



Growing the Small Business Economy of New York's I-90 Corridor

An Assessment of the Region's Small Business Finance and Support Infrastructure

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Leaders in New York's I-90 corridor, which runs through the state's central and western regions, have turned their focus to supporting its entrepreneurial communities to grow the market share and profitability of small businesses. It is an opportune time for this focus, given increasing federal and private investments into the area's economy. Yet, small businesses and the institutions that serve them face significant challenges and can benefit from focused public and philanthropic support and greater regional coordination. In this brief, we build on previous research in the area (e.g., Hwang 2022; LOCUS 2019), summarize the findings from our needs assessment of the small business finance and support infrastructure, and suggest considerations for further action.

Background

New York's I-90 corridor runs through the central and western regions of New York state and includes three large cities: Buffalo, Rochester, and Syracuse. This area has a rich history of incubating preeminent American companies like Carrier, Kodak, and Xerox. However, over the last several decades, these cities have experienced declines in jobs and population. The three cities are among the lowest in small business lending per small business employee among midsize cities. In response, the I-90 corridor now seeks to leverage its rich and diverse supply of resources to reignite its entrepreneurial spark and rebuild its small business ecosystem.

Each city in the I-90 corridor has cultivated its own assets and approaches to supporting business, and all have seen recent successes. Collectively, the area has received Tech Hubs Designation and has

been awarded federal funding. This initiative is branded as the New York Semiconductor Manufacturing and Research Technology Innovation Corridor, abbreviated as NY SMART I-Corridor.¹ This leverages Micron's \$100 billion planned investment in suburban Syracuse to build the nation's largest semiconductor fabrication facility has raised hopes for spin-off growth that will leverage several billion dollars in federal and state incentives. And it builds on years of ecosystem-building investments from the US Economic Development Administration, Empire State Development, which is New York State's economic development authority; and local investments (Wessner and Howell 2020). For its part, Rochester's economy has been diversifying, its strong higher education sector attracting firms and investments in tech and green energy.² Buffalo has been the recipient of several major state investments, including the Buffalo Billion, announced in 2012. All three cities have been able to build from the strength of their educational and health sectors. However, in the context of the area's slow or nonexistent growth in population and employment, there is still room for improvement. And there is also a need for the core, suburban, and outlying cities to act with greater coordination and alignment in supporting shared partners and services.

The I-90 corridor has an opportunity to develop small businesses by connecting entrepreneurs to the capital and technical assistance they need to revitalize the business districts they serve. Small businesses are invaluable tools for local communities to retain wealth. For example, money earned by independent retailers is many times more likely than money earned by national chains to return to the communities in which those small businesses reside (Local Works and Civic Economics 2008).³ Small businesses have been shown to build generational wealth for families: Business equity was 34 percent of household nonfinancial assets in 2019, second only to people's primary residences, which made up 45 percent of household nonfinancial assets (US Small Business Administration 2019). Small businesses also contribute to the cultural identity of neighborhoods, generating social and entrepreneurship networks that help people feel embedded in their communities.⁴ The intangible social benefits that small businesses provide contribute to the community's character, fostering the feeling of "place" that encourages neighborhood residents to become financially and emotionally invested in their communities.

To understand the strengths, weaknesses, and gaps in the I-90 corridor's financial, philanthropic, and governmental infrastructure for small business, we conducted several interviews with people who work in government, lending and investing, technical assistance, philanthropy, and economic development, plus people who are involved in their local chamber of commerce and who are small business owners. We supplemented the interviews with an analysis of small-business lending activity and other economic metrics.

Our research finds the following:

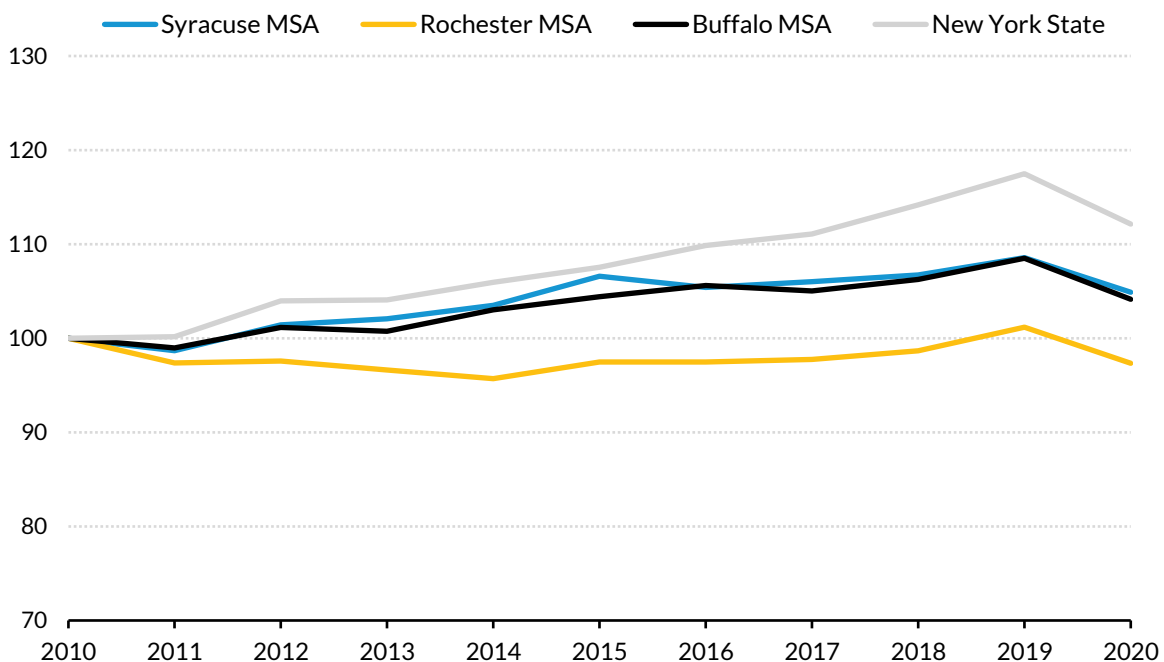
1. economic growth in the I-90 corridor has been slow or nonexistent;
2. the I-90 corridor has a moderate presence of small business activity relative to its peers;
3. small businesses face challenges to their growth;
4. racial, ethnic, and gender disparities exist in small business ownership;

5. small business lending institutions are present, but lending levels are low;
6. there are spatial disparities in lending;
7. there is a multiplicity of technical assistance providers in the I-90 corridor; and
8. corridor cities have a hard time sustaining and retaining local businesses.

Finding 1: Economic Growth in the I-90 Corridor Has Been Slow or Nonexistent

When adjusting for inflation, real gross domestic product (GDP) has remained stagnant in the Rochester metropolitan area and increased marginally in the Syracuse and Buffalo areas from 2010 to 2020 (figure 1). Overall, the I-90 corridor’s economic growth lagged behind economic growth elsewhere in New York state prior to the pandemic. Similarly, employment has remained stagnant for most of the same period, with a large drop during the peak of the COVID-19 pandemic in early 2020. Employment has shown some signs of rebounding since then, though not to pre-pandemic levels, and has been slower than in many other regions.

FIGURE 1
Change in Real Gross Domestic Product (Indexed to 100)



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Source: Federal Reserve Economic Data (FRED), the Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org>.

Note: MSA = Metropolitan Statistical Area

Finding 2: The Corridor Has a Moderate Presence of Small Business Activity Relative to Its Peers

More than 64,000 businesses with fewer than 100 employees operate in the I-90 corridor, which has a population of approximately 2.92 million people.⁵ With 25 small businesses for every 1,000 residents, of the 50 largest metropolitan areas in the US by population, Buffalo is close to the middle in the number of small businesses per capita, while Rochester and Syracuse rank a few places lower (figure 2). The degree of self-employment, which may signal the potential for entrepreneurship—though for some, it is an alternative employment strategy—varies across the I-90 corridor. Rochester has the largest relative share of the workforce that is self-employed among the three at 6.0 percent, while Syracuse has 5.1 percent, and Buffalo has 4.0 percent (figure 3).

Finding 3: Small Businesses Face Challenges to Their Growth

Interviewees discussed enthusiasm for continuing to diversify the economies of Buffalo, Rochester, and Syracuse. But we also heard of barriers to small business growth in the corridor, specifically lack of capital, physical infrastructure, and government support.

