



Building a Strong, Diverse, and Resilient Local Business Community

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Speakers

Mayor Thomas C. Hoye, Jr. began serving as Mayor of Taunton, Massachusetts in January of 2012. Mayor Hoye is a life-long resident of Taunton. Tom received a Bachelor of Science Degree from Bridgewater State University (92), and a Masters of Education from Fitchburg State University (06). He has taken great pride in helping revitalize the Historic Downtown Taunton, which is now the home to several new restaurants and businesses. In response to the Opiate Crisis gripping the Nation and the Region Mayor Hoye initiated the Taunton Opiate Task force, in 2014, which currently has over 100 members. He was appointed to the Governors Opiate Task force and also to the Advisory Board of Attorney General Maura Healy's Project Here, which provides early education in the Commonwealth's Schools. Mayor Hoye and his team have worked hard at enhancing and adding community events, which have improved civic pride and drawn people to visit Taunton. Mayor Hoye has taken great pride in improving the infrastructure in Taunton and practiced sound financial judgment, which has improved Taunton's Bond rating, making it much more attractive to investors.

Mayor Vi Lyles was sworn in on Dec. 4, 2017 as the 59th Mayor of Charlotte, North Carolina. As a Democratic leader, she is known for her strong commitment toward creating jobs, expanding affordable housing options and supporting safe, livable neighborhoods. Mayor Lyles received a bachelor's degree in political science from Queens University and a master's degree in public administration from the University of North Carolina at Chapel Hill. Under her leadership, the City of Charlotte continues to grow as a center for commerce, culture and diversity.

Stacy Mitchell is co-director of the Institute for Local Self-Reliance, where her work focuses on economic concentration and the health of local economies. For more than a decade, Stacy has worked with elected officials and citizens to design policies that strengthen local, independent businesses. She's written for The Atlantic, Bloomberg Businessweek, The Nation, and other publications. Recent reports produced by her team include "Affordable Space: How Rising Commercial Rents Are Threatening Independent Businesses, and What Cities Are Doing About It," "A Guide to Policy Tools that Strengthen Independent Businesses," and "Amazon's Stranglehold: How the Company's Tightening Grip on the Economy Is Stifling Competition, Eroding Jobs, and Threatening Communities."



8 Policy Strategies Cities Can Use to Support Local Businesses

BY STACY MITCHELL | DATE: 28 AUG 2017 |

The Institute for Local Self-Reliance produced this policy brief for Local Progress, a network of elected officials organized by the Center for Popular Democracy. We've reproduced the text of the brief below, and it's also available to [download](#) [PDF] and as part of Local Progress's [library of policy briefs](#).

The Problem

Locally owned businesses play a central role in healthy communities, and are among the best engines that cities and towns have for advancing economic opportunity. Small business ownership has been a pathway to the middle class for generations of Americans, and continues to be a crucial tool for building wealth and community self-determination. This is something many people understand intuitively, and it is also borne out by research that finds that the presence of locally owned businesses is linked to higher rates of job creation, less income inequality, and stronger social networks.[1]

Despite these benefits, in many communities, small businesses are disappearing. Between 1997 and 2012, the number of independent retailers fell by about 108,000 and small manufacturers declined by 70,000.[2] Even more alarming than the overall decline in small businesses is the fact that it appears to have become much harder to launch one: The number of new firms created each year has fallen by nearly half since the 1970s, a trend that economists say is slowing job growth.[3]

Contrary to popular perception, this decline isn't because local businesses aren't competitive. In many cases, it's because public policy and concentrated market power are working against them. Misguided zoning policies, soaring real estate costs, and financing terms that incentivize landlords to rent to chains[4] are making it harder for local businesses to find suitable space. Banking consolidation and the decline of local financial institutions has left more entrepreneurs struggling to obtain the capital they need, a barrier that is especially acute for Black, Latinx, and women entrepreneurs.[5] Economic development subsidies and tax incentives further skew the playing field by [disproportionately flowing](#) to big corporations.

The Solution

As policymakers begin to recognize these barriers, some are taking action to ensure that their communities are places where local businesses can thrive. Here is a sampling of the strategies they are using.

Get Zoning Right for Small Businesses — Rather than favoring strip malls and large-format development, zoning should support multi-story, pedestrian-oriented districts that include a mix of small and large commercial spaces, and that preserve historic buildings. This type of varied building stock offers the best habitat for local businesses, and research has found that neighborhoods with a range of building types and ages have more startups per square foot. [6]

Set Aside Space for Local Businesses in New Development — Cities can require development projects to **reserve a portion** of their first-floor space for small storefronts and for locally owned businesses, either as a condition of permitting or through agreements in particular projects, as Austin, Portland, Ore., and other cities have done. Because of financing incentives and national relationships, new development is often oriented to the needs of large chains; set asides can help close the gap.

Adopt a Business Diversity Ordinance — A **Business Diversity Ordinance** can ensure that independent, neighborhood-serving businesses don't get crowded out by chains. Municipalities around the country, from Fredericksburg, Texas, to Jersey City, have used this tool effectively. San Francisco's 12-year-old policy is one of the most comprehensive. It requires a "formula" business to apply for a special use permit and meet criteria in order to locate in any of the city's neighborhood commercial districts.[7]

Facilitate Adaptive Reuse of Vacant Buildings — Cities can establish an **Adaptive Reuse Program** to help local entrepreneurs turn vacant historic buildings into new businesses. In Phoenix, for instance, the program offers permit-fee waivers and a faster timeline for eligible projects. In Anchorage, Alaska, a **land trust** works with local entrepreneurs to repurpose derelict commercial properties.

Reorient Economic Development Incentives — Economic development incentive programs disproportionately favor big companies,[8] and what's more, they often don't work.[9] Instead of giving public dollars to big businesses, cities should redirect these resources to foster local businesses, as some cities, like Grand Rapids, Mich., are doing. Another model can be found in Portland, where the city has several initiatives to accelerate the growth of minority-owned businesses.

Open a Small Business Office – Cities should create a position within city government to guide business owners through local permitting requirements, and to serve as a liaison between small businesses and policymakers. Models include a Small Business Navigator office such as those in Montgomery County, Md., and Minneapolis, or a Small Business Commission, such as the one in San Francisco.

Give Preference to Local Businesses in Purchasing — Cities should establish a **preference for locally owned businesses** in city purchasing, and include clear definitions, goal-setting, and reporting to ensure that their purchasing doubles as economic development, as Cleveland has done. Cities can also establish a preference for local businesses when leasing city-owned commercial space, as Seattle is doing with its King Street Station.

Expand Access to Capital — Community banks supply a majority of **small business loans**. As their numbers have plummeted in the last decade, so too has lending to small businesses. To strengthen and expand these institutions, Oakland, Santa Fe, and other cities are exploring setting

up a [public partnership bank](#), modeled on the Bank of North Dakota. Another helpful approach is to establish a one-stop, single-application portal for local entrepreneurs seeking loans, as Philadelphia has done with its Capital Consortium.

Landscape & Resources

For scholarship on the benefits of locally owned businesses, see the Institute for Local Self-Reliance's resource page, "[Key Studies: Why Local Matters](#)." For more about how the built environment can support local businesses, see the ILSR report, "[Affordable Space](#)." Detail about the decline of local businesses can be found in the ILSR report, "[Monopoly Power and the Decline of Small Business](#)." Also see the ILSR articles "[Access to Capital for Local Businesses](#)," "[How San Francisco is Dealing With Chains](#)," and "[Procurement Can Be a Powerful Tool for Local Economies, but Takes More Than a Policy Change to Work](#)."

Notes

[1] "Key Studies: Why Local Matters," *Institute for Local Self Reliance*, Jan. 8, 2016.

[2] U.S. Economic Census.

[3] "Declining Business Dynamism in the United States: A Look at States and Metros," *Brookings*, 2014.

[4] "Blame the Banks for All Those Boring Chain Stores Ruining Your City," Patrick Clark, *Bloomberg*, Sept. 2016.

[5] "2016 Independent Business Survey," *Institute for Local Self Reliance*, Feb. 10, 2016.

[6] "Older, Smaller, Better: Measuring how the character of buildings and blocks influences urban vitality," *Preservation Green Lab and National Trust for Historic Preservation*, May 2014.

[7] "Formula Business Restrictions," *Institute for Local Self-Reliance*, Dec. 1, 2008.

[8] "Shortchanging Small Business," Greg LeRoy et. al., *Good Jobs First*, Oct. 2015.

[9] "An Assessment of the Effectiveness and Fiscal Impacts of the Use of Local Development Incentives in the St. Louis Region," *East-West Gateway Council of Governments*, Jan. 2011.



Affordable Space

How Rising Commercial Rents Are
Threatening Independent Businesses,
and What Cities Are Doing About It

Olivia LaVecchia and Stacy Mitchell

April 2016

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Local Self-Reliance

About the Institute for Local Self-Reliance

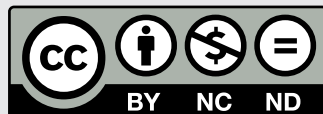
The Institute for Local Self-Reliance (ILSR) is a 42-year-old national nonprofit research and educational organization. ILSR's mission is to provide innovative strategies, working models, and timely information to support strong, community rooted, environmentally sound, and equitable local economies. To this end, ILSR works with citizens, policymakers, and businesses to design systems, policies, and enterprises that meet local needs; to maximize human, material, natural, and financial resources; and to ensure that the benefits of these systems and resources accrue to all local citizens. More at www.ilsr.org.

About the Authors

Olivia LaVecchia, lead author, is a researcher with ILSR's Community-Scaled Economy Initiative, where she produces reports and articles on concentrated economic power and locally rooted alternatives. Her work reaches wide audiences, spurs grassroots action, and influences policy-making. Contact her at olivia@ilsr.org or via Twitter at [@olavecchia](https://twitter.com/olavecchia).

Stacy Mitchell, co-author, is co-director of ILSR and director of its Community-Scaled Economy Initiative. Her research focuses primarily on the retail and banking sectors. She has produced numerous reports and written articles for a variety of national publications, from *Business Week* to *The Nation*. Her perspective is regularly sought by local and national news media, and she is a frequent presenter at national conferences. Contact her at smitchell@ilsr.org or via Twitter at [@stacyfmitchell](https://twitter.com/stacyfmitchell).

The authors would like to thank everyone interviewed for this report for their valuable insights.



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Executive Summary

The cost of leasing commercial space is soaring in many U.S. cities, threatening the future of independent businesses. In cities as diverse as Oakland and Nashville, Milwaukee and Portland, Maine, retail rents have shot up by double-digit percentages over the last year alone. As the cost of space rises, urban neighborhoods that have long provided the kind of dense and varied environment in which entrepreneurs thrive are becoming increasingly inhospitable to them.

Local businesses that have been serving the everyday needs of their communities, sometimes for generations, are being forced out and replaced by national chains that can negotiate better rents or afford to subsidize a high-visibility location. In ILSR's 2016 *Independent Business Survey*, 59 percent of independent retailers reported being worried about the escalating cost of rent, with one in four describing it as a top challenge. The trend isn't limited to retailers. The price of industrial space is rising rapidly too, jeopardizing a budding renaissance in urban manufacturing.

This report examines what's causing commercial rents to skyrocket and explores six broad policy strategies that elected officials and community leaders are proposing to address it.

We find that the sharp rise in rents isn't limited to affluent neighborhoods. It's happening across a range of communities, with some of the most intense pressure falling on businesses in lower income neighborhoods. The problem is especially detrimental to people looking to start new businesses, further raising barriers to entrepreneurship and stunting economic dynamism.

Just as there's a public stake in the availability of affordable housing, so too is there a public interest in the commercial side of the built environment. Having a healthy independent business sector is closely tied to other municipal policy priorities, including reducing climate emissions, expanding jobs, lessening economic inequality, and strengthening the social fabric of neighborhoods.

Just as there's a public stake in the availability of affordable housing, so too is there a public interest in the commercial side of the built environment. Having a healthy independent business sector is closely tied to other municipal policy priorities.

A complex web of causes lies behind rapidly growing and increasingly unaffordable commercial rents:

- **Soaring commercial real estate prices** – A global surplus of capital seeking higher returns is flooding into urban commercial real estate, causing a speculative run-up in prices.
- **The increasing popularity of cities** – Cities are booming as more people seek walkable, mixed-use urban districts. While this has increased opportunities for businesses, it's also driven up demand for small storefront space, with the rise in rents often significantly outpacing sales growth.
- **The growth imperative of national chains** – Increased demand is also coming from national chains, which, having saturated the suburbs and under pressure from shareholders to show square footage growth year after year, have turned to cities to sustain their expansion.

- **A limited and declining supply of small spaces** – Older urban buildings are being redeveloped or razed, and the projects that replace them often provide spaces that are designed for chains and too large to be suitable or affordable for local entrepreneurs.
- **A preference for national companies over independent businesses in commercial real estate financing** – Banks and other lenders often provide lower interest rates or better terms if a property owner or developer has signed national, brand-name tenants.

This report outlines a range of ideas that elected officials, business owners, and community leaders have come up with for keeping space affordable and ensuring that entrepreneurs continue to thrive:

1. Broaden Ownership

Although not suitable for every small business, owning rather than leasing is one of the best ways to ensure stable occupancy costs. Only a small minority of independent retailers currently own their space. Several cities are exploring programs to increase that share by helping businesses buy their buildings, or buy their spaces as commercial condominiums. Another approach involves expanding community ownership of commercial buildings. Through various structures, such as real estate investment cooperatives, neighbors can invest in commercial buildings and guarantee local businesses long-term stability and reasonable, cost-driven rent increases.

2. Reduce the Power Imbalance in Landlord-Tenant Negotiations

Another set of policy ideas would give small businesses certain rights when it comes time to renew their leases. These protections might include an established timeline for negotiations, an option for a long-term lease, and recourse to arbitration. Cities are also looking at ways to provide property tax credits to landlords who provide affordable leases to locally owned businesses.

3. Zone for a Local Business Environment

Zoning can be a powerful tool for creating a built environment that provides plenty of opportunity for local entrepreneurs. Key strategies include protecting the varied fabric of established commercial districts, ensuring an ample supply of small spaces, and adopting business diversity ordinances that encourage a mix of different types of businesses.

4. Set Aside Space for Local Businesses in New Development

Several cities have required that a portion of the space in select new development projects be set aside for locally owned businesses. These requirements could be codified and applied across all development projects that meet certain size or location thresholds.

5. Create a Preference for Local Businesses in Publicly Owned Buildings

Cities often own and invest in real estate themselves. Some are establishing a preference for leasing spaces in city-owned or -financed buildings to locally owned businesses. In underserved communities, this could include offering space at below-market rates to local, neighborhood-serving businesses.

6. Recognize Businesses as Cultural Landmarks

Following in the footsteps of Rome, Paris, and London, San Francisco has established a program to recognize and support longstanding, culturally significant businesses. The program provides incentives to landlords who agree to 10-year leases, and it could also evolve to help businesses purchase their spaces.

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Introduction

For 22 years, Lisa Monson ran her business out of a building she rented in Salt Lake City's 15th and 15th business district. The 2,800-square-foot space was a good size for her hair salon, and she liked being in a neighborhood of locally owned businesses.

Like many business owners, though, the more Monson continued to invest in her business, the more wary she became of losing her space. Her landlord wouldn't offer her a long-term lease, and every three years, she faced a tough renegotiation. Meanwhile, national chains had started moving into the neighborhood, including a Starbucks and an Einstein's Bagels that bought out a local bagel shop.

"It kept me in a place where I was completely at risk of being thrown out," Monson explains. "I knew that if he got an offer for a lot more money, I wouldn't be able to match it."

The cost of commercial space is spiking upward around the country, driven both by run-away real estate speculation and the growing popularity of urbanism. As a new generation discovers the appeal of walkable and mixed-use neighborhoods,¹ demand for small commercial spaces in those neighborhoods is far outpacing supply, and rents are rising to match. Locally owned enterprises, which thrive in these areas, are increasingly threatened with displacement from the neighborhoods that they've made vibrant, and getting replaced by national chains that can negotiate better rents or afford to subsidize a high-visibility location. As high rents shutter longtime businesses, they also create an ever-higher barrier to entry for new entrepreneurs, stunting opportunity and leading to a scarcity of start-ups in cities once known for their business dynamism.

"The rents have come to be the most critical issue in the survival of locally owned businesses," says Betsy Burton, president of the American Booksellers Association and a founder of the independent business advocacy group Local First Utah.

When once-thriving blocks become colonized by generic national brands, local business owners lose. But so do cities and the people who live in them. The businesses on the front lines of rising rents are the grocers and hardware stores, the neighborhood-serving businesses selling everyday goods with little padding on their margins. When these businesses get displaced, residents lose the ability to walk to the store for their shopping, to bump into neighbors, and to chat with the business owners, who often attend to a variety of community needs that go well beyond making sales.

As high rents shutter longtime businesses, they also create an ever-higher barrier to entry for new entrepreneurs, stunting opportunity and leading to a scarcity of start-ups in cities once known for their business dynamism.

Cities also stand to lose, because the strength of the independent business sector is closely tied to other policy aims. At a time when more than 30 major U.S. cities and counties have committed to reducing their greenhouse gas emissions by 80 percent or higher,² having local food markets, pharmacies, and other stores in neighborhoods has been shown to sharply reduce the amount of driving households do, and even to spur more people to commute to work by public transit.³ Locally owned businesses also sustain much of the social fabric of neighborhoods, and recent research has found a strong relationship between their prevalence and community well-

being, including higher income growth and lower poverty rates, as well as increased levels of civic engagement.⁴ And for cities looking to increase jobs, fostering a built environment that's small in scale and hospitable to local enterprises has been shown to support stronger levels of positive economic, social, and cultural activity across metrics from number of jobs per square foot to diversity of residents.⁵

The displacement of local businesses isn't just an issue in affluent neighborhoods. Among New York City's boroughs, the Bronx has seen the biggest jump in evictions of small businesses and the largest percentage increase in the number of chains.

