



MEMORANDUM

TO: City of Racine Economic Development Committee
FROM: Brian O'Connell, Director of City Development and
Gordon Kacala, Executive Director
DATE: February 14, 2011
SUBJECT: Small Business Development Enterprise Initiative

INTRODUCTION

The purpose of the memorandum is to provide the Committee with an overview of a new economic development initiative being considered by the City of Racine. As the Committee charged with providing recommendations regarding economic development within the City, your role is to provide input, guidance and ultimately support for the activities and goals outlined within this memorandum.

ECONOMIC DEVELOPMENT

The general goal of economic development is to assist private businesses in creating jobs, tax base and personal income. Cities have several options for facilitating economic development. An aggressive business recruitment and expansion effort can assist in accomplishing these goals; however a City must have a trained workforce and available land and buildings in order to be successful at attracting new businesses or assisting existing businesses expand. The City of Racine has recognized the need a proactive economic development program as evidenced by the following:

1. Organization - The City has partnered with Racine County Economic Development Corporation (RCEDC) for economic development services. RCEDC provides assistance in finding a location, accessing state and local resources and financing options to businesses. In addition, Mayor Dickert has a broad range of economic development activities in place including building strong relationships with the Governor's office and state offices to keep the City a top priority when businesses are looking to locate in Southeastern Wisconsin. The City is also expanding the role of the Economic Development Committee.
2. Recruitment, Retention and Expansion – "Jobs for Racine County" is RCEDC's business recruitment, retention and expansion effort. Through the RCEDC, the City is engaged in:
 - a. Business Recruitment:
 - i. Focuses on our location within the Chicago-Milwaukee corridor
 - ii. Foreign direct investment
 - iii. Small and medium sized companies with significant growth potential
 - iv. Specific regional industry targets.
 - b. Business Retention and Expansion:
 - i. Comprehensive business outreach program with an emphasis on manufacturing
 - ii. Creation of a web-based business matchmaking system

- i. Government procurement and next generation manufacturing workshops
 - ii. Actively working with partner agencies to ensure that their economic development related activities are successful
2. Small Business Development – The Wisconsin Women’s Business Initiative Corporation (WWBIC), the Small Business Development Center (SBDC) and the Community Economic Development Corporation (CEDCO) currently provide business development assistance within the City. However, a recent study by EntreWorks Consulting, which was commissioned by the City of Racine, indicates that these services are not coordinated and need to be expanded in order to provide access to these services to a greater number of people.
3. Land and Infrastructure – Infrastructure is a critical piece of economic development. For example, both greenfield and brownfield business park land are needed to provide businesses with locational choices. Currently, the City has very limited land options with only 11 net acres of vacant land available within the Southside Industrial Park and 4 acres in the Olsen Industrial Park. Mayor Dickert together with RCEDC recognize this gap and are working together to address in 2011.
4. Workforce Development - The Racine County Workforce Development Center, located within the City, has a wide range of services in place to develop a qualified workforce. Specific to low-income residents, the Workforce Development Center has two pilot programs to address long term chronic unemployment, the Advancing Family Assets program and the Transitional Jobs program.

RACINE COMMERCIAL CORRIDOR PROGRAM

In 2004, three commercial corridors (Uptown, Douglas and West Racine) were identified as in need of revitalization and support to maintain a healthy mix of retail, office and housing development within the City of Racine. As a result, three revitalization plans were completed and adopted by the City of Racine. The successful revitalization of each of these areas required a comprehensive and coordinated strategy that was lead by RCEDC through a contract with the City.

A main goal of the Plans was to grow each district into a more organized and self sufficient entity. In order to accomplish this, RCEDC worked with each district to create self assessments districts known as business improvement districts (BIDs) to partially fund the redevelopment efforts within each corridor. The balance of funding for this program was provided by the S.C. Johnson Fund, Community Development Block Grant (CDBG) and sewer revenue sharing funds. To date, the following activities have been completed within the corridors:

- All three corridors have created BIDs;
- Beautification programs including banners and flower plantings;
- Establishment of the West Racine Farmer’s Market and creation of other special events i.e. Harvest Fest, Kringle Kristmas and the Art Walk;
- Creation of new grant programs – Uptown and Douglas Avenue Design Services Grant programs and the Douglas Avenue Lighting and Landscape grant programs;

- Development of the Uptown Arts District;
- Through a partnership between RCEDC and the City the building at 1526 Washington Avenue was renovated and 1418 & 1511 Washington Avenue were purchased and are now being offered for sale under the Adopt a Building program;
- Tax Increment Financing Districts (TID) were created in West Racine and Uptown providing another financing mechanism for capital improvements and redevelopment efforts;
- Received a \$500,000 grant from S.C. Johnson to fund various projects in Uptown;
- Grand opening of the new 16th Street Community Policing House.

THE NEW INITIATIVE

As a result of these successful efforts, the City has determined the Commercial Corridor initiative needs to redirect its efforts towards small business development, or entrepreneurial efforts, as well as a more proactive retail business development initiative consisting of business recruitment and helping existing companies to expand. While this has always been a goal of the commercial corridor initiative it is one that could not be fully implemented during the organizational phase.

The entrepreneurial and retail focus partner well together because retail is one of the fastest-growing segments of the economy. At least one-third of the 500,000 or so new enterprises launched each year are retail in nature and the retail industry employs more than 24 millionⁱ people nationally. Compared locally, 28.5% of the industry employment is employed within the retail trade, which is higher than the County at 26.6% and higher than manufacturing which employs 24.0% in the City.

It is the intention of the City to redeploy the resources currently used for the commercial corridor initiative to fund this effort and to continue to utilize the RCEDC in providing these services. RCEDC will continue to providing technical assistance to the BID Boards through separate contracts being funded directly by the BID's.

As currently proposed, the new Initiative will consist of the following two components:

1. Entrepreneurial Initiative

In early 2010, the Mayor's Office of Strategic Partnerships engaged EntreWorks Consulting to examine how the City can provide support and assistance to local small business owners and entrepreneurs, especially minority and women entrepreneurs. The "Building a More Entrepreneurial Racine" (copy attached) report makes a series of recommendations for City government and other leading economic development, workforce development and small business support organizations. These recommendations will serve as guide for this initiative.

The new City of Racine and RCEDC Entrepreneurial Initiative will consist of the following activities:

- Revitalizing the network of organizations that provide support services to small business owners and entrepreneurs, specifically SBDC, WWBIC and CEDCO. These organizations currently operate within the City. However, as mentioned above, the report suggested that more coordination and collaboration between them needs to take place in serving entrepreneurs. For example, it is recommended that CEDCO consider refocusing its efforts on mentoring as this

plays an important role for small business. Other organizations provide counseling, training and financing of small business.

