Place needs small business
and small business needs help

michigan municipal league

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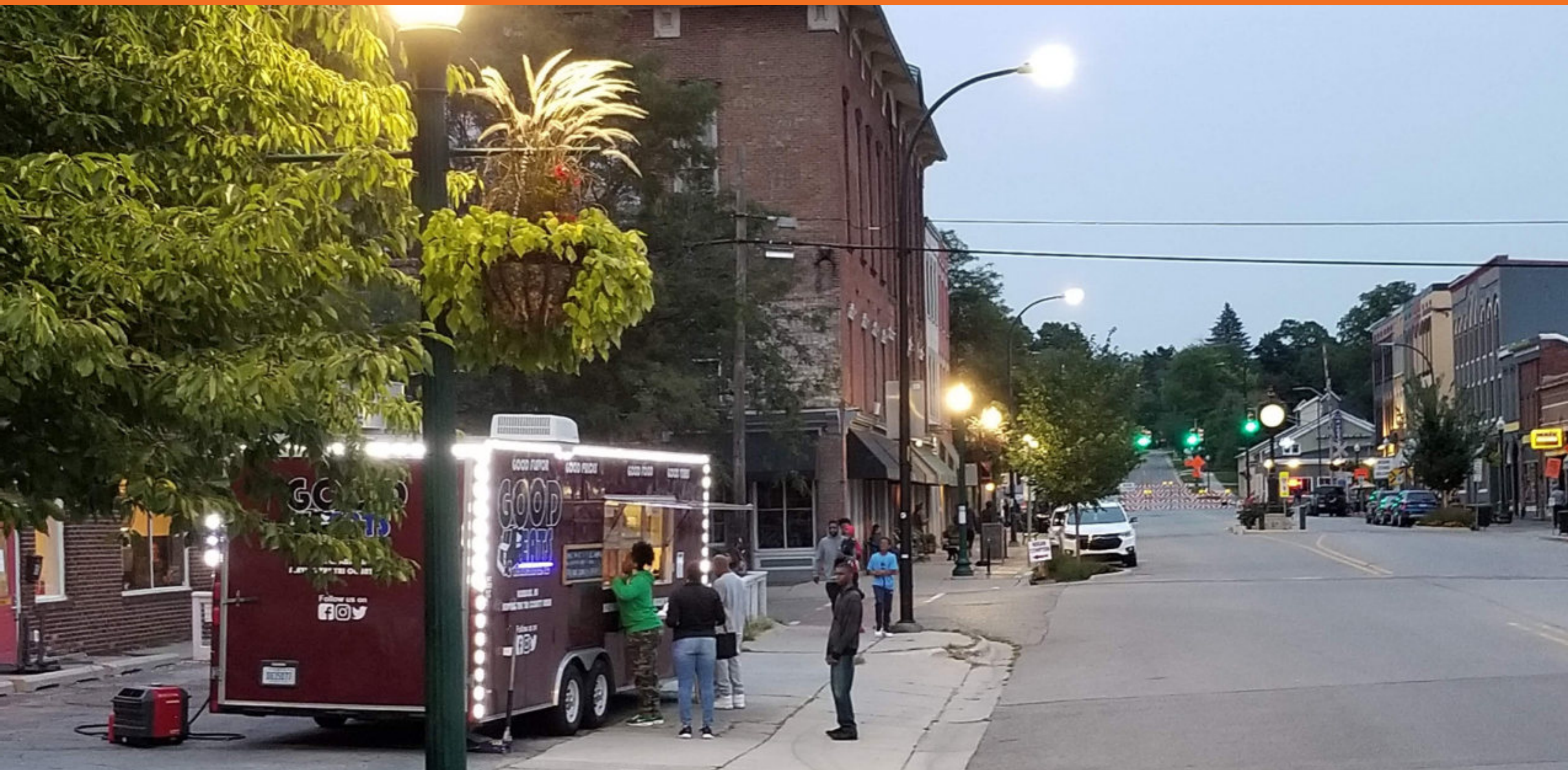


> **"Talent wants place.**
> **Place needs business.**
> **Business follows talent."**

This three-part formula has rooted the League's work so far in the 21st-century.

As the one-two punch of Michigan's one-state recession followed by the global Great Recession shook the foundations of our state's economy, as we suffered brain drain and population loss, and as we raised the alarm about the crumbling state of our dis-invested infrastructure, place-making was a rallying cry. We convened the statewide Sense of Place Council with state agency, university, and non-profit partners and built a culture of investing in place that has been recognized internationally.

As 2020 dawned, though, with "place-making" now an everyday term for our local members, we were already preparing to evolve our work beyond that frame of place as a response to economic crisis. We drafted our Community Wealth Building framework, enabling us to move beyond place-making as a talent attraction strategy for securing large employers and expand into the broader potential of local government to support the human experience in a holistic way. Community Wealth Building recognizes the importance of education, arts and culture, health, built infrastructure, natural environment, and financial stability, all held together by community trust and belonging.

Then Covid-19 struck, ironically slowing our work on this expanded framework as we supported our members in emergency response even as it demonstrated how vital this holistic frame was.

One of the things the pandemic clearly demonstrated was the importance of small, locally owned businesses to people's sense of community. Community members rallied around their local businesses with gift card drives, online and takeout orders, and even GoFundMe donation campaigns.

The League saw our member municipalities searching for ways to support their main street businesses—and we had a front-row seat to the depths of the need as we administered the state's Pure Michigan Small Business Relief Initiative in early 2020. A program so in-demand that over 13,000 businesses attempted to apply in the less than eight hours that the online application for open, but a program that only had enough funding for 700 of those applicants.

People want place—and place needs small business. And small business needs help.

With that need top of mind, we were pleased to be approached by the Ralph C. Wilson Jr. Foundation for a collaboration to dig into the needs and opportunities for equitable entrepreneurial opportunity and sustainability. We are pleased to present this research report on our investigation of the small business support ecosystem in southeast Michigan, and the accompanying playbook of potential opportunities for the League, our members, and their partners to shore up that ecosystem.

Background: the League's Leadership on Investment in Place

The Michigan Municipal League has served our municipal membership with education, advocacy, and direct assistance since those local government leaders established the organization in 1899, but we continue to advance and evolve those roles in response to emerging needs and trends.