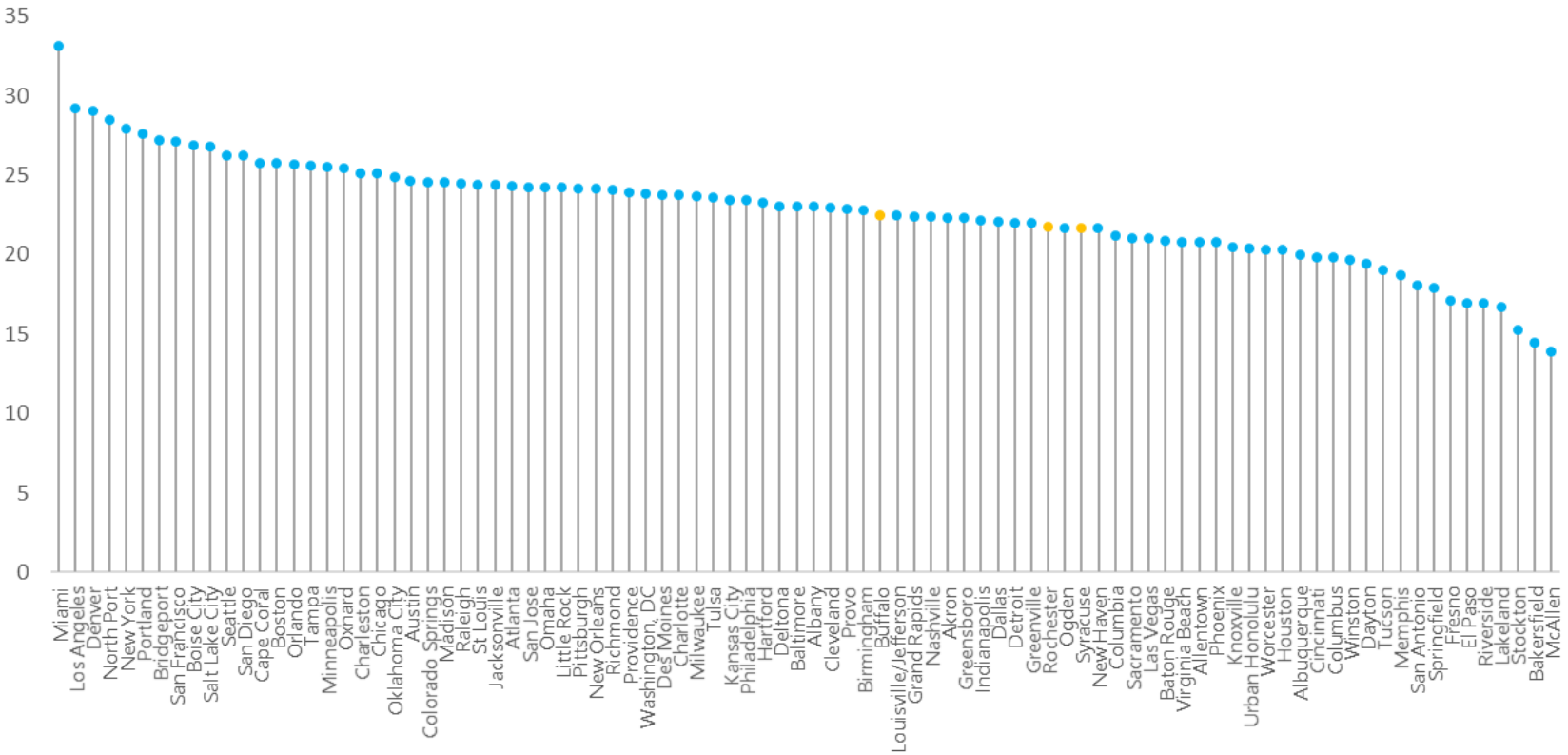
Capital

When assessing the small business landscape, we heard that innovation or entrepreneurial interest was not lacking, but that capital was. Much of the risk capital that businesses do have access to comes with too many limitations in how it can be used and who can use it. An interviewee notes that a lot of their funding comes from federal sources. This funding can help in many ways, but it also carries a lot of restrictions, which can be challenging. Small businesses in the I-90 corridor would benefit from a more diverse set of funding streams that don't carry such heavy restrictions. As one interviewee goes on to note, an important source of funding that needs to be augmented is private-sector partnerships, saying, "If we're going to truly make an impact in low to moderate income areas of the city and build them up, we need participation from not only governmental entities, but also the private sector."

Transportation, Urban Renewal, and Sprawl

Physical infrastructure also emerged as a concern for small business development. As one interviewee stated, it can be hard to connect firms and workers: "Our transportation system is not great, so it's very hard to access the suburbs," where many jobs are located. Cities in the area have engaged in projects to try and tackle this issue. For example, the Niagara Frontier Transportation Authority has explored the viability of extending Buffalo's light rail line to connect the business centers of downtown Buffalo to the main campus of University of Buffalo, which resides in an unconnected large suburban hub.⁶

FIGURE 2
Small Businesses per 1,000 People by Metropolitan Area

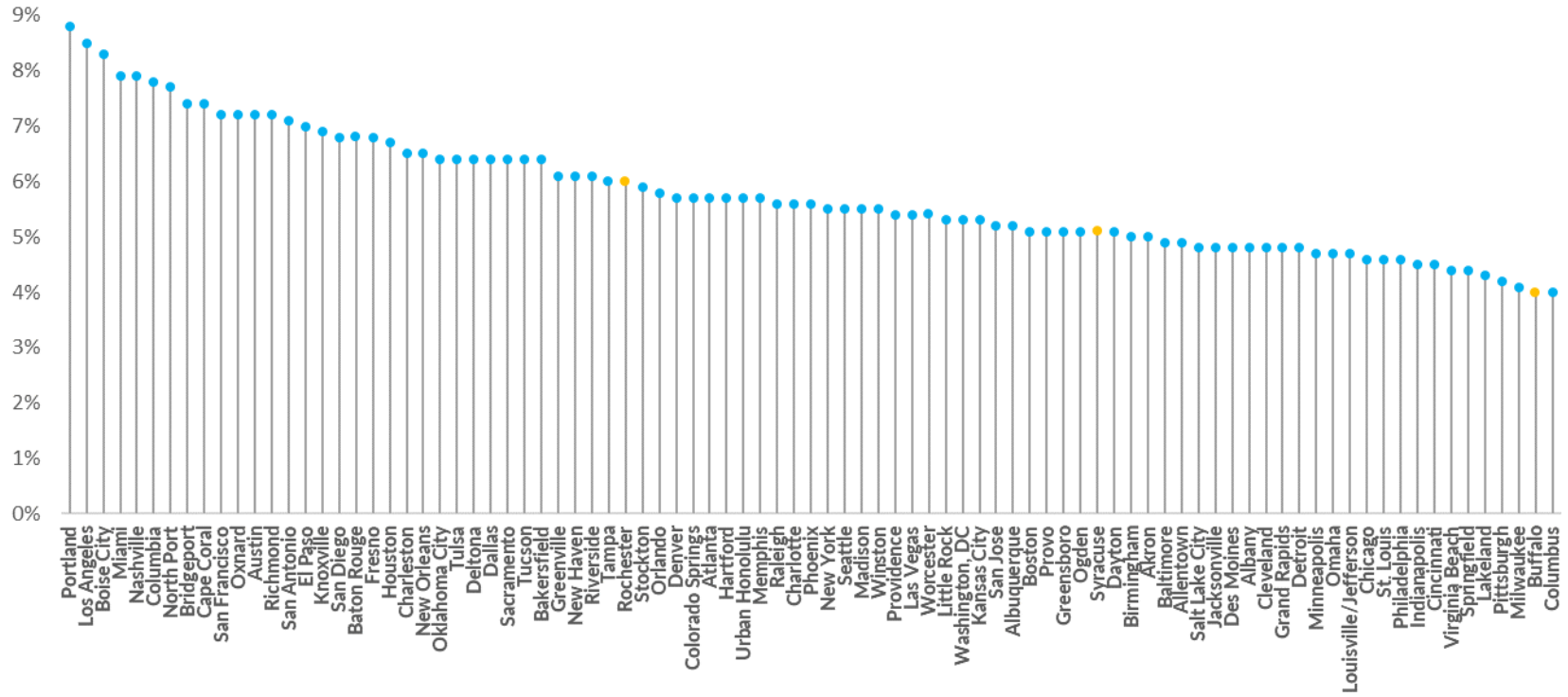


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Source: US Census Bureau, "County Business Patterns 2020," 2020.

FIGURE 3

Share of the Workforce That Is Self-Employed among the 50 Largest US Metropolitan Areas



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Source: US Census Bureau, 2021 American Community Survey 1-Year Estimates.

For the three cities, the legacy of “urban renewal” has segmented and disconnected communities from one another, limiting job opportunities for excluded folks. In response, Governor Hochul has earmarked up to \$100 million for demolition and redevelopment of and around the Inner Loop freeway. Local officials believe that projects like these are crucial to connecting communities and creating additional land for business development.⁷ In Syracuse, the state has committed to the removal of the I-81 viaduct that would reconnect divided, majority-Black communities as well as open up real estate for business development,⁸ though some interviewees shared concerns about displacement.