- Coordinating quarterly meetings with the network to “share ideas and provide support for” the City’s new initiative.
- The City needs to support efforts to “feed the entrepreneurial pipeline,” i.e. encourage more people to consider entrepreneurship as a potential career option.
- Expanded support for CEDCO by providing technical assistance and capacity building. CEDCO was created by a joint effort of the City and RCEDC and is viewed as the critical local player in small business development however after comparison to similar organizations across the country CEDCO could be serving a larger base of customers. As a result, expanded support for CEDCO must be part of this process.
- The City should more aggressively promote and support youth entrepreneurship.
- The Mayor should create a series of awards to help market entrepreneurship to the public.
- Development of a Small Business Advisory Council and Small Business Ombudsman, which would be staffed by RCEDC as part of the Initiative.

2. Retail Business Development

The recruitment of retail businesses to the City is part of a new RCEDC program to develop a menu of services that will enhance the ability to recruit retail trade and service industry establishments to the City. This program will be a proactive approach to introduce retailers, brokers and developers to the City and serve as a “one stop shop” to answer questions and concerns regarding the area and municipal process. The following activities have been identified by RCEDC staff as critical to the establishment of a successful retail business development program:

- 1) Make market data available both on the RCEDC website and in hard copy that provides key demographic information including, but not limited to:
 - a. Average home sales figures;
 - b. Daytime work population;
 - c. Average household income and net worth;
 - d. Crime statistics;
 - e. Retail sales leakages;
 - f. Map of the targeted areas.
- 2) Develop a highly detailed building and land inventory that includes buildings located in older traditional retail commercial districts. RCEDC has already purchased the necessary software, Xceligent, in order to effectively implement this activity.

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- 3) Develop a strong network of brokers and developers with whom RCEDC staff has frequent contact regarding the retail trade and service industry opportunities in the area as well as expansion opportunities that brokers may be aware of. This can be accomplished through one-on-one meetings with brokers and other organizations.

- 4) Develop a package of financing and workforce development options available.

GOING FORWARD

The next steps in the implementation process include a recommendation by the Economic Development Committee to City Council supporting the initiative. Funding will then be sought from Community Development Block Grant and Intergovernmental Revenue Sharing (IGRS) Funds with the goal of being fully operational in the near future. Specifically the following funds will be reallocated to this Initiative:

- \$28,430 in CBDG to RCEDC.
- \$69,400 in IGRS to RCEDC
- \$100,000 in CDBG to CEDCO with the understanding that CEDCO will focus on the development of a strong mentoring program.

¹ Entrepreneur Magazine November 13, 2007

Building a More Entrepreneurial Racine

New Approaches to Supporting Small Business and Promoting
Entrepreneurship

8/1/2010

Report Prepared for the Mayor's Office of Strategic Partnerships
City of Racine, Wisconsin

By

EntreWorks Consulting
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ENTREWORKS
CONSULTING

Executive Summary

In the spring of 2010, the City of Racine, Mayor's Office of Strategic Partnerships, engaged EntreWorks Consulting in a project to examine how the City can best provide support and assistance to local small business owners and aspiring entrepreneurs, especially minority and women entrepreneurs. Working with key City of Racine staff, EntreWorks Consulting undertook an assessment of current programs operated by the City as well as other organizations operating across the in region. In addition, we assessed current state and Federal data on the state of entrepreneurship in Racine and interviewed a diverse set of community stakeholders (listed in Appendix A).

Our analysis suggests that the City faces significant economic challenges. Various measures of entrepreneurial activity suggest that the City of Racine is seeing a consistent decline in new business starts and lagging growth rates among existing small businesses. If Racine hopes to replace jobs lost in the current recession and close the gap with neighboring regions, these trends must be reversed.

Revitalizing Racine's entrepreneurial community offers one potential strategy to help create new jobs, prosperity, and opportunity. As part of a wider "grow from within" strategy, the City can and should expand its support for existing small business owners and for those who aspire to be an entrepreneur. In particular, the City should consider the following broad strategies:

- The City of Racine should institute a number of policy changes, such as creation of a Small Business Ombudsman position, to help raise the visibility and importance of entrepreneurship, especially among area youth, in City economic development discussions.
- Local small business support organizations must build a stronger local network so that residents can more easily access needed business training and assistance. In particular, the Community Economic Development Corporation (CEDCO) should be revitalized to serve as a lead organization to promote minority entrepreneurship.
- New community partners must be engaged in the process. The Racine Unified School District and the Racine County Workforce Development Center can be both be utilized to help expand entrepreneurship training for area youth and adults.

While Racine faces many economic challenges, it also enjoys many important competitive advantages. In addition to traditional economic development assets such as a strategic location and proximity to Lake Michigan, the City also has many assets unique to the world of entrepreneurship. It is home to many of the state's strongest and most effective small business organizations, and also has an elected City leadership that "gets it," i.e. they understand that the City's economic future depends on their ability to nurture and support local business. This report provides an initial pathway for moving ahead.

The City of Racine and Racine County have been particularly hard hit by the current economic downturn. This economic hit arrived on the heels of a longer term economic deterioration driven by an ongoing decline in the strength of local manufacturing sectors, Racine's traditional economic anchor. These trends are reflected in the City's high unemployment rate, which, at over fourteen percent, remains at the 2nd highest level in the state of Wisconsin.

Faced with this difficult economic environment, the City must pursue a number of different approaches to help jumpstart the local economy. Efforts to promote entrepreneurship and small business development must be a critical part of this new policy mix. This focus makes sense for any community facing a long-term downturn in the manufacturing sector, but the City of Racine's unique economic circumstances further justify this focus. Because the City has limited land parcels for new greenfield development and is not directly located on major transportation corridors, it faces some limits to its ability to attract major new development within the city limits. As such, the City and its economic development partners must supplement ongoing economic development initiatives with a renewed commitment to building home-grown entrepreneurial ventures that can start, grow, and prosper in the City of Racine. Entrepreneurial development must be a central play of a broader "grow from within" development strategy.

This study offers some guidelines for moving forward. It begins with an assessment of the state of entrepreneurship and small business in Racine. It next identifies the leading players in the City and wider region, and concludes with recommendations for moving ahead. These included suggestions for City government as well as for other leading economic development, workforce development, and small business support organizations that serve City residents.

What is the State of Entrepreneurship in Racine?

As it considers these new policy directions, the City's leadership can build on a base of existing entrepreneurial activity. Public data on the entrepreneurial activity in the City, and the County, is somewhat limited---most data sources are too old, or too limited, to provide a complete picture of the City's entrepreneurial and small business economy. However, by assessing a variety of different data sources, we can gain a broad picture of what is happening with the City's entrepreneurs and small business owners.

Existing data sources provide us with snapshots of Racine's entrepreneurs at several points in the business life cycle: as self-employed (i.e. firms without employees), as new small businesses (with employees), and at various stages of the business growth cycle.

