

TEN LESSONS ON CATALYZING ENTREPRENEURSHIP AND INNOVATION

How Planners Can Support Business Development in the New Economy

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Figure 1 -Biotech Place is a rehabilitated tobacco warehouse in Downtown Winston-Salem that has been redeveloped into laboratories and event space as part of the Wake Forest Innovation Quarter. Photo Credit APA-NC.

As communities re-tool their economic development strategies in the wake of the Great Recession, catalyzing innovation is all the rage, but promoting entrepreneurship may be more impactful.¹ From business incubators to maker spaces to innovation districts, local governments are discovering new opportunities to support business development in the New Economy. Professional planners have an important role to play in helping communities understand the benefits of these activities and which ones hold the greatest economic development potential for their jurisdictions.

Entrepreneurship is the act of building a new business, while innovation is the creation, transfer, and commercialization of new and improved technologies. Entrepreneurship can be a potent force in growing the local economy, as evidenced by the fact that nearly two-thirds of new private-sector jobs in the U.S. are created by small businesses according to the Small Business Administration.² At the same time, in a fast-paced, global economy, innovation is often touted as a key to staying ahead of the competition. Local governments sometimes respond by helping fuel start-ups that demonstrate high growth potential.

Yet, different kinds of government involvement are possible at different community scales. And not all communities may be able to create a full-fledged innovation "ecosystem" with the components and size needed to make investing in high-growth and often highly speculative start-ups a productive enterprise. This article describes ten things that planners can do to support entrepreneurship and innovation in a customized way, and in so doing, position their community for greater success in the New Economy.

What Planners Can Do

Planners can start by learning what entrepreneurs need to launch and grow a business, and how those needs intersect with common planning practice. Four key areas of intersection include space, infrastructure, networking, and talent. The ability for start-ups to access these needs in an efficient and affordable way can fundamentally impact their survival.

Space: One of the first questions an entrepreneur asks is "Where am I going to work?" Finding an affordable and productive work space is an essential consideration in getting a business off the ground. Options exist along a continuum ranging from a home office located in a single residence, to an innovation district that stretches across many city blocks. Businesses need different kinds of space at different stages in their development, so the key is to ensure a range of affordable space options to help keep them in the community as they grow.

I Streamline home occupancy regulations: More than fifty percent of small businesses are home-based.³ Local zoning regulations regarding home occupancy affect the ease with which businesses can operate out of a home. Zoning rules often require that the business owner live in

the home, and they frequently cap the percentage of space in the home that can be used for the business. In addition, zoning regulations often limit the number of outside employees who can work there, and control things such as business signage and the extent to which outside clients can visit the home. Technology start-ups tend to have less client traffic than other kinds of home-based businesses, such as hair stylists and massage therapists. Limiting requirements to those that truly manage significant impacts on neighbors can help businesses tap this low-cost work environment in a community-compatible way.

2 Encourage co-working: Many entrepreneurs prefer to leave their residence and work off-site. One option that is increasingly available is co-working space that provides the energy and feel of an office at a lower cost with more flexible rental terms. The number of co-working spaces worldwide has grown about thirty-six percent in the last year, with more than half a million workers across the globe now using this kind of facility.⁴ Co-working spaces often provide a variety of work environments, including unreserved open desk space, similar to tables in a library; reserved desk space, where workers can leave personal items and always access the same work spot; and small offices for businesses that have small teams of employees. Phone rooms, shared conference rooms, common lunch areas, wifi, and free coffee are frequently offered for facility users.

Business incubators take this to the next level, augmenting co-working space with programming, such as outside speakers and social events; access

to mentors, who can offer business coaching; and access to potential investors, some of whom may choose to rent space in the same facility in order to be close to prospective client companies.

Access to co-working and incubator space benefits entrepreneurs, as highlighted by the experience in downtown Durham, North Carolina. Before the advent of co-working spaces in downtown, entrepreneurs could only rent a relatively big office with a minimum seven-year lease that often cost more than they could afford. Now, space can be rented in these new facilities on a month-to-month basis at rates as much as forty five percent below the market rate for conventional office space.⁵ If the private sector is not providing sufficient co-working space or business incubators, planners and economic developers can potentially collaborate with universities or other institutional partners to support them, such as UNC Charlotte with its new PORTAL business hub, or even subsidize such spaces themselves, like the City of Durham did with office space downtown during the Recession.

3 Understand innovation districts: Another strategy that is gaining popularity is the creation of innovation districts. In contrast to traditional science parks, innovation districts cluster firms together with catalytic institutions such as universities and research hospitals in a mixed-use environment that provides more opportunities for workers to interact informally and synthesize new ideas.

