Economic Impact Analysis of the VCEDA Seed Capital Matching Fund:

A Virginia Coalfield Economic Development Authority Small Business Program

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Executive Summary

This report estimates the economic contributions of the Virginia Coalfield Economic Development Authority's (VCEDA) Seed Capital Matching Fund program to its region. The VCEDA organization has multiple program streams, providing incentives for out-of-region firms to locate in the region, working with existing companies to facilitate additional investment, and working in close collaboration with localities for site development. Recognizing the importance of small business development and entrepreneurship, in recent years, VCEDA has played a critical role in the development of small businesses, entrepreneurs, and the outdoor recreation and tourism assets throughout the region with its Seed Capital program. This study examines the quantitative impacts of that program using secondary sourced, VCEDA investment documents, and assesses the program's important but less tangible impacts on the region qualitatively using interviews and business surveys. The results reflect the impacts of 81 Seed Capital supported small businesses since 2017 (including the influence of the global 2020 pandemic) and exclude 16 newly awarded businesses that have yet to fully develop their economic footprint.

VCEDA has distributed nearly $1 million in Seed Capital funding since 2017. This investment has had a $34.2 million impact on the region's economy. VCEDA's investments have created and retained 300 jobs in southwest Virginia, and $9.4 million in wages and compensation.

The total $34.2 million in economic output includes $24.1 million of direct economic impact to the VCEDA region, from which 221 jobs have been created/retained over the past three years of the program's existence. Additionally, $6.8 million in employee compensation has been earned as a result of these small businesses becoming operational. As this money circulates within the region's economy through business and employee spending, additional money and jobs are created (indirect and induced effects), generating an additional economic impact of $9.7 million, an equivalent of 78 full-time jobs, and $2.6 million in employee compensation. In the future, these values have an opportunity to grow when newly awarded and semi-developed businesses are established in the region and pandemic influences cease to exist.

The impact of the Seed Capital program on the entrepreneurial ecosystem of southwest Virginia has been significant in a number of ways. For instance, 84% of Seed Capital grantees who responded to our survey reported that VCEDA's involvement was significant or highly significant to the success of their business. Additionally, over half of the survey respondents stated that it was unlikely their business would exist without the investment and support of VCEDA.

In addition to these specific effects on the region, the VCEDA Seed Capital Program has helped foster a more entrepreneur-friendly climate and encourage start-ups. Many of these businesses are contributing in positive ways to the vibrancy of the region, the growth of small-town business districts, and enhanced tourism, to the overall economic diversification of the area.

Still, the program might have opportunities to have a greater impact on the small businesses in the region. Upon talking with many seed capital grantees and collecting survey responses, small business owners had a few recommendations when looking to build the program in the future.

1. As a condition of funding, seed grant recipients should be required to attend and complete, business training workshops or courses at their local community college or similar business institute, or a coaching or mentoring program component to ensure individuals are versed in smart business practices and understand the breadth of their funding decisions.

2. VCEDA could provide assistance to potential applicants by way of application template examples and referrals to successful former applicants.
3. VCEDA could increase awareness and communication of marketing materials and guides outlining all aspects of the Seed Capital program.
4. VCEDA could foster networking and sharing among cohorts of new or recent seed grant recipients, such as monthly or quarterly meetings to share trials and successes.
5. VCEDA could consider development of a small business BR&E program to offer targeted assistance to high growth potential small businesses. The program might include additional funding, small business outreach, and related opportunities, perhaps in coordination with Opportunity SWVA.

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Introduction

The Virginia Coalfield Economic Development Authority (VCEDA) commissioned the Virginia Tech Center of Economic and Community Engagement (CECE) to conduct an economic impact analysis of their Seed Capital Matching Fund program. This study explores the current economic impacts of the VCEDA Seed Capital program including the holistic benefits of growing small business ecosystems in rural communities of southwest Virginia.

In 1988, Virginia's General Assembly founded VCEDA as a regional economic development authority. Funded by coal and natural gas industry taxes, the organization operates incentive financing programs designed to help enhance and diversify the economy of Southwest Virginia's e-Region. The region includes Lee, Wise, Scott, Buchanan, Russell, Tazewell and Dickenson counties and the City of Norton. The organization works closely with local industrial and economic development authorities to promote the economic development of the region. Its location is well positioned, halfway between Atlanta-Pittsburgh, Charlotte-Cincinnati, and Richmond-Louisville, and within a day's drive of more than half of the U.S. population. Interstate connectivity and broadband capacities contribute to the location's quality of life and work[1].

The region is home to approximately 187,053 residents and employs 50,601 individuals[2]. The VCEDA region's main industries focus on information technology, energy, education, advanced manufacturing and entrepreneurs[3]. The presence of entrepreneurship within the economy exerts a positive impact on the region's economic output. Research suggests that regions with a higher level of entrepreneurship capital show higher levels of output and productivity, than those without[4]. Through unique offerings of new goods and services, entrepreneurs help diversify area economies. They enable new markets to be developed, resulting in increased employment and the creation of new wealth. The stimulation of related businesses or sectors that support the new venture add to further economic diversification and development.

This study uses both primary quantitative and qualitative data to show the current and potential future economic impacts of the Seed Capital program in the region. The resulting estimates include money and jobs that exist within the region that would not be present without the businesses that have been created. The research was broken down into several stages including data collection/verification, quantitative and qualitative synthesis and analysis, holistic programmatic impacts, and recommendations to further increase the impacts of the Seed Capital program.

[1] VCEDA overview. (2020, November 28). Retrieved February 10, 2021, from https://www.vceda.us/vceda-overview/

[2] EMSI, 2021.1 Datarun.

[3] EMSI, 2021.1 Datarun.

[4] Rico, P., & Cabrer-Borrás, B. (2019). Entrepreneurial capital and productive efficiency: The case of the Spanish regions. *Technological and Economic Development of Economy*, *25*(6), 1363-1379.

