



MEMORANDUM

TO: CITY OF RACINE ECONOMIC DEVELOPMENT COMMITTEE

FROM: GORDON KACALA, EXECUTIVE DIRECTOR
KRISTIN NIEMIEC, COMMUNITY DEVELOPMENT MANAGER

DATE: MARCH 22, 2011

SUBJECT: RACINE: SMALL BUSINESS CENTER OF THE CHICAGO-MILWAUKEE CORRIDOR

INTRODUCTION

The City of Racine Economic Development Committee has determined that, based on a variety of factors addressed in this memorandum, Racine should pursue an economic development strategy of becoming the Small Business Enterprise Center of the Chicago-Milwaukee Corridor.

This initiative consists of two aspects:

1) a proactive small business development strategy that will focus on moving Stage One companies that are poised for growth and success into Stage Two companies. Stage One companies are typically defined as those having 2-9 employees while Stage Two companies are firms with anywhere from 10-99 employees and roughly \$1.0 million in total sales.

2) a retail business recruitment.

The development of this program results from several economic development constraints in Racine that can be summarized as:

- The lack of available industrial park land and Class A industrial buildings available for occupancy. Currently, the City has only 11 net acres of vacant land within the Southside Industrial Park and 4 acres in the Olsen Industrial Park and 0 square feet of Class A buildings;
- High unemployment, current rate is 12.8%;
- The need to foster existing small business development services; and
- The need to expand small business services in order to meet the needs of entrepreneurs.

This program is the second phase of the Commercial Corridor initiative that started in 2004, when 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 land use within the City. As a result, three revitalization plans were completed and adopted by the City.

The successful revitalization of each of these areas required a comprehensive and coordinated strategy that was lead by Racine County Economic Development Corporation (RCEDC) through a contract with the City. A main goal of each Plan was to grow the districts into more organized and self sufficient entities. 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. These efforts are now complete. RCEDC will continue to providing technical assistance to the BID Boards through separate contracts being funded directly by the BID's.

Based on this second phase of the program, the resources currently used for the Commercial Corridor initiative (\$97,830) will fund this effort and to continue to utilize the RCEDC in providing these services. There is no new funding being proposed. Specifically the following funds will be reallocated to this initiative: \$28,430 in Community Development Block Grant (CDBG) funds and \$69,400 in Intergovernmental Revenue Sharing (IGRS) funds.

This initiative is being proposed because small business development and retail recruitment represents an opportunity to create and maintain jobs based on available data:

- 40% of youth ages 8 to 24 would like to start a business at some future point, or already have done soⁱ;
- Since the 1980's, minority firms as a whole have seen their revenue rise by about 10% annually and have created 23% more jobs than traditional businessesⁱⁱ;
- Two-thirds of college students intend to be entrepreneurs at some point in their careersⁱⁱⁱ;
- There are approximately 23 million small businesses in the U.S.^{iv};
- Small firms generate 60 to 80% of net new jobs annually^v;
- Small firms create more than 50% of nonfarm, private gross domestic product^{vi};
- The retail industry employs more than 24 million^{vii} people nationally; and
- 28.5% of the industry employment within the City is employed within the retail trade.

The purpose of this memorandum is to provide the Committee with an initial program plan for this initiative. This plan will be amended over the course of the first year of operation of the program as more information is gathered and appropriate program activities are identified. The remainder of this memorandum focuses on the following:

- Vision;
- Mission;
- Challenges;
- Strategies;
- Activities; and
- Time allocations.

VISION

The proposed vision statement for the Small Business Development Enterprise Initiative is:

The City of Racine is the hub for small business development within the Chicago-Milwaukee Corridor.

MISSION

A mission statement differs from a vision statement in its direct attention to the operational needs of the initiative. Meaningful mission statements follow directly from a common vision. In this context, the following mission is proposed:

Proactively promote and develop small business development as a primary economic development strategy within the City of Racine.

CHALLENGES

The program is designed around four challenges. The challenges were developed as a result of recommendations within the “Building a More Entrepreneurial Racine” a report completed by EntreWorks Consulting, and commissioned by the City of Racine, as well as active participation by the partner organizations that are described below.

