## LOCAL POLICY ACTION TOOLKIT

HOW TO ENGAGE WITH YOUR LOCAL ELECTED OFFICIALS

A GUIDE FOR INDEPENDENT BUSINESSES



# About This Toolkit



#### This toolkit has several parts:

- This first section offers tips for independent business owners on how to engage with city officials and persuade them to adopt policies to strengthen and grow local businesses.
- The remainder of the toolkit consists of a two-part guide that you can share with your city officials: Local Policy Matters: How to Grow Independent Businesses In Your City. The first part of the guide gives an overview of why local, independent businesses matter to a city's well-being and vitality. The second part outlines nine policies that local governments can implement to support independent businesses. You are encouraged to share these materials and your unique perspective in meetings with your public officials.

This toolkit was created for the Advocates for Independent Business by the Institute for Local Self-Reliance.

## Why talk policy with your local officials?

Engaging with local elected officials may seem to fall outside the day-to-day needs and demands of running your business, but doing so can have a big impact on the public policies that shape your local economy and help determine whether independent businesses like yours succeed. There are at least four reasons to make engaging with local elected officials a priority:

- The playing field isn't level. Over the last 20 years, the number of local businesses has declined and the rate of new startups has slowed. However, these trends are not inevitable. Public policy plays a significant role in creating incentives and conditions that favor large corporations and make it harder for independent businesses to succeed. As a growing number of cities are demonstrating, putting the right policies in place can address these systemic issues and give local businesses a fair chance to compete.
- Independent businesses have a powerful voice. Local business owners have an especially influential voice in the policy arena, when they choose to use it. By engaging with your elected leaders you can help them see why independent businesses matter, and how supporting local



entrepreneurs can help city leaders achieve many of their top goals, from creating jobs and reducing inequality, to building stronger neighborhoods.

- Make sure your concerns stay top-of-mind. Your mayor, city council, planning board, and economic development officials routinely make policy decisions that impact local businesses, from zoning rules, to local taxes, to the services those taxes support. Connecting with your representatives gives you an opportunity to tell your story, share contributions your business makes to the community, raise awareness about the challenges independents face, and build relationships that can be instrumental in ensuring that your needs and concerns are on their minds.
- Add your city to the growing list of places that are putting independent businesses first. As you'll see in the Local Policy Matters guide that follows, some cities and towns are doing more than leveling the playing field; they are leading the way with effective policies that actively support new and growing locally owned businesses. Some are making local businesses the core focus of their economic development strategies, and they're seeing results.



## How to get your local officials to care.

- Share concrete details from your business and neighboring businesses to illustrate the stakes. Stories stick with people. Sharing particular issues and challenges both you and other businesses face can leave a powerful impression.
- Show how the well-being of independent businesses impacts bigger issues. Use the Why Care About Independent Locally Owned Businesses? fact sheet in this guide to show how growing independent businesses can help your elected officials achieve their broader goals for the community.
- Show how other cities are leading the way, and seeing
  results. Your officials will want to take the lead—not be left
  behind. This guide provides concrete examples of what cities
  can achieve.

# Ready to connect with your officials? Here are some ways to do so.

- Ask for a meeting with your officials and/or their staff.
- Invite your officials to visit your business.
- Attend a community meeting or town hall where your officials will be present.
- Attend a campaign event, candidate forum, or debate.

## Tips for getting the most out of a meeting.

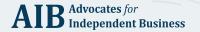
- Bring other independent business owners along. Hearing from different voices can strengthen your case and demonstrate broad community support.
- Be respectful and friendly, and aim to establish a rapport with the official the way you would with a customer–learn what you can about what issues your official cares most about to help frame the conversation.
- Focus on providing information and sharing your story, rather than arguing a position. Remember that you have information a local official may not have considered before.
   Calmly stated facts and real-life examples often have more impact than pointedly stated opinions.
- Listen carefully. Take notes, especially about any next steps that are discussed.
- Make your "ask." That is, don't conclude without asking directly for the policy support and next steps you seek, and be sure to reiterate these next steps at the end of the conversation.
- Leave behind a short handout that summarizes your issue and ask—such as one of the pages of the following "Local Policy Matters" guide.
- Thank the person for his or her time and attention to the issues you discussed, and send a follow-up note after you meet reiterating your thanks, key points, and next steps, with any handouts you'd shared included in electronic form.