Seed Capital Program

Program Overview

The Virginia Coalfield Economic Development Authority strives to be a supportive entity that boosts entrepreneur endeavors and successful small business ecosystems. In 2017, the Seed Capital Matching Fund program was established to aid entrepreneurs in the growth of their new small businesses in the VCEDA region. The organization provides both funding and resources for small businesses to utilize in a variety of ways. For-profit businesses that are less than one year old and have less than 10 full-time employees, have the opportunity to receive a grant of up to $10,000 for business endeavors[5]. Upon meeting all programs requirements, applicants are encouraged to contact their local Small Business Development Center to begin the application process. VCEDA ensures that funding can be provided to the maximum amount of recipients however program funding is influenced by the VCEDA Board's annual appropriation.

Methodology

This report examines the economic and community impacts of the Virginia Coalfield Economic Development Authority (VCEDA) Seed Capital Matching Fund program (Seed Capital Program). It is important to understand that economic impacts occur anytime there is an exchange of currency, from consumer to business or business to business. No single value can represent this concept, therefore economic impacts are typically measured using four distinct metrics; employment, household earnings, economic output, and value added.[6]

The rationale for incentives is to create benefits for the local community, most notably in the labor market. Incentives have the ability to encourage the location or expansion of economic activity, thereby increasing the local employment-to-population ratio and local wages[7]. This activity can lead to a snowball effect of advantages. Local residents can see a raise in labor incomes, a boost in local growth can lead to higher property values and greater demand for local real estate, and provide local fiscal benefits.

Incentives can have a large economic impact to local residents by improving job opportunities however, costs of incentives can sometimes be high[8]. The opportunity costs of incentives must be considered: financing incentives may require raising taxes or cutting spending. For incentives to pay off for the local economy, many factors need to be considered to maximize benefits and lower costs.

Regional economic development organizations vary in their funding, purpose, structure, and programming. While some may solely provide incentives to companies looking to expand or locate to a region, it is far more common for these organizations to have multiple program streams, invest in local infrastructure and work with workforce development programs to develop initiatives for in-demand occupations. "Striking a Balance: A National Assessment of Economic Development Incentives" said it best when stating that the most effective economic development organizations are those that balance their investment in larger firms, with investments in supporting entrepreneurial ecosystems[9]. VCEDA is one

[5] VCEDA financing. (2020, December 01). Retrieved February 10, 2021, from https://www.vceda.us/vceda-financing/

[6] Wells, K. (n.d.). Economic Benefits: Definition & Concept. Retrieved January 25, 2021, from https://study.com/academy/lesson/economic-benefits-definition-lesson-quiz.html

[7] Ibid.

[8] Bartik, T. J. (2018). Who benefits from economic development incentives? How incentive effects on local incomes and the income distribution vary with different assumptions about incentive policy and the local economy.

[9] Donegan, M., Lester, T. W., & Lowe, N. (2019). Striking a Balance: A National Assessment of Economic Development Incentives. Sage Publications, I(26). doi:10.1177/1078087419880013

such organization that has multiple program streams, providing incentives for out-of-region firms to locate in the region, working with existing companies to expand jobs and facilitate additional investment, and working in close collaboration with localities for site development. Recognizing the importance of small business development and entrepreneurship, in recent years, VCEDA has played a critical role in the development of small businesses, entrepreneurs, and the outdoor recreation and tourism assets throughout the region. This evaluation report strictly focuses on one stream: The Seed Capital Matching Fund.

Recognizing these businesses have greater information and financial challenges to becoming more productive and profitable, VCEDA has partnered with small business development centers, and organizations who offer business services. The value of these resources often exceeds the budget costs that organizations have set aside to provide such services and therefore partnerships like the ones supplied above are irreplaceable. While recent economic development reports such as Bartik [2018] question whether these services to locally owned non-export-base firms pay off, they underestimate the impact made by these businesses on the greater community. As a regional economic development organization, it facilitates the creation of a holistic environment that improves regional quality of life and dovetails with other regional priorities, such as tourism and diversification.

To capture the economic impact of the Seed Capital program on the VCEDA region the mixed method approach was used to measure the program both numerically and qualitatively. This resulted in program investments that could be analyzed for their direct, indirect, and induced impacts on jobs, employee compensation and overall economic influence. Additionally, program investments could be understood beyond quantitative accounts such as, growing diversification and motivating economic vitality.

Data Collection

Quantitative

A database of all VCEDA Board approved Seed Capital investments from 2017 – present was created from VCEDA documented investment spreadsheets, annual seed capital reports, stockpiled approved applications, and yearly business check-in reports. Each row had the following data:

- Company name
- NAICS industry sector
- IMPLAN sector code
- Date of announcement
- Number of employees projected
- Number of actual full-time employees
- Number of actual part-time employees
- Average wages
- VCEDA investment amount
- VCEDA involvement

Qualitative

In addition to calculating the quantitative economic benefits of VCEDA-induced jobs of the Seed Capital program, OED held a series of semi-structured interviews with local stakeholders, businesses and Seed Capital grantees to better understand the ways in which VCEDA's Seed Capital program impacts the region as a whole.

Stakeholder Interviewees:

- Large Employers in the VCEDA region
- Small Seed Capital Businesses in the VCEDA region
- Small Business Development Center
- Mountain Empire Community College
- Town of Lebanon

- UVA-Wise
- Russell County Industrial Development Authority
- Cumberland Plateau Planning District

Stakeholder interviews focused on the overall benefits of VCEDA's Seed Capital program in the region, pressing areas of small business/entrepreneur need or opportunity, their knowledge of the program, the extent to which this type of funding is unique in the region, how the program is connected to other small business resources, and the benefits to individual businesses and the region.