Government Support

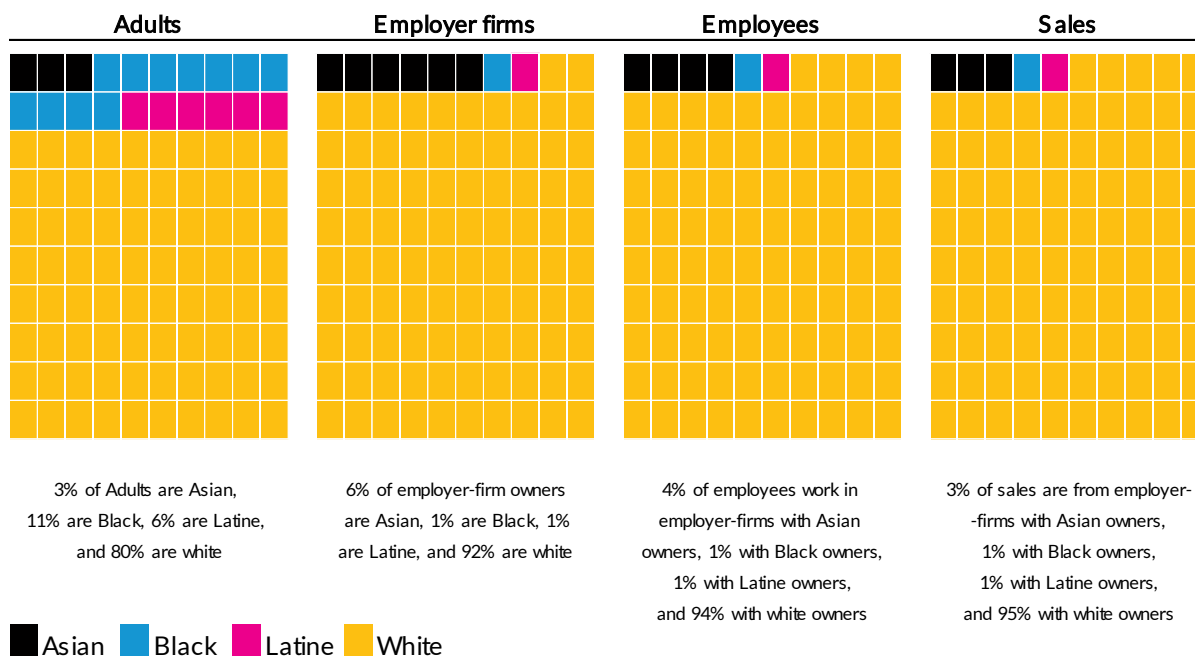
Our interviews also revealed that in addition to physical infrastructure, stakeholders felt that there was a lack of governmental or organizational support. As one interviewee stated, “Business owner supports are very disjointed. There needs to be a home infrastructure for kind of leading small business ecosystem-building.” There does not seem to be much initiative on the part of cities to spearhead the ecosystem-building work necessary to foster collaboration between small businesses and organizations with the capacity to support them. One proposed potential solution for this problem was to create a “one-stop shop” of sorts for entrepreneurs to interface with when seeking small business supports from the government. One interviewee expressed that “If you’re a small business operator or an entrepreneur, it is an alphabet soup of agencies and programs. It’s gotten to the point ... whether it be at the state level, county level, city level as well as on the philanthropic side, it’s very confusing, and I would say, even difficult, to document.” Entrepreneurs would find it much easier to navigate these programs if there were a consolidated menu of options they could access online. Some local resource efforts have been attempted including the creation of “ROC My Biz,” a small business portal created by the City of Rochester.

Finding 4: Racial, Ethnic, and Gender Disparities Exist in Small Businesses Ownership

Small business ownership patterns in the I-90 corridor exhibit stark inequities, meaning that the area is missing out on entrepreneurial strengths and abilities from some communities. Data from the US Census Bureau’s 2017–19 Annual Business Survey reveals that Black- and Latine-owned businesses in the I-90 corridor only make up about 1.3 and 0.7 percent of all businesses respectively, whereas white-owned businesses make up over 92 percent of all businesses. Additionally, Black- and Latine-owned businesses employ around 0.9 and 0.5 percent of all employees respectively, whereas white-owned businesses employ nearly 95 percent of all employees. This disparity is also apparent when analyzing shares of total business earnings, as Black- and Latine-owned businesses each earn only about 0.7 percent of all business sales, while white-owned businesses earn nearly 96 percent of all business sales (figure 4).

FIGURE 4

Disparities of Small Business Ownership by Race and Ethnicity for I-90 Corridor



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Source: US Census Bureau 2017–19 Annual Business Survey.

Note: I-90 corridor is defined as the Buffalo-Niagara Falls, Rochester, and Syracuse metropolitan areas.

Gender disparities also exist among small businesses in the I-90 corridor. Data from the US Census Bureau’s 2017–19 Annual Business Survey reveals female-owned businesses only make up about 12 percent of all businesses, while male-owned businesses make up nearly 80 percent of all businesses. Female-owned businesses are also smaller, employing around 9 percent of all employees, whereas male-owned businesses employ nearly 85 percent of all employees. When analyzing shares of total business earnings, female-owned businesses earn about 9 percent of all business sales, while male-owned businesses earn 86 percent of all business sales (table 1).

TABLE 1

Disparity in Small Business Ownership by Gender for I-90 Corridor

2017–19 averages

	Ownership	Employees	Sales
Female	12.3%	8.9%	9.0%
Equally male/female	8.2%	6.5%	4.9%
Male	79.5%	84.7%	86.0%

Source: US Census Bureau 2017–19 Annual Business Survey.

Note: I-90 corridor is defined as the Buffalo-Niagara Falls, Rochester, and Syracuse metropolitan areas.

Finding 5: Small Business Lending Institutions Are Present, but Lending Levels Are Low

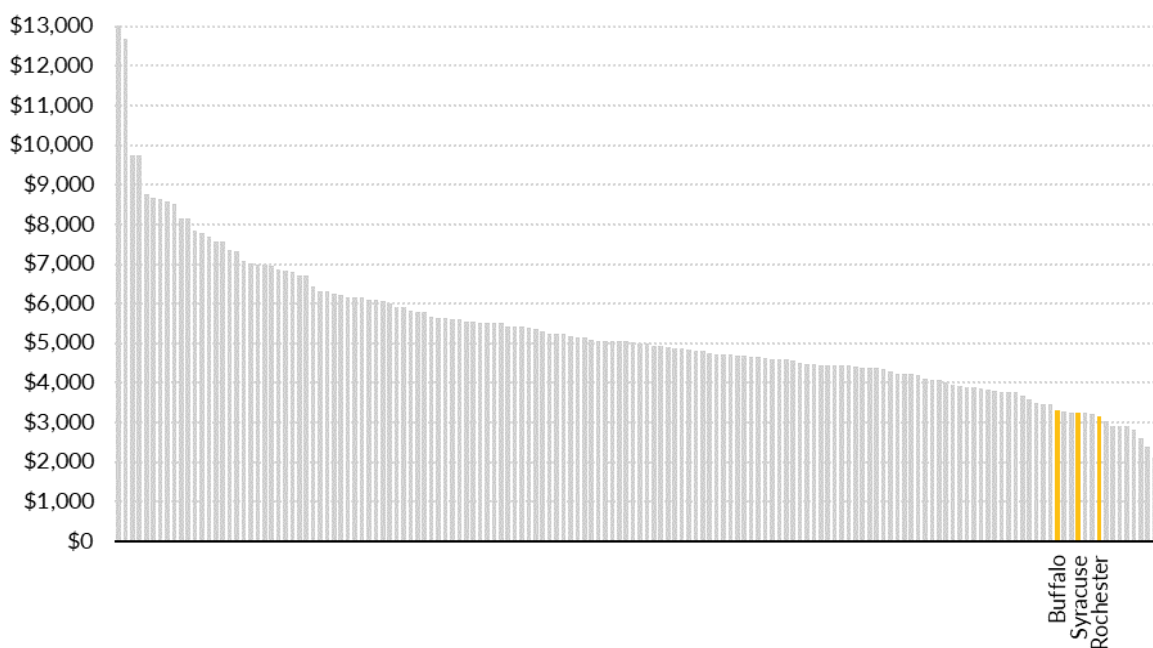
As described below, we identified through interviews and data analysis that the I-90 corridor has several small business lenders, both mainstream and mission-driven, providing a variety of microloans and other small business loans and investments. However, in aggregate, all three markets struggle to access small business capital.

As visualized in figure 5, Buffalo, Syracuse, and Rochester all had comparable levels of lending (per small business employee) from 2005 through 2021. These levels place the three cities near the bottom ranking of midsize cities in this metric.⁹ The low levels of small business lending in the I-90 corridor are striking, and speak to a need for sustained investment to improve access to capital. The limited supply of small business lending contributes to the slow economic growth described above, while that low growth, in turn, decreases the demand for capital.

FIGURE 5

Annual Average Small Business Lending

For US cities with population rankings 50 through 200, in dollars per small business employee, 2005–21



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Sources: Small Business Administration (SBA), Community Reinvestment Act (CRA), and US Decennial Census 2010.

Notes: We define small business lending for CRA-reported loans as loans to businesses with under \$1 million in annual revenue. For data across census tract-years between 2005–21, we summed SBA and CRA small business loan values and scaled by sum of small business employees.

Mainstream banks are responsible for most of the lending reported in small business lending statistics (and fintech firms are not represented). Given the low levels of small business lending from mainstream lenders, mission-driven players along the I-90 corridor have sought to step up and address capital gaps.

Community Development Financial Institutions

Interviewees frequently pointed to community development financial institutions (CDFIs) as an important part of the solution for the I-90 corridor's small business capital needs. CDFIs are lenders with a mission to provide economic opportunity for individuals, small businesses, and communities. CDFI small business lenders specialize in making loans to businesses located in low-income communities or owned by entrepreneurs from groups that have been systematically denied access to capital. As a result, these firms often, but by no means always, have lower collateral, less regular cash flows, or lower credit ratings; are more likely to be start-ups; or require additional business development supports. CDFIs often provide clients with financial education or business coaching, though not all firms require this form of assistance. CDFIs may or may not provide lower-interest rate loans; sometimes their benefit is to provide a loan when mainstream lenders will not—not that the loan is always offered at a low interest rate. That said, while CDFI financing rates may be comparable to bank rates, they tend to be much lower than the rates of merchant cash advance or other high-cost fintech lenders to which small businesses may turn.

CDFIs are able to offer more flexible lending products and lend to younger businesses while maintaining relatively low default rates compared with conventional banks.¹⁰ They manage this through implementing many of the following strategies:

- CDFIs subsidize their lending with other funding streams including grants, donations, profits from other programs such as the New Markets Tax Credit, and low-interest loans that they receive from banks, foundations, and government sources. CDFIs' low loan default rates also mean funds can recirculate after the initial loan.
- CDFIs engage in creative underwriting processes and use criteria that expand the concept of credit and can circumvent collateral gaps. Some offer contract financing and accounts payable financing options. Some CDFI microlenders use nonfinancial criteria to underwrite loans that pose less of a challenge for smaller, younger businesses. For example, some CDFIs use character references rather than credit scores.
- CDFIs provide greater levels of assistance to help business owners understand their credit options. In interviews, CDFI staff expressed a strong sense of responsibility to loan applicants to help them understand when taking on debt makes sense and when it does not.
- CDFIs are able to work more deeply and for a longer time with firms to help them become loan ready than most mainstream lenders. For example, one CDFI active in the I-90 corridor sometimes conditions a loan on the borrower receiving loan preparedness services. That CDFI also refers potential clients to business support organizations (BSOs), such as a small-business

development center, for more substantive assistance in developing a business plan, becoming loan ready, and preparing the owner to successfully manage loan funds after receiving them.