Our work over the past fifteen years, since the financial crisis and the economic harms it wreaked, has focused on reestablishing the importance of distinct local places in both supporting a sense of community, and in harnessing the increasingly mobile financial and human capital of the 21st century into local economies. Our experience building programs in those areas has led us to the framework of Community Wealth Building as a combination of the built, natural, and cultural environments bound together with mutual trust and belonging—and we have rooted the current investigation in these past programs:

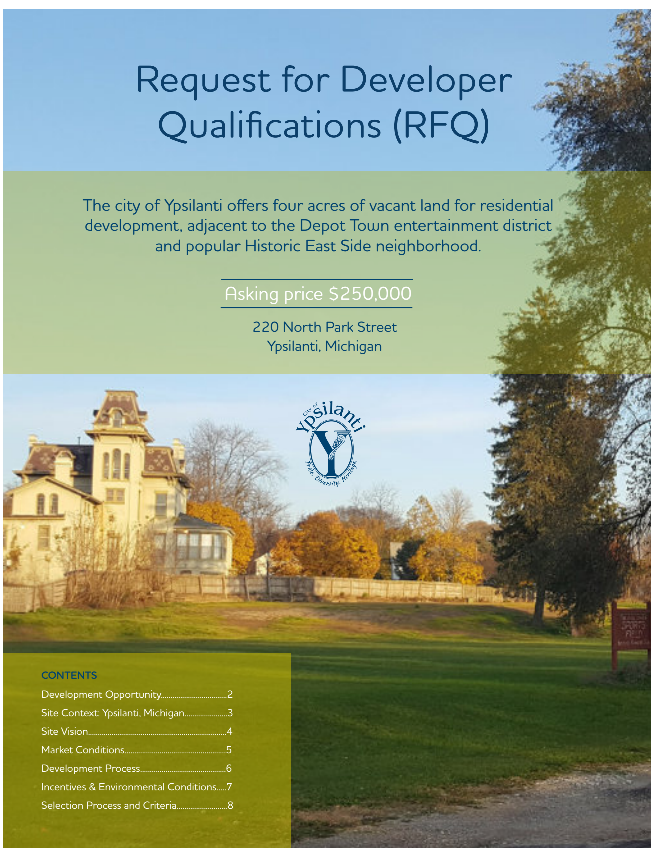
- The *Sense of Place Council* was established in 2007 by the League and MSHDA and continues to be co-chaired by those organizations. Bringing together over 40 governmental, nonprofit, educational, and business organizations, the Council collectively works to promote policies and practices that make Michigan more vibrant and competitive. This work included the MIplace Partnership, including the development of a placemaking curriculum with Michigan State University, which has been delivered to over 15,000 people throughout the state; documenting case studies and best practices, resulting in two books on placemaking published by the League; and a suite of technical assistance programs.[1]
- *PlacePlans* was the League's flagship placemaking program, in collaboration with MSU and MSHDA. Between 2013 to 2016, we engaged two dozen communities around the state in deep-dive community design processes, creating local visions for place: downtown plazas and markets, parks and recreational

[1] *Refer to A Decade of Placemaking in Michigan, Michigan Municipal League, 2017, for more details on this work. https://www.mml.org/pdf/resources/publications/decade_of_placemaking_in_Michigan_book_final_2017.pdf*

[2] *Refer to Community Investment, Community Growth: A retrospective in Michigan crowdfunding, Michigan Municipal-League and Michigan Economic Development Corporation, 2019. http://www.crowdfundingmi.com/wp-content/up-loads/2019/06/CrowdfundingRetrospective.pdf*

spaces, waterfronts and trails. We additionally delivered tactical engagements through *PlacePop*, assisting communities in creating pop-up holiday markets, road diet demonstrations, and shop local passbook programs.

- Through the *Michigan Invests Locally Exemption* legislation of 2013, the League advocated for allowing residents to add financial investment to their emotional investments in their community, unlocking opportunities for small-dollar investment crowdfunding by non-accredited investors within Michigan, and we partnered with MEDC and organizations like Revalue to deliver educational workshops on the potential of local investment in local economies.[2]
- The *Public Spaces Community Places* crowd-granting program is the public sector companion to MILE. In 2014, the League partnered with MSHDA, MEDC, and platform Patronicity to design and rollout this program for local governments and non-profit organizations to fundraise for public space improvements. By late 2020, PSCP had yielded 300 successful public space crowdfunding campaigns, matching over $10 million in local pledges with public funding to create public art, gardens, community centers, trails, kayak launches, plazas, dog parks, playgrounds, and cafes around the state. The program has since been replicated in Massachusetts, Indiana, and Connecticut.



Request for Developer Qualifications (RFQ)

The city of Ypsilanti offers four acres of vacant land for residential development, adjacent to the Depot Town entertainment district and popular Historic East Side neighborhood.

Asking price $250,000

220 North Park Street
Ypsilanti, Michigan

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- The League has supported *MEDC's Redevelopment Ready Communities* program since its ideation, serving on the advisory committee that established the RRC best practices and certification program, designing portions of the best practice curriculum and supporting materials, and delivering technical assistance to local communities on behalf of the program.
- Our primary work in this area is the *Redevelopment Ready Sites Pre-Development Assistance* program. In 2016, we engaged developers, municipalities, and state agencies to rethink how communities were marketing their high-priority redevelopment sites, with an emphasis on including local priorities in the marketing process rather than solely reacting to developer-initiated proposals. Out of these discussions, we created a template Request for Qualifications package and how-to manual, and have since partnered with MEDC to deliver direct assistance to over 40 communities in preparing their sites—and their expectations—for redevelopment.
- *The Project for Code Reform* is the League's other major partnership around the development side of placemaking. The League led Michigan's work with the Congress for the New Urbanism and MEDC to identify regulatory barriers to quality placemaking developments, and to create an incremental approach to identifying, prioritizing, and improving those codes. We have produced two *User's Guides to Code Reform*, one addressing traditional main streets, downtowns, and neighborhoods in 2018, and one tackling suburban

corridors and shopping centers in 2020, and piloted these interventions with communities ranging from Kalamazoo to Frankenmuth and St. Ignace. CNU has taken the process we created here in Michigan and adapted it for state-level work in Vermont and Wisconsin, and a national effort with AARP.[3]

In 2019, with placemaking now a common and broadly supported approach in Michigan, we decided that the League and our members were ready to tackle a step-change in approach, and convened a cohort of fifty of our members and partners in a series of policy forums. Through Fast Forward: Leading the Future of Michigan Cities we brought this cohort together for three day-long discussions featuring state and national experts to discuss the future of Michigan's demographics, economy, and workforce; the future of technology facing communities; and the future of our environment in a time of climate change. We covered themes of scenario planning for unanticipated and accelerating change, and the new roles that local government would need to take on in the creation of resilient and inclusive Community Wealth Building.

Unanticipated and accelerating change, and new roles for local government, were unexpectedly prescient themes for us to bring into 2020. The onset of the COVID-19 pandemic forced us to internalize that attitude of agility, taking on several new programs in response. These included:

- *ServeMICity* is a League initiative launched in 2020 to support municipalities not just in accessing federal relief funding through the CARES act and ARPA, but also in strategizing for how those one-time funds could be best deployed for ongoing community benefit. Through a combination of webinar and (eventually) in-person trainings, one-on-one help-desk assistance, and tailored assistance in local strategic planning, we have leveraged our initial $100,000 allocation to this program into over $200 million in relief funds secured for our municipal members.
- In late 2020, we took on the delivery of *MEDC's Pure Michigan Small Business Relief Initiative*, a microgrant program for businesses closed by the winter surge of COVID-19. The League handled the review of applications, verification of qualifications, and delivery of a total $10 million in grant funding to 675 small businesses around the state. With over 8,000 applications flooding the system, and in the conversations with small business owners needed to verify their information, we saw acutely how severe the need was for more support.

- The Michigan Municipal League Foundation's Bridge Builders Microgrant program provides $5,000 grants for collaborations among local businesses and artists that showcase diverse experiences and perspectives reflective of their communities, as well as $500 grants for neighborhood and individual projects that build engagement, trust, and belonging, offering support for residents' initiative and agency in their communities. In addition to funding, the Foundation supports grantees with a cohort-building experience as well as marketing and communications training to provide a scaffolding for their projects.