The key to maximizing the benefits from innovation districts is being able to create a functioning “innovation ecosystem”, which Bruce Katz and Julie Wagner define as “a synergistic relationship between people, firms, and place (the physical geography of the district) that facilitates

idea generation and accelerates commercialization.”⁶ Creating a physical district with a sufficient number and diversity of participants to generate a functioning innovation ecosystem is not a simple task, however, and may be difficult for smaller communities with fewer start-ups and institutional assets.⁷ Drucker and Kass (2015) also note that innovation districts constitute a long-term strategy that can take decades to mature into a significant contributor to regional economic activity.⁸

As a result of these considerations, this strategy is more applicable to larger communities in the top 100 metro areas across the United States.⁹ This strategy may be accessible to smaller regions if they have significant institutional assets such as universities or hospitals. For example, Wake Forest Medical Center has been the driving force in the development of the Innovation Quarter in downtown Winston-Salem, North Carolina.

Infrastructure: In addition to space, start-ups also need community infrastructure to operate efficiently. In the New Economy, connection is the key, and two types of infrastructure in particular can help support a strong business environment—transportation facilities and telecommunications infrastructure.

4 Work to create transportation options: By investing in a varied transportation infrastructure, one that provides multiple options including not only roads, but also transit, pedestrian, and bicycle facilities, planners can help give workers more affordable choices for how to access job sites and other local destinations. Strong regional collaboration can help extend these benefits across the larger region. This work is complicated and expensive, requiring constant attention and extensive cross-jurisdictional collaboration to

maximize the benefits of available funding, but brings the benefit of providing better service to existing constituents as well as supporting new businesses. A great example of how to link this work to business development is Asheville’s River Arts District Transportation Improvement Project (RADTIP) that is improving multi-modal access in the River Arts District along the French Broad River.

5 Build agreement on locating new telecommunications facilities: In past decades, newly proposed cell towers were magnets for community controversy. But now, smart-phones are ubiquitous, and telecommunications are an essential component of the local infrastructure. Communities can balance better access to these facilities with mitigation of their visual impacts by maximizing co-location of antennas on existing towers and identifying existing locations for siting new antenna arrays, such as on water towers and existing high-tension power lines. New towers in industrial areas or on commercial and institutional buildings may be acceptable to the community, as may “stealth” facilities located in residential areas. Morrisville, North Carolina, for example, drafted a Telecommunications Facilities Master Plan and Ordinance in 2014 and 2015 that made siting easier in lower-impact locations, clearing the way for more rapid facility deployment in a manner accepted by the community.

6 Support installation of broadband service: Start-ups often want fast internet service, and residents and customers expect ready access to wifi. If private providers such as Google, AT&T, and Time Warner are looking to establish service in your community, planners can help by identifying potential locations for fiber data distribution facilities and simplifying right-of-way encroachment agreements to allow for installing fiber optic lines. For



Figure 2 - American Underground in Durham, North Carolina hosts networking events like this one featuring entrepreneur Steve Case. Photo Credit Zoe Litaker Photography.

example, Morrisville, North Carolina helped Google Fiber serve the community by drafting a town-wide right-of-way encroachment agreement and leasing them a public site for a utility hut. If private providers don’t step forward, then local governments may be able to help fill the gap. The City of Wilson, North Carolina did this by developing its Greenlight community broadband service that includes 1 gigabit per second internet service, as did the rural North Carolina counties of Yancey and Mitchell by securing federal funding to assist Country Cablevision in installing local broadband service.

Networking: At the same time that community infrastructure is important for small business development, so too are networking and technical

assistance. An old adage states that “you can’t start a business by yourself.”¹⁰ Planners have an important role to play in facilitating these connections.

7 Foster creative collaborations: Innovation thrives on creativity and a cross-fertilization of ideas. As a result, specialty partners such as arts councils, maker spaces, and art schools can add a creative element to communities that don’t have the resources to establish full-scale innovation districts. Every county in North Carolina, for example, has an arts council, often with a downtown storefront that features the work of local artisans. Maker spaces such as The Forge in downtown Greensboro, North Carolina provide low-cost shared workshop space for craftspeople. In some cases, larger institutions have participated in these collaborations as well. The South Lake Union innovation district in Seattle, Washington has established dynamic collaborations with the Cornish College of the Arts to promote creative industrial design and foster new ways of approaching problem-solving. Planners can help these kinds of institutions connect with existing and prospective entrepreneurs in dynamic ways to grow the local innovation economy.

Planners and economic developers can also help link businesses with sources of funding, such as small-business loans, venture capital funds, and angel investors to help firms pay rent, buy equipment, and hire staff. Nothing attracts investors like a high density of start-ups in the community, which brings an increased flow of potential investment deals.¹¹ This can make attracting significant investment more difficult for smaller communities with fewer start-ups. At the same time, a few investors who care deeply about a place can help build the local entrepreneurial community, wherever it is located.