Self-Employment Data

Self-employment is the typical first step in the entrepreneurial lifecycle. Nearly all businesses start as a self-employment venture, as an individual opts to take the leap and start a new business. Most businesses stay that way. In fact, the vast majority of businesses in the US are self-employment ventures. According to the latest Census Bureau data, the US was home to more than 21.4 million non-employer businesses in 2008.¹ At the same time, roughly 6 million firms with employees operate in the US.

Like most communities of its size, the City of Racine is home to large base of the self-employed. In 2008, the Racine Metropolitan Statistical Area (MSA) was home to 8,812 non-employer businesses that enjoyed combined annual revenue of more than \$329 million. Based on these figures, the average non-employer firm in the City of Racine generated approximately \$37,000 in annual revenue. Statewide, non-employer firms in Wisconsin generated approximately \$40,000 in annual revenue.²

The number of non-employer firms in Racine has held relatively steady for the past five years, ranging from a high of 9,144 firms in 2007 to a low of 8,713 in 2004. Following a national and statewide pattern, 2008 saw a significant decline among the self-employed in Racine. Between 2007 and 2008, Racine saw a 3.6% drop in the number of firms and a 3.3% drop in total revenue for these ventures. This decrease exceeded declines at both the state (2.7% decline) and the US (1.6% decline in number of firms). However, the revenue drop for Racine's self-employed (3.3%) fell below the rate for the state of Wisconsin, which saw an average revenue decline of 3.9 percent.³

New Firm Births/Establishment Size

A second set of small business data tracks the birth and death of business establishments, i.e. firms with at least one employee. Unfortunately, this data, which is generated by the US Small Business Administration (SBA),⁴ is only available up to 2007 for the Racine MSA. These figures show that, in 2007, Racine was home to 3,834 firms with total employment of 73,092. Ninety-two percent of these firms were small businesses, using the Federal definition that counts all firms with less than 500 employees as "small." Within this group of small businesses, most firms are quite small. In fact, 78% of establishments in the Racine MSA have fewer than twenty employees. Tables 1 and 2 provide comparisons for the Racine MSA and the state of Wisconsin.⁵

While the Racine MSA has a relatively small number of large firms (306 in 2007), they have a big employment impact, accounting for roughly 47% of all local employment. Firms with fewer than 20 employees have a less pronounced employment impact, accounting for 18% of local jobs.

¹ U.S. Census Bureau, *Nonemployer Statistics, 2008*. Available at: http://www.census.gov/newsroom/releases/archives/business_ownership/cb10-93.html

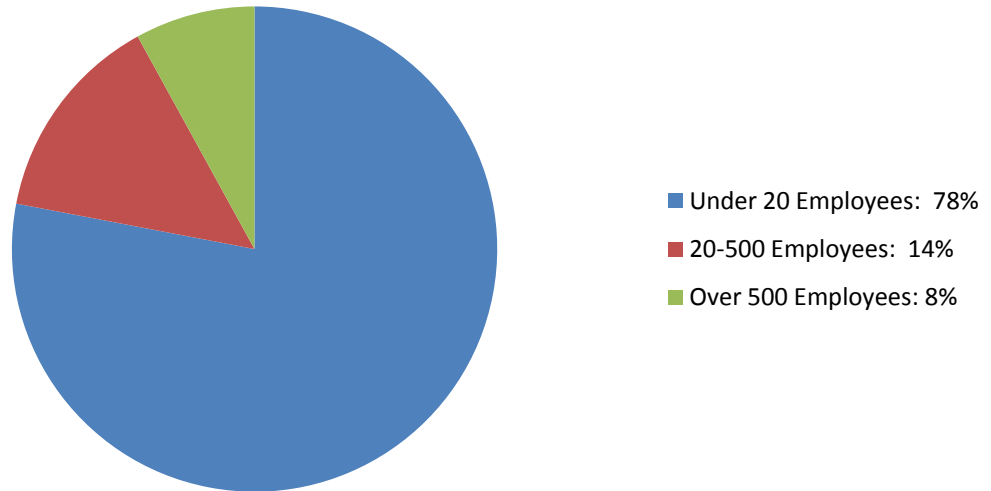
² US Census Bureau, *Nonemployer Statistics, 2008*. Available at: <http://www.census.gov/econ/nonemployer/index.html>

³ *Ibid.*

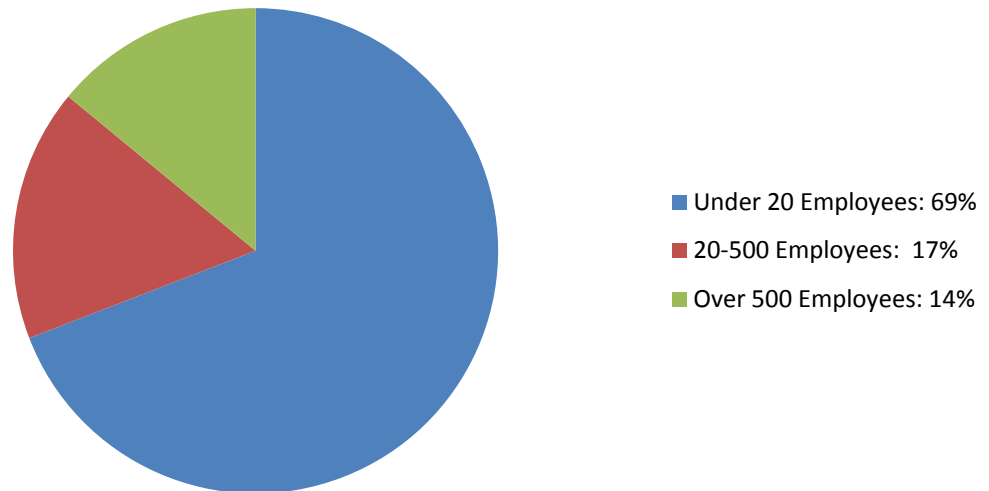
⁴ US Small Business Administration, *Firm Size Data, 2007*. Available at: <http://www.sba.gov/advo/research/data.html#st>

⁵ Data from Tables 1 and 2 is taken from US Small Business Administration, *Firm Size Data, 2007*. Available at: <http://www.sba.gov/advo/research/data.html#st>

**Table 1: Business Establishment Size,
Racine Metropolitan Statistical Area 2007**



**Table 2: Business Establishment Size,
Wisconsin 2007**



The size composition of the employers provides interesting insights, but a more useful set of figures examines growth in the number of these firms. The birth and death of business establishments, a process referred to as business churn, can be an important indicator of dynamism in the local economy. Business churn is not necessarily a bad thing, as new ventures tend to be more productive and efficient than the firms they replace. However, if a region suffers significant business closures without the accompanying birth of new ventures, it may enter a dangerous spiral of economic decline.