We approach the current question of supporting equitable entrepreneurial opportunity in our communities with all this experience in mind: the placemaking efforts of creating public spaces that bring people together; the redevelopment work that supports brick-and-mortar investments in those spaces; the collective investment of crowdfunding and community capital to realize local goals; and the urgency of mutual support and community trust-building in the face of crisis.

[3] *Michigan's Project for Code Reform guidebooks can be found at https://www.cnu.org/pcr-projects*

The Covid Mandate to Reinvest in Resilience

As the COVID-19 pandemic closed businesses, we saw both municipalities and individual residents mobilize to support them. The speed and breadth of these adaptations, and their apparent longevity, have shown how deeply communities care about and value their local businesses' survival.

Within days of initial closures in March 2020, Port Huron had marked off on-street parking areas in downtown as short-term pick-up areas for restaurants transitioning to take-out only service.[4] Ann Arbor blocked off vehicular traffic and turned Main Street into an outdoor dining area for six months of 2020—an action that had been in discussion for twenty years with no movement, but suddenly sprang to life to meet the urgent need. Dozens of communities across the state implemented their own versions of "open streets" to support business continuity, and the state legislature passed "social district " legislation enabling strolling with alcohol in designated downtown areas.

Small retailers moved online for the first time in many cases, with new sector-specific portals like Bookshop.org taking off to provide centralized online storefronts for local bookstores, or community-scaled initiatives like Open In Ferndale[5] that engaged a digital marketing firm to provide website audits, digital advertising design, and SEO services to small businesses in Ferndale. Volunteers launched directories of local

businesses, such as www.SaveMiFaves.org, which sought to "flatten the curve of lost income" by highlighting the variety of small businesses that offer gift cards—framed as a way of loaning money interest free until the business reopened and could repay in food or merchandise.

In other cases, people simply gave money to local businesses. GoFundMe reports that of the $625 million in Covid-related crowdfunding campaigns launched on the site in the first six months of the pandemic, 3/5 were small business related.[6] (They identify another fifth as arts, daycare, or education-related—many of those themselves small businesses.)

Some of these adaptations may prove durable as Covid declines, with both positive and negative potential impacts. The moves that communities have taken to dedicate space to sitting and enjoying downtown places, season-extending strategies for outdoor activities in downtown, and the investments in getting small local businesses online and discoverable to broader audiences are clear positives. The donut shop that was cash-only for decades, but "adapted" to Covid demands by finally installing a credit card reader, and is now paying a slice of their small-dollar purchases in fees is more ambiguous. If small downtown retailers see a significant share of their online sales replace in-person sales, rather than adding to them, may lose over time, since they are not supporting each other with foot traffic on Main Street.

The renewed visceral belief in the importance of small business to place, and the attitude of adaptability and agility in responding to fast-changing needs that emerged during the pandemic: these are clearly among the positives to come out of Covid, and we should work to make sure they endure.

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[4] *https://www.thetimesherald.com/story/news/2020/03/16/local-restaurants-ordered-close-stop-spread-coronavirus/5057487002/*

[5] *https://www.ferndalemi.gov/oif/open-in-ferndale*

[6] *https://medium.com/gofundme-stories/the-data-behind-donations-during-the-covid-19-pandemic-c40e0f690bfa*

Scope of This Work

Through our partnership with the Ralph C. Wilson Jr. Foundation, we have set our target for this work as small and microbusinesses, in the smaller communities of the southeast Michigan region, with an interest in equitable opportunity across the region. All of those terms are defined and explained here for clarity.

Geographically, we set our sights on the 7-county southeast Michigan region that the foundation works in: Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, and Wayne Counties. From early conversations with the Foundation and regional stakeholders, we have further focused on the smaller places outside of the largest communities at the heart of the region.

There are deep needs for equitable opportunity in the large cities like Detroit, Dearborn, and Pontiac, as well as in wealthier large cities like Ann Arbor and Troy, where space is expensive and the capital cost of entry is high. However, there are also multiple efforts already underway in those largest regional centers—our involvement would add only marginally to the work already being done from within those communities. By contrast, the smaller places in the region are more weakly connected to small business support resources: we found our smaller municipal members to not be aware of whether resources even existed in their area, and many of the regional providers to have limited involvement in the smaller communities within their regions.

Whether an outright gap or missed connections, there are needs to reinforce the support systems in those communities that are not currently being addressed in the same ways as in the larger cities. Additionally, we hope that identifying strategies for smaller places creates a toolkit that is readily scalable across the state: the League's 530 member municipalities average only 10,000 residents in size, with a median population of only 2,000. Interventions that work in small places can work in many small places—or at the neighborhood level of larger places—while tactics designed for large city contexts are less likely to scale down.

For the purpose of this work, we defined a "small business" as one that had 50 or fewer total employees, and further defined "microbusiness" as one with 10 or fewer employees. While some sources include any business with less than 500 employees as a "small business," that range includes 98% of Michigan businesses, and too broad a range of situations and needs to draw common themes from.

When considering the needs of entrepreneurial success and the small business survival curve, many of the threats are frontloaded in the initial establishment and first few years, even for businesses that grow beyond that size—and many will find a satisfying and sustainable level of maturity well below the 50-employee breakpoint. With over half of Michigan firms employing fewer than five people, and two-thirds having fewer than ten employees, many entrepreneurs find not only their initial startup needs but entire business life cycles fall within that "microbusiness" category.

Equitable access to entrepreneurial opportunity can cover several dimensions, and we've attempted to be open in understanding what various stakeholders across the region are considering within local equity needs. Race is of course a major equity factor in the region, and in the literature, and we discuss some specific data points regarding Black-owned and POC-owned business below. Gender is also a factor, with women-owned businesses facing hurdles to capitalization, growth, and income. We have considered the United Way's ALICE data—Asset-Limited, Income-Constrained, Employed—and the concept of "necessity entrepreneurship" as a third dimension of small business creation from a position of disadvantage.

Additionally, we note that equity can be viewed at the scale of both the community and the individual entrepreneur. As one of our municipal stakeholders noted to us, their municipality does not qualify for various state and Federal economic development programs because their local median income is too high—but they do still have low-income residents and business owners within the community who are harmed further by lack of access to those programs and are at most risk of being pushed out of the local market. We generalize this to emphasize that, no matter what the top-level statistic is, the community will also include disadvantaged residents, and on-the-ground economic development efforts need to be intentional in identifying and supporting individual-scale equitable opportunity.

Baseline: Challenges to Equitable Entrepreneurship

We've frequently referenced the Jane Jacobs quote, "Cities have the capability of providing something for everybody, only because, and only when, they are created by everybody," in our placemaking work. Small businesses were fundamental to Jacobs' "sidewalk ballet" of successful places—the perpetual dance of people interacting with each other and the space they inhabit—and small business is an area where Michigan has not yet succeeded in including everybody.

Our review of research predating the COVID-19 pandemic shows wide gaps in entrepreneurial opportunity as a part of economic inequities. The pandemic only exacerbated these, with health impacts, business closures, and caring responsibilities falling hardest on those already suffering from economic disparities. We entered COVID-19 with work to do as a region, and we should be emerging from it with increased urgency to act.

Entrepreneurship—the mythos of the "self-made man"—is a fundamental component of the American Dream. It can be a powerful tool for creation of both individual and community wealth, growing financial and physical assets that are anchored in place rather than floating globally. Unequal access to the opportunities of entrepreneurship then is a pernicious piece of America's wealth disparities across race, as well as gender.

