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INTERNATIONAL
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COUNCIL

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- Improved access to resources and information
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THE IEDC
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Kenny McDonald, CEcD
IEDC Chairman of the Board of Directors

LETTER FROM THE CHAIR

To My Fellow Economic Development Professionals,

Perspective is an invaluable asset in a time of crisis, especially for leaders. The IEDC membership is full of leaders that are looking for insights, tools, best practices, and the informal networking so valuable to finding practical solutions to our most difficult problems. In the coming months there are multiple opportunities in which our members can gain that perspective and also make a valuable contribution to their peers across the world. Never has it been so valuable to have an international network of economic developers that can do just that.

The International Economic Development Council is committed to providing resources and guidance for these professionals as we recover, rebuild, and even reimagine new ways to grow, close gaps, and innovate. This October, IEDC's Annual Conference, originally scheduled to take place in Dallas, Texas, will be transitioned to a virtual, online Annual Conference. After working closely with our local Host Committee and our Board of Directors, as well as issuing surveys to assess all perspectives, we have made this decision to best protect the health and well-being of all who would attend. With this goal, and acknowledging the orders of local and state officials as well as the budgetary concerns of our members, a virtual Annual Conference is the right choice for our community. We are excited about the possibilities offered by hosting a virtual Annual Conference. The exceptional content expected from IEDC events will be in full effect, with outstanding speakers, exhibitors, and networking opportunities available to a larger audience than ever before. We look forward to continuing to provide innovative opportunities to advance the profession.

IEDC has also turned its attention to the critical role economic development professionals play in addressing the challenges presented by the ever increasing inequities, racial prejudices, and alarming disparities in our society. I am more convinced that the economic development profession has the best opportunity in multiple generations to create powerful and lasting change in our communities. Once again, IEDC's network of experienced leaders is addressing these issues directly through dialogue and a plan of action. IEDC has formed a task force to make recommendations to the Board of Directors on racism and economic development to build upon its long history of work on diversity and inclusion. The IEDC Board of Directors unequivocally rejects racism in all of its forms and calls on all our leaders to work to dismantle systemic and institutionalized racism that has existed for generations. We are dedicated to reflecting and advancing these values both within our organization and our contributions to the profession.

Thank all of you for the perspective you bring to the IEDC table through your personal and professional experiences. Our organization and the economic development community need to be stronger than ever to meet the challenges of today and what lies ahead. On behalf of the Board of Directors of the International Economic Development Council, I would like to provide our sincere appreciation for all you do.

All the very best,

Kenny McDonald

Kenny McDonald, CEcD
IEDC Chairman of the Board of Directors and President and Chief Economic Officer,
One Columbus, Columbus, OH

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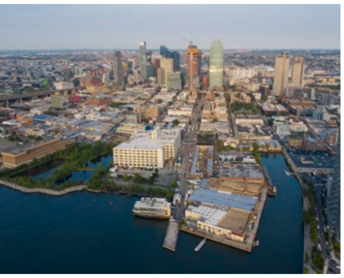

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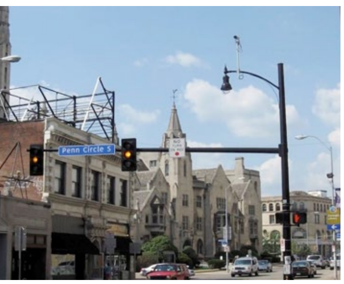

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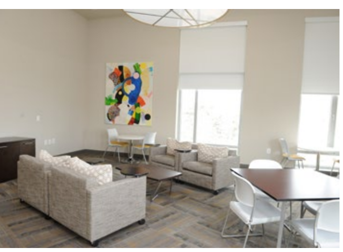

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INTERNATIONAL
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data, people and place

By Rebecca Karp and Alexandra Sutherland-Brown

The concept and practice of equity matters more than ever for economic development work. In early 2020, the COVID-19 pandemic ravaged the United States, hitting communities of color and small businesses with particular force. Soon after, protests advocating for Black Lives Matter, criminal justice reform, and economic opportunity similarly swept the country. Both events have raised critical questions about how we recover from the pandemic and begin to reverse 400 years of economic oppression.

There is certainly a moral component to coming up successfully with answers; there is also an economic imperative. Small businesses account for nearly 45% of economic activity and jobs in the United States, and job growth data shows that small and younger businesses hire more workers than do larger and older firms, regardless of the economic reality outside their doors. Between 2007 and 2012 – during the height of the Great Recession – minority and women-owned business enterprises (MWBEs) added nearly two million jobs compared to the net loss of almost one million jobs from non-MWBE firms. Heather McGhee, former president of the think tank Demos, puts a fine point on the

IEDC members have an opportunity to tangibly affect change and promote short- and long-term recovery via equitable economic development and economic inclusion.

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TAKEAWAYS

1. **You can't manage what you don't measure.** Data is the building block of all successful economic development, including traditional and non-traditional sources. We use everything from the Census, Bureau of Labor Statistics, and American Community Survey, to local open data about street fair permits and displacement indexes developed by non-profits.
2. **Economic development is for people living, working, and playing in spaces.** In addition to data analysis, equitable development requires talking to diverse stakeholders to bring data to life – and to critically understand local needs, hopes, and feelings. We begin with our clients and trusted local partners to determine a holistic list of interviewees.
3. **Many inequities manifest physically, and can only be seen through spending time in an area.** We recommend accompanying a review of data and people with an analysis of place to drill down into how an existing area works.
4. **Working across sectors is crucial to crafting realistic strategies approved by those who will implement them.** The public sector is critical to ensure necessary regulation and support is in place; non-profits are often trusted community voices that can help bring people on board; and the private sector often supplies the funding to make study or action possible.
5. **Focusing on equity looks different in each community, and local context should always be paramount.** Jobs accessible to one region may not be for another when triangulated with demographics. Carefully consider the socioeconomics and history of your geography and sub-geographies to ensure equitable development serves multiple neighborhoods and stakeholders.
6. **Pursuing equitable economic development is a constant endeavor, requiring short term actions and long-term commitments.** There is an up-front time cost to conducting due diligence, forming meaningful partnerships, and considering a broader range of Inputs for projects with equitable economic development outcome goals – but these commitments can also help avoid painful delays later on.

APPROACHES TO EQUITABLE ECONOMIC DEVELOPMENT ACROSS SCALES AND SECTORS

Practicing equitable economic development matters more than ever. This article provides practical approaches and examples to equitable economic development that apply to the public, private, and non-profit sectors at multiple geographic scales. The authors outline their methodology, using concepts of data, people, and place, to surface the holistic conditions that create local economies, and identify missing links to plan for diverse users. A job-intensive mixed-use development proposed for the former Amazon HQ2 site in Long Island City, Queens (New York City) brings this methodology to life. Two shorter examples from Detroit and Boston illuminate how inclusive economic development is happening around the country at different scales and across different sectors.

issue in her TED talk "Racism has a cost for everyone," enumerating lost tax revenues, wages, and home-ownership rates that make all socioeconomic and racial groups worse off.

IEDC members have an opportunity to tangibly affect change and promote short- and long-term recovery via equitable economic development and economic inclusion.

Many are already doing this work. For others, where to start? This article, which emerged from a presentation at the IEDC 2020 Leadership Summit, is intended to provide practical approaches and examples to equitable economic development that apply to the public, private, and non-profit sectors at multiple geographic scales. The primary case study is of a private, large-scale development site proposed for Long Island City, one of New York City's rapidly growing and changing outer-borough neighborhoods. The project, emerging on the site of Amazon's abandoned HQ2 development, demonstrates the ways in which more open and inclusive planning and development processes can emerge out of previous and more insular ones.

Examples of planning efforts on the neighborhood and regional scales from partners in Boston and Detroit elucidate other ideas to foster a more equitable future.

PolicyLink, a national research institute dedicated to advancing equity, defines equitable economic development as: "Equitable economic development unlocks the full potential of the local economy by dismantling barriers and expanding opportunities for low-income people and communities of color. Through accountable public action and investment, it grows quality jobs and increases entrepreneurship, ownership, and wealth. The result is a stronger, more competitive city."

OUR APPROACH

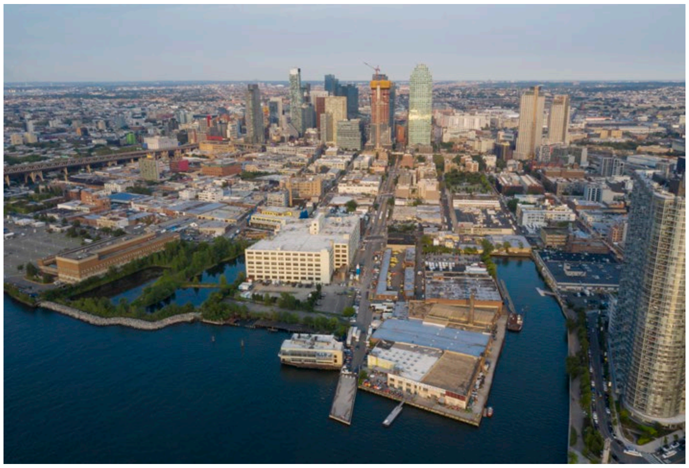
Unlocking the full potential of communities means first seeing the full picture. As economic development and urban planning professionals, we look at every potential project, policy, or process initiative through the analytical lenses of data, people, and place. We employ this approach to raise thoughtful questions, surface the holistic conditions that create a local economy, and identify missing links to enable developers, government, community organizations, academia, and private companies to plan for diverse stakeholders from the moment a project begins – and to allow for deeper inquiry into pathways toward equitable development outcomes. Without purposeful acknowledgment, analysis, partnerships, and planning, equity can be omitted from projects entirely.