The displacement of local businesses isn't just an issue in trendy, affluent neighborhoods. Among New York City's boroughs, the Bronx has seen the biggest jump in court-ordered evictions of small businesses,⁶ and over the last year it also experienced the largest percentage increase in the number of chains.⁷ Among these newly arriving chains is a Boston Market, slated to open on a busy corner previously occupied by Zaro's Bakery, a beloved business founded by a Polish family in 1927 and given just a few weeks' notice that its lease would not be renewed.⁸ Across the Harlem River, in Washington Heights, numerous longstanding businesses have recently been evicted or handed hefty rent increases. One is the nearly 40-year-old Liberato Foods, a Dominican grocery store with two-dozen employees, which is reportedly facing a tripling of its rent.⁹

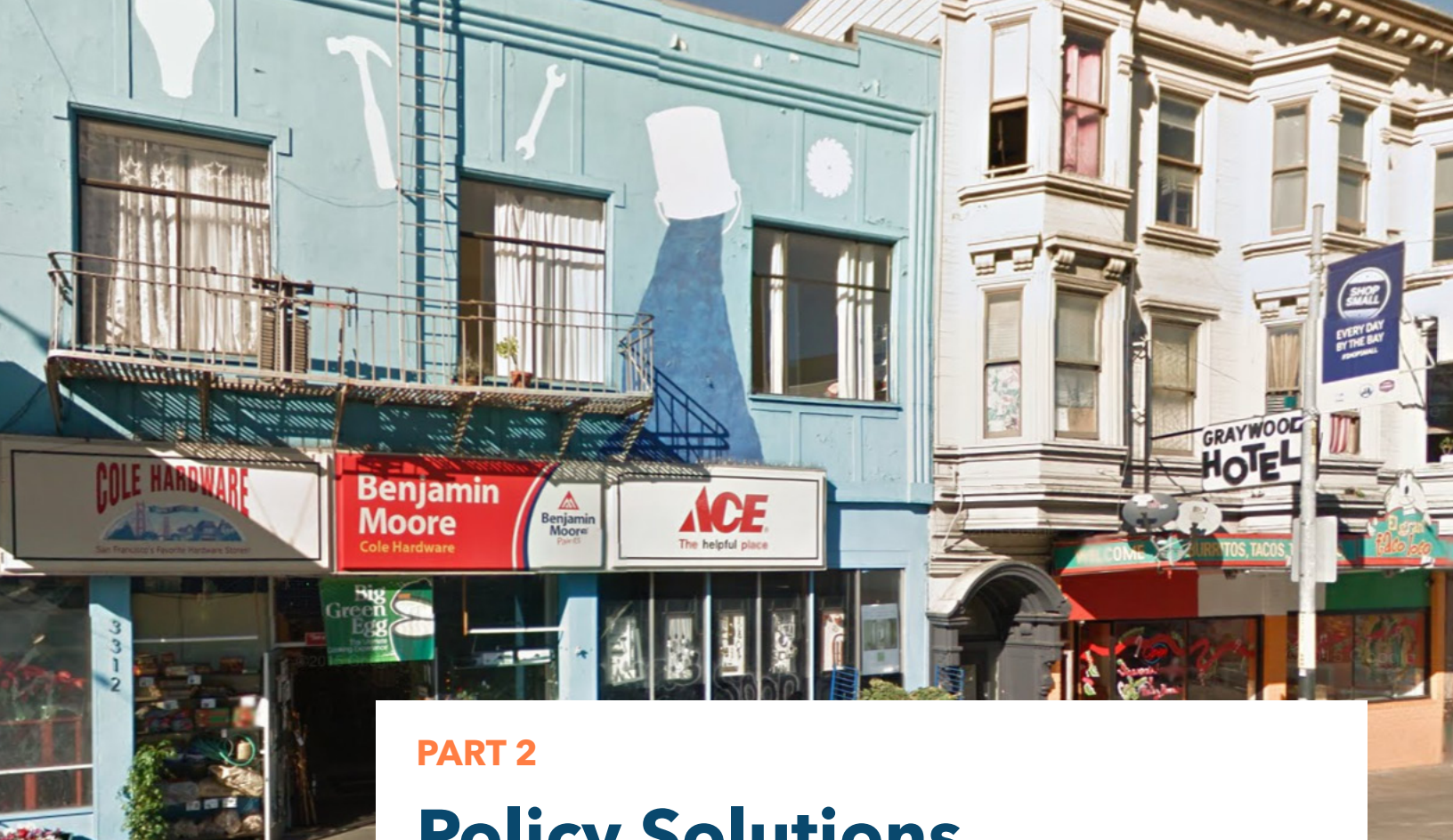
"I think affordability is a very high issue if not the highest issue that businesses face," says Vicki Weiner, deputy director of the Pratt Center for Community Development, of local businesses in New York City. "What they make compared with what they have to pay in rent seems to be out of scale in every neighborhood, no matter what the market conditions are."

Some cities and community leaders are beginning to grapple with the ways that public policy can offer solutions. They are coming up with innovative ideas, from tax abatements for new developments that set aside space for local retail to low-interest loan programs that help local businesses buy their buildings, all with the aim of creating and maintaining a built environment that's affordable, appropriate, and accessible for locally owned businesses.

"We know that small businesses, particularly those that are neighborhood-based, are important contributors to the identity of Seattle, and the diversity and what makes it attractive to be here," explains Ken Takahashi, who works in the Office of Economic Development in Seattle, of the perspective of one city. "So we don't want to just let the market do what the market does, and we want to see if there are ways that we can intervene."

What's Affordable?

An apartment is generally considered affordable if the rent is less than 25 percent of the tenants' household income. In the commercial market, affordability is not quite as clearcut, and varies by the type of business, but a rough rule-of-thumb is that rent and other occupancy costs should total less than 10 percent of a business's gross sales. As an example, the average hardware store in the U.S. does about \$150 in sales per square foot annually, and therefore should aim to keep its rent and other occupancy costs at no more than \$15 a square foot. Businesses in better locations can often generate higher sales per square foot and afford higher rents. But a problem arises when a combination of speculative investment, high demand, and limited supply of space sends rents climbing faster than sales growth. Grocers and other businesses that serve the basic needs of a neighborhood are particularly vulnerable, because they often have low gross margins and therefore need to keep their occupancy costs even lower to remain viable.



PART 2

Policy Solutions

Just as there's a public stake in the availability of affordable housing, so too is there a public interest in the commercial side of the built environment. Locally owned businesses are what make a city livable, and economically healthy. But in the dynamic between local entrepreneurs and their communities, on the one hand, and developers, property owners, and lenders, as well as national chains, on the other, there exists an imbalance of power that isn't related to the merits or viability of the businesses. Addressing this imbalance is a worthy policy goal, and one that helps cities achieve many other goals as well, from environmental sustainability to economic opportunity.

Here we present a range of ideas that elected officials, business owners, and community leaders are coming up with for how to do this. So far, many of the ideas are coming from larger cities, particularly New York City and San Francisco, where rising rents have already reached crisis-level proportions, but smaller cities, which are just beginning to experience the pinch of affordable space, are also beginning to look for ways that public policy can provide solutions.

STRATEGY 1

Broaden Ownership

In stories about rising rents, there's often a handful of businesses that are able to be more resilient. One thing many of these businesses have in common is that they own their buildings.

There's the 50,000-square-foot, 94-year-old furniture store on Charleston's King Street, about which a Dec. 2015 article on the cost of space in the corridor notes, "Because he owns the building, rising rents did not push him out." There's the longtime bookstore in Brooklyn, whose owner "was able to stay as long as he did only by virtue of owning the building," the *New York Times* reported.

One flagship local business in Brooklyn, Brooklyn Brewery, first started renting commercial space for about \$3-per-square-foot in 1990, for an annual lease of about \$90,000, the *Associated Press* recently reported.²³ In the intervening years, rents have jumped to \$30-per-square-foot, and the same lease today would cost more than \$900,000 to sign. The brewery still has 10 years on its current lease, but it's already begun its search for a new space at a sustainable price. "This time, the company will protect itself from soaring rents," the *AP* reported, with brewery co-owner Steve Hindy explaining, "We are insisting on buying any place where we'd build a brewery."

Or take Lisa Monson, the Salt Lake City hair salon owner who rented space for 22 years. For 10 of those years, she was searching for a new location, but stymied by the lack of small-scale commercial space and the need to stay within a one-mile radius, so as not to lose her existing clientele. Ultimately Monson, who had grappled with the uncertainty of a short-term lease, made the decision to buy a building and relocate her business there.

"The thing that's so great is of course the mortgage doesn't go up every three years," Monson says. "My hard costs are now in a place where I know exactly where they're going to be for my future, and it

makes things a lot more secure." In addition, just as with owning versus renting a home, Monson's now building equity with her mortgage payments, and building wealth that will stay in the community instead of in the pockets of remote real estate investors.

One of Monson's long-time neighbors at her old location is the bookstore The King's English, owned by Betsy Burton. Burton decided to buy her space in 1980, soon after she started up, and include the real estate as part of her business plan. "The King's English would no longer be there, and would no longer exist, if we hadn't bought our building all those years ago," Burton says. "If you're in control of the property, no one's in control of you."

Seeing this hardiness, among the policy changes that local business advocates and city officials are pushing for are programs that make it easier for local businesses to own their space.²⁴ Roughly three-quarters of independent retailers lease their space, and a larger share would likely benefit from ownership.

In Austin, a group of local businesses that are part of the Austin Independent Business Alliance have come up with a recommendation that the City of Austin facilitate a lease-to-own program, using federal grants to make the program possible.²⁵ "Local and small business will not fully attain sustainability without owning the space we occupy," AIBA director Rebecca Melançon wrote in an update on the proposal.²⁶

In New York City, the borough president of Manhattan, Gale A. Brewer, has proposed strategies that the city could use to encourage landlords to separate ground-level retail space in buildings they own and

sell those spaces as commercial condominiums. Once broken up from residential or office space on other floors, the ground-level spaces become more accessible for local businesses to purchase.²⁷ As one way to incentivize landlords to separate the space, Brewer proposes that the city could offer landlords a reduction on certain city debts, such as building fines and sewer payments, if they paid the debts using earnings from the sale of the commercial condos.²⁸

Other options for businesses looking to buy their building include crowdfunding or direct public offerings, which allow unaccredited investors (i.e., people who are not wealthy) to buy shares of a business that's seeking to raise capital. As of now, many businesses have launched crowdfunding campaigns for real estate on their own,²⁹ but there's not yet a platform or infrastructure in place to facilitate more such transactions. "That's what is needed," says Amy Cortese, financial journalist and founder of the online publication *Locavesting*, in an e-mail.

Create a "Buy Your Building" Plan for Local Businesses

In Salt Lake City, the idea is further along. There, the city's considering creating its own "Buy Your Building" program, which would connect local businesses looking to purchase their property with city financing and a network of local partner banks.

The city's already familiar with helping its local businesses access credit. Its Economic Development Loan Fund, a \$10 million pool for business development, lends to businesses that may not qualify for a traditional bank loan. Between Nov. 2014 and Dec. 2015, the fund approved \$3.48 million in loans to 24 local businesses, nearly half of which went to low-income entrepreneurs.³⁰ The program's terms allow businesses to apply for a loan for a down payment, but even with down payment assistance, the business has to secure a bank mortgage on its own. In these times of tight credit for small businesses, that's often hard to do.

In the summer of 2015, the city released an economic development plan, "EnterpriseSLC," in

which it announced its intention to go further. One promise in the plan was this: "Through our Economic Development Loan Fund, partner with lending institutions to assist local businesses in acquiring their buildings."

"We're in the exploratory phase," explains Peter Makowski, Economic Development Manager with Salt Lake City. As part of that process, the city's reaching out to local banks, assessing the need, and looking for an initial pilot loan to test the program. The crux of its question is how to leverage city resources to make the loans low-risk enough for banks, which could then use their own resources to create their own complementary "Buy Your Building" programs. The city portion might take the form of a low-interest loan through the EDLF for the down payment, or possibly a new city grant program to write down costs.

One lender with a strong local presence, Zions Bank, has been part of conversations with the city. Though interest from small businesses in buying their building has slowed as the real estate market heats up again, the demand is there, explains Lori Chillingworth, who heads the bank's Small Business Division. "Coming out of the recession, last year and the year before, we saw a lot of people wanting to buy their building," Chillingworth says.

Zions, which is a regional bank with \$5.7 billion in small business loans on its books,³¹ is often able to get back-up from the Small Business Administration's loan guarantee programs for small commercial real estate loans that are higher risk for the bank, but Chillingworth says that a city program could fill in other pieces of helping small businesses access capital. Bank loans are often hard to get, for instance, if a business is also seeking financing to make improvements to the property, or if it's looking to buy a larger building and rent part of it out. "I think the city could play a huge role if they write the program in a way where they can spread their dollars out as far as they can go," Chillingworth says. "They will really benefit from the economic development of more businesses buying their building."

The city's also analyzing the size of the gap it would be aiming to fill. One concern is that purchasing a building isn't right for every business, and some businesses are better served by focusing their resources on growing their inventory or increasing their cash flow. Other businesses, however, could be well-served by seeing real estate as part of their business plan. "It's going to be a specific type of situation in which the fund could be used," Makowski says.

As Salt Lake, like many cities, sees certain neighborhoods booming, increasing local business property ownership could also be a bulwark against displacement from gentrification. "I think a 'Buy Your Building' program could help keep the neighborhood fabric intact, and help avoid the unintended consequences of large-scale investment," Makowski says.

"There isn't much of a boilerplate for a program like this that we've found so far," he adds. Creating it, however, aligns with the city's larger economic development goals. "We'd like to give those local businesses that are anchors of the community the opportunity to stay and thrive and grow where they've started," says Makowski.

Foster Community Ownership of Commercial Spaces

Community ownership is another approach for making sure that commercial space offers viable opportunities for local entrepreneurs and continues to house businesses that suit the surrounding neighborhood. When customers and neighbors become the owners of a commercial building, their interests are more aligned with those of their business tenants, than when the building is owned by remote developers. This can be reflected in lease terms. One kind of lease structure, for instance, sets a rent that's a low base amount plus a percentage of the business's sales, so the property owners and the business grow and profit together. Another advantage of these ownership models, which include customer cooperatives, community-owned

stores, commercial community land trusts, and real estate investment cooperatives,³² is that they are financed by their member-investors and thus are not subject to the same limitations and biases against independent businesses built into other sources of real estate capital.

One example is the Northeast Investment Cooperative in Minneapolis, which was started by a group of neighbors who wanted to invest their money locally, and also bring more local businesses into their commercial corridor. NEIC has purchased two buildings that house three thriving businesses, and when it was looking for tenants for its new spaces, it specifically sought locally owned enterprises. NEIC was then able to work with those businesses to create the right space for them. Two of them, a brewery and a bakery, had struggled to find a workable commercial space elsewhere.³³ "I think our willingness to take the risk and do the build out and not have to charge as much as you would have to charge to make full business sense originally was pretty important," says Leslie Watson, a member of NEIC's founding board.

With this model, the businesses and the owners benefit, and so does the city. Its residents become more civically engaged and connected, and it also means that decisions about the urban landscape are being made by the people who live in it. To grow and support investment cooperatives and similar models, cities can spread information about them and review ways to steer capital to them, such as by offering tax credits for local investment or, in low-income communities particularly, investing themselves. They can also work with state governments to adopt state-level securities exemptions for member investment in cooperatives.³⁴ Community ownership can be an especially useful tool in neighborhoods where property values are only beginning to accelerate upward, so that buildings are still relatively affordable and residents and local business owners can benefit from future increases.

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STRATEGY 2

Reduce the Power Imbalance in Landlord-Tenant Negotiations

Commercial tenants lack many basic rights and protections. They can be given no notice that their landlord isn't renewing their lease, or start negotiating a lease with no assurance that their landlord is bargaining in good faith. Compounding this lack of protections, local businesses also create a portion of their space's value, both by making improvements to that space and by driving their customer base to that location. These sunk costs make businesses even more vulnerable in the negotiation process.

Take Angel Santos, who in March 2015, faced a choice: He could either come up with nearly double the rent money for his 600-square-foot restaurant space in New York City's Washington Heights neighborhood, \$9,000 per month instead of \$5,000 per month, or vacate the property by end of April. Santos had run his restaurant, Punta Cana, at this corner since 1997, but new owners, the real estate investors Coltown Properties, had bought the building as part of a \$31 million real estate deal, and they were evicting seven Latino-owned establishments on the block, the *Village Voice* reported at the time.³⁵

"All the attention in the press is going to the residential displacement, but what small businesses are facing in commercial rents is in essence even worse because there's far fewer protections," a New York City council member for the area, Mark Levine, told the *Voice*. "I reject the notion that bringing in higher-paying tenants equals economic development."

Levine is a co-sponsor of one proposed bill to address the issue in New York City, the Small Business Jobs Survival Act (SBJSA). It's one of many ideas that local business advocates and city officials are coming up with that are aimed at making landlords into better ones. These ideas span property tax incentives for capping rent increases, fines for landlords who keep commercial space vacant, and regulation of lease renewal, and many of them are targeted at reducing the power imbalance in landlord-tenant negotiations.

Regulate Lease Renewal

The approach that the Small Business Jobs Survival Act takes is to zero in on commercial lease renewals. "The absence of legal protection for the interests of commercial tenants in the lease renewal process has unnecessarily accelerated the closing of small businesses and resulted in lost jobs, tax revenues, and community instability," the text of the bill reads. It aims to give commercial tenants new rights in the renewal process, including a timeline for lease negotiations, a 10-year lease with a renewal option,³⁶ and in instances of dispute, recourse to binding arbitration.³⁷ The bill doesn't regulate new leases, but instead, focuses on renewals of existing commercial leases.

The bill was introduced by a council member from the Bronx in June 2014, but a version of it has been floating around the city since 1984. Supporters, however, argue that the issue has only become more urgent, and that the measure's time has come. It's attracted 28 co-sponsors on the city council and a thorough legal review, and a grassroots coalition, TakeBackNYC, has formed to support it.

"Talking to local business owners, people don't know if they'll be there in five years," explains Ahmad El-Najjar, a political consultant with TakeBackNYC. "They build their life around this business, but they don't know if they can renew their lease and they have no protections."

Some in New York argue that the city should go further, and return to the policies of commercial rent stabilization that the city enacted in the post-war years between 1945 and 1963.³⁸ Others, though, contend that even the SBJSA goes too far. Manhattan Borough President Gale A. Brewer, for instance, has proposed a modified version of the SBJSA, which mandates a notice period of 180 days, a schedule for the negotiation process, recourse to non-binding mediation, and, if the parties fail to agree on the terms of a new lease, a one-year extension of the tenant's current lease with up to a 15 percent increase in rent, to give the tenant time to search for a new location.³⁹ Brewer's proposal, however, has yet to be introduced as a bill.

Despite the dire straits facing many of the city's small businesses, the SBJSA and similar proposals have gotten caught up in the politicking of New York City, where real estate is a powerful special interest and the Real Estate Board of New York a formidable campaign donor and lobbying organization.⁴⁰ In order to move forward, the bill needs to be called for a public hearing by the chair of the Small Business Committee or by the speaker of the city council, or reach a super-majority of 34 co-sponsors. So far, however, it's been blocked by the two members who hold those positions; though New York City Council Speaker Melissa Mark-Viverito was among the bill's vocal supporters before she became speaker, now that she has the power to advance it, she's declined to schedule a hearing, calling instead for further study of the issue.⁴¹ TakeBackNYC and its small business allies, meanwhile, are continuing to organize New Yorkers in support of legislative action.

Create a Property Tax Credit for Landlords

Local and state governments already know that tax incentives can be a powerful tool for shaping the built environment. In housing, for instance, governments are familiar with using lower property tax rates to encourage owner occupancy, favor primary residences over second and third homes, and compensate landlords who limit rent increases for vulnerable residents. In the realm of tax incentives

for business, governments need to be careful to structure such policies in such a way that they don't preference big companies.⁴² Nevertheless, a thoughtfully designed tax incentive for the landlords of local retail tenants could serve as a check on some of the market pressures that favor concentration, and mirror some of the values that exist in many cities' residential policies.

Depending on the state, the power to create this type of tax incentive may fit within existing economic development powers that local municipalities hold; in others, the state itself would have to create the program. In either case, within the context of the many programs that states and municipalities have devised to give tax breaks to big businesses, such a program would be an overdue addition, with the potential to bolster local entrepreneurs and reward investment in commercial spaces suitable to them.

In New York, for instance, New York City worked with the state to develop a program that encourages investment in older commercial spaces. Passed by the state in 1995, and extended many times since, the Lower Manhattan Commercial Revitalization Program (CRP) and companion Commercial Rent Tax Special Reduction (CRT),⁴³ create both a property tax abatement and a rent tax reduction. Property owners and their tenants apply to the program together, and in exchange for modest improvements to the building, the New York City Department of Finance offers a property tax abatement of up to \$2.50-per-square-foot to the landlord, which is then passed-through to the tenant. Participants that qualify for the CRT can also receive a break in the amount of their rent that's subject to the city's commercial rent tax. The required investment and the resulting incentives are tiered based on the number of people employed by the tenant business, and only properties that are mixed use or nonresidential, built before 1975, and in a certain portion of Lower Manhattan are eligible. Though the program doesn't include explicit provisions around locally owned businesses, these types of older spaces tend to be well-suited for small and local entrepreneurs.

