

NATIONAL LEAGUE of **CITIES**

CENTER FOR CITY SOLUTIONS
AND APPLIED RESEARCH

BIG IDEAS FOR SMALL BUSINESS REPORT



May 2014

BIG
IDEAS
FOR SMALL BUSINESS



by Emily Robbins

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Foreword

by Mayor Rahm Emanuel



Small businesses are the backbone of our economy and the lifeblood of our neighborhoods. Yet too often, those businesses don't know how to navigate local offices and agencies. Cities can and should do more to serve as partners for small businesses.

City governments should take a look at their services through the eyes of small business owners and determine how to improve their experiences. It shouldn't be difficult to get a business license, and you shouldn't need to hire a lawyer to guide you through the process, or spend hours waiting to be served at City Hall. When entrepreneurs develop new types of businesses, city regulations should encourage their growth through logical, but not excessive, regulation.

Entrepreneurs should have easy access to the tools that will help them succeed. By developing partnerships with lenders in the community, cities can ensure that small businesses have access to the capital they need to open their doors and grow. While cities may not provide business skills education and other support services directly, they should create support networks by empowering community-based or ethnic business organizations to deliver these services.

Here in Chicago, my administration has taken several steps to make City Hall a partner to small businesses. We eliminated redundant inspections and cut business license types by 60%, making it easier for businesses to get started. We're phasing out the Head Tax, which imposed a tax on business and stifled growth, returning \$9 million to small businesses annually. And most recently our Small Business Center announced a 50% reduction in wait times for visitors to the Center.

Looking beyond City Hall, we strengthened our partnerships with community organizations. We created The Chicago Microlending Institute (CMI), a first-of-its-kind effort to train new microlenders, improving access to capital for our small businesses. Since 2013, CMI has provided over \$1,000,000 in loans to more than 125 business owners, creating or preserving over 500 jobs. My administration also partnered with Goldman Sachs 10,000 Small Businesses to provide training for our entrepreneurs, and we are investing in more than 80 local chambers of commerce that offer a full suite of support resources to small businesses in their neighborhoods.

While Chicago has taken an active role in addressing these challenges, we know that there is much more to be done, and we ask cities across the country to join us as we strive to deliver better services and create friendlier environments for small businesses to start up and prosper. As part of our effort to generate ideas that will improve our services and programs, I directed my staff to take a look at how cities across the country support small businesses. My Innovation Delivery Team established the Big Ideas for Small Business network to learn about best practices from our peers in other cities, and to share what has worked well in Chicago.

At the Inaugural Big Ideas for Small Business Summit in Chicago, small business and economic development experts from 19 cities joined together to share best practices and address common challenges facing small businesses. While there are distinct differences between cities, we face many of the same challenges. This report presents strategies and specific programs that will help city governments across the country serve as strong partners to small businesses.

I know that by working together and sharing ideas, we can make all of our cities better homes for entrepreneurs and their businesses.

Mayor Rahm Emanuel
City of Chicago

About The Big Ideas for Small Business Peer Network

The best practices featured in this report were generated by the Big Ideas for Small Business network, a partnership launched by the City of Chicago's Innovation Delivery Team and the National League of Cities (NLC) in December 2012. The Big Ideas for Small Business network provides a platform for local economic development and small business development officials to engage in peer learning around how to support the development of small businesses in their communities. Each month, peer network members gather via conference call or webinar to discuss common challenges, share the details of successful strategies, and hear presentations from other cities with replicable programs. In September 2013, the peer network met in Chicago for a two-day peer-learning summit hosted by Mayor Rahm Emanuel.



About the National League of Cities

The National League of Cities is the nation's oldest and largest organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. NLC is a resource and advocate for more than 1,700 member cities and the 49 state municipal leagues, representing 19,000 cities and towns and more than 218 million Americans. Through its City Solutions and Applied Research, NLC provides research and analysis on key topics and trends important to cities, creative solutions to improve the quality of life in communities, inspiration and ideas for local officials to use in tackling tough issues and opportunities for city leaders to connect with peers, share experiences and learn about innovative approaches in cities.

Acknowledgements

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Executive Summary

Small businesses are an essential component of a strong local economy. Our nation's small businesses not only create well-paying jobs, but also deliver vital goods and services, generate sales tax revenue, and contribute to the unique character and livability of neighborhoods.

Entrepreneurs and small businesses have played a particularly important role in helping cities recover from the recession. Nationwide, small businesses created 63 percent of net new jobs between mid-2009 to 2012.¹

Unfortunately, the high failure rate of small businesses – especially early-stage start-ups - demonstrates a need for more investment in their long-term success.

Local leaders are in a unique position to help support and develop small businesses. Business owners must work with their local governments to acquire permits and licenses, and to schedule inspections. But more and more, cities are taking this relationship one step further by providing additional tools and resources to empower business owners and help foster a strong small business community.

The Big Ideas for Small Business toolkit discusses important strategies for how local leaders can be better advocates for small businesses. Our report provides guidance on creating ecosystems that support small business growth; reorganizing city resources to better meet the needs of small businesses; and providing business owners with access to new sources of capital.

The specific strategies highlighted in this report explain how to:

- Connect Small Businesses to Information and Resources
- Establish a Small Business Resource Center
- Advocate for Small Businesses via Community-Led Councils or Committees
- Proactively Engage the Local Business Community
- Provide Platforms for Networking
- Create Incubator Spaces
- Celebrate Successful Businesses
- Develop One-Stop-Shops and Express Lanes at City Hall
- Streamline City Regulations and the Inspection Process
- Help Small Businesses Build a Web Presence
- Support Microlending and Crowdfunding
- Encourage Local Small Businesses to Bid for City Contracts

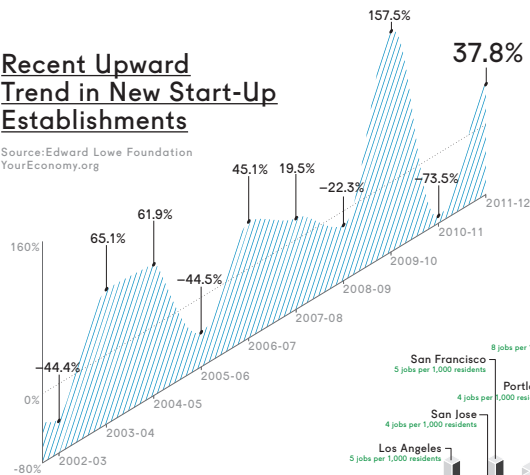
This Big Ideas for Small Business toolkit equips city leaders with strategies to strengthen local business communities, and as a result, improve their local economies.

Small Business Trends

Big Ideas for Small Business

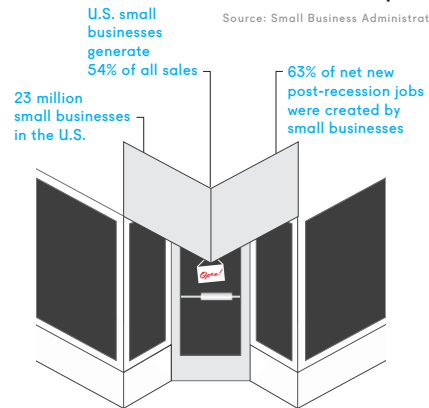
Recent Upward Trend in New Start-Up Establishments

Source: Edward Lowe Foundation
YourEconomy.org



National Small Business Snapshot

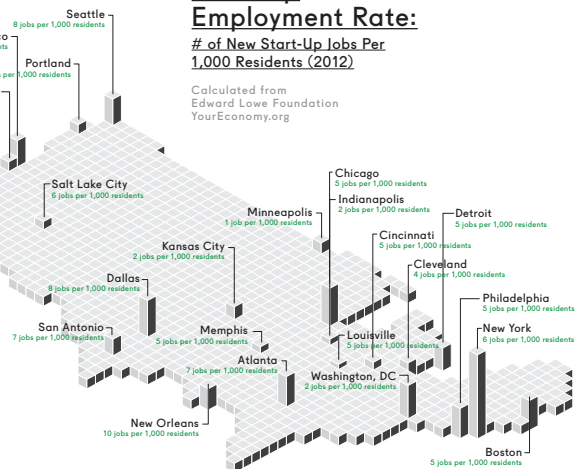
Source: Small Business Administration



Start-Up Employment Rate:

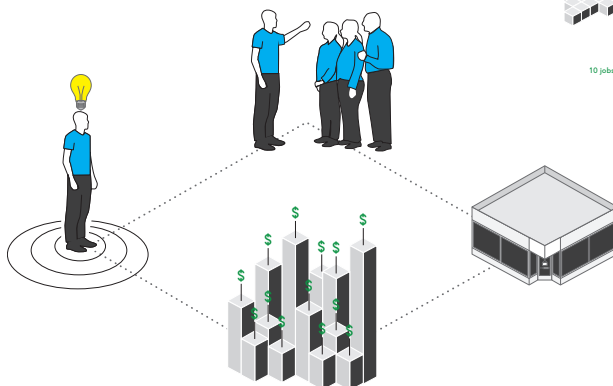
of New Start-Up Jobs Per 1,000 Residents (2012)

Calculated from Edward Lowe Foundation
YourEconomy.org



Creating a Supportive Ecosystem

Small businesses thrive in a supportive ecosystem where cities help connect entrepreneurs to mentorship, streamlined regulations, skills training, funding, and also celebrate their success



National Small Business Trends

Small businesses are a growing segment of the economy, with over 23 million small businesses in the U.S. employing 55 percent of our nation's workforce and generating 54 percent of all sales.²

Entrepreneurs and small businesses have played a particularly important role in helping cities recover from the recession. The Small Business Administration (SBA) reports that small businesses nationwide created 63 percent of net new jobs between mid-2009 to 2012.³

According to research compiled by the Edward Lowe Foundation, there has been a recent upward trend in the number of new start-up establishments. There was a 38 percent increase in new start-ups nationwide in 2012 compared to 2011.⁴ These new start-up establishments create new jobs and deliver important innovations to cities.

These national trends underscore the important role that small businesses play in creating a strong economy. However, only half of all new small businesses keep their doors open for five years, and only one-third remain in business for more than ten years.⁵ The high failure rate of small businesses – especially early-stage start-ups – demonstrates a need for more investment in their long-term success. It also serves as a call to action for local governments to make small business a priority.

Previous NLC Research on Small Business

In 2012, NLC conducted a multi-year research effort to better understand how local governments can support small business growth. *Supporting Entrepreneurs and Small Business: A Toolkit for Local Leaders*⁶ provides information about:

- The different stages of small business growth and the unique needs of business owners at each stage of development
- How local leaders should use their leadership roles to be more responsive to the needs of small businesses, particularly around regulations
- Recommendations for how cities can provide entrepreneurs with access to organizations that deliver technical assistance, resources, and mentorship

The Role of Local Leaders in Creating a Supportive Ecosystem

Local leaders are in a unique position to support and develop a city's small business community. City officials can use their leadership roles, cross-departmental resources, and community partnerships to build an "ecosystem" that proactively supports the development of new and existing small businesses. A supportive small business ecosystem is created by connecting entrepreneurs to technical assistance, streamlined regulations, industry-related resources, mentorship, funding opportunities, and other tools

that will help small businesses thrive. Proactively engaging with small business owners and acknowledging their contributions to a city's unique character are also important methods for building a supportive small business ecosystem.

The Stages of a Growing Business

A helpful way for local governments to understand and address the needs of small business is through the “stages” framework.⁷ There are three stages of small businesses:

Self-Employed — These early stage businesses result from an entrepreneur's ability to turn a good idea into a product or service. The challenges faced by self-employed business owners revolve around ensuring the survival of the business, as well as the ability to develop assets and build a marketing strategy. Cities can assist self-employed entrepreneurs by helping them legally become an entity in the community, streamlining municipal regulations, and connecting them to training programs on business model development.

Stage One (2-9 Employees) — These businesses are either young growth business or “mom and pop” establishments. Stage One businesses are focused on building a customer base, developing products and services, and securing external financing to expand. Cities can help Stage One businesses by creating access to mentorships programs and sharing information about funding opportunities.

Stage Two (10-99 Employees) — Second stage companies typically have a proven product, a niche in the market, a strong customer base, and are looking to expand production and hire more employees. The common challenges faced by Second Stage companies are finding funding to expand, and also managing the changing dynamics of a fast-growing company. Cities can support these companies by investing in “economic gardening” programs that provide businesses with targeted resources to help them grow. These resources include research on external markets where the business can expand, opportunities to connect with peers, management training courses, and information about external funding sources.

Connect Small Businesses to Information and Resources

Open communication channels ultimately help local governments to better meet the needs of small businesses.⁸ A critical role that city leaders play is to provide access to information, advice, and training that is geared towards improving the capacity of business owners. This information can be shared in a variety of ways, whether it's online, at a business resource center, or out in the community.

In response to a need for a comprehensive listing of all business-related services, the city of Detroit developed a resource infographic for the city's small business community. This infographic, called BizGrid, provides a comprehensive grid of information about where to find information about funding sources, legal assistance, business planning, marketing, and office space. The BizGrid information is divided into sections based on the business' stage of development, which helps ensure that the information is targeted to the right audience. The BizGrid is available online, and hard copies are also distributed throughout the city by the 50 local organizations featured on the grid.

Detroit: BizGrid

In 2013, the Detroit Business Support Network (DBSN), launched the Detroit BizGrid, an infographic that presents the small business resources available to entrepreneurs at various stages of development. The finished product was made available electronically and in print. The project had three initial goals:

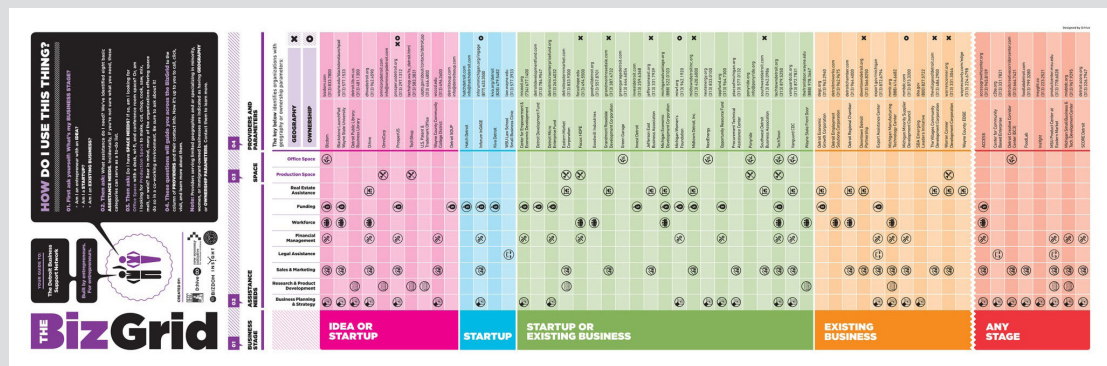
- Inform network organizations of partner services, allowing them to make targeted referrals and better serve clients;
- Promote the resources available to Detroit's entrepreneurs and small business owners; and,
- Provide a broad view of assets and gaps in the service network, thus assisting future program development and funding decisions.

To meet these objectives, a committee of representatives from five DBSN member organizations met to establish guiding principles:

- Entrepreneurs, particularly those in early stages of ideation or business, would be the target audience.
- The information in this tool must be accurate and easily understood and must provide value.
- The tool would get entrepreneurs into the system, but they would have to do some work themselves. No tool can provide answers to every question.

When the committee was confident the result of their work would meet the original project goals, a draft was presented to philanthropic partner, New Economy Initiative for Southeast Michigan (NEI), and to a local corporate sponsor, Fathead. Fathead donated extra-large BizGrid wall decals to each DBSN member organization. NEI helped cover the cost of printing tear pads of the infographics as well as the ongoing development of an interactive web tool (www.detroitbizgrid.com).

While formal metrics are still being collected, the tool has proven to be incredibly popular. Another Network partner, Wayne State University, recently held BizGrid Live!, a networking and educational event, that attracted 39 BizGrid organizations and nearly 300 area entrepreneurs. Partners and businesses have already asked for a 2014 event. Organizations from the region continually express interest in being added to the infographic, and cities from across the state have requested help creating a similar tool.