Business interviews focused on the reasons behind the individual's inspiration for opening a business, their goals and challenges as a business owner, the ways in which VCEDA's Seed Capital program contributed to their business, and suggestions for how VCEDA could assist in post-COVID regional economic recovery. They were chosen from a variety of industries, both existing and emerging in the region and from a range of counties within the VCEDA area. Full interview guides are included in the Appendix.

In addition to the businesses that OED was able to interview, a survey instrument was sent to all 81 Seed Capital grantees. The survey consisted of 17 questions that covered similar discussion questions that were asked during interview dialogue: however, in a closed-question format. A two-week window was given for survey completion with two reminder emails sent a week after initial distribution. Survey results were amalgamated into summary statistics and combined with information gathered from interviews, annual report data, and IMPLAN outputs to provide VCEDA with a holistic evaluation of the Seed capital program, including the ways in which it makes a difference in the region, the role of the program in the entrepreneurship/small business development assistance ecosystem, and potentially recommendations for how VCEDA might further the impacts of the program.

Data Verification

Quantitative

Data that was consolidated into a single spreadsheet was verified by a VCEDA staff member or OED team member. Through email or phone conversation the actual number of jobs created/retained, and the employee average wage was confirmed with each business.

Undergraduate students were recruited to work with VCEDA staff to identify and verify each business's NAICS industry sector. NAICS industry identification informed the IMPLAN sector codes that were chosen for use in the IMPLAN analyses of this report.

Qualitative

Interviews were conducted by an OED staff member with the assistance of an undergraduate student to transcribe each conversation. In addition to scripted notes, interviews were recorded and reviewed to ensure all opinions and perspectives were captured. Data-driven coding was then conducted to systematically understand the main themes within each interview conversation. Themes were identified without a preceding conceptualization, letting the text speak for itself. This methodical interview evaluation fostered the ability to make associations with quantitative data leading to stronger conclusions about the key takeaways of the Seed Capital program.

IMPLAN Analysis

Database variables were used as inputs for the IMPLAN analysis, an input-output model that estimates the economic impact of new organizations moving into an area. Using IMPLAN sector codes, actual full-time employee numbers and wages were inputted into each model.

A novel weighting scheme was created to more accurately reflect the impact of VCEDA's Seed Capital program on job growth. The VCEDA Involvement Quotient was graded by VCEDA who reviewed each investment from 2017 to present and indicated the way in which VCEDA was involved. A numeric score was assigned to each investment, ranging from 1-5. A "5" indicated that VCEDA was imperative in the location and job growth of the business. A "4" indicated that although instrumental, VCEDA may not have played as big a role in the location, expansion, or job growth in the company. A "3" indicated VCEDA' role was slightly important in the company's regional investment and played a slight role in job growth. A "2" indicated that VCEDA was less influential in company job growth and in the establishment or retention of such business. A "1" indicated that VCEDA was relatively unimportant in business location and success.

Three models were created (i.e. Base, A and B) to understand VCEDA's influence on job growth. Using the VCEDA Involvement Quotient, actual full-time employee numbers were adjusted.

Table 1: VCEDA Economic Impact Model Scenarios

VCEDA Involvement Quotient	Base Model: No Quotient	Model A: Medium	Model B: Conservative
1	N/A	30% of jobs	0% of jobs
2	N/A	50% of jobs	20% of jobs
3	N/A	60% of jobs	30% of jobs
4	N/A	80% of jobs	50% of jobs
5	N/A	100% of jobs	70% of jobs

Each model was run through the IMPLAN model on a yearly basis, using 2020 dollars to account for inflation. The outputs of this model (shown in the following section) include the direct, indirect, and induced effects of the jobs created in the VCEDA counties and city due to the Seed Capital Program. Each investment of a single business would generate direct jobs from the business, indirect jobs from the business-to-business purchases in the supply chain, and induced jobs generated from the household spending of the employees within the business' supply chain. Note that we did not model the impacts of the one-time monetary investments of up to $10,000, opting to look at longer-lasting economic benefits stemming from job creation. For this report, OED felt the Base model was sufficient in estimating a fair economic impact analysis of the Seed Capital program.

Findings

Overview

The Seed Capital program has awarded nearly one hundred grants to small business owners since its establishment in 2017. This study analyzed the impact of 81 active small businesses due to the remaining grantees receiving funding during the study period of this report. The program's main contributions to small business development have been funding dollars. However, the organization also serves as a wealth of knowledge and information for entrepreneurs. Additionally, VCEDA can forward individuals to services that the organization itself does not provide such as training workshops, and business plan development. Entrepreneurs have most commonly chosen to open a small business in

accommodation and food services, retail trade, or health care. However, small businesses also focused on industries in arts, entertainment and recreation, agriculture, forestry, and fishing, professional and technology services, and small-scale manufacturing. Figure 1 illustrates where businesses have chosen to locate and small clusters of significance.