Another idea would create a property tax credit for landlords who voluntarily limit rent increases when they renew their leases with small businesses. In New York, where the state must authorize property tax incentives, City Council Member Robert Cornegy, who represents the Bedford-Stuyvesant neighborhood of Brooklyn and chairs the council's Small Business Committee, has introduced a city resolution calling on the state to pass legislation to this effect.⁴⁴ Down the road, a program such as this could be expanded to include a tax break for landlords who lease to locally owned businesses and agree to a schedule of modest rent increases, particularly in certain targeted locations.

One policy solution to this issue proposed in New York City is a fine for landlords who keep properties empty for longer than six months. San Francisco's already instituted such a fine. It passed a first version for vacant buildings in 2009, and in July 2014, the Board of Supervisors strengthened the ordinance so that it applies to any vacant commercial storefront, even if other parts of the building are occupied. According to the ordinance, once a storefront is vacant for more than 270 days, the owner has to pay an annual fee and register with the city.⁴⁶ It's another landlord-targeted measure aimed at creating a more fair rental market.

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Fine Landlords Who Keep Commercial Properties Vacant

In certain rapidly-growing neighborhoods, there's a growing phenomenon of landlords keeping commercial space vacant until they've attracted a tenant they perceive as the highest bidder. This kind of financial speculation impacts the character of the neighborhood, and also makes valuable commercial space unavailable to local retailers. "Since the nineteen-sixties, when Americans faced an extreme wave of urban blight, they have understood rising property values as a reliable measure of recovery. But everything can go too far, and at some point high property values may begin to destroy local economic activity," writes Columbia Law School Professor Tim Wu in *The New Yorker*.⁴⁵

STRATEGY 3

Zone for a Local Business Environment

Absent regulation, commercial space in cities is increasingly tailored to the needs of large national chains. It happens, for instance, when a chain moves in and knocks down walls to consolidate several smaller storefronts into a space better suited for its suburban business model. These spaces can expand to the full length of a city block, as much as 50,000-square-feet and above, a size format that's better suited to the latest Whole Foods than the local grocer, which is then stuck looking for ever-scarcer small retail spaces with ever-rising price tags to match.

Zoning is one of the most powerful tools that local governments have to shape the city, and it's also in the arsenal that cities are deploying to address the supply side of the affordable space imbalance. In this fight, some of the best uses for zoning and land use codes include prioritizing historic preservation, requiring a diversity of square footages in commercial spaces, preventing the consolidation of smaller commercial spaces into larger ones, and fostering a diversity of business uses within particular neighborhood corridors or business districts.

It can work the way that it did in the Upper West Side neighborhood of New York City, which around 2012, was in the throes of what some were calling the "new urban blight."⁴⁷ Unlike the old urban blight, this new wave didn't have decaying buildings or plummeting populations. Instead, it had bank branches. Their locations, and those of other national chains, were springing up across the neighborhood like impersonal billboards, instead of stores that the residents of the neighborhood needed and patronized, and bringing higher rents along with them. The chains were, additionally, changing the built environment and condensing smaller commercial spaces into larger ones.

"We cannot be successful as a neighborhood if it's all banks, and that's what it's becoming," Gale A. Brewer, then the city council member for the neighborhood, told the *New York Times* at the time. "We have to put a halt to it."⁴⁸

In response, the city council approved a zoning change to regulate the width of new storefronts at street level, limiting bank storefronts to 25-feet along certain corridors, and storefronts to 40-feet. With the caps on store widths, the council aimed to foster a built environment friendlier to locally owned businesses, which generally thrive in smaller formats, and to limit the ability of the banks and other chains to stretch out and use storefronts as advertising.⁴⁹

Absent regulation, commercial space in cities is increasingly tailored to the needs of large national chains.

Prioritize Historic Preservation

Older buildings are important contributors to cities' small-scale commercial environment, distinctive character, and healthy street life, and finding ways to maintain and adapt them should be among cities' top zoning priorities. Recent research has quantified the impact of older buildings on the local business environment and the health of the surrounding community; one report, from the National Trust for Historic Preservation, found that neighborhoods with a diverse mix of building ages have more startups and a higher share of jobs in businesses with fewer than 20 employees.⁵⁰ In addition to zoning, cities can consider programs to assist local businesses in adapting historic buildings, such as Phoenix's Adaptive Reuse Program, which offers permit-fee waivers and a faster timeline for eligible projects.

In Phoenix’s program, spaces under 5,000-square-feet are eligible for more of the incentives, a size tier that also makes the program work for local businesses.⁵¹ Since its launch in 2008, more than 90 entrepreneurs have started businesses in previously vacant spaces. In their preservation and reuse aims, cities should focus not only on areas with aesthetically pleasing historic buildings, but also in the kinds of older commercial-industrial districts that can provide fertile ground for such local businesses as craft breweries and new manufacturing.

Preserve and Increase the Supply of Smaller Spaces

City zoning and land use codes could, and should, encourage the creation and maintenance of smaller retail spaces, and discourage huge storefronts. Brewer, now Manhattan borough president, has suggested that one way to do this would be to require new buildings with a certain amount of commercial frontage to have a minimum number of storefront establishments, or to simply cap maximum store sizes, as the Upper West Side did. With zoning that encourages storefronts as small as 250-square-feet, or prohibits storefronts in certain neighborhoods that are larger than 2,000-square-feet,⁵² cities also limit chain proliferation, as many chain formats don’t work at such a small scale. With city support, individual neighborhoods may also be able to seek zoning changes specific to their needs, as the Upper West Side did. Other ideas include setting stricter limits on when developers can knock down walls to combine frontages.

Encourage Commercial Diversity

Another way that cities can use zoning to create a built environment friendly to locally owned businesses, and to residents and neighborhoods, is to encourage commercial diversity. San Francisco’s formula business ordinance already incorporates this idea. The ordinance requires that any business with more than 11 locations worldwide apply for a special use permit in order to locate in the city’s neighborhood commercial districts, and the criteria for securing one of the permits includes how many businesses of that type are already in the district, and whether the applicant business would add something that the neighborhood doesn’t already have. Under the 10-year-old policy, the city has rejected many applications from chain stores and its neighborhoods now boast a larger share of independent businesses than most other large cities.⁵³



STRATEGY 4

Set Aside Space for Local Business in New Development

The question of how to foster new development that creates a built environment hospitable to local entrepreneurs is a rich one for cities, and it’s also a crucial piece of increasing the supply of appropriate and affordable spaces. Preservation of historic mixed-use buildings plays a role, as these spaces are often small and varied. Especially as historic buildings get razed or redeveloped, however, city regulation must ensure that an environment built for small business isn’t replaced with one designed for formula business. Many cities have already begun taking steps to create more mixed-use and walkable development. They can take that further with additional provisions specific to businesses that are also locally owned.

To this effect, cities have a range of options. Three of the most promising are requiring that a certain portion of ground-level retail space in new developments be set aside for locally owned businesses, that a certain portion of ground-level retail be dedicated to commercial spaces that are small, and that a certain portion of ground-level retail be commercial condominiums. This last option is tied to increasing small business property ownership, and has the added advantage that storefront ownership is more likely to appeal to locally owned businesses than to national chains, which have a standard business model built around leasing.

At the Austin Independent Business Alliance’s most recent local business conference, for instance, business owners were asked one question: What can the City of Austin do for local businesses? By the end of the conference attendees had settled on five goals that were their top priorities, and a handful of the business owners formed into a leadership circle to look at how to make them happen.

When the group came back with its ideas, one of its top proposals was for the city to encourage developers to set aside space in new, mixed-use developments to be sold as retail condominiums. When AIBA checked with developers and with the city’s land development code, it found nothing that prevented retail condos. The city’s now revising the code, and AIBA’s pushing for the inclusion

of language that would incentivize creating such condos. Further down the road, the city could add further incentives, such as a tax abatement for selling the condo to a business that’s locally owned.

Set-asides like these have already been employed in development projects on a case-by-case basis in cities from Austin to Minneapolis.⁵⁴ When New York City released a Request for Proposals (RFP) in Dec. 2015 for a major mixed-use development in the East Harlem neighborhood, for instance, it included the specification that, of up to 700,000-square-feet of commercial space, a modest portion—50,000-square-feet—would be reserved for local retailers.⁵⁵

A policy more effective and consistent than one-offs, however, would automatically include larger set-asides in any new development or redevelopment that includes a significant amount of commercial space, or that’s located in certain business districts. One idea from the Pratt Center for Community Development incorporates set-asides both for local entrepreneurs and for smaller square-footages, which can be particularly good spaces for local businesses. “For any commercial development over 50,000-square-feet in New York City, owners should be required to include businesses at a range of sizes, going down to 250-square-feet, with targets for locally owned small businesses,” reads the proposal.⁵⁶

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STRATEGY 5

Create a Preference for Local Businesses in Publicly Owned Buildings

Cities aren't just regulators. They're also market participants, and cities themselves own and invest in large amounts of real estate. Much in the way that cities create procurement policies that align their purchasing with their larger aims,⁵⁷ cities can create guidelines that make city-owned properties, or properties that receive city or county financing, more accessible to locally owned businesses.

Take Seattle, where the city recently renovated its central transportation hub, the King Street Station, and is now looking at the best way to find commercial tenants for shops inside the station and along the outdoor plaza. The city's seeking local businesses for the spaces, and is reviewing how to structure its leases to give them favorable terms, for instance, with flexible lengths, options to extend, assistance with space improvements or build-outs, and gradual rent increases. "Because we control the space, we're able to set the price in a way that's going to be affordable for local businesses," says Ken Takahashi in the city's Office of Economic Development.

Seattle is seeking local businesses for the spaces, and is reviewing how to structure its leases to give them favorable terms, for instance, with flexible lengths, options to extend, assistance with space improvements or build-outs, and gradual rent increases.

Other examples come from New York City and Boston, and their ideas apply to cities of all sizes and in all parts of the country. In New York, the Community Development Project of the Urban Justice Center has proposed that the city rent space that it owns to local businesses at below-market rates, particularly in areas that lack neighborhood-serving and community-oriented businesses.⁵⁸ And in Boston, the city's "Small Business Plan," released in March 2016, spotlights the availability, accessibility, and affordability of small-scale commercial real estate as a central issue. One of its central initiatives reads: "Transform underutilized city properties into small business real estate with leasing priorities awarded to businesses in priority segments and/or with minority, women, immigrant owners." It also notes, "allocate space for small businesses in new publicly-owned developments."⁵⁹

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Down the road, provisions for affordable ground-floor commercial space for locally owned businesses could also be built into the agreements of developments that the city helps to finance. For businesses that align with other city goals, such as increasing access to healthy food, the lease rates could be further tiered or below-market rate.

STRATEGY 6

Recognize Businesses as Cultural Landmarks

The Roxie Theater's been showing films in San Francisco's Mission District neighborhood since 1909, but in 2015, it was nearly shuttered by a landlord who wanted to more than double the theater's rent.⁶⁰ The Roxie was saved by a clause in its lease that required the rent to be comparable with that of similar properties, but its example is part of a larger phenomenon that's sweeping cities around the country: Legacy businesses being forced out by rising rents. These are longtime businesses that built the character of the neighborhood they're in, and continue to serve it, but that don't have the higher margins, outside investors or shareholders, or pull with lenders or property owners to keep up with dramatic increases to the cost of their space.

To address the issue, San Francisco's passed a two-part measure. In March 2015, in a unanimous vote, the San Francisco Board of Supervisors established the San Francisco Legacy Business Registry to track the city's historic businesses, defined as those that have been in business for 30 years or longer and contribute to the city's identity, with a provision for businesses as young as 20 years old that meet certain other criteria. To qualify for the registry, a business must be nominated by the mayor or any city supervisor, San Francisco's version of a city council member.

The second part of the measure, the Legacy Business Historic Preservation Fund, makes businesses that are in the Legacy Registry eligible for annual grants of \$500 per employee, up to \$50,000. It also offers an additional payment for property owners that agree to offer 10-year leases to those businesses, for \$4.50-per-square-foot up to \$22,500 annually. The aim is for the subsidy to sweeten the pot enough for landlords to agree to new, long-term leases.

Each year, grants will be available to 300 businesses, and the funding, estimated to start at \$3 million annually, will come out of the city's general fund. This part of a measure was put to a public vote on the November ballot, and passed with 57 percent of the vote.⁶¹ The fund is set to activate in July, at the beginning of the city's fiscal year.

As it's being implemented, questions remain about the fund's long-term viability. An analysis from the city controller found that the cost will increase by \$2.1 million to \$3.7 million each year, growing to between \$51 million and \$94 million annually over the next 25 years, as all qualifying businesses become enrolled.⁶²

"If we're willing to help Twitter, why wouldn't we be willing to help the legacy business that's such an integral part of the neighborhood?" – San Francisco Supervisor David Campos

That's not a small expense, but it's also in line with the level of financial support San Francisco provides to large companies. In 2011, the city established a payroll tax break for high-tech firms, including Twitter, that locate in the Mid-Market district. That incentive cost the city about \$4 million in 2013,⁶³ and its price tag jumped to nearly \$34 million in 2014.⁶⁴ "If we're willing to help Twitter, why wouldn't we be willing to help the legacy business that's such an integral part of the neighborhood?" Supervisor David Campos told *Next City*.⁶⁵

To get the most out of the city’s investment, the program may, in the future, expand to include assistance for businesses seeking to buy their building. The legislation anticipates this, assigning the city’s Small Business Commission to survey businesses that have been added to the registry and make recommendations for programs to support them, which “may include... lease renewal and acquisition assistance.”⁶⁶

San Francisco’s not alone in implementing a program to safeguard its longtime businesses.⁶⁷ Internationally, Paris, London, and Rome also have protections in place for historic or culturally significant businesses. In Paris, for instance, the city has been buying the properties of culturally significant businesses, including booksellers, arthouse cinemas, and independent art galleries, or negotiating rent caps with their landlords, since 2004. The program has helped about 650 businesses and this year has a budget equal to about \$45 million.⁶⁸

All of these cities have recognized that their locally owned businesses are a vital part of what makes them competitive, and that just as they work to retain larger companies, it’s in their best interest as a city to keep them.

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Conclusion

The strategies described above represent a range of solutions to an increasingly pressing problem. In many cities, these ideas are in the early stages, but they represent an important shift in how local governments are approaching the issue. In Seattle, for instance, the process is just beginning, and in the coming weeks, Mayor Ed Murray will convene for the first time an advisory committee on commercial affordability in the city.

Even without rising commercial rents and a changing built environment, strengthening its independent business sector is in a city's best interests. Indeed, in cities where real estate is currently less expensive, cities could begin to employ some of these ideas proactively, and use them to encourage development and grow a strong local economy.

What will it take for this to happen? First, advocates need to establish a framework in their city that connects strengthening the independent business sector with achieving other city goals and priorities. Second, advocates need to mobilize the existing constituency of residents who care about their neighborhoods and their local businesses, and connect their concerns with a platform of policy proposals. Across the country, local business advocacy groups are already starting to effect this change.

Many of these strategies will work best when deployed in combination with each other, and with other proven tools for nurturing the local economy, such as formula business ordinances and community impact reviews. Combined, they represent a broader shift in how cities can work with their locally owned businesses. A mix of these policies will create a built environment conducive to a healthy independent business community, and therefore, a healthy city.

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How Charlotte, N.C., is Expanding Opportunities for Minority Businesses

With a new training program and improved digital tools, the city is working to support its community of minority-owned enterprises.

OCTOBER 9, 2018 AT 3:00 AM



Charlotte Mayor Vi Lyles (AP/Chuck Burton)

The following blog post by the City of Charlotte, N.C., a current City Accelerator participant, is part of the [City Accelerator initiative](#), a collaboration between the [Citi Foundation](#) and [Living Cities](#) that aims to speed the adoption of innovative local government projects within and across cities that will have a significant impact on the lives of their residents, especially those with low incomes.

Over the past 15 months, the city of Charlotte has taken a number of vital steps to support Minority Business Enterprises (MBEs) in our community, helping them build capacity, identifying new opportunities and partnerships, and advocating for better inclusion of those businesses in city contracting. As part of the City Accelerator program, we have focused on improved training, real-time access to opportunities, and the use of new digital tools.

First and foremost, we launched the [AMP UP Charlotte program](#), a 13-week training program that prepares minority business owners for growth and expansion through development services, mentoring, targeted training, and access to large corporations for contract and procurement opportunities. With 20 participants in the first cohort, AMP UP (which stands for "Accelerate, Motivate, Propel") provides small business owners a unique opportunity to complete the award-winning and internationally-recognized StreetWise MBA curriculum, developed by [Interise](#). In addition to training on financial management and analysis, human resources and accessing capital, the program helps participants build out their professional network.

"Owning a small business can be extremely isolating. AMP UP has allowed me to develop new relationships with other small business owners," says Dee Dixon, the CEO of Charlotte-based Pride Communications and a participant in the program. "It's quite empowering to know that many of us have the same challenges and the AMP UP class gives us an opportunity to learn from each other."

The first cohort began in May, and those participants will graduate in December. A second class will begin in 2019.

In the next two years, Charlotte will find itself in the national spotlight, as it [plays host](#) to the National Basketball Association All-Star Game in 2019 and the Republican National Convention in 2020. Those two major events bring a host of contracting opportunities, and the city hopes to help minority-owned businesses capitalize on those. While Charlotte can't guarantee local business owners will get contracts with the NBA or the RNC, those and other major events can serve as a catalyst in our efforts to support and develop minority-owned businesses.

“The NBA All-Star Game will provide an economic boost for the city of Charlotte, and it is important that all businesses have a chance to share in the benefits,” says Mayor Vi Lyles. “Having the AMP UP program to maximize the participation of minority-owned companies is an invaluable asset and I’m excited to see those businesses continue to thrive, long after the NBA All-Star Game.”

Charlotte's efforts haven't just been aimed at helping minority-owned businesses build capacity: We've also focused on improving our purchasing opportunities with the city itself.

In fall 2017 the city formed a Procurement Advisory and Inclusion Council, comprising department leaders throughout city government, to help ensure our policies and procedures adequately reflect the needs of minority-owned businesses. The group will also implement new strategies concerning MBE mentoring programs.

In addition, the city will use findings from a [disparity study](#) completed in November 2017 to make recommendations regarding Charlotte's compliance and diversity practices and policies. That study found a substantial disparity in city spending with minority- and women-owned businesses. The Accelerator Team has identified several new efforts, such as the establishment of a sheltered market program, as well as additional anchor institution efforts, that can result in real dollars being driven to Charlotte's minority business base. The disparity study's [findings](#) further solidified the need to identify operational contracting opportunities throughout the city with particular emphasis on turning to MBEs to fill these gaps.

We're also implementing some key technology improvements, making it easier for all businesses to have a better sense of upcoming opportunities with the city. We're creating a digital enterprise-wide forecasting pipeline that will show all our procurement needs and associated opportunities. Through a cloud-based app, businesses will be able to search for opportunities, receive alerts about new listings or changes in scheduling, create joint venture opportunities, and keep abreast of city needs through a number of texting and social media options, as well as live-chat communications.

Be part of the campaign for civic innovation at the [City Accelerator](#), presented by Citi Foundation.

With an NBA Assist, All-Star Host City Aims to Help Minority-Owned Businesses

Charlotte, N.C., is using the sporting event as an opportunity to close the investment gaps between businesses owned by white women and people of color.

BY J. BRIAN CHARLES | JULY 12, 2018 AT 3:00 AM

James Harden, right, of the Houston Rockets, shoots as Paul George, of the Oklahoma City Thunder, defends during the 2018 NBA All-Star Game. (AP/Mike Nelson)

The 2019 NBA All-Star Game is coming to Charlotte next year, and the North Carolina city plans to leverage the event to help out minority-owned businesses.