Detroit's BizGrid, Detroit Economic Growth Corporation

Establish a Small Business Resource Center

Another approach many cities take is to create a business resource center that serves as a hub of information for entrepreneurs and the local small business community. These centers are typically staffed with experts who serve as mentors and liaisons to businesses in need of support or information. The

resources, information sessions, and one-on-one consultations provided at business resource centers are typically free of charge and aimed at supporting the success and longevity of locally owned neighborhood shops and service providers. An added benefit is that the center staff is able to stay on top of trends, forge valuable relationships with owners, and proactively respond to issues.

Kansas City – KCBizcare

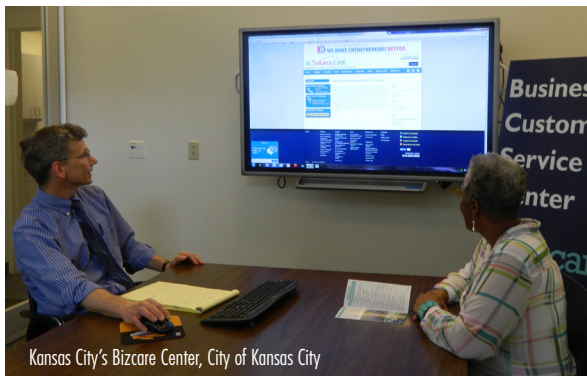
The Kansas City Business Customer Service Center or “KCBizcare” opened June 1, 2009 and was established as a separate entity under the City Manager’s Office to provide enhanced services to the small business community.

KCBizcare currently has a staff of three and provides the following services:

- Business-specific “roadmaps” for opening a business
- Public access to city computers to look up property and zoning information, access city records, and submit applications on-line
- Referrals to city departments, agencies, and partner organizations involved in regulation or business assistance
- Guidance and assistance in navigating the city’s licensing, permitting, and approval processes

Since KCBizcare opened its doors, the center has assisted 6,664 customers and has made 14,235 referrals to resource partners. Center staff also attended 442 events in the business community. More information on KCBizcare is available at:

<http://kcmo.gov/citymanagersoffice/bizcare/>



“Bizcare represents precisely what local government should be and that’s a bridge between city services and the small business owners and entrepreneurs of our community. I’m proud of our local government for making customer service a focus and appreciate the staff at Bizcare who are the on the front lines of the customer experience.”

- Kansas City Mayor Sly James

Proactively Engage the Local Business Community

While cities are able to create small business programs and improve city processes, small businesses often need additional, on-the-ground support to meet their potential. City leaders should partner with local business leaders that are more familiar with their communities and can provide a deeper level of support to small businesses. Neighborhood chambers of commerce are an excellent resource that can support the small business ecosystem in a city.

The city of Chicago recently launched a comprehensive Neighborhood Small Business Strategy that utilizes strategic partnerships with the city’s neighborhood chambers of commerce to bring business support services to the community. It enables neighborhood chambers of commerce to provide high quality business planning support, to assist with city processes, to help entrepreneurs network and

identify resources, and to run promotional programs for local businesses. The first year of the program already resulted in several success stories including: new neighborhood festivals driving sales for local businesses, new businesses brought to vacant sites in the community, and more collaboration between agencies working to improve Chicago's economic vitality.

Chicago: Neighborhood Small Business Strategy

The backbone of Chicago's economic prosperity has always been small businesses. Responsible for half of the city's workforce, small businesses are what drive success and opportunity across Chicago.

The Neighborhood Small Business Strategy is the first comprehensive strategy to better support small businesses in Chicago's diverse neighborhoods. The strategy has four objectives: empower local chambers of commerce to deliver customized business counseling, foster neighborhood engagement with the local business community, drive neighborhood economic vitality by attracting businesses to targeted locations, and enlist small businesses in making their neighborhoods safer for business. These reflect input from Chicago's small businesses and staff at the city's Small Business Center.

The key to implementing this strategy was greater collaboration with the city's 80+ business delegate agencies (local chambers of commerce). To support these local chambers, the Small Business Center (SBC) provided training on topics including permitting, licensing, zoning, and inspections. Furthermore, the City enhanced its Chamber Leadership Academy (CLA), a boot camp training program that builds new skills for agency leaders and facilitates sharing of best practices.

In addition to training, the SBC provides tools to help these delegate agencies deliver better service to businesses. Working with World Business Chicago (WBC), the city's main economic development agency, the SBC expanded and extended the Site Selector tool to help entrepreneurs find available properties. The SBC continues strengthening its delegate agencies by providing new tools and new capability building programs. In 2014, the delegate agencies have opportunities to learn how to run more successful neighborhood events and how to introduce sustainability principles to businesses in their community.

The city invests over \$3 million annually in the delegate agency program, which is a core component of the Neighborhood Small Business Strategy. For more information, visit www.cityofchicago.org/BACP.



Another benefit of being out in the community is that city leaders will be able to intervene more quickly when a business needs help, or even before an issue escalates to a real problem. It's a win-win situation when problems, such as zoning or funding issues, can be addressed quickly so businesses have more time to focus their energy on products, marketing, and sales.

In the city of Seattle, the Office of Economic Development's Business Retention and Expansion Program (BREP) has one central goal – to retain and grow early-stage and existing Seattle businesses through their proactive outreach initiatives. Staffers leading the BREP initiative aim to meet with 500 individual businesses per year to assist with their goals of expanding.

Seattle: Business Retention and Expansion Program (BREP)

In 2009, Seattle's Office of Economic Development (OED) faced serious challenges. The office suffered from a lack of balance between policy work and direct services to Seattle's small business community. The contracts with industry sector partners were siloed and did not come together to form a cohesive strategy. In the face of a City Council proposal to eliminate the department, there was a need to reinvent core services, measure impact and do a better job of telling the story of the work and the value to the business community. Out of this crisis, OED's Business Retention and Expansion Program (BREP) was created.

Economic development research shows that retaining and growing early-stage and existing businesses is the most effective way of supporting entrepreneurs and economic growth. To achieve the goal of growing Seattle-based companies, OED prioritized direct support to individual companies to help them access capital, expand into new markets, and navigate government. The program is focused on businesses with 5 – 100 employees and \$1 million - \$10 million in revenues, because companies of this size were the most likely to have the capacity for expansion and would most benefit from the kinds of services that OED could offer.

OED's Business Retention and Expansion Program (BREP) targets meeting with 500 businesses annually, and providing 250 businesses with follow-up business services, including connecting them with opportunities to expand their markets, advice and referrals on financial and management challenges, navigating the regulatory environment, and assistance with site location. The business services portal, www.growseattle.com, has information for business owners whether they are looking to start, grow, or green their business. Targeted sectors include: manufacturing, logistics, maritime and shipbuilding, clean technology/energy and life sciences/global health, retail, professional services, and information technology. Through a competitive process, OED selected partners with expertise and relationships in these target sectors. OED used this opportunity to refocus their existing relationships with outcomes that supported broader mission and goals.

Since the program's inception 3 ½ years ago, the team has visited over 1,500 companies. 69% of the visits resulted in some sort of action - connecting a business with resources or assisting them to navigate government. Of those items, 89% were successfully resolved. The program has three full-time staff dedicated to this work in our office, and invests \$300,000 in contracts with industry sector partners for additional services.

More information available at: www.growseattle.com



"It's amazing how much my business has grown in a short time. When I started, West Seattle Produce Company was the only location selling Doolie's Hot Sauce, and now I am selling in 22 locations. The staff [in Seattle] are like team members, there to give me feedback and help, and they are rooting for my success. I am excited to keep growing my business and continuing to explore new opportunities, like participating in the Bite of Seattle this year."

Abdul "Doolie" Mohamud, Founder and Owner, Doolie's Hot Sauce

Advocate for Small Businesses with Small Business Councils or Committees

Another helpful mechanism is to form a council or committee of small business owners, entrepreneurs, and other community stakeholders that advises the city council and mayor on small business issues.

In Cincinnati, city officials took this approach by creating a Small Business Advisory Committee (SBAC). The Cincinnati SBAC provides a platform for the local small business community to advise city officials on policies and programs that impact business owners. The most critical outcomes of the Cincinnati SBAC are initiatives that helped to streamline and centralize services for small business owners. For example, the city is currently developing a one-stop centralized web portal of news and information, and has also formed “jump teams” of staff from various departments who work collaboratively to serve business owners throughout the permitting and licensing process from start to finish. Other initiatives the Cincinnati SBAC has considered are vacant property programs, loan programs, and professional development for business owners.