Unlocking the full potential of communities means first seeing the full picture. As economic development and urban planning professionals, we look at every potential project, policy, or process initiative through the analytical lenses of data, people, and place.

- **Data.** What data exists about this place, economy, or community already? Who is included and excluded from the data? Which entities have collected and reported the data? What narratives are drawn from obvious data sources – and what is missing? What metrics do you need to track for the long term? One cannot manage what one cannot measure: data is the building block of all successful economic development as we seek to understand community and economic history, gaps in access and equity, and site and community potential.
- **People.** We cannot forget what economic development is for: the people living, working, or playing in the spaces created. What do the people who live, work, visit, and travel to and through a proposed project site or area think? What is their understanding of the data, of the history of community and economy, and of the potential for development? What partners must we engage for the long term? Conversations with neighborhood stakeholders help bring to life patterns in the data and lay bare where our information is lacking. They help create a more humanistic snapshot around the possibilities and challenges of local economic development.
- **Place.** What does a new project look like set in context of an existing district, neighborhood, or city? When you walk a project site, what do you notice that people told you or that did/did not show up in the data? Many inequities manifest physically – like distance to affordable transit, the quality of parks and open space, or the extent to which a street life exists – and they can only be seen through spending time in an area.

The analytical approach of data, people, and place is not new, nor does the order here imply sequential analysis. Rather, it is a thorough approach to including multiple stakeholders, acknowledging historic wrongs, and seeking a better path. Community economic development is not a neutral act. It is a complex process, done poorly as often as it is done well.

The analytical approach of data, people, and place is not new, nor does the order here imply sequential analysis. Rather, it is a thorough approach to including multiple stakeholders, acknowledging historic wrongs, and seeking a better path. Community economic development is not a neutral act. It is a complex process, done poorly as often as it is done well.



Long Island City site (view from East River looking towards Western Queens)

The Karp Strategies team on site

In communities across the United States, we have seen countless examples of development projects that move forward as-of-right, without community input, and arguably, without including analysis of the factors that drive successful equitable development.

The data, people, and place methodology attempts to identify where the risks are around gentrification and displacement to chart a more equitable course.

APPROACH IN ACTION: LONG ISLAND CITY

In 2017, tech behemoth Amazon tantalized cities and municipalities across the nation with a loud and public competition for its headquarters, and the up to 50,000 jobs that it could provide.

When Long Island City was named as one of two winners, it became quickly embroiled in a political fight around the soul of the city and purpose of economic development. New Yorkers asked questions we are all constantly asking as economic developers and urban planners: who is this development for? What will the impacts on our community be? What's in it for long-time residents, including neighboring public housing residents? The results are now famous in economic development circles, as Amazon picked up its prize and went home after facing intense community pressure.

But the underlying reasons for which Amazon selected New York City – and the site at Long Island City's Anable Basin in particular – remain: the local talent base, its proximity to multi-modal public transit, accessibility to Midtown Manhattan and two of New York City's airports, nearby cultural institutions, a growing residential population, waterfront views, and more.

Fast forward to 2019: four developers are now working together to consider the future of the site, hiring Karp Strategies to lead a feasibility study and market analysis to inform their strategy. The developers came to us interested in a district study that explored the way in which a mixed-use district could prompt economic development and inclusive growth with a focus on job creation. Specifically, they hoped to learn about the viability of the commercial and industrial markets in and around the site, the needs of existing community-based organizations that might occupy space in the future development, and employment trends to begin considering future tenant types.

We deployed the data, people, and place approach to explore their questions.

For this project, place came first. LIC is one of the fastest changing neighborhoods in New York City, and to ensure our analysis is grounded in experience, we hit the streets. Our team conducted multiple site visits to understand the site in context of the broader neighborhood. We examined the reality and all-important perceptions of transit connectivity, the extent to which the nearby public housing population could access the site for future jobs, the waterfront access and lack thereof, and the existing character of vibrant industry and creativity. The team came away with an understanding of the possibility to build without major displacement, given the amount of vacant and low density land.

Next up was data. We began with traditional sources like the Census, American Community Survey, and CoStar, and soon expanded to look at displacement indexes and affordable housing data on rent-protected units in the areas. Gentrification had already occurred in Long Island City, and our team sought to understand where opportunities exist to keep extant residents in place.

The team also dug deeply into trends around workforce and employment, a topic identified early on – by the community, the development team, and Karp Strate-

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gies – as an opportunity to foster inclusive growth and community wealth generation through large-scale development. To do this, we analyzed the supply and demand sides of the labor market.

On the supply side, we created a profile of the existing area workforce, identified key existing service providers, and noted gaps in coordination, space, and skills that a future workforce development program could address. On the demand side, we identified sector, industry, and occupational trends to create a matrix of cross-industry accessible jobs that earn a living wage. From this data, the developer team could begin to understand which industries to target to elicit tenants with accessible jobs, as well as the type of workforce development program to establish to bridge any gaps between Queens residents and skills they might need to gain good paying jobs. While we know that growing industries may change over the life and phasing of construction and development, this analytical model provides a strong and flexible starting point.

In addition to New York City-centric information, our team examined four case studies from across the world, including Seaport Square in Boston, Mission Bay in San Francisco, 22@ in Barcelona, and King's Cross in London to honestly assess the inclusive development aspects from similar mixed-use projects that are known for job-intensive uses, including what worked and where this district could go much further than others.

But the project simply would not happen without taking careful stock of the "people" component, given the way in which stakeholders felt overlooked by Amazon's previous work in the neighborhood.

Inclusive development begins by realizing a future *with* the community, instead of creating a project that will happen *to* or *on top of* them. By the time we came on board, our clients were already doing extensive outreach with diverse stakeholders across the area to understand immediate needs, past pain, and future desires. They were hosting individual meetings and larger public sessions. They had brought on local leaders to help direct these efforts and used a digital engagement platform to transparently collect feedback and publish results of community meetings. We reviewed the session feedback given by stakeholders to ensure we had not missed critical data or references to place that linked directly to what people want to see from the development, and how they see themselves included in the future.

We plugged in with an understanding of this, and knowing we could amplify existing engagement work through targeted interviews to explore (A) even more specific needs of the cultural, community, and small business organizations in Long Island City, as well as

Community workshop hosted by the development team

HIGHLIGHTS FROM WORKFORCE AND EMPLOYMENT ANALYSIS

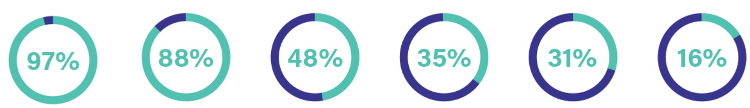
ACCESSIBLE OCCUPATIONS: Karp Strategies identified thirteen occupations that are fully or partially accessible, meaning that they meet some or all of the following criteria: generate a living wage, are common across several growing industries, and do not require a Bachelor's degree.

12 in 13 occupations have a median annual income at or above the living wage

9 in 13 occupations do not require a Bachelor's degree

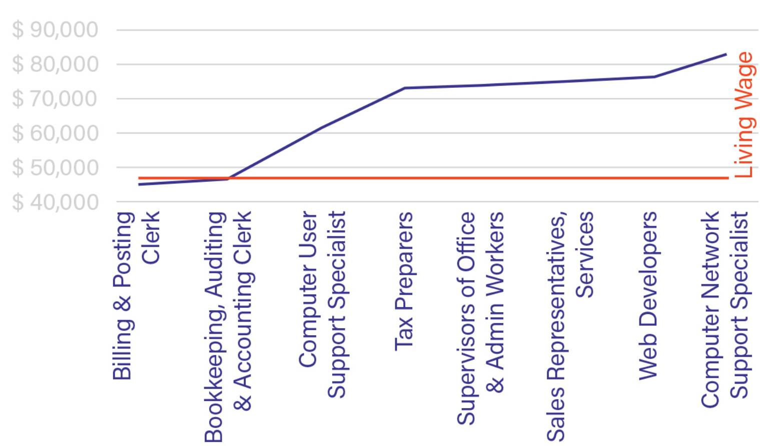
6 in 13 occupations are common across several growing industries

EDUCATION: *Percent of jobs that do not require a college degree in growing industry groups (2018)*



Construction | Building Services | Life Sciences | IT | Professional + Technical Services | Doctor's Offices + Clinic

WAGE: *Occupations with a median annual income at or above the $46,072 living wage in Queens for a household with two working adults and two children and that do not require a Bachelor's degree (2018)*



Karp Strategies, 2020

(B) any gaps in the workforce development ecosystem between trainings provided and skills sought by employers. Our team interviewed nearly 30 stakeholders, including current and former public servants, neighborhood business organizations, real estate brokers, museums, artists, educational institutions, and workforce and small business support providers. We kept these voices at the fore of analysis as we identified inclusive outcomes for the final report.