"The city was really impressed with the NBA's commitment to our local minority-owned business and ways the league and the city could assure those businesses were connected to the opportunities available around All-Star weekend," says Nancy Rosado, who manages the **Charlotte Business Inclusion program**. "The NBA said, 'If you have any creative, out-of-the-box ideas for how we can engage our community, let us know.'"

Charlotte did just that.

Collaborating with the NBA and Interise, a national network focused on helping grow businesses and entrepreneurs, Charlotte has launched **AMP UP**, a training program to prepare minority-owned businesses for working as suppliers and vendors with the NBA during that week in February.

AMP UP is offering mentoring and face time with NBA executives in hopes that the sports association and its teams will partner with local business owners. Participants will learn how to access capital needed for growth, and about ways to improve their marketing and sales strategies.

Charlotte's partnership comes at a time when the city is focusing on helping minority businesses grow. In 2013, Charlotte revamped its small business opportunity program. It was relaunched as Charlotte Business Inclusion, which focuses on growing the firms owned by women and by people of color. The city in 2017 spent \$81 million on contracts with minority- and women-owned businesses.

However, the bulk of the money was spent with businesses owned by white women. According to the city's **disparity study** published in November 2017, white women are awarded twice as

much in city contracts than African-American business owners, and more than five times as much as Hispanic-owned businesses.

With that in mind, AMP UP has been geared specifically to businesses owned by people of color. The hope is for the city to spend even more money with businesses owned by people of color while continuing to maintain the amount spent with those owned by white women.

Large sporting events like the All-Star Game can serve as a valuable catalyst for cities to redouble their efforts around supporting and developing small and minority-owned businesses. Los Angeles, for example, is **using the 2028 Olympic Games** to help hone the city's outreach to minority contractors.

Charlotte isn't promising local business owners that they will get contracts with the NBA. But the training, according to city officials, can prepare them for future opportunities with the league. And city officials believe there are broader payoffs: The convening of business owners from across the city can facilitate better collaboration between minority-owned firms and help foster business growth.

"This is a great way to build up your business, possibly for the All-Star Game and possibly to do business with the city of Charlotte or with other businesses in Charlotte," says Rosado.

A central component of the training, Interise's Streetwise MBA, launched in 2004. Last year, alumni of the program secured more than \$776 million in contracts from both the public and private sectors. More than two-thirds of the business owners who have trained in the program increased their annual revenues in 2017, according to Interise.

The training program kicked off in May, and more sessions are planned between now and the All-Star Game.

"I feel like we have a long way to go when it comes to growing our spending with minority business," says Rosado. "The focus in fiscal year 2018 and going into fiscal year 2019 is how we can work with our minority business so we can see more spending with those firms."

J. Brian Charles | Staff Writer | jbcharles@governing.com | [@JBrianCharles](https://twitter.com/JBrianCharles)



Mayor Thomas C. Hoyer Jr.
Downtown Taunton Rent Rebate Program

The Rent Rebate Program is designed to help facilitate the establishment of small businesses within Taunton's Downtown Business District. The program allows the City of Taunton's Office of Economic and Community Development (OECD) to provide rental assistance that is intended to help small businesses locating into vacant storefronts and upper floor spaces during the first two years of operation, by reducing the cost of overhead expenses. Businesses must apply for the program and meet the criteria.

Guidelines and Application:

<https://images4.loopnet.com/d2/fNzi3uVtHfRXkKFUftgM8mXXog7pzuO3KzHu26hzMpY/document.pdf>

News Articles:

State economic development bill takes cue from Taunton program:

<http://www.tauntongazette.com/news/20180405/state-economic-development-bill-takes-cue-from-taunton-program>

Mayor Hoyer touts rental-rebate program with downtown business ribbon cuttings:

<http://www.tauntongazette.com/news/20160920/mayor-hoyer-touts-rental-rebate-program-with-downtown-business-ribbon-cuttings>

Taunton City Council approves proposed rental rebate program:

<http://www.tauntongazette.com/article/20160217/NEWS/160216370>

Taunton receives \$50,000 grant for Downtown master plan:

<https://www.massdevelopment.com/news/taunton-to-receive-50000-grant-for-downtown-master-plan/>

City Councilors push for rent rebate program modeled after Taunton:

<https://www.newbedfordguide.com/city-councilors-push-for-rent-rebate-program-modeled-after-taunton/2018/04/26>

Hair to stay: Downtown Taunton salon adapts and thrives:

<https://www.tauntongazette.com/news/20181109/hair-to-stay-downtown-taunton-salon-adapts-and-thrives>

Downtown Taunton was the place to be for trick or treating fun:

<https://www.tauntongazette.com/photogallery/WL/20181022/NEWS/102209976/PH/1>

Grand opening of downtown Taunton art gallery with tattoo station is Saturday:

<https://www.tauntongazette.com/news/20180830/grand-opening-of-downtown-taunton-art-gallery-with-tattoo-station-is-saturday>

Three new businesses open in Downtown; all utilize Mayo's rent rebate program:

<https://www.taunton-ma.gov/home/news/three-new-businesses-open-downtown-all-utilize-mayors-rent-rebate-program>

City seizes, sells downtown Taunton sites as part of central business revitalization:

<http://taunton.wickedlocal.com/news/20180304/city-seizes-sells-downtown-taunton-sites-as-part-of-central-business-revitalization>

Taunton officials tackle downtown revitalization:

<http://www.tauntongazette.com/news/20160502/taunton-officials-tackle-downtown-revitalization>

Razed downtown Taunton plaza to get new life as park:

<https://www.tauntongazette.com/news/20181019/razed-downtown-taunton-plaza-to-get-new-life-as-park>

Taunton kicks off the Christmas season with 105th lighting of the Green:

<http://www.tauntongazette.com/news/20181201/taunton-kicks-off-christmas-season-with-105th-lighting-of-green>

Downtown Taunton comes alive for Fall fest block party:

<https://www.tauntongazette.com/photogallery/WL/20180925/NEWS/925009977/PH/1>

All revved up for cruise night in downtown Taunton:

<https://www.tauntongazette.com/photogallery/WL/20180719/NEWS/719009979/PH/1>

About Downtown Taunton:

The heart of Downtown Taunton is the town center, or the Taunton Green. The Taunton Green Historic District encompasses the core area of the historic 19th-century commercial downtown business district of Taunton, Massachusetts. It is centered on the town green, laid out in the 1740s, and now stands at the intersection of U.S. Route 44 and State routes 140 and 138. The district was listed on the National Register of Historic Places in 1985.

The Taunton Green was given to the town in 1743 as a militia training ground, and it is also where an early meetinghouse was built. Originally 88 acres in size, it is now much reduced by the surrounding development.

In the past, the Taunton Green has been a gathering place for troops headed to war. Monuments stand on the Green to honor soldiers of all the wars in which local citizens have participated.

"Tauntonians" gathered on the Green on October 21, 1774, to raise the Taunton Flag with its distinctive "Liberty and Union" motto. The flag was hoisted on a 112-foot liberty pole in defiance of King George III. The flag flies on the Green to the present day.

Since 1914 the Green has been the site of the city's annual holiday light display which attracts visitors from throughout the area, giving Taunton the nickname of "The Christmas City."

The **Taunton Business Improvement District (BID)** is a nonprofit organization established in 2010. Membership is made up of Downtown property owners working together to revitalize the City's central business district. Members contribute an annual fee equal to .5% of their assessed property value to fund BID operations.

BID programs include: Downtown maintenance services (daily sidewalk cleaning, storefront window washing, and supplemental snow plowing), beautification projects, collaborative marketing initiatives, and public safety enhancements.

Arts, Culture, and Family Fun in the Downtown:

The **Downtown Taunton Foundation** was established in 2011 to promote the social, cultural, and economic revitalization of Downtown Taunton, Massachusetts. The Foundation is a nonprofit, 501(c)(3) charitable organization and is recognized by the Commonwealth of Massachusetts as a certified Community Development Corporation(CDC) for its service to the community.

The Downtown Taunton Foundation engages in projects and programs that promote the arts, strengthen small business, eliminate blight, create affordable housing, and improve overall quality of life in the Downtown neighborhood. The Foundation works in close partnership with the nonprofit Taunton Business Improvement District (BID), with which we share staff and office space.

The Trescott Street Gallery (TSG) was created in 2011 as part of a collaborative project to rehabilitate a vacant Downtown Taunton furniture warehouse into revitalized housing, office, and arts space. The Gallery is managed by the DTF. For more information about TSG and the programs and exhibits offered, visit trescottstreetgallery.org/.

Both DTF and TSG are located at 8 Trescott Street in Downtown Taunton.

Downtown Revitalization Project:

In 2013 the City completed the final phase of the city's \$2.1 million Downtown sidewalks Improvement Project.

The first phase of the project resulted in new sidewalks extending down Broadway from Leonard Street running all the way to Post Office Square. Parking kiosks replacing meters, new trees, and a new pedestrian-crossing island were also been installed. Phase one cost \$411,313 and was paid for with money from a federal Community Development Block Grant.

Another \$400,000 in block grant funding, combined with \$1.3 million in MassWorks Infrastructure Program state funds, paid for all of phase two. Included in the \$400,000 was \$52,000 to pay for nighttime water line work and sewer line upgrades.

Upcoming Downtown Projects:

- City Hall is being rebuilt on Main Street and is on schedule to be complete by the Fall of 2020.
 - o A fire at City Hall in 2011 set by arson displaced City offices to an old school just outside of the Downtown.
- Liberty and Union Park

- o Mayor Thomas Hoyer announced last week the City of Taunton was awarded a \$245,000 grant to redevelop Liberty & Union Park on Main Street. The new park will be open by June 30 of next year. Possible future uses of the new park include Downtown concerts, small festivals, and food truck events.

Press Release from the Governor Baker-Polito Administration:

The City of Taunton was notified by the state's Department of Housing and Community Development (DHCD) that its application for a Housing Choice Initiative Capital Grant in the amount of \$245,200 for the rebuilding of Liberty and Union Park was successful.

In early 2018 Governor Baker announced the Housing Choice Initiative in response to the widespread shortage of housing stock across the state. The new program is designed to reward cities and towns for both their housing production and their use of housing "best practices" as determined by DHCD. Municipalities could qualify for the program in one of two ways. They may either show a net gain of 500 new housing units (or 5% increase) in the past five years or have a net gain of 300 new units (or 3%) in addition to having at least four of the nine "best practices." Taunton qualified by producing 519 new units in the past five years, 160 of which came from the HOPE VI developments at Lenox Green and Bristol Commons.

Sixty municipalities in Massachusetts qualified this year and, as a result, became eligible to apply for a capital grant of up to \$250,000 with no financial match required. The grant could be used for any capital expenditure. It did not have to be housing related but was rather a reward for a city or town's housing production success. Preference was given to projects that were already listed in city plans, such as a Master Plan, ADA Transition Plan, or Capital Improvement Plan. In total, there were \$9 million worth of grant requests this round and only \$4 million were awarded.

Taunton applied for the rebuilding of Liberty and Union Park located on Main Street. The park was originally constructed in 1980 with funds from a Land and Water Conservation Fund grant through the National Parks Service. As a condition of the original grant, the property must remain dedicated to Parks and Recreation in perpetuity and must be adequately maintained. The park was demolished in 2016 after years of problems that stemmed from the park's multi-tiered design which created a lack of visibility and accessibility.

In 2018, MassDevelopment conducted a study of Downtown Taunton which resulted in producing the Downtown Taunton Plan, a plan for the downtown that included ideas for attracting business, streetscapes, pedestrian safety, and activating public spaces. One of the components of this plan was a conceptual design of Liberty and Union Park. Renderings were developed and input was solicited from the public as well as the Business Improvement District and the Downtown Taunton Foundation. The final product was used in applying for this grant.

The scope of the Housing Choice Initiative Grant includes the installation of new paving, adding electrical hookups and lighting, and constructing an archway over the entrance. The City's goal is to reopen the park again and have it serve as a key venue for activities in the downtown. The work will be complete by June 30, 2019.



Three New Businesses Open in Downtown; All Utilize Mayor's Rent Rebate Program



Cricket, Sheepdog Athletics, and Armour Sports all open for business with help from the Mayor's Rent Rebate Program

POSTED ON: SEPTEMBER 26, 2016 - 2:28PM

Mayor Thomas C. Hoye, Jr. rolled out a series of ribbon cuttings this week to celebrate three businesses that have recently located in Downtown Taunton with the assistance of the City's new Downtown Rent Rebate Program.

The three new businesses include:

- *A2 Wireless, LLC* - owner of a new Cricket retail store located at 64 Main Street. Cricket is a prepaid wireless service provider and a wholly owned subsidiary of AT&T. Jimmy Pauris is the Managing Partner of the business.
- *Sheepdog Athletics, Inc.* - a new 3,000 square foot training facility located at 14 Merchants Lane. Sheepdog Athletics offers Crossfit programming, personal training, and Olympic weightlifting for a variety of fitness backgrounds. The business is owned and managed by Tonya and Dan Miller.
- *Armour Sports* - a firearm retailer located at 20 Taunton Green. The business provides firearms and sporting goods to the general public and local law police departments. It also offers firearm safety courses. Amaro Cabral is the owner and president of the company.

"My administration is committed to the Renaissance of Downtown Taunton," Mayor Tom Hoye said. "We have done it with bricks and mortar as demonstrated by infrastructure projects, we have done it with the façade program that many businesses are taking advantage of, and now the Rent Rebate Program gives new small businesses the leg up they need to get established. This program is totally funded by the City of Taunton, and I would like to sincerely thank the Taunton Municipal Council for believing in and supporting this program."

The Downtown Rent Rebate Program, which is managed by the Office of Economic and Community Development, was initiated by Mayor Hoye earlier this year as part of a comprehensive effort to revitalize the City's downtown area. The 2-year program provides up to \$5,000 in the first year and \$2,500 the second year to a new business locating within the boundaries of the City's Business

Improvement District (BID) to offset the cost of rent or lease payments. In order to qualify, the new business and property owner must demonstrate that they meet program guidelines and are in good standing with the City.

Mayor Tom Hoyer added, “I am incredibly excited to welcome these three new businesses to the downtown, and I am very pleased that the Downtown Rent Rebate Program is working so well. My hope is more startup businesses will take advantage of this exciting program.”

Kevin Shea, Executive Director of the Office of Economic and Community Development, listed a number of recent initiatives aimed at downtown revitalization, including new sidewalks, recent studies by UMass Dartmouth and the Urban Land Institute, a sign and awning program, and zoning changes designed to stimulate development. He noted that the Rent Rebate Program, which went into effect in March, is an important piece of the City’s revitalization strategy.

“Together these businesses represent a significant investment in the downtown and will offer a diversity of new services to local residents,” Director Kevin Shea said. “With the Mayor we appreciate the commitment that these small businesses are making to this community. “

The businesses owners all agreed they would recommend the Rent Rebate Program to other business startups.

Tonya Miller, owner of Sheepdog Athletics, said “As a startup business in the City of Taunton, the Rent Rebate Program has allowed us to establish our business in the Downtown Taunton community. While we had planned and saved up for start-up expenses, the program helped us to focus on our members by alleviating some of the initial overhead expenses.”

About the Downtown Taunton Rent Rebate Program: *The Mayor’s OECD Downtown Taunton Rent Rebate Program is designed to help facilitate the establishment of small businesses within Taunton’s Downtown Business District. The program allows the OECD to provide rental assistance that is intended to help small businesses locating into vacant storefronts and upper floor spaces during the first two years of operation, by reducing the cost of overhead expenses. There are restrictions and businesses must qualify for the program. For details, contact 508-821-1030.*

2016

Cities Developing Worker Co-ops: Efforts in Ten Cities

Michelle Camou
Imagined Economy Project
Medina, Ohio
8/8/2016

Summary Overview

In recent years, city governments have begun to help develop worker cooperative businesses in their local economies, a deliberate action to make economic development more inclusive and equitable. The Imagined Economy Project explores municipal approaches to worker co-op development in ten cities, finding it offers potential for the creation of economic opportunity as well as opportunities for cities to learn and refine their own commitments to a more expansive notion of economic development.

There are three approaches to worker cooperative development shaping up in the ten cities:

- **The Anchor Approach-** City governments provide business loans and other supports to worker cooperatives developed by a corporate umbrella to tap into procurement spending by area anchor institutions. (Cleveland, Richmond, Virginia, Rochester).
- **The Ecosystem Approach-** City governments, through seed funding and direct programmatic delivery, stoke the local capacity to provide educational, outreach, technical assistance, and financial supports for worker co-op business starts or conversions. (Austin, Madison, Minneapolis, New York, Richmond, California).
- **The Preference Approach-** City governments develop bid preferences for verified or certified worker cooperatives able to meet city procurement needs, and may also offer other supports like tax forgiveness, financing, or fast tracking permits. (Berkeley, Oakland).

The cities are at various stages of planning and carrying out the development of worker cooperatives. In Cleveland, New York, and Richmond, California, municipal efforts to promote worker cooperatives are far enough advanced to indicate some of the results.

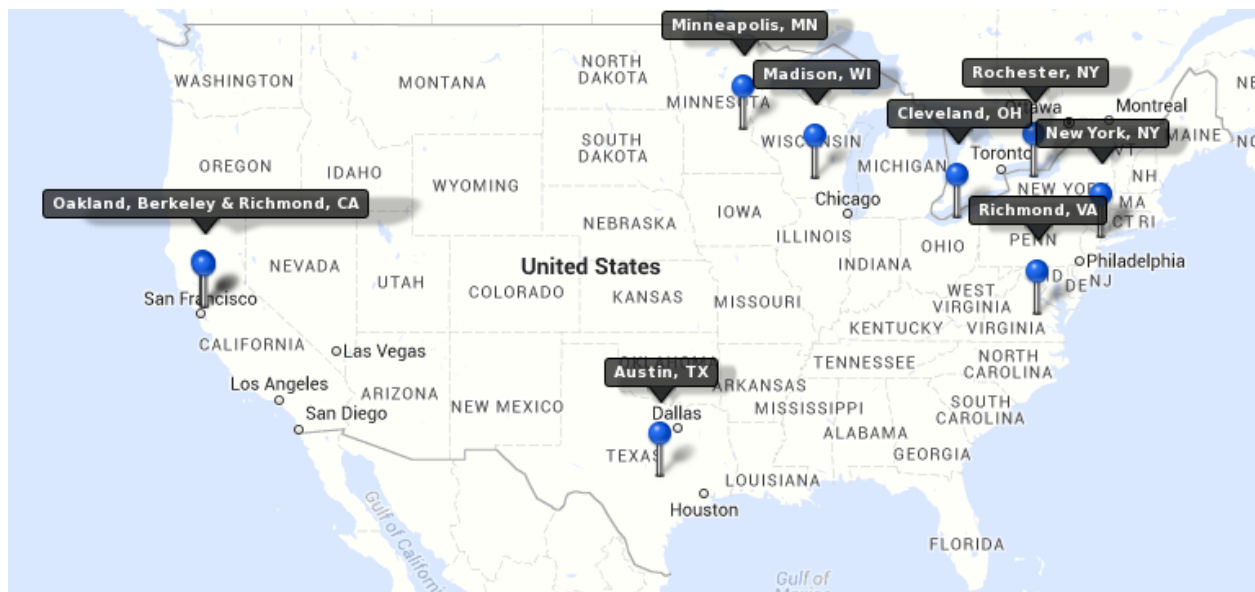
- Municipally-supported worker co-op efforts produce some business and job creation. Three cities produced 25 new worker cooperatives employing 261 people, mostly in the service sector.
- The cost ranged from a high of \$100,000 to a low of \$7,143 spent per job created.
- Ecosystem building involving very intensive technical assistance and business supports yielded the fastest growth of worker cooperatives locally. The anchor institutions approach yielded fast growth of larger workplaces.
- City governments approach their efforts to promote worker cooperatives in the spirit of learning, adaptive management, and grounding performance measures in experience.
- Cities may make long term commitments to municipal worker cooperative development based on performance as well as compatibility with other small businesses, adequate resources, and successful balance between social and business missions.