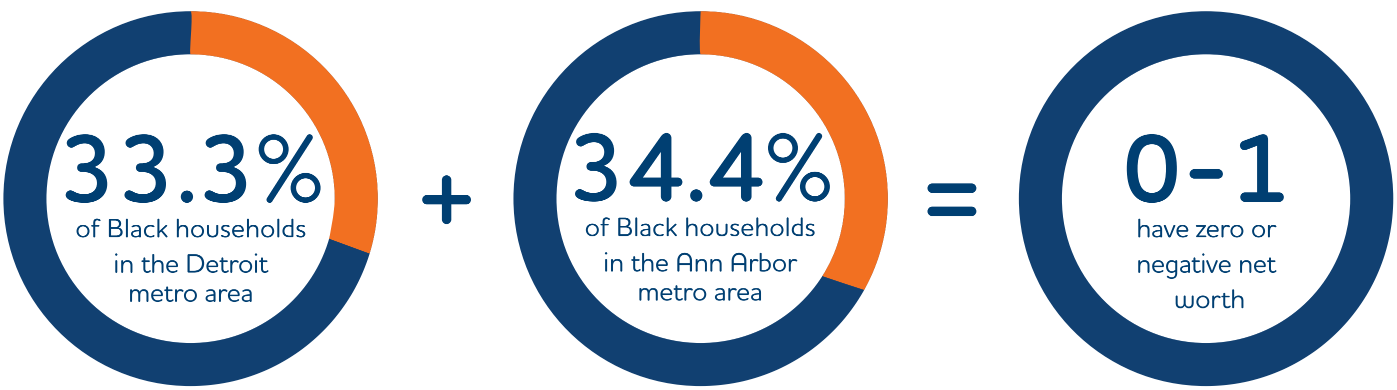
Inequitable Opportunity in a Winner-Take-All Economy

The capital access landscape reinforces existing wealth inequities, rather than supporting opportunity, contributing to a "winner take all" trajectory in the economy. As summarized in a 2019 report from the Kauffman Foundation[7]:

- Minority entrepreneurs are more frequently denied bank loans than white entrepreneurs, even when controlling for credit scores and other factors, and are asked for more documentation when applying.
- Reduced access to external financing forces non-White entrepreneurs to invest a higher share of personal equity into a new business, with Black business owners contributing more than half of total financial capital while White owners contribute less than one-third.
- That Black households average less than one-tenth the net wealth of White households combines with less access to external financing to severely limit their ability to start businesses, and to drive them towards businesses with lower growth and income potential.
- Women are substantially less likely to start businesses than men, with capital access gaps similar to, though not as large as, racial gaps one factor in women-founded firms starting with one one-third the capital of businesses founded by men.
- People who lack personal wealth before founding a business are not only hindered by a lack of equity to invest in start-up, but are also less likely to have potential investors, customers, or employees in their personal networks: lower-wealth entrepreneurs are more likely to drop out after starting a business.
- Finally, geographic factors play a role in capital access. This is especially the case for venture capital, with nearly 80% of venture capital investment going to just five regional clusters—three of them in California.

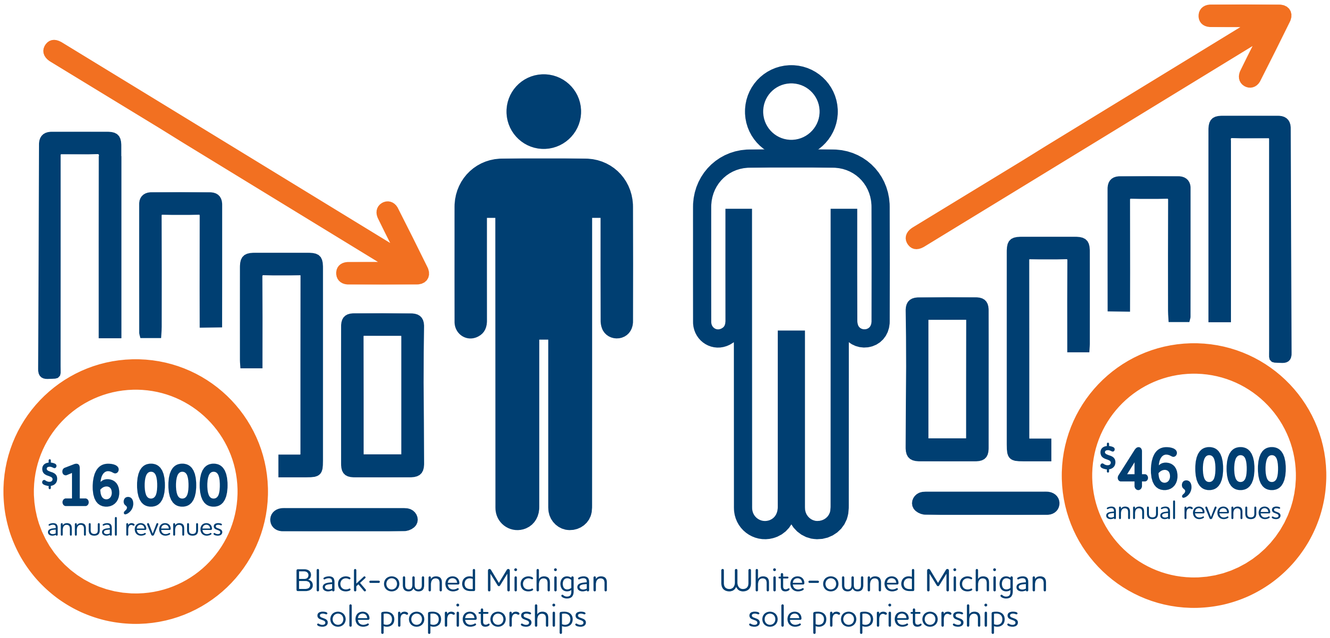
Inequitable access to opportunity, especially start-up capital, means that minority entrepreneurs are more likely to start businesses that are under capitalized, have no employees, have annual revenues under $25,000, and that are in sectors with lower growth potential.[8]

Michigan is unfortunately no exception to these disparities, in fact ranking poorly on various measures of equity in small business opportunity:

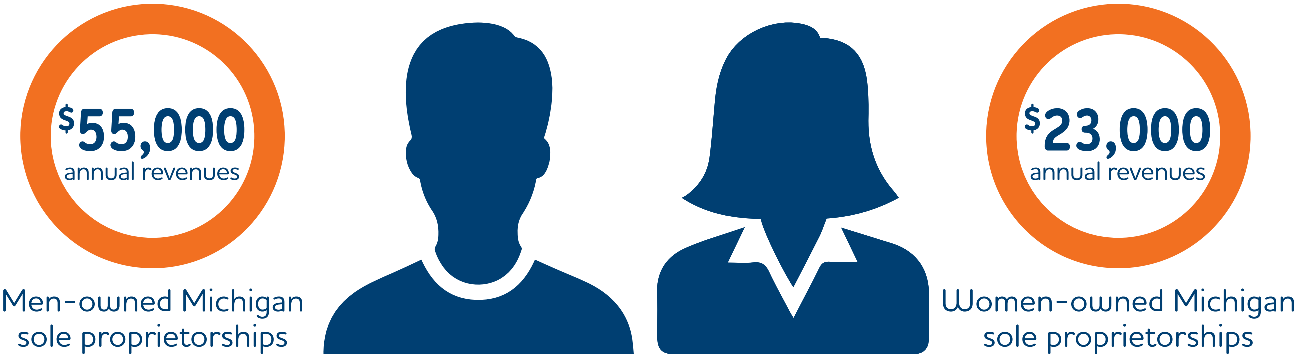


—compared to **28.7%** nationally. White and Latinx households are at or better than the national average for this same measure.[9]

- While Michigan's Black-owned or POC-owned businesses with employees rank highly on annual revenues when compared to other states—3rd out of 47 states in 2017—the racial disparity remains, with Black-owned businesses in metro Detroit having annual revenues are less than 60% of White-owned firms.