And what were those outcomes? The primary recommendation in the report, from which all others flow, is that any new district must be founded in inclusive, equitable economic development practices. Since this project is in the planning stage, we propose five potential strategies to help realize this goal:

- Create mixed income and affordable housing to address citywide need and keep existing Long Island City residents in place;
- Develop partnerships with existing workforce development providers to realize accessible job creation, and tangibly connect workforce training to real opportunities;
- Help small businesses thrive through partnership with public and non-profit stakeholders, including to identify MWBE vendors, house a small business support center in the new development, and create subsidized space for existing neighborhood and MWBE businesses;
- Maintain a strong partnership with government to leverage existing programs and mitigate secondary displacement; and
- Continue to work hand-in-hand with communities, remaining reactive and flexible to address their needs.

Our recommendations are hardly the end – this work requires sustained and active commitment. Much lays ahead for the development team, made more challenging by the economic and physical impacts of the COVID crisis. Despite COVID, the development team continues to engage stakeholders remotely (social distancing is mandatory in New York City at the time of this writing), and to ask questions about and seek actions toward economic empowerment and inclusion for local stakeholders. It remains to be seen how the public approvals process will change because of the crisis, and the team will need to continue its conversations with stakeholders as it works to keep the project on course.

The primary recommendation in the report, from which all others flow, is that any new district must be founded in inclusive, equitable economic development practices.

Ensuring that equitable development principles stay the course is critical: the steps taken during planning processes must be carried through all phases of a project to match project outcomes with project intentions. While the process undertaken here may at first blush have been more involved or taken longer during its planning phases than if a comprehensive feasibility analysis or stakeholder engagement had been skipped, we expect that the outcomes will pay dividends for all involved.

However, the report lays the foundation for how a large-scale project that must work in the market can also consider equitable development at its core.

This was a unique process, made possible in part by the history of the site and in larger part by a development team that understands that equity and inclusion must be fundamental rather than supplementary to community development; there is still much ground to cover to ensure that the rest of the development industry follows suit. Ensuring that equitable development principles stay the course is critical: the steps taken during planning processes must be carried through all phases of a project to match project outcomes with project intentions. While the process undertaken here may at first blush have been more involved or taken longer during its planning phases than if a comprehensive feasibility analysis or stakeholder engagement had been skipped, we expect that the outcomes will pay dividends for all involved.

EXAMPLES FROM OUR PARTNERS

Innovative work in inclusive economic development is happening around the country at different scales and across different sectors. Two of our partners have been leading these efforts and offer instructive examples for public and non-profit organizations and leaders.

An Equity Plan in Boston

The Dorchester Bay Economic Development Corporation (DBEDC), an organization working to address community and economic challenges in Boston's Dorchester neighborhood, recently led the creation of an equitable development plan for the Upham's Corner neighborhood of its service area. Upham's Corner is just three miles from downtown Boston, with the prosperous Financial District clearly visible from the area, as if to underscore dramatic economic disparities, in terms of both wealth and income, between the two. With Upham's Corner on the cusp of rapid gentrification due to its proximity to

By working in a defined neighborhood area, one clearly identified both by census tract and by accepted and customary usage, DBEDC was able to facilitate targeted and comprehensive data collection and mapping, as well as convene the right local partners. Going forward, DBEDC hopes that the defined area of the project will enable piloting new strategies and initiatives with clearly identifiable and traceable interventions as recommended in the equitable development plan.

downtown and its comparatively low real estate costs, DBEDC sought to make a concrete plan that enabled residents to remain, and for development and growth to be centered around the needs of existing stakeholders.

To do this, DBEDC convened multiple cross-sections of community leaders and policy makers over a year-long process to identify the issues they found most pressing and to craft strategies that would directly impact those issues. Partners included other non-profits, a medical center, business district associations, and the city of Boston. This work was informed by rigorous data analysis that enabled all involved to see the historical and current impact of policies and trends in sharp relief. The resultant plan, Equitable Uphams, recommended actions including:

- The creation of a flexible subsidy pool to reduce the cost of development and affordability of a range of housing options in the area;
- The support of small business through capital access consisting of both microloans and grants;
- Workforce development efforts localized to fit area opportunities; and,
- Perhaps most uniquely, an Inclusive Growth Index against which proposed developments could be measured to assure alignment with community priorities and needs.

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Deep Prosperity in Detroit

The Detroit Regional Partnership, a regional economic development non-profit in Michigan, launched the Deep Prosperity Initiative in 2019 to push for more inclusive growth across the greater Detroit area. The partnership tactically kicked off the initiative with a pathway jobs report, written in conjunction with the Brookings Institution, that identified industry clusters across the region that created jobs that do not require a college degree and provide living wages and benefits or jobs that eventually transitioned people into these jobs within 5-10 years.

This report did not sit on a shelf, but immediately tied an incentive structure to job creation. Specifically, the partnership's staff – who are responsible for drawing out-of-state industries and investment to the Detroit area – had a portion of their bonuses tied to the number of pathway jobs attracted. Moreover, the partnership worked and continues to work with a network of regional economic developers and economic development organizations and uses a decentralized, bottom-up practice of sharing data and methods – not hard and fast rules – recognizing that the cluster industries for Wayne County may not be the same as for Macomb County. To maintain accountability and report on progress, the partnership publishes monthly and quarterly reports on Pathway jobs. To date, the Deep Prosperity Initiative has created over 1,000 pathway jobs in the Detroit region.

CONCLUSION

What can economic development professionals, not just in New York but in Boston or Boise or Houston, learn from this process? Anchoring economic development with analysis of data, people, and place is equally important in suburban and rural communities as it is urban ones. Our nation is diverse, geographically and ethnically – and it is our obligation as economic development experts to employ processes that keep equity and community voices at the fore.

Our job is to get started and to keep going – and as a first step, that means listening. The data/people/place approach is anchored on the process of active listening; when you hear information that challenges you, that is where the good work begins. If it feels difficult, it is

What can economic development professionals, not just in New York but in Boston or Boise or Houston, learn from this process? Anchoring economic development with analysis of data, people, and place is equally important in suburban and rural communities as it is urban ones. Our nation is diverse, geographically and ethnically – and it is our obligation as economic development experts to employ processes that keep equity and community voices at the fore.

The story is not yet written on the LIC project, nor for many projects that use this methodology – and good process does not always equate to good outcomes. But if we keep data, people, and place at the core of what we do, we are far more likely to arrive at the other side having succeeded at building equity into the DNA of our project.

working. This process hinges on the radical challenging of assumptions.

Second, we must "go slow to go fast." Setting up a strong foundation of partnerships, data analysis, and community engagement requires significant up-front time commitment that far exceeds any as-of-right development. Not taking this time can lead to seen and unseen consequences, from continuing exclusion to high-profile lawsuits. Part of that process is stakeholder mapping; this must be a diligent and comprehensive process so that one can identify who has been previously left out of conversations, and who needs to be included to advance a successful and equitable project.

Third, community partners are the key to successful equitable development. That means hiring local and MWBE firms or community organizations to support your analysis. Developers who "walk the walk" will go further than those who do not, with advanced thought leading directly to tangible outcomes, like local hiring and successful project tenanting.

Lastly, keep yourself honest with data and stakeholder engagement. You cannot manage what you cannot or do not measure. Strong evaluation tools will help you track progress on your goals and adjust along the way. Working groups must remain intact so they can guide the project not just at the outset and during planning, but for the entire project lifespan.

The story is not yet written on the LIC project, nor for many projects that use this methodology – and good process does not always equate to good outcomes. But if we keep data, people, and place at the core of what we do, we are far more likely to arrive at the other side having succeeded at building equity into the DNA of our project.

identifying industry CLUSTERS

By Amanda C. Repella and SeonAh Kendall

INTRODUCTION

Industry cluster-based approaches to economic development have been widely adopted by the economic development community in the 20 years since Michael Porter published *The Competitive Advantage of Nations*[1]. These approaches identify key related industries and supportive strengths that are already present in a region for the purpose of making them stronger to increase overall economic competitiveness.

