making city data available for commercial purposes
 - Reducing permitting time or costs for local businesses

Approval Process:

1. IT SOURCES PROJECTS AND TECHNOLOGY IN COORDINATION WITH MOFIE
2. IT APPROVES PROJECTS AND SUBMITS TO EDD
3. EDD DISTRIBUTES APPROVED FUNDS TO TECHNOLOGY SERVICE PROVIDERS
4. CITY HALL DEPARTMENTS RECEIVE TECHNOLOGY SERVICES

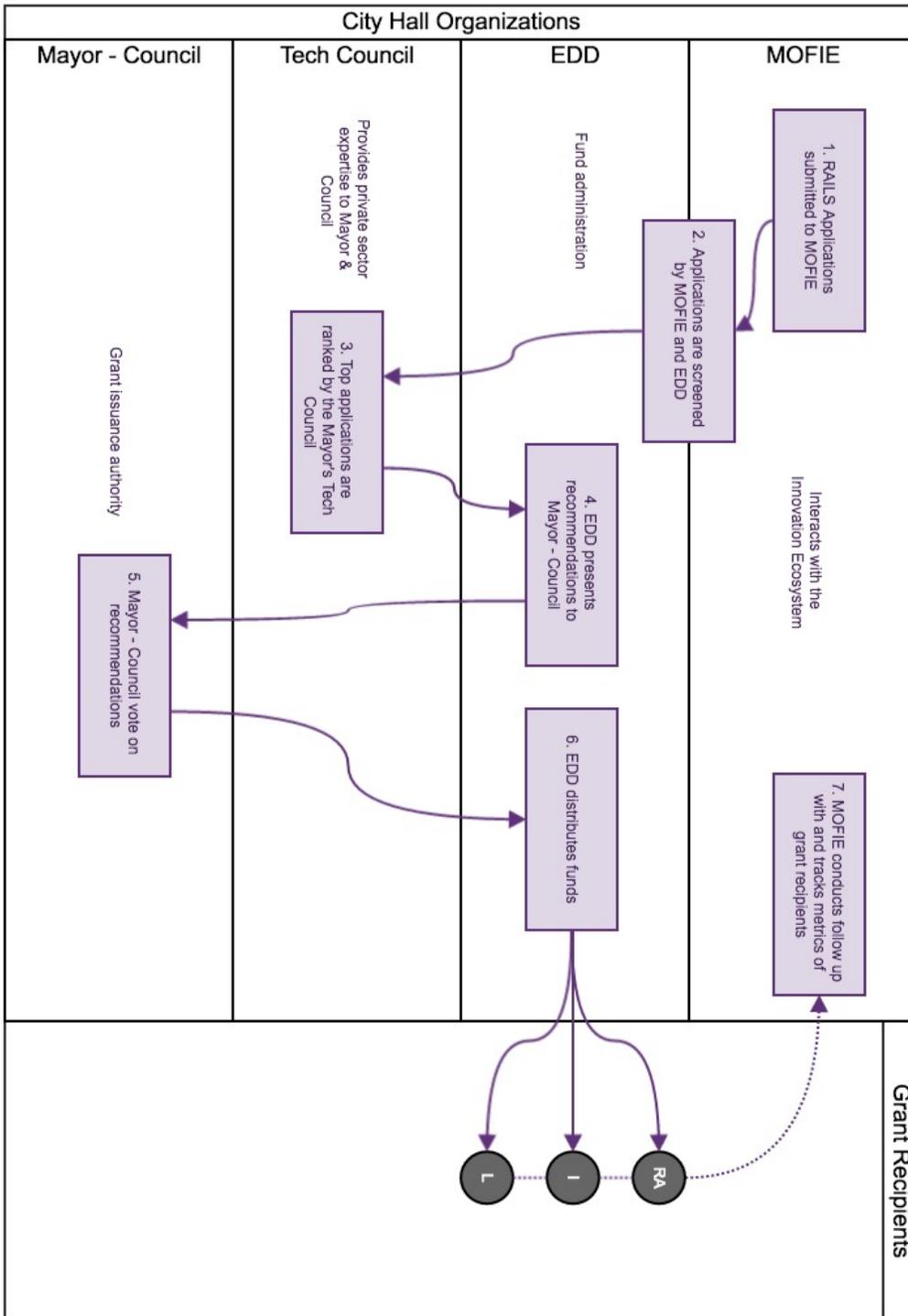
IX. REPORTING

MOFIE will report annually to the City Manager and the City Council on the Fund activities. The report will include:

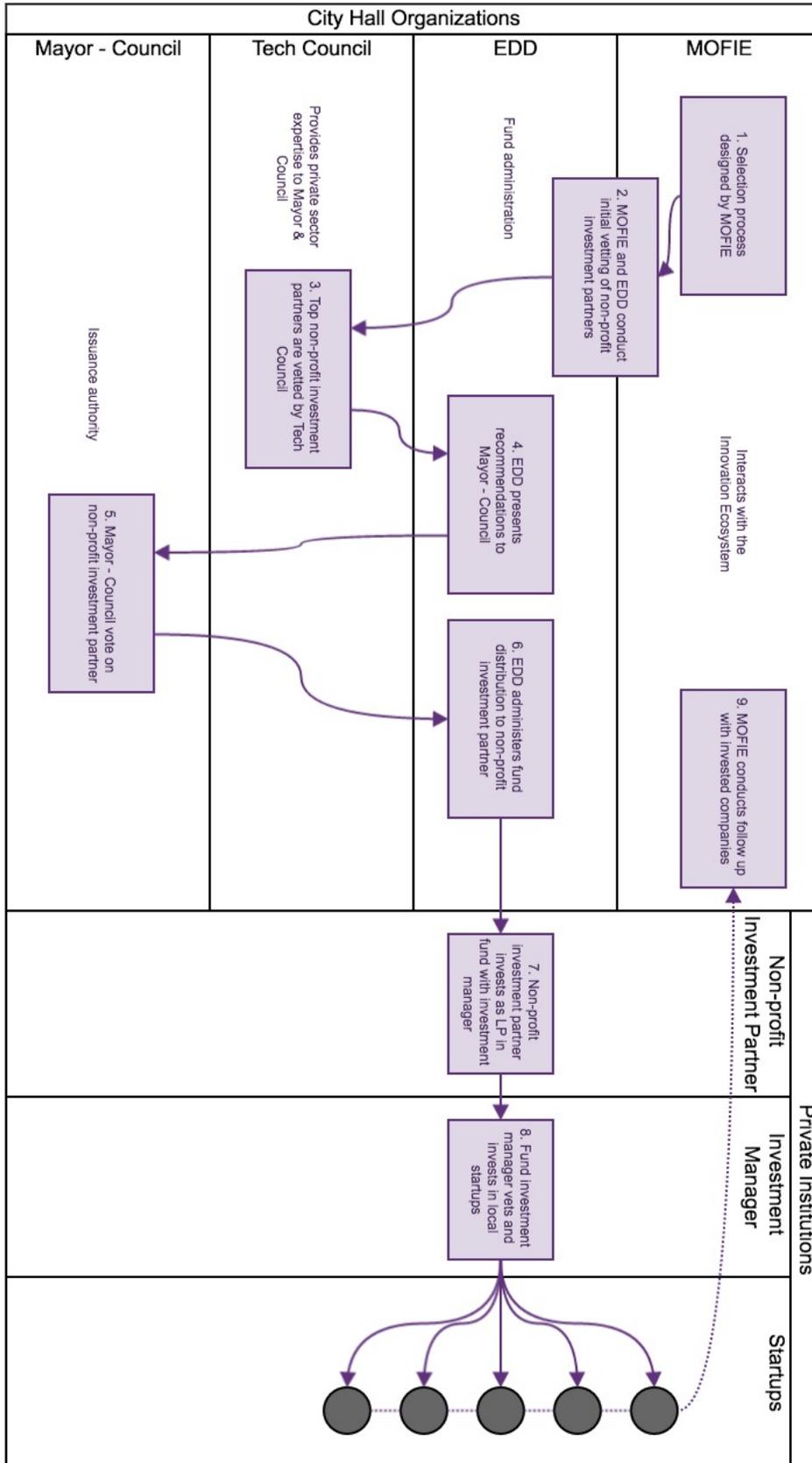
1. NUMBER AND AMOUNT OF GRANTS, INVESTMENTS, LOANS OR PROGRAMS APPROVED
2. STATUS OF PROJECTS AND PROGRAMS THAT WERE AWARDED FUNDS
3. HOW PROJECTS AND PROGRAMS ARE MEETING FUND GOALS, INCLUDING JOBS, INVESTMENT, AND OTHER ECONOMIC IMPACTS
4. REVENUES COLLECTED AND BALANCE OF FUND