Cincinnati: Small Business Advisory Committee

The Small Business Advisory Committee (SBAC) was formed in April 2012 in response to several national surveys ranking Cincinnati behind its peers at providing a high-quality small business environment. Seeking to reverse this trend, the SBAC was established to act as a voice for the concerns of small businesses, advise the Mayor and City Council on the needs of the small business community, and guide city leaders on matters relating to economic development and small business services. Since then, twenty-two diverse members from the small business community have been busy guiding public policy and developing initiatives for the city to implement.

After contemplating how best to reduce the costs for start-ups and small businesses, the SBAC identified a need for a one-stop, centralized web portal. The Cincinnati community has a vast network of services and opportunities for small business but there is little coordination or a centralized location for small businesses to learn about these tools and services. After much discussion, it was determined that the government would be the most logical place to host a centralized hub for small business services. This web portal would also be used to streamline the permit process for businesses by creating a “Jump Team” in city government. The “Jump Team” would consist of representatives from all relevant departments to assist when a business is applying for permits and reduce the time it takes to get the business open. Currently this interactive web portal is in design.

Another initiative of the SBAC is the “Vacant to Vibrant” program. This program will use the County Landbank and service providers like SCORE to match businesses that are ready to own property with vacant or foreclosed properties. This would provide the businesses with an asset and the neighborhood with a viable business occupying a once vacant or troubled property. Currently the Landbank is identifying a list of properties in stable areas or areas that are seeing a resurgence of investment. Those properties will be shared with SCORE counselors to be made available to their clients. The Landbank will then transfer the properties at a minimal cost and the business will be able to redevelop the properties either with sweat equity or by financing the improvements.

Finally, the SBAC will assist the Economic Development Division in reviewing its current products and services for small businesses. The city of Cincinnati currently offers loans in partnership with the National Development Council (NDC) and their Grow America Fund. The “Grow Cincinnati Loan Fund” provides up to \$1,000,000 for existing business that allows for longer terms that more closely match the asset being financed compared to many conventional commercial loans. The city also offers a microloan product through a local non-profit of up to \$35,000. The city also funds the same local non-profit to provide business coaching and business classes to city businesses and entrepreneurs.

Between these current efforts and other future planned initiatives, the city is looking to make it easy for small businesses to start and grow in Cincinnati.



“Individually, small businesses may not have a large impact, but collectively they are a major driver of job creation. They populate our neighborhood business districts and provide unique products and services. The SBAC was created to identify and address the unique needs of this community, which often takes a back seat to large corporations in economic development initiatives. I am proud to work with this group of small business owners, service providers, and funders to re-focus Cincinnati’s efforts on our small business community.”

— Cincinnati Councilmember Yvette Simpson, who established and leads Cincinnati’s SBAC

Provide Platforms for Networking

Cities can also play “matchmaker” by hosting networking opportunities for businesses that connect them to local vendors and service providers. In May 2013, Mayor Ed Lee and sf.citi co-hosted “The Tech Connection: Speed Matching Event” at San Francisco City Hall as a means for connecting small business owners with the city’s tech industry to maximize collaboration between the two sectors. As a result of this business-to-business engagement, several local San Francisco restaurants are entering into contracts with local tech companies.

San Francisco and sf.citi: “The Tech Connection: Speed Matching Event”

The San Francisco Citizens Initiative for Technology and Innovation, or “sf.citi,” is a 501(c)(6) organization created to leverage the power of the technology community around civic action in San Francisco. sf.citi supports innovative policies and works collaboratively with government and communities to find new solutions to historic problems facing San Francisco.

As part of an initiative to connect the city’s small business community and the local technology sector, sf.citi has taken various steps to convene and host events that engage these two economic and cultural engines of San Francisco. sf.citi created the “Tech Connection: Speed Matching Event” in partnership with Mayor Ed Lee, Supervisor Mark Farrell, the city’s Office of Small Business, the Small Business Commission, the local tech sector and various small business organizations such as the Golden Gate Restaurant Association, Small Business Network, and the San Francisco Council of District Merchants. The event, hosted at San Francisco City Hall in May 2013, paired 50 small business owners with 50 tech professionals for brief one-on-one “speed-dating” style interactions. The goal was to provide guests with the opportunity to pitch their products and services and to build customer-service provider relationships. This setting created a space for small businesses to have greater access to potential relationships with tech companies in San Francisco, as well as to learn about innovative, online tech tools to make business processes more streamlined and efficient. Tech companies were afforded the opportunity to reach out to new customers and “get off campus” by integrating with the small business community and learning about the many services and products they could provide to tech employees on a daily basis.

Among some of the tech companies who participated were Celery, AirBnB, Appalicious, Avaya, Citibank, Koozoo, Global Logic, Matrix Partners, Shopseen, Sonic.net, Square, Talus Labs, Yelp, and ZenPayroll. Among the small businesses who participated were marketing /professional services, pet sitting, event planners, food consultants, small manufacturers, hardware stores, and wellness consultants. The participants appreciated that Mayor Lee and the Board of Supervisors sponsored and supported these important business-to-business efforts.



The Tech Connection: Speed Matching Event, sf.citi

“In San Francisco, we believe it is critical to find ways for our technology industry to partner with our traditional small business community to expand networking and business opportunities for both industries. The Tech Connection, facilitated by sf.citi, is a fantastic example of how to foster stronger relationships between small businesses and emerging industries, like the technology industry.”

— San Francisco District Supervisor Mark Farrell

Create Incubator Spaces

Many cities have established incubator spaces, which are shared working spaces made available at low or no cost to entrepreneurs working on start-up projects. In addition to providing affordable office space where start-ups can begin to grow, incubators also provide access to business mentors, potential investors, and other networking opportunities that help an early-stage business to scale up. At the same time, incubators deliver trainings and seminars designed to help enhance the skill sets of business owners and strengthen their business plans.

The goal of incubators is to help accelerate the pace at which small businesses can expand, and also to ensure that start-ups are successful in the long-term. The National Business Incubation Association (NBIA), an international association supporting the incubator industry, reports that 87 percent of the firms that have graduated from their members’ incubators are still in operation.⁹

Incubators also serve as an economic development tool for attracting specific industries to take root in a city. Typically, incubators attract specific types of start-ups, such as those hoping to enter the technology or restaurant industries, in order to better provide targeted resources and support. Once the start-ups graduate from the incubator they most often choose to remain in the same city. The NBIA reports that 84 percent of graduates remain in the same city.¹⁰

The city of Chicago’s 1871 incubator program is a model for how cities can use their incubators as a driver for local economic development. The tech incubator has produced 1,000 jobs and helped 26 start-ups advance into larger enterprises.



Chicago's 1871 incubator working space, City of Chicago

Chicago: 1871

A robust digital technology ecosystem that generates good jobs and attracts talent investment is a core component for the 21st Century city. Before 2012, Chicago had human capital in the form of world-class universities and serial entrepreneurs, financial capital from angel investors and venture capital firms to host such an ecosystem, and enthusiastic support from the government and community organizations. Yet a physical space, where all parties could interact, host meetings and share ideas, was missing.

Backed by the leadership of Mayor Rahm Emanuel and J.B. Pritzker, an entrepreneur, investor and philanthropist, the Chicagoland Entrepreneurial Center (CEC) opened 1871 in May 2012. Named for the intense period of innovation that followed the Great Chicago Fire of 1871, this incubator for digital entrepreneurs convenes Chicago's creative minds — digital designers, engineers and entrepreneurs — in a space that includes meeting rooms for entrepreneurs, co-working areas, offices, classrooms and a large auditorium.

1871 hosts entrepreneurs who disrupt business models and form new ventures, as most incubators do, but 1871 took the incubator model to the next level. While the majority of tenants are early-stage digital startups with fewer than 10 employees, universities and other players in the local technology scene are on-site tenants as well. Unlike many similar spaces, the CEC runs 1871 as a non-profit, and does not take equity in the companies there.

Companies located at 1871 have created more than 1,000 jobs, and 26 companies have graduated out of the space based on fundraising or hiring. However, 1871's engagement with the citywide ecosystem that supports innovation has been even more remarkable. More than 20,000 people have attended events or meetings in the space, and local officials regularly attend weekly open government hack nights at 1871, developing relationships with the tech community and encouraging the development of new technology to improve city services.

