



Making Space for Every Entrepreneur

POLICY BRIEF



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Introduction

From Michigan's biggest cities to our smallest villages, small local businesses are a mainstay of our economy and critical to the state's future growth. Main street retailers and contractors, home day cares and craft manufacturers: these everyday entrepreneurs keep communities running, keep dollars circulating locally, and contribute to the social fabric and local sense of place that make us love where we live. Investing in these small businesses and the place where they thrive is one of the most effective ways that the state can both support a vibrant economy today and define Michigan communities as places that can attract and retain residents.

Local government's land use powers play a unique role in the small business environment, and effective use of this regulatory authority alongside other local supports can unlock new opportunities for entrepreneurs. Planning for and permitting a range of small-scale business spaces can help put opportunity in reach of entrepreneurs, as well as being part of communities' adaptation to current trends around remote work, online retail/ordering, and hiring difficulties.

Why Michigan's Microbusinesses Matter

Placemaking, the practice of supporting communities in identifying and building on their unique assets and identities, is once more in the spotlight as Michigan considers how best to create the quality of life that attracts and sustains residents. Over the past decade, the League has talked about placemaking as a tactic for economic gardening, the work of "creating jobs by ones and twos" rather than attracting large employment "deals." By providing an environment for small independent businesses to grow and flourish, placemaking creates local economies that can be more resilient and productive than communities dependent on a single large employer. The reverse is also true: it's those small local businesses creating jobs by ones and twos that create a sense of place and that provide opportunities for individual and community wealth building.

Nearly 95 percent of Michigan businesses have 10 or fewer employees, and these are many of the businesses that make up everyday life in our

communities. Michigan's future prosperity therefore depends in part on its smallest businesses—from those just getting off the ground as a side hustle or second gig to those that have started to grow and employ others. While individually small relative to "Big Deal" announcements that make headlines, these are the businesses that are run by our neighbors and that define our communities as places in ways that Amazon warehouses or dollar stores never can.

These are the businesses that can be found in every community across the state, are not limited to the largest cities, and won't relocate and leave devastating holes in the local economy. Small business owners tend to participate in local boards and community events, and often provide financial and other support for local schools and youth activities. They are also the businesses that don't require multi-million-dollar incentive packages or thousand-acre mega-sites. Where financial support is needed, it may be only a few thousand dollars at a time, and the streamlining of permitting processes or connections to technical assistance programs can be as important as direct subsidies.

Expanding At-Home and Neighborhood-Scale Options

The first location for many businesses is at home—in a garage, a spare bedroom, or at the kitchen table. Some entrepreneurs might be served well operating out of their home for long periods of time, while others will grow to larger or more dedicated business spaces.

Regulating Impacts, not Categories

Zoning ordinances will typically regulate home-based businesses as permitted conditioned on certain limits that seek to eliminate any visible changes to the property. In many cases, a home-based business might be limited in ways its neighbors are not: prohibitions on delivery traffic predate Amazon drivers being a daily sight on neighborhood streets, and square footage limits on space in the home used for a business don't apply to a hobbyist woodshop, for example. Reviewing these ordinances may find amendments are needed to keep the focus on mitigating the nuisance impacts of a business while expanding opportunity.

Other home-based business regulations might be well-intentioned but inequitable. For example, a lawyer or engineering consultant and a hair stylist might both see clients one at a time—small enough numbers to not create any traffic nuisance. If the zoning ordinance completely prohibits customer visits to a home-based business, though, it creates a wealth-based divide between the professions that can see clients via Zoom from their home and those that provide services in person and must lease a business space. In some cases, the better option might be to apply general nuisance ordinances or police powers only if and when an actual impact arises, rather than using zoning to prohibit a home-based business altogether. Reconsidering how actual versus potential impacts are regulated can offer more people the chance to take that first small step into entrepreneurship.

Living Next to the Store

Even as they outgrow the home, some small businesses might find that a neighborhood-based location both serves their goals and creates an amenity for their neighbors. The Accessory Commercial Unit, or ACU, is a new term for an old concept of small storefront businesses incorporated directly into homes on otherwise residential blocks. These structures can still be seen in many historical neighborhoods, though most of them have since been converted to completely residential uses, pushed by a combination of regulations and market forces.

Re-enabling small retail or personal service businesses to operate in connection to a home—and to make visible changes to the property that make it visible as a walk-in, customer-facing operation, distinct from an invisible home-based business—can create a local amenity for residents while also offering a step up for some entrepreneurs who need only a small dedicated space and don't want a long commute, and without the scale of impact that larger dedicated commercial development brings. Both of these benefits are especially important in a suburban neighborhood or small-town context, where few destinations are available without driving to a larger and more urban place.