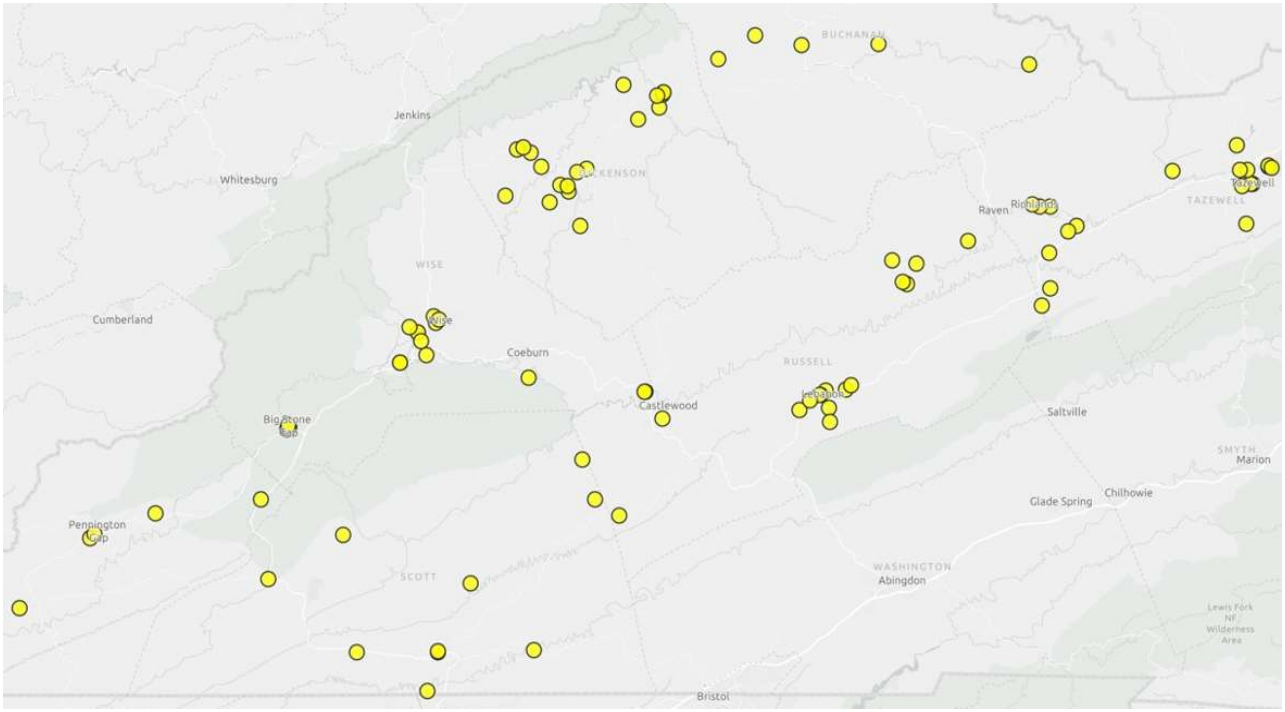

Figure 1: Seed Capital Business Location in the VCEDA Region
Source: Seed Capital Addresses Mapped Using ArcGIS

Popular tourist attractions or developed Main Street infrastructure can often be an appealing asset to small businesses. There is concentrated development along Tazewell county's Main Street and in close proximity to Back of the Dragon. Additionally, there are three clusters of companies within Tazewell county that are all within 2 miles of each other (Tazewell to North Tazewell to Fourway). Of the small businesses who have received funding in Russell county, 50% of businesses are either on or within a quarter mile of Main Street. In Wise county, 50% of businesses are located downtown, all within half a mile of each other. These businesses are not only on part of Main Street development but blocks away from popular tourist destinations such as The Crooked Road and the Southwest Virginia History Museum.

Quantitative and Qualitative Impacts

Nearly one million dollars in VCEDA small business investments have amounted to $34.2 million dollars in economic output since the program's existence. When synthesizing small business interview and survey results, funding dollars were most commonly used for equipment purchases, working capital, inventory, and building/site development. Small business investments have created and retained 300 jobs as well as $9.4 million dollars in employment compensation between 2017-2020. Table 2 illustrates the economic impact breakdown into direct, indirect and induced values.

Table 2: Seed Capital IMPLAN Analysis Outputs, 2017 – 2020

Impact	Employment	Labor Income	Output
Direct	221.5	$6,826,587.97	$24,170,200.92
Indirect	50.65	$1,631,290.93	$6,392,213.01
Induced	27.97	$942,840.89	$3,659,980.91
Total	300.12	$9,400,719.79	$34,222,394.84

Solely examining the 81 small business developments, 221 jobs have been created and/or retained in those establishments the three years that the program has existed. Those workers have earned $6.8 million in employee compensation during that same time period. Additionally, $24.1 million in economic output has resulted from these small businesses becoming operational. For industries that do not hold inventory, economic output is equal to revenue. For industries that do hold inventory, economic output is equal to revenue plus any net change in inventory.

The direct impacts that small businesses create produce a trickle-down effect to other businesses in the region and beyond. This analysis strictly looks at regional circumstances. The direct impacts of these entrepreneurial developments have resulted in the creation/retention of 50 jobs in the business supply chain. As a result, $1.6 million in employee compensation was made and $6.4 million in economic output was produced. This economic output was a result of production increases in supply chain businesses because of the small businesses that exist. Sales of items that have been sitting in inventory do not generate indirect and induced impacts year after year, only the year they were produced.

The induced impacts have resulted in 28 jobs being created and/or retained and nearly one million dollars in employment compensation. Induced jobs are a result of household spending from employees within the business' supply chain. This has produced $3.6 million in economic output. It is important to note that the impact from the global 2020 pandemic may have skewed some results of this study. Additionally, a portion of businesses that were included in this study and approved in 2019 and 2020 are continuing to establish themselves in the region. Therefore, additional economic impacts can be expected in the future.

Survey responses from Seed Capital grantees revealed the importance of VCEDA's presence to their business success. 84% of respondents chose a four or five on a Likert scale when asked about the significance of the organization to their business. Additionally, over half of respondents stated that it was unlikely their business would have even existed if it was not for the VCEDA organization. One grantee spoke to their expectations of the program.

> *"My interactions with VCEDA exceeded my expectations and I cannot think of an area where improvements could be made."*

A local stakeholder mimicked that sentiment when stating the main benefits of the program.

> "It provides e*conomic growth. Without VCEDA's program there would be less business and less jobs. They are a valuable, helpful resource, and the program grows businesses with decent paying jobs."*

Local stakeholders in the region pride themselves on the regional resource that the organization has become.