- Additionally, the number of those firms is low: Michigan ranks 33rd among states in the rate of Black employer business ownership, and metro Detroit is 56th out of 140 metropolitan areas, with less than 1 such firm per 200 Black residents in the workforce. These ownership rates are about 1/10th the rate of White-ownership of businesses with employers at both the state-wide and metro Detroit level.[10]
- While Michigan has a very high rate of Black-owned sole proprietorships—ranked 16th nationally with 15 firms per 100 Black workers, about the same rate as White-owned sole proprietorships—the state was in last place for the annual revenues of those businesses, averaging only $16,000 in 2017 (vs. $46,000 for White-owned Michigan sole proprietorships.)[4]
- The Ann Arbor metropolitan area shows similar disparities on many of these numbers, or in some cases higher than the state-wide or metro Detroit data, with larger racial gaps in the ownership rates of both employer-businesses and sole proprietorships.[4]
- Significant gender disparities are also visible in Michigan: firms with employees are four times as likely to be owned by men as by women, and men-owned firms with employees average over double the revenues of women-owned employer firms. Sole proprietorships owned by men showed more than double the revenues of women-owned sole proprietorships in 2017, $55,000 vs $23,000.[4]



[7] *Hwang, V., Desai, S., and Baird, R. (2019) "Access to Capital for Entrepreneurs: Removing Barriers," Ewing Marion Kauffman Foundation: Kansas City.*

[8] *"The Color of Entrepreneurship," Center for Global Policy Solutions, 2016.*

[9] *Prosperity Now Scorecard, Place Data: Households with Zero Net Worth, 2017 data, https://scorecard.prosperitynow.org/*

[10] *PolicyLink National Equity Atlas, 2017 data, https://nationalequityatlas.org/indicators*

COVID-19 Impacts on Entrepreneurial Opportunity

All of those data points mentioned predate the onset of COVID-19, and national research shows that the pandemic most likely has exacerbated entrepreneurial disparities:

- Minority-owned businesses were twice as likely to be financially at-risk or distressed entering the pandemic, making them less well buffered against closures or drops in demand.[11]
- Minority-owned businesses are more heavily concentrated in industries directly negatively affected by COVID-19, such as accommodation and food services, personal services, retail, and healthcare and social assistance.[5]
- Minority business concentration in these face-to-face dominated sectors likely contributed to the more severe health impacts of COVID on minority communities, in addition to taking the brunt of economic impacts.[12]
- Businesses in majority-minority neighborhoods were the last to receive COVID relief loans through the PPP program in mid-2020, because the program design neglected to account for inequitable access to banking; other relief programs likely had similar inequities in distribution.[13]
- Women-owned businesses suffered the impacts of the "women's recession": not only are those entrepreneurs more likely to be in the most heavily hit sectors, but the demands of child care and school closures were four to five times more likely to reduce mothers' working hours than fathers'.[14] The factors mentioned above, of women entrepreneurs being more likely to rely on personal capital rather than bank financing, and more likely to start sole proprietorships, meant they were disproportionately unable to qualify for the first year of Federal relief programs such as PPP.[15]

While the pandemic has also led to a large number of new businesses being established, this is not necessarily a sign of an equitable recovery: businesses founded during Covid are more likely to be examples of "necessity entrepreneurship", where the founder is unemployed and creating a business for survival, than "opportunity entrepreneurship", which the founder is using existing financial security as a springboard to start a business. The disparate economic impacts of Covid on BIPOC and women's job losses suggest that their new establishments are most likely to qualify as "necessity entrepreneurship,"[16] and prior research has shown that category more likely to be under-capitalized and with lower potential growth in both employment and earnings.[17]

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[11] "COVID-19's Effect on Minority-Owned Small Businesses," McKinsey & Company, 2021

[12] "The Survival of the City," David Cutler and Edward Glaeser, 2021

[13] "New data shows small businesses in communities of color had unequal access to federal COVID-19 relief," Sifan Liu and Joseph Parilla, Brookings, 2020

[14] "America's first female recession," Chabali Carrazana, The 19th, August 2, 2020

[15] "'I feel like I'm drowning': Women business owners keep hitting new barriers to federal loan aid," Mariel Padilla, The 19th, April 23, 2021

[16] Fairlie, Robert and Sameeksha Desai (2021) National Report on Early-Stage Entrepreneurship in the United States: 2020, Kauffman Indicators of Entrepreneurship, Ewing Marion Kauffman Foundation: Kansas City.

[17] "Including People of Color in the Promise of Entrepreneurship," Ewing Marion Kauffman Foundation, December 5, 2016.

