

Assessing the Small Business Landscape in Your Community

Example Completed Diagnostic Tool

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What Is This Tool?

This diagnostic tool can be used to assess how a city or county compares with its peers across several indicators. It does not make a value judgement of whether certain attributes of small business ecosystems are good or bad. Rather, it is designed to diagnose the many dimensions that affect small business development, with the hope of equipping local leaders with the knowledge to address challenges and uncover strengths and opportunities.

Where city- and county-level data were available in national data sources,¹ we determined how a region measures against its peers to rank it on a scale of 1 to 5. (Rankings for major cities and counties are available for users to complete this tool without conducting additional analysis.)² Where national data were not available, we suggest methods for assessing a region using local sources and encourage users to rely on local expertise to select a ranking for each indicator.

Why Should I Use This Tool?

Consider using this tool to do the following:

- Quantify how your region compares across key indicators of the capacity of small business ecosystems.
- Frame questions you already have or reveal new questions about how to assess small business ecosystems.
- Develop your own methods for assessing small business development.
- Identify strategies for supporting small businesses.

How Do I Fill This Tool Out?

Consider whether to evaluate your region at the city or county level. Some data (such as local procurement) may only be available at the city level, whereas others (such as federal grant allocations) may only be reported at the county level.

For indicators for which we provide data in our supplemental data tables (available at <https://datacatalog.urban.org/dataset/assessing-small-business-landscape-your-community-diagnostic-tool>), do the following:

1. Download the relevant table of city- or county-level data.
2. Filter the data for your city or county.
3. In this tool, fill in each indicator with your city or county's value and select the associated ranking.

For indicators for which we do not provide data, consider doing the following:

- Consult your own databases and local agencies and organizations for existing data and knowledge.
- Conduct interviews and surveys or set up a standardized data reporting process.
- Based on your assessment of the information available, calculate or estimate a value (for quantitative indicators) and estimate a ranking using your knowledge of peer cities or counties.

Section 1: Small Business Presence

1. Share of Employment in Microbusinesses (Businesses with 1 to 19 employees)

Value of indicator (write in value provided in supplemental data table):

15%

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Census County Business Patterns, county level, 2023. We calculate the share of employment in firms with 1 to 19 employees out of total employment. This excludes nonemployers.

Why this matters: Microbusinesses often contribute more to a unique sense of place than larger businesses. A larger share of employment in microbusinesses suggests local economic conditions, labor markets, and capital access favorable for those businesses' development.

2. Share of Employment in Small and Medium Businesses (20 to 499 employees)

Value of indicator (write in value provided in supplemental data table):

33%

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Census County Business Patterns, county level, 2023. We calculate the share of employment in firms with 20 to 499 employees out of total employment. This excludes nonemployers.

Why this matters: Small and medium firms are relatively more innovative and dynamic than larger firms, and can be important sources of local economic development owing to recycling of sourcing and profit.

3. Nonemployer Businesses per Working-Age Population

Value of indicator (write in value provided in supplemental data table):

0.30%

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Census Nonemployer Statistics (number of nonemployers) and American Community Survey (ACS) (working-age population, county level, 2022). We scale the number of nonemployer firms by working-age population to make values comparable between places.

Why this matters: Most small businesses are nonemployers. Some nonemployers may stay that way, while others have large growth potential, under the right conditions.

4. Share of Businesses Producing Traded Goods and Services

Value of indicator (write in value provided in supplemental data table):

25%

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. **Partly exceeds expectations**
5. Exceeds expectations

Data and methods: Census County Business Patterns (number of businesses), county level, 2023; US Cluster Mapping Project (sector classification), 2009. We classify each sector at the four-digit NAICS (North American Industry Classification System) level based on the definitions provided by the Cluster Mapping Project.

Why this matters: Traded goods and services are those which are produced locally and sold nationally and internationally. This can indicate local industrial specialization and human capital concentration.

Section 2: Lending and Access to Capital

5. Bank Business Lending (Community Reinvestment Act) per Employee (Firms with fewer Than 500)

Value of indicator (write in value provided in supplemental data table):

\$1,453

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. **Meets expectations**
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Federal Financial Institutions Examination Council Community Reinvestment Act Disclosure Files, city level, 2023; Census Longitudinal Employer-Household Dynamics, city level, 2018–2022. We divide bank lending by the average annual employment in firms with fewer than 500 employees.