- CDFIs do more to prioritize outreach to communities that are not currently well served by mainstream financial institutions, including communities of color.
- CDFIs more easily and readily modify loans that are at risk of default, which helps them lend to clients that mainstream capital providers would turn away. This is made feasible as CDFI loan funds are not subject to bank-type capital regulation and supervisions.

For all these reasons, interviewees report that CDFIs are critical to building the small business ecosystem in the I-90 corridor. Unfortunately, we heard that the area's CDFIs do not have full capacity to adequately support all forms of small business lending in all parts of the I-90 corridor. Some interviewees shared that Syracuse is behind Rochester and Buffalo in this regard. And even in cities with better coverage, CDFI business lending is a fraction of overall activity.

Some CDFIs were mentioned in interviews as working to build up the capital access ladder in the I-90 corridor, including Westminster Economic Development Initiative (WEDI), Launch NY, Pathstone, and Pursuit Lending. WEDI is a microlender focused on immigrant and refugee communities. Launch NY is a provider of equity capital in the area, with some signature successes.¹¹ Pathstone prioritizes business in “the middle territory,” as its average loan size is about \$80,000. Pursuit is a higher volume small business lender and is especially active in its use of the US Small Business Administration (SBA) 504 program. It is based in New York City and has expanded its operations into the I-90 corridor.

Unfortunately, there is a history of cities competing against one another as opposed to collaborating, which has pushed the I-90 corridor's cities to silo their efforts. As an observer noted, “There is clearly a silo-oriented approach to activities and attitudes, and although not intended to be outright competitive, the efforts are clearly not collaborative” (Hwang 2022, 9). This dynamic has been evident in the CDFI sector as well, but it is changing. One recent example is Capital Connect, a consortium of PathStone Enterprise Center, WEDI, Launch NY, and Pursuit. This CDFI consortium provides access to training and capital from the consortium members and through referrals.

Additional Government Investment

Additional public-sector investment can be a catalyst for change. In January 2022, New York governor Kathy Hochul announced a new Billion Dollar Rescue Plan for small businesses.¹² As part of the plan, the state would support businesses owned by Socially and Economically Disadvantaged Individuals (SEDI) in accessing loans or government contracts. The state would also provide flexible grants to early-stage small businesses. And the state will provide funding and technical assistance to help businesses secure federally funded contracts.

The state will also make use of the State Small Business Credit Initiative (SSBCI); funded by the American Rescue Plan Act to support small businesses, it provided \$10 billion to American states and other municipalities. New York State received over \$500 million through this program—a sizable boost

to existing efforts that will support technical assistance, procurement, and access to loans and equity investments.¹³

Finding 6: There Are Spatial Disparities in Lending

In the subsections that follow, we characterize small business lending in Buffalo, Rochester, and Syracuse alongside the counties in which they are situated. Data also enable an investigation of which neighborhoods (though unfortunately, not which entrepreneurs) are accessing loans. Looking at the trends for places within the I-90 corridor, we see that on average, small business lending is more prevalent in low-poverty census tracts and majority-white census tracts.

As is true for many regions in the US, urban areas in Onondaga County (home to Syracuse) attract more small business lending than nonurban ones. However, deviating from these more typical trends, nonurban census tracts of Erie County and Monroe County (home to Buffalo and Rochester, respectively) have similar access to small business loan capital as their urban counterparts.

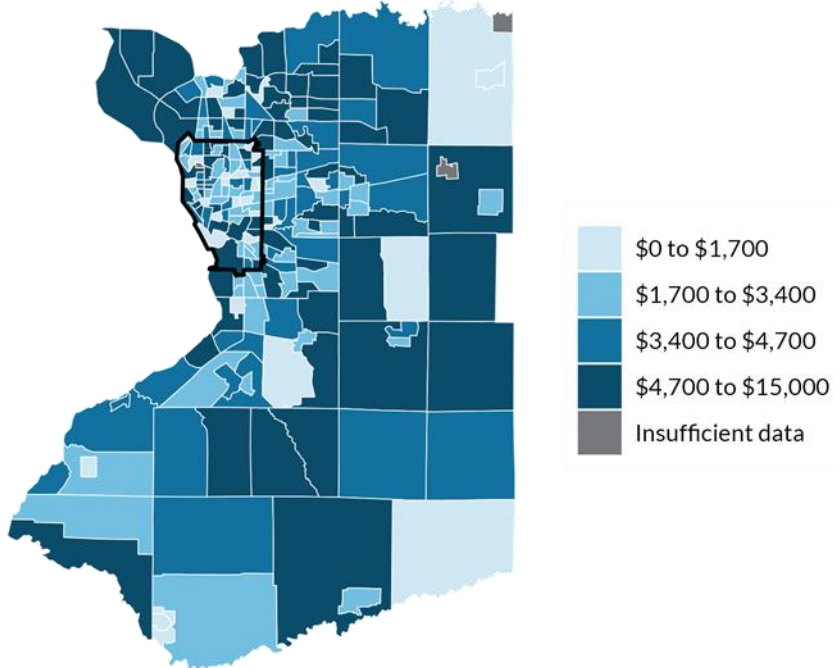
Buffalo and Erie County

The relative annual average small business lending by census tract in Erie County is shown in figure 6, and it illustrates lending spread variably throughout the county, with certain areas accessing lower amounts of lending. Research indicates that neighborhood-level access to lending has been shown to correspond with racially driven private- and public-sector practices and policies, both past and present (Partnership for the Public Good 2018). Indeed, we see neighborhood-level disparities by racial and ethnic composition in small business lending also exist in Erie County (figure 8). And we see higher lending levels in low-poverty neighborhoods than in high-poverty ones (figure 7). These gaps, however, are smaller than those between other areas in the I-90 corridor.

FIGURE 6

Annual Average Small Business Lending per Census Tract in Buffalo and Erie County

In dollars per small business employee, 2005–21



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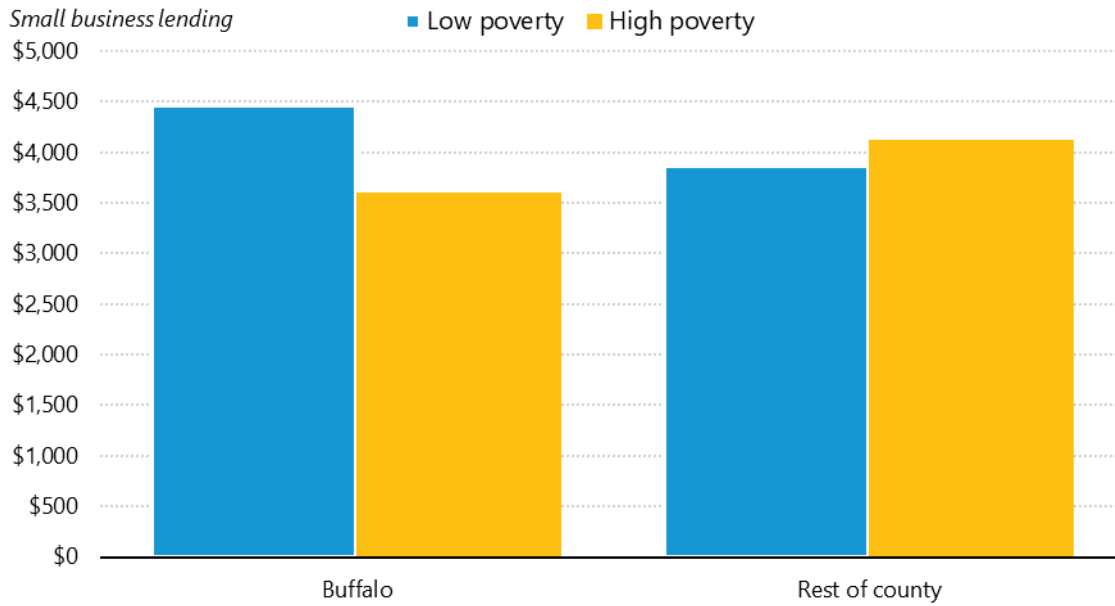
Sources: Small Business Administration (SBA), Community Reinvestment Act (CRA), Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES), and US Decennial Census 2010.

Notes: We define small business lending for CRA-reported loans as loans to businesses with under \$1 million in annual revenue. For data across census tract-years between 2005–21, we summed SBA and CRA small business loan values and scaled by sum of small business employees. In the map, the black line outlines the border of the 2010 Buffalo Census Designated Place.