Excitement about 1871, led by CEO and serial entrepreneur Howard Tullman, is spreading throughout Chicago and across the country. The Starter League, a coding academy that operates in the space, partnered with the Chicago Public Schools and the City Colleges of Chicago to implement web development courses. The 1871 model has already been replicated in Washington, D.C. where 1776 opened in April 2013.

"1871 has become a gathering place for the Chicago technology community and a driving force of innovation throughout the ecosystem. As 1871 grows and evolves we are seeking to increase the breadth and depth of our offerings while continuing our strong focus on job creation and building sustainable, successful businesses."

- 1871 CEO Howard A. Tullman

Celebrate Successful Businesses

Small businesses help build the foundation for a resilient local economy by providing jobs to residents, contributing to sales tax revenues, and attracting tourists and other visitors. City leaders should take measures to publicly thank small businesses and recognize their contributions to a city's unique character.

Seattle's Office of Economic Development and the Seattle Metropolitan Chamber of Commerce select several local companies per quarter to recognize as part of the In Good Company initiative. The chosen companies are awarded a video profile on the Seattle Channel, a profile on the Office of Economic Development's daily newsletter, a press release and proclamation from the mayor, and a free one-year membership to the Seattle Metropolitan Chamber of Commerce. This type of recognition is twofold — businesses receive not only the formal recognition from the city, but the increased exposure for the business may also attract new clientele.

Seattle: In Good Company

In Good Company recognizes businesses that embody Seattle's pioneering spirit and reflect Seattle at its best. The ongoing showcase spotlights businesses for being unconventional, transformative and exemplary.

Criteria for selection are that the company: stands apart from other businesses in their achievements, impacts our community in a meaningful way beyond business success; demonstrates creativity and innovation; has established a record of profitability and growth; invests in their employees; and serves as a role model for other businesses.

Businesses are chosen quarterly by a committee of staff members from the city of Seattle's Office of Economic Development and the Seattle Metropolitan Chamber of Commerce. The city has recognized a diverse array of businesses that underscore the strength of various industry sectors in Seattle, including high tech, maritime, film, restaurant and smaller retail businesses. In order to be eligible for consideration, a business must be a for-profit business located within the Seattle city limits. Companies must have one year of operating history, be current on its city B&O taxes and have a city of Seattle business license.

The Office of Economic Development invested \$16,000 of its communications budget in the inaugural year to establish the brand and video design template. Since then, OED has dedicated staff time and \$2,500 to support its continuation. However, the program's success is due to its collaboration with Seattle Channel, which produces the videos, Seattle Metropolitan Chamber, which grants a membership as a prize, and a variety of local Seattle companies who contribute to a gift basket for the employees of the company.

Using public relations and social media strategies, the program has given businesses exposure in the greater Seattle region through local publications, the city's and Seattle Metropolitan Chamber's communications assets, the Seattle Channel's repeat broadcast and website rotation of the videos, and the highlighted business' communication channels as well. Press coverage has appeared in the Seattle Times, Puget Sound Business Journal, and many local neighborhood newspapers and blogs.

More information available at: <http://www.seattle.gov/economicDevelopment/ingoodcompany/>



Easy Street Records owner Matt Vaughan and staff celebrate the Mayor's proclamation of "Easy Street Records Day in Seattle" on December 20, 2012.
Photo credit: Karin Zaugg Black

Develop One-Stop-Shops and Express Lanes at City Hall

Waiting in line, miscommunication between departments, and unclear guidelines are all common frustrations that small businesses face when working with a city to obtain licenses, permits, or to solve other issues. Red tape and inefficiency are problematic for business owners because they waste time and resources that should be spent building their enterprise. While not every city hall is full of administrative gridlock and long lines, most cities could reorganize their staff, departments, or resources in some way that will streamline interactions with small business owners and offer better customer service.

One-stop-shops serve the purpose of centralizing and streamlining the interface between small businesses and city hall. Housing all small business-related city services in one location helps eliminate duplicative efforts and is the foundation for providing a more comprehensive support system to small business owners.

The city of Chicago recently restructured its approach to serving small business by launching the Small Business Center, including an Express Lane service. These initiatives optimize business owners' time at Chicago City Hall by providing access to staff from various functions at one time, and by better prioritizing requests based on the specific business needs.

Chicago: A One-Stop Small Business Center

At more than a dozen roundtable discussions across Chicago, small business owners and entrepreneurs expressed frustration that there was no single destination at the city where they could take care of all city processes efficiently.

As a result, the city of Chicago created a Small Business Center (SBC) as the centerpiece of its small business services overhaul to cut red tape and improve service delivery. Small business owners and entrepreneurs now have a "one-stop-shop" and dedicated staff working with them every step of the way to support their success.

Mayor Emanuel took several steps to deliver on the promise of a "one-stop shop." First, key small business personnel were co-located in the SBC, including zoning reviewers and food inspection experts. The staff moved toward a case management model to ensure businesses experienced a consistent and streamlined approach. Lastly, the city introduced the new position of Chief Small Business Officer to act as an advocate for small businesses.

SBC employees established a set of professional standards demonstrating their commitment to delivering world-class customer service. The staff developed a common purpose statement to define the SBC's primary role and service standards to ensure consistent, high-quality customer service experiences. These are distributed to every business owner who walks through the door, and the SBC's commitment came full circle with a new recognition program for businesses to thank SBC staff for exceeding these standards.

To drive improved service delivery, the SBC instituted weekly professional development workshops for its staff, which both improved knowledge about small business processes and provided opportunities to build customer service and teamwork skills. The SBC also developed a new website to provide businesses an online one-stop-shop for all city resources across departments, and to centralize information about small business opportunities like financial assistance and workshops.

WELCOME TO THE

SMALL BUSINESS

★ C E N T E R ★

COMMITTED TO SMALL BUSINESS

*Our mission is to be the
"one-stop shop" for small businesses.*

WE PRIDE OURSELVES ON BEING . . .

- ★ **KNOWLEDGEABLE.** We provide guidance on City requirements and regulations.
- ★ **RESOURCEFUL.** We connect you to other City departments and our neighborhood partners.
- ★ **FAIR AND EFFICIENT.** We work with you to get your business licensed and permitted in a timely manner.
- ★ **PROFESSIONAL AND COURTEOUS.** We treat everyone with respect.

Did you have a good experience?
Recognize your business consultant at smallbusinesscenter@cityofchicago.org

Chicago's Small Business Center, City of Chicago

Establishing an Express Lane

The SBC went beyond creating a one-stop-shop - it also reduced the amount of time businesses need to wait at City Hall.

The SBC launched an Express Lane in May 2013 to better triage its customers, ensuring those with simple requests don't have to wait behind someone looking for a comprehensive building consultation. The new Express Lane serves 25% of all clients in 15 or fewer minutes. Overall wait times at the SBC have also come down by 50% since April 2013. Prior to this effort, some clients waited over an hour for a five minute transaction. Some of the services handled in the Express Lane include: updating account information, printing a new license, renewing a license, and applying for seasonal licenses.

The SBC staff was continually engaged in the process and helped make the Express Lane the success that it is today.

Streamline City Regulations and Inspection Processes

Streamlining regulations and the inspections process - and also making this information more transparent – will help support local businesses.

New York City developed a website called NYC Business Express, which helps make permit and licensing requirements easier to understand through the use of “starter guide” infographics. Through the NYC Business Acceleration Program, the city also coordinates inspections among various agencies in order to reduce the amount of time it takes for businesses to receive certifications.

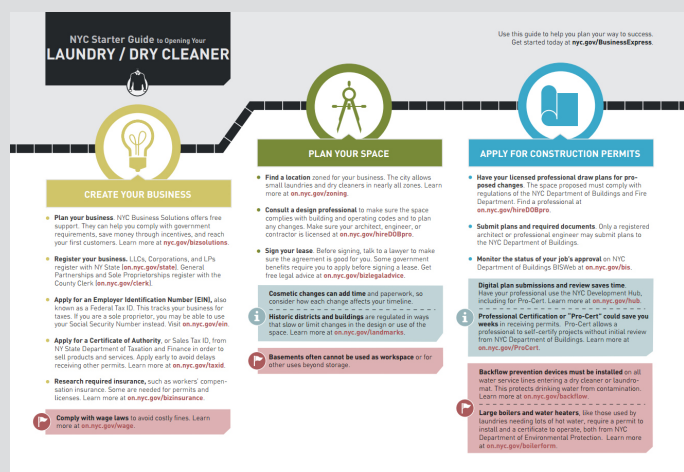
New York City: NYC Business Express & NYC Business Acceleration

NYC is working to make it easier for businesses to understand and comply with law, using a variety of interagency initiatives.