Cluster-based approaches are adopted because they provide a functional framing for describing the types and strengths of business activities in a region and developing targets and priorities to hopefully make the biggest impact with limited resources. Clusters provide the economic developer ("ED") with focused talking points to easily explain key attributes of their business community in a way that others can understand. Economic developers are often translators of information, and a cluster framing is a way to convey the "why" of your community or region backed by data. Often, data is only as useful as the storyteller who leverages it. Data-driven stories drive change, and the more the ED understands and can communicate its strengths and weaknesses, the more we can shape data-driven approaches that meet the unique needs of our communities/regions.

Cluster-based approaches are adopted because they provide a functional framing for describing the types and strengths of business activities in a region and developing targets and priorities to hopefully make the biggest impact with limited resources.

The starting point of any cluster-based approach is *identification*: what clusters are present in a region and how are they to be evaluated as potential targets for some economic development strategy? While the answer to this question is valuable, getting to an answer is inherently problematic. Industry clusters – their definitions, the identification and prioritization process for a specific region, and

TAKEAWAYS

1. Most industry cluster definitions are based on representing regional or national clusters that may be realized over a much larger geographic area than where individual economic development organizations or regional collaborations act.
2. Using any NAICS-based industry cluster definition allows for regional comparison of data using common sources, but at the expense of uniquely representing a specific local region's businesses and supportive institutions.
3. Some of the weaknesses of these definitions can be mitigated by exploring not only the core industries within a cluster, but also how clusters within a region interact with other industries.
4. This process can be made more robust by looking at clusters (data, businesses, interactions) both in the local region of interest and also a larger region (or multiple regions) of which it is part.
5. Any industry cluster approach includes not only the question of "is this industry here?" but also "can we take actions that can help it to grow in the ways our community would like to see it grow?"

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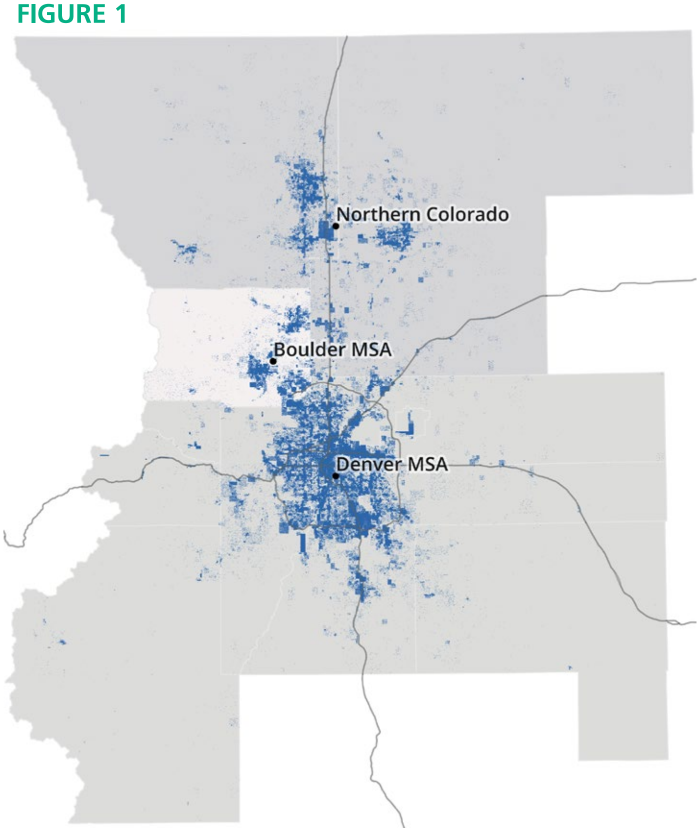
NORTHERN COLORADO'S COLLABORATIVE TWIST ON AN ESTABLISHED STRATEGY

Industry cluster-based approaches to economic development have been widely adopted by the economic development community, but the definition of industry clusters and the selection or prioritization of specific clusters for a cluster strategy remains an art informed by limited data. The Northern Colorado Regional Economic Development Initiative used a novel collaborative approach to identify target clusters for use in a regional cluster strategy that would leverage the region's assets and attributes for an aligned vision while meeting the needs of individual member communities. This approach required taking a new lens to the old problem of defining and selecting industry clusters for inclusion as targets in their efforts. Economic development practitioners can adopt and adapt the philosophy, approach, and tools described here to explore, identify, and prioritize industry clusters appropriate for their regions.

the use of clusters in planning or decision-making processes – have typically been treated as an art informed by data. Tools[2] and tool kits[3] exist to help organizations identify cluster-based strengths, and consulting firms include cluster identification and cluster-based strategies in their portfolios of economic development services.

The Northern Colorado Regional Economic Development Initiative (NoCo REDI) represents a network of economic development organizations working to coordinate regional economic development efforts across 35 communities in Larimer and Weld Counties. These two counties, just north of the Denver metro area, share high levels of worker exchange and other industry ties. Although the majority of the economic development professionals in the region work for municipalities, there has been a wider focus on regionalism that recognizes that economic benefits in one community benefit all due to the interconnected nature of the regional economy. The objective of this collaboration is to increase the region's economic resilience and improve the business ecosystem. Figure 1 highlights how Northern Colorado maintains a uniquely separate region from the Boulder and Denver metro areas along Colorado's Northern Front Range.

FIGURE 1



This dot map of U.S. Census Bureau data[4] shows each of the ~2 million jobs across the Northern Front Range. The label for each of these three subregions (Denver MSA, Boulder MSA, and Northern Colorado, the combination of Larimer and Weld counties) is placed at the employment-weighted center of each area. Interstate Highway 25 runs adjacent to the north-south border of Larimer and Weld, which has influenced where development has concentrated. Each county comprises its own MSA, but the population centers are aligned along either side of the shared border. Western Larimer County is primary federally-owned, mountainous land. Eastern Weld County is primarily rural land that historically has been used for livestock grazing or crops.

NoCo REDI identified the importance of ED professionals in the region to explore the data, because of their deep community knowledge, rather than outsourcing all data analysis to a consultant. The primary goal of this approach was to deepen the understanding of industries in our region using multiple economic measures and reduce the "knowledge leakage" that occurs after these types of projects end and the external data expert departs.

NoCo REDI prioritized developing a regional cluster strategy[5] that could leverage the region's assets and attributes for an aligned vision while meeting the needs of our individual communities. In early 2019, a small group of NoCo REDI members discussed the need for a regional cluster strategy. At that time, the City of Fort Collins was the only community with identified clusters. NoCo REDI identified the importance of ED professionals in the region to explore the data, because of their deep community knowledge, rather than outsourcing all data analysis to a consultant. The primary goal of this approach was to deepen the understanding of industries in our region using multiple economic measures and reduce the "knowledge leakage" that occurs after these types of projects end and the external data expert departs.

Larimer County's Economic and Workforce Development Department (LCEWD) and the City of Fort Collins' Economic Health Office served as project managers. Additionally, LCEWD was responsible for designing and implementing the process for the cluster identification analysis within the larger project. A third-party consultant, Alexander Research and Consulting, was utilized to facilitate workshops and propel NoCo REDI to an aligned vision. This article focuses on the novel approach we used to identify priority clusters for the purpose of framing a cluster growth strategy. Stakeholder interviews, initial data analysis, and two group workshops took place over a three-month period of time. Continued analysis, report writing, and revisions took an additional three months. Cluster program funding from the City of Fort Collins paid for consultant work and Larimer County provided data analysis in-kind. The project cost including consultant efforts and data analysis work was approximately $25,000.

LEVERAGING EXISTING FRAMEWORKS AND TOOLS

The U.S. Cluster Mapping (USCM) Project provides NAICS-based industry cluster definitions. These definitions are algorithmically derived using data from across the United States. This provides a basic framework for a data-driven definition for a cluster that can be compared across geographies using widely available industry data products developed by the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and other federal agencies.

This process led to a better collective understanding of our industry cluster ecosystem. We didn't just learn more about the strengths of the industries present but also about how our businesses interact with each other across industries. The group was able to explore together and create a shared understanding of how our piece of the larger ecosystem relates to the nested levels of various regions to which we belong.

This framework of cluster definitions has previously been modified and adopted for use by other organizations. For example, Emsi, a private aggregator of labor market and economic data, has made minimal modifications to the USCM cluster definitions to make them compatible with their own data products[6]. The Purdue Center for Regional Development used the USCM definitions as a starting point for creating their own system of NAICS-based clusters that are more applicable to the economic characteristics of the regions they serve[7].

When NoCo REDI decided to pursue a shared industry cluster growth strategy, it presented a dilemma: we wanted to use industry cluster definitions that allowed us to explore benchmark measures across time and geographic regions, but we also needed to maintain a good representation of our unique piece of the larger economy. However, there is no single, universally correct way to do this.

NoCo REDI decided to go down a new path to collaboratively explore data and cluster definitions to inform the building of a cluster strategy playbook. We performed all data analysis internally, but hired an external consultant to facilitate our discussions and discovery processes, as well as to organize and present the group's findings.