The latest SBA data on establishment births and deaths suggest that the Racine MSA may need to focus on generating new startup activity. During the 2005-2006 timeframe, 394 new establishments

began operations in the region. Meanwhile, 375 firms closed shop over the same time period. Not surprisingly, the vast majority of new firm births were among small firms (with less than 20 employees). But, firm shut downs were also concentrated in this group. In fact, 2005-2006 was something of a break-even year for Racine as 304 small new establishments were started, and 304 new small establishments closed.

Business Growth

A final, and more up to date, perspective on Racine's small business economy can be accessed via a new database developed by Michigan's Edward Lowe Foundation. YourEconomy.org utilizes Dun & Bradstreet data, the National Establishment Time Series (NETS), to track business growth over time.⁶ The NETS database tracks firms across several stages from self-employment to Stage 1 (2-9 employees), Stage 2 (10-99 employees), Stage 3 (100-499 employees), and Stage 4 (over 500 employees).

While movement across all stages of firm growth is important, the Lowe Foundation is particularly interested in Stage 2 companies, firms with anywhere from 10 to 99 employees and roughly \$1 million in total receipts. These firms have reached a critical inflection point. They have succeeded in growing and reaching maturity, but, at this point, they are too large to be managed alone by the single founding entrepreneur and are in the process of creating a professional management team. Firms that succeed in traversing this difficult stage in the business lifecycle have a good opportunity to become a large and important local anchor company.

The latest NETS data (2006-2007)⁷ for Racine County indicate that the relative composition of firms in Racine County slightly differs from statewide averages. Racine County has a slightly larger cohort of Stage 1 firms when compared to stage wide averages. These companies account for 53.1 percent of all establishments in Racine County, and 49.6% of all establishments statewide. Racine County also has slightly lower levels of self-employment (34.8% of all establishments) when compared to the state of Wisconsin (39.7% of establishments).

NETS data on firm growth indicate that Racine County is underperforming when compared to the state and the US. Between 2000 and 2007, the number of Stage 2 firms in Racine declined by 1.7 percent. Meanwhile, the number of these firms in Wisconsin grew by 1.4 percent. Across the US, Stage 2 firms grew at a rate of 3.4 percent. Growth in Stage 1 firms also lagged in Racine. While the number of these firms grew by 35.6 percent between 2000 and 2007, this growth rate lagged state (up 41 %) and national (up 54.8%) benchmarks. Finally, Racine County also witnessed more a rapid decline in the number of Stage 3 and Stage 4 firms located in the region. These figures are presented in Table 3 which compares growth rates in the number of establishments within each size category between 2000 and 2007 for Racine County, Wisconsin, and the United States.⁸

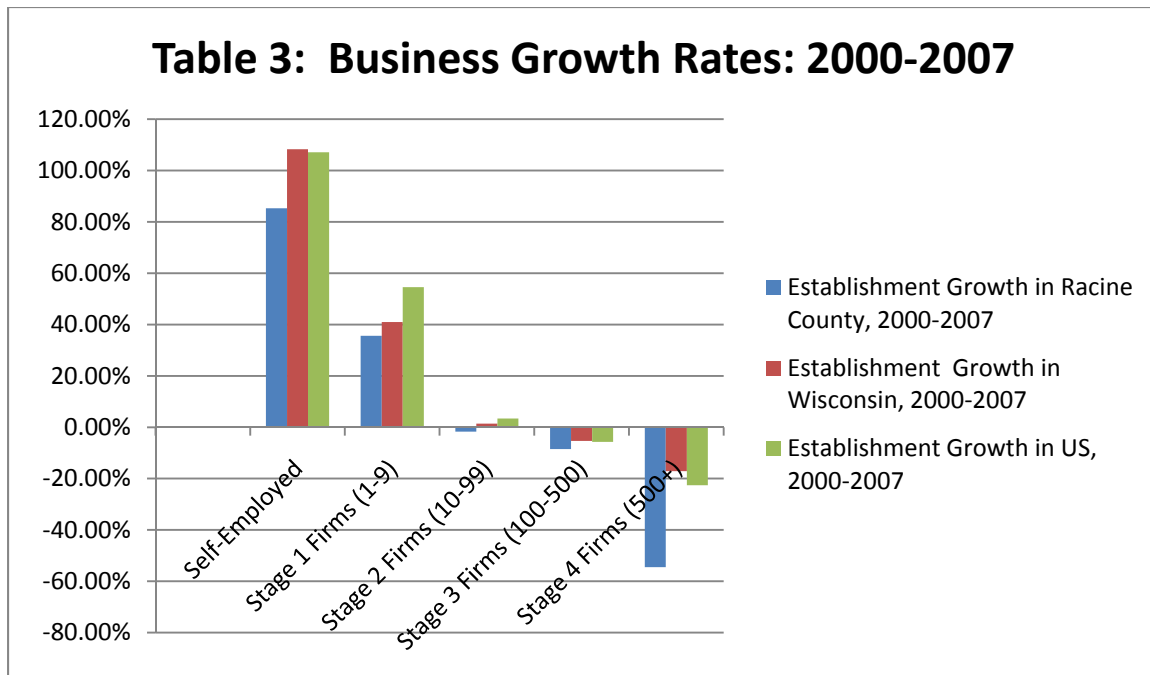
These figures, albeit incomplete, paint a worrisome picture. Racine's entrepreneurial engines appear to be sputtering. Fewer local people are taking the leap and starting new ventures—whether as

⁶ Thus, while the Your Economy figures are not officially sanctioned by the US government, the data is more recent and also available in longitudinal form, allowing researchers to follow an individual firm's growth across a period of several years. In contrast, US government only provides a snapshot of aggregate activity among a group of firms. To view data, visit www.youreconomy.org.

⁷ YourEconomy.org presently includes Wisconsin data for 2008, but county and MSA data for 2008 is not yet available.

⁸ Data are taken from YourEconomy.org.

self-employed individuals or as small business owners with employees. Meanwhile, growth rates among existing firms are also stagnant. Because of lagging performance among local entrepreneurs and small business owners, the City of Racine may face significant challenges in replacing jobs and economic opportunities lost in the current economic downturn. These negative impacts may especially affect Racine’s population of minority and women business owners and aspiring entrepreneurs, who tend to start businesses at faster rates but also face significant challenges in scaling up these new ventures.



The Entrepreneurial Support Landscape in Racine

While the economic data depict some sobering trends, the City does not lack for potential tools to aid in response to these challenges. The region is home to a strong base of support tools, programs, and initiatives that could be harnessed to better support the City’s new and growing entrepreneurial ventures. When compared to other regions of the US, Racine enjoys access to a wide variety of business development programs and support tools. Much of the needed infrastructure is already in place, but it needs to be more closely connected to the needs of local residents. Several of the leading potential partners are listed below:

Business Service and Training Providers

A host of local organizations provide technical assistance to new entrepreneurs and small business owners. The leading local players are listed below:⁹

⁹ This listing is not meant to be comprehensive; it lists the largest organization that have a primary focus on helping small businesses start and grow via technical or financial assistance.