FIGURE 7

Annual Average Census Tract-Level Small Business Lending in Erie County by Poverty Level

In dollars per small business employee, 2005-21



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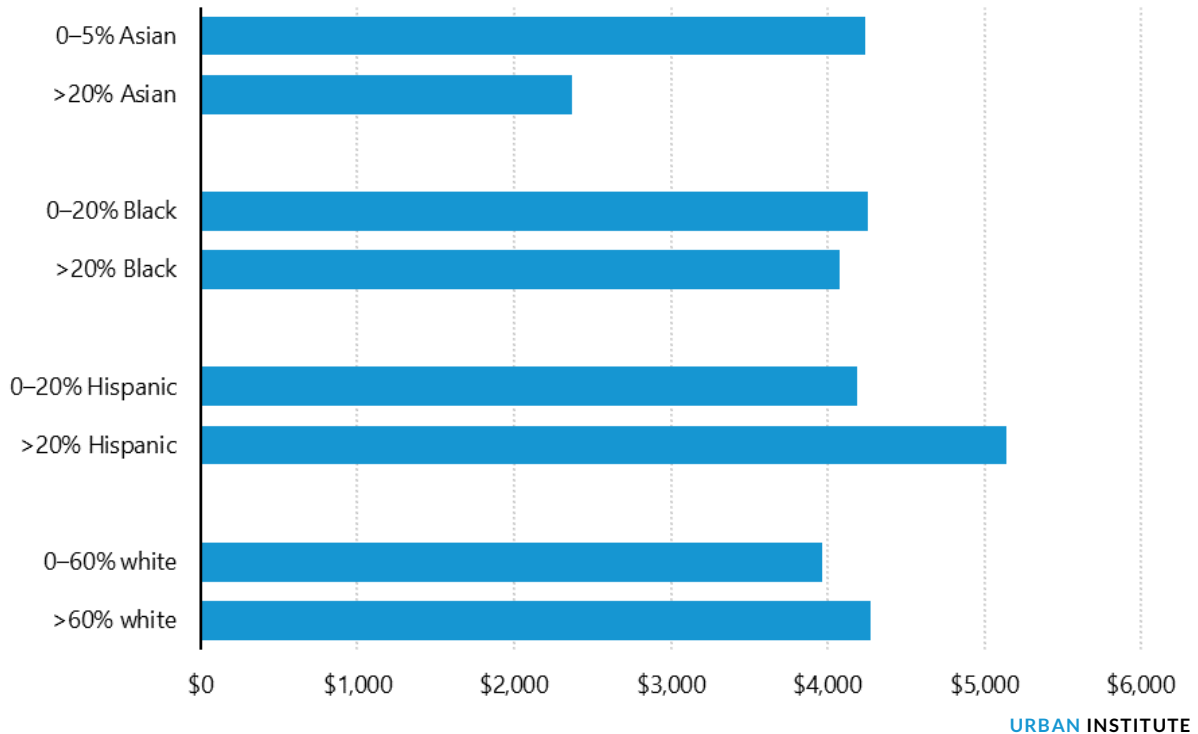
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FIGURE 8

Annual Average Census Tract-Level Small Business Lending in Erie County by Race/Ethnicity Proportion

In dollars per small business employee, 2005–21



Sources: Small Business Administration (SBA), Community Reinvestment Act (CRA), Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES), and 2015–19 American Community Survey.

Notes: We define small business lending for CRA-reported loans as loans to businesses with under \$1 million in annual revenue. For data across census tract-years between 2005–21, we summed SBA and CRA small business loan values and scaled by sum of small business employees. We define the bins for racial/ethnic groups to ensure there are an adequate number of census tracts in each category.

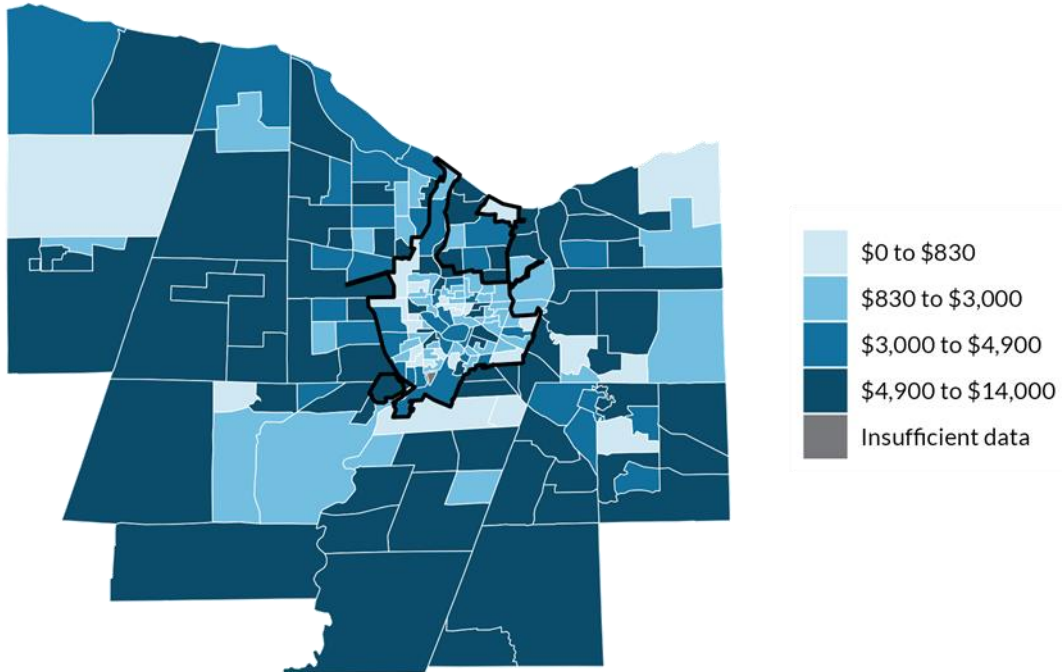
Rochester and Monroe County

Looking at figure 9, small business lending in Monroe County is most prevalent in census tracts outside the boundaries of Rochester. Interestingly, there are not differences within the City of Rochester in lending by neighborhood poverty level, but in large part this is because even low-poverty neighborhoods in the city appear to have lower lending levels. Disparities based on neighborhood poverty are present in the surrounding jurisdictions (figure 10). Monroe County has racial and ethnic disparities in small business lending similar to those in Erie County, but the differences are even more pronounced (figure 11).

FIGURE 9

Annual Average Small Business Lending per Census Tract in Rochester and Monroe County

In dollars per small business employee, 2005–21



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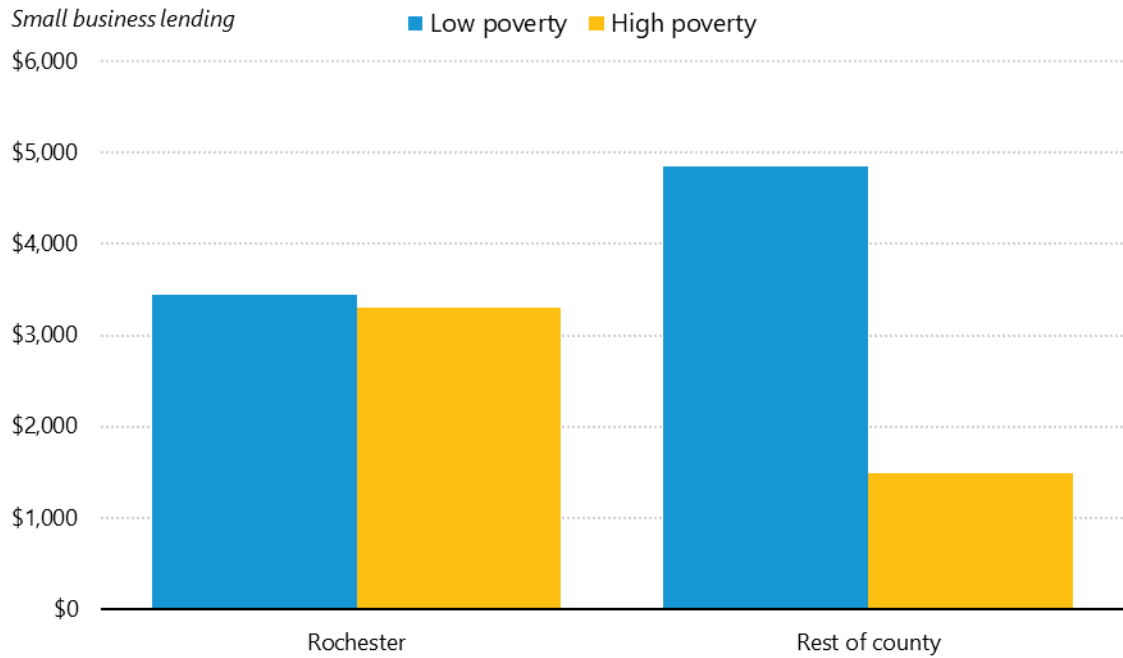
Sources: Small Business Administration (SBA), Community Reinvestment Act (CRA), Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES), and US Decennial Census.

Notes: We define small business lending for CRA-reported loans as loans to businesses with under \$1 million in annual revenue. For data across census tract-years between 2005–21, we summed SBA and CRA small business loan values and scaled by sum of small business employees. In the map, the black line outlines the border of the 2010 Rochester Census Designated Place.