While the long-term impact of these efforts cannot be predicted, city government decisions to experiment with worker cooperatives signals true engagement with questions of how to build equality and wealth, upgrade labor, and support divested communities in an ever-changing market. This is a welcome advance to the economic development landscape that can only strengthen with adoption and reflective application by additional cities.

Introduction

City governments are moving in an unexpected direction of late. They are making worker ownership an explicit part of their approach to economic development. Since 2009, at least ten municipalities have taken steps to promote the growth and development of worker cooperatives, or democratic businesses owned and operated by worker-owners. Worker cooperatives are not common in the United States; currently, there are about 400 nationwide.¹ Nonetheless, they may be uniquely suited to addressing the sort of labor market and environmental problems likely to loom large in the coming century, as well as become vehicles of economic inclusion for people facing barriers to employment or business ownership.

Through their actions, cities are taking a place at the forefront of broader societal efforts to give worker cooperatives a boost, to try to make them structural features of urban economies. This report, based on interviews with elected officials or key personnel in the ten cities, offers an overview of the three basic approaches shaping up around municipally-supported worker co-op development. It also examines the available evidence on the “so-far” results and costs involved in carrying out these projects, as well as some of the steps involved in program implementation and, possibly, institutionalization.



The key findings are as follows:

- There are three basic city government approaches to worker co-op development. These are:
 1. *The Anchor Approach*- Starting worker co-ops to tap into the procurement needs of anchor institutions like hospitals and universities. (Cleveland, Rochester, Richmond, Virginia).
-This approach has been especially attractive to high-poverty cities, and city governments expect or have funded this mostly through external loans and grants.

¹ Democracy at Work Institute, 2015. “2015 Press Kit” <https://www.usworker.coop/sites/default/files/PressKit_1.pdf>

2. *The Ecosystem Approach*- Building up a population of co-op developers, incubators, educators, and lenders charged with starting or converting worker-owned businesses. (Richmond, California, New York, Madison, Minneapolis, Austin).
-This is associated with cities whose residents have near or higher than average incomes, many with an existing mass of worker cooperatives or a group of interested nonprofit organizations. Funding has come from city operating or capital budgets.
 3. *The Preference Approach*- Extending preferences to worker cooperatives bidding to be city contractors or vendors. (Berkeley, Oakland).
-This is shaping up as a San Francisco Bay Area regional approach, although it could move beyond the region with time.
- Three cities have programs or projects up and running and, in total, all three have created 25 new worker co-ops employing 261 people in for-profit worker co-op businesses. The majority of the businesses are in the service sector, and the public costs per job created ranged from a low of \$7,143.00 (involving no financing role assumed by the city) to a high of \$100,000.00 (involving a substantial financing role assumed by the city). The cities are impressed by the results and understand a substantial financing role may be appropriate for cities to assume but are also motivated to reduce the cost basis at the higher end of the spectrum.
 - A common step to implementation involves locating the worker co-op program or project within a city agency, while a minority of cities also created new staff positions and community navigators. Few cities have made long term funding commitments to worker cooperative development. Taking that step, the cities state, relates to philosophy as well as performance on business and job creation. Plus, the cities perceive three challenges to work through as they consider long-term funding commitments, including impacts on other small businesses, resource limits, and achieving balance between social and business purposes.

Ultimately, worker cooperatives offer promise to cities wishing to confront the shortcomings of traditional economic development in expanding opportunity, capturing procurement dollars locally, producing more equality than inequality, and investing in local businesses and people. Of course, municipal efforts to expand cooperative workplaces are at early stages, continually unfolding. What we are seeing today does not necessarily indicate future trends or expectations about other cities. Most definitely, the ten cities are learning by doing and open to rethinking as experience dictates. Nonetheless, the group of ten cities has produced various concepts and models that are shaping the conversation for city governments and others concerned with urban America, labor, inequality, and how business forms can adapt in an ever changing world economy.

ABOUT THE TEN CITIES

Figure 1: Total Population and Median Household Income/Poverty Rate: Cities Promoting Worker Co-ops

Austin	931,830 \$55,216/19%
Berkeley	120,972 \$65,283/20%
Cleveland	388,072 \$26,179/35.9%
Madison	248,951 \$53,933/19.6%
Minneapolis	410,939 \$50,767/22.6%
New York	8,550,405 \$52,737/20.6%
Oakland	419,267 \$52,962/21%
Richmond, CA	109,708 \$54,857/17.1%
Richmond, VA	220,289 \$41,331/25.5%
Rochester	209,802 \$30,784/33.8%
Total Population	11,610,235

Source: US Census Bureau Quick Facts, City Population Estimates 2015

It is a diverse group of ten experimenting with worker ownership as urban economic development, suggesting that cities of variable regions and sizes, socioeconomic qualities, governance structures, and even capacities can act to build up or support worker cooperative sectors. The pioneering group of ten ranges from New York, the largest city in the United States and also one of the largest economies in the world to Richmond, California, a relatively small city of 109,000 in the East Bay of San Francisco. All told, 11.6 million people are living in cities with municipal efforts to foster cooperative sectors of their economies. There are Rust Belt cities and Sun Belt cities, as well as cities from every geographic region. The urban search for economic development alternatives appears to span the nation.

Median Household Income and Poverty Rates. The median household income in the United States in 2015 was \$53,482, according to the US Census Bureau. Five of the pioneering cities have median household incomes near or higher than this, with Cleveland, Rochester, and Richmond, Virginia falling well below.

The relative wealth in the higher- than- average income cities coexists with poverty. In fact, all of the ten cities active on worker cooperative development have poverty rates higher than the national average of 14.8%. It appears that separate urban dynamics- high poverty as well as wealth coexisting with poverty- may compel interest in creative policy solutions.

Political Features and Capacity. Commitments to worker co-ops have sprung from city governments of all types. Four of the ten cities are “Strong Mayor” governments (New York, Cleveland, Richmond, VA, and Madison); four are Council/Manager governments (Rochester, Richmond, CA, Austin, and Berkeley); one is a “Weak Mayor” type (Minneapolis); and one is a hybrid “Strong Mayor” and Council/Manager government (Oakland).

Figure 2: Municipal General Funds

	General Fund Total	General Fund Per Capita
Austin	\$906,700,000	\$993.33
Berkeley	\$147,900,000	\$1,244.39
Cleveland	\$542,800,000	\$1,393.51
Madison	\$268,200,498	\$1,091.62
Minneapolis	\$463,000,000	\$1,137.01
New York	\$77,482,450,000	\$9,061.85
Oakland	\$534,378,786	\$1,291.00
Richmond, CA	\$136,949,000	\$1,261.48
Richmond, VA	\$766,300,000	\$3,517.51
Rochester	\$373,696,100	\$1,779.65
MEDIAN	\$498,689,393	\$1,291.43

See Appendix 1 for documentation of general fund budgets.

Mayors or Councils have been the initiators of worker co-op promotion in cities.

With some exceptions, most of the cities are able to innovate from a modest resource base. While cities may pull from various budget areas to support specific innovative programs, the General Fund is that portion of the budget that is less restricted and may be allocated by Mayors and City Councils in support of their urban agendas; it

signals a city's resource capacity. The ten cities have a median of \$1,291.43 per city resident available in General Funds. New York and Richmond, Virginia have a considerably larger resource base than that, while Austin's base is fairly well below. Despite many being stretched, the pioneering cities are figuring ways to tap their resources in order to innovate.

WHY WORKER CO-OPS?

The city governments profiled in this report want the benefits of urban economic development to be shared more widely, but many express awareness that conventional economic development approaches can be troubled. As Ruth Rohlich of Madison's Office of Business Resources put it, economic development as frequently practiced "isn't helpful in creating really healthy communities, financially strong communities, in an equitable way." In many ways, the municipal embrace of worker cooperatives reflects a prioritization of equity on the urban agenda, as well as willingness to experiment with economic development beyond incentivizing corporate re-location downtown. They want opportunities distributed more evenly, reaching neighborhoods that have been divested as well as individuals facing barriers and disadvantages like chronic poverty, inadequate transportation or childcare, non-English fluency, felony records, or the lack of a diploma or GED. The officials interviewed believe worker cooperatives can get their cities closer to equity by producing economic inclusion, high quality jobs, and an ability to stimulate growth in neglected or hard-hit areas.

Figure 3: Possible Benefits of Worker Co-ops

- Workers involved in setting labor terms.
- Profits distributed to workers.
- Highest to lowest wage ratio kept low.
- Business stability and job security.
- Environmental best practices.

- **Economic Inclusion.** In five of the ten cities (Austin, Cleveland, Madison, Minneapolis, and New York), city officials emphasized worker cooperatives as a way to connect their most vulnerable populations to the economy. In Austin, for instance, the city has identified 10,000 "hard-to-employ" individuals that it would like to help join the labor market, with worker cooperatives being a possible pathway for at least some of them. In Minneapolis, Daniel Bonilla said that city officials support promoting the worker cooperatives model as a way to permit market entry for low-income individuals that, alone, would never have the startup capital or skills to form a business. And in Cleveland, Economic Development Director Tracey Nichols was drawn to support the venture that would become the famed Evergreen Cooperatives. "I heard they were going to hire a lot of people who were formerly incarcerated," she said in an interview, "...and to me, that's a great idea."
- **Investments in Divested Neighborhoods.** Both Rochester and Richmond, Virginia conceptualize worker co-op development as one way of tackling inner city divestment and highly concentrated poverty in certain city areas. In Oakland, while clear to state the importance of city-wide benefits to taxpayers, Nayeli Maxson, policy aid in City Council District 4, expects worker cooperatives to bolster neighborhood-based business districts. And in Richmond, California, former Mayor/current Council member Gayle McLaughlin discussed worker cooperatives as a

community-wide empowerment strategy given relatively poor economic conditions and a slow post- 2008 recession recovery in that city. Here, we see municipal thinking that worker cooperatives can elevate areas as much as individuals.

- **Job Quality.** In its publication “Working Together,” the NYC Department of Small Business Services and the Mayor’s Office of Contract Services jointly expressed the expectation that “the worker cooperative business model provides New Yorkers with meaningful opportunities to achieve upward mobility by earning higher wages and maintaining stable employment.”² Four of the ten cities shared this sentiment, expecting worker cooperatives to enhance job quality due to the triple bottom line focus typical of many worker cooperatives. For instance, Oakland’s Councilperson Campbell Washington pointed out “a whole host of positive things” that would likely follow from worker cooperatives, chief among them sustainable jobs at better wages. Madison and Richmond, Virginia also see the creation of higher wage and secure jobs as top advantages of worker cooperatives; in Richmond, Virginia, Director of Community Wealth Building Thad Williamson aspires to see new job offerings at \$15 an hour or higher.

Overall, the ten cities are promoting worker cooperatives as a way to develop multidimensional local economies that better channel opportunities to individuals and neighborhoods that largely have been left out of the mainstream. This signals an inventiveness and creativity on the part of the city governments, as well as engagement with broader cultural understandings of how to create a more equitable economy.

READERS GUIDE

The remainder of the report examines city government efforts to foster worker cooperatives in more detail. The material is divided into brief chapters, described below, that can stand alone or be read as a whole.

Chapter one explores the city role in supporting the anchor approach to developing worker cooperatives. Cleveland, Rochester, and Richmond, Virginia are taking this approach, although Rochester and Richmond are still in the planning phases. The chapter describes the anchor-linked worker co-op approach and structure, which is mostly located in the private sector, as well as the city role in accessing financing and handling underwriting risk.

The ecosystem approach describes efforts in Austin, Madison, Minneapolis, New York, and Richmond, California to shape the institutions, resources, attitudes, and abilities that foment worker cooperatives, and this is the subject of *chapter two*. The city governments taking this approach focus mostly on worker co-op education and technical assistance, supporting nonprofit co-op developers, and/or developing financing programs.

² NYC Small Business Services and Mayor’s Office of Contract Services 2015. *Working Together: A Report on the First Year of the Worker Cooperative Business Development Initiative*. <<http://www.nyc.gov/html/sbs/downloads/misc/wcbdi2015-booklet/offline/wcbdi.pdf>>

Chapter three moves to Berkeley and Oakland, each in the early stages of implementing a preference approach. Neither city has gotten to implementation yet, but their early processes give a sense for how city governments can support worker cooperatives through their own procurement.

Cities are getting into worker co-ops because they want to see results given available resources. *Chapter four* describes results and costs per job created in the three cities farthest along in their worker co-op projects or initiatives: Cleveland, New York, and Richmond, California. The evidence so far shows that a slight amount of worker-owner opportunity has resulted, but business failure has also happened. The per-job cost to cities is quite variable depending on the extent of the city's role in accessing financing for startups, but key actors are experimenting with methods for bringing the highest cost basis down.

Chapter five discusses what the cities are doing to carry through on their commitments to worker co-op development, as well as some of the considerations in making these commitments long term or even permanent. The main implementation task involves locating projects within city bureaucracies, while a minority of cities has added new staffing. Making worker cooperatives a permanent or a long term commitment of cities will depend on philosophy, as well as performance and the adequate resolution of three challenges that the cities anticipate as worker cooperatives take root.

The *Conclusion* sums up the incredible work of cities in supporting economic development rooted in worker ownership and concerns for equity. These are city governments thinking actively and creatively about how best to grapple with protracted socioeconomic challenges related to ongoing economic restructuring. There are risks and costs for sure, but rewards also await city governments and their residents willing to take a chance on innovation. Whether these efforts result in the equitable and inclusive economies these municipalities hope for is an answer that has to wait. Nonetheless, more city governments getting involved and sharing insights can only strengthen the chances of worker cooperatives expanding equity in urban economies.



Equity Factor

Rochester Mayor: Investing in Co-ops Builds “Stairway Out of Poverty”

BY OSCAR PERRY ABELLO | APRIL 12, 2016



“We’re saying to the neighborhoods, if we do this, if we remove as many institutional barriers as we can, will you take this stairway out of poverty we’ve also invested in,” says Rochester Mayor Lovely Warren, of the city’s new Market Driven Community Cooperatives Initiative. (AP Photo/Mike Groll)

What could you do with \$1.7 billion in a city of around 200,000, where 33 percent of households live below the federal poverty line?

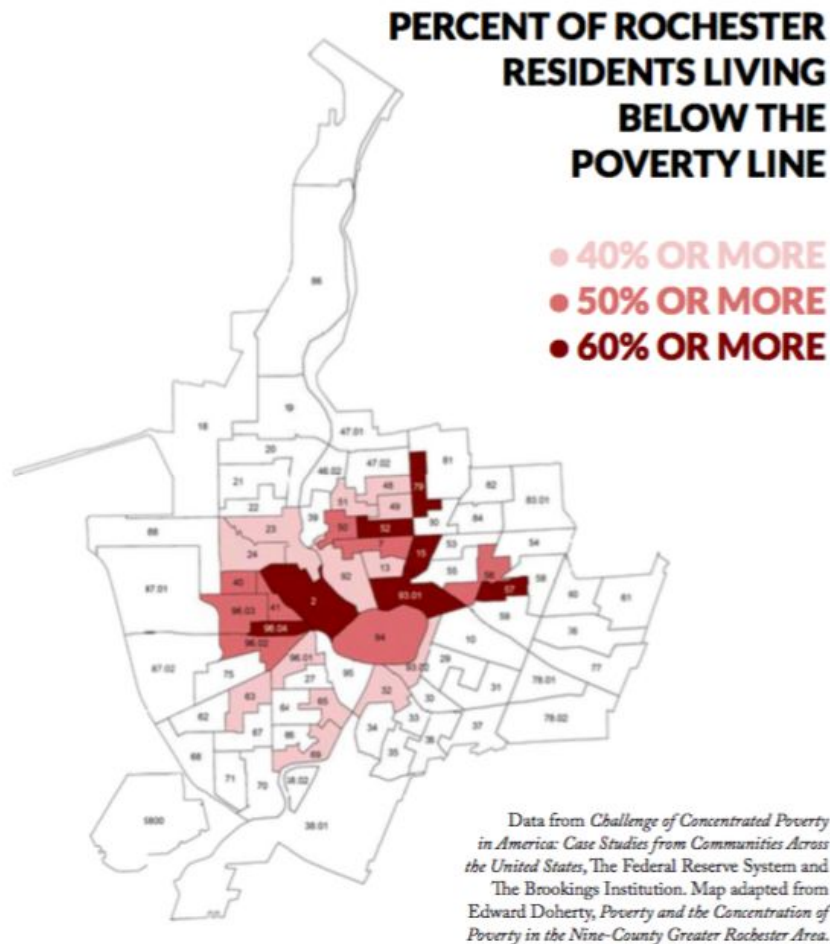
The city of Rochester, with Mayor Lovely Warren at the helm and supported by partners and allies across New York State and beyond, has hatched a plan to tap into at least that much to help level the economic playing field for Rochester’s most disadvantaged neighborhoods.

“It’s about being able to give employees an opportunity to have ownership and to build wealth within their own communities,” says Warren. The plan consists of supporting the creation or growth of cooperatively owned businesses located primarily in the city’s most distressed neighborhoods, collectively known as the Northern Crescent.

“We liked the ability to improve neighborhoods by actively having employees build co-ops in a neighborhood that’s challenged, where people could actually walk to and from work, building wealth and keeping the money in the neighborhood,” Warren adds. The plan was inspired by and modeled directly after [Cleveland’s Evergreen Cooperatives](#).

The \$1.7 billion comes from Rochester’s universities, hospitals and other local anchor institutions, which collectively spend that amount on procuring goods and services. That represents a ready-made market for co-ops, according to the plan’s feasibility study. The city [announced](#) the beginning of the implementation phase of the plan in March. Cleveland-based [Democracy Collaborative](#) (which

conducted the feasibility study and created the Evergreen model) will oversee and coordinate implementation for Rochester.



“It’s a part of living the American dream to be able to take care of your family, be able to buy that house, be able to raise your family in a safe environment,” Warren says. “Being able to earn enough money to provide those opportunities for you and for generations to come is the reason why you go to work every day. Without being able to pass on those assets, or those values, we would suffer as a city and as a community.”

Rochester has suffered greatly from the loss of jobs tied to former industrial giants Xerox, Eastman Kodak, and Bausch and Lomb. These three companies employed around 62,000 people directly in the 1980s (60 percent of the local workforce), with those

employees providing a steady market base for many other local businesses. By 2012, the three employed just 6 percent of the Rochester metro workforce.

(Credit: Democracy Collaborative)

In the Northern Crescent neighborhoods, median income is less than half that of the Rochester metropolitan area. More than 60 percent of residents live below the poverty line. The neighborhoods are also the principal destinations for men and [women returning from prison](#), according to the feasibility study. In one neighborhood, known as 14621 (after its ZIP code), about a quarter of men between the ages of 20 and 49 are either on parole, probation, incarcerated or otherwise under the supervision of the criminal justice system.

The Northern Crescent area is already a main focus of the [Rochester-Monroe Anti-Poverty Initiative](#) (RMAPI), an effort convened by United Way of Greater Rochester and led by city, county and state officials to coordinate public and private resources to address the Rochester metro’s concentrated poverty in terms of affordable and quality education, healthcare, childcare and other social supports. Rochester’s co-op plan, known as the [Market Driven Community Cooperatives Initiative](#), is meant to complement RMAPI.