#### What's in the guide that follows:

The attached policy guide features materials that you can share with your elected officials, either at your next meeting or by email:

- Why Care about Independent, Locally Owned Businesses? 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 and building resilient places. This two-page handout details the evidence.
- 9 Policies Your City Can Adopt to Grow Independent Businesses Here we outline common challenges that impede independent businesses and new entrepreneurs, and we offer a corresponding set of proven policy solutions that cities can enact to address those challenges.

Remember, above all, meeting with your local officials helps build the mindset that independent businesses matter. The more public officials hear from you and other local businesses, the more your perspective will be represented in their decision-making



# LOCAL POLICY MATTERS

HOW TO GROW

INDEPENDENT BUSINESSES

IN YOUR CITY

A GUIDE FOR CITY OFFICIALS



#### How to Grow Independent Businesses In Your City

A GUIDE FOR CITY OFFICIALS



Locally owned businesses play a central role in healthy communities. They're engines of opportunity, creating jobs and providing pathways to the middle class for local residents.

Yet in recent decades, the number of local businesses has declined in many communities, and research shows that the rate of new business startups has also slowed significantly across the U.S. One reason is that local entrepreneurs can face obstacles that hinder their success. In many cases, public policy has created incentives and conditions that favor large corporations and make it harder for independent businesses to compete.

The good news is that local governments have the power to address these obstacles and ensure that local businesses can compete and grow. As you'll see in this guide, some cities and towns are doing more than just leveling the playing field; they are leading the way with policies that actively support new and growing locally owned businesses. These cities are making local entrepreneurs the focus of their economic development strategies, and they're seeing results.

This guide can help you do more to support independent business in your community. In the following pages, you will find compelling evidence of why local, independent businesses matter and a range of policy ideas you can enact to strengthen and grow independent businesses. Taking action to support local entrepreneurs is a proven way to make your community more prosperous, equitable, and dynamic.









#### What's In This Guide

### Why Care About Independent, Locally Owned Businesses?.....4

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 and building resilient places. This two-page handout details the evidence.



Independent entrepreneurs and small businesses often face barriers that hinder their growth. Here we outline nine policy approaches you can support to address these barriers, and we include examples from cities across the U.S. that have already taken action. On the following pages, you'll see a detailed overview and examples of each of the following policies:



#### Prioritize local businesses in city purchasing.

By buying goods and services from local independent businesses, city governments can keep economic activity, employment, and tax revenue local. (page 6)



#### Decrease red tape for small business. Making

it easier for small business owners and new start-ups to navigate permitting and other processes means they have more time and resources to invest back into their businesses and the community. (page 7)



#### **Create a built environment that supports**

**local businesses.** Communities that maintain varied and walkable environments with diverse building types have a proven track record of creating more local small businesses. (page 8)



#### Get rising commercial rents under control.

Keeping commercial rents affordable will broaden the number of local businesses that take root and succeed, and it will also prevent the displacement of businesses that meet the daily needs of the neighborhood. (page 9)



#### **Keep the retail mix balanced.** Business districts thrive with variety. Setting limits on the

districts thrive with variety. Setting limits on the number of chain or "formula" stores keeps a healthy balance and ensures room for a diversity of local businesses to succeed. (page 10)



#### Help local entrepreneurs turn vacant buildings into new businesses.

Creating adaptive reuse programs supports independent businesses' needs for diverse spaces and helps communities use their existing building stock to its full potential. (page 11)



#### Ensure new development has space that's suitable for local businesses.

Zoning requirements on new development that reserve or "set aside" space for local businesses can ensure new buildings provide space that's suitable for small businesses and entrepreneurs just getting started. (page 12)



#### Reorient economic development programs.

By tightening subsidy and incentive programs that go disproportionately to big business, local governments can get a bigger return by instead making investments in broad public goods that benefit all local employers. (page 13)



#### Expand local businesses' access to capital.

By educating entrepreneurs about local lenders and supporting local banking and credit union institutions, communities can help ensure that local businesses secure the financing they need to succeed. (page 14)

Putting the right policies in place can give local businesses a fair chance to compete and thrive. Keep reading to learn why and how to support independent businesses in your community.