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The process was built on the foundation established by Michael Porter's research and the resultant U.S. Cluster Mapping Project[8]. We used these definitions and industry cluster data provided by Emsi[9] to create a starting point, identifying 23 clusters with a strong presence in the region that were of interest to any of our members and their communities. We used two criteria to include a cluster in this first stage: the cluster was represented in our region based upon the default output from Emsi's cluster identification tool and the cluster needed to be considered to contain important NAICS industries from the perspective of any of our communities. These broad and inclusive criteria allowed us to incorporate a wide range of business activities in our first pass of collaborative analysis.

EMBRACING BOTH THE STRENGTHS AND WEAKNESSES OF THE U.S. CLUSTER MAPPING PROJECT CLUSTER DEFINITIONS

In the U.S. Cluster Mapping system, each cluster is made of non-overlapping NAICS codes. These codes were originally assigned to each cluster using an algorithm that addressed shared workforce skills, geographic co-location, and other factors that indicate a high-degree of relatedness[10]. Each cluster is hierarchal, with subclusters that group more related NAICS to subcategories within that cluster.

This design captures how NAICS codes relate to each other over known economic variables (such as relationships captured in Input-Output models) rather than attempting to accomplish this by industry functions or value chains. The obvious limitation is that the NAICS system, by its design, is not good for capturing supply chain relationships, and thus cluster definitions do not capture those relationships.

This NAICS-based definitions at the core of this cluster system contribute to its strengths and its limitations. The key strength of the USCM cluster definitions is that they are benchmarkable. Because each cluster is defined by unique NAICS codes, these definitions can be used to compare cluster performance in different regions using easily accessible data across topics like jobs, business establishments, wages, and contributions to gross regional product.

The algorithm that shaped the U.S. Cluster Mapping Project cluster definitions was applied to large geographic regions[11], much larger than the region represented by a typical economic development organization and still much larger than the two-county region represented by the group of economic developers in NoCo REDI. The resultant definitions are geared more toward larger regional economies across the U.S. than they are to the relatively small regions that are the focus of economic development groups like ours.

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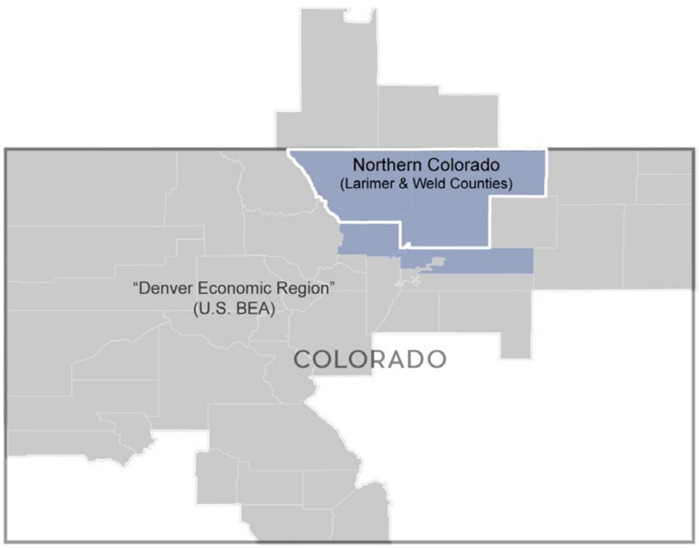
We addressed this potential limitation by considering our region within multiple nested regions (see Figure 2). We created two primary regions for analysis: the two counties that comprise Northern Colorado as well as a larger region that includes the three adjacent counties with which we exchange workers (five-county region). We then created lists of representative businesses for each NAICS code by combining data from multiple sources available to us, including our own BRE activities and subscription-based business data. These lists include more than just traditional anchor businesses across the larger five-county region. The lists also include examples of businesses from within the Northern Colorado region that were more typical of the business size and activity seen across the cluster within our communities, as well as start-ups and businesses that actively participate in various regional and community efforts and could be viewed as industry advocates. The resultant lists illustrated a broader range of business activities than would typically be included in economic development activities and painted a more complete picture of how our clusters currently appear, beyond the overall statistics and the larger companies.

FIGURE 2



This map highlights the Northern Colorado area (white outline) and the Denver Economic Region (gray) used in the U.S. Cluster Mapping Project's original algorithmic discovery of cluster definitions. The highlighted area represents our larger five-county region (blue) that includes key counties with which Northern Colorado exchanges workers. The geographic scale of local economic developers and our use of the term "regional economy" is much smaller than the "regional economy" definition used in national scale economic research. Visualizing data across nested geographic regions for exploring economic data was particularly useful in our cluster identification process.

We crosswalked all NAICS to both USCM cluster and subcluster designations to facilitate discussions of how we could modify cluster definitions to be adequately focused (narrow in scope) and appropriately broad (including the right mix of business activities). A common criticism of custom cluster definitions is that they are either too focused to encompass a true cluster or too generic to support impactful activities.[12] Therefore, it was very important to avoid this pitfall.

Clusters that are defined using unique NAICS-based definitions cannot capture the entire supply chain for any subset of industries. As a result, we used our understanding of in-region companies to describe, and eventually map, the key connections between clusters so that we could qualitatively represent the intersections between groups of firms that supplied similar industries or obtained key components from others.

Clusters that are defined using unique NAICS-based definitions cannot capture the entire supply chain for any subset of industries. As a result, we used our understanding of in-region companies to describe, and eventually map, the key connections between clusters so that we could qualitatively represent the intersections between groups of firms that supplied similar industries or obtained key components from others. For example, firms within our "Plastics" cluster supply components made of composite materials to Aerospace companies ("Aerospace and Defense" cluster), as well as to electronic devices ("Information Technology" cluster). We can't reliably extract the subset of dollars, jobs, or other economic variables that tie directly from Plastics to these other industries. However, moving forward we can monitor multiple clusters at various geographic scales, knowing that in some way, each maintains some dependency on and interaction with other clusters, both within Northern Colorado and in a larger group of nested regions.

We intend to use the understanding of how our unique set of firms interact with each other to better tailor the outreach and support efforts in both cluster-related and non-cluster related economic development activities.

COLLABORATIVE EXPLORATION AND CLUSTER DEFINITIONS THROUGH AN INTERACTIVE CHARRETTE

A key innovation in the approach for identifying and defining clusters was to use a charrette-style workshop to explore cluster metrics and collaboratively edit the NAICS-based cluster definitions to create shared cluster priorities and definitions. Charette-style explorations use small groups within a larger workshop to collaboratively problem-solve or discuss an issue, and then bring back salient points and consensus decisions for the larger group to have a more productive and focused decision-making debate. During the workshop, small groups explored aspects of the proposed clusters to identify strong clusters, explore re-arrangement and re-definition of clusters to meet specific needs among the communities in each group, and then the group came back together to synthesize and find consensus on each small group discussion.

This shared exploration used R Shiny, a free software package that provides a web browser interface to analysis performed in the R statistical programming language. This lets non-programmers visualize data on-the-fly[13]. By preloading a set of custom built R Shiny apps with data tables that automatically crosswalked detailed NAICS (6-digit) variables to the U.S. Cluster Mapping Cluster and Subcluster definitions, all workshop participants could explore economic and business data in our region using existing cluster definitions. Participants could also combine subcluster definitions to create meaningful custom clusters. Performing this on-the-fly exploratory analysis allowed participants to compare the shared data in ways that were most meaningful to their own organizations' interests and their communities' desires within the shared regional conversation.

During the workshop, participants used laptops and tablets to understand each basic cluster definition and its performance over various time intervals. Each participant could make changes to a cluster definition and immediately explore how modification to those definitions impacted economic data measures and which businesses and types of business activities were classified within the customized cluster. Caroline Alexander, of Alexander Research and Consulting, facilitated and guided participants through this process. Engaging a knowledgeable and skilled consultant added value to this process and its outcomes. Alexander captured comments, questions, and concerns while individuals and small groups worked to identify strong clusters using their preferred metrics and definitions. She then helped us identify and negotiate shared definitions for a set of 12 core clusters that are broadly important to individual communities and the region as a whole.

These clusters are classified into two groups: candidates for a cluster growth strategy and other important economic drivers. This differentiation acknowledges that certain clusters are of key importance to specific communities in our region and may be particularly important employers, but those clusters may not be good targets for a cluster growth strategy.

Our six candidates for a cluster growth strategy are: Bioscience and Medical Devices, Distribution and Ecommerce, Fabrication and Production Technology Manufacturing, Food Processing and Manufacturing, Information Technology, and Plastics. Our six other important economic drivers include: Agricultural Production, Inputs and Services, Construction+, Education and Knowledge Creation, Energy, Hospitality and Tourism, and Local Health Services.