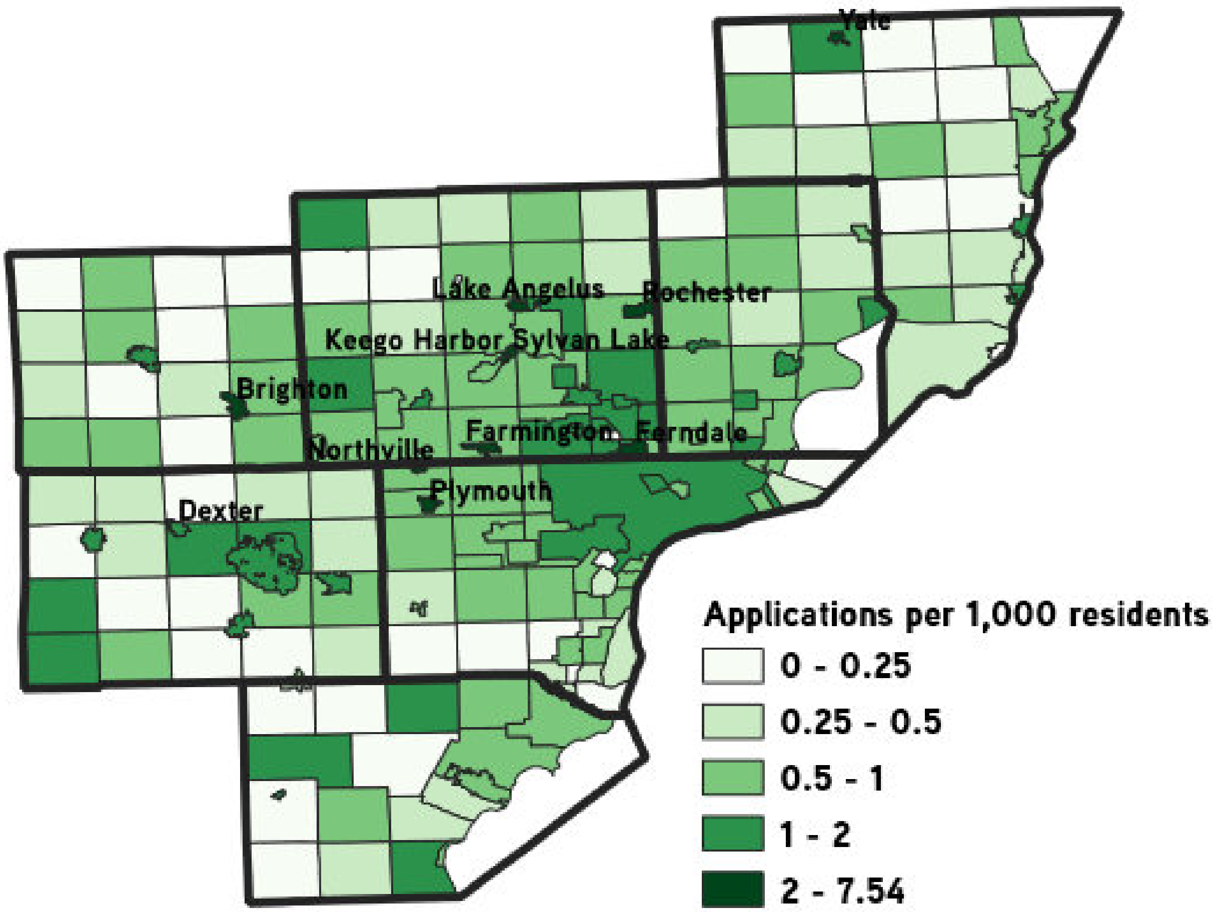

Figure 1 – Map of PMSBRI Applications per 1,000 residents in Southeast Michigan by city or township of primary business location

Findings from the Pure Michigan Small Business Relief Initiative

As part of our investigation into existing conditions, we looked at data from the Pure Michigan Small Business Relief Initiative (PMSBRI) as a natural experiment—a stress test of local business networks. The online application portal was open for only a single day, meaning business owners had to learn about it and be prepared to apply in advance.

The program received 4,328 applications from the 7-county region during that one-day window, about half the total applications received state-wide, across 216 county subdivisions (cities and townships, with villages included in the underlying townships).

Figure 1 maps the density of PMSBRI applications per capita on local government lines, using population from the 2020 Census. The region averaged 0.83 applications for every 1,000 residents, with the median local unit seeing 0.64 applications per 1,000. (Notably, the city of Detroit pulled up the average, with 1.39 applications per 1,000 residents.) Ten local units saw at least 2 applications submitted per 1,000 residents, with seven of those ten in Oakland County and one each in Livingston, St. Clair, and Wayne.

Looking at the geographic distribution of applications, it is clear that regional application density is higher in communities with traditional "Main Street" districts than in communities with more suburban development patterns. While Oakland County's overall higher wealth and income levels within the region suggest a correlation between community income and access to business support via this program, we did not find evidence that was a significant factor. Figure 2 shows applications per capita graphed against the share of community residents with incomes below the United Way's ALICE line, and against population density measured in residents per square mile of land area; communities are color- and symbol-coded per county.[18]

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[18] *An interactive version of this figure is available at https://tinyurl.com/PMSBRIapps , allowing filtering by county and the identification of individual data points.*

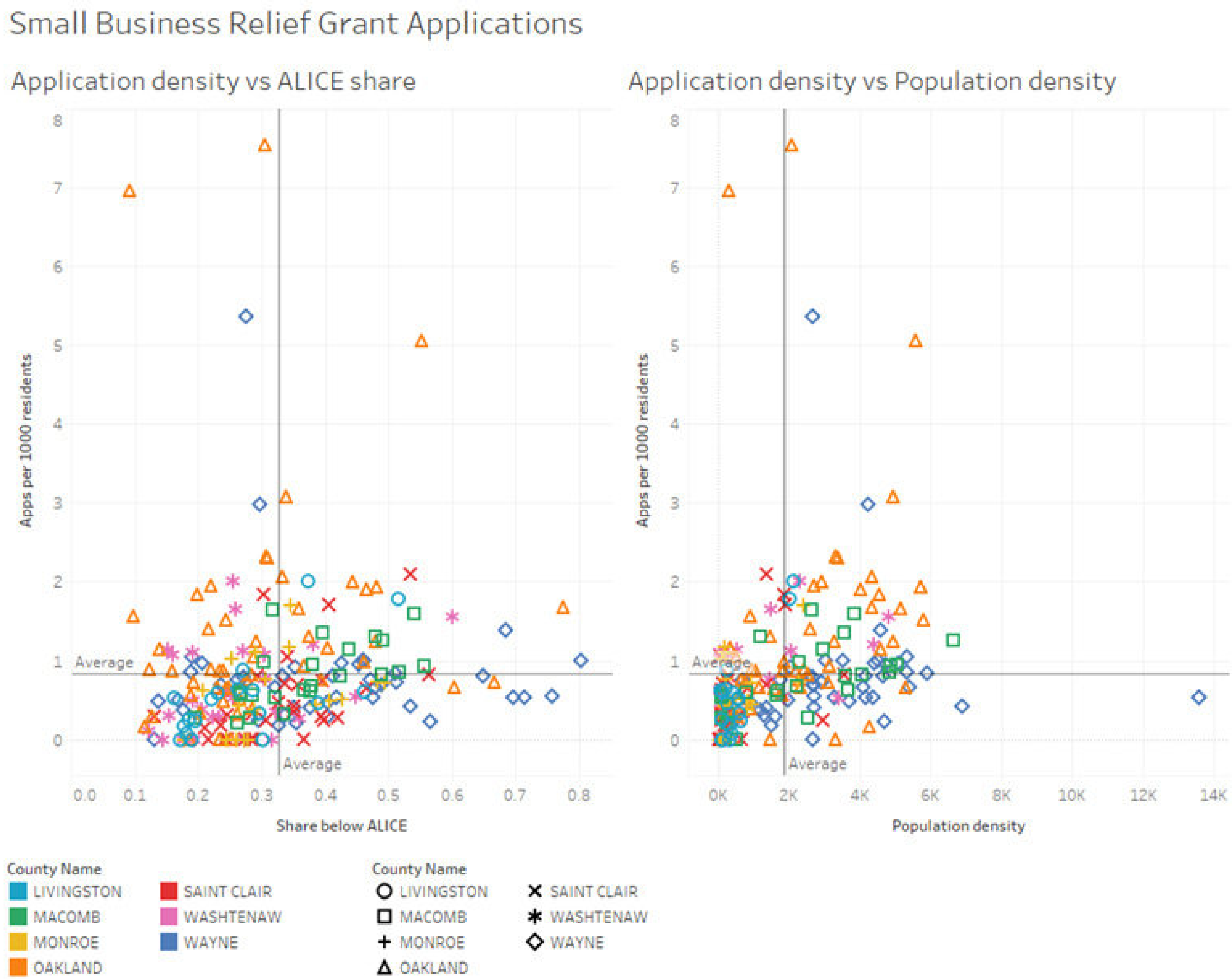

Figure 2 – PMSBRI applications per capita compared to population share living below ALICE incomes and to local population density in residents per square mile of land area.