# Why Care about Independent, Locally Owned Businesses?

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 and building resilient places. Small business ownership has been a pathway to the middle class for generations of Americans and continues to be a crucial tool for expanding prosperity and community self-determination. Here, we outline five important reasons for local officials to support independent businesses, based on a growing body of research.

#### 1 | Local small businesses are linked to higher incomes and less inequality.

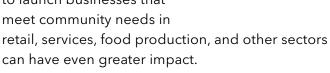
Enacting policies that strengthen small businesses and expand opportunities for local entrepreneurs is one of the most effective ways of reducing inequality and expanding the middle class.

In 2013, for example, an economist at the Federal Reserve Bank of Atlanta found that counties with larger shares of local small businesses outperform their peers on three critical economic indicators: they have stronger per capita income growth, faster employment growth, and lower poverty rates. Using two decades of data from a number of countries, another study found that areas with more small and mid-size businesses had lower levels of income inequality.

## 2 | Entrepreneurship fuels job creation.

Across the country, the rate of new business formation has fallen sharply over the last 20 years, contributing to sluggish job growth and wage stagnation. "New businesses account for nearly all net new job creation," concludes aKauffman Foundation research brief.<sup>3</sup>

Cities that achieve higher rates of entrepreneurship and new business creation than the national average are better off. They generate more jobs, which in turn lifts wages. While cities may be tempted to focus only on tech startups, expanding opportunities for residents to launch businesses that meet community needs in



## 3 | Independent businesses generate more tax revenue at lower public cost.

Locally owned businesses in dense, mixed-use commercial districts generate more tax revenue for cities than sprawling shopping centers, while also costing less in public services.

An analysis from the *Government Finance Review*, drawing on data from a sample of 30 cities in 10 states, found that a community earns about \$7 in property taxes per acre on the average big-box retail



store, compared to \$287 per acre on a mixed-use, mid-rise business district.<sup>4</sup> The compact nature of these districts also means they make more efficient use of public infrastructure and services.



## 4 | Local businesses foster community cohesion and well-being.

The social fabric of a community is tightly coupled with the health of its independent businesses. Research has shown that communities with a larger share of local businesses have more social capital, stronger social ties, higher levels of civic engagement, and better success solving problems.

A 2011 study from the *Cambridge Journal of Regions, Economy, and Society*, for example, found that areas with a greater concentration of small businesses, all else being equal, have improved public health outcomes than those with fewer small businesses.<sup>5</sup> The authors speculate that local ownership of business enhances a community's capacity to solve problems. Other research has found the presence of independent retailers helps communities retain their residents, especially those with college degrees.<sup>6</sup>

Taken together, these studies show that cultivating a vibrant independent business sector not only strengthens the economy; doing so can advance social goals as well.

# 5 | Community-scaled businesses reduce pollution and improve environmental sustainability.

Independent businesses help to sustain compact downtown and neighborhood commercial districts, which curb sprawl and automobile use, and enable residents to fulfill more of their daily needs close to home.

Several studies have found that people who live near small stores walk more for errands and, when they do drive, their trips are shorter. That's not all: small retailers also influence how likely people are to take public transit. A study of 3,200 households in King County, Wash. (the Seattle area), for example, found that residents of neighborhoods with the most local businesses logged 26 percent fewer automobile miles than people living in areas with few neighborhood stores, and they were significantly more likely to take public transit to work.<sup>7</sup>

By supporting local retailers, local officials can create a healthier, more sustainable community.