Some local governments also provide business seed money. However, the Kauffman Foundation recommends leaving venture funds to the private sector and utilizing public resources to help entrepreneurs connect with one another.¹² Sponsorship of Start-up Weekends and hackathons can link entrepreneurs and help build an innovation community: Raleigh, North Carolina launched a self-guided “start-up crawl” of new businesses held during its annual Innovate Raleigh summit.¹³

8 Link entrepreneurs with technical assistance: Planners can also help link entrepreneurs with technical assistance resources to develop their ideas, bring them to market, and scale their businesses. Longstanding assistance providers include the Small Business Administration and Small Business Centers like the ones housed in each community college in North Carolina. Emerging providers include non-profit organizations like CO.LAB in Chattanooga that offer enrollment in incubators and accelerators to help companies take their businesses to the next level. While incubators assist start-ups, accelerators help next stage companies scale up. Both may require an application process, and in turn provide successful applicants with seed money, coaching, mentors, and a chance to compete for additional investment. The goal is typically to accomplish several years of business development in several months. One North Carolina example of an accelerator is UNC Chapel Hill’s LAUNCH Chapel Hill initiative.

Planners can also help local governments model a culture of innovation, encouraging the exploration of new ways of thinking and new ways of problem-solving. Visibly demonstrating this openness to new ideas can help attract entrepreneurs.¹⁴

Talent: Most businesses cite access to skilled workers, or “talent,” as their top need. Millennials now make up the largest percentage of the workforce in the United States, and are highly mobile. The challenge is how to attract and retain them in order to build a strong labor force. A 2014 national survey conducted by the American Planning Association identified a new economics of place in which quality of life factors and transportation choices are increasingly driving millennial locational decisions.¹⁵ Key needs and desires of millennials can include access, amenities, and affordability.

9 Create great places: While providing alternative travel options is essential, creating vibrant, walkable communities rates particularly high with millennials. This includes engaging in thoughtful placemaking to create interesting streetscapes and dynamic public spaces. Attractions such as farmers markets, parks and greenways,

and cultural and entertainment facilities can help draw people to activity centers and downtowns. Frequent event programming can also help to enliven these places. Planners can work with parks and recreation professionals, economic developers, downtown development associations, chambers of commerce, and private and non-profit partners to develop these improvements. For example, Asheboro, North Carolina revitalized its downtown in part by building a park and stage, establishing a farmers market, supporting the redevelopment of a historic mill into affordable housing, and rehabilitating a historic theater to re-establish the area around Sunset Avenue as a vibrant center of the community. The great places that result from this kind of work not only serve the existing community and attract skilled workers, but also create a dynamic landscape for business investment.¹⁶



Figure 3 - Asheboro, North Carolina has invested in a variety of projects including the Bicentennial Park & Stage, the restored Sunset Theatre, the Asheboro Farmers Market, and the Asheboro Mill Lofts affordable housing project to create a dynamic and engaging downtown. Photo Credit Ben Hitchings.


10 Work to ensure affordable housing: Millennials and other New Economy workers won't come to a place if they can't afford to live there. That means being able to find a job and access affordable housing. Planners can use a variety of tools including ensuring preservation of existing affordable units and subsidizing affordable housing production through regulatory incentives and public funding. The Boston Redevelopment Authority is requiring "innovation housing" in its South Boston Waterfront Innovation District. This includes micro units that provide live/work space in 300 to 450 square feet.¹⁷ ThinkHouse in Raleigh, North Carolina is providing affordable housing specifically for entrepreneurs in a manner that also helps them build their business through living in a shared house.¹⁸

Conclusion

From ensuring affordable work space to building essential infrastructure to facilitating networking to creating great places, planners can help their communities catalyze entrepreneurship and innovation. As communities try to catch the wave of New Economy business development, their success will depend both on their level of engagement in this work and on their community characteristics.

Smaller communities should assess their ability to engage a sufficient number and diversity of companies, institutional partners, and investors to establish a functioning innovation "ecosystem." If this approach appears feasible, communities have a chance to catalyze start-ups with high growth potential that can make a significant contribution to local economic development. If not, they may want to find ways to collaborate regionally, scale back their expectations, or focus their investments on promoting other kinds of entrepreneurship.¹⁹ Thoughtful positioning can help turn major economic challenges such

as corporate downsizing into "entrepreneurial events" that build the local entrepreneurial community.²⁰

By understanding the needs of local entrepreneurs and customizing public investments to suit local conditions, planners can help their communities develop more resilient economies that are primed for success and longevity. 

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Endnotes

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