

Promoting Economic and Community Development by Supporting Small Businesses

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The US Small Business Administration defines “small businesses” as independent businesses with fewer than 500 employees, and has called them the “lifeblood of the US economy” and the “driving force behind US innovation and competitiveness” (Kobe and Schwinn 2018, 1). According to the administration, small businesses account for nearly half of economic activity in the US and generate two-thirds of net new jobs; however, this share of economic activity has been declining in recent years, partly as small businesses have struggled to recover from the 2008 recession (Kobe and Schwinn 2018).

Supporting small businesses can have large benefits for local economies. Research suggests that every dollar spent at locally owned, small businesses has a multiplier effect on the local economy, because these businesses recirculate a much larger proportion of revenue within their communities than large, multinational corporations.¹ New and thriving small businesses not only help individual residents build wealth but also contribute to overall community well-being and quality of life by increasing access to services and amenities and creating stronger and more stable local economies.

The majority of businesses in Fresno are small businesses. In 2022, nearly 74 percent of businesses had 4 or fewer employees, and less than 4 percent had 50 or more employees.² Between 2012 and 2020, the total number of businesses located in Fresno grew from 28,400 to 41,000. However, women and Hispanic people were significantly underrepresented among business owners—only 17 percent were women and 13 percent were Hispanic, even though women and Hispanic people comprise 50 and 54 percent of Fresno’s population, respectively (CVCF 2023).

WHAT ARE SOME WAYS TO SUPPORT SMALL BUSINESSES?

Government agencies and nonprofit business alliances or partnerships can provide small businesses with many supports that cover the business life cycle, from starting or launching the business to scaling and sustainability. These programs can range from technical assistance, coaching, and mentorship to financial assistance and access to funding.

Some examples of policies and programs that can support small businesses as well as the economic well-being of communities as a whole include the following:

- incentivizing banks and other lending institutions to create accessible loans and other products for small businesses
- securing forgivable loans and grants for small businesses that provide essential services to local communities
- offering technical assistance for small-business owners on how to secure and use funding appropriately

- preferring small businesses in public procurement practices
- funding business development activities for small and local businesses
- creating a supportive policy environment that minimizes hurdles for small-business owners

WHAT ARE SOME EXAMPLES OF PROGRAMS THAT SUPPORT SMALL BUSINESSES?

Many programs, from federal and state programs to smaller programs created by nonprofits, exist to help small businesses access and use capital. Most support businesses in the real estate, rental, and leasing industry, because they comprise the largest share of small businesses in the US (Kobe and Schwinn 2018). For instance, the Community Preservation Corporation, a national nonprofit lender and investor based in New York, created a \$20 million initiative known as ACCESS: Acquiring Capital and Capacity for Economic Stability and Sustainability. The initiative provides “flexible capital to create opportunities for people of color in real-estate development” and empowers Black and minority entrepreneurs to compete in the development industry.³ It offers predevelopment and acquisition loans, debt and recoverable grants, and capacity-building programs (e.g., borrower training and financial literacy) to help first-time entrepreneurs navigate the development process. In California, the state Office of the Small Business Advocate has a multitude of resources available for entrepreneurs to start and grow their small businesses, including funding and direct assistance.⁴

Fresno has many programs that support small businesses. For instance, the Fresno Metro Black Chamber of Commerce’s Bonding, Technical Assistance, and Contracting program provides critical services and resources for contractors, with a focus on Black-, women-, and minority-owned businesses.⁵ This focus is important because only 2 percent of development companies nationwide are Black-led, and just 1.5 percent of real-estate assets under management are controlled by firms owned by people of color.⁶ The program assists small contractors with obtaining bond and contract financing and offers education and technical assistance that enables them to compete in the construction industry.

There are also many programs that help small businesses outside the real-estate industry. For instance, the National Trust for Historic Preservation distributes grants to small or independently owned restaurants every year through its Backing Historic Small Restaurants program, which aims to help restaurants address critical needs, such as supply chain issues, staffing shortages, inflation, and other challenges.⁷

WHAT ARE SOME KEY CONSIDERATIONS FOR SUPPORTING SMALL BUSINESSES?

There are many types of small businesses in many different industries, and each may have different needs. For instance, there are significant differences between businesses with 500 employees and businesses with 5 employees, and the demands and opportunities for small businesses located in the central business district will be different from those located along commercial corridors and arterial highways. Therefore, any effort to support small businesses must consider the type of business in question, its history, and its location, among other factors. It should also engage with business owners, workers, and residents to determine how to effectively support the broader community.

Additionally, when a district or neighborhood undergoes significant reinvestment, it can result in higher rents and displacement. This can be especially challenging for businesses owned by people of color. Thus, it is critical to identify and put in place protections and investments to mitigate the risks of displacement (Alvarez, Andrews, and Lung-Amam 2021).

FOR DISCUSSION: CONSIDERATIONS FOR SUPPORTING SMALL BUSINESSES IN FRESNO

- What types of assistance does Fresno provide for small businesses? What kinds of small businesses are prioritized for assistance?

- What is the right balance of support between business attraction and business development?
- What types of small businesses are most in need of support in downtown or in Chinatown?
- What types of small businesses are most in need of support along Fresno's commercial corridors, such as Blackstone and Kings-Canyon?
- What kinds of support would be most useful for each of the business clusters?
- What policies and/or programs does Fresno have that either enable or constrain the development of small businesses?
- How can different types of institutions (e.g., local government, state government, community-based organizations, and banks and other lenders) provide the support small businesses need?

NOTES

- ¹ "The Local Multiplier Effect," American Independent Business Alliance, accessed March 26, 2024, <https://amiba.net/project/local-multiplier-effect/>.
- ² "Size of Business Data—2012 to 2022," California Employment Development Department, accessed March 26, 2024, https://labormarketinfo.edd.ca.gov/LMID/Size_of_Business_Data.html.
- ³ "CPC Announces \$20 Million ACCESS Initiative to Empower Minority Real Estate Entrepreneurs and Invest in Communities of Color," Community Preservation Corporation, accessed March 26, 2024, <https://communitycp.com/access-launch/>.
- ⁴ "Small Business Center Network," California Office of the Small Business Advocate, accessed March 26, 2024, <https://calosba.ca.gov/local-direct-assistance/small-business-centers/>.
- ⁵ "Bonding, Technical Assistance, Contracting," Fresno Metro Black Chamber of Commerce, accessed March 26, 2024, <https://fmbcc.com/get-empowered/bonding-technical-assistance-contracting/>.
- ⁶ "Equitable Path Forward," Enterprise, accessed March 26, 2024, <https://www.enterprisecommunity.org/impact-areas/racial-equity/equitable-path-forward>.
- ⁷ "Backing Historic Small Restaurants," National Trust for Historic Preservation, accessed March 26, 2024, <https://savingplaces.org/historicrestaurants#.YpYoDe7MI2w>.

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