APPENDIX

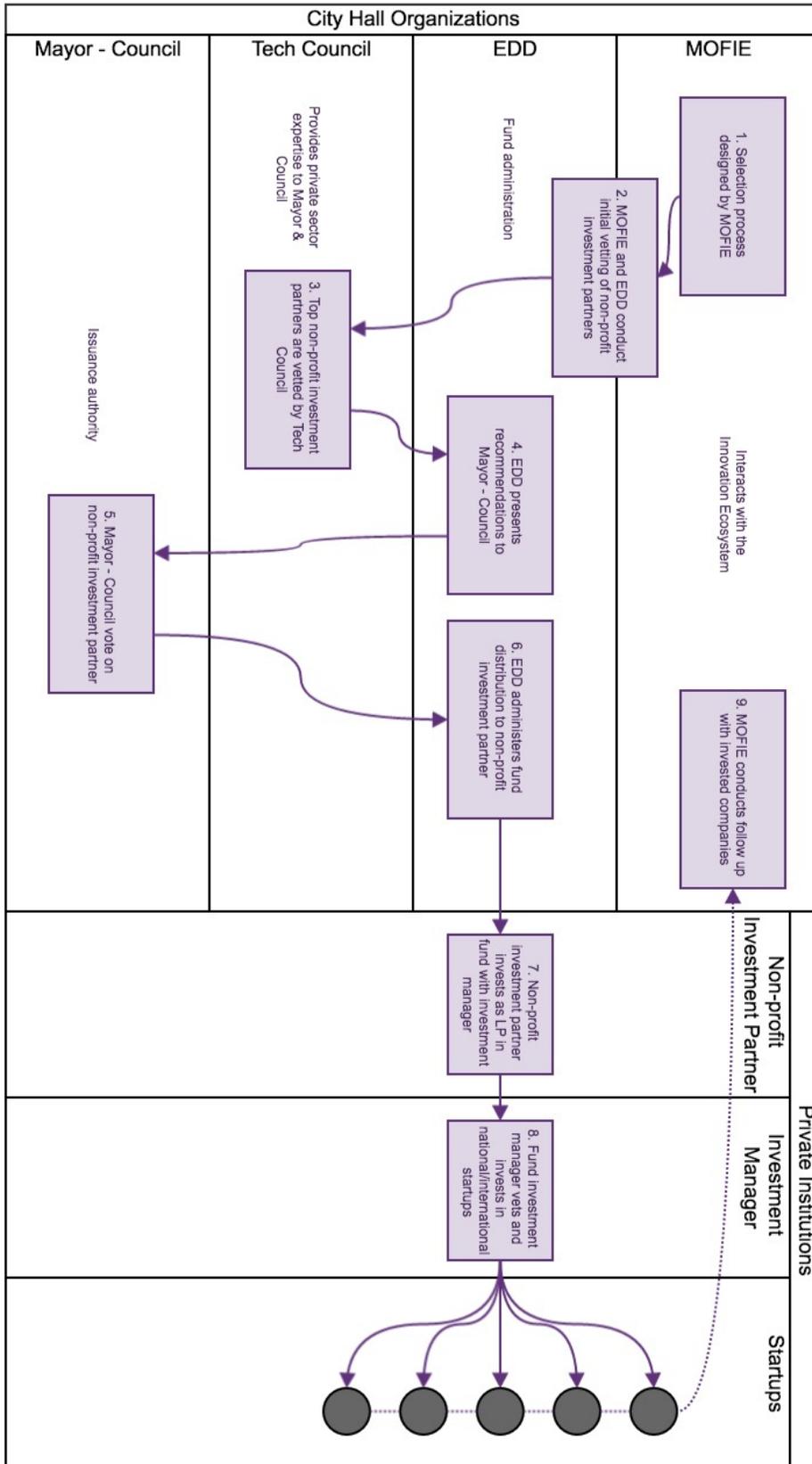
a. RAILS approval process diagram



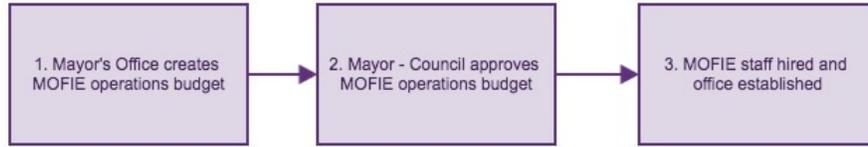
b. Local Investments approval process diagram



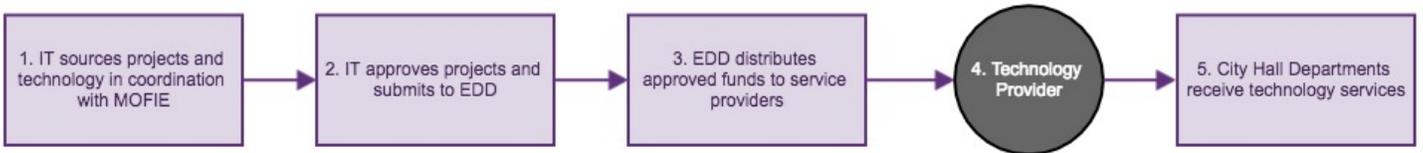
c. Strategic Investments approval process diagram



d. Mayor's Office of Innovation & Entrepreneurship (MOFIE) approval process diagram



e. City Hall Tech approval process diagram



f. Innovation Incentives approval process diagram