Community Economic Development Corporation (www.cedcoracine.org)

CEDCO was formed in 1996 with the purpose of encouraging minority entrepreneurship in the region. CEDCO provides technical assistance and workshops, and also administers loan funds backed by the City of Racine and the State of Wisconsin. It also sponsors networking events and assists minority business owners seeking contracting opportunities with local, state, or the Federal government. In 2009, CEDCO sponsored seven business workshops which were attended by 116 clients.¹⁰ It also sponsored a number of business expos and outreach events. CEDCO presently receives funding from the City of Racine, via its Community Development Block Grant program, to support its work.

Gateway Technical College (www.gtc.edu)

Via its Workforce and Economic Development Division, Gateway Technical College provides a variety of support tools for small business owners. Much of this work takes place via customized training, workshops, or specialized support for key industry sectors like manufacturing. In addition, the College's Business Development Services Team provides support to local businesses in areas like strategic planning and survey research. Beginning in December 2010, the College will also manage the Center for Advanced Technology and Innovation (www.thecat.com) as part of its Business Incubation and Growth programs.

Racine County Economic Development Corporation (<http://www.racinecountyedc.org/>)

RCEDC manages a host of economic development initiatives that address a diverse set of issues. Several of its efforts focus on supporting small business owners based in the City of Racine. This list includes management of the city's commercial corridors initiative, operating the County's business retention and expansion program, and providing financing through its Business Lending Partners division.

Small Business Development Center, University of Wisconsin-Parkside (<http://www.parksidesbdc.com/>)

UW-Parkside's SBDC is the local representative of the statewide SBDC network. Like most SBDCs, the office offers a host of services for new businesses. It provides one-on-one consulting, linkages to Federal and state funding sources, and also sponsors regular workshops and training classes, such as the Kauffman Foundation's FastTrac curriculum.

SBDC offices are a primary player in regional and statewide efforts to nurture entrepreneurs. In 2009, the statewide SBDC program served more than 14,000 clients via counseling or training events.¹¹ Over that same period, UW-Parkside provided assistance to 231 entrepreneurs. While SBDC programs are open to all, the network does seek to provide more targeted assistance to firms with higher growth potential or those that are based on some type of technology or innovation.

¹⁰ *Racine County Economic Development Corporation 2009 Annual Report*, Available at: http://www.racinecountyedc.org/aboutus/pdf/Complete_Anual_Report_2009.pdf

¹¹ Wisconsin Small Business Development Center Network Annual Report 2009. Available at <http://www.wisconsinbdc.org/uploads/SBDC%20AnnualReport09%20FINAL%20PDF.pdf>

Wisconsin Women's Business Initiative Corporation (<http://wwbic.com>)

WWBIC is statewide microenterprise organization that assists both men and women with business lending, counseling, training, and support for asset development. Headquartered in Milwaukee, WWBIC has operated in Kenosha/Racine since 2007. WWBIC is a sizable organization that operates across Wisconsin, and is national leader in the field of microenterprise and small business development. WWBIC serves as the statewide SBA Women's Business Center and is also an approved intermediary for SBA-backed microloans. Since beginning operations in 1987, WWBIC has funded more than 880 businesses, assisted the creation of 2,900 jobs statewide, and served more than 31,500 individuals.¹² In 2008, WWBIC invested in 200 businesses across Wisconsin and provided training to over 2,900 people.¹³

While WWBIC is relatively new to the region, it is having a big impact in Racine as well. In 2008, WWBIC sponsored over 70 training workshops and classes in Southeast Wisconsin and while providing financing for two local businesses via the Racine County Microloan Fund.¹⁴ WWBIC continues to sponsor a wide array of training classes in the region. In the coming months, these include workshops on social media, basic business banking, tax and accounting strategies, and customer service. WWBIC presently receives funding from the City of Racine, via its Community Development Block Grant program, to support its work.

Business and Professional Networks

Racine's strong base of service provider organizations is supplemented by a host of business networks and other collaborative partnerships. These networks are a critical and often under-appreciated component, of a community's small business support landscape. Most small business owners and entrepreneurs turn first to fellow entrepreneurs and peer networks when they are seeking new knowledge, new partnerships, or access to support. When asked to comment on what makes a community entrepreneurial, business owners regularly cite the presence of strong networks where they can interact and engage with peers, mentors, and potential business partners.¹⁵

Racine is home to many business associations and networks. These include the following leading players:¹⁶

Racine Area Manufacturers and Commerce (www.racinechamber.com)

The Racine Area Manufacturers and Commerce (RAMAC) is the region's Chamber of Commerce and the largest business network in the area. It boasts more than 750 members and provides a wide range of services and support. It offers business networking sessions, training programs, advocates for local businesses, and provides numerous opportunities for its members to engage in volunteer civic activities. In addition, RAMAC sponsors a number of other affiliated groups such as Leadership Racine,

¹² "True Story of Success," WWBIC Impact Statement (data as of July 2009). Available at www.wwbic.com.

¹³ RCEDC Annual Report 2009.

¹⁴ RCEDC Annual Report 2009.

¹⁵ Erik R. Pages and Shari Garmise, "The Power of Entrepreneurial Networks," *IEDC Economic Development Journal*, Vol. 2, No. 3 (Summer 2003), pp. 20-30.

¹⁶ This list is not comprehensive, but instead focuses on the largest organizations with an emphasis on those that see small business development as a core activity.

the Young Professionals of Racine, and the Regional Technology Organization, which seeks to build closer connections among local technology businesses and entrepreneurs.

Most interviewees recognized RAMAC as a high quality organization that provides a host of helpful services. Yet, they also recognized that RAMAC's target market tends to be among more established firms as opposed to new start-ups or aspiring entrepreneurs.

Neighborhood Business Networks

Racine is home to a relatively large number of organizations that focus on key district or neighborhood. The Downtown Racine Corporation (www.racinedowntown.com), and its affiliated Business Improvement District, is the largest such group. Other neighborhood-based business associations include the Uptown Business Improvement Organization, the West Racine Business and Professional Association, the Historic Sixth Street Association, the High Street Civic Association, and the Douglas Avenue Redevelopment Association.

Many of these associations are active partners in the City's Commercial Corridors initiative. Each organization operates its own programs and initiatives, but most are engaged in similar array of activities: providing networking opportunities, easing access to local, state, and Federal policy makers, advocating for new investments, and, most importantly, marketing the neighborhood and its local businesses.

Specialized Business Networks

In addition to these place-based business associations, several other local business network groups operate in the City of Racine. These include the African-American Business and Professional Association, the Hispanic Business Alliance, the Hispanic Business and Professional Association, and the Young Professionals of Racine. These groups all provide business networking opportunities, but do not have an exclusive focus on entrepreneurship and small business development. In addition to these networks, the region is also home to a state-sponsored Inventors and Entrepreneurs Club.