Enabling ACUs—still connected and accessory to a residential use, but visibly a business—will typically involve both amending use restrictions to allow commercial uses below a certain size in these neighborhood contexts, as well as allowing physical shifts. In some cases, a garage might be appropriately renovated into the shell of a small

business storefront, while in other contexts ACUs may need to be enabled as an extension of the home or garage facade into the front setback.

Communities should limit their expectations about how much impact this approach alone can have, though: as noted, market pressures helped eliminate many of the historical examples of these uses, and a lower density neighborhood will not offer the customer base necessary to support a large number of these. Especially with current high construction costs and low trades availability, appearance of ACUs can be expected to be slow. Where residents have concerns about the impacts of adding visible commercial uses on the street, this slow pace of change can also be seen as an asset: the economics of building an ACU means no neighborhood should expect to be overwhelmed.

Pop-up, Temporary, and Lightweight

Many microbusinesses, even those seeing customers in-person, may not need to operate all day every day. They may not even have the option to, at the stage where they are a second job for the entrepreneur and need to be scheduled around the primary source of income. These businesses typically don't need a full storefront bay in a traditional main street context or commercial corridor strip center - nor can they afford the lease commitment on such a space. Creating opportunities for event-based, temporary, or intermittent operation can give these businesses an opportunity to build a customer base and provide an on-ramp to establishing a physical location, as well as bring fresh activity to a business district.

Fresh and In-Season

Seasonal or regular events - like farmers' markets, craft shows, holiday markets, or First Fridays - are models for giving the smallest businesses space and access to customers on a very low-risk, low-cost basis. The municipal role in these may be to provide space, marketing support, and coordination, or may simply be to say "yes" to an organization or volunteer group that wants to take them on.

Lightweight structures can be a next step up, helping to fill and activate gaps in a business district and potentially putting momentum towards bricks-and-mortar redevelopment. Muskegon's Western Market is an example of the city providing land and offering

up retail “chalets” (nicer garden sheds) for seasonal lease by entrepreneurs, turning a vacant space in downtown into a destination, and giving entrepreneurs access to a space at minimal cost. This requires the city or a partner to secure land, create the chalets, and coordinate vendor contacts, insurance, and utilities, but in addition to the benefits for the individual vendors, this type of temporary retail structure can help establish foot traffic and customer habits at a location that prove the potential for more robust bricks-and-mortar development.

Small Box Business Incubators

Food trucks are another common approach used to turn the pedestrian-hostile sidewalk edge of a parking lot or gas station into a foot traffic generator for the district. Shipping container retail is an emerging variation that can host single-worker uses ranging from espresso or ice cream stands to retail boutiques or art galleries. These might be one-off accessory uses on a larger site plan, or part of an intentional business development program: Main Street Alabama has a “Small Box Retail” program that loans converted shipping containers to communities to use as movable pop-up retail incubators.

Whatever the format, these small, lightweight business spaces typically require less active involvement by the municipality, but do require thinking about an appropriate level of permitting: issues like electrical hookups (versus loud generators) and maintaining ADA access to sidewalks and buildings should be considered. Relaxing parking requirements might be needed to allow parts of an existing lot to be occupied by these uses.

Boosting Bricks and Mortar with Pop-Ups

While these “lighter, quicker, cheaper” approaches can yield a lot of benefits to both the community and the entrepreneurs, existing business owners and landlords can sometimes protest what they see as giving newcomers – or even potential competitors – a leg up that they didn’t receive. Enabling these uses should be discussed as part of a local placemaking strategy that intentionally works towards broader benefits: nearby brick-and-mortar businesses should be included in marketing efforts and involved in events, leveraging new foot traffic to boost the business district as a whole. Especially in weaker markets where the community may not be appealing to developers, though, being able to quickly deploy and occupy these lightweight spaces might be the

best opportunity to change perception of a district and rebuild a customer base.

Shared Spaces and Co-Occupancy

Larger storefront or office spaces can also be adapted to support smaller businesses, with shared occupancy models providing both right-sized space and a built-in peer community. These may be operated by an economic development agency or DDA or may be privately owned and managed. In either form, they offer a mix of formal and informal support to their members.

Publicly operated shared business spaces may offer subsidized rent to entrepreneurs or host technical assistance services, either provided directly by local staff or partners such as the Michigan Small Business Development Center. Privately-run spaces may need no direct involvement from the municipality, but communities can support them by minimizing pain points around permitting. Whenever possible, local zoning, permitting, and inspection processes should be applied to the space as a singular entity, rather than to individual occupants. Individual businesses swapping in and out of the larger space should not trigger change-of-use requirements such as fire inspections tied to business licenses, or site plan reviews under zoning. The shared space might see a continual changeover of membership, but the overall character of the use and space will remain consistent, making overly strict application of these regulatory steps unnecessary and counterproductive to entrepreneurship.