> *"They are the economic backbone for the region. Revenue streams in coalfield region are not healthy. Everyone is juggling a lot with a little, city budgets are small compared to VA Beach and Richmond. Without VCEDA revenue and funding we wouldn't get a whole lot done in terms of economic development."*

> *"The Seed Capital program shifts the funding burden away from a smaller IDA/EDA organization to a larger one that can absorb some risk. Then these smaller organizations can assist going forward and get the ball rolling."*

According to interviewees, VCEDA's role and responsibilities could not be replicated by another organization in the region. They wear a number of hats to accommodate a variety of needs that a business or organization may have.

> *"They're a resource for local companies."*

> *"They are that arm that can go and scoop up anything you need as a business coming to this area."*

Besides being a source of funding for business and organizations alike, VCEDA offers their wealth of knowledge to entrepreneurs and connections to the network of relationships they foster in the region. Interviews that were conducted with stakeholders and businesses revealed that the greatest success was had when organizations could lean on each other for expertise and help.

> *"VCEDA works in conjunction with other agencies in the area who provide services. VCEDA has helped grow the number of jobs in our business."*

> *"Talk to so and so and here is who you can talk to, and we'll get you in touch with these people"*

> *"I had a meeting with the SBDC and I told them what it (my small business) was about. After they heard, they told me get in touch with VCEDA and apply (for the Seed Capital grant)."*

Survey results revealed that almost all respondent used the Small Business Development Center (SBDC) during the establishment phase of their small business. Other technical resources that they found were effective in their assistance included: professional organizations (i.e. local economic development departments, Heart of Appalachia, and Friends of Southwest Virginia), local government, community colleges and the advice of other business relationships.

> *"VCEDA and staff come behind local economic development departments who are understaffed due to budget constraints. VCEDA as organization will lift up these areas by supplementing with marketing (i.e., standard advertising, going to 12-18 marketing events a year to network, creating marketing missions in partnership with VEDP)"*

Nevertheless, interviewees and survey respondents noted the challenges that are present when first establishing themselves in the region and current obstacles they look to overcome. One small business interviewee expressed difficulty finding the time to dedicate to his small business.

"I need time. I work full time as well as owning a small business. (In my industry) you never know what the future holds. If my job fails I feel certain I can do it (small business) full time."

Many survey respondents echoed this response. Individuals currently managing a small business in addition to working elsewhere, approximately 38%, were challenged with finding enough time to help their business succeed. Other common challenges they faced when establishing themselves were recruiting quality employees, establishing a customer base, securing enough inventory, and finding an affordable location.

Current challenges are heavily influenced by the impacts of the COVID-19 pandemic. Survey respondents stated that maintaining customer support during the pandemic has been a challenge as well as seasonal dips in revenue/customers, adjusting to a new normal/schedule, finding funding to grow and expand, and hiring quality employees. With that being said, all survey respondents were positive in their business recovery outlook. They expected slow or rapid recovery with positive metric in the future.

Interviews with small business owners had similar opinions on the matter.

"Recovery is hopefully and we will get back to semi normal."

"Simply word of mouth, I expect my business will continue to grow."

"Improve a lot more once things are back to normal. People will be out shopping more."

Holistic Programmatic Impacts

There are positive unintended benefits that have resulted from the boost in small business ecosystems. Interviewees spoke to this message when discussing the downtown area in one of their counties and the energy that the VCEDA organization sustains in the region.

"Really helped built up the downtown area. It's awesome to see development and the businesses encourage use of the trail."

"A lot of small businesses are downtown lifestyle businesses. Looking at one of the startups, being able to take $10,000 and buy a food truck set them up great for the future. We have a lot to do in this region."

Regional Differentiator

Quality of life

The vast majority of entrepreneurs do not dabble in traded-sector businesses. However, certain businesses can have an impact on local employee's quality of life, which in turn enhances profitability.

"We want to be in control of our whole life and like being in control of our future. My husband was laid off early in the years and we wanted more control of our life. We no longer feel helpless."

"They are trying to help grow family and small businesses which means a lot to not only our company but also our community. By focusing on the small business base, that in turn helps with the small business aspect that surrounds the community."

"The opportunity for the seed grant opened up that door (to start a business). My relationship with VCEDA over the years led to inspiration for business. It was a hobby but I didn't have the ability to go through with it full blown. Their funding gave me the ability to purchase equipment to expend my business further out and do what I love."

The strong community -oriented character of the region is something that the residents and industries support and admire. Multi-generational VCEDA business owners echo this opinion.

"The people in the region are the main reason we love the region and believe that is why the region is successful."

"VCEDA's role is placemaking and community development. They are supporting small businesses as a result."

Stakeholder and business admiration of the VCEDA program is partly rooted in their understanding of the organization's advocacy for the community's quality of life. They ensure that the funding dollars accrued from coal, an industry that historically supported the economy and the people within it, are invested back into the region for the betterment of residents and industries that now support the economy. Business interviews stressed this importance.

"VCEDA is funded from coal, which came from the region. VCEDA is returning it to people just like me who need the help transitioning from coal to other industry areas."

"Although no one will ever fill the holes that the coal industry did, the supporting roles that came from coal like VCEDA, will help fill those shoes and help these areas out."

Regional Priorities

Tourism

There are several benefits to the initial developments that result from VCEDA's investments besides employment and the economic boost. VCEDA fosters an environment that creates successful piggy-back development. One interviewee had explained that VCEDA's work on improving county trails led to multiple other business opening up as a result, to capitalize on the tourism opportunity.

"They spearhead trails and communities within these areas have been beneficiaries (i.e. B&B, amenities, campgrounds, etc.) because of that project."

"Businesses that spur off of development is a great plus"

One small business owner located in this area was interviewed for her opinion on the Seed Capital program.

"The property was perfect, it was right on Back of the Dragon, and the opportunity presented itself, it was just meant to be. The location was ideal and we were finally motivated to put our ideas into action."