State Support Efforts

These local support initiatives are bolstered by a wide variety of small business and entrepreneurship support programs sponsored by the State of Wisconsin. Wisconsin is a national leader in terms of state support for entrepreneurial development, and it has developed and promoted a host of innovation program offerings. These include the Wisconsin Entrepreneurs Network (www.wenportal.org), a statewide network of small business support providers, which includes many local groups such as CEDCO, WWBIC, and the UW-Parkside SBDC. Wisconsin also sponsors a host of business financing programs, which range from support for the Wisconsin Angels Network to various targeted small business loan programs in fields such as energy, agriculture, and technology development.

What's Missing? What's Needed?

As the previous section indicates, the City of Racine is home to many organizations with primary focus on small business development and entrepreneurship. Yet, the City's performance on various indicators of entrepreneurial development is relatively weak and has continued to decline in recent years. At the same time, interviewed entrepreneurs remain fairly pessimistic about the City's business climate.

Most of the obstacles facing Racine's small business owners and entrepreneurs do not result from gaps in the existing small business support landscape. Deeper causes are at work. These factors include, among others, the long term decline in local manufacturing, challenges facing local educational system, and deterioration of local infrastructure.

These challenges cannot be solved solely by improving the City of Racine's efforts to support small business and entrepreneurial development. However, success in this work can have important spillover effects by encouraging young people to pursue further education, by creating new jobs, by increasing local prosperity, and by creating a positive sense of optimism about Racine's future direction.

The City of Racine, supported by both County and State efforts, has made a major effort to support small business development. It is among the few communities in the country that devotes CDBG funds to this purpose, and it provides important backing for many of the neighborhood business associations located across Racine. The City is also home to a number of well-respected business service providers such as the UW-Parkside SBDC, Gateway College, and WWBIC. In short, the City of Racine does not suffer from an absence of small business support organizations.

The biggest challenge for the City of Racine, and local entrepreneurs, does not involve gap filling or the creation of new support programs. Instead, it requires a renewed commitment to making the current support system work better and smarter. This shift involves two primary new directions:

- 1) **A New Strategy:** the City of Racine must expand its commitment to small business development, and
- 2) **A Revitalized Network:** Coordination and partnerships among existing support providers must be deepened and broadened.

A New Racine Small Business Development Strategy

As a first step, the Racine City Government should consider announcing a new citywide small business and entrepreneurship strategy. This initiative could be kicked off with a citywide event where local leaders, led by the Mayor and City Council members, could share their vision for a more entrepreneurial Racine. The summit would also engage leading entrepreneurs and business owners from across the region. The new efforts should also be formally adopted as part of the City's annual economic development plan.

As part of this effort, the City should introduce several new initiatives that will help make the City government more entrepreneur-friendly. First, the Mayor should appoint a Small Business Advisory Council, composed of a small group of City business owners, to provide advice and support to the City government. The Council should be chartered with several responsibilities:

- 1) Undertake a review of City rules and regulations that may adversely affect the City's business climate, and, where necessary, offer suggestions for change.
- 2) Meet on a quarterly basis to offer new ideas and suggestions for how to make the City of Racine more small business friendly.
- 3) Serve as City-wide advocate for entrepreneurship, urging City residents to consider entrepreneurship as a career option, to buy local, and to support local entrepreneurs.
- 4) Embrace expanded efforts to support youth entrepreneurship.

Second, the City should create a post of Small Business Ombudsman. This Ombudsman position need not require a new hire for the City. An existing staff member could be identified to serve in this role. His or her function would be to serve as a City-wide contact point for small business owners who have questions about City rules and regulations, or who are facing challenges in dealing with key City departments. The US Small Business Administration has a national ombudsman, and many state and local governments have also utilized this tool to help cut red tape and to make it easier for residents to start and grow new businesses.

Third, the Mayor should create a series of awards to help spread the word about the power of entrepreneurship. These awards might include a Mayor's "Entrepreneur of the Year" award or a "New Business of the Year" award.

Finally, the City should more aggressively promote and support youth entrepreneurship. The City, or other partners, might also consider sponsoring a youth business plan competition as a tool to get Racine's young people interested and excited about the prospects of owning their own business. This competition could focus on business plans of all types, or it could be structured to help address pressing issues in the City of Racine. New York City has recently enjoyed success with this latter model via its NYC Big Apps competition, which sought new technology applications to improve city services.¹⁷ In addition to these efforts, the City should support a number of other youth entrepreneurship initiatives that are detailed below.

A Revitalized Network

Southeast Wisconsin is home to many high-quality small business service providers who each target unique parts of the small business marketplace. WWBIC and CEDCO work primarily with new businesses and microenterprises; the SBDC system targets more established businesses; CATI targets technology-based firms, and RAMAC serves as a leading network for larger local companies. Each group does good work, but their staff members also acknowledge that coordination and collaboration across organizations could be improved.

Several years ago, a number of the leading local business service providers had been meeting on a regular basis. This effort should be restarted with an initial goal of meeting on a quarterly basis to share ideas and to provide support for the implementation of the City's new strategies. If possible, these early collaborations could trigger the creation of a more formal Racine Entrepreneurship Network, similar to the statewide Wisconsin Entrepreneurs Network.

- *Build the Pipeline*

¹⁷ Adam Bluestein and Amy Barrett, "How Business Plan Competitions Reward Innovation," *Inc. Magazine*, July 2010. Available at: <http://www.inc.com/magazine/20100701/business-plan-competitions-reward-innovation.html>

Within this revitalized network, a number of new initiatives should also be considered. Most importantly, the City needs to support local efforts that “feed the entrepreneurial pipeline,” i.e. encourage more people to consider entrepreneurship as a potential career option. This effort involves two primary steps: revitalizing local programs that target early stage micro-entrepreneurs and expanding local youth entrepreneurship programs.

In Racine, CEDCO and WWBIC are the lead microenterprise organizations, and the primary recipients of City small business support funding. In particular, CEDCO is a critical local player as it was first created in cooperation with the City of Racine and RCEDC. It has a long track record and extensive local contacts. If the City hopes to make significant inroads in terms of entrepreneurial activity among women and minority entrepreneurs, CEDCO must be a central part of these new policies.

Support for CEDCO must greatly expand as part of this initiative. At present, CEDCO may not have sufficient resources to fulfill its responsibilities. Its annual revenues in recent years have averaged in the range of \$250,000 and, in the past year, it was able to provide business counseling workshops for 116 clients. At first glance, these numbers appear to fall in the range of national benchmarks as developed by the Aspen Institute’s FIELD (Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination). According to the most recent FIELD research (2008), the average US-based microenterprise organization had a median operating annual operating budget of \$268,500 and served a median number of 138 individuals.¹⁸

However, a number of considerations suggest that CEDCO could be serving a larger base of customers or providing a more intensive level of assistance. When compared to other microenterprise providers, CEDCO is a mature organization that has been in operation since has been in business since 1996. The FIELD research found major differences between more mature organizations (those started before 1998) and other newer entities. The older organizations tended to serve a much larger customer base (an average of more than 1100 per year) and also provide a wider variety of services. In contrast, the newer and smaller organizations tended to exclusively provide training and technical assistance.