Working Alone Together

Co-working offers small office-type businesses access to not just the physical amenities of a larger office – conference rooms, printers, a downtown location – but also the camaraderie of having other people to work with: literal co-workers. Members may have private offices, dedicated desks in a shared office, or the option to drop in and grab an available desk from time to time. In addition to sole proprietors or freelancers, co-working spaces are hosting an increasing number of remote workers – those who may no longer commute to a central office but still want the option to leave their home. In addition to an affordable office option, this mix of members gives businesses a built-in network of peers, mentors, and potential business leads, helping to combat the loneliness that entrepreneurs can face when working alone.

Curated Retail Collections

Co-retail uses are emerging as a step up from the farmers' market or event-based craft show, offering multiple businesses space within a single storefront. Several models can fall in this general theme, serving different retail sectors. Lansing's Middle Market acts as an incubator for entrepreneurs testing full-time retail models: hosted by the Lansing DDA, the market gives each starting retailer a designated floor area to stock and staff within an open, shared storefront, giving them an opportunity to build sales history, customer base, and relationships with downtown landlords before growing to a dedicated storefront. Ferndale's Rust Belt Market serves more established maker businesses, hosting thirty vendors in a converted big box store. Food halls, like the Flint Farmer's Market or Grand Rapids' Downtown Market, are another familiar version of this that bring together multiple fresh, prepared, and packaged food vendors to individual spaces within a larger facility.

Other co-retail spaces operate more on a gallery or consignment model, hosting the products of multiple artisans or craft producers but providing centralized staffing rather than requiring the individual businesses to be personally present. These spaces generally support production-oriented businesses that want to move beyond online sales, craft shows, or weekly markets, but want to keep their focus on production rather than making the shift to full-time retail. Traditional art galleries are a familiar example of this model, but other goods or handcrafted products can be featured as well. Some fresh markets, like Argus Farm Stop in Ann Arbor, have offered this model to small farmers, offering food growers and processors dedicated shelf space to stock with their individually labeled goods on a consignment basis.

Multiple Use of Public Spaces

Finally, one of the assets that municipalities may be able to leverage directly to create space for entrepreneurship is...their space. Some of the examples previously mentioned have demonstrated this: Muskegon's retail chalets on a vacant city-owned parcel, or Lansing's Middle Market in a space that the DDA leased specifically to be large enough for both their offices and the micro-retail.

Sometimes, the Best Things Are Free

Municipalities or other public partners may find that they have other facilities sitting vacant that could be repurposed to help with their economic gardening. A silver lining of shrinking municipal capacity is that city halls may have space sitting vacant that could be used to house small retail or service uses on the ground floor, or a co-working space on upper stories. As with the Lansing DDA example, this proximity can give the entrepreneurs an added benefit of getting to know municipal staff and a better understanding of how to navigate any needed permitting processes.

Public housing, or privately-owned Low-Income Housing Tax Credit housing, often has underutilized community rooms. A program called Spending with Purpose has worked with housing complexes in Detroit to identify these spaces, and to identify resident entrepreneurs. The program offers the entrepreneurs free space to do business on-site, with a requirement to donate a share of proceeds to nonprofits that serve the resident community. This arrangement works best with businesses who are offering services that the rest of the residents are likely to patronize, such as haircutting, tax prep, or other personal services. This gives the entrepreneur space to get off the ground and a built-in customer base while bringing new services to a place that may not have convenient access to them otherwise.

Reduce (Size), Reuse (Space), Recycle (Buildings)

Finally, economic development authorities such as DDAs or PSDs may consider directly acquiring property to achieve a combination of blight remediation and creating small business space. Niles worked with a tech company to redevelop a tax-foreclosed building that the city owned on their main street to both house the tech business's headquarters and create new small storefront spaces for additional businesses. Monroe has acquired a couple of long-vacant buildings in their downtown, "white-boxed" them with renovations needed to get them to tenant-ready condition and leased them to small businesses with option to purchase. While these projects have been targeted at somewhat larger businesses than other efforts discussed, they are a tactic that municipalities can consider to continue creating the right spaces for small businesses to succeed in.

About the League

The Michigan Municipal League (the League) is the premier statewide association representing more than 500 full-service cities, villages, and urban townships. We are dedicated to making Michigan's communities better by thoughtfully innovating programs, energetically connecting ideas and people, actively serving members with resources and services, and passionately inspiring positive change for Michigan's greatest centers of potential: its communities.

And because every industry needs research and development (R&D) to grow and find new solutions, our Policy Research Labs team serves that role for Michigan's municipalities. Through a deep bench of expertise, including local government scientists and policy wonks, the Labs team does research on, tests, and develops innovative approaches to local governance and community vitality. Our work enables local leaders to engage in forward-thinking action on big or emerging issues. We focus on the latest trends in planning and community development with an eye on helping Michigan cities and villages become more economically, socially, and physically resilient and adaptable.

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