Why this matters: Access to conventional bank capital is essential to nearly all small businesses, particularly in underserved places. The availability of CRA bank lending reflects broader local mainstream credit supply.

6. Small Business Administration 7(a) Lending per Employee (Firms with Fewer Than 250)

Value of indicator (write in value provided in supplemental data table):

\$184

Rank based on value (circle one using provided value ranges):

1. **Underperforms**
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Small Business Administration 7(a) Loan Program Data, city level, 2024; Census Longitudinal Employer-Household Dynamics, city level, 2018–2022. We divide total 7(a) lending by the average annual employment in firms with fewer than 250 employees.

Why this matters: SBA-guaranteed lending supports small businesses that may struggle to access nonguaranteed capital. SBA underwriting requires lender specialization.

7. Small Business Administration 504 Lending per Employee (Firms with Fewer Than 250)

Value of indicator (write in value provided in supplemental data table):

\$108

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Small Business Administration 504 Loan Program Data, city level, 2024; Census Longitudinal Employer-Household Dynamics, city level, 2018–2022. We divide total 504 lending by the average annual employment in firms with fewer than 250 employees.

Why this matters: SBA 504 lending supports real estate purchasing and rehabilitation. Physical infrastructure is a key credit need for many growing firms.

8. Community Development Financial Institution Microlending per Employee (Firms with Fewer Than 20)

Value of indicator (write in value provided in supplemental data table):

\$642

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: CDFI Fund Transaction-Level Reports, city, 2022; Census Longitudinal Employer-Household Dynamics, city level, 2018–2022. We divide total CDFI microlending by the average annual employment in firms with fewer than 20 employees.

Why this matters: CDFIs can fill important capital gaps in the small business lending environment, including taking greater risk, offering more flexible services, and offering expanded development (business advisory) services.

9. Community Development Financial Institution Small Business Lending per Employee (Firms with Fewer Than 20)

Value of indicator (write in value provided in supplemental data table):

\$201

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: CDFI Fund Transaction-Level Reports, city, 2022; Census Longitudinal Employer-Household Dynamics, city level, 2018–2022. We divide total CDFI small business lending by the average annual employment in firms with fewer than 20 employees.

Why this matters: CDFIs can fill important capital gaps in the small business lending environment, to include taking greater risk, offering more flexible services, or offering expanded development (business advisory) services.

10. Angel and Seed Deals per Working-Age Population

Value of indicator (write in value you calculate):

0.0045

Rank based on value (circle one based on your own assessment):

1. Underperforms
2. **Partly underperforms**
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: While no public national sources on equity investments are available, commercial sources like Pitchbook are. Alternatively, see whether your state or region collects data on deals to determine a value. We recommend scaling deals by the working-age population in the region (available in ACS data).

Why this matters: Early-stage equity investment is important for startups that don't yet have the scale for venture capital. More deals may indicate an ecosystem that better facilitates high-growth entrepreneurship.

11. Venture Capital Deals per Working-Age Population

Value of indicator (write in value you calculate):

0.0057

Rank based on value (circle one based on your own assessment):

1. Underperforms
2. Partly underperforms
3. **Meets expectations**
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: While no public national sources on equity investments are available, commercial sources like Pitchbook are. Alternatively, see whether your state or region collects data on deals to determine a value. We recommend scaling deals by the working-age population in the region (available in ACS data).

Why this matters: Venture equity investment is important for startups to scale and bring their products to market. More deals may indicate an ecosystem that better facilitates high-growth entrepreneurship.

Section 3: Small Business Development Support System

12. Combined Annual Operating Budget of Nonprofit Business Support Organizations per Employee

Value of indicator (write in value you calculate):

\$82

Rank based on value

(circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. **Partly exceeds expectations**
5. Exceeds expectations

Data and methods: Using publicly available IRS Forms 990, tally the combined operating budget for business support organizations (BSOs) in your area (Part IX, line 25, column B). To identify BSOs, consider programs like Small Business Development Centers, Women's Business Centers, Apex Accelerators, and other federally supported technical assistance programs based on their location, staffing, funding, language, and specialization capacity. We recommend scaling this by total small-business employment in your area (Census County Business Patterns or Longitudinal Employer-Household Dynamics data).