Upon interviewing several small business grantees and reviewing survey results it was noted that it is not unusual to have businesses refer one another to the program. Furthermore, in one scenario a small business's service led a customer to discover and grow their talent, leading them to open their own small business.

"I started doing this craft, as a hobby. I was good at it though and I thought I should start my own business."

One small business owner established her customer base by offering unique arts and recreation opportunities in a historic downtown building.

"Several groups of folks come from out of town. They make a trip to visit this business. I'm right as you come into town, the design of building inspires the business."

Another small business owner knew placemaking was an important aspect to develop in order to create an environment that would stand out and draw people in time and time again.

"I knew that the town needed it. It was a niche that needed to be filled and attract a wider range of people. People travel for industries like mine. It was located in a historic downtown, and we already owned the building, which was a huge contributing factor. The windows were pretty so we were thinking strategically. It was next to a destination that I knew the people and town wanted to fix up. It has charm and character."

Entrepreneurs are aware that upon opening a business the impacts can extend beyond its establishment. When asked about the goals that survey respondents and interviewees hoped to accomplish by starting their business individuals answer included to fill a niche in the community, to contribute jobs to the job market, to help revitalize the town, to grow our small-town economy, and to bring more tourism and visitors to the area.

Diversification

VCEDA's mission is to diversify the regional economy using the funding and resources that are available to them. The Seed Capital program combined with their traditional loan and grants program helps capitalize on industries and business of all types. A recurring theme among interviews was that the region would not be as economically diverse if not for VCEDA.

"I believe that, if it wasn't for VCEDA being formed we wouldn't be as diversified as we are right now. Important to recognize that without VCEDA we wouldn't have an entity that was thinking about diversifying the region."

"They're interested in a range of industries, small and large."

Analysis

The Virginia Coalfield Economic Development Authority's Seed Capital Matching Fund program has had tremendous success in the region. In its short time of operation, the program has been recognized for its importance in diversifying the region and enhancing community assets from stakeholders and businesses entities. IMPLAN outputs of $34 million dollars have indicated a very high return on investment based on nearly $1 million dollars in investment funds. Additionally, small business developments have amounted in 300 jobs during the three years of its existence. Data has shown that for every year the program has existed, job numbers have exponentially grown by 10-20 positions. We can infer that the program will continue to become a prized resource for the community and illustrate how to foster successful small business ecosystems.

This stream of funding supports the livelihood of small business owners as well as their wellbeing. VCEDA understands that economic drivers alone do not make a community enjoyable. It is the community events of a thriving downtown and community engagement amongst business and residents that make it home. VCEDA's community -oriented efforts increase the quality of life of residents in the region. The strong community -oriented character of the region is something that the residents and industries support and admire.

This holistic environment has led the Seed Capital program to dovetail with other regional priorities, such as tourism. Some tourism are assets in their own right while others enhance existing assets (e.g. restaurant, coffee shops, etc.) which enhance visitor experience and encourage more local spending. The VCEDA region has a balance of both entities which creates a prime environment for visitors and residents to repeatedly enjoy their experience. VCEDA's innovative thinking has led to more diversified developments, especially since its establishment of the Seed Capital program. The diverse business landscape plays a role in stabilizing the economy as employment numbers change within the region.

VCEDA understands the lack of funding resources that are available to small business entities and strives to dedicate a portion of their organization to fostering a better small business landscape. In doing this, partnerships have been increasingly helpful over the years, allowing VCEDA's communication channels lead to greater industry focus and improvements. One example is their collaborative partnership with Small Business Development Centers (SBDC). Prior to receiving funding, business owners are referred to the SBDC for advice and consulting services at no expense. VCEDA has grown their network thanks to the number of partner relationships that have formed over the years. This has resulted in greater success for the businesses within the region and a greater commitment to improving what the region has to offer. Their commitment to support small businesses can be seen in their participation with Opportunity Southwest Virginia, an initiative in the region to align existing and emerging economic and community development efforts to create successful entrepreneurial communities that will accelerate development for both new and established endeavors[10]. VCEDA is proud to work with other organizations and businesses to leverage resources and promote the area in the best way possible.

[10] About Opportunity SWVA. (n.d.). Retrieved February 17, 2021, from http://www.opportunityswva.org/about/

Recommendations

Several suggestions on how VCEDA may further their impacts of the Seed Capital program were made during interview dialogue and survey collection. Every applicant was beyond thankful for the aid they received to establish their business. However, many individuals were first time business owners with inexperience in completing the necessary paperwork and unaware of how to draft essential documents such as business plans and financial reports. The application process was a hurdle that they hoped to receive more guidance in overcoming. Applicants requested a greater amount of independent, "do it yourself," resources. Additionally, conversations revealed the lack of knowledge grantees had about the details of the program. It is suggested to increase awareness and communication about the resources that are available. This may minimize the number of applicant questions and prove to be helpful in referring other business to the program.

A large amount of interest was expressed in attending workshops or training sessions to learn about the fundamental steps and responsibilities that a business owner must practice to achieve success. One interviewee discussed how naïve she was when first opening her business, underestimating the amount of expenses that would accumulate. Another interviewee felt that finding clients was going to be the hardest challenges when in fact hiring quality employees was difficult.

Small business owners desired some VCEDA involvement throughout their business venture. They desired knowing if they were taking the right steps towards improving their business and if funding dollars were spent wisely. Interview dialogue consisted of business owners seeking greater VCEDA involvement beyond awarding funds. To reduce this concern mentorship initiatives or the creation of ongoing small business retention and expansion programs were suggested. Five recommendations to improve and expand upon the Seed Capital program.