FIGURE 10

Annual Average Census Tract-Level Small Business Lending in Monroe County by Poverty Level

In dollars per small business employee, 2005-21



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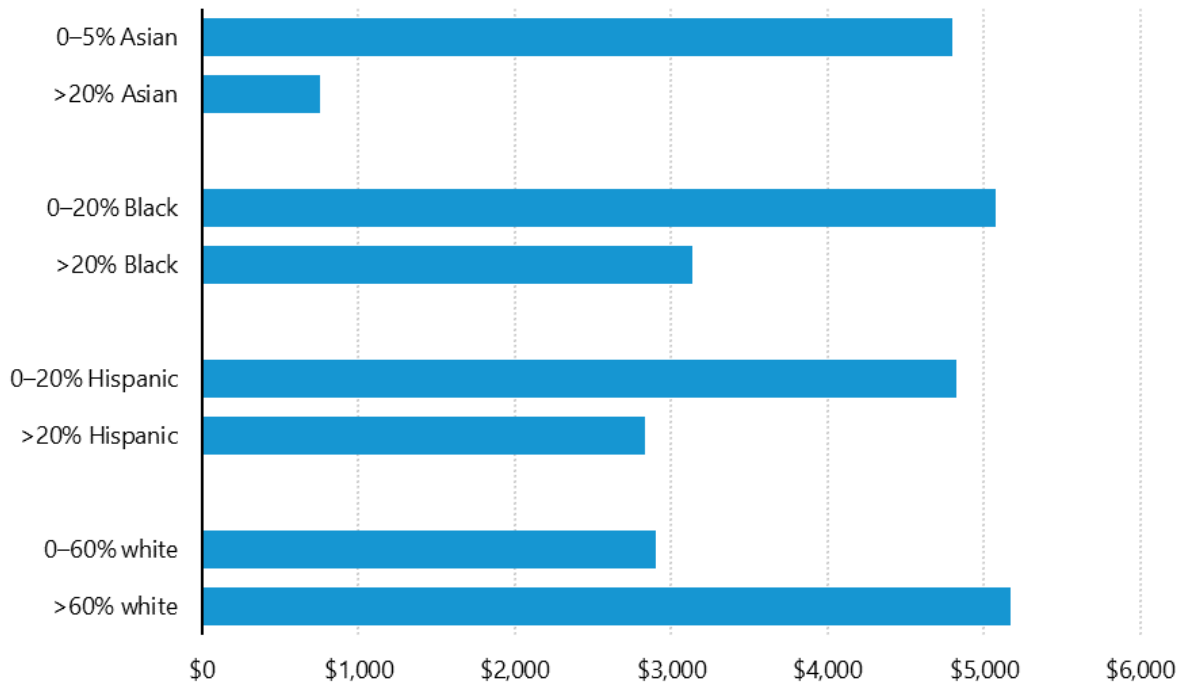
Sources: Small Business Administration (SBA), Community Reinvestment Act (CRA), Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES), and 2015-19 American Community Survey.

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FIGURE 11

Annual Average Census Tract-Level Small Business Lending in Monroe County by Race and Ethnicity Proportion

In dollars per small business employee, 2005–21



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Sources: Small Business Administration (SBA), Community Reinvestment Act (CRA), Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES), and 2015–19 American Community Survey.

Notes: We define small business lending for CRA-reported loans as loans to businesses with under \$1 million in annual revenue. For data across census tract-years between 2005–21, we summed SBA and CRA small business loan values and scaled by sum of small business employees. We define the bins for racial/ethnic groups to ensure there are an adequate number of census tracts in each category.

Syracuse and Onondaga County

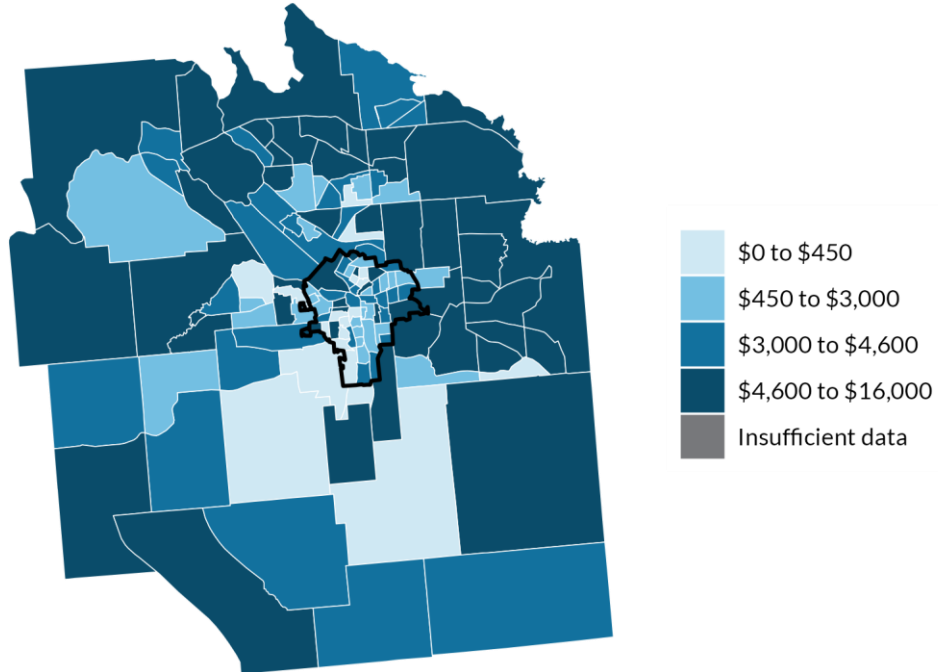
Small business lending in both Syracuse and Onondaga County has both strengths and weaknesses (figure 12). Census tracts like Lakefront in the northwest part of the county have had an outsized share of small business lending relative to the rest of the county.¹⁴

Neighborhood disparities by poverty level in annual small business lending are larger in Onondaga County than in Erie and Monroe Counties (figure 13). Differences in lending by neighborhood poverty rates are also evident in Syracuse, though to a lesser degree than in the surrounding county. We do not observe an association between the share of a neighborhood that is Asian or Latine and small business lending (figure 14). As in Monroe and Erie County, we do see that census tracts with more than 20 percent Black residents attract lower annual loan capital per small business employee than other census tracts, and that census tracts with more than 60 percent white residents attract higher lending levels.

FIGURE 12

Annual Average Small Business Lending per Census Tract in Syracuse and Onondaga County

In dollars per small business employee, 2005–21



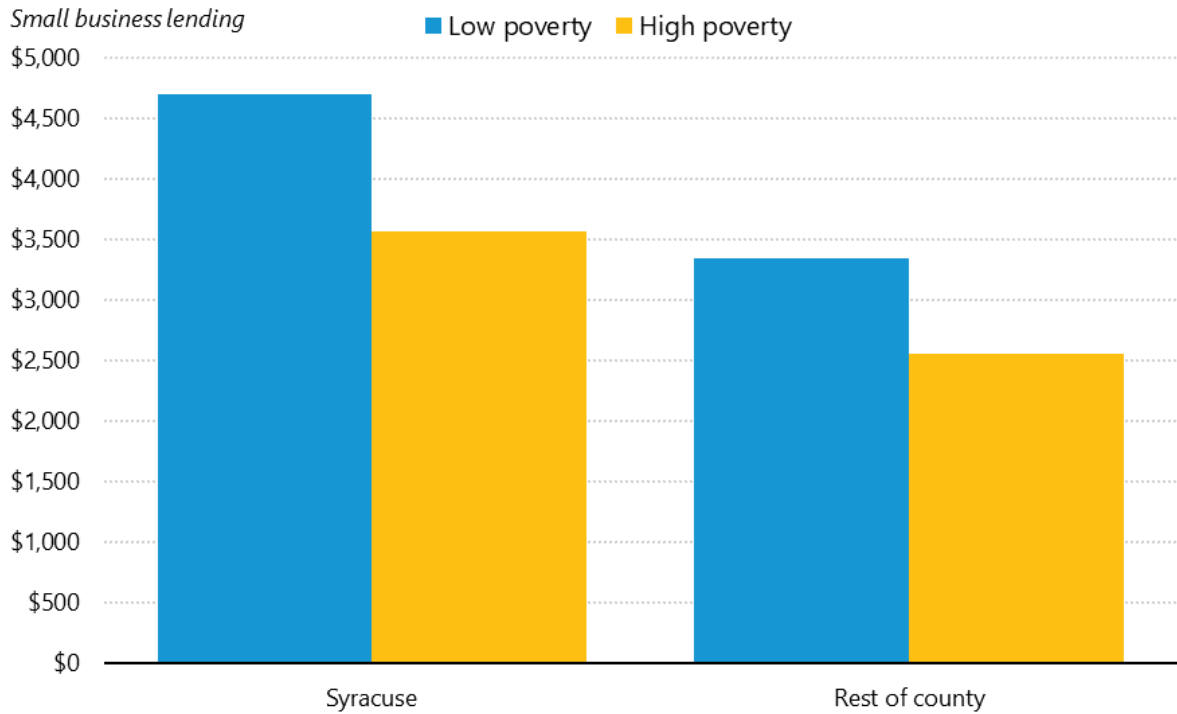
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Sources: Small Business Administration (SBA), Community Reinvestment Act (CRA), Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES), and US Decennial Census 2010.

Notes: We define small business lending for CRA-reported loans as loans to businesses with under \$1 million in annual revenue. For data across census tract-years between 2005–21, we summed SBA and CRA small business loan values and scaled by sum of small business employees. In the map, the black line outlines the border of the 2010 Syracuse Census Designated Place.