One aspect of this program is the website NYC.gov/Business. Because good regulations and incentives only work well when businesses know about them, we work to better explain existing rules. Entrepreneurs can search online “Starter Guides” and find a list of their opening requirements [example below]. Existing business owners can find a dashboard of their upcoming license renewal dates. Just as the navigation is more fluid, the end point is more robust. Over 1,000 rules, regulations, and programs are explained clearly on consistent pages with agency-supported content.

In addition, NYC Business Acceleration assists individuals and groups opening new, primarily food and beverage, establishments with navigating city agency processes and reducing the time needed to open. NYC Business Acceleration provides client management services, an accelerated plan review process, pre-inspection site consultations and coordination of necessary inspections by regulatory agencies. Because of innovations like data exchanges and coordinated inspections, business owners can save an average of 2.5 months in opening while increasing their compliance rates with health rules.

Businesses do better when they know about regulations and can plan for them. Communities thrive when entrepreneurs can open their doors quickly thanks to access to resources and good customer service from their city.



Chicago has streamlined regulations and inspections for all types of businesses (see info on Small Business Center and Express Lane above), but the first area to be reformed was the restaurant industry. The city's Restaurant Start-Up Program has taken a client-based approach to serving new restaurants since 2012. Key tenets of the program are coordinating inspections, streamlining application processes, and prioritizing zoning and location issues to minimize the need for costly adjustments later in the process.

Chicago: Restaurant Start-Up Program

Restaurants are a leading job creator in Chicago, responsible for nearly 10 percent of jobs in the city. However, they face a harsh reality of razor-thin profit margins, and many fail within their first year in business. In June 2012, Chicago announced the Restaurant Start-up Program to ensure that the city is a partner and resource for restaurants, not an obstacle. Since its launch, the program has helped over 1,000 restaurants open their doors quickly, reducing time to open by as much as 50%, and putting more dollars in the restaurant owners' pockets.

The success of the program lies in the restaurant community's participation in the development of the program. At more than a dozen roundtable meetings, the restaurant community identified pain points in the city process and ways that the city can improve. Based on this feedback from the restaurant community, the city tailored its program to address those issues. The program includes the following reforms:

Streamlines the application process to allow both building permit and license application processes to begin concurrently

Uses a client-based approach to walk restaurant owners through every step of the process to obtain a license

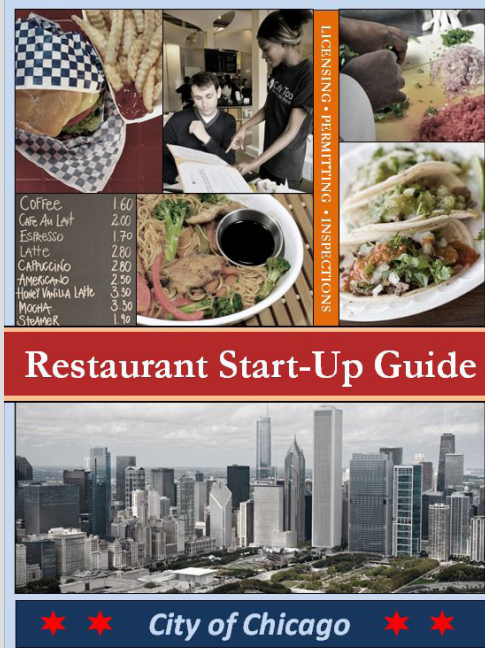
Ensures that restaurants undergo the necessary zoning and location reviews up front, minimizing the risk that owners will need to make expensive course corrections

Reduces the number of inspection visits for new restaurants through a team-based inspection approach

Helps restaurants pass their inspections the first time by providing them with pre-inspection consultations and a comprehensive start-up guide (see www.cityofchicago.org/restaurant)

The restaurant community is thrilled with the success of the Restaurant Start-up Program in reducing the time it takes to open a new restaurant. They are particularly pleased to see that the inspections are more transparent and consistent, and as a result, they are more prepared for inspections. The program improved the health inspection pass rate by nearly 66%.

Chicago incorporated the success and lessons learned from the Restaurant Start-up Program into its Small Business Center which was launched in March of 2013 to help businesses in every industry.



Help Small Businesses Build a Web Presence

A strong online presence is a key factor in a small business' ability to engage customers and attract new business. According to a LinkedIn study, 81 percent of small and medium sized businesses use social media in some capacity.¹¹

City leaders can play a role in helping their small business owners learn how to use the internet and social media for marketing. One example would be providing training for their small businesses so they not only create a website, but they learn how to show up in online search engines.

In the city of Louisville, the Department of Economic Growth and Innovation developed a new program called Digital Economic Corridors to help small businesses utilize the internet to increase web presence and brand visibility. The city was prompted to take action after realizing that a significant number of local businesses are not well-represented in online search portals like Google Places, Yelp, Yahoo!, and Apple Maps. Through a new series of community workshops small businesses learned how to register with these sites.¹²

Louisville: Digital Economic Corridors

Cities assist businesses in numerous ways to drive economic growth in their communities. Mayor Greg Fischer kicked off a new way that Louisville, Kentucky is helping its businesses, with a concerted effort to help get them an increased website presence.

The internet and mobile devices are making it possible for us to have an impact on small business growth, because increasingly, people turn to the web or their smartphone to find places to eat, shop, and do business. When streets lined with local businesses show up in those online searches, businesses and the surrounding neighborhoods will benefit with increased economic activity and vitality.





The pilot project focused on an older but significant commercial corridor that has lost investment over the years.

Of the local businesses in the target area, only 16% are accurately represented online. Forty three percent are present in online portals, but lack key information like their hours or a link to their website. Meanwhile, 20% are incorrectly categorized and 21% don't appear at all in Google Maps.

These online inaccuracies were the impetus for the city's new effort to get all local businesses within a defined economic corridor properly represented in online information portals like Google Places, Yelp, Yahoo! Local and Apple Maps.

The project aims to get local businesses to attend workshops or follow step-by-step instructions, where they will learn how to get their businesses properly represented online, and learn the best practices for ensuring they are prominent and easily found in online searches. That same information is available online for all Louisville small businesses.

For more information visit: www.louisvilleky.gov/economicdevelopment/digitaleconomiccorridors

LOUISVILLE, KENTUCKY	DIGITAL ECONOMIC CORRIDORS	LOUISVILLE, KENTUCKY
HELPING BUSINESSES	INCREASE THEIR DIGITAL PRESENCE FOR INCREASED	BUSINESS OPPORTUNITIES.
 <p>WHY ONLINE VISIBILITY MATTERS</p> <p>In the past, small businesses invariably considered normal operating costs to include hanging a sign in front, getting listed in the phone book, and maybe taking out some form of advertising. Now, most would include a website in that list as well. But in the internet-enabled age of consumer behavior, these actions often don't show up on the radar because consumers are looking for validated information. They use third-party portals which include user reviews and vetted content, accessed at home and via smartphone.</p>	 <p>LOUISVILLE IS HELPING ITS BUSINESSES DO JUST THAT BY HELPING BUSINESSES GET REGISTERED ON PORTALS, SUCH AS GOOD PLACES AND SITES, YELP, YAHOO! LOCAL, CITYSEARCH AND OTHERS, BY ONE-ON-ONE VISITS. THE CITY ALSO HAS A WEBSITE DEDICATED TO TEACHING BUSINESSES HOW TO REGISTER THEMSELVES.</p>	 <p>WHAT TO DO ABOUT IT</p> <p>Small businesses can take advantage of these online information portals to promote their businesses if they know how to use appropriately. The best feature of these portals is that they are free for all the important functions: having your information listed, having it be discoverable via major search engines, and being able to update it whenever you want. The only required cost is in learning.</p> <p> DEPARTMENT OF ECONOMIC GROWTH AND INNOVATION</p> <p>www.louisvilleky.gov/economicdevelopment/digitaleconomiccorridors</p>

Reevaluating and reforming how city resources are provided to small businesses not only makes government work better, but these approaches also create a customer service culture that recognizes small businesses as valuable community assets.