Find more details about the studies mentioned here, and others, by going to the Institute for Local Self Reliance's resource page on "Key Studies: Why Local Matters": www.ilsr.org/key-studies-why-local-matters

SOURCES: 1. "Locally Owned: Do Local Business Ownership and Size Matter for Local Economic Well-being?" Anil Rupasingha, Federal Reserve Bank of Atlanta. 2013. • 2. "Wage Inequality and Firm Growth," Holger M. Mueller et al., LIS Working Paper, 2015. • 3. "The Importance of Young Firms for Economic Growth," Jason Wiens & Chris Jackson, Entrepreneurship Policy Digest, Kauffman Foundation, 2015. • 4. "Thinking Differently About Development." Joe Minicozzi, Government Finance Review, 2013. • 5. "The Health and Wealth of US Counties: How the Small Business Environment Impacts Alternative Measures of Development," Troy C. Blanchard, et al., Cambridge Journal of Regions, Economy, and Society, 2011. • 6. "Socially Responsible Processes of Small Family Business Owners: Exploratory Evidence from the National Family Business Survey," Margaret A. Fitzgerald, et al., Journal of Small Business Management, 2010. • 7. "A Study of Land Use, Transportation, Air Quality, and Health in King County, WA," Lawrence Frank and Company, The Neighborhood Quality of Life Study, Center for Clean Air Policy, GeoStats, & McCann Consulting, 2005; "Neighborhood stores: An overlooked strategy for fighting global warming" Stacy Mitchell, Grist, 2009.











#### 9 Policies Your City Can Adopt to Grow Independent Businesses

#### ACTION

# Prioritize local businesses in city purchasing.



#### **PROBLEM**

When local businesses are overlooked in city purchasing and procurement contracts, local economies lose valuable spending that could support local jobs. Studies show that when governments purchase goods and services from local independent businesses, a positive feedback loop results, increasing economic activity, employment, and tax revenue in the community. For example, researchers from Civic Economics looking at the impact of office supply procurement in Arizona, estimated that a one-year, \$5 million office supply contract by the City of Phoenix with a locally owned company would recirculate \$1 million in the area economy, compared with just \$580,000, if the contract were made with a national chain.

#### SOLUTION

Use the powerful tool of city spending to foster economic development by sourcing products and services locally. For example, the city of **Phoenix, Ariz.**, created a database of small, local vendors as part of its Local Small Business Enterprise Program and over the

course of two years increased its spending with these businesses by more than \$2 million. This, in turn, has opened the door for larger, locally owned businesses to secure contracts with the city, as well.

Another example is **Cleveland, Ohio**. Through a number of procurement policies and programs, the share of the city's annual \$147 million procurement budget being contracted to local and small, or local and minority- or female-owned businesses, has increased to 39 percent. By adopting procurement policies that prioritize locally owned businesses, including clear definitions and criteria, and requiring tracking and reporting, city purchasing can strengthen the local economy.

#### **WANT TO LEARN MORE?**













### 2

#### 9 Policies Your City Can Adopt to Grow Independent Businesses

#### ACTION

# Decrease red tape for small business.



#### **PROBLEM**

Faced with a complex landscape of city regulations, licensing, and permitting processes, small businesses owners and new start-ups can struggle to navigate government bureaucracy and may not be connected to city staff to turn to for help.

SOLUTION

Create a small business navigator office or role within city government that makes it easier for independent businesses to form and prosper. In **Minneapolis**, after independent businesses asked for support in navigating the city's rules and regulations, the city created a Small Business Team that connects entrepreneurs to key city department staff or "navigators" and provides businesses with tools such as the recently launched Minneapolis Business Portal, an accessible online platform and one-stop shop with road maps, checklists, and other resources to help both new and existing local businesses better understand the city's regulatory process.

With policies that reduce red tape and improve coordination with city government, local entrepreneurs can reinvest time and resources they would have otherwise spent back into growing their businesses.

#### **WANT TO LEARN MORE?**











#### 9 Policies Your City Can Adopt to Grow Independent Businesses

#### ACTION

# Create a built environment that supports local businesses.

#### **PROBLEM**

It's tough for an independent business to succeed if it's forced to find space in an environment that's designed for chain stores. Through their planning and zoning policies, cities have a great deal of capacity to shape the location, layout, and connectedness of commercial space, and they can use it in ways that support independent businesses.