1. As a condition of funding, seed grant recipients should be required to attend and complete, business training workshops or courses at their local community college or similar business institute, or a coaching or mentoring program component to ensure individuals are versed in smart business practices and understand the breadth of their funding decisions.
2. VCEDA could provide assistance to potential applicants and offer application template examples and referral to successful former applicants.
3. VCEDA could increase awareness and communication of marketing materials and guides outlining all aspects of the Seed Capital program.
4. VCEDA could foster networking and sharing among cohorts of new or recent seed grant recipients, such as monthly or quarterly meetings to share trials and successes.
5. VCEDA could consider development of a small business BR&E program to offer targeted assistance to high growth potential small businesses. The program might include additional funding, small business outreach, and related opportunities, perhaps in coordination with Opportunity SWVA.

Appendix

An economic impact analysis examines a specific event, new organization or activity, or object of study such as a trail, convention center or sports arena. The analysis accounts for money flowing into a defined region, from outside the region, due to that object of study. The analysis then determines how the diffusion of that money affects business revenues, household income and employment in the region, while accounting for leakages due to ensuing spending outside of the region. Methodologies of economic impact studies vary based on data availability and the researcher, which can lead to large differences between reported economic impact.

Business Interview Guide

Thank you for your participation in this interview of local stakeholders, partners, and businesses for the Virginia's Coalfield Economic Development Authority (VCEDA). Virginia Tech's Center for Economic and Community Engagement is helping VCEDA develop an economic impact analysis to understand their impact on the region. Your answers will help the organization design better programs in the future by understanding how clients view their work and help engage more effectively. Additionally, it will help VCEDA understand how and if their work is sustainable. In the end, the information you provide in this interview will help us serve our community more effectively. The interview should take approximately one hour to conduct. Your individual responses will be kept confidential to the research team. Results will be reported in aggregate.

1. Please introduce yourself and your business:
    a. What industry do you identify with?
    b. What is your specific role?
    c. Did you join the company prior to, or after they moved to the VCEDA region?
2. What led your company to choose the VCEDA region to locate or expand your business?
3. At what site did you choose to located/expand? Why was that site/location particularly appealing to your company, what features?
4. How much did VCEDA contribute to your company's location choice? In what ways?
5. What resources of assistance did VCEDA provide to help you locate or expand your business?
6. About how many workers did you have initially? Have you added or reduced workforce since then? How?
7. What services does VCEDA currently provide that helps you remain in the region? (i.e. marketing, incentives, attracting additional similar industries, workforce, etc)
8. Has VCEDA helped grow the amount of jobs? In what ways/ how?
9. Has VCEDA helped you with expansion plans? In what ways/how?
10. Beyond VCEDA, what other regional resources or organizations do you find valuable in helping your company grow or expand? (i.e. SBDC, education, workforce programs)
    a. Has VCEDA played a role in connecting you with those resources?
11. As the region gradually emerges from COVID-19 impacts, what do you anticipate in terms of economic recovery over the next 1-3 years? (i.e resurgence rate, employment, job creation)
12. When you think of VCEDA as an organization, what 3 words most come to mind?
13. In 1 sentence, describe VCEDA's mission in your own words and as you understand it.
14. In order to increase the impacts we discussed so far, what existing VCEDA activities should be leveraged more effectively?

Stakeholder Interview Guide

Thank you for your participation in this interview of local stakeholders, partners, and businesses for the Virginia's Coalfield Economic Development Authority (VCEDA). Virginia Tech's Center for Economic and Community Engagement is helping VCEDA develop an economic impact analysis to understand their impact on the region. Your answers will help the organization design better programs in the future by understanding how clients view their work and help engage more effectively. Additionally, it will help VCEDA understand how and if their work is sustainable. In the end, the information you provide in this interview will help us serve our community more effectively. The interview should take approximately one hour to conduct.

1. Describe your organization and your position within it.
2. What is your connection to VCEDA – how long have you been involved with the organization?
3. When you think of VCEDA as an organization, what words most come to mind?
4. What, in your mind, are the most pressing areas of need or of opportunity to grow the region's economy?
5. What is VCEDA doing to address these needs or opportunities?
6. What could they do that they are not doing?
7. In your own words, what is VCEDA's greatest strength in carrying out its mission to advance the region's economy, what is it best at?
8. Can you provide an example of a VCEDA success story that you know about or have been a part of?
9. What is VCEDA's most significant implementation weakness or deficit in carrying out its activities to advance the region's economy?
10. Can you provide an example of a VCEDA effort that was less successful, perhaps one that you know more about or were involved with on some level?
11. Are you familiar with any of VCEDA's infrastructure/site projects?
12. For a project with which you are particularly familiar, can you tell us more about it?
13. What did VCEDA do/invest? What was result or impact?
14. Are you familiar with the SEED capital program, if so, tell us your view?
    a. Any particular success stories that you are aware of?
    b. What gap or need does this Seed capital program fill in the region?
    c. What do you see as the main benefits of the program both to the individual businesses, and to the region?

Seed Capital Interview Guide

Thank you for your participation in this interview of Seed Capital grantees for the Virginia Coalfield Economic Development Authority (VCEDA). Virginia Tech's Center for Economic and Community Engagement is helping VCEDA develop an economic impact analysis to understand their impact on the small businesses in the region. Your answers will help the organization design better programs in the future by understanding how clients view their work and help engage more effectively. Additionally, it will help VCEDA understand how and if the seed capital program is sustainable. In the end, the information you provide in this interview will help us serve our community more effectively. The interview should take approximately one hour to conduct. Your individual responses will be kept confidential to the research team. Results will be reported in aggregate.