- **Challenge One:** To strengthen, revitalize and coordinate business assistance provided by the Partners that include the Community Economic Development Corporation (CEDCO), UW-Parkside Small Business Development Center (SBDC) and the Wisconsin Women’s Business Initiative Corporation (WWBIC) for both neighborhood and high impact entrepreneurs. Neighborhood businesses are described as retail and service companies that purchase and resell merchandise or services, while high impact businesses are described as those that enhance or add value to a product or service.
- **Challenge Two:** To act as a Small Business Ombudsman that will serve as an intermediary and champion between the entrepreneur and the Partners, as well as City agencies.
- **Challenge Three:** To encourage more people to consider entrepreneurship as a potential career option by creating and feeding the entrepreneurial pipeline and creating an entrepreneurial culture in the City.
- **Challenge Four:** To focus on a proactive retail trade industry recruitment and growth program that will create and retain jobs as well as create tax base and increase personal income in the City of Racine.

The diagram included as Appendix A “Racine’s Small Business Pipeline,” represents the nature of this initiative as described below.

LEAD PARTNERS

At the request of the City of Racine, the RCEDC will manage the new small business development program. In addition, there are several organizations that provide small business development assistance. CEDCO, SBDC and WWBIC will serve as the Lead Partners for this initiative, meaning they will be charged with assisting RCEDC in developing the strategies and activities for each Challenge and, together with the Support Partners, implementation.

SUPPORT PARTNERS

While the RCEDC and Lead Partners will be directly responsible for this program, they cannot successfully implement all activities without the support of related small business development service providers. The Support Partners will provide additional expertise and assistance in the implementation of strategies and activities. The following list is not meant to be comprehensive, but includes the major Support Partners:

- City of Racine;
- Gateway Technical College;
- Racine County Workforce Development Center;
- Racine Area Manufacturers and Commerce;
- Racine Public Library;
- CATI;
- BizStarts;
- Wisconsin Entrepreneurial Network;
- Business Lending Partners;
- Hispanic Business Alliance
- Hispanic Business & Professional Association
- West Racine Business & Professional Association;
- Douglas Avenue Business Improvement District;
- Uptown Business Improvement District;
- Downtown Racine Corporation; and
- Service Corp of Retired Executives (SCORE).

CHALLENGES, STRATEGIES, ACTIVITIES AND TIME ALLOCATION

CHALLENGE ONE: TO STRENGTHEN, REVITALIZE AND COORDINATE BUSINESS ASSISTANCE PROVIDED BY THE PARTNERS THAT INCLUDE THE CEDCO, SBDC and WWBIC FOR BOTH NEIGHBORHOOD AND HIGH IMPACT ENTREPRENEURS. NEIGHBORHOOD BUSINESSES ARE DESCRIBED AS RETAIL AND SERVICE COMPANIES THAT PURCHASE AND RESELL MERCHANDISE OR SERVICES, WHILE HIGH IMPACT BUSINESSES ARE DESCRIBED AS THOSE THAT ENHANCE OR ADD VALUE TO A PRODUCT OR SERVICE. THIS CHALLENGE IS EXPECTED TO INCLUDE 50% OF THE PROGRAM RESOURCES.

In order for this initiative to be successful, the coordination and partnerships within the network of partners needs to be strengthened and expanded to allow the public greater access to their services. Neighborhood businesses add to the uniqueness and quality of life of a municipality while high impact businesses tend to have higher skills requirements and higher wage levels. Both are important to the economic vitality of the City.

Strategy A: Increase the number of Stage One companies that mature into Stage Two companies.

Activities:

1. Identify Stage One companies located in the City of Racine.
2. Provide assistance in determining and filling the gaps that exist in each of the assistance areas showed as Appendix B.

3. Create a seed loan fund for entrepreneurs.

Strategy B: The Lead Partners will focus their roles and responsibilities to market and communicate the resources and services available to entrepreneurs within the City.

Activities:

1. RCEDC will coordinate quarterly meetings with Lead Partners to share ideas and encourage continued support for the City’s new strategies.
2. Develop a list of services and references of private professionals (i.e. legal services, accounting services, etc.). This will provide a resource list of professionals for small business owners and entrepreneurs to use when seeking assistance in these areas of expertise.
3. Develop a website and utilize social media marketing to educate the public on the resources available and as a resource for the Partners.
4. Develop and market existing virtual training and networking opportunities for small business owners and entrepreneurs.