“We’re saying to the neighborhoods, if we do this, if we remove as many institutional barriers as we can, will you take this stairway out of poverty we’ve also invested in,” Warren says. The plan outlines numerous workforce development programs, re-entry programs and other key support actors already in place in the targeted neighborhoods.

The implementation schedule calls for the creation of a community-owned, cooperative business development corporation, to be known as the Market Driven Community Cooperatives Corporation (MDCCC). It will be set up as a 501(c)(3), and will begin its life under the auspices of Rochester’s Department of Neighborhood and Business Development.

MDCCC will serve as a holding company to get the cooperatives up and running, formalize partnerships with anchor institutions, provide technical assistance to cooperatives, and seek investors and funding partners for a revolving loan fund to serve as a source of capital for new and existing cooperatives or existing businesses interested in converting into worker co-ops. The plan points to several local partners that could serve as investors or hosts of the revolving loan fund, such as [Genesee Co-op Federal Credit Union](#) and [PathStone Enterprise Center](#).

Similar to Cleveland’s Evergreen Cooperatives, Rochester’s MDCCC will eventually fund its work out of profit-sharing agreements with the cooperatives it helps to form. Until that time, it will have to raise funds on its own from public and private sources.

Warren floated the idea of funding MDCCC through a [social impact bond](#) arrangement: If the MDCCC could show that it saved the city money by reducing the number of individuals receiving taxpayer-funded social services, as a result of moving up the economic ladder through worker-ownership, that could represent huge long-term taxpayer savings, justifying repayment of a hypothetical social impact bond.

“There’s different mechanisms that we want to use to try to support the program,” Warren adds. “The city is putting up the money at first because we think that’s an investment that is worthwhile to try something new.”

The Equity Factor is made possible with the support of the [Surdna Foundation](#).



Oscar is editor of Next City. Before that, he was a Next City contributing writer and 2015-2016 Equitable Cities Fellow. Since 2011, Oscar has covered community development finance, community banking, impact investing, equitable and inclusive economies, affordable housing, fair housing and more for media outlets such as Shelterforce, B Magazine, Impact Alpha, and Fast Company.



Community Planning and Economic Development

News Release

Contact: Rose Lindsay (W) 612.673.5015; (C) 612.250.8661

*Minneapolis City Goals: Living Well ▫ One Minneapolis ▫
A Hub of Economic Activity and Innovation ▫ Great Places ▫ A City That Works*

City of Minneapolis Partners with 16 Nonprofits to Provide Targeted, Culturally Diverse Business Technical Assistance to Entrepreneurs and Small Businesses in 2015

Friday, December 12, 2014 (Minneapolis, MN) – The Minneapolis City Council approved today \$550,000 in new funding to be dispersed through 10 contracts to nonprofit providers to support small- and medium-sized businesses to start, stay and grow in Minneapolis. With these contracts, the City now has 16 total Business Technical Assistance Program (B-TAP) providers and \$1,050,000 allocated to the program to support the development of Minneapolis entrepreneurs and small businesses.

“For Minneapolis to continue growing, it is important that we pay attention to how we are pursuing that growth,” said Mayor Betsy Hodges. “Supporting micro-entrepreneurs, especially in communities of color, is key to achieving sustainable, inclusive economic growth.”

B-TAP works primarily with minority- and women-owned small- and medium-sized businesses that provide employment to individuals from socially- and economically-disadvantaged groups including minority ethnic groups and new arrivals to the U.S. Through September 2014, B-TAP resources supported the creation of 32 new businesses, 181 new jobs, and the retention of 406 jobs. Businesses assisted through the program in 2014 were owned by a diverse set of entrepreneurs with over 94% of program clients being minority-owned businesses and 55% being women-owned.

“Small- and medium-sized businesses are the cornerstone of our economy,” said Craig Taylor, City of Minneapolis Director of Community Planning and Economic Development. “I am proud that we are able to expand the Business Technical Assistance Program to include additional partners that will help us strategically reach currently underserved populations and focus on closing the disparities gap.”

B-TAP nonprofit contract providers are focused on business development and already have an established community network, cultural competency and technical skills. B-TAP contracts are awarded for two year periods. In 2015, five new providers will be added to the 11 existing providers for a total of 16 providers.

The five new providers include: The Small Business Development Center (SBDC) housed at St Thomas University (SBDC) which has a strong model to support second stage business growth; African Economic Development Solutions (AEDS) to serve the Minneapolis African immigrant business community, with a particular focus on Oromo, Ethiopian and Eritrean business owners; The West Bank

Business Association (WBBA) to provide support to the 100 plus businesses located in the West Bank area; The Association of Women Contractors (AWC) to bring their expertise in Disadvantaged Business Enterprise (DBE) certification and procurement training to women-owned construction businesses; and the Corcoran Neighborhood Association to recruit businesses to vacant storefronts and a new development proposed at Lake and Hiawatha.

B-TAP's existing providers include: the African Development Center (ADC), Asian Economic Development Center (AEDA), Lake Street Council, Latino Economic Development Center (LEDC), Metropolitan Consortium of Community Developers (MCCD), Metropolitan Economic Development Association (MEDA), North Central Minority Supplier Development Council, Neighborhood Development Center (NDC), Northside Economic Opportunity Network (NEON), Seward Redesign, and Women Venture.

"Neighborhood Development Center provided the business consulting support we needed to feel ready to expand into a larger restaurant space at the Midtown Global Market and they were with us every step of the way including helping to find low interest rate loans," said Thomas Kim owner of the Rabbit Hole. "As a small business owner, this support was invaluable."

B-TAP received national recognition earlier this year through receipt of an International Economic Development Council (IEDC) Award. The IEDC Excellence in Economic Development Award recognizes the world's best economic development programs and partnerships, marketing materials, and the year's most influential leaders. These awards honor organizations and individuals for their efforts in creating positive change in urban, suburban, and rural communities. B-TAP received the IEDC Excellence in Economic Development Award for Entrepreneurship for communities with populations of 200,000-500,000.

To learn more about B-TAP or specific services offered by each provider visit the [City of Minneapolis website](#).

###



Target Market Program

<http://www.ci.minneapolis.mn.us/finance/procurement/TargetMarketProgram>

Accessed on 1/8/2019

The City of Minneapolis has long been a champion of small businesses throughout our region, and recognizes that small and entrepreneurial businesses drive our robust and thriving economy. Furthering these efforts, the City is implementing the Target Market Program, a new program aimed at expanding opportunities for historically underutilized small businesses and stimulating local economy through increased economic opportunities in the City's marketplace.

Under the Target Market Program, qualified small businesses will have the ability to respond alongside other similarly situated small businesses for City contracts up to \$175,000 instead of competing against larger, more established companies.

The Target Market Program Ordinance was passed on Sept 23, 2016, with a program start date of January 1, 2017. This program is intended to provide a race-neutral and gender-neutral tool to expand opportunities for, and develop the capacity of, small and local businesses so that all segments of the community may participate in City contracts.

View the [Target Market Program Ordinance](#)

View the [Council presentation of Target Market Program](#)

How It Works

Beginning on January 1, 2017, the Target Market Program will function as an additional tool within the city's purchasing processes. When a City department identifies a need to purchase a product or service under \$175,000 they will submit a request to the Procurement office. After reviewing the scope of services, Procurement staff will check the Target Market Program supplier listing for small businesses that can provide the requested commodity or service. For commodity purchases, the City will issue an informal bid to the vendors enrolled in the Target Market Program. For professional services, City departments will receive a list of participating small businesses for the particular service and a proposal will be solicited from those businesses.

For a purchase to be subject to the Target Market Program, there must be at least 3 qualified vendors in a particular commodity category or service. If fewer than 3 qualified businesses are enrolled in the program, that purchase will follow the regular purchase process and will be open to all businesses.

Eligibility Criteria

Businesses that meet the following criteria are eligible to participate:

1. **Size standards:** In the most recently completed 3 fiscal years,* your business did not exceed the United States Small Business Administration (SBA) size standards** AND the gross receipts/sales of your business did not exceed the Target Market Program threshold for your industry. (If you have been in business for less than three years, the annual gross receipts will be averaged over the period of time that you have been in business). The size thresholds for the industry categories are: Construction \$10 million or under; Manufacturing Operations \$5 million and under; Professional/Technical Services \$5 million and under; Retail Operations \$3 million and under; Service Operations \$3 million and under; Wholesale Operations - \$4 million and under.
2. **Principal place of business:** Your principal place of business*** is located within the 13-county metro area (Minnesota counties of Anoka, Benton, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Stearns, Washington, and Wright).
3. **Independently owned and controlled:** Your business is independently owned and controlled. Whether the business is independently owned and controlled is indicated by the absence of control or influence of a non-SBE. The business must be free of such items as shared personnel, facilities, equipment, financial, or other resources with a non-SBE. Processing multiple SBEs under one business name with shared management, personnel, facilities, equipment, financial, or other resources is prohibited.
4. **For-profit:** Your business is a for-profit business.
5. **Commercially useful function:** For the contract opportunity to which your business will be responding, your business will be the one actually performing, managing, and supervising the work involved. Acting as a conduit to transfer funds to another business does not constitute a commercially useful function unless it is a normal practice of a particular industry.

*This could be a calendar year or a July-June fiscal year, depending on how your accounting year is set up.

**Detailed SBA size standards for your business, based on NAICS code, can be found [here](#).

***Principal place of business is defined as “the primary physical location at which or from which a business performs, is maintained, or operates.”

Enrollment Information

All small business owners interested in participating in the Target Market Program - including both existing City vendors and new vendors - must enroll.

Enrolling for the Target Market Program is simple - just follow the steps below. Enrollment should take about 15 minutes to complete. Once you submit the enrollment form, City's Procurement Office staff will contact you within 5 days to let you know whether your business has been approved to participate in the program.

Online enrollment form process:

1. Access the enrollment form [Target Market Program Enrollment Form](#)
2. [Instructions for submitting the online enrollment form](#) (PDF)
3. Complete and submit the form online.
4. If completing the online form presents a hardship for you, you may call 311 and an operator will assist you.

Paper form enrollment process:

1. Download the enrollment form [Target Market Program Enrollment Form](#) (PDF)
2. [Instructions for filling out the paper enrollment form](#) (PDF)
3. Complete the enrollment form by filling the fields in on your computer or printing the form out and completing it by hand.
4. Return the form to the City's Procurement Office in one of the two ways:
 - a) Save or scan the document and email it to: TargetMarket@minneapolismn.gov
 - b) Mail or drop off a hard copy of the document to:
City of Minneapolis - Procurement, 330 South, 2nd Avenue, Suite 552,
Minneapolis, MN 55401

As part of the enrollment process, you will affirm that the information you are providing is true, including information about whether your business meets the Target Market Program eligibility criteria. If you are chosen as a supplier for a City contract, you may be asked to submit a notarized self-certification before beginning work on the contract.

Frequently Asked Questions

How does this program benefit my small business?

Enrolling in the Target Market Program means that you will have opportunities to take the City of Minneapolis as a client for your business. A City contract can provide the certainty of guaranteed work and income that a small business needs to sustain and grow. When you are an approved business in the Target Market Program, you will be notified about City contracts that your business is equipped to take on. You will compete for contracts alongside other similarly-situated businesses, increasing your likelihood of winning a contract.

How will I know what contracting opportunities are available to me?

Purchases of commodities and services under \$100,000 will first consider the Target Market Program supplier list and if there are 3 or more approved businesses in the particular category where the purchase need is identified, businesses in that category will be notified of the opportunity.

How is this different from the City's SUBP program?

The Target Market Program is a race and gender neutral program. Unlike the Small and Underutilized Business Program (SUBP) that focuses specifically on minority and women-owned businesses, the Target Market Program is intended to level the playing field for all small businesses. In addition, the Target Market Program only applies to City contracts under \$175,000.

Does enrolling for the Target Market Program guarantee that I will receive City contracts?

Assuming you meet the eligibility criteria, registering for the Target Market Program means you are added to the supplier pool from which City contract managers draw for contracts under \$175,000. You must still respond to the Bid or Request for Proposals (RFP) in order to be considered for any given contract, and you will still be considered alongside other Target Market Program suppliers to determine who best meets the City's needs. Enrolling in the Target Market Program alone will not guarantee City contracts.

If I am already in your system as a supplier (if I have done business with the City before), do I still need to enroll for the Target Market Program?

Yes; all small businesses, including current City suppliers, need to register in order to be considered for Target Market Program-eligible contracts.

Is this a business certification?

No; the Target Market Program is not a certification program. If you have existing certifications through other organizations, we would like to know that when you enroll for the Target Market Program. However, you are not required to have any outside certification in order to participate in the Target Market Program.

Is there a deadline for enrollment?

No; enrollments are accepted on a rolling basis. Once you register, you will begin receiving information about Bid and RFP opportunities that you are eligible for. To be considered for as many contracting opportunities as possible, register early!

Request for Appeal Form

If you have been notified that your business is ineligible for participating in the Target Market Program and you would like to appeal the decision, please complete the form below to be contacted for a hearing session: [Request for Appeal Form](#).

For additional information

Please email us at TargetMarket@minneapolismn.gov with your comments, suggestions and questions.

Last updated Dec 31, 2018



MAYOR MARTIN J. WALSH



next street

mass | economics

City of Boston

Small Business Plan

MARCH 2016

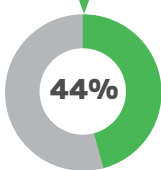
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Introduction

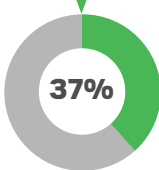
Introduction: The Need For A Small Business Plan

Together, Boston's over
40,000
small businesses generate about
\$15B
in annual revenue and approximately
170,000
jobs.

Small businesses represent



of employment
for the city's
private, for-profit
businesses.



of revenues
for the city's
private, for-profit
businesses.

Small businesses are the heart of Boston's economy. Approximately 95% of Boston's businesses are sole proprietors and firms with fewer than 50 employees and/or less than \$5 million in revenue. These businesses create jobs, wealth, and opportunity for the city's workers and residents. Small businesses also strengthen the city's neighborhoods by providing goods and services and contributing to social and civic life. Together, Boston's 40,000 plus small businesses generate around \$15 billion in annual revenue and approximately 170,000 jobs, representing roughly 44% of employment and 37% of revenues for the city's private, for-profit businesses.¹

Recognizing the role of small businesses in the future health and vitality of Boston and its residents, the City of Boston committed to develop a five-year plan to help businesses start and grow in Boston. The plan was developed collaboratively by engaging public, private, and civic stakeholders to identify strategies to increase equitable opportunities for existing and new entrepreneurs across Boston and to determine actions the City of Boston could take to implement these strategies.

This Boston Small Business Plan has three primary goals: to make the small business economy thrive, to enhance neighborhood vibrancy, and to foster economic and social inclusion and equity. To accomplish these goals, the Plan proposes policies and programs to foster a high-quality, efficient support system for all small businesses; to develop tools, programs, and policies to address specific gaps in key small business segments that are vital to the city's economic growth; and to enhance the ability of minority, immigrant, and women entrepreneurs to successfully launch and grow small businesses across the city.

This Boston Small Business Plan has three primary goals: to make the small business economy thrive, to enhance neighborhood vibrancy, and to foster economic and social inclusion and equity.



Make the Small Business Economy Thrive

In a thriving small business economy, local businesses provide goods and services while simultaneously creating a path to income and wealth creation for workers, owners, and investors. In Boston, small businesses also serve a crucial role in the overall success of the economy by supporting the operations of large, global companies. Small businesses' innovation, goods, and services are critical to maintaining the competitiveness of Boston's leading national and global positions in many industries. Positioning the city's small businesses to continue to play these important roles is a cornerstone of the Small Business Plan.

At the same time, small business startup is costly, and business failure also imposes real costs on many stakeholders. While recognizing that starting and managing a business is inherently risky, the Small Business Plan explicitly aims to increase the small business success rate and reduce the number of preventable small business failures in Boston. As one City leader expressed, "the goal of the small business strategy is not that all small businesses succeed — that's not possible — but that all businesses have the chance to succeed." The programs and policies recommended in this Plan will increase opportunity for existing and would-be entrepreneurs while reducing small business "churn" by improving access to small business services across the city and addressing specific challenges, such as finding real estate and hiring talent.

Over
95%
of Boston's businesses are sole
proprietors or firms with
<50
employees and/or
<\$5M
in revenue.

Enhance Neighborhood Vibrancy

Small businesses make Boston an attractive place to live by providing goods and services essential to residents' quality of life, whether dry-cleaning, daycare, or groceries. Local amenities also contribute to the city's uniqueness and vitality — restaurants, cafés, bars, and shops shape Boston's streetscapes and create urban environments that make the city a desirable place for residents, workers, students, and tourists. The Plan targets support to local services businesses, restaurants, and retailers, with a particular emphasis on establishing these businesses in currently underserved low- and moderate-income neighborhoods where, in addition to providing necessary services, small businesses can create local jobs and pathways to wealth.



Drive Inclusion and Equity

Small businesses contribute to social equity and inclusion by serving as an entry point for workers with diverse education and experience levels and by supporting wealth creation in all of Boston's communities. Despite strong job growth over the past decade, unemployment remains unacceptably high and average incomes too low in communities of color. Ownership of the city's businesses (32% minority-owned) is also far less diverse than the city's population (53% minority) and women are also underrepresented as small business owners (52% of the city's population, 35% ownership of the city's businesses).²

A vibrant small business ecosystem is a cornerstone of efforts to extend economic opportunity to all residents. Unfortunately, serious obstacles stand in the way of many historically underrepresented individuals seeking to start or build businesses. This Small Business Plan puts forth a series of recommendations to ensure that minority-, women-, and immigrant-owned businesses have access to the opportunities and resources they need to be successful. The Plan recommends policies and programs that expand access to networks and resources and prioritizes activities that help small business owners and their employees to achieve financial well-being and build wealth.

A vibrant small business ecosystem is a cornerstone of efforts to extend economic opportunity to all residents.

Plan Development Process

The Small Business Plan presented here reflects six months of work by many organizations and individuals. The consulting team of Next Street and Mass Economics collected, integrated, and organized data on tens of thousands of small businesses, hundreds of business service organizations, and hundreds of capital providers. In addition, the team interviewed almost 100 business service organizations, capital providers, and other experts, including consulting with over 40 public sector leaders from City and Commonwealth departments and agencies. Multiple agencies provided data, insights, and guidance throughout the process. The team also researched efforts and interviewed public and private leaders nationwide to identify best practices in other cities.

Most valuable was the strong support and guidance of the small business community itself. More than 60 small business owners spoke with the project team one-on-one or participated in one of seven roundtable sessions. Small business leaders also played a prominent role in the project's Advisory Committee, which reviewed project findings and shaped recommendations. Over the course of the project, these entrepreneurs provided valuable information on their needs and aspirations, the challenges they face operating a business in Boston, and their ideas for strengthening Boston's small business environment.