Providing Small Businesses with Access to Capital Through Microlending and Crowdsourcing

One of the most critical ways that city leaders can support small businesses is by providing connections to various funding opportunities. Particularly in this time of economic recovery when traditional loan and grant programs may be harder to find, cities can step in to help small businesses access alternative funding streams.

Non-traditional sources like microlending, peer lending circles, and crowdfunding are gaining popularity among the peer network cities.

Microloans are typically around \$50,000 or less and are often offered through smaller, non-traditional financial institutions such as non-profit organizations. These types of loans can help fill financing gaps for business owners who may not have the credit histories to qualify them for more traditional lending options.

Chicago: Chicago Microlending Institute (CMI)

Microloans are critical to the success and growth of many small, “mom-and-pop” businesses. These funds are used to build inventory, pay for unexpected expenses, seed growth and expansion, or hire new staff. In Chicago, there were too few microlenders and the available capital fell far short of the need. Larger financial institutions find it too costly to make loans smaller than \$50K – it becomes even more challenging for loans below \$10K.

The city of Chicago partnered with Accion Chicago to establish the Chicago Microlending Institute (CMI), with the goal of establishing new microlenders to increase access to capital for small businesses. The city provided seed capital of \$1M in 2012 for loans to small businesses, while Citibank and the Searle Funds at the Chicago Community Trust stepped in to support operating costs.

Leveraging Accion’s microlending expertise, CMI provided training, start-up capital, and best practice consulting to non-profit organizations committed to excellence in microlending. Two community organizations were trained in the first round - Chicago Neighborhood Initiatives (CNI) and the Women’s Business Development Center (WBDC) - successfully increasing Chicago’s microlending capacity and infrastructure, reaching underserved communities.

Through CMI, Accion conducted a year-long training program for the two new lenders, providing them with technical assistance, mentoring, and support. The original \$1M in city funding provided for 126 loans, which created 240 new jobs and maintained 289 more. Those jobs have an estimated payroll of \$8.7 million (based on minimum wage), and total business revenues resulting from loans made through CMI totaled \$21.9 million. CMI loan beneficiaries were 77% minority, 57% female, and 61% low-to-moderate income individuals.

CMI plays a critical role in Chicago’s Neighborhood Small Business Strategy by establishing strong relationships with community organizations that connect with prospective borrowers in diverse communities. By working through these partners who understand the specific needs in their communities, the city can better support the growth of small businesses. The city has recently announced a second round of funding to further these efforts and continue to expand access to capital for entrepreneurs across Chicago.

With the creation of the Chicago Microlending Institute (CMI), the city of Chicago is helping businesses thrive and also creating new jobs. CMI, a partnership between the city and Accion Chicago, delivers training, mentoring, and seed capital to selected non-profit microlenders who are now assisting small business borrowers from Chicago's diverse neighborhoods.



Photo Caption: Co-owners of Flecks Coffee in the Chatham neighborhood, who received a loan through the Chicago Microlending Institute — Mother, Olga Turner (left) and Daughter, Zuli Turner (right), with Mayor Rahm Emanuel, City of Chicago



In Philadelphia, a peer lending circle model is used to provide capital to small business owners who cannot qualify for other small business loan programs. The entrepreneurs who receive the microloans meet on a regular basis for networking and business training. The city's program provides owners with the critical opportunity to build credit, and therefore qualify for mainstream financing options in the future.

Philadelphia: Providing Access to Credit through Peer Lending

Philadelphia has a robust market of micro-lenders that have helped thousands of Philadelphia small businesses start, expand and thrive. Two such micro-lenders, Entrepreneur Works (www.myentrepreneurworks.org) and FINANTA (www.finanta.org) have been successful in implementing peer lending programs, making loans to new borrowers who do not yet qualify for small business loan programs. Peer lending is a "step-up" loan program, modeled off of microcredit programs which have been popular for many years now in developing countries throughout the world, including the Grameen Bank in Bangladesh.

The peer lending model brings group of individuals together to provide capital in a group setting, while also delivering business education to build entrepreneurial and managerial skills. Borrowers can start by borrowing anywhere between \$500 - \$3,500 and work their way up in incrementally larger loans. The maximum peer loan at Entrepreneur Works is \$5,000, while FINANTA will go up to \$15,000. Borrowers must make loan payments on time to be eligible to move up to a larger loan. Peer lending is not only a form of accessing credit; it is also a mechanism for building a better credit record. All loans through the peer lending program are reported to two of the three credit bureaus.

Peer groups are comprised of 4 to 15 entrepreneurs that meet monthly to receive business training, set goals and network. Most peer groups are organized based on the origin of its members, language spoken, and/or geographic location. There are no credit checks or collateral requirements, but loan approval requires unanimous support from the rest of the peer group members.

Since 2011, the Philadelphia Department of Commerce has supported peer lending programs offered by Entrepreneur Works and FINANTA. As of 2013, the city's partner organizations have made more than 308 microloans across 15 groups for a total upwards of \$1.4 million dollars. Philadelphia is proud to be the first municipality in the nation to use federally designated community development block grants (CDBG) to support peer-lending for small businesses.

"The Philadelphia Department of Commerce provides a range of programs to support small businesses to start, stay and grow in Philadelphia. Recognizing that access to capital is a critical need for small businesses to be successful, the city provides financial support to organizations such as FINANTA and Entrepreneur Works to provide micro-loans to the small business community. We are especially proud that these two agencies have adopted a unique prototype that has garnered national attention as a successful and replicable model."

— Philadelphia Mayor Michael A. Nutter

Kiva, a popular microlending organization, partners with cities to connect local entrepreneurs with capital. The city of Los Angeles created the Kiva City Los Angeles program to connect small businesses with capital through this innovative approach.

Los Angeles: Kiva City Los Angeles

According to Kiva, in Los Angeles, there are 325,000 small businesses employing over 2 million people, making the city the nation's largest small business community. Created in partnership with Kiva, the Los Angeles Mayor's Office of Small Business, Visa, and the Valley Economic Development Center (VEDC) in June 2012, Kiva City Los Angeles is a program aimed at helping entrepreneurs and small business owners obtain microloans to start or expand their businesses. The goal of the program is to provide safe and affordable loan funds to businesses that do not fall in the traditional bank and CDFI borrower criteria.

Founded in 2005, Kiva allows people to loan small amounts of money to entrepreneurs and small businesses all over the world through the Internet. The Kiva City program was created to bring microloans to major American cities, bridging the lending gap and facilitating economic growth to businesses in need. As part of the program, businesses can obtain loans from either "field" partners, like VEDC, or "trustee" partners. Field partners fund loans to borrowers, after which the business profile is posted on the Kiva website. Once Kiva's network of online lenders fund the loans, Kiva buys the loan from the field partner. This creates liquidity, allowing the field partner to re-lend. The Los Angeles region has 13 trustee partners who vouch for, endorse and review the finances of small businesses. These trustee organizations or individuals give entrepreneurs backing, which increases the chances of their sponsored businesses obtaining loans. On average, loans range from \$5,000 to \$10,000.

Los Angeles has been one of the most successful cities in the Kiva City program due to its strong network of field and trustee partners. The program has already facilitated over \$550,000 worth of loans to 86 borrowers. This has been done with the help of 13 partners and over 10,000 lenders that fund loans in the Los Angeles area.



"Thank you everyone that lent to our cause and believes in our business. This one was a real nail biter. I was dreading the idea of other ways to raise money for our van. You have all come through at a time in our business that we could really use an upgraded van. On behalf of my entire family, thank you. Muchisimas gracias!"

— Julio, owner of The Drain Guys and Kiva Zip borrower from Los Angeles

New crowdfunding platforms, such as Kickstarter and Indiegogo, enable entrepreneurs to raise seed money through informal networks. This grassroots-style of raising capital enables all individuals – not just certified lending institutions – to support a start-up business idea by making direct donations online. These crowdfunding websites feature a wide variety of business ventures, with everything from book pitches to movie ideas to local bakery concepts. While the world of crowdfunding is designed to be a free-for-all, allowing individuals to support the ventures they think are the most interesting or valuable, the city of Chicago has experimented with ways to help steer potential crowdfunders to the city's local business through the SEED Chicago program.