Strategy C: Existing entrepreneurial services will be maintained and new programs and resources will be developed to address the gaps that prevent the starting and growing of new businesses within the City.

The following describes the current and proposed services:

Entrepreneurial Services	Organizations			
	RCEDC	CEDCO	SBDC	WWBIC
Business Financing	X	X		X
Mentoring		X		
Classroom Training			X	X
Counseling		X	X	X
Youth Entrepreneurialism	X			

Strategy D: Develop a Small Business Advisory Council to provide guidance, input and support for creating an entrepreneurial culture in the City.

Activities:

1. Designate the City’s Economic Development Committee or establish a Sub-Committee as the Small Business Advisory Council.
2. Coordinate monthly meetings of the Small Business Advisory Council to oversee the initiative.

Strategy E: Create a Small Business Enterprise center at RAMAC to serve as the one-stop location for all entrepreneurial and small business development services and resources.

Activities:

1. RCEDC to negotiate lease terms with RAMAC and establish the one-stop.
2. Market one-stop to the public through a series of press releases and grand opening.
3. Create and develop criteria for co-working space for entrepreneurs.
4. Develop marketing material to distribute to all Lead and Support Partners regarding location of one-stop and outlining services available.
5. Schedule all appropriate classroom training and off-site counseling at RAMAC.

Strategy F: Bolster the mentoring of small business and entrepreneurs, specifically for Stage One businesses moving to Stage Two and for a minimum of 2 years thereafter.

Activities:

1. Develop an entrepreneur mentoring strategy.
2. Develop criteria for mentor program i.e. what's expected of both the mentor and the client.
3. Establish a network of mentors that can provide specific expertise.
4. Utilize social media to develop a virtual network for small businesses and entrepreneurs.

CHALLENGE TWO: TO ACT AS A SMALL BUSINESS OMBUDSMAN THAT WILL SERVE AS AN INTERMEDIARY AND CHAMPION BETWEEN THE ENTREPRENEUR AND THE PARTNERS, AS WELL AS CITY AGENCIES. THIS CHALLENGE IS EXPECTED TO INCLUDE 25% OF THE PROGRAM RESOURCES.

The RCEDC will act as a small business ombudsman that will lead the collaborative effort between the Partners. This position will also make recommendations to the Small Business Advisory Council regarding how to make the City more business friendly overall and suggest changes to City codes and regulations that may adversely affect the local business climate.

Strategy A: The Ombudsman will guide entrepreneurs through the network of small business development service providers to ensure their interests and needs are met.

Activities:

1. Develop assessment tool to ensure entrepreneurs are referred to the appropriate partner organization, public and/or private service provider.
2. Investigate creation of a local crowd funding site similar to Kickstarter.com or ProFounder.com. Crowd funding is described as the collective cooperation and trust by people who pool their money and other resources together to fund business ideas posted, usually via the internet, by entrepreneurs.

Strategy B: The Ombudsman will review and make recommendations to the Racine Economic Development Small Business Advisory Council regarding the initiative.

Activities:

1. The Ombudsman will make recommendations to the Small Business Advisory Committee regarding how to make the City more business friendly.

2. The Ombudsman will suggest changes to City codes and regulations that may adversely affect the local business climate.

CHALLENGE THREE: TO ENCOURAGE MORE PEOPLE TO CONSIDER ENTREPRENEURSHIP AS A POTENTIAL CAREER OPTION BY CREATING AND FEEDING THE ENTREPRENEURIAL PIPELINE AND CREATING AN ENTREPRENEURIAL CULTURE IN THE CITY. THIS CHALLENGE IS EXPECTED TO INCLUDE 12.5% OF THE PROGRAM RESOURCES.

The Entrepreneurial Pipeline is the source of people who have an entrepreneurial spirit. The City needs to feed this pipeline by demonstrating that entrepreneurialism is a potential career option that should be considered.

Strategy A: To aggressively promote youth entrepreneurship in order to make this a career option for Racine's youth throughout their adults lives.