Why this matters: The BSO operating budget total reflects the relative capacity of those organizations to provide business development services. A larger total suggests more businesses are able to access services.

13. Philanthropic Grantmaking (\$) Direct to BSOs and Small Businesses per Employee

Value of indicator (write in value you calculate):

\$79

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. **Partly exceeds expectations**
5. Exceeds expectations

Data and methods: Use tax filings or press releases to tally philanthropic grants to BSOs and small businesses in your area. We recommend scaling this by the total employment in small businesses in your area (Census County Business Patterns or LEHD data).

Why this matters: Philanthropic grant capital can fill gaps where private markets won't invest on their own. Other nonprofit service providers may rely on philanthropy in addition to federal grants.

Section 4: Private Associations of Businesses

14. Peer Networking Affiliations and Organizations

Rank based on your qualitative assessment (circle one):

1. Underperforms
2. **Partly underperforms**
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Assess whether there are professional affiliation organizations in your region and how well they connect members with opportunities for business development and mentorship. Consider interviewing members or distributing a survey.

Why this matters: Business owners, particularly of small firms and startups, value peer connections for sharing information and opportunities.

15. Business Improvement Districts or Neighborhood-Based Business Alliances

Rank based on your qualitative assessment (circle one):

1. Underperforms
2. Partly underperforms
3. **Meets expectations**
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Assess whether there are BIDs and neighborhood alliances in your region and the effect they have on small businesses. Consider interviewing members or distributing a survey.

Why this matters: Businesses, particularly those in commercial centers with street-level storefronts, benefit from the promotion, security, maintenance, and technical assistance that BIDs and neighborhood alliances often provide.

16. Major Employers and Institutions with Small Business Commitments

Rank based on your qualitative assessment (circle one):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds Expectations

Data and methods: Assess your region for large employers and institutions like hospitals and universities with commitments to contracting with small businesses and the effect this has on them. Consider how their influence shifts the broader market.

Why this matters: Major employers and institutions can be important sources of demand for the goods and services that local small businesses create.

Section 5: Local Government Support

17. Share of Public Procurement Spending Toward Small Businesses

Value of indicator (write in value you calculate):

23%

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Using locally available data, calculate the share of procurement dollars allocated toward small businesses.

Why this matters: Local public sector procurement of good and services is sizable. This can be a key avenue of growth for small businesses, and can be directly influenced by local leaders.

18. Staffing and Spending on Business Developmental Services and Capital Readiness

Value of indicator (write in value you calculate):

\$49

Rank based on value (circle one using provided value ranges):

1. Underperforms
2. Partly underperforms
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Use direct inquiries, tax filings, or press releases to tally staffing and spending on developmental services and capital readiness supports. We recommend scaling this by the total employment in small businesses in your area (Census County Business Patterns or LEHD data).

Why this matters: Small business developmental services can be important for helping entrepreneurs access the advice, networks, mentors, tools, and capital they need to grow.

19. Preferential Zoning and Land-Use Policy

Rank based on your qualitative assessment (circle one):

1. Underperforms
2. **Partly underperforms**
3. Meets expectations
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Scan local land-use policies for how punitive or favorable they are to small business uses. Give careful attention to industrial, distribution, and manufacturing industries.

Why this matters: Localities can affect whether and which types of small businesses can survive and thrive locally by retaining commercial and industrial land uses, and moderating land price and tax increases.

20. Policy and Regulatory Influence on Business Costs

Rank based on your qualitative assessment (circle one):

1. Underperforms
2. Partly underperforms
3. **Meets expectations**
4. Partly exceeds expectations
5. Exceeds expectations

Data and methods: Consider the effects of policies such as tax incentives and rebates, licensing and permitting costs, and access to transportation and utilities. Assess whether the public benefit and value to businesses measures favorably against the costs.

Why this matters: Public policy and regulation are important for safety, funding services, and balancing the needs of a local economy. It is important to weigh the costs to businesses against public benefits.

Notes

- ¹ Or where tract-level data could be aggregated to the city and county level.
- ² Rankings are available at <https://datacatalog.urban.org/dataset/assessing-small-business-landscape-your-community-diagnostic-tool>.

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