The benefit of smaller organizations is that they do spend more time with each client. In fact, more than 43% of these clients receive anywhere from 10-30 hours of counseling and support. Another 12% receive more than forty hours of such support.¹⁹ This type of intensive coaching and support is essential as many microenterprise customers need support with a wide array of business development issues. At present, CEDCO lacks the capacity to provide this intensive counseling and support. It links aspiring entrepreneurs to local resources, but does not appear to provide the intensive level of counseling found at other microenterprise providers.

CEDCO offers a strong platform for improving the city’s outreach to microenterprises, and has the potential to serve as a primary “gateway” to services for the City’s aspiring entrepreneurs and small business owners. Yet, increased support from the City will not work on its own. As part of this initiative, the City, CEDCO, and other partners should commit to a revitalization of the organization. This should involve the development of a new organizational vision and strategic plan for CEDCO, along with clear milestones and deliverables. This will also involve closer partnerships with other business support

¹⁸ Elaine L. Edgcomb and William Girardo, “Key Data on the Scale of Business Development Services,” Aspen Institute FIELD Report, April 2010. See also, Elaine L. Edgcomb and Joyce A. Klein, *Opening Opportunities, Building Ownership: Fulfilling the Promise of Microenterprise in the US.* (Washington, DC: Aspen Institute, 2005), p. 24. Available at: <http://fieldus.org/Publications/FulfillingthePromise.pdf>

¹⁹ Edgcomb and Girardo, p. 10.

providers, especially WWBIC, and enhanced professional development for CEDCO staff, board members, and volunteers.

With this added support and new strategies in place, CEDCO can be positioned to serve as the City's primary point of contact for microenterprises and aspiring entrepreneurs. CEDCO should become a local "case manager" for these entrepreneurs, providing them with more extensive in-house counseling and, where relevant, referrals to other service providers or sources of financing.

In addition to establishing CEDCO as the initial point of contact for City-based micro-entrepreneurs, the City should also do more to encourage youth interest in entrepreneurship. A host of youth entrepreneurship and business training programs are already in place at many area high schools. These include programs sponsored by Junior Achievement, DECA, and the Future Business Leaders of America (FBLA). In addition, Gateway Technical College is also working with several County school districts to expand the availability of youth entrepreneurship training.

Where possible, these efforts should be expanded, and better connected to the wider community. Local entrepreneurs should be encouraged to support these efforts, and students should be exposed to learning opportunities outside of the classroom. These opportunities could take the form of internships, participation in business plan competitions, involvement in awards programs, and via connections to the City's existing business networks. In addition, the City should consider supporting efforts that engage youth during non-school hours. This could occur via entrepreneurship-focused summer camps or programs sponsored by local organizations such as the YMCA or YWCA.

These youth entrepreneurship initiatives can have a profound effect on area youth. Research shows that young people who are exposed to entrepreneurial training are more likely to start businesses, but are also develop other skills, new career ambitions, more interest in school, and new knowledge about how the economy works.²⁰ Thus, youth entrepreneurship training can be viewed not only as a tool for nurturing a new generation of entrepreneurs, but also as a means to more generally build a capable and conscientious workforce.

- *Link Entrepreneurial Development to Ongoing City Initiatives*

A second set of strategies focuses on how best to link existing City programs to these revitalized entrepreneurial development efforts. The City's ongoing Commercial Corridors program offers great potential on this front. Ongoing programs to develop these key districts should be more tightly linked to the provision of business support and development services.

At the most basic level, the City could identify buildings within these corridors as business incubation or co-work spaces. At present, the City is not home to any formal business incubation efforts.²¹ The placement of a business incubation facility within one of the commercial corridors could offer a means to attract potential entrepreneurs and to aggregate demand for business support services. The recent move to open a kitchen incubator at Racine's Homeless Assistance Leadership Organization (HALO) is a rewarding sign, and this effort should help jumpstart further discussions and

²⁰ Youth Entrepreneurship Strategy Group, *Youth Entrepreneurship Education in America: A Policymaker's Action Guide*. (Washington, DC: Aspen Institute, 2009).

²¹ The CATI facility in Sturtevant is the only local business incubation facility. Several local facilities within the City limits, such as the Flatiron Village Mall in the Douglas District, are sometimes referred to as incubators. However, because they provide no business development services, these facilities may be better described as multi-tenant spaces.

activity.²² This new facility, and affiliated programs operated by WWBIC and other partners, will help provide participants with real job skills training and understanding of how to start a small enterprise. Further support for this project will not only help support the growth of local entrepreneurs, but it will also provide additional support for the many local other agencies helping those in extreme poverty in our area.

An interim---and less expensive---step might involve the creation of co-work spaces in one or several of the target commercial corridors. These facilities, which are gaining attention across the US, offer locations where individual entrepreneurs or free-lancers can come together for work.²³ They can build collaborations at the sites or simply use the co-working space as another place to do business. Co-working spaces take multiple forms, but they generally emerge from an entrepreneur or group of entrepreneurs who seek an alternative to working in coffee shops or other public spaces. They desire a location where they can regularly do business, and, most importantly, interact with other talented people and businesses.

Co-working spaces differ from business incubators, because building collaboration is their primary function. Because of the informal nature of co-working, these locations are also much less expensive to create and manage. Some co-working spaces simply offer an open space where people can plug in a computer and work. Many spaces allow users to rent a desk, while others have an open drop-in option. Others try to serve as a local hub for other free lancers and entrepreneurs by hosting events and building partnerships with business service providers. This latter model should be considered in Racine.

These kinds of facilities may offer several benefits to the City's small business development strategies. They serve as a venue where business services can be accessed by local entrepreneurs, but they also have a symbolic purpose as well. They can come to be viewed as a neighborhood hub, and as the physical point of reference for entrepreneurial activity in the community. They also offer a potential means to reach out to home-based businesses, which are a growing and important part of small business landscape.

These new activities and services can help the City better serve existing small business owners and aspiring entrepreneurs, but it must also consider other strategies to generate new small business activity along the various commercial corridors. As part of this effort, the City should revisit the Uptown Arts District effort first initiated in 2008. The City's comparatively low real estate costs, quality of life, and proximity to major metro areas make it an ideal potential location for arts-related entrepreneurship.

A more expansive effort could emulate the City of Louisville's COOL (Corridors of Opportunity in Louisville) initiative.²⁴ This award-winning program targets the City's retail gaps and seeks to encourage existing local businesses or new companies to meet these needs. The program works in the following manner. City officials survey local residents and use market research to determine what local retail needs are not being met in a given corridor. They next utilize this research to encourage local business owners to fill the "retail gap," or provide incentives to new businesses for this purpose. A wide range of

²² Northstar Economics, "An Analysis of the Feasibility of a Commercial Kitchen Incubator Facility in Racine, Wisconsin," Report prepared for the City of Racine and the Racine County Economic Development Corporation, May 31, 2010.