The team interviewed almost

100

business service providers, capital providers, other experts, including over

40

public sector leaders from City and Commonwealth departments and agencies

Gaps In The Small Business Ecosystem

A key goal of the Boston Small Business Plan was to identify meaningful ecosystem gaps where small business needs are not being met. A small business “gap” indicates an area in which resources and supports are lacking in the current environment or in which small businesses are disconnected from the resources and supports they need to be successful. After cataloguing and mapping Boston’s business service resources and conducting expert interviews and roundtable discussions with Boston small business owners, the project team identified nine primary gaps in Boston’s small business ecosystem:

- 1 Supports for minority-, women-, and immigrant-owned businesses**
- 2 Awareness and navigation of small business resources**
- 3 Access to targeted technical assistance and one-to-one business coaching**
- 4 Availability of capital**
- 5 Availability of and access to affordable real estate**
- 6 Existence of industry-specific networks and peer networks**
- 7 Access to critical talent and human capital**
- 8 Access to new customers**
- 9 Navigating City of Boston small business services and regulations**

These small business support gaps have varying effects on the city’s businesses. Some gaps — such as a lack of available, affordable real estate — are pervasive, and affect most small businesses in the city. Other gaps — such as a need for talent — particularly affect businesses in specific segments. Some populations and communities experience gaps especially acutely. For example, while capital gaps affect virtually all small businesses in Boston, the effects are more acute for minority- and women-owned business enterprises (M/WBEs) and immigrant-owned businesses, which often have fewer personal and “friends and family” assets to meet financing needs.

Virtually every small business gap is experienced more acutely by minority-, women-, and immigrant-owned businesses. Members of these groups are less likely to have access to capital and networks than other firms, heightening already existing gaps and leading to poorer outcomes. These issues are exacerbated by the fact that minority- and immigrant-owned businesses are highly concentrated in neighborhoods outside of the downtown core, which houses a large proportion of Boston’s BSOs and capital providers.⁴³

Although small businesses in Boston share many common challenges, the City will prioritize the needs of specific business segments and of historically underrepresented entrepreneurs. This focus will provide the greatest return on resource investment and increase opportunity in the city. To reinforce this commitment, the following section leads with needed supports for minority-, women-, and immigrant-owned businesses. The specific gaps facing priority business segments are then addressed during the discussion of the general small business gaps.

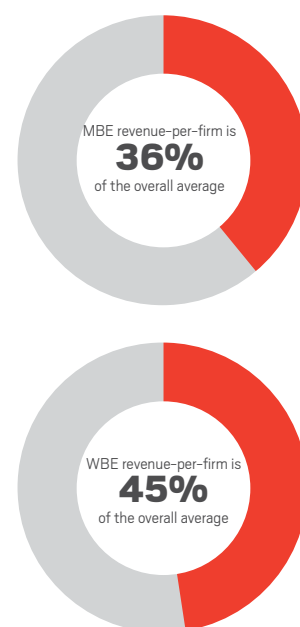
1. Supports for Minority-, Women-, and Immigrant-Owned Businesses

The goal of the Boston Small Business Plan is to ensure that all businesses have the chance to succeed. To achieve this goal, existing inequities must be identified and addressed to make certain that small business owners of all backgrounds have access to the resources they need. The current gaps in Boston affecting small businesses are magnified for M/WBE and immigrant-owned businesses – in particular, a lack of access to capital and networks negatively affects these businesses.

Currently, Boston's M/WBEs generally have poorer outcomes in terms of revenues and hiring than the average firm in Boston. Among firms with employees, the revenue-per-firm for MBEs and WBEs is only 36% and 45% of the average revenue-per-firm, respectively. MBEs and WBEs also have only approximately 60% and 70% of the average firm's employee count. These outcomes reflect many factors, including underlying disadvantages in terms of access to resources and opportunities. Overall, Boston's MBE and WBE performance ranks lower than that of non-M/WBEs for many measures of small business success. The last national U.S. Census Bureau Survey of Business Owners in 2012 showed that among large U.S. cities, Boston's M/WBEs rank towards the middle or even bottom on metrics such as firms-per-population, number of employees, and revenue-per-firm. This is especially true for the city's MBEs, which rank an average of 31st out of 50 cities on five key metrics related to business ownership. (Boston's WBEs rank an average of 21st.)

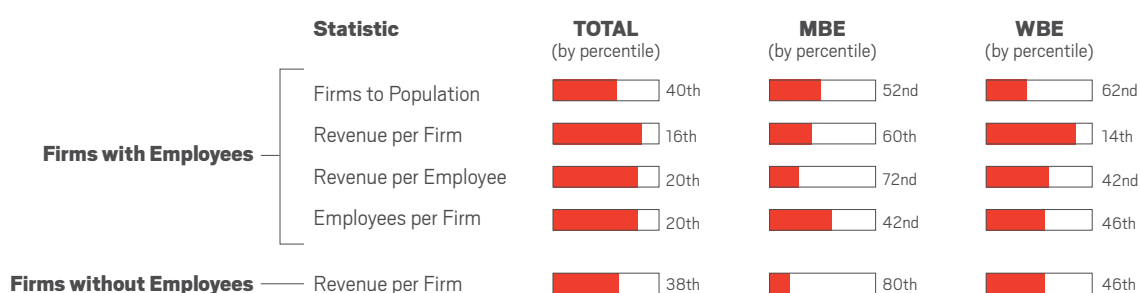
The current gaps in Boston affecting small businesses are magnified for M/WBE and immigrant-owned businesses.

Among firms with employees



Over the past two years, the City has prioritized increasing and enhancing the delivery of programs and services to M/WBEs. For example, since January 2014, the City's onsite technical assistance recipients have been 78% minority-, 52% immigrant- and 52% women-owned small businesses. Storefront improvement assistance recipients have been 64% minority- and 42% women-owned small businesses, and 63% of the program's dollars were invested in minority-owned businesses. The City also launched Women Entrepreneurs Boston (WeBOS) to help women entrepreneurs start and grow businesses in Boston. Over 1,000 women participated in launch events during the inaugural WeBOS Week.⁴⁴ While this focus has been important at a programmatic level, the larger performance measures in Figure 10 demonstrate the urgent need for an increased range of targeted supports designed for minority- and women-owned businesses.

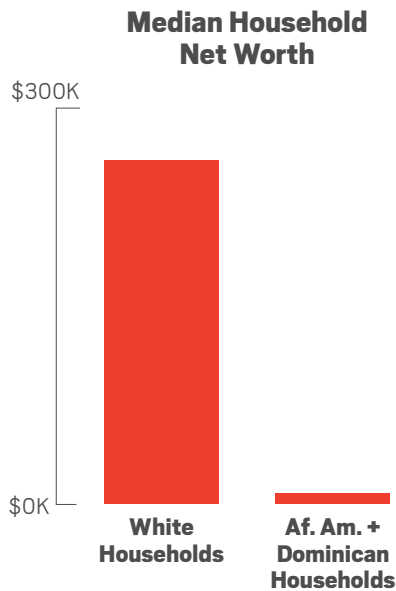
Figure 10: Boston's Small Business Performance Rankings Compared to 49 Peer Cities



Availability of Capital for Minority-Owned Businesses

A lack of access to capital is among the most important obstacles to the success of businesses owned by people of color. Nationally, research shows that minority-owned businesses pay higher interest rates on loans, are more likely to be denied credit, and have less than half the average amount of loans and equity investments when compared with non-minority firms. Research has also documented higher rates of loan rejection in minority-owned businesses, even after controlling for factors such as business size and creditworthiness.⁴⁵

Challenges accessing capital are exacerbated by the enormous racial divide in wealth that exists in Boston. A recent report from the Federal Reserve Bank of Boston found that across the Boston region, the median net worth for white households is \$247,500 and barely above \$0 for Dominican and U.S. African-Americans households.⁴⁶ These wealth disparities likely have a strong effect on minority entrepreneurs, who are less likely to have personal savings to invest in their business or to be able to obtain loans from family members than white entrepreneurs. These findings are consistent with information from project interviews and roundtables, where minority business owners identified accessing capital as a barrier to their businesses' growth.



Nationally, research shows that minority-owned businesses pay higher interest rates on loans, are more likely to be denied credit, and have less than half the average amount of loans and equity investments than non-minority firms.



Availability of Capital for Women-Owned Businesses

Nationwide, although 30% of small business owners are women, women-owned businesses receive only 16% of traditional small business loans and 17% of SBA loans. Across all traditional small business lending, only one of every twenty-three dollars is awarded to women-owned businesses. In addition, women-owned businesses receive only seven percent of venture capital deals.⁴⁷ This lack of capital is a contributor to disparate outcomes for women-owned businesses.

Nationally, only one of every twenty-three dollars in traditional small business lending is awarded to women-owned businesses.

Availability of Capital for Immigrant Entrepreneurs

Wealth gaps also affect Boston's foreign-born residents, who have lower average and median incomes than native-born residents and are less likely to own their homes.⁴⁸ In addition to possibly not having the personal capital to start a business, immigrant entrepreneurs often lack credit histories – making obtaining traditional capital difficult. Compounding these issues, a lack of familiarity with U.S. financial systems, government programs, and other resources present additional barriers to success. This lack of familiarity also makes immigrant business-owners vulnerable to predatory financial practices.⁴⁹

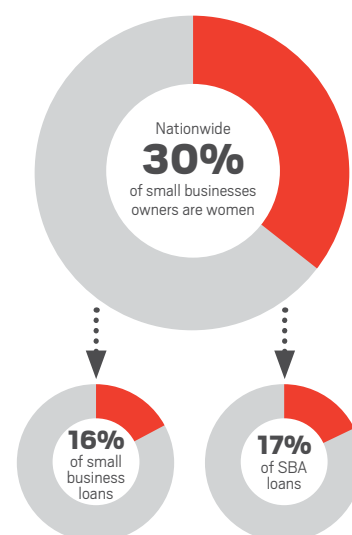
Access to Networks

Women, immigrant, and minority entrepreneurs often lack the strong business and social networks that are critical in obtaining information, clients, mentors, financing, and other resources and supports. Without broad networks, business owners have difficulty assembling the resources they need to succeed. Discrimination by lenders, networks, and potential clients can heighten each of these barriers.⁵⁰ Foreign-born entrepreneurs may lack connections to professional and family networks in the United States, limiting their access to critical information and resources.⁵¹

A Lack of Ecosystem Connectivity

Boston's fragmented small business ecosystem perpetuates existing disparities. Resource navigation is often especially difficult for immigrant-, and minority-owned businesses and for businesses located in low- to moderate-income areas. These business owners may experience increased difficulty navigating resources due to smaller networks, few proximate BSO resources, and language and cultural barriers. Overall, the current system likely disproportionately benefits businesses located in resource-rich areas and those that can easily find and pay for services. For example, startup businesses that can afford full-service co-working spaces that provide service directories and networking opportunities face fewer barriers to success than firms without access to these resources.

More of Boston's minority residents live in low-income communities than non-minority residents.⁵² Research demonstrates that residents in low-income communities often lack networks that allow them to access resources and information outside of their neighborhoods. While residents may have extremely close horizontal ties within their communities, access to bridging or "linking" connections



**A study of Boston
businesses found that**

27%

**of firms in low-income communities
had websites, whereas**

45%

**of firms in higher-income
communities had websites**

to external resources might be more likely to create economic opportunities.⁵³ Without linking connections, residents may be unaware of or unable to access business needs — including talent, real estate, capital, information, and customers — that exist outside of their networks and communities. This disconnection may be increasingly heightened by a lack of technology and internet connectivity. A recent study of Boston businesses found that of 875 randomly selected businesses, only 27% of firms located in low-income communities had websites compared to 45% of businesses located in higher-income parts of the city.⁵⁴

For these reasons, an unequal distribution of capital providers and BSOs likely burdens MBEs in the city. In resource-poor areas, business service organizations and other community organizations and networks can assist business owners in forming these “linking” relationships with connections and resources outside of their communities. A business service center located in Downtown Boston may be unknown to Mission Hill business owners, while in resource-rich areas, small business owners are located in close proximity to the goods, services, and supports they need to succeed.

Additional Gaps Affecting Boston’s Immigrant Entrepreneurs

In 2014, the City of Boston completed a study of Boston’s immigrant entrepreneurs which provided key insights into Boston’s immigrant business owners and their particular needs. The study found that immigrant entrepreneurs in Boston are challenged by a relative lack of familiarity with U.S. government and financial institutions and limited language skills. Boston’s immigrant entrepreneurs also expressed a lack of awareness of available programs and services, difficulty accessing capital, and difficulty expanding their networks beyond their own ethnic groups. In addition, some study participants had experienced discrimination based on their language, customs, or ethnicity.⁵⁵



2. Awareness and Navigation of Small Business Resources

Boston is served by over 250 business service organizations and approximately 400 capital providers. Unfortunately, small business owners are often unaware of the many resources available to them, and struggle to navigate Boston's currently disconnected business support environment. The navigation issue is exacerbated by a lack of connections between BSOs; these support organizations are also adrift in Boston's fragmented environment and generally unable to offer targeted referrals.

Unfortunately, there is no common platform or system for small businesses in Boston to navigate the vast range of business services or to assess provider quality. During interviews and when surveyed, Boston small business owners expressed frustration at not being able to find the right help at the right time, a particularly daunting challenge given the difficulty for owners of taking time away from their businesses. One issue is the lack of clear definition among business service organizations — the majority of BSOs provide multiple types of services and serve numerous geographies, industries, and types and stages of businesses. The pervasiveness of generalist, non-specialized support services can make it difficult for business owners to know who does what, and often confuses and discourages businesses seeking support. As one small business owner described the fragmented ecosystem: "... there are so many branches and so many trees. I want to go to one tree, and get all of the different branches."

"I can't tell you how many times I've asked myself 'how am I going to fix this problem, and who do I go to?' and then found out later there's some kind of group that could have helped." – Small Business Owner

Lack of coordination on the supply side compounds these issues. For suppliers of services — BSOs, capital providers, and the City — there is no shared view of small businesses' most critical needs and where relevant resources are available. This lack of data and communication almost certainly indicates that some BSOs and City programs are responding to outdated gaps and that BSOs are not able to refer business owners to the appropriate resources.

As a result of system fragmentation and information gaps, small business owners often simply reach out to people they know, if they reach out at all. Surveyed small business owners relied most often on personal networks to meet a diverse range of their business needs, from finding a location to hiring. As a result, many businesses without deep networks often either do not receive assistance or receive poorly matched support.

"... there are so many branches and so many trees, I want to go to one tree, and get all of the different branches." – Small Business Owner

"People make a go of it on their own without knowing what resources are out there to support them. More can be done to communicate to the businesses." – Business Service Provider

3. Access to Targeted Technical Assistance and One-to-One Business Coaching

Priority Segment Highlight: Established Businesses

Established firms often require specialized one-to-one coaching and firm-specific, situational advice to reach the next stage of growth. These businesses can benefit from on-site, customized assistance to right-size their infrastructure, identify new markets, and design and deliver expanded products and services. Unfortunately, very little one-to-one assistance exists for established businesses in Boston – and generalized technical assistance is rarely well-matched to their needs.

While very strong technical assistance offerings exist in Boston, the system as a whole is not as responsive and targeted as it could be. Although the City of Boston has recently improved its internal small business needs assessment practices, it does not actively convene, analyze, or shape the larger small business ecosystem in response to these needs.

“Everyone seems to want a clear path to high quality mentoring and business coaching...but can’t seem to find it.” – Small Business Owner

The lack of assessment followed by responsive programming can lead to mismatches between the needs of small business owners and the services provided by BSOs and the City. Due to this mismatch, some services are underprovided in Boston. Businesses also can be mismatched to the type of services they receive. For example, a business might receive intensive one-to-one coaching for an issue that could have been addressed in a workshop open to other firms with similar issues.

A related issue is that many BSOs and the City often provide services to small businesses that seek them out rather than strategically targeting small businesses in need of support. This approach particularly affects one-to-one coaching, which is a scarcer resource than training and technical



assistance. Approximately 90 BSOs in Boston provide some technical assistance — but fewer than ten BSOs primarily provide intensive one-to-one coaching services. Moreover, because one-to-one coaching is intensive and expensive to provide, even programs with considerable resources generally serve only a small number of firms. Using these resources strategically and intentionally could improve outcomes in target segments, populations, and neighborhoods.

“I am not informed enough about financing options to be confident in decision-making.” – Small Business Owner

Targeting Technical Assistance

Surveyed small business owners identified five primary challenges that offer an initial opportunity for the City and its partners to provide targeted technical assistance. The “top five” business challenges identified by small businesses were:

- 1 Marketing: Customer Acquisition and Retention**
- 2 General Business Problems (Business Planning, Strategy, and Operations)**
- 3 Accessing Growth Capital**
- 4 Acquiring New Talent to Grow and Maintain the Business**
- 5 Accessing Working Capital and Managing Cash Flow**

Of these five topics, the challenges related to financial literacy emerged as a particularly acute skills-gap for small business owners. Financial literacy — which encompasses the challenges “accessing growth capital” and “accessing working capital and managing cash flow” above — includes a basic understanding of business and personal finance as well as the ability to manage credit and secure business capital. During roundtables and interviews, many small business owners expressed frustration with their financial skills and a lack of understanding of how to acquire capital. In interviews, capital providers expressed similar concerns, noting that small business owners often apply for loans with poor personal credit and/or disordered financial documentation, or are unable to manage loan commitments once they are secured. Currently, very few of Boston’s business service organizations provide robust financial education and loan packaging services to small businesses.

Challenges related to financial literacy emerged as a particularly acute skills-gap for small business owners.

“I see so many small business owners come through our doors looking for a loan without any specific use for the capital or a justifiable business model that supports repayment. Oftentimes a loan is sought when what is really needed is a different business model or a refreshed plan all together.” – Lender

Approximately

90 BSOs

in Boston provide some technical assistance, but

<10 BSOs

primarily provide intensive one-to-one coaching services

TOP 5

Business challenges identified by small businesses:

- 1** Marketing: Customer Acquisition + Retention
- 2** General Business Problems (Bus. Planning, Strategy + Operations)
- 3** Accessing Growth Capital
- 4** Acquiring New Talent to Grow and Maintain the Business
- 5** Accessing Working Capital and Managing Cash Flow

4. Availability of Capital

Priority Segment Highlight: Micro Local Services

Micro local services firms in labor-intensive segments like facilities management or back office support face structural capital challenges. These firms often have little in the way of collateral and thus are often not strong candidates for traditional lending, making it difficult for them to secure capital needed for growth. Local services firms also have difficulty fulfilling large contracts — an important source of growth — due to a lack of working capital. For example, a small catering company may be unable to purchase the materials and hire the staff necessary to serve university-wide banquets. Payment delays also challenge small local services firms working with larger customers, as these small firms might lack the working capital to sustain their business while waiting for large payments to come in. Local services firms have a high concentration of MBE and WBE owners, which further exacerbates these capital challenges.

Individual small businesses can struggle to secure the capital they need due to personal credit issues or the financial condition of their business. In these cases, the solution lies in financial literacy and broader credit counseling. However, it is important to recognize the broader systemic capital issues facing small businesses in Boston. These issues include weaknesses in traditional lending, a real estate focus of the city's New Markets Tax Credits (NMTC) projects, and limited small business capital innovation in the city.

“The biggest banks in the U.S. are making far fewer loans to small businesses than they did a decade ago, ceding market share to alternative lenders that charge significantly higher rates.”

– “Big Banks Cut Back on Loans to Small Business,” [Wall Street Journal](#)

In Boston, traditional banks are still by far the largest source of small business capital. As discussed earlier, small business bank lending has declined nationally and in Boston. Small business loans are hard for banks to make profitably because of low interest rates and high costs associated with packaging and monitoring these loans. As a result, many banks consider small business loans to be more trouble than they are worth. The emergence of alternative small business lenders has also been slower in Boston than in other regions and has not yet created widely applicable or available alternatives.

At the same time, interviews revealed that available alternative capital can go undeployed in the absence of a strong pipeline of well-matched and qualified deals. The lack of ecosystem connectivity described above is directly hindering the ability of new, innovative offerings to gain traction — even when they are desperately needed.