FIGURE 13

Annual Average Census Tract-Level Small Business Lending in Onondaga County by Poverty Level
In dollars per small business employee, 2005–21



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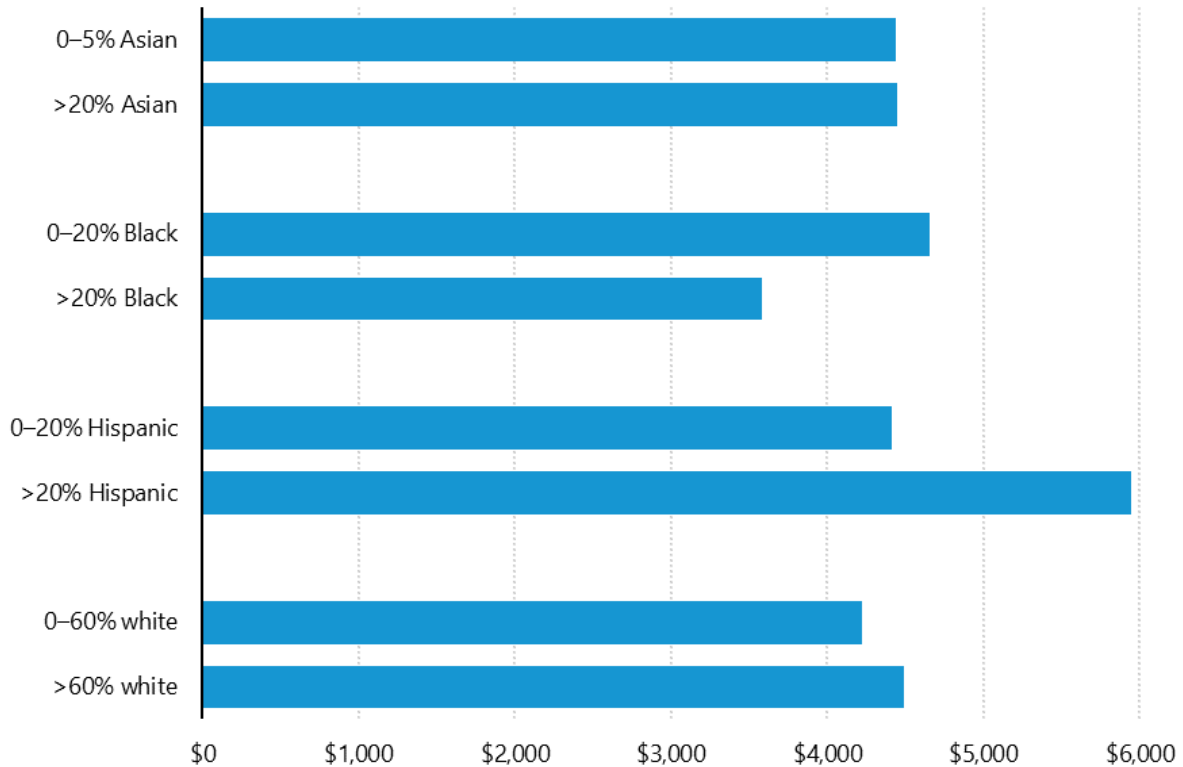
Sources: Small Business Administration (SBA), Community Reinvestment Act (CRA), Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES), and 2015–19 American Community Survey.

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FIGURE 14

Annual Average Census Tract-Level Small Business Lending in Erie County by Race and Ethnicity Proportion

In dollars per small business employee, 2005–21



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Sources: Small Business Administration (SBA), Community Reinvestment Act (CRA), Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics (LODES), and 2015–19 American Community Survey.

Notes: We define small business lending for CRA-reported loans as loans to businesses with under \$1 million in annual revenue. For data across census tract-years between 2005–21, we summed SBA and CRA small business loan values and scaled by sum of small business employees. We define the bins for racial/ethnic groups to ensure there are an adequate number of census tracts in each category.

Finding 7: There Is a Multiplicity of Technical Assistance Providers in the Corridor

Technical assistance (TA) is the process of providing support to organizations with a business development need. TA typically involves communication between a consultant or expert and an organization. Our interviews reveal that TA continues to be an effective tool for small businesses to build their capacity, and that further investments should be made to build coordination and partnerships among TA providers and between providers and small business lending institutions.

In describing the TA providers in Rochester, an interviewee noted, “the business support organizations in Rochester are plentiful ... they have a couple of anchor institutions that do provide quality work.” Syracuse and Buffalo also have significant anchor institutions, such as the University of Buffalo and Syracuse University, that provide technical assistance to a high volume of small businesses, with a handful of smaller nonprofit TA providers that specialize in providing support on specific topics or to specific groups of small businesses.

In interviews, we heard that most TA providers are aware of the services and target populations their peers specialize in, and some refer clients between each other as needed. Some nonprofits have created joint technical assistance programs to take advantage of their skillsets and coordinate delivery of a wide range of instructional resources. For example, the Community Reinvestment Fund has developed the platform Connect2Capital and explored its use locally.¹⁵

There are also several state-sponsored technical assistance initiatives. As part of the Billion Dollar Rescue Plan, the Excelsior Contracting Opportunities Initiative will provide technical assistance to help small businesses secure federal contracts related to the \$1.2 trillion federal Infrastructure Investment and Jobs Act. Additionally, this initiative will support establishing an interagency Excelsior Contracting Opportunities Council—including Empire State Development, the State Department of Transportation, the Thruway Authority, the Metropolitan Transportation Authority, and the Port Authority of New York and New Jersey—to identify strategies that will spur more minority- and women-owned small business participation in future federally funded infrastructure projects across New York. Sometimes TA is augmented by targeted small grants for businesses, as was recently announced in East Buffalo.¹⁶

However, we also heard that the kinds of business TA providers are equipped or interested in helping are not always the same as those needing assistance. One interviewee noted that in Buffalo, “Support is available to high-growth companies...that support is not necessarily plentiful when it comes to supporting the startup and growth of Main Street businesses, and businesses that have a lack of access to resources.”

Despite coordination among these nonprofits, there have been challenges with perceptions of duplication of services and a lack of clarity around roles. Some bankers have been underwhelmed with the quality of TA performed in its ability to facilitate loan readiness and have sought to fill the gap by providing classes and workshops of their own.

Finding 8: Corridor Cities Have a Hard Time Sustaining and Retaining Local Businesses

After firms obtain support and capital, or grow on their own, they still face ongoing challenges, as described by interviewees. I-90 corridor cities have trouble retaining small businesses. Buffalo, for example, has a history of wealth leaving, effectively thwarting local intergenerational wealth transfer and knowledge-sharing. As one interviewee said, “many of our successful entrepreneurs, by the time

they're successful, and millionaires, they tend to retire to Florida." Another interviewee expressed that Rochester "needs help to retain local business."

Each of the cities have oriented its business development strategy around an approach to overcoming this obstacle. Interviewees perceived Buffalo and Syracuse as focusing on trying to attract high-growth tech companies. The influx of taxable income, increased spending by new employees and local business partnerships would theoretically help make the cities more attractive to local businesses that would otherwise relocate. However, this support may come at the cost of providing more direct support to the local businesses themselves. There are trade-offs to landing the next big company rather than creating growth from within. Rather than just going for a "big win," interviewees perceived that Rochester "really focused on empowering the everyday resident. Rochester really just tried a bottom-up approach with the capital they received, really trying to empower people already in the city versus supporting high-growth, high-tech businesses."

We did hear from several interviewees that the I-90 corridor has successfully cultivated a network of excellent private and public universities (e.g., Syracuse University, University of Rochester, and State University of New York Buffalo). And we heard that strengths in this sector have allowed the I-90 corridor to produce graduates at a much higher rate than the national average (Abel and Deitz 2011), and higher education institutions generate both direct and indirect benefits for small businesses. Some interviewees expressed concerns about retaining recent graduates in the local economy. As with mature businesses, retaining would-be and emerging entrepreneurs in high-growth sectors—whether emerging from the universities or not—is a valuable potential asset for the I-90 corridor.

Looking Ahead

Efforts in the I-90 corridor to grow and support small businesses are crucial for building a robust local economy that retains businesses and investment. However, cultivating a growing and specialized yet diverse local economy comes with numerous challenges, including weak ecosystems, institutional gaps, race/ethnicity and gender disparities, and challenges in retaining businesses and human capital. Additionally, lending levels are strikingly low in Buffalo, Rochester, and Syracuse. To address these barriers, the municipal and county governments in the I-90 corridor will need to show a strong commitment to coordinating and increasing resources and ongoing small business support efforts. We offer several considerations below.

What Are the Corridor's Small Business Support Priorities?

Assisting small business development is less straightforward than it might seem. It will be important for the I-90 corridor to establish its primary medium-term and long-term goals. Because the small business context is so highly segmented, a one-size-fits-all approach is not as feasible as it might be in other sectors. Said differently, the I-90 corridor will need to make trade-offs as it considers which outcomes, strategies, and approaches are of highest priority.

By way of example, recognizing the gaps in business ownership by race, ethnicity, and gender, the I-90 corridor could invest in cultivating small business ownership among underrepresented groups. To do so, the I-90 corridor could support incubators or small grant strategies. However, this approach will need to contend with the possibility that it may create microenterprises with limited growth potential.

Alternatively, the I-90 corridor could invest in businesses with high growth potential by supporting accelerator or capital access strategies. However, in doing so, the I-90 corridor may implicitly be supporting a narrower segment of businesses than it intends to, raising questions for spatial, sectoral, and demographic equity.

Third, actors in the I-90 corridor could prioritize local economic development. This could assist in growing employment in a neighborhood or city. To do so, cities, counties, anchor institutions, and other establishments in the I-90 corridor could engage in preferential contracting and procurement policies. However, this could result in higher costs if efficient local providers are not readily available. Cities within the I-90 corridor could also end up competing for firms rather than collaborating (Randall et al. 2018). Local procurement incentives could encourage firms to add (local) employees, and yet, firms may better compete nationally and internationally with automation helping decrease per-unit labor costs.

In box 1, we describe in more detail some of the types of business the I-90 corridor may want to prioritize. These attributes are distinct from but intersect with attributes of owners (including race and gender) and geographic locations, which can also be an explicit or implicit programmatic focus.

BOX 1

Small Business Types and Corresponding Priorities and Limitations

Visible small businesses are publicly facing and facilitate near-daily, in-person contact with their patrons. These small businesses can vary in scale and sector but are more prevalent in sectors like retail. They are often a part of a community's economic, social, and cultural fabric, and their failure or success will affect their neighborhoods in more perceptible ways than nonvisible ones. These small businesses sow opportunity for place-based economic activity.