Both across the region and within each county, applications were spread across the income spectrum as defined by ALICE share. A similar analysis of application density vs race at the ZIP code level showed a possible correlation of more applications coming from ZIP codes with fewer residents who identified as White-alone. The analysis of population density showed stronger correlations, with higher residential densities being connected to higher per-capita application activity: viewed per-County, some high-application/low-population density communities in Oakland County and some low-application/high-population density communities in Wayne County flatten the effects in those two most populous counties, but the correlation is very strong in the other five.

We expect the land use patterns are dominant here. Both the income level and race correlations are most likely due to higher-income or White-identifying households being more likely to live in exclusively residential areas, while lower-income and BIPOC households are likely to live closer to commercial concentrations—any demographic patterns in this analysis are weak, and should be taken as primarily artifacts of use- and income-segregated land use patterns.

Some of our interviews targeted a few of the outlier communities on either end of this distribution, and suggested that many of these cases come down to the presence or absence in a community of a single human specifically working on small business success. Whether it is a local Main Streets program (within either the Michigan or Oakland County networks), a local DDA or PSD Director focused on the businesses within the district (vs. a purely infrastructure or "bricks and mortar" focus), or some other local variation, we found communities that generated lots of applications tended to have that active dedicated small business capacity within the public or non-profit sector. By contrast, some low-application cities specifically noted the lack of capacity or attention on small business issues—suggesting the lack of a local cheerleader making sure that the local business community was aware of this opportunity and prepared to engage in it.

Additionally, we consulted the list of communities engaged in the Redevelopment Ready Communities (RRC) program and spoke with MEDC Community Assistance (CATeam) staff. There does not appear to be a strong linkage between communities that have achieved RRC Certified status and the PMSBRI activity, and many of the incentive programs that MEDC has available and which are related to RRC engagement are based in real estate development rather than entrepreneurship support. However, an RRC-linked best practice around small business development may be an avenue for promulgating some of the regulatory approaches noted in the next section, as it is a format that local communities are already familiar with and bought into.

Exploration: The State of Southeast Michigan's Small Business Ecosystem

To further refine our understanding of needs and opportunities within southeast Michigan, we conducted nearly thirty interviews with participants in the small business support ecosystem. These included governmental actors from local, county, state, and Federal levels; CDFI lenders; regional economic development organizations (EDOs); and private/non-profit organizations working on the ground in the region. We asked interviewees for their views of the challenges they saw facing entrepreneurs and small businesses, and what things they saw as opportunities or that were already working well, with specific questions about equitable access to resources and opportunity, and around capital needs.

While several of these interviewees themselves had entrepreneurial experience, that was not typically the role we approached them in; rather, we targeted these individuals and their organizations for their role as aggregators of needs at community, regional, or sector scale, with their individual small business experiences helping to shape that view. The potential blind spot in this method is that it does not capture the experiences of entrepreneurs who are not engaging with any support systems or communities, and who may be part of the informal economy. (One interviewee did note that they are engaged in mining social media to find these informal actors, and providing "no touch" support, such as submitting their information to databases that will qualify them for additional supports if and when they seek it.)

From these discussions, we have distilled findings into three broad categories of support needs: capital access, networking to resources, and removal of barriers, as discussed below. Within each of these categories, we identify general strategies for tackling the needs; additional detail and case studies are provided in the companion *Small Business Success Idea Book*.

Access to Capital

Key finding: Entrepreneurs need transparent access to financial capital on appropriate terms—existing capital pools are under-utilized.

We began our investigation with an assumption that capital availability and access would be the critical need for increasing equitable opportunity. Repeatedly we heard that yes, capital access needs to be improved, but that does not necessarily mean that capital is not already available: rather, existing small business capital programs are underutilized for a variety of reasons, and public sector capital supports are not targeted to increase equitable opportunity. BIPOC, women, and low-income entrepreneurs need support accessing the capital pools that are already available in theory, but not reaching those small businesses. In some cases this is lack of knowledge of where to seek capital; in other cases it is challenges around required credit scores, collateral, or size of business that lead to entrepreneurs being rejected.

Detroit specifically has seen a lot of new capital grant and financing programs created over the past decade, and, importantly, a lot of publicity around those programs. Beyond Detroit, the list of capital programs for small businesses is somewhat shorter, but the primary gap seems to be awareness of what programs are available for what types of needs. (Witness the discussion at the Microbusiness Policy Advisory Roundtable meeting where one regional leader lamented that no CDFIs were active in their county—and was quickly corrected by the CDFI representatives at the table who were themselves active in his county.)

Where both the funding and the awareness exist, barriers to accessing existing capital programs could potentially be addressed by wrappers or guarantee funds. High interest rates or collateral requirements could be bought down by a public or philanthropic loan loss guarantee to the lender—as long as the backer providing that guarantee was willing and able to take on that risk. Lenders' inability to offer low-dollar loans due to underwriting costs could potentially be addressed either by a funder willing to share risk and reduce required underwriting, or simply by providing funding to pay for the underwriting outside of the loan cost itself.

POTENTIAL STRATEGIES:

1. Increase discoverability of capital sources and entrepreneur matchmaking

2. Change the terms of capital programs to remove qualification barriers

3. Coordinate new impact capital funds targeted at remaining unmet needs

Connections and Networks

Key finding: Entrepreneurs need support in building or accessing networks of existing support—including support for both business and human needs.

A nearly universal need heard in our discussions was the importance of connections. Beyond financial capital, the region has a wealth of support organizations and resources for entrepreneurs that could be better utilized, but need someone playing the role of switchboard operator to make a strong connection. If a would-be entrepreneur searching for technical assistance, capital financing, business space, or mentoring doesn't already have those resources in their personal network, discovering and sifting through the options to find the support they need can be overwhelming.

Beyond building network connections to business resources, small business owners need base-of-the-pyramid needs addressed: an unstable situation around housing, transportation, child care, or health care must be prioritized, reducing the entrepreneur's capacity to work through small business support resources. BIPOC, women, and low-income entrepreneurs are often more likely to suffer attention drains away from meeting this fundamental needs. (In one example, the Black woman entrepreneur connecting to a DDA grant meeting to pitch her project—by Zoom, from her car, while taking her child to an appointment—was in competition for the grant with White male business owners who were physically present in the meeting to represent their applications.)

Finally, a common refrain especially from those interviewees who had personal experience starting businesses was that, "being a small business owner is lonely." Networking needs include peer connections within the small business community for mutual support, both mentorship and camaraderie.

As noted in the data review previously, one factor that seemed to explain small businesses' rate of accessing the PMSBRI grant program in individual communities was the presence of some local dedicated staffing role championing local businesses. Both our data analysis and interviews pointed to establishing or strengthening that role in communities—with human capacity, tools and strategies, and intra- and inter-community coalition building—as an important tactic.

POTENTIAL STRATEGIES:

1. Create dedicated small business networking capacity within communities

2. Inventory existing support providers and build local coalitions

3. Coordinate case management of both business and human services supports

Remove Barriers

Key finding: Entrepreneurs face numerous hurdles that are unrelated to their core business; reducing these barriers can improve opportunity at community-wide scale.

The third major outcome of discussions was the opportunity to remove barriers that stand between a hopeful entrepreneur and a sustainably operating small business. Permitting and licensing, acquiring and building out business space, HR, marketing, and similar functions are requirements for nearly any business, but are typically not the reason someone decides they want to start a business.

All of these steps create drains on the entrepreneur's time, attention, and capital—and many of them work against equitable opportunity by placing the same size barrier in front of the undercapitalized sole proprietorship as they place in front of the serial tech founder. (More accurately, the stereotype of the tech founder creating a business at their kitchen table on their laptop avoids nearly all of the licensure, real estate, and equipment costs that face a retail, personal service, or food-based business!)

Reducing these barriers to entry can reduce the demands on a business startup's capital and energy, allowing them to focus those resources on the actual work of their business. Many strategies that address this need are within government's roles as either a regulatory body or a placemaking lead, and local government actors are already comfortable interacting with the League, MEDC, and other networks on this type of work.

This category of work additionally has the benefit of being an "even playing field" approach that benefits all potential entrepreneurs, rather than targeting individual businesses for support. This makes it politically easier to adopt in local communities that may balk at supporting named individuals or businesses. In our work with communities on redevelopment sites, we include a representative financial analysis for the desired vision so that local leaders can discuss potential incentives or abatements in the context of the local vision: this helps make it clear that public support is related to public benefits, and to hard costs of development, rather than being suspected as a favor granted in response to a developer's ask.

POTENTIAL STRATEGIES:

1. Audit regulatory requirements for opportunities to reduce or streamline

2. Create appropriate move-in ready business spaces

3. Establish back-office services at business district or community-wide scale

Implementation Requires Leadership and Sustained Attention

Cutting across these three strategy areas is a theme of how the work gets done. Success stories tend not to be satisfied with check boxes or quick wins, but take both the leadership to plant the seeds and years of cultivation and additive efforts to happen.

The League's own experience in supporting placemaking and Redevelopment Readiness shows that early conversations can snowball up to larger efforts—scaling both deeper within a community and broader across the state. These require a combination of local perseverance and stability of support from top-level champions: in those cases MSHDA and MEDC. In cases where we've seen the deepest success, like Allegan or Cadillac, the initial intervention of a program like the League's PlacePlans was catalytic, but the real success came from a combination of ongoing attention by someone locally who took ownership of the effort and matching financial support from state agency and local community foundation partners.

We heard echoes of this from our interviews and case studies: the St. Clair County stakeholders talking about how regional leaders convened the Blue Meets Green Alliance in the wake of the great recession over a decade ago, and how their patient work set the stage for things to "really take off in the past few years." Micro-retail incubators like Muskegon's Western Market and Lansing's Middle Market celebrate the immediate successes of on-ramping new entrepreneurs or graduating them to their own dedicated spaces, but are quick to contextualize these as part of long-term efforts to shift the business mixes and investment patterns in those downtowns—the early wins of the incubators on their own will not sustain systems change.

That broader shift requires both the leadership to envision and initiate the change and also the dedicated attention of some individual agency and person stewarding it through, with the capacity to provide ongoing caregiving and maintenance to the support system and to the entrepreneurs relying on it. Often, this dedicated attention is where efforts fail to gain momentum: under-resourced municipalities or NGOs cannot commit the ongoing capacity or attention to this stewardship and the change doesn't get off the ground.

Opportunity: The Work Ahead to Strengthen our Support Systems

Our recommendations come with a caveat: that the breadth of this regional exploratory stage meant it did not dive too deeply into ground-level conditions in individual places, nor were individual entrepreneurs the primary targets of our interviews. As we have found with our placemaking and redevelopment work, any broad-scale strategy that is deployed in multiple communities needs to be localized in collaboration with the end-users in each individual place—both for the legitimacy and the effectiveness of that local implementation.

We therefore believe that the critical path for cultivating vibrant, sustainable, and equitable local small business ecosystems starts with local capacity: with resourcing individuals on the ground in specific communities to engage with local entrepreneurs and the supportive resources that already exist, to learn the specific local shape of the needs we've noted, and to build the coalitions that can co-create the necessary localization of support. This may be done by establishing dedicated capacity within an existing organization or by creating a new role, but is ideally done through a specific human, rather than as slices of multiple staff roles that risk dilution or distraction by other responsibilities.

Additionally, and perhaps unexpectedly considering the League's role as representing local government, this role may often best be performed by someone who is not a municipal employee. The regulatory role of local government can cause any municipal employee to be seen as an enforcement agent, and limit small business owners' willingness to be candid, fearing that an ask for help exposes them to new permitting or licensure demands.

This small business champion role may focus on a single municipality, or cover multiple small neighboring communities, or a portion of a large city, recognizing that business communities and relationships do not necessarily follow legal borders. The turf covered ideally includes at least one distinct and identifiable "main street" type place to build community identity and critical mass of activity around, but will likely extend beyond that limited geography. This could happen by expanding from existing points of strength: taking those communities that already have some working ecosystems in place, such as those that were effective in applying to PMSBRI, and adding

capacity to both deepen the existing work and expand those points of success into adjacent communities.

These might be corridors between points of activity, such as looking at Brighton and Howell in Livingston County and the Grand River Ave corridor between them as an area to provide support. Other focus points might look at expanding outwards from a point of activity into adjacent areas that identify as part of the same community: for example, an Ypsilanti program that covers the city as well as the areas extending east along Washtenaw Avenue and west along Michigan Avenue and Ecorse Road, areas which see themselves as clearly part of Ypsilanti and which also host a lot of eastern Washtenaw County's existing Black-, Latinx-, and Asian-owned businesses. Coalitions of close neighbors could work in cases like Ferndale plus the adjoining Hazel Park and Royal Oak Township in southeast Oakland County.

The next level of work recommended is to provide support for local efforts that streamline the pathway from entrepreneurial ideation to operating business. From past work with the Project for Code Reform and Redevelopment Ready, this looks like a combination of developing self-help toolkits and guides with performing direct technical assistance to early adopters—with those two activities supporting each other.

This area of work includes local regulatory reform, engaging local municipal staff and existing small businesses to identify areas of friction and enact a combination of ordinance changes and process design that eases applicant and administrative burden alike. It also covers "space hacking" projects, working with code officials and property owners to take available business spaces in town and modify them to provide right-sized, flexible, and move-in ready spaces for new and growing small businesses. It can also include shared or district-scale back office services. Interviews suggested efforts like marketing, HR advertising and vetting, and delivery as common needs that are essential to successful businesses but typically not the thing that the business "does"—or that it does well.

Scoping and prioritizing the specific mix of these services needed within a community can be a role played by the on-the-ground champions in those communities, with a roster of topic-area experts available and resourced to support the identified needs. Looking to our partnership with MEDC as a model, an organization like the League can play a hub role for recruiting this expert pool and coordinating their engagement in each community as requested by the ground-level representatives.

Capital access of course remains a critical piece of entrepreneurial success formula–but the first step in improving capital access seems to be addressing missed connections in the existing system: creating new programs without first dealing with the opacity and resulting unutilized capacity in existing programs risks simply adding more unused capital.

This is another role that the on-the-ground champions and the coalitions they convene can play, in strengthening the visibility of existing capital programs, acting as switchboards that support intake of local entrepreneurs to the best fit capital programs and to training or technical assistance programs that improve capital readiness—and identifying any remaining gaps where new capital may still be necessary once the existing systems are functioning most effectively.

Accompanying this research report, the League has provided a proposal to implement some of these recommendations: to establish a network of in-community small business champions and to design and deliver a technical assistance program to our members in coordination with those champions. We also stress that the work ahead is greater than any single program can fill, and look forward to ongoing engagement that involves many partners through our Community Wealth Building work.