#### SOLUTION

Independent businesses tend to do well in the type of varied and walkable environment that characterizes city downtowns, neighborhood business districts, and and small town Main Streets. These environments include residential and office spaces alongside shopping and dining, feature a mix of building types and ages, and contain a number of smaller-sized storefronts. Research from the National Trust for Historic Preservation and Preservation Green Lab has shown that neighborhoods with this type of building mix perform more strongly across 40 measures of economic, social, and cultural activity, including the proportion of new businesses.

In order to achieve this, cities should prioritize historic preservation; use zoning to require that new development be mixed-use and multi-story;



incentivize infill development over outward sprawl; and invest in infrastructure that makes it safe and accessible to walk, bike, and take transit between businesses.

Cities should also preserve and increase the supply of smaller spaces, which are generally well suited to independent businesses, by instituting store size caps, requiring a diversity of square footages in commercial spaces, and preventing the consolidation of smaller commercial spaces into larger ones. In the **Upper West Side neighborhood of New York City**, for instance, after an influx of bank branches and other national chains combined several storefronts into larger spaces, a zoning change capped bank storefronts at 25 feet in length along certain corridors, and other business storefronts at 40 feet.

A built environment that's hospitable to independent businesses also includes set-asides for local businesses in new development and adaptive reuse programs, as outlined in other places in this guide.

#### **WANT TO LEARN MORE?**



#### 9 Policies Your City Can Adopt to Grow Independent Businesses



#### ACTION

# Get rising commercial rents under control.



#### **PROBLEM**

In many cities, commercial rents are rising and becoming increasingly unaffordable. From 2015 to 2016, for instance, retail lease rates jumped 26 percent in Charleston, S.C., 19 percent in Nashville, Tenn., and 12 percent in Milwaukee. The numbers are even higher in the types of walkable, mixed-use neighborhoods where locally owned businesses thrive. The sharp increase in rents is impacting both affluent and low-income neighborhoods. It's also displacing long-time businesses and creating barriers to entrepreneurship.

#### SOLUTION

One way cities can help ensure stable occupancy costs is by developing programs aimed at broadening the number of independent businesses that own their location. Cities that have small business lending programs should consider expanding them and making a down payment on a commercial space an eligible use. Cities can also incentivize the creation of commercial condominiums, which allow businesses to buy their spaces even when they're in larger buildings.

Some cities are also considering policy tools to give commercial tenants more basic rights and protections in the lease renewal process, and help reduce the power imbalance in landlord-tenant negotiations. One idea in this vein is a proposal in **New York City** that would offer a property tax incentive to landlords that rent to locally owned businesses and agree to certain terms regarding both the length of the lease and the rate of annual rent increases.

Additional policies referenced in this guide will also offer indirect checks on the forces that are driving up rents, which include a declining supply of small commercial spaces, chain store proliferation, and a lack of space for local businesses in new development.

#### **WANT TO LEARN MORE?**













#### 9 Policies Your City Can Adopt to Grow Independent Businesses



#### ACTION

# Keep the retail mix balanced.

#### **PROBLEM**

National brands are increasingly seeking out locations in downtown and neighborhood business districts that have long been home to distinct local businesses. External factors, including the financing for commercial property, can lead landlords to favor chains for these spaces. But as chains proliferate, they can disrupt a healthy retail mix by crowding out local businesses, including those, such as grocers and hardware stores, that make neighborhoods lively by serving the everyday needs of residents. For cities, the proliferation of chains can pose another risk too: as online shopping grows, the business districts that succeed in the future will be those that offer unique businesses and experiences that can't be had elsewhere.

#### SOLUTION

Some cities are taking steps to maintain a healthy, balanced retail ecosystem and ensure that their commercial districts continue to provide ample space for local entrepreneurs and diverse businesses. They are adopting policies citywide or in specific areas that limit "formula" businesses, capping the total number of chain stores, requiring they meet certain conditions, or prohibiting them outright.

For example, **San Francisco** requires special approval from its planning commission for any new formula businesses in the city's neighborhood business districts. The commission weighs criteria such as the

existing concentration of formula businesses and compatibility with the character of the neighborhood. These policies, strengthened over time, have had



demonstrable results for the city's independent business community and local economy: San Francisco supports twice as many independent bookstores per capita than New York City, and has more than 80 local hardware stores and 50 locally owned, full-service grocery stores.