²³ To learn more about recent trends in co-working, visit the Coworking Wiki at <http://coworking.pbworks.com/>

²⁴ <http://www.louisvilleky.gov/economicdevelopment/retaildevelopment/>

potential incentives, including site preparation, microloans, and fast-track regulatory approval, are available. Since starting in 2003, COOL has provided support to 400 businesses in Louisville.

The dynamics facing Louisville---numerous vacant retail properties along with a large base of underserved potential customers---also characterize the retail environment in parts of Racine. Thus, a similar approach might make sense in one or several of the current target commercial corridors. COOL, or a program like it, will help link potential entrepreneurs to market opportunities that already exist within the City of Racine.

- *Engage New Partners*

A final component of this revitalized network development strategy should focus on how best to engage new partners in the creation of a more entrepreneurial Racine. To date, these discussions have been led by traditional economic development players and service providers with a primary focus on small business and microenterprise development. The conversation needs to be broadened so that other community leaders and organizations can also participate in the process.

Several groups should be at the top of this new partner list. The Racine County Workforce Development Center (WDC) offers a number of potential partnership opportunities. Its award winning summer youth programs, “Employ, Engage, Enrich,” could serve as an excellent vehicle for exposing area youth to entrepreneurship.

At the same time, workforce development agencies across the US are expanding their support for workers who are considering self-employment opportunities. For example, the US Department of Labor has invested in the Project GATE (Growing America through Entrepreneurship) pilot that provides technical assistance to entrepreneurs and also supports self-employment training for workers with disabilities. In addition, many of the national WIRED (Workforce Innovation in Regional Economic Development) sought to support entrepreneurial development. Finally, a number of states (not including Wisconsin) have opted to participate in the Federally-backed Self Employment Assistance program.

These trends suggest that the workforce development system is likely to become more engaged in supporting entrepreneurship and self-employment in coming years. As such, it makes sense to build closer local connections between workforce development and economic development leaders. Indeed, the Racine County Workforce Development Center’s 2008 strategic plan commits to this effort with its focus on creating jobs and business opportunities in areas of high unemployment.²⁵

Some initial promising work is already underway. The WDC already provides regular referrals to the SBDC and other support providers in cases where customers express an interest in entrepreneurship. In addition, WDC was among the lead partners in the successful local Launching Green Businesses Competition. This effort provided cash prizes, along with specialized training and consulting, for local residents with promising ideas for green businesses.²⁶

The Racine Unified School District should also be targeted in this process. Expanding the availability of youth entrepreneurship training should serve as a primary goal of this partnership, but the

²⁵ Racine County Workforce Development Board, “Higher Expectations: A Workforce Development Strategy for Racine County,” May 2008.

²⁶ Michael Burke, “Green Entrepreneurial Ideas Highlight Annual Celebration,” *Racine Journal Times*, June 16, 2010.

City, and local entrepreneurs, can also partner with the schools in other ways. For example, the Career Technical Education programs currently operate a number of Advisory Boards, including Business and Finance advisory groups. Where possible, these boards can serve as a vehicle for infusing entrepreneurial training into existing curricula and teaching materials. Leadership Racine and RAMAC's Partners in Education effort offer other venues to build connections between local schools leading entrepreneurs.

Finally, the City's Library system could be engaged in this strategy. As part of a wider national growth of economic gardening strategies, many communities are developing close partnerships between library systems and economic development programs.²⁷ Public libraries are important untapped resource for local entrepreneurs. They can provide access to critical market databases to help entrepreneurs identify new markets, potential customers, and potential partners. They can provide real added value that contributes directly to the entrepreneur's bottom line.

Final Thoughts

Recent research suggests that bad times can be good for entrepreneurs. A 2009 study from the Kauffman Foundation found that roughly half of Fortune 500 and the Inc. 500 companies were founded during recession or economic downturn.²⁸ These findings illustrate a critical point. At all times, entrepreneurs are building businesses, and, in the process, recreating local economies. The same processes that are happening in Silicon Valley, Seattle, or Boston are also underway in Racine.

Racine's future leaders are building companies in the City today, or dreaming of taking the entrepreneurial leap. The City's economic future depends on its ability to support these entrepreneurs and to grow from within. Many of the critical building blocks are already in place, and can be supported by the strategies outlined in this report. By pursuing this approach, Racine can go a long way toward becoming recognized as an entrepreneur-friendly community.

²⁷ To learn more about economic gardening, visit the National Center for Economic Gardening at <http://economicgardening.ning.com/>. See also Christine Hamilton-Pennell, "Public Libraries and Community Economic Development," Illinois Institute of Rural Affairs Rural Research Report, Winter 2008. Available at: http://www.iira.org/pubs/publications/IIRA_RRR_688.pdf

²⁸ Dane Stangler, "The Economic Future Just Happened," Kauffman Foundation Research Report, June 9, 2009. Available at: <http://www.kauffman.org/uploadedFiles/the-economic-future-just-happened.pdf>

APPENDIX A: INDIVIDUALS INTERVIEWED FOR THIS PROJECT²⁹

Twyla Beets, Diva Long Legs
John Dickert, Mayor, City of Racine
Diane E. Doers, DeltaHawk Engines, Inc.
Debbi Embry, Mayor's Office, City of Racine
Therese Fellner, Gateway Technical College
Victor Frasher, Educators Credit Union
Thomas Friedel, City Administrator, City of Racine
Gregory Holding, Racine Common Council
Gordy Kacala, Racine County Economic Development Corporation
Kenneth Lumpkin, Insider Newspaper, LLC.
Randy Luter, Executive Director, CEDCO
Heather Lux, WWBIC
Eric Marcus, Racine Common Council/Woofdorf Astoria Dog Hotel and Day Spa
Seyoum Mengehsa, Wisconsin Department of Commerce
Kristin Niemiec, RCEDC
Brian F. O'Connell, City of Racine
Brent K. Oglesby, Dewy Rose Capital Ventures
Guadalupe (Wally) Rendon, Educators Credit Union
LaToya Robbins, A & S Unlimited Solutions
Alan N. Schmidt, Schmidt Industrial Truck, Inc.
Michael D. Shields, President, Racine Branch NAACP (Board Member, CEDCO)
Donnie Snow, City of Racine
Dale Staehle, Design Interchange
Susan H. Staehle, Design Interchange
George Stinson, General Converters and Assemblers, Inc. (Board Chairman, CEDCO)
Matt Wagner, UW-Parkside Small Business Development Center
Aron Wisneski, Racine Common Council

²⁹ All interviews took place in June and July, 2010.