“Small business loans are traditionally the most difficult in the commercial lending business because they require extensive hand-holding and returns just aren’t that great.” – Lender

5. Availability of and Access to Affordable Real Estate

Priority Segment Highlight: Micro Local Services

Local services firms require diverse types of real estate, ranging from industrial properties to storefronts to offices. Local services firms providing “on-site” services (e.g. rental and leasing services and wholesale and construction services) often have significant building and site requirements and industrial space is difficult to secure in Boston. Consumer-facing local services firms, such as daycares, physicians’ offices, and beauty salons, often need commercial storefronts, which are also increasingly expensive. Local observers worry that “rising rents and taxes make it harder to prevent national and international chains from taking over all the storefronts,” particularly in Boston’s high-demand neighborhoods.⁵⁶

Three main barriers prevent small businesses in Boston from obtaining the real estate they need to thrive: availability, affordability, and awareness (i.e., limited market information about the available and appropriate spaces that do exist in Boston).

“There has been more of a shift towards the larger national businesses and they’ve created tremendous pressure for real estate... Small businesses can barely survive in the Back Bay.” – Business Service Provider

Boston had the
2nd lowest
central business district office
vacancy in 2014, and the
4th highest
class A rental rates among
large US cities

Boston ranks
4th
among large US cities in
population density

Boston is a relatively small geographic area surrounded on three sides by water. In the words of one local expert, Boston is “a very land-poor city,”⁵⁷ and the land that does exist is used intensively for residential and jobs-producing activity. Boston ranks fourth among large U.S. cities in population density and, over the last decade, added more than 60,000 jobs and 3,500 establishments to an already dense employment base.^{58,59} As a result, real estate availability is low and costs are high. In 2014, only Houston had central business district office vacancy rates as low as Boston’s and currently, only Manhattan, San Francisco, and Washington, D.C. have higher Class A rental rates.⁶⁰



Over the last decade,
Boston added over

60,000

jobs, and

3,500

establishments to an already
dense employment base

Tenant improvements present another affordability issue. Even when small businesses do successfully find affordable real estate, the space itself may be in need of major improvement. As a result, many small businesses face the choice of investing in commercial spaces they do not own (if they can even afford to do so) or accepting a site that de-motivates employees or discourages customers.

Real estate awareness is also a critical challenge. Spaces with small square footage can be extremely difficult for small business owners to find, even when they do exist. Commercial real estate brokers generally focus on large properties with longer-term leases and higher rents rather than smaller, cheaper spaces. Small commercial spaces are also underrepresented on traditional online search platforms, which offer a limited, often outdated sample of available spaces — an issue that can be particularly pronounced in low- to moderate-income areas.

The commercial real estate market is often hard to understand for small business owners, in part because there is no clear way to assess and compare all available space options. This lack of information makes real estate searches time-consuming and costly for small businesses at their most vulnerable stages. Small business owners often operate by trial and error as they attempt to search for real estate without professional help.

"I am trying to stay in Roxbury. I am a Roxbury resident and I want to support the local community but it is very challenging to find an affordable space." — Small Business Owner

"It is hard to find affordable Class C office space that is not falling apart." — Small Business Owner

Boston has only

3.6

square miles of land
zoned for industrial use

Lack of Available, Affordable Industrial Space

Industrial real estate is limited and in high-demand within Boston. The city has only 3.6 square miles of land zoned for industrial use — and this land is increasingly under pressure from non-industrial uses.⁶¹ Firms that require industrial land include process and manufacturing firms (now almost non-existent in Boston) but also many B2B firms, such as those providing shipping and warehousing services or support services like vehicle and equipment maintenance and repair. Unfortunately, businesses that are more physical than digital have been underserved by real estate market innovations, such as shared facilities and incubators, despite a dire need in the city for affordable spaces to manufacture, assemble, store, and repair goods.

"I am located in a very, very up-and-coming industrial space in an area that is on fire right now and we are worried about being a casualty of our own success." — Small Business Owner

“Boston only has a couple of dedicated areas for industrial use, and the real estate options are hard to tailor for small businesses, even when they are for sale or lease.” – Real Estate Professional

6. Existence of Industry-Specific Networks and Peer Networks

Priority Segment Highlight: Micro Restaurants and Retail

Despite strong networks in Boston’s food industry, there are not significant resources for restaurateurs or large-scale retail and restaurant industry mentorship programs. Many food entrepreneurs are demonstrating demand for increased industry support. This lack of restaurant and retail networks prevents particularly vulnerable businesses from obtaining specialized support and resources.

Access to industry networks provides important support for businesses, including help with navigating industry-specific regulations, identifying sources of capital, and obtaining introductions to potential customers and suppliers. However, industry-specific networks and peer networks are currently somewhat limited in Boston. Support is necessary to create strong formal networks in priority segments and increase network access for particular demographic groups; formal networks and cluster organizations often involve public or philanthropic support, especially in their inaugural stages.

“We need industry-specific roundtables.” – Small Business Owner

“We are not in the business of matching people to mentors who are industry-specific... we often get requests, we just can’t accommodate based on capacity.” – Business Service Provider



Initiative #11: Create on-ramps to high-growth sectors for minority and women entrepreneurs

Description Launch a new initiative to support minority tech entrepreneurs and scale existing WeBOS tech initiatives.

- Actions**
- 1.) Expand and enhance peer networks for minority and women tech entrepreneurs and develop points of access to the city's robust industry resources, along with strong mentorship and navigation support.
 - 2.) Work with anchor and private-sector partners to design outreach and investment strategies targeting M/WBE tech entrepreneurs.
 - 3.) Connect the city's high school and college STEM students to entrepreneurship resources and programs.



Priority Segment Solutions:

Local Services, Restaurant + Retail, Established Businesses

Local Services

Initiative #12: Launch an Anchor Council to increase large institutions' local spending

Description Increase large institutions' spending with the city's small businesses by sharing data and best practices, making connections, and jointly investing in supplier development and support.

- Actions**
- 1.) Convene anchor institutions to set increased goals for local purchasing and to aggregate demand across large buyers, including educational and medical institutions, major corporations, and Tier 1 suppliers.
 - 2.) Work with participating anchors to share information, gather and analyze spend and supplier data, and develop more consistent practices and access points.
 - 3.) Collaborate to provide training and technical assistance for well-matched suppliers; pilot programs for Tier 1 suppliers to mentor small businesses.
 - 4.) Link anchor institutions' procurement goals and participation in the Anchor Council to their community benefits commitments under the BRA's Institutional Master Plan (IMP) process as well as the City's PILOT program; explore creating a City of Boston "Local Purchaser" certification for anchors.

Initiative #13: Launch "B2B" (Boston-to-Boston) Network

Description Create a network and campaign to promote Boston's B2B businesses and increase local purchasing.

- Actions**
- 1.) Sponsor buyer-supplier networking and matchmaking infrastructure and events to strengthen local referral networks; explore offering buyer and supplier matching options on the new web portal to supplement in-person events.
 - 2.) Brand and promote B2B Boston in collaboration with anchors and BSOs, including chambers of commerce and industry groups.

"If the City could have a platform to bring small business owners and vendors together to create a personal relationship, that would go a long way." – Small Business Owner

Initiative #14: Create capital solutions for local services firms

Description Work with anchor institutions to pilot new financing models for local services firms.

- Actions**
- 1.) Pilot a program in which working capital loans are partially secured through anchor contracts.
 - 2.) Make a City of Boston commitment to improved payment timelines.

“Prompt payment – we’re talking 30 days – this is a major issue for many minority contractors in Boston. This can push you out of business.”
– Small Business Owner

Initiative #15: Increase availability of industrial real estate

Description Re-launch an expanded Back Streets Boston program as a hub for B2B and other businesses requiring industrial space.

- Actions**
- 1.) Evaluate and optimize industrial land use to identify under-utilized parcels and potential City-owned development opportunities.
 - 2.) Lead and support the development of new industrial real estate models, including sub-leasing and space-sharing models.
 - 3.) Direct BIDFA – the Boston Industrial Development Financing Authority – to work with Back Streets Boston to finance and incentivize industrial land optimization.
 - 4.) Incentivize activity density through City-supported subletting platforms and incentives.

“Boston only has a couple of dedicated areas for industrial use, and the real estate options are hard to tailor for small businesses, even when they are for sale or lease.” – Real Estate Professional



Restaurants and Retail

Initiative #16: Create an industry-specific mentorship network and programs for retail and restaurant businesses

Description Partner with large corporations and BSOs to increase the capacity and success rates of small retail and restaurant businesses.

Actions 1.) Create an industry mentorship program in partnership with established businesses, including large corporations.

2.) Work with BSOs to provide specialized, industry-specific technical assistance to restaurant and retail businesses; offer train-the-trainer programs and resources to BSOs, preparing them to meet the specific needs of this segment.

3.) In collaboration with the Small Business Center, develop tools for aspiring entrepreneurs to build and test their plans prior to making major investments.

“Talking to peers has been one of the most helpful resources. It would be good to connect startups and companies that are trying to position themselves for growth with other firms that have gone through similar situations to exchange ideas.” – Local Retailer



Initiative #17: Improve access to capital for micro restaurants and retailers

Description Utilize the City's capital programs and partner with capital providers to develop and deploy funds designed for restaurant and retail businesses.

- Actions**
- 1.) Identify capital providers with experience and capacity lending to retail and restaurant businesses; train additional providers to better understand and design products that meet the unique needs and challenges of these businesses.
 - 2.) Shape the City of Boston's lending capacity as well as new microlending and emerging programs with restaurants and retailers in mind; connect borrowers with targeted technical assistance and advising.

Initiative #18: Increase flexibility and availability of space

Description Pilot innovative space solutions for restaurant and retail businesses that increase access and affordability and reduce risk.

- Actions**
- 1.) Create a program to match under-utilized, ground-level commercial space and publicly-owned space with interested retail and restaurant entrepreneurs, including both traditional leases as well as "pop-ups," sub-leases, incubators, shared spaces, or other models.
 - 2.) Explore streamlined permitting, landlord incentives, and other reforms to simplify and facilitate the use of temporary spaces.

Initiative #19: Support businesses seeking to expand to new local markets

Description Provide citywide resources for small businesses seeking to expand to new neighborhoods.

- Actions**
- 1.) Partner with Main Streets and other BSOs to gather and publish data on consumer spending power, existing businesses, and market gaps for key business districts and neighborhoods; train BSOs in the particular needs of retail and restaurant entrepreneurs seeking to expand.
 - 2.) Provide direct support for businesses to evaluate new locations through the small business resource network; equip Main Streets to effectively work with one another and other BSOs to guide small businesses to experts and information in other parts of the city.

Established Businesses

Initiative #20: Provide targeted one-to-one assistance to established firms

Description Refocus existing one-to-one coaching programs and provide new services to support established firms.

Actions 1.) Focus the City's one-to-one advising and other high-intensity programs on serving high-potential, established firms.

2.) Utilize the City's capital programs, including BIDFA and BLDC, as well as partnerships with traditional and alternative capital providers to expand, publicize, and deploy capital for established businesses.

3.) Collaborate with the Office of Workforce Development to build awareness of small business hiring needs and to incorporate established businesses into existing City hiring and internship programs; include workforce and placement agencies in the small business support network and work to create clear entry points for small businesses.

4.) Leverage the B2B network to connect professional service firms in areas such as accounting and IT services with established businesses seeking to grow; explore potential matching funds or other incentives to connect professional service providers and established businesses.

"There are a lot of resources for startups but there are not a lot of support systems for businesses that are ready to take their business to the next level and scale." – Small Business Owner

"We're growing, we're trying to do the right thing, and we're trying to have a really good operation. But with that comes so many expenses." – Small Business Owner



Boston Offers Critical Lending to Minority-Owned Small Businesses

BY [OSCAR PERRY ABELLO](#) | MARCH 9, 2017



From the 2016 [Boston Small Business Plan](#) (Credit: City of Boston Mayor's Office)

Eight dollars. [That's](#) the median net worth for native-born black households in the Boston metropolitan area. Median net worth for white households in Boston is \$247,500.

The [racial wealth gap](#) is at the root of many problems in racially segregated cities, and Boston, despite huge demographic changes since 1980, remains a segregated city. In that year, the city was more than 90 percent white. By the 2010 census, that

percentage was down to 75 percent. Current available census data puts Boston at 53 percent white. And yet, white households in Boston are still most likely to be living in a neighborhood that is at least 80 percent white, [regardless of income](#).

A year ago, the city put forth the [Boston Small Business Plan](#), outlining the situation facing its small businesses. Support for minority, immigrant and women entrepreneurs was priority number one in that plan, which called out racial wealth disparity as a major factor in preventing Boston's growing percentage of households of color from earning their fair share of small business loans or revenues. Last week, Boston Mayor Marty Walsh [announced](#) the creation of a new Business Capital and Finance Unit, to "prioritize small business lending in historically underserved neighborhoods and demographics to support job creation in low-to-moderate income households and the revitalization of neighborhood commercial districts."

It takes money to make money, and the city is aiming to put some of its money where its [mouth has been regarding racial disparities](#). The loans are promised as gap financing to cover the cost of rehabbing existing buildings, new construction and expansion, purchasing equipment, and startup costs. Gap financing means the city anticipates that loans will be repaid most likely by the small business refinancing with a bank, credit union or other lender within a few years of the city making the loan. (Citing risk, banks typically don't lend to a startup that doesn't have at least two years of solid revenues, or maybe even two years of positive cash flow.)

Again, if you're a white resident of Boston, you are most likely to live among other white households whose median household wealth is nearly \$250,000. So you are likely to have friends and family that can invest in your business or give you a loan to get your business going until you reach the point where

a bank will give you a loan. If you're black, the other black households around you have a median household wealth of \$8.

With the new gap financing program, the city hopes to see a rise in the growth of businesses owned by minorities, immigrants and women in its otherwise healthy small business capital landscape. As noted in the Boston Small Business Plan, there are more than 400 existing small business capital providers in the city, including banks, credit unions, private equity and venture capital funds, accelerators, angel investors, microlenders, and CDFIs (community development financial institutions). Altogether, these institutions provided around 11,000 loans, totaling \$491 million to Boston's small business in 2014, according to figures compiled for the plan.

Citywide, there were 288 small business loans per thousand small businesses in Boston, but as the report also notes, not every neighborhood got equal treatment. Some neighborhoods saw a higher ratio of small business loans per small business than others. Aggregating some of the most diverse neighborhoods — East Boston and the West End, as well as neighborhoods in the southern two-thirds of the city, including Dorchester, Hyde Park, Longwood Medical Area, Mattapan, Mission Hill, Roslindale and Roxbury — the city found that these areas received 23 percent fewer loans than would be expected based on the number of businesses in these neighborhoods.

The city promises to target its flexible gap financing in such neighborhoods. However, the source of funding for the Business Capital and Finance Unit, is a federal Community Development Block Grant, and CDBGs could be in jeopardy.

The grants are distributed annually by the federal government to state and local governments, based on a formula that mostly reflects population, alongside other factors. The vast majority of CDBGs go toward housing, public improvements or public services. A small — and shrinking — percentage gets devoted to economic development every year: from nearly 8 percent in fiscal year 2001 to less than 5 percent, or \$112.8 million, in FY2016. Overall, CDBGs have historically been an easy target for cuts under sequestration or just general budget cutting. Annual CDBG funding peaked in 1995, at \$4.5 billion, and has gone down nearly every year since. In FY2016, annual CDBG entitlement funding was down to \$2.3 billion.

Now, though President Donald Trump has promised revitalization of U.S. cities, the Washington Post [reported](#) Wednesday that his administration is considering mostly ending CDBGs in the next federal budget.

The Equity Factor is made possible with the support of the [Surdna Foundation](#).



Oscar is editor of Next City. Before that, he was a Next City contributing writer and 2015-2016 Equitable Cities Fellow. Since 2011, Oscar has covered community development finance, community banking, impact investing, equitable and inclusive economies, affordable housing, fair housing and more for media outlets such as Shelterforce, B Magazine, Impact Alpha, and Fast Company.

SUMMARY OF COMMERCIAL AFFORDABILITY ADVISORY COMMITTEE RECOMMENDATIONS

Seattle's rapid growth has caused significant commercial affordability challenges for small businesses:

Price Space is becoming more expensive

Availability Space is harder to find, particularly in appropriate sizes for small businesses

Construction The amount of new construction is impacting small storefront business

Financing Small businesses have difficulty accessing lending capital

Resources Small businesses are disproportionately affected by knowledge or skills gaps, primarily due to lack of resources

Permitting Lapses in the permitting and design review processes place undue burdens on small businesses

To address these challenges, Mayor Ed Murray assembled the Commercial Affordability Advisory Committee in April 2016. The committee has set forth its recommendations, which are intended to:

Strengthen and **reduce** displacement of existing and legacy small businesses

Activate the ground-level public realm of Seattle's pedestrian-oriented neighborhoods

Enable space for business incubation, including light craft manufacturing

Increase the overall economic and cultural vitality of our neighborhoods

Make it more **viable** for emerging businesses, artists and organizations to **thrive**

Committee's recommended immediate solutions:

Explore a new entity focused on commercial affordability. This entity would provide support services for small businesses and small-scale building owners, including technical assistance, help navigating real estate issues and City processes, support from non-public funding resources, activation of public agency-owned property, and coordinated advocacy.

Institute new financial incentives. Advocate for legislative changes that would make it advantageous (via property tax exemptions and property tax assessments tied to building income) for property owners to support local small businesses. Stimulate a non-City fund that would provide alternative financing options for both small businesses and small property owners.

Make changes to public policy. Specifically, focus on the sale/lease of public property; affordable commercial space within mixed-use housing developments, public spaces or transit oriented properties; zoning that encourages small-scale commercial pockets in residential areas; and policies that promote healthy mix of local, small businesses and chain/big box retail tenancy.

Improve the permitting process. Reduce permitting requirements for qualifying "light-impact" small business projects, strengthen design guidelines that favor small business and retail spaces, and enable greater neighborhood input on tenant selection.

Expand technical assistance programs. Increase or supplement the Office of Economic Development's existing small business resources to include a third-party commercial affordability consulting team, coordinated and diversified outreach (more languages and formats), and an online "Marketplace Exchange" for the small business and property owner community.

Through these recommendations, the City is working to create an equitable sense of place that honors both Seattle's history and its future. These recommendations speak to our values as a city: equity, inclusion and economic development that benefit all.*

SUMMARY OF COMMERCIAL AFFORDABILITY ADVISORY COMMITTEE RECOMMENDATIONS

Based on the Commercial Affordability Advisory Committee's recommendations, Mayor Ed Murray will implement the following initiatives:

King Street Station Activation. The City will transform the second floor and plaza space of King Street Station into affordable food and retail space that will serve as an attractive gathering place for neighboring residents, workers, and travelers.

Funding: \$360,000 in federal Community Development Block Grant (CDBG) funds for the renovation of tenant spaces, plus possible matching funds from other sources (e.g. federal grants, foundations).

Commercial Affordability Consulting Team. The City will create a commercial affordability consulting team to assist small businesses and small-scale property owners with a broad range of real estate and business expertise (e.g. design of tenant spaces, feasibility analysis in renovating buildings, business plan development).

Funding: at least \$65,000 annually in CDBG funds.

Financial Support for Microbusinesses. The City will assist low- and moderate-income owned micro-businesses (i.e., five or fewer employees) to overcome a critical obstacle to growth: low-cost capital. The City will partner with a nonprofit lender, Mercy Corps NW, in providing Individual Development Accounts (IDAs) and 0% interest loans.

Funding: \$122,000 annually in CDBG funds for the IDA and 0% interest loan products.

Additionally, Mayor Murray directs his Office of Economic Development to work with small businesses, business districts, developers and other stakeholders to explore the implementation of the Commercial Affordability Advisory Committee's above recommendations.

*For details on these recommendations, recommended long term solutions and other considerations, visit seattle.gov/commercialaffordability.