In **Jersey City, N.J.**, a formula business ordinance, passed in 2015, limits chain retailers, restaurants, bars, and banks, to a maximum of 30 percent of ground floor commercial area on any single lot downtown to ensure existing local businesses don't get pushed out by national chains.

These two cities, and many other communities both large and small throughout the U.S. – from Washington and Idaho, to Texas and Maine – have successfully implemented formula business restrictions that align with their economic development and comprehensive planning goals.

#### **WANT TO LEARN MORE?**



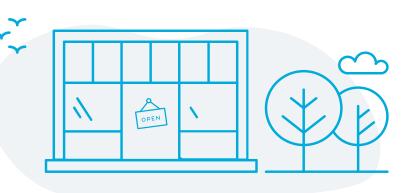


#### 9 Policies Your City Can Adopt to Grow Independent Businesses



#### ACTION

# Help local entrepreneurs turn vacant buildings into new businesses.



#### **PROBLEM**

Many cities have older commercial buildings that are sitting vacant. These might include historic warehouses and other industrial structures, or downtown buildings that once formed a busy shopping district but are now under-utilized or empty. These spaces often have great potential to become thriving local business districts, but they can take a lot of time, work, and capital to bring up to code. This is a difficult feat for small businesses to achieve on their own, especially if the other buildings and spaces in the district are not being restored at the same time.

#### SOLUTION

Cities can make it easier for local entrepreneurs to preserve and adapt historic buildings. One example is the Adaptive Reuse Program in **Phoenix**, **Ariz.**, which supports local entrepreneurs turning vacant, historic buildings of diverse sizes (including those under 5,000 square feet, appropriate for many small entrepreneurs) into new businesses through zoning changes and such incentives as permit-fee waivers and faster timelines

for eligible projects. According to the city, more than 90 new businesses have started in previously vacant spaces, since the program launched.

Another example comes from **Anchorage**, **Alaska**, where a local land trust works with entrepreneurs, independent businesses, and the city to repurpose derelict commercial properties. Its programs have renovated 10 properties, placing more than 24 commercial tenants in these spaces, and improved more than 10 facades of eligible commercial buildings. Programs like these ensure cities maintain a dense, diverse building stock and create distinct character that can foster more start-ups and small business development.

#### **WANT TO LEARN MORE?**

Find more Information about this approach, including policy language and examples of cities that have enacted this policy, in the Institute for Local Self-Reliance's Guide to Policy Tools that Strengthen Independent Businesses: <a href="https://www.ilsr.org/independent-business-policy-library">www.ilsr.org/independent-business-policy-library</a>













#### 9 Policies Your City Can Adopt to Grow Independent Businesses



#### ACTION

# Ensure new development has space that's suitable for local businesses.

#### **PROBLEM**

There's a bias toward large spaces in new construction – where development is often geared toward or streamlined for chain stores. Building out a single space and securing a single ground-floor tenant can make a project easier for developers, and real estate financing favors projects with a large national tenant attached. This distorts the market for local businesses, which tend to do well in smaller spaces.

#### SOLUTION

Set-asides that require portions of new development to be reserved or "set aside" for local businesses is a promising zoning strategy that can ensure physical spaces more suitable to small, independent businesses than large, national chains. Cities can do this by requiring that a portion of commercial space in new developments be small, be commercial condominiums, or be leased to locally owned businesses. In **Boulder, Colo.**, for example, a recent Request for Proposals called for the sustainable redevelopment of a city-owned 11-acre site that would include not only affordable housing and access to transit, but also 21,000 square feet of affordable commercial space to support local businesses and organizations.

Another example is a new, multiuse development in **Portland, Ore.** The city required that half of the project's 38,000 square feet of ground floor commercial space and half of its 30,000 square feet of office and event space



be reserved for local businesses through the city's Affordable Commercial Tenanting Program. As a way to advance the city's goals to "preserve the vitality of small businesses" and "build an equitable economy," this unique program offers rents 10 percent below market-rate to qualifying businesses, prioritizing those that are local, meet neighborhood needs, and are led by owners from groups underrepresented in the city's business community.