Activities:

1. Coordinate these efforts with Junior Achievement to maximize the benefit to youth entrepreneurs.
2. Host a youth business plan competition.
3. Create a local youth entrepreneurship boot camp that will foster the entrepreneurial spirit in middle and high school students through a hands on experience designed to guide students in becoming business owners. The Madison SBDC currently offers a boot camp program. For more information visit: www.sbdc.wisc.edu/specialprograms/yec/default.asp.
4. Create a job shadowing mentor program with local businesses – providing mentoring and guidance from local business leaders.
5. Identify funding source to develop a seed grant program or micro loans to youth for starting their own businesses.

Strategy B: Cultivate broad public support and recognition for the importance of entrepreneurship.

Activities:

1. Create a Mayor's award series including Entrepreneur of the Year or New Business of the Year.
2. Host a business plan competition.
3. Create an adult entrepreneurship boot camp that will foster the entrepreneurial spirit in adults (high school and up) through a hands on experience designed to guide them in becoming business owners.

CHALLENGE FOUR: TO FOCUS ON A PROACTIVE RETAIL TRADE INDUSTRY RECRUITMENT AND GROWTH PROGRAM THAT WILL CREATE AND RETAIN JOBS AS WELL AS CREATE TAX BASE AND INCREASE PERSONAL INCOME IN THE CITY OF RACINE. THIS CHALLENGE IS EXPECTED TO INCLUDE 12.5% OF THE PROGRAM RESOURCES.

The growth of the retail trade industry is an important aspect of a small business development initiative in that these establishments: enhance the quality of life by providing residents with necessary goods and services; enhance the tax base by establishing or re-establishing commercial corridors; provide

employment opportunities for City residents and a somewhat lower capital requirement to start a business.

Strategy A: RCEDC will implement a targeted and proactive retail trade recruitment and growth program.

Activities:

1. Make available market data both on the RCEDC website and in hard copy that provides key demographic information necessary for retail businesses.
2. Develop a highly detailed building and land inventory that includes buildings located in older traditional retail commercial districts.
3. Develop a strong network of brokers and developers with whom RCEDC staff has frequent contact regarding the retail trade and service industry opportunities.

Strategy B: Provide staff assistance to businesses and the City of Racine that supports retail trade recruitment and expansion.

Activities:

1. Explore sources for development of an incentive/financing program specific to retail trade establishments.

CONCLUSION

This memorandum has outlined the activities that are included as part a small business development initiative that is phase two of the current Commercial Corridor program. These activities will play a critical role in the economic development efforts of the City of Racine. Initiatives such as this are being implemented across the country and in Canada. Attached is supplement information that documents the need for such an initiative:

- Appendix C is an example of the Entrepreneurship Centre being implemented by the Ottawa Centre for Research and Innovation and is dedicated to helping entrepreneurs grow.
- Appendix D provides a series of success stories as examples of entrepreneurs that are currently or have worked with our Partners.
- Appendix E is a recent study of the regulations that are limiting a small business' ability to grow and expand within the City of Milwaukee.
- Appendix F is the budget for the RCEDC staffing portion of this initiative.

The Economic Development Committee will be kept apprised of the operations of the Program and its guidance will be sought as the activities are implemented and metrics developed. The next step in the implementation process requires a recommendation by the Economic Development Committee to City Council to support this new initiative. Upon receipt of that recommendation, funding approvals will be sought from the Community Development Block Grant program and the Intergovernmental Revenue Sharing program.

Lastly it should be noted that the time allocations referenced in this memorandum are for the first year of the initiative. Staff anticipates changes in the allocations over time.

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- ⁱ 2010 Harris Interactive online survey conducted on behalf of the Kauffman Foundation
 - ⁱⁱ The New Agenda for Minority Business Development by the Boston Consulting Group, June 2005
 - ⁱⁱⁱ Students in Free Enterprise
 - ^{iv} U.S. Bureau of the Census
 - ^v U.S. Department of Labor, Bureau of Labor Statistics
 - ^{vi} SBA Small Business Economic Report, July 2009
 - ^{vii} Entrepreneur Magazine November 13, 2007