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OUTLINE OF A DIY COLLABORATIVE REGIONAL INDUSTRY CLUSTER IDENTIFICATION PROCESS

1. Use an existing tool such as the Emsi Cluster Identification Tool or the U.S. Cluster Mapping Project to create a list of clusters that any stakeholders would like to explore. *We used default output from the Emsi tool for both our region and a larger region that included an additional three counties to create a discussion list of 23 clusters.*
2. Develop stronger understanding of those clusters through exploration of their subcluster components and companies. *We exported data from multiple sources into the apps described within this article to build individual and small-group level understanding of these clusters and used this information to create a short list of 12 industry clusters with some slight modification to a few original industry cluster definitions. Our free-to-use-and-adapt, Creative Commons licensed apps are available at the GitHub repository cited in this article.*
3. Determine which of those clusters are both important within the region and also would be considered good candidates for a cluster growth strategy. To frame this, we asked: *Which of these clusters have opportunities that are aligned to the type of activities and goals your group can and wants to collaborate to achieve? Which clusters have sufficient supportive strength, industry champions, or other assets that make them a "good bet" for additional focused attention? Which clusters would have strong buy-in from most or all of our communities?*
4. Build common understanding of each cluster by collecting and sharing lists of representative companies (anchors, startups, small businesses, etc.), supportive structures (institutions and initiatives, specific incentives, champions, historic importance and cultural aspects, and others). Map how clusters connect. *We created a list of seven questions and had small teams research answers for each cluster to create an internal group resource. Our questions included:*
   a. *Who are the anchors who are driving growth and innovation in this cluster (Business Name / Location)?*
   b. *Are there entrepreneurial superstars? Is there an active small business or entrepreneur community? Describe.*
   c. *Is there a research or innovation expertise tied to an institution in the region? Describe.*
   d. *What else supports the strength or promise of the cluster?*
   e. *What are some of the weaknesses or risks of this cluster that could be addressed through a regional initiative?*
   f. *What don't we know about this cluster, or where do we not agree? List information gaps or areas of future research.*
5. Use these definitions to frame regional or sub-regional economic development activities as appropriate.

We are sharing the code for the apps and associated handouts used in the charrette via a GitHub Repository[14] under a Creative Commons License that allows free re-use and code modification. We built tools to visualize the data in a way that was useful to us. By sharing this open source code and process details, anyone who decides to engage in a similar process can add their own data and then use and modify our tools for their needs.

We used the USCM system, with minimal modifications, to identify the clusters that were both important within our region and communities, as well as the subset of those that were more appropriate for cluster growth strategies. This system was used to build shared knowledge about what falls solidly within each cluster and also what common connections exist between clusters.

OUR NETWORKED CLUSTER ECONOMY

Over the past several decades, organizations have seen the need to reconsider their mental model of organizational function as one of hierarchical relationships and use a *systems thinking* or *network* approach[15]. Instead of thinking of knowledge in terms of levels of detail, such as the nested hierarchy of NAICS, a systems approach considers the interactions or relationships (links or edges) between individuals and organizations (nodes).

Economic developers are concerned about a local economy that is composed of the businesses and population within a specific area. However, the economy in which those businesses and residents function in is much broader and more open than the constraints of political geography (crossing county and municipal lines) and industry designations (with some component product or service moving its origin in a business within one industry on to its next step in the supply chain in multiple businesses across multiple industries).

The frameworks that economic developers select to think about the economy, businesses, and how to make the greatest impacts in the economic growth and prosperity of the communities in which they work impact the types of activities they can undertake and the identification of stakeholders to be included at the table.

The U.S. Cluster Mapping system is the starting point for our own cluster definitions. This system groups NAICS into an alternate hierarchy (traded vs. local clusters, clusters, subclusters, detailed 6-digit NAICS) and doesn't explicitly acknowledge network relationships. Each cluster in this system serves as an aggregate node in a network that interacts with other nodes (cluster-to-cluster relationships) which include a variety of connections such as upstream-downstream supply chain relationships, connections between shared workforce certifications, facility needs, or regulatory concerns.

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USCM doesn't provide a perfect representation of the ecosystem, but practitioners are looking for useful framings today and can cede the development of highly developed theories and more perfect solutions to researchers. We used the USCM system, with minimal modifications, to identify the clusters that were both important within our region and communities, as well as the subset of those that were more appropriate for cluster growth strategies. This system was used to build shared knowledge about what falls solidly within each cluster and also what common connections exist between clusters.

MOVING FORWARD AND NEXT STEPS

The NoCo REDI Cluster Strategy Playbook was finalized and published in March 2020[16]. It shares the clusters identified in this process, but largely focuses on how the region and its individual communities can work together and individually to strengthen clusters and the cluster ecosystem. The collaborative understanding, shared data resources, and mapping process for our selected clusters have built a common starting point for additional collaborative activities to promote economic growth in our region using common priority clusters.

Shortly after the finalization of our cluster report, the global COVID-19 Coronavirus Pandemic Emergency swiftly changed the economic landscape for the foreseeable future. In examining our priorities for economic recovery in our region, the results of this cluster study remain relevant.

The clusters identified in our process remain important drivers of specific individual communities within our region, and many are playing an important role in response and recovery efforts as firms pivoted or ramped up products and services that helped address immediate challenges; for example: ventilator components, personal protective equipment manufacturing, and other key supplies required to fight COVID-19. As recovery progresses, and a better understanding of how COVID-19 will impact industry-scale job growth for highly impacted industries emerges, our cluster work can inform our workforce and education partners about potential in-demand skills and workforce requirements in our targeted clusters.

Our industry cluster identification provides the groundwork for prioritizing future examination of how our clusters and their components survived or thrived through the recovery process, as well as for documenting industry pivots, as they have already and will continue to play out over time. The fundamental work of economic development remains relevant, and our cluster work will continue to guide aspects of regional business attraction, retention, and expansion to develop our target clusters and support other important clusters in our region.

Acknowledgements

This work would not have been possible without the time and intellectual contributions of the members of the Northern Colorado Regional Economic Development Initiative: City of Evans Economic Development; City of Fort Collins Economic Health; City of Fort Lupton; City of Greeley Economic Health and Housing; City of Loveland Economic Development Department; Fort Collins Chamber of Commerce; Larimer County Economic and Workforce Development; Town of Berthoud Business Development Office; Town of Erie Economic Development Department; Town of Firestone Economic Development; Town of Wellington Economic Development; Town of Windsor Economic Development; and Upstate Colorado Economic Development. Caroline Alexander (Alexander Research and Consulting) contributed substantial feedback, project facilitation, and development of the cluster strategy.

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catapult: startup to storefront

By Josette Fitzgibbons

INTRODUCTION

In Pittsburgh's East Liberty neighborhood, years of reinvestment and revitalization have resulted in a growing commercial market, spurred by the entry of national chains – such as Target, Whole Foods, and Warby Parker – as well as upscale local retailers and restaurants. However, this growth has led to higher rents, making it difficult for local MWBE businesses to enter the market or maintain a presence. This situation is not unique to East Liberty; as Pittsburgh business districts revitalize, affordability for local entrepreneurs has become an issue, especially MWBE entrepreneurs.

In early 2018, staff from the Urban Redevelopment Authority of Pittsburgh (URA), East Liberty Development, Inc. (ELDI), Larimer Consensus Group, and Circles Greater Pittsburgh, along with the small business consulting team from Paramount Pursuits, met to discuss strategies to address commercial affordability in East Liberty. The charge was to develop a program that addressed the hurdles faced by MWBE businesses, with a focus on microenterprises. The partners identified access to capital and resources, credit and legal issues, and the lack of a culture of entrepreneurship as particular barriers for these businesses. Another goal was to develop a pipeline of locally owned businesses for spaces that would come online in Larimer and other East End neighborhoods in 2020. Finally, Circles Greater Pittsburgh gradually assumed the role of funding host and lead partner for the program. It was through these talks, with support from Neighborhood Allies, that Catapult: Startup to Storefront was born.

A view of the Target store at the corner of Penn and Centre avenues in Pittsburgh's East Liberty neighborhood.

The Catapult: Startup to Storefront program helps to break down barriers for MWBE entrepreneurs. Initially developed as a nine-month retail-in-residence and incubation strategy, the program aims to support new and growing minority-led businesses in Pittsburgh's neighborhood business corridors. Through seminars and one-on-one mentoring, businesses accelerate their growth and achieve sustainable outcomes. This article describes how the program works, its partners, and key achievements. It offers insight on key barriers to resources for MWBE businesses, program obstacles, and next steps.