In order to increase the supply of appropriately sized space available to local business in the long-term, local policies can go even further than the occasional set-aside in a single redevelopment site or plan. Municipalities can implement programs and enforce policies that automatically include set-asides in all new commercial development or redevelopment, or for those located in certain districts, while tailoring set-asides to assist businesses of different sizes that cater to the diverse needs of the local community.

#### **WANT TO LEARN MORE?**













#### 9 Policies Your City Can Adopt to Grow Independent Businesses



#### ACTION

# Reorient economic development programs.



#### **PROBLEM**

Economic development incentive programs overwhelmingly favor major corporate actors. A study of subsidies awarded through economic development programs in 14 states, published by Good Jobs First in 2015, found that, of a \$3.2 billion total pot, 90 percent went to large firms. These subsidies create unfair advantages for large players at the expense of small businesses, and research shows these deals often fail to deliver the promised economic benefits. An analysis by the East-West Gateway Council of Governments, published in 2011, for example, found that over a 20year period, cities in the metropolitan St. Louis region diverted more than \$5.8 billion in public dollars to subsidize private development, with over 80 percent of the dollars going to big companies. And yet, because of the negative impact these projects had on small businesses, the region experienced virtually no net job growth.

#### SOLUTION

Cities should tighten the rules that govern incentive programs to protect tax revenue and ensure that subsidies are used only when they are truly warranted and when the economic benefits are substantial and well-documented. Instead of giving public dollars to big businesses, cities can redirect these resources to invest in broad public goods, such as transportation and education, that benefit all employers, and in carefully targeted programs that support local entrepreneurship.

Some cities, including **Grand Rapids, Mich.**, and **Portland, Ore.**, have made growing locally owned businesses the central focus of their economic development programs. In Portland, for example, the city has several initiatives to accelerate the growth of small businesses, with a particular focus on those that are minority- and women-owned. These include technical assistance, training, and financing programs, all of which are housed within Prosper Portland, the city's economic development agency.

#### **WANT TO LEARN MORE?**













#### 9 Policies Your City Can Adopt to Grow Independent Businesses



#### ACTION

# Expand local businesses' access to capital.

#### **PROBLEM**

A major impediment for new and growing local businesses is insufficient capital, which has become more pronounced as small business find it harder to obtain bank loans. A 2016 Advocates for Independent Business survey of more than 3,000 independent businesses found that, of those that applied for a loan to grow, one in three failed to secure one. That figure was a troubling 54 percent among minority-owned businesses and 41 percent among young firms, whose expansion has historically been an important source of job growth. Federal data, analyzed in the Institute for Local Self-Reliance report "Understanding the Small Business Credit Crunch," further illustrate the problem: Between 2000 and 2012, bank lending to large businesses rose 36 percent, while small business loan volume fell 14 percent and "micro" business loans - those under \$100,000 - dropped 33 percent.

A primary cause of this decline has to do with shifts in the banking industry. Local community banks are particularly well-suited to serving small business borrowers, and these institutions supply a majority of small business loans. But, as the banking industry has become more consolidated, and the number of community banks has fallen, so too has lending to small businesses.

#### SOLUTION

One way cities can address this issue is by educating entrepreneurs. Prospective business borrowers should know about locally owned banks and credit unions in their



region and be aware that these institutions are often a better bet. **Philadelphia** has gone further: Through its Capital Consortium, the city has established a onestop, single-application portal for local entrepreneurs seeking loans, connected to dozens of local banks, credit unions, and non-profit lenders.

Another step cities can take is to strengthen and expand their local community banks and credit unions. One way to do this can be found in **Oakland, Calif.**, **Santa Fe, N.M.**, and other cities, which are exploring setting up a public partnership bank, modeled on the long-standing and successful state-owned Bank of North Dakota. This model involves a city- or state-owned bank that partners with local banks to expand their lending capacity. In North Dakota, the results include more community banks per capita than any other state and an annual volume of small business lending that is four times the national average.

#### **WANT TO LEARN MORE?**