1. Please introduce yourself and your business.
    a. What industry do you identify with?
    b. What is your specific role?
2. Prior to starting this small business, where were you employed?
3. How long have you had the dream of becoming a business owner?
4. What was the inspiration behind finally beginning a small business?
5. What did you hope to accomplish by opening your business?
6. At what site did you choose to locate? Why was that site/location particularly appealing to your company, what features?
7. Where did you first hear about VCEDA's Seed Capital program?
8. How did you determine your eligibility, source of matching funds, and application amounts?
9. What types of assistance did the SEED Capital program provide?
10. Can you name some of the challenges you faced when establishing yourself in the region?
11. What are some of the current challenges you face as a small business owner?
12. What other resources or services have you consulted with/used? Include financial resources as well as technical resources.
13. Have you worked with or referred businesses to the program?
14. As the region gradually emerges from COVID-19 impacts, how do you anticipate your business recovering/developing over the next 1-3 years? (i.e. employment, job creation, downsizing)
15. Beyond providing grant funds, what else can VCEDA do to help current and aspiring entrepreneurs become successful?

Survey Questions

Thank you for participating in the VCEDA Seed Capital Program! Your business truly makes a difference in the region, and we want to learn more about how VCEDA made it possible.

The Virginia Tech Center for Economic and Community Engagement (CECE) was hired by VCEDA to look at the economic impact of their program in the region.

This survey asks questions related to your experience as a successful Seed Capital grantee with VCEDA. Your perspective and opinions are important to the economic impact process and we value your participation.

The survey should take approximately 5 minutes to complete.

Thank you in advance for your time and insight. If you have any questions regarding this survey or VCEDA's role in the region and its resources, please contact:

Jonathan Belcher
Executive Director, VCEDA
276.889.0381
jonathan@vceda.us

1. In what locality is your business located?

- Lee County
- Wise County
- Scott County
- Buchanan County
- Russell County
- Tazewell County

- Dickenson County
- City of Norton

2. With which of these industry types does your business most identify? (Multiple choice)
   - Retail merchandise
   - Manufacturing
   - Technology
   - Hospitality and Leisure
   - Restaurant
   - Health Care
   - Agriculture
   - Entertainment
   - Photography
   - Automotive
   - Other: _____

3. Is this your only place of employment?
   - Yes
   - No

4. Prior to starting this small business, what industry were you employed in?
   - Retail merchandise
   - Manufacturing
   - Technology
   - Hospitality and Leisure
   - Restaurant
   - Health Care
   - Agriculture
   - Entertainment
   - Photography
   - Automotive
   - Other: _____

5. Besides your small business, what industry are you employed in?
   - Retail merchandise
   - Manufacturing
   - Technology
   - Hospitality and Leisure
   - Restaurant
   - Health Care
   - Agriculture
   - Entertainment
   - Photography
   - Automotive
   - Other: _____

6. How long have you had the dream of becoming a business owner? (Multiple choice)
   - Less than a year
   - 1-3 years
   - 3-5 years
   - 5-10 years
   - 10+ years

7. Where did you first hear about the VCEDA Seed Capital Program? (Multiple choice)
   - Friend/Family
   - Local Business
   - VCEDA Website
   - Government Office
   - Newspaper
   - Social Media
   - VCEDA Staff Member
   - Small Business Development Center (SBDC)
   - Community College
   - Other: _____

8. How did you use your VCEDA Seed Capital funding? Chose all that apply. (Multiple choice)

- Land Cost
- Site Development
- Building Cost
- Equipment
- Utilities/Roads
- Inventory
- Working Capital
- Legal/closing fees
- Other: _____

9. If VCEDA funding were not available, how likely would you be to start, expand, or maintain your business? (Multiple choice)
   - Extremely likely
   - Somewhat likely
   - Neither likely or unlikely
   - Somewhat likely
   - Extremely unlikely

10. How difficult was the application process? (Multiple Choice)
    - Extremely easy
    - Somewhat easy
    - Neither easy nor difficult
    - Somewhat difficult
    - Extremely difficult

11. What other technical assistance did you receive? (Multiple choice)
    - Local government
    - Professional organizations (i.e. your county industrial development authority, Heart of Appalachia, Friends of SWVA, The Crooked Road, GO Virginia, etc)
    - Community colleges
    - Small Business Development Center (SBDC)
    - Other business relationships
    - Other: _____

12. Were these additional organizations effective in helping? (Slider)
    - Extremely effective
    - Very effective
    - Moderately effective
    - Slightly effective
    - Not effective at all

13. What other financial assistance did you receive? (Multiple choice)
    - Bank loan
    - Personal savings
    - Family/friends
    - Award dollars
    - Investors
    - Other: _____

14. How important was VCEDA's role in your business success? (Slider)
    - Not at all important
    - Extremely important

15. What goal(s) do you hope to accomplish by opening, maintaining, expanding your business in the VCEDA region? (Open ended question)

14. Please name some of the challenges you faced when establishing yourself in the region? Choice all that apply. (Multiple choice, informed by interviews that take place)

- Dedicating/finding enough time to help the business succeed
- Advertising/marketing the business in the region
- Securing enough inventory
- Recruiting quality employees
- Navigating what my responsibilities were day-to-day
- Securing start-up funds
- Establishing a customer base
- Other:_____

15. What are some of the current challenges you face as a small business owner? Choice all that apply. (Multiple choice, informed by interviews that take place)

- Maintaining customer support during COVID
- Recruiting quality employees
- Adjusting to a new normal/schedule
- Securing enough inventory
- Seasonal dips in revenue/customers
- Finding funding to expand or grow the business
- Other:_____

16. As the region gradually emerges from COVID-19 impacts, what do you anticipate in terms of economic recovery over the next 1-3 years? (Multiple choice)

- Rapid recovery or increase in activity or positive metrics such as employment and job creation
- Slow recovery or increase in activity or positive metrics such as employment and job creation
- Stable not much change
- Slowly continued decline in most economic measures and trends
- Substantive continued decline

17. In your opinion, what improvements could be made to VCEDA's Seed Capital program? Are there gaps in resources or services? (Open question)

*Reviewed responses to ensure SBDC and VCEDA is being differentiated.

You have reached the end of the survey. Thank you for your attention and time spent answering these questions. Your input is important to shaping the future of VCEDA and the local economies of the VCEDA region.