Josette Fitzgibbons, Business Program Officer, Urban Redevelopment Authority of Pittsburgh

(jfitzgibbons@ura.org)

PRIMARY PROGRAM PARTNERS

Circles Greater Pittsburgh

The mission of Circles Greater Pittsburgh is "to inspire and equip Pittsburgh area families and communities to resolve poverty and thrive." According

PITTSBURGH'S ENTREPRENEURIAL COHORT PROGRAM FOR SMALL, MINORITY AND WOMEN-OWNED BUSINESSES

In 2018, the Urban Redevelopment Authority of Pittsburgh and Circles Greater Pittsburgh met with community partners to discuss commercial affordability in Pittsburgh's East Liberty neighborhood. The charge was to build a program that addressed the hurdles faced by minority and women-owned business enterprises (MWBE). As a result, Catapult: Startup to Storefront was created. Initially a nine-month retail incubation strategy, the program supports new and growing minority businesses in Pittsburgh's neighborhoods. Through seminars and one-on-one mentoring, businesses accelerate their growth and achieve sustainable outcomes. The 2019 IEDC Silver Award winner for Economic Equity & Inclusion is now a 12-month cohort. It includes the Gallery on Penn, a space where participants can sell their wares while receiving mentoring and assistance.

to their website, in 2017 20.3 percent of Pittsburghers lived at or below the income limit for the Federal Poverty Guidelines.

Traditionally, Circles has focused on working with their clients on personal financial stability and moving toward homeownership. However, in 2017, as Circles Executive Director Tammy Thompson asked clients to outline their goals on the path to financial stability, many folks mentioned entrepreneurship as well as homeownership. To begin to address this second goal, Circles and the URA hosted an information session to ask East End entrepreneurs what they needed in the way of business development support. In November 2017, 20+ local entrepreneurs accompanied URA, Circles and Mayor's Office staff on a field trip to Paramount Pursuits, a business consulting firm that focuses on incubation and early stage technical assistance, located near Pittsburgh. (circlespgh.org)

Urban Redevelopment Authority of Pittsburgh

Small businesses, startups, and growing businesses are responsible for most new job creation. This dynamic plays out nationally, regionally, and locally. It is critical to support new and growing businesses, and neighborhood business districts, to best ensure a diverse, growing, resilient economy. In addition, it is often difficult for growing small businesses and historically disadvantaged businesses – including those that are minority and women-owned – to raise enough private capital to fund their opportunity. The URA does this by providing access to capital, technical assistance, and connections to other resources, with a goal of creating jobs, improving the vitality of the city's businesses and neighborhoods, and strengthening the city's tax base. (ura.org)

The Catapult program fits directly into the URA's effort to break down barriers to capital and resources for minority and women-owned businesses.

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Paramount Pursuits

Paramount Pursuits is a small business incubator and economic development consulting partner, concentrating on empowering entrepreneurs and providing guidance for Main Street revitalization projects within Pittsburgh area communities.

Paramount works with entrepreneurs both in person and online to guide them in establishing and growing their businesses, which directly contributes to the economic growth of their local communities. Maximizing opportunities for EVERY entrepreneur is their goal, diligently focusing on breaking down the barriers to entrepreneurship. (paramountpursuits.com)

Because of their involvement in other entrepreneurial programs in Pittsburgh neighborhoods, the team from Paramount was a natural partner for the Catapult: Startup to Storefront program.

East Liberty Development, Inc.

ELDI is one of the largest and oldest community development corporations in Pittsburgh. As the commercial market in their neighborhood grows, ELDI has an interest in maintaining affordability in the Penn Avenue corridor. Their staff was critical in the development of the Catapult program. Most important, however, is the fact that they are providing space for the Gallery on Penn, Catapult's retail incubator storefront, at a drastically reduced rental rate. (eastliberty.org)

Neighborhood Allies

Neighborhood Allies' approach to neighborhood revitalization is comprehensive and multifaceted. They make and support neighborhood-based investments that seed ideas, help transform vulnerable neighborhoods and identify scalable ways to create positive social impact, using their Healthy Neighborhoods Framework as their roadmap. They have provided significant funding and staff support to the Catapult program. (neighborhoodallies.com)

KEY BARRIERS TO RESOURCES FOR MINORITY AND WOMEN-OWNED BUSINESSES

Minority and women entrepreneurs often face unique barriers starting or growing their small business. Access to resources, affordability of space, and knowledge of entrepreneurship, as described below, often create barriers that are too difficult to overcome.

1. **Access to capital and other resources**

a. **Technical assistance and other resources:** One of the key issues that was identified in the planning of Catapult was that many disadvantaged entrepreneurs had neither access to nor were comfortable with the existing palate of available technical assistance. In Pittsburgh, both the University of Pittsburgh and Duquesne University house excellent Small Business Development Centers (SBDC). Other organizations, like the Idea Foundry and the Mansmann Foundation, have shorter term cohorts, educational seminars, or one-on-one counseling. However, these programs are not always easily available to the early-stage entrepreneur.

   Often, the hours and locations aren't accessible by public transit. The buildings that house the programs – both SBDCs are on college campuses – are sometimes intimidating to the disadvantaged small business owner. Finally, as successful as other technical assistance programs are, they sometimes assume a level of existing capacity (how to use QuickBooks, an Excel spreadsheet, or even how to use a computer) that some micro entrepreneurs don't yet have.

b. **Credit issues:** Life often gets in the way of credit scores. Divorce, medical issues, unemployment, student loans – all of these can negatively affect credit, even though the entrepreneur has a good business model.

c. **Too much debt, or fear of debt:** Debt is a complicated issue for small entrepreneurs. A successful business carries a certain amount of debt. However, high credit card debt or loans from predatory lenders can be an issue. Also, some small entrepreneurs – particularly immigrant business owners – don't trust banks or government agencies and are unwilling to take on the debt that they need to grow their businesses.

2. Affordability of space

In Pittsburgh's East Liberty neighborhood, rental rates for retail space have increased from roughly $11 per square foot in 2010 to nearly $21 per square foot in 2019. While larger, upscale shops can afford the higher rents, smaller, local entrepreneurs are often priced out of the market.

3. Knowledge of entrepreneurship

Disadvantaged entrepreneurs, while skilled at their line of business, often don't have the necessary knowledge to actually run their business. They may not have anyone in their support system who is a business owner; there's no culture of entrepreneurship in their family or community.

In spite of the barriers, we know that these entrepreneurs are good at their craft – whether it is making cobbler, performing home repairs, or developing and selling natural beauty supplies – and they are passionate about succeeding. Because of this, we have learned that the best way to serve them is to meet them where they are, both physically and circumstantially.

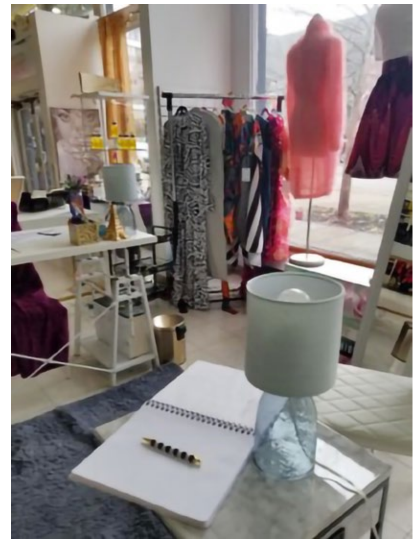
THE CATAPULT PROGRAM

The Catapult program works to break down the barriers to successful entrepreneurship with its multi-month, community-based incubator program. Unlike other small business programs that are more limited in scope, Catapult focuses on thorough program curriculum (one-on-one sessions, seminars, and forums), participant accountability, and preparation for the next step (retail space.) The sessions are held in the community, so that the participating entrepreneurs can easily attend. Catapult is funded through grants from the URA and Neighborhood Allies.

12 graduates of the first Catapult cohort, January, 2019.

The 12-month program includes:

- Monthly one-on-one mentoring sessions with Paramount staff to address everything from developing a business plan to dealing with credit and legal issues;
- Monthly group seminars around common topics (accounting, legal, marketing, etc.);
- Assistance with accessing necessary capital, including applying for the URA Micro-Enterprise Loan Program; and
- For place-based businesses, the ability to move into a physical space before the completion of the program.



Retail space of IMIHI Designs, one of the graduates of the first Catapult cohort.

1. Cohort 1 – East Liberty

The inaugural cohort of the Catapult program began in April 2018 in Pittsburgh's East Liberty neighborhood. As mentioned earlier, the idea for the pilot in East Liberty grew out of a concern that minority and women entrepreneurs were being left behind in the neighborhood's revitalization and growth. From a pool of nearly 40 applicants, 15 businesses were selected for the program. Business type, stage, viability, and location, as well as the ability of the owner to commit to a several-month program were all factors in the selection process.

EAST LIBERTY

2020 American Community Survey Estimate:

- Population – 6,226
  - 67% Black
  - 23% White
  - 10% other
- Total Households – 3,318
- Median household income – $30,276
- Population with high school diploma or higher – 92.8%
- Number of businesses – 397
- Number of employees – 4,495

- 100% minority owned; 80% women owned
- 4 early stage (in concept or recent startups)
- 6 emerging (operational)
- 5 established (looking to scale up)
- 12 retail/food/lifestyle businesses
- 2 mother/daughter teams

With Circles Greater Pittsburgh serving as the managing program partner, 12 of the 15 businesses completed Catapult at the end of 2018. While three of the participants dropped out of the program for a variety of reasons, those who completed the course improved their businesses, and several positioned themselves to receive a URA micro-enterprise loan. The success of the program led to the opening of a retail incubator storefront, Gallery

A view of the Penn Avenue business district in Pittsburgh's East Liberty neighborhood.

Gallery on Penn façade.

on Penn, where six of the Catapult businesses are selling their goods to customers.

2. Gallery on Penn

Several months into Cohort 1, it became apparent that a number of the businesses were ready to sell their products in a physical space. ELDI suggested that one of the buildings that they own in the Penn Avenue business corridor would be available for a retail incubator. The one-story building was not occupied and contained three storefronts – about 3,500 square feet. ELDI offered it to the Catapult program for $5 per square foot – a roughly 80 percent discount on area market rental rates. Six of the Catapult businesses moved into the space in November 2018, in time for the holiday shopping season.

Since its opening more than 15 months ago, the Gallery on Penn has become a staple in the East Liberty business corridor. Along with the original Catapult businesses, a few other vendors have been added to the space. Also, the planning team and the resident entrepreneurs have worked to program the space on weekends and evenings. Some of the activities for 2020 include:

- Youthpreneur Marketplace – Held several times throughout the year, this event allows youth entrepreneurs to have a table to showcase their products. The event is organized by 13-year-old Catapult graduate Jazmiere Bates, who with her mother Jazmine Duncan owns Kin of Duncan, a custom kid and pet apparel business.
- For the Love of Self Care Pop Up Shop – hosted by current Catapult business Royally Fit LLC, this event focuses on health and beauty products from current and graduate Catapult businesses.
- URA Small Business Resource Fair – The URA hosts several Small Business Resource Fairs throughout the city each year. The fairs are open to the public, and include 12-15 small business resource providers, including small business development centers, nonprofit lenders, and others who can help entrepreneurs to start or grow their business.

3. Cohort 2 – East Liberty

The second Catapult cohort began in September 2019, again with 15 businesses. All of the businesses are minority-owned, and 12 are women-owned. One of the lessons learned in the first cohort is that this program is best suited to retail and lifestyle businesses. Therefore, all 15 businesses have a retail component, or have a service that can be provided to retail businesses. As these businesses progress through the program, they will have the opportunity to establish space at the Gallery on Penn.

PROGRAM OBSTACLES

The graduation and progression of the first Catapult cohort revealed many strengths, but also revealed areas for improvement to best foster fledgling businesses in this way. The most significant obstacles encountered by the program so far have been:

- **Securing funding for the continuation of the program.** This is a common issue with any community-based program. In essence, potential funders are often hesitant to invest in a brand-new initiative. Catapult now has almost two years of successful programming, which will ease the burden somewhat. The URA, Neighborhood Allies, and Circles have all committed funding and resources for 2020. The key now is to develop a multi-year fundraising strategy that ensures the long-term continuation of the program.

  A related issue, however, is that Catapult is not a large program. To date, 30 businesses have been served. This is a small percentage of disadvantaged businesses in Pittsburgh. The answer to this is twofold: first, Cohort 1 was a pilot. The plan is to expand to at least one neighborhood per year over

The ongoing technical assistance consists of one-on-one mentoring, and connections with financial and other resources that will help them to grow their businesses.

the next 3-5 years. Second, Catapult addresses the need to develop a culture of entrepreneurship within the networks of the participants. On any Saturday, the Gallery on Penn is filled not only with customers, but with the children and grandchildren of the business owners. These owners are showing their families and communities that entrepreneurship is possible.

- **Providing effective, ongoing technical assistance.** After the first cohort, the decision was made to extend it from nine months to 12 months as well as to provide ongoing technical assistance for graduate entrepreneurs. As first-time business owners, these entrepreneurs have a large learning curve and the desire to learn and need more intensive guidance during the program and after their graduation. The ongoing technical assistance consists of one-on-one mentoring, and connections with financial and other resources that will help them to grow their businesses.
- **Securing permanent retail incubator space** in East Liberty, and for replication efforts throughout the city. The Gallery on Penn space is temporary since ELDI plans to sell or develop the building within the next 2-5 years. They have provided the space at far below market rate ($5/square foot, compared to an average of $18-20/square foot in the Penn Avenue corridor) for our entrepreneurs because they believe in the mission to provide affordable space for business owners from local neighborhoods. This obstacle remains for the future of the program; however, interest in the Catapult has grown, and talks have begun with developers and landlords in East Liberty and other areas of the city to provide space for this incubator program with local entrepreneurs.

KEY PROGRAM ACHIEVEMENTS

There are four important, related achievements that have come out of the Catapult program so far:

- First, as mentioned in a previous section, this program is helping to grow a culture of entrepreneurship in an underserved, disadvantaged community. The families and friends of the Catapult entrepreneurs are part of their businesses. They hang out at the Gallery on Penn, they help when needed, and they're learning that "if she can do this, maybe I can do it, too!"
- Second, the Catapult businesses have formed a strong network among themselves. They support each other, they share resources – they even plan events and activities at the Gallery on Penn that not only draw customers but provide educational and information resources to their group. This network formed organically through the cohort process. As a result, this ongoing networking component is being built into the program for both future cohorts and current graduates.
- There is now a retail location – Gallery on Penn – in the increasingly upscale East Liberty business district. Across the street from Warby Parker and Bonobos, there is an active storefront (actually, three storefronts) that is populated by mostly female, minority entrepreneurs, who are selling unique items that are affordable to the average consumer.
- Finally, this program has created a buzz. Other neighborhoods want to start a Catapult program. The mayor issued a proclamation on the first anniversary of Gallery on Penn. The success of the Catapult program has helped to spur broader discussions about how to maintain affordability in our neighborhood business corridors, therefore helping local entrepreneurs with the opportunity to build their businesses in their own communities.

PROGRAM EVALUATION

The URA currently tracks job creation, geographic distribution of loans, and MWBE participation. For Catapult, an estimated 20 jobs have been retained or created through the 12 businesses and entrepreneurs that graduated from the program, and potentially another 20-25 jobs from the current cohort. All of these entrepreneurs are from Pittsburgh's East End; 100 percent of the businesses are women and/or minority owned. Within the inaugural Catapult cohort, the following statistics have been added:

- Mentoring hours received: 220
- External connections made by participants: 405
- Businesses receiving financing or business credit: 4
- Businesses in the process of applying for financing: 6

One of the lessons that we've learned from the inaugural cohort is that Catapult is as much about individual success stories – the mother/teenage daughter team that developed a line of pet and children's T-shirts, or the owner who was able to stop driving for Uber and focus solely on her business – as it is about the number

Other neighborhoods want to start a Catapult program. The mayor issued a proclamation on the first anniversary of Gallery on Penn. The success of the Catapult program has helped to spur broader discussions about how to maintain affordability in our neighborhood business corridors, therefore helping local entrepreneurs with the opportunity to build their businesses in their own communities.

of businesses served. In the spirit of each one changes one, we are building a culture of entrepreneurship for these families and their communities. In that sense, our current tracking methods don't always capture the full extent of impact.

COVID-19 QUARANTINE ADJUSTMENTS

When the stay-at-home order was issued for all of Pennsylvania in March 2020, it became clear that adjustments would need to be made quickly to continue to serve the businesses in the Catapult program.

- All mentoring and cohort meetings were converted to online formats.
- URA approved one of the Micro-Loan technical assistance providers to help Catapult businesses establish or grow their ecommerce abilities.
- The Gallery on Penn virtual site was added to the URA home page. It connects users to the ecommerce sites for each of the businesses.
- URA is working with staff from Circles and Paramount to continue to serve the needs of the businesses, while planning the reopening of the Gallery on Penn.

NEXT STEPS

Catapult and the Gallery on Penn are designed to be replicated in other communities. One goal here in Pittsburgh is, over the next decade, to establish Catapult programs in several neighborhood business districts. Each program would have a version of the Gallery on Penn, showcasing local entrepreneurs. In 2020, the planning team began working on establishing a program in the Hazelwood neighborhood, as well as maintaining the program in East Liberty. These plans have been put on hold temporarily due to the quarantine, but the strategy for 2021 is to expand Catapult to Hazelwood, as well as Pittsburgh's Hill District neighborhood. The URA and Neighborhood Allies are committed to continuing to support the Catapult program; however, additional funding from local foundations and other sources is currently being pursued as well.

In an update on foundation funding, the URA announced on August 13 that the PNC Foundation has awarded the Authority a $10 million non-revolving line of credit to support equitable economic recovery initiatives in the city of Pittsburgh, including $1 million to be used for the Catapult: Startup to Storefront Program. The PNC funds will be used to expand the program to other neighborhoods across the city.

TAKEAWAYS

- A 12-month cohort is the most effective. Because Catapult participants are building their businesses while in the program, the 12-month format gives them time to learn, then practice what they learn.
- Catapult in its current form is best suited to retail and food-based businesses. As the program moves into future cohorts, there may be the opportunity to adjust to other business sectors.
- Technