

## Growing Forward in Response to an Economic Disaster

*The Success of Wilmington and Clinton County, Ohio*

## Sabre Industries Expansion Project

*Growth of Advanced Manufacturing in the Heartland:  
Retaining a Major Employer in Sioux City, Iowa*

## Do-It-Yourself Economic Growth

*How Communities Can Cultivate Their Talent and Thrive*

## Laying the Groundwork

*How to Prepare Your Downtown for Retail Growth*

## Creating a Private Sector EDO

*Chesterfield County (SC) Economic Development Alliance*



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## INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

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# dear colleague



William C. Sproull, FM  
IEDC Chair

I am excited and honored to become IEDC's newly elected chair. It is a distinct privilege to serve as chair of this great organization. My responsibilities will be simultaneously challenging and rewarding in helping to maintain the organization as the premier association for economic developers. I am especially enthusiastic about working with IEDC's outstanding staff and all of the Board members.

Our Governance Committee members will serve alongside me as the organization's leadership team for 2014. The members are: *Paul Krutko, FM* (Immediate Past Chair); *JoAnn Crary, CECD*, (Vice Chair); *Barry Matherly, CECD* (Secretary/Treasurer); *Dyan Lingle Brasington, CECD, FM* (Performance Oversight and Monitoring); *Janet M. Miller, CECD, FM* (Planning and Business Development); and *Craig J. Richard, CECD* (External Member Relations). All of these individuals are providing their special strengths to the Board and guiding IEDC into the future.

Getting more young people involved in economic development is a personal passion of mine. One goal is to get more young professionals engaged in IEDC through such activities as presenting content at our conferences in a way that is particularly interesting and relevant to them, using social media more, and making it affordable and welcoming for young professionals to engage in IEDC. I have also appointed a task force to determine how we can get more young people thinking about economic development as a career path, with an emphasis on diversity as well.

I have three priorities for the organization in 2014: first, continue IEDC's strategic emphasis on entrepreneurship; second, influence policy with high-quality content; and third, continue to deepen our international engagement.

If we think of the three legs of the economic development stool – recruitment, retention, and entrepreneurship – entrepreneurship has grown into an emerging strategy for economic developers, but we are still finding our way. IEDC is doing a good job presenting content and examples, and we must continue helping our members determine how to take this knowledge and execute it locally. For example, two recent Economic Development Research Partners (EDRP) projects focused on this topic, "Accelerating Success: Strategies to Support Growth-Oriented Companies" and "Unlocking Entrepreneurship: A Handbook for Economic Developers." There are tools that economic developers can use to encourage entrepreneurship, and IEDC is here to support you in that goal.

It's important that IEDC continues to produce cutting-edge content and knowledge. Relative to this, EDRP has produced phenomenal knowledge for our profession, which we can then use to affect policy. For example, we pivoted on the EDRP research plan so our immigration piece, "The Economic Development Impacts of Immigration," could be released when immigration legislation would be out of the Senate and going into the House. Similarly, EDRP is embarking on a paper that will flesh out the economic development role in workforce development and recommend policy changes to the flawed workforce system. Another paper is focusing on the effectiveness of non-financial incentives.

We will continue to put the "I" in IEDC. Our partnership with SelectUSA is a big part of our efforts to expand our international horizons. We will engage with our international partners on knowledge-sharing and certification programs, such as our recent memorandum of understanding with the Economic Developers Council of Ontario. IEDC will also continue its relationship in South Africa and explore opportunities in New Zealand, Australia, and South America.

I look forward this year to assisting IEDC with its mission of providing leadership and excellence in economic development for our communities, members, and partners. This is ultimately your organization, and I urge you to be involved in its future direction.

Sincerely,

A handwritten signature in black ink that reads "Bill Sproull". The signature is written in a cursive, slightly slanted style.

William C. Sproull, FM  
IEDC Chair

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by Christian Schock, Taylor Stuckert, Mark Rembert, and Dr. Peter J. Mallow

A major economic disaster hit Wilmington and Clinton County, Ohio, in 2008, resulting in one of the state's largest employment dislocations in history. The grassroots programs and a five-part recovery strategy not only tactically assisted in the economic disaster response but also proactively set forth a strategic plan for economic resilience.



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#### *Growth of Advanced Manufacturing in the Heartland: Retaining a Major Employer in Sioux City, Iowa*

by Martin J. Dougherty

Sioux City successfully worked with Sabre Industries to build a new 150-acre campus to manufacture cell phone and electric transmission towers. Winner of IEDC's Gold Award in Business Retention & Expansion, this project underscores the importance of traditional economic development practices, including a strong business retention program, and investment in quality sites and infrastructure.



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by Heidi Pickman and Claudia Viek

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#### *How to Prepare Your Downtown for Retail Growth*

by Carrie W. Gray

Like many urban centers in the U.S., Wilmington, Delaware, has struggled to bring life back to its downtown district. The city's challenges have not been unique, nor have its solutions to those challenges. What has been different is the coordinated, strategic approach that has brought tens of millions of dollars in investment into the downtown.

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#### *Chesterfield County (SC) Economic Development Alliance*

by Brenda Workman, CEcD

The economy was on the decline in Chesterfield County, a rural county located in the northwest corner of South Carolina. It took major steps to turn the economy around, including the creation of a private sector economic development organization. With the creation of the Economic Development Alliance, Chesterfield County's economic development budget has doubled and the private sector insight is increasing the county's competitiveness.

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# do-it-yourself

## ECONOMIC GROWTH

By Heidi Pickman and Claudia Viek

### INTRODUCTION

**P**ulitzer Prize winner Thomas Friedman recently talked about the changing nature of work on public radio.

*“The American middle class... was built on something called the high-wage, middle-skilled jobs.... Today there is increasingly only a high-wage, high-skilled job. When I graduated from college, I got to find a job. I think my girls will have to invent a job.”*<sup>1</sup>

The social contract between employer and employee is changing radically because of technological and productivity advances. Government job creation programs are no longer an option because of budget constraints. The changing landscape of the labor market necessitates new approaches to economic development.

This article provides the rationale and lays out several tools for stimulating a new economy based on locally-owned small businesses. We know how to do this – the infrastructure exists and the tools are readily available. We need to mobilize the connectivity in our communities and support the political will to make it happen. Small locally-owned businesses provide our communities with:

- Economic diversity,
- Local control,
- Increased economic development capacity, and
- Quality job creation.

### WHERE WE’VE BEEN

“Granting corporate incentives has become standard operating procedure for state and local

governments across the country” – costing taxpayers a minimum of \$80 billion each year. In early December 2012, *The New York Times* published an extensive investigative piece, “United States of Subsidies.”<sup>2</sup> According to the piece,

*Nor do they know if the money was worth it because they rarely track how many jobs are created. Even where officials do track incentives, they acknowledge that it is impossible to know whether the jobs would have been created without the aid.*

*The New York Times* investigation lists example after example of locations using millions in incentives to lure companies, only to lose any benefit the corporations may have brought the locale when they pack up and leave.

Meanwhile, states and cities lose needed tax revenue; basic services like public education and safety suffer.

Business attraction ends up being a zero sum game. No new net jobs are created; they are shuffled from one place to the next. The piece provides evidence that traditional business attraction strategies don’t work.

Relying on existing large corporations for a job growth strategy doesn’t work either. Large corporations aren’t in business to create jobs but to maximize profits for shareholders. Think of the car manufacturers, 100 years ago if you walked into a factory you’d see a handful of workers drilling, screwing, welding, and bolting a car body. Today, if you walk into a factory, you see robots doing the work with one human overseeing the process. No one expects this trend of technological progress to reverse itself anytime soon.

Who else creates quality jobs? Eighty years ago, the federal government might propose a project that put people to work, such as the Work Proj-

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Heidi Pickman is the communications director (hpickman@microbiz.org) and Claudia Viek is the CEO (cviek@microbiz.org) for CAMEO, California Association for Micro Enterprise Opportunity.

CAMEO is the voice for micro-business in California. It expands resources and builds capacity for its member organizations – over 160 lenders, training programs, job creators, agencies, and individuals dedicated to furthering micro-business development in California.

Yes, it’s important that economic development policies and government strategies help high growth firms and not hinder their success. But if economic development professionals value job creation in addition to growth, policies and strategies must attend to the needs of the huge majority of firms that will remain small.

### HOW COMMUNITIES CAN CULTIVATE THEIR TALENT AND THRIVE

*The world is rapidly changing. Nothing is as it was 10 years ago, and we can only imagine what will be in 10 years and that includes changing economic conditions. This means the economic development field needs to consider new economic development tools to deal with a new reality. One of those tools is the Do-It-Yourself Economy, an economy built on a foundation of small, locally-owned, diverse businesses. This article focuses on why we need new tools, explains the reality of small business and self-employment labor market trends, and delineates some of the tools that local economic developers can use to create a sustainable future for their regions.*

## JESSICURL

Until the time I was 14 I had thick yet fairly straight hair. When puberty struck, my hair grew more and more coarse and eventually started to curl. I was mortified and at a total loss for how to deal with it.... As I grew up, my hatred of my hair didn't dissipate. Finally in 2002 I figured there had to be a better way, and typed "curly hair" into Google.... I found an entire community of curly haired people who shared the same struggles as I did! I bought any product that someone raved about, most of which didn't do anything to make me like my hair better. Many of them actually made my hair worse. One day I came across a very basic recipe for a hair gel made out of flax seeds. I remember thinking, "Wow, how cool would it be if I could make my OWN hair gel?" Jessica McGinty, owner of Jessicurl



That was September 2002 and Rockin' Ringlets Styling Potion was born in McGinty's 600-square-foot apartment in Berkeley. She knew she needed more space to grow Jessicurl and wanted to pay her employees a living wage. McGinty decided on Humboldt, CA, a place she had visited often.

A basic google search for "moving your business to Humboldt" led to the Northcoast SBDC, which helped her write a business plan to get a loan from Arcata Economic Development Corporation to buy equipment. McGinty says that the SBDC has been a big part of her success, advising her on marketing internationally, taking on a partner, and expanding her business. During the first years in business, Jessicurl's sales increased by 450 percent, and she employs six people full-time and two part-time. The business grew a healthy 20 percent in 2010.

ects Administration. But it's not 1938; a government jobs program is unfeasible at this time. And federal, state, and local governments have cut back dramatically on public sector employment, further limiting the number and types of employment available. "For the nation as a whole, state government employment is down 2.9 percent from its post-recession peak recorded in August of 2008, and local government employment is down 3.5 percent from the post-recession peak recorded in September of 2008."<sup>3</sup>

## WHERE WE'RE GOING

What does a new concept of "jobs" mean for policy and economic developers today and in the future?

If it's not big business or the government, who will create the jobs of the future? The answer is that it will be the DIYers who are creating their own jobs and starting their own businesses. It's the 26 million micro-business owners that make up 88 percent of the country's businesses – like Jessica McGinty, who saw a problem, solved it, and decided to create a business out of the solution (see sidebar). After seeking assistance from the Small Business Development Center, McGinty created her own job as the owner of Jessicurl, a maker of hair products

for curly hair, and now creates jobs for others. (A micro-business is defined as a business with fewer than five employees or less than \$50,000 in start-up capital.)

Supporting and strengthening businesses like Jessicurl creates a strong and diversified infrastructure of many small, locally-owned businesses that will be a major source of job creation for a 21st century economy.

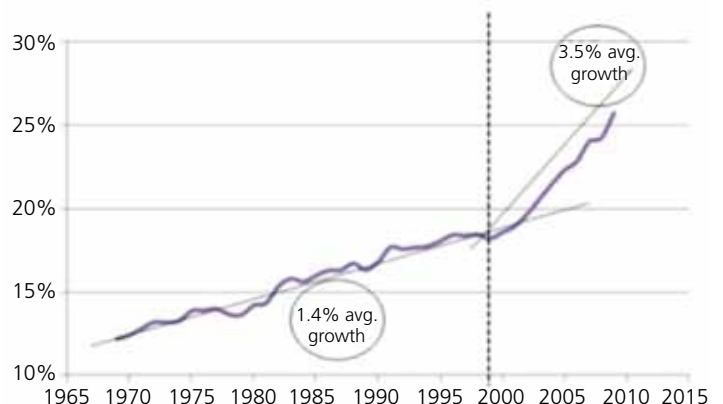
The new economy's foundation will be a strong infrastructure consisting of these many small, locally-owned, diverse businesses. These very small businesses create most of the jobs.<sup>4</sup> The reality is that firms are starting smaller and staying smaller and that more people want to be their own boss. The Bureau of Labor statistics reported in March 2012 that the average size of new start-ups went from 7.6 employees in the 1990s to 4.7 employees in 2011. The share of the self-employed in the labor market is growing exponentially (see graph) and the trend is expected to continue. (Statistics for the graph are from the Northeast Center for Rural Development, 2011, and are national figures.)

The State of Independence Report by Emergent Research found a "conscious structural shift and recognition of a new model of work and engagement" and that is toward self-employment. The number of independent workers grew from 16 million in 2011 to 16.9 million in 2012 to 17.7 million in 2013. "By 2020, roughly 50% of the private workforce will have spent time as independent workers at some point in their work lives."<sup>5</sup> Self-employment is a labor market trend.

These small businesses are not the small businesses with high growth potential. The market does a pretty decent job of supporting these businesses. However, only one percent of those businesses will actually become significant employers. Consider those companies as the skyscrapers. These businesses help shape an economy, much as a skyscraper provides a unique character to a cityscape. Just as most buildings in a city do not have dozens of floors, 99 percent of businesses will not grow to employ thousands and 88 percent of those won't grow over five employees.

## SELF EMPLOYMENT IS A LABOR MARKET TREND

Share of Self-Employment as a Percent of Wage-and-Salary Employment, 1969-2009



Source: Northeast Center for Rural Development, 2011

According to the 2011 Venture Impact study, produced by IHS Global Insight, venture-backed companies accounted for 11.87 million jobs and over \$3.1 trillion in revenue in the United States (based on 2010 data).<sup>6</sup> In comparison according to the Association for Enterprise Opportunity, micro-businesses generate \$2.4 trillion in receipts and employ more than 31 million people.

With less than 3 percent of outside investment, micro-businesses employ 260 percent more people than venture capital-backed firms and generate about 77 percent of the GDP that venture capital-backed firms do.<sup>7</sup> Recognizing that there are differences between VC investments and investments in microlending, the point is that there is a disproportionate amount of attention paid to high growth businesses in policy circles and in the media, while a vital engine of economic growth – micro-business – is often dismissed despite its robust contribution.<sup>8</sup>

Yes, it's important that economic development policies and government strategies help high growth firms and not hinder their success. But if economic development professionals value job creation in addition to growth, policies and strategies must attend to the needs of the huge majority of firms that will remain small.

## HOW TO GET THERE

The Do-It-Yourself economy is a natural extension to the growing D-I-Y and maker movement.<sup>9</sup> But instead of remodeling your own home or creating your own solar powered radio, the D-I-Y economy is “about driving economic development at the local level, with local leadership, guided by a more robust and sustainable vision.”<sup>10</sup>

While many elements may make up a D-I-Y economy, this article focuses on what the economic development field can do to support a stronger environment for local small business, the foundation of a D-I-Y economy. The California Association for Micro Enterprise Opportunity (CAMEO) has found that the following tools and resources are especially effective in creating businesses, jobs, and sustained local economies, without huge investment.

## THE TOOLS

- Leadership
- Made in Anytown, USA
- Business Support
  - o Coaching – scale up business technical assistance
  - o Capital Access
  - o Connection
- Creative Conditions for Business Development
- Self-employment

Leadership is a critical component in creating a D-I-Y economy. Without strong support from local government, the D-I-Y economy won't reach its potential. Leadership ensures long-term commitment, proper staffing, and credibility to move in this new direction.



Created on Many Eyes © IBM

Word cloud made from “Remarks by the President on Job Creation and Economic Growth,” <http://www.whitehouse.gov/the-press-office/remarks-president-job-creation-and-economic-growth>, (Dec. 8, 2009)

The phrases “small business can help economy recover” and “jobs” stand out. Politicians love to stress the importance of small business and President Obama has done a good deal for some small businesses with 18 tax breaks that include tax credits for hiring and investment in new equipment. However, most of the existing federal and state policies are designed to help the 1% of companies that are high-growth and large employers. Very few policies help the majority of small businesses, that is the 26 million micro-businesses (fewer than five employees), 17 million of which are independent workers.

## Leadership

Leadership is a critical component in creating a D-I-Y economy. Without strong support from local government, the D-I-Y economy won't reach its potential. Leadership ensures long-term commitment, proper staffing, and credibility to move in this new direction. The case of Humboldt County, home of the Redwood Forest, exemplifies the role that leadership plays.

Humboldt County used to have an economy built on timber, dairy farming, cattle ranching, and fishing. Then timber and fishing collapsed. About 13 years ago, county leaders decided that something had to change and convened local stakeholders. The result was the North Coast Prosperity Network, a group that includes the county elected officials, the local economic development corporation, Workforce Board, educational institutions, the community foundation, the Small Business Development Center, and others.

Collaboration meant that each individual agency needed to work outside its silo and cooperate so that everyone wins. Humboldt embedded leadership in its staff. The county hired professionals who supported this direction and had the skills and experience to implement local development strategies that delivered outcomes rather than policies. Trust was engendered and old “territorial claims” put aside, so everyone could focus on a common purpose.

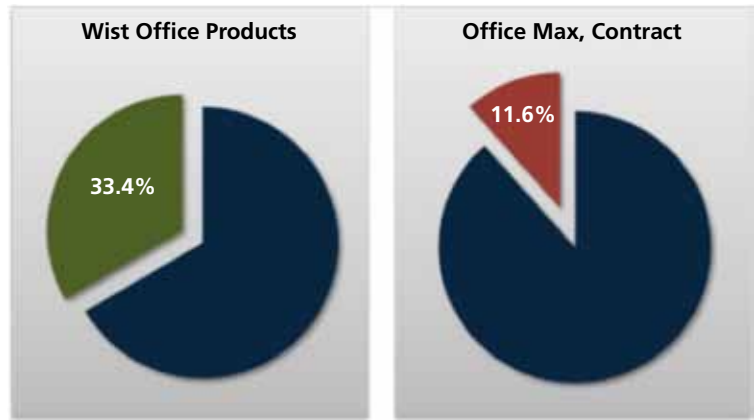
Humboldt made a firm commitment to build its own economy instead of trying to bring back the industries

of old. The county committed to developing local products and services that the world needs and wants to buy. In 2007, it identified six fast growing industries, called “Targets of Opportunity,” and actively worked on fostering those sectors.<sup>11</sup>

These are the results so far: Humboldt has much stronger new firm creation than surrounding counties, even Shasta with 35,000 more people. From 2002-2010, 2,283 new firms were created in the county, a 26 percent increase. And job creation has been positive, outpacing the region’s economy. For example, the Management & Innovation Services industry cluster added 1,151 jobs, an increase of 93.6 percent, and 108 firms (39.4 percent) from 1995-2009, when the regional economy as a whole lost jobs at -6.1 percent and firms at -15.5 percent. And these are good jobs, paying 47 percent higher wages than the regional average.

### Made in Anytown, USA

*Regional Clusters:* Regional industry clusters are synergistic regional concentrations of firms and related networks and participants in particular fields.<sup>12</sup> For example, the USDA California Rural Development Office is developing a value chain for agriculture in four regions by convening all of the players, looking at the existing resources and helping to fill the gaps. This process discovered that California ranchers ship cattle out of state for slaughter and cold storage was scarce. Consequently, two mini-industries were born – mobile slaughterhouses for getting local grass fed beef processed to meet local demand and cold storage facilities to save on increasing energy prices.



(<http://www.localfirstaz.com/studies/procurement-matters/findings.php>)

*Local Ownership:* According to Stacy Mitchell of the Institute for Local Self Reliance, “local ownership makes communities healthier, wealthier and wiser.”<sup>13</sup> Mitchell explains that local business owners’ personal and financial interests are tied to the community’s, so they are more accountable to local concerns and that they understand their community so they can help make better decisions in solving problems. Other research has found a “positive relationship between density of locally-owned firms and per capita income growth.”<sup>14</sup>

Civic Economics studies local economic impacts of locally-owned businesses versus national chains. A 2012 study found that in Salt Lake City, local retailers return a total of 52 percent of their revenue to the local economy, compared to just 14 percent for the national chain retailers.<sup>15</sup> Another study done in 2007 and 2012 found Wist Office Products, headquartered in Tempe, returned 33.4 percent of all revenues to the local economy through profits, wages, procurement, and charitable giving; Office Max Contract<sup>16</sup> returned 11.6 percent.<sup>17</sup> The Institute for Local Self Reliance lists many more studies about the benefits of local ownership on its website.<sup>18</sup>

A study of San Francisco consumer behavior found that diverting 10 percent of purchases from national chain stores to locally owned businesses would, each year, create 1,300 new jobs and yield nearly \$200 million in incremental economic activity.<sup>19</sup>

### Business Support – Coaching, Capital, and Connection

We need to support our indigenous entrepreneurial resources with what these small businesses especially need – business training and management skills, small amounts of capital, and access to markets: **coaching, capital, and connection.**

*Coaching:* The first step to success for locally grown small and micro-businesses is business assistance – think solid business plan, robust cash flow statements, marketing plan. With this assistance, these businesses are ready to get a loan, grow, and add jobs. The Aspen Institute FIELD studies show that businesses that receive assistance have an 80 percent success rate as compared with the 50 to 80 percent mortality rate for small businesses

### FALCON BUILDERS AND DEVELOPERS, INC.

John Falcon spent over 20 years in the Air Force. While stationed in Las Vegas in the mid-1990s, he and his wife Marina fixed up old houses. They took on three rehab projects on section 8 housing. Providing safe homes to code to less fortunate families gave them great pride.



Falcon’s Air Force experience included 10 years in project management and two years in school. He graduated summa cum laude with a Bachelors of Business Administration just before retiring from the Air Force in 2007.

That same year, he and his wife launched Falcon Builders and Developers, Inc. in Fresno, CA. Falcon saw the potential in the lucrative (but competitive) arena of government contracting and decided to capitalize on the different designations his business qualified for as a disabled veteran owned business. At the Central Valley Business Incubator/Small Business Development Center in Fresno, Senior Business Advisor Rich Mostert counseled Falcon and provided technical assistance regarding certifications for government procurement. Falcon Builders currently employs 10 people.



overall that the Small Business Administration (SBA) cites. On average, they create two jobs in addition to their own over a three-to-five year period.

For example, Jose and Rosie Rodriguez owned King City Tires in the southern Salinas Valley in California. Their region is very distressed, with an official unemployment rate of over 16 percent and a real rate closer to 30 percent. King City Tires found a niche servicing tractors in the fields, 24/7. It took two years of business counseling from El Pajaro Community Development Corporation (CDC) for the Rodriguezes to qualify for a \$1.5 million SBA loan to expand their



business and become King Car Wash & Audio. Now they employ 16 full-time workers.

El Pajaro CDC is one of 85 CAMEO member organizations in California that provide business training, technical assistance, and financing to entrepreneurs. In 2011, the organizations served 21,000 very small businesses with training, business and credit assistance, and loans. These firms – largely start-ups with fewer than five employees – supported or created 37,000 new jobs in California.

Nationally, business assistance programs include Small Business Development Centers (SBDC), Women's Business Centers (WBC), non-profit entrepreneurial training organizations, and non-profit lenders. These organizations need to be supported by local governments. Traditionally, they've been funded by U.S. Department of Housing and Urban Development's Community Development Block Grant funding, the SBA, USDA, and corporate contributions, but many have seen these funds systematically cut back, particularly in rural regions.

*Capital:* Many polls find that small business owners believe the availability of credit is a problem.<sup>20</sup> Larger banks have pulled back on loans under \$250,000, mainly because small loans cost about the same in transaction costs as a \$1 million loan. Small businesses should look for alternative lending sources, such as community development financial institutions (CDFIs). CDFIs are non-bank, non-profit lending organizations and credit unions that support business development and provide personal business loans in local communities usually underserved by traditional banks.

Microlenders make loans under \$50,000. These loans include those capitalized by the U.S. Treasury, SBA Micro Loan Fund, USDA rural development loans, and community development loans by local governments, banks, and donors. CDFIs offer loans of varying sizes including microloans; some loans go as high as \$250,000. Many CDFIs provide small-business coaching and other professional resources, such as legal, accounting, and market-

ing assistance, to grow their borrowers' small businesses. CDFIs usually:

- Have more flexibility with their collateral and credit requirements (they accept good, but not perfect credit);
- Are willing to consider explanations for lower credit scores, e.g. loss of home equity, late payments, and illness;
- Consider the borrower's character; and
- Use alternative underwriting criteria.

Businesses still need to show the ability to pay back the loan through positive cash flows and have a business plan. The loan criteria are often listed on the lender's website and vary in terms of a business location, loan size, interest rates, risk, borrower income, etc.

Historically, many microlenders have had low volume due to the labor-intensive nature of microlending. However, new technology and crowdfunding platforms are resulting in a significant increase in lending. ACCION Texas, a microlender, created the Microloan Management Services underwriting platform to introduce efficiencies and increase lending in under-served communities. Kiva, the global microfinance crowdfunding platform, has distributed over \$400 million in loans in the last eight years with a 98 percent repayment rate and has recently launched in the U.S. CDFIs, such as Valley Economic Development Center and Opportunity Fund in California, have ramped up lending in California by acquiring smaller lenders and successfully attracting corporate capital investment.

However, funding for business and credit technical assistance, which creates the pipeline of loan-ready borrowers, continues to erode. The cost of technical assistance

### MIHO GASTROTRUCK

MIHO Gastrotruck provides locally sourced, natural, healthy, good food. Co-owners Kevin Ho (right) and Juan Miron (left) met while working in the restaurant industry. Sharing a



passion for gathering friends and family around good food, they launched their business in spring 2010. Financing was one of the biggest hurdles they crossed. They were unsuccessful in securing financing through traditional means and were referred to ACCION San Diego, which lent them \$15,000 to buy and fix up an old lunch truck. "Finding ACCION was a huge break for us because it really enabled us to go for it as new business owners," says Ho.

In less than two years, MIHO has expanded to two trucks and a full catering service. It now employs up to 17 people in the peak summer season. MIHO has built up a large and dedicated customer base with almost 10,000 Twitter followers, who Ho and Miron affectionately call HOMIs.

## SKINCARE BY FELECIAI

Feleciai Favroth went to college, worked in corporate America doing brand management and promotions, and later went into real estate. After turning 40, she decided to follow her passion for beauty.



Favroth took classes at the Women's Initiative for Self-Employment in Oakland and the Renaissance Center for Entrepreneurship in San Francisco with the idea that she would open up a beauty salon or an image consulting business, but something was missing. In 2007, she realized that making products to help people look and feel their best was the basis of a fulfilling business.

It took her three years to learn to make natural bath and body products while she continued to work as a real estate broker. As Favroth made more and more soaps, lotions, scrubs, and other products, she spent more time doing that and less time selling houses. In December 2010, her broker license renewal came, but she decided to leave the real estate market behind and follow her dream full-time.

Today, after more business support from Centro Community Partners and loans from the Oakland Business Development Center and Kiva Zip (a pilot program, launched by Kiva, that enables participants to make direct loans to entrepreneurs in the U.S.), Favroth is doing well. Her business has grown by more than six-fold since she started it in 2010, and she's hired her first employee.

needs to be compared with true benefits of the impacts of microlending, including the economic multiplier effects. The microlending industry and local economic development professionals can justify the costs of microlending if they measure the true benefits.

*Connection:* In order to thrive and grow, small businesses need access to market opportunities. The "economic gardening" movement seeks to connect local businesses with market research and business opportunities.

*Economic gardening* is an alternative economic development model based on the idea that entrepreneurs drive economies, and jobs are created by supporting existing companies in a community.<sup>21</sup> Economic gardening connects entrepreneurs to resources, encouraging the development of essential infrastructure and providing entrepreneurs with needed information. Economic gardening initiatives provide local entrepreneurs with access to competitive intelligence on markets, customers, and competitors that is comparable to the resources customarily only available to large firms. Following are several examples of existing programs.

Since 2006, Oregon Micro Enterprise Network has provided sophisticated market research services to disadvantaged entrepreneurs statewide through MarketLink, a market research tool.<sup>22</sup> "Based on market research principles utilized by Fortune 500 companies, MarketLink provides micro-entrepreneurs [with] access to the same customized market research tools and services that many large-scale companies enjoy. This research helps entrepreneurs find and reach their desired customer base, tap into new markets, and make informed business decisions by identifying trends within their respective industries."<sup>23</sup>

Inner City Advisors (ICA), an entrepreneurial training program, identifies high potential businesses and provides intensive training and technical assistance to spur growth and increase jobs and contracts that will benefit inner city residents.<sup>24</sup> Much of the coaching is provided by teams of volunteers – lawyers, accountants, finance professionals – who guide the CEO for an average of four-five years, a long-term commitment. These businesses have committed to local hiring and many are social Benefit Corporations (B Corps).<sup>25</sup>

ICA has 12 companies in its portfolio and provides business assistance to 125 to 150 businesses a year. In 2012, businesses that worked with Inner City Advisors created 2,602 jobs and greater than \$93 million in wealth. Based in Oakland, it is currently expanding to more locations in California.

### Creative Conditions for Business Development

In order to thrive and grow, small businesses need strong support systems to help them with business management decisions and business-friendly conditions. In this changing economic reality, co-working spaces, business incubators and their new incarnations as Hubs,<sup>26</sup> places that provide the spaces, resources, connections, knowledge, talent, markets, and investment that turn intention into impact, are providing the support systems for the growing trend of the self-employed. In this changing economic reality, what are considered business-friendly conditions need to change as well.

One of the most exciting projects in urban development is the Downtown Project, a plan being implemented by Zappos founder Tony Hsieh to transform the seedy downtown Las Vegas into the "most community-focused large city in the world."<sup>27</sup> The project is investing \$200 million in real estate, \$50 million in small businesses, \$50 million in education, and \$50 million in tech startups for a total of \$350 million. In addition, the importance of people and community is knit thoroughly into the project's efforts and is a fundamental organizing

In order to thrive and grow, small businesses need access to market opportunities. The "economic gardening" movement seeks to connect local businesses with market research and business opportunities.

principle at every step of the project. For example, the project aims to create extreme residential density as well as a dense physical space for ground level activities and businesses. The philosophy is that “when people live [and work] closely with one another, the opportunities to interact serendipitously increase which increases the sharing of knowledge, ideas, and improves productivity.”

While not everyone has the resources that Hsieh does, the principles can be applied elsewhere on a shoestring. Gina Lujan is the director of Hacker Lab, a co-working space for programmers, designers, and entrepreneurs in Sacramento, where people come together to share their work, network, learn, and collaborate. In its first 18 months (beginning 2012-mid 2013) Hacker Lab has birthed 10 companies and 12 jobs in addition to the owners.

Larry Cope, director of economic development for the Tuolumne County Economic Development Authority, knew that Tuolumne County had to do something proactive to recover from the recession. The area had lost a lumber mill and two major retailers. Cope heard about Hacker Lab and invited its director to Tuolumne County, located southeast of Sacramento, to assess the creative human capital resources in his area. In late May 2013, the county held its first meet-up in which 50 people attended. These folks are now co-creating the entrepreneurial support system that meets their needs. The lesson: connect people and great things can happen.

While Downtown Project and a Hacker Lab-type space are private endeavors, some suggestions for the role that local economic development agencies can play, include:

- Facilitate high level partnerships among diverse fields and industries for cross-pollination of ideas.
- Support B Corps.
- Ensure legal and tax structures are supportive and not obstructionist.
- Research existing talent and resources – find out what’s happening in your backyard and include hobbyists, Etsy and eBay vendors; an invisible business might emerge as the next big thing.
- Foster the “maker-culture” and a start-up attitude, i.e. inspire curiosity and creativity.
- Re-imagine leadership: include private industry; once you find your local leaders, let go and hand leadership over to them.
- Change the metrics of success. Not all jobs are created equal. We have to look at the quality of jobs being created.

### Support Self-Employment

Self-employment is a labor market trend, as noted earlier. If we 1) recognize this trend and 2) recognize that traditional methods of economic development aren’t always creating the jobs we need to have an economic recovery, then self-employment needs to be seen as a job creation strategy that works for cities and states.

CAMEO is working to promote self-employment as a job creation strategy that works for cities and states by

### DON POLVORON BAKERY

Jorge Flores started Don Polvoron Bakery in 2005 with his brother Oscar. The first two years were hard – waking at 3:00 a.m., arriving home late, and not making much.



Jorge’s main philosophy – to give customers what they want – has helped the business grow from a bakery that served coffee to a specialty cakery. Jorge explains, “It’s easy to say no, but this is how you gain customers,” like turning around a quinceañera cake for 300 people in less than two days for a customer whose original cake-maker canceled.

Jorge found the Renaissance Entrepreneurship Center in Redwood City through a friend about five years into the business. He discovered he had more to learn, like how to control finances, manage employees, and how to treat customers better. “It was the best thing I did for the business,” he says. Jorge still goes to classes, because “in business you never stop learning.” The bakery employs seven people, the cake business is thriving, and the business wants to expand.

initiating systems change within the workforce system to permanently adopt and integrate self-employment training for the unemployed.<sup>28</sup> Progress has been made in this area. In 2010, the Department of Labor (DOL) released directives encouraging the local Workforce Investment Boards (WIBs) to integrate entrepreneurial training as a vital workforce development strategy:

- Training and Employment Guidance Letter-12-10: Supporting Entrepreneurship and Self-Employment Training through the Workforce Investment System<sup>29</sup>
- DOL Study: Think Entrepreneurs: A Call to Action; Integrating Entrepreneurship into the Public Workforce System throughout America<sup>30</sup>

Then in 2012, a \$35 million Self-Employment Assistance (SEA) program was tucked into the Middle Class Tax Relief and Job Creation Act of 2012.<sup>31</sup> Under the program, unemployed workers would be able to maintain their unemployment insurance benefits while they start their own small businesses without having to look for other full-time work. The bill allocated money to the states to create and administer an SEA program. SEA has had limited success because no federal money was allocated for entrepreneurship training and states find it difficult to opt in to the program because state legislatures have to authorize the program. Only a handful of states has a viable program.

### CONCLUSION

The 21st century economy is changing as rapidly as the world around us. The **DIY economy**, based on local economic development, offers a new vision. The economic development field can support a strong environment for local small business, the foundation of a D-I-Y economy. ④

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