Chicago: SEED Chicago



Small businesses are increasingly looking to non-traditional means of raising capital. Many have flirted with peer lending or crowd-sourcing of funds. To test and build out this new source of capital for small business, World Business Chicago (WBC) launched a partnership with Kickstarter for Chicago small business. WBC works with the city of Chicago to support its business retention, attraction and expansion efforts.

Seed Chicago is Chicago's official curated Kickstarter page for small business. To date, Seed Chicago has featured three "rounds" of Kickstarter campaigns and two types of projects – small businesses like food trucks and neighborhood florists, and community development organizations seeking funds to revitalize neighborhoods, create new jobs, and promote education.

The inaugural set of Seed Chicago projects completed their Kickstarter campaigns in May 2013, raising over \$50,000 from nearly 900 contributors. The second set of projects completed their campaigns in August 2013, raising \$104,000 from 1,300 backers. MillerCoors contributed an additional match of \$50,000 (up to \$5,000 per project) for successfully funded projects in the second round.

There were several lessons from the pilot that have been incorporated into the future template for Seed Chicago campaigns in Chicago. These include:

- Businesses and organizations seeking less than \$15K are more likely to meet their funding targets
- Community development organizations find it easier to reach their target in a Kickstarter campaign
- Businesses should look to multiple sources for funds, rather than solely rely on a Kickstarter campaign

Accion Chicago, which offers microloans for Chicago businesses, stepped up to take over the program and will partner with the city of Chicago's Small Business Center to promote the program to city entrepreneurs, residents, and neighborhood chambers of commerce.

Following the pilot, WBC created a set of project templates and best practices which are available for companies and organizations considering crowdfunding campaigns. These materials can be found at www.worldbusinesschicago.com/seed-chicago.

Encourage Local Small Businesses to Bid for City Contracts

Finally, but importantly, cities can invest in the long-term future of small businesses by including them in the bidding process for city contracts. The critical step, however, is educating small business owners on how to search for contracting opportunities and prepare a solid bid application. Both San Diego and San Antonio offer direct support to small business in building their capacity to bid for city contracts.

As part of the Business Empowerment Plan in San Antonio, the city offers a mentoring program for small businesses that is designed to help owners build skills that will prepare them for the contract application process.

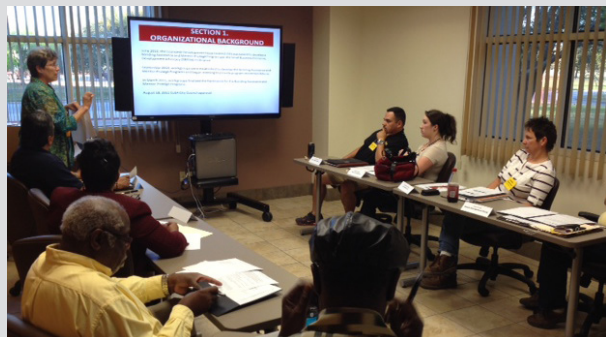
San Antonio: Business Empowerment Plan

In partnership with Alamo Colleges, the city of San Antonio continues its commitment to build the capacity of the San Antonio small business community through the Business Empowerment Plan, which consists of the Bonding Assistance and Mentor Protégé Programs.

The Bonding Assistance Program helps participants understand and manage their business credit in order to become bondable, and thereby increase their likelihood of participating in city contracts. On the other hand, the Mentor Protégé Program provides guidelines and a formal process for the teaming of established and successful firm owners and managers with less-established SBE firms to provide management guidance and training in areas such as office procedures, estimating and bidding, bookkeeping and accounting, management of funds, project management, supplier relationships, bonding and insurance, etc.

Both programs were designed in two phases. For both programs, Phase I consists of the completion of a course component referred to as the Small Business Bootcamp. This course component features classes that vary depending on track, which is determined by industry and program selection. Once participants complete Phase I they transition into Phase II for their respective program. For the Mentor-Protégé Program, Phase II consists of a mentor protégé relationship; for the Bonding Assistance Program, Phase II consists of further bonding consultation with ACCION.

Including the initial pilot session held in the spring of 2012, both the Bonding Assistance and Mentor Protégé Programs have successfully completed six full sessions, and a seventh session is scheduled to take place spring 2014.



Bonding Assistance and Mentor Protégé Program course in San Antonio, San Antonio Economic Development Department

“(If) you use the tools the city has provided, you definitely can gain a great and tremendous resource from this program.”

— program participant Melissa Castro Killen of Network Alliance, LLC

In San Diego, the city’s Small Business Development Program helps entrepreneurs market their products and services to the city. Specifically, the city offers educational trainings on the city’s procurement process and hosts “Meet the Buyers” networking events. In total, the program has served over 450 small businesses and certified more than 100 businesses in the city’s Small Local Business Enterprise Program.

San Diego: Small Business Development Program

The city of San Diego’s award-winning Small Business Development Program was launched as a pilot program by the Office of Small Business in 2010 to positively impact readiness levels of small businesses to bid or respond to contracting opportunities with the city, and help identify and remove barriers to city procurement and contracting opportunities. The training and outreach program serves local small business vendors, suppliers, and goods and service providers interested in contracting with the city of San Diego.

The Small Business Development Program provides participants with an in-depth understanding of “How to do Business with the city;” identifies and assesses the training needs of small businesses to better position themselves as potential bidders; offers tailored technical assistance; provides information on the benefits of the city’s Small Local Business Enterprise Program and Certification; and ultimately aims to help better position local small businesses for contract award.

Program components include needs assessments and follow-up surveys, orientation sessions, tailored one-to-one counseling sessions, training on city procurement policies and procedures, workshops based on interests and needs, and “Meet the Buyers” Networking Events to give participants the opportunity to meet with city procurement staff assigned to their type of goods or services.

The 10-month program is provided at no cost to participants through grant funding from the city of San Diego Small Business Enhancement Program, and a collaborative partnership with the San Diego Contracting Opportunities Center to implement technical assistance components of the program.

Since inception, the program has served 450 businesses and resulted in \$902,000 in city contract awards to program participants. In 2012, the program was recognized by the Public Relations Society of America San Diego/Imperial Counties Chapter and received the Edward L. Bernays Mark of Excellence Award for excellence in community relations.



“Before, I had no idea how to even start doing business with the city of San Diego. Now, I have a clear path to follow when I get my certification completed. Also I met some really smart, cool people that facilitated the orientation and in meeting them, doing business with the city of San Diego seemed less formidable.”

— quote from Small Business Development Program participant

Next Steps for Local Leaders

Small businesses are a vital asset to our communities, and local leaders can support their long-term success by using the strategies outlined in this Big Ideas for Small Business toolkit. Whether by engaging with the small businesses community, providing better customer service at city hall, or connecting business owners to capital, we hope that the strategies included in the toolkit will guide local leaders towards creating an ecosystem that supports small businesses and provides the foundation for a stronger local economy.

Below are some initial next steps that local leaders can take to create a supportive ecosystem and replicate some of the best practices in this toolkit:

- **Familiarize yourself with your city's small business owners and entrepreneurs**, and get connected to their informal peer networks. Hosting listening tours and round table sessions are a great way to get feedback from the small business community. Ask about the need for incubator space, business skills training, and other resources.
- **Establish a task force to advise you on small business issues**. Gather a trusted circle of experts made up of representatives from government, small business, non-profit organizations, and local universities with business programs.
- **Cross-train your city staff** in the various city departments that interact with small businesses (e.g., health, inspections, zoning, licensing, etc.). Creating a workforce that can work better across departments will better serve your city's business clients. As a long-term goal, these key staffers can help you build a plan to create a one-stop-shop in the future.
- **Create a "roadmap" of all the regulatory steps it takes to establish a small business** in your city. Publish this roadmap online and share it with the small business community.
- **Examine your city's municipal code** to see if there are ways to streamline the inspection or permitting processes to create efficiencies and reduce administrative hurdles for small business owners.
- **Explore the microlending capacity** in your community, and **gauge the interest among local business owners to use crowdfunding** as a method for raising capital.
- **Meet with your city's procurement department** to discuss your city's local sourcing capacity to fulfill city contracts for goods and services.

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