Nonvisible small businesses operate outside the scope of daily customer interaction. These small businesses can be economically significant, offer job opportunities, and contribute to economic growth. However, these businesses rarely contribute to placemaking.

Existing small businesses are established in the area and enjoy the benefits of an already-functioning financial, operational, and physical infrastructure. This infrastructure can facilitate continued growth, hiring, and expansion. However, directing resources to existing small businesses can further pronounce the inequities and inefficiencies present within the ecosystem.

New small businesses can be concepts or nascent establishments in the area. Most new small businesses will not have the same capacity for growing revenue, creating jobs, and expanding services in the near term as existing ones. However, they can contribute to the region's entrepreneurial ecosystem and grow the number of businesses and jobs in the area. Supporting new businesses through access to capital, technical assistance, and peer networks can strengthen and diversify the ecosystem. In the short term, new small businesses may not generate positive revenue. In the medium term, most growth is generated by a select number of young, rather than mature, businesses.

Microenterprises are small businesses typically employing just a few employees. Microenterprises are present in many sectors; they face greater barriers to accessing capital than larger small businesses because of their higher risk profiles. Nevertheless, these types of small businesses play an important role in neighborhood development through local entrepreneurship and employment, as well as in placemaking through services, amenities, cultural identity, and social capital. Prioritizing microenterprises can expand the number of small business owners and catalyze placemaking, but it is less likely to yield considerable wealth. Practices for supporting and growing microenterprises include guaranteeing loans without default in place of required personal guarantees, increasing credit enhancement on small business loans, and implementing family-and-friend grant programs requiring matches with their own capital.

Small businesses with strong growth potential, which are represented more in sectors such as information technology, real estate, construction, and engineering, can contribute to economic growth. These types of small businesses present promising opportunities for positive revenue and jobs. However, some of these small businesses do not offer robust employment opportunities for low-wage workers, which may challenge equitable growth.

Source: Adapted from Theodos and Myczkowska (2022).

Designing a Robust Support Infrastructure

An encouraging development is that, in comparison with years past, there is now a robust set of local, state, federal, and philanthropic small business supports across the nation from which the I-90 corridor can draw (Theodos, González-Hermoso, and Hariharan 2022).

To determine its small business supports, the I-90 corridor will need to articulate its vision for what an equitable landscape looks like. This will need sufficient specificity to prioritize or choose among the outcomes discussed above. This is important because not all strategies will advance all goals equally effectively.

We heard from interviewees about the value—and the challenge—of working together as a region. Some “back office” functions can effectively be shared across geographies, like underwriting or creating online technical assistance for businesses. However, other work requires a local presence, such as outreach to business owners. Considerable work will be needed to align local priorities and programs where feasible. This is neither quick nor easy, but it is important.

A regional strategy or set of strategies can consider four dimensions of support. First, it can seek to increase access to capital and make that access more equitable. This can be advanced through loan loss reserves, guarantees, and credit enhancement. Support could be provided directly to businesses, or more likely, via CDFIs or other mission-driven lenders and investors. The I-90 corridor could also provide family- and friends-style grant support to emerging businesses from low-wealth communities, as Chicago and other cities have done (Theodos and González-Hermoso 2019). The public sector has a key role to play here, but so too does philanthropy.

Second, the I-90 corridor can invest in more effective business development services. The interviewees we spoke with for this brief largely believed that technical assistance to businesses could

be effective, but needed improvement. Interviewees cited a need for greater depth of expertise in technical areas like law, finance, and marketing. There's a great need for asynchronous content as well as community-embedded engagement. Evaluation and refinement are needed to see what approaches lead to the best outcomes, and for whom. Much of the ongoing operational support for business development services will need to be provided by government, but philanthropy can also assist, especially as matching funds may be required, and public-sector funding is less available for R&D activities.

Third, the I-90 corridor could better deploy public-sector and anchor-institution procurement in support of small business objectives. The “power of the purse” is considerable, but reforming procurement processes takes a dedicated, multiyear approach, with buy-in from elected officials and procurement staff. New York City and others have made considerable strides in diversifying their procurement sources, and such models are available for the I-90 corridor to follow.

Finally, some new resources will be needed for small businesses directly. These include technological platforms that help link and integrate services and providers in the I-90 corridor, so that small businesses can better navigate the resources available to them.

Alongside these dedicated strategies is the broader set of state and federal resources that must also be thoughtfully engaged. State investment (including via the SSBCI) to support collaboration and expansion in the I-90 corridor will be critical, as will federal supports via the SBA, Minority Business Development Agency, CDFI Fund, US Economic Development Administration, US Department of Agriculture, US Department of Housing and Urban Development, the US Treasury Department, and the US Department of Defense.

Robust and sustained philanthropic investment will be needed to help expand access where the public sector does not adequately reach. To support that, more clarity is needed around goals and objectives for the sector. Coordination within and across geographies and loan segments is needed for philanthropies investing in the small business space.

Beyond philanthropy and government, additional financial and nonfinancial private-sector capacity and investment will be needed to grow mainstream as well as mission-driven finance providers to adequately meet the needs of small businesses. Through these efforts, stakeholders in the I-90 corridor can create a vibrant, equitable small business ecosystem.

Notes

- ¹ “Biden-Harris Administration Announces Next Funding Round of \$504 Million for 12 Tech Hubs Across America,” US Economic Development Administration, July 2, 2024, <https://www.eda.gov/news/press-release/2024/07/02/biden-harris-administration-announces-next-funding-round-504-million>; Mark Weiner, “Syracuse, Rochester and Buffalo win US Designation as National Tech Hub for Computer Chips,” Syracuse.com, October 23, 2023, <https://www.syracuse.com/politics/cny/2023/10/syracuse-rochester-and-buffalo-win-us-designation-as-national-tech-hub-for-computer-chips.html>.
- ² For example, see the Department of Energy’s grant toward an Inertial Fusion Energy Hub in Rochester. <https://www.energy.gov/articles/doe-announces-42-million-inertial-fusion-energy-hubs>.
- ³ American Independent Business Alliance (AMIBA), “The Local Multiplier Effect: How Independent Locally Owned Businesses Help Your Community Thrive,” accessed September 8, 2023, <https://amiba.net/local-multiplier/>.
- ⁴ US Small Business Administration, Office of Advocacy, “Small Business Facts: The Importance Of Business Ownership To Wealth,” August 17, 2021, <https://advocacy.sba.gov/2021/08/17/small-business-facts-the-importance-of-business-ownership-to-wealth/>.
- ⁵ US Census Bureau, “Annual Business Survey (ABS) Program,” accessed September 8, 2023, <https://www.census.gov/programs-surveys/abs.html>.
- ⁶ NFTA-Metro (Niagara Frontier Transportation Authority), “Buffalo-Amherst-Tonawanda Corridor Transit Expansion Scoping Information Packet,” 2021, https://www.nftametrotransitexpansion.com/pdfs/MetroTransitExpansion_Scoping_InformationPacket_Draft_09082021.pdf.
- ⁷ Randy Gorbman, “New State Budget Includes \$100 Million for Inner Loop-North Project,” WXXI News, April 10, 2022, <https://www.wxxi.com/news/local-news/2022-04-10/new-state-budget-includes-100-million-for-inner-loop-north-project>.
- ⁸ See Rachel Ramirez, “The New York Highway That Racism Built: ‘It Does Nothing but Pollute,’” *The Guardian*, May 21, 2021, <https://www.theguardian.com/us-news/2021/may/21/syracuse-new-york-highway-i81-viaduct-biden>.
- ⁹ We define mid-size cities as those with population ranks from 50 to 200.
- ¹⁰ We examined data from the CDFI Fund to support this conclusion. Our analysis of data from 2016–2020 shows five-year average organization-wide charge-off rates at CDFIs focusing on small business lending of 0.5 percent. For CDFIs focusing on microloans, it is 4 percent.
- ¹¹ For example, ACV Auctions, a startup based in Buffalo, recently made an initial public offering at over a billion-dollar valuation in large part thanks to Launch NY and its partner incubator organizations (43 North and Z80 Labs). For more information, see https://buffalonews.com/business/local/acv-auctions-buffalos-first-billion-dollar-startup-files-to-go-public/article_ad8b2780-794a-11eb-b441-cbc1949ffcbd.html. There have been other regional venture capital successes as well (Hwang 2022).
- ¹² “Governor Hochul Announces Billion Dollar Rescue Plan for Small Businesses and Strengthen New York’s Economic Recovery,” Governor Kathy Hochul, January 5, 2022, <https://www.governor.ny.gov/news/governor-hochul-announces-billion-dollar-rescue-plan-small-businesses-and-strengthen-new-yorks>.
- ¹³ “Governor Hochul Announces More Than \$500 Million Awarded to New York State from Biden Administration to Support Small Businesses Through the American Rescue Plan,” Governor Kathy Hochul, August 19, 2022, <https://www.governor.ny.gov/news/governor-hochul-announces-more-500-million-awarded-new-york-state-biden-administration-support>.
- ¹⁴ “Syracuse, New York (Lakefront),” Neighborhood Scout, accessed on September 8, 2023, <https://www.neighborhoodscout.com/ny/syracuse/lakefront>.
- ¹⁵ Connect2Capital, <https://www.connect2capital.com/>.

¹⁶ “Governor Hochul Announces Availability of \$3 Million Small Business Grants in East Buffalo,” Governor Kathy Hochul, February 3, 2023, <https://www.governor.ny.gov/news/governor-hochul-announces-availability-3-million-small-business-grants-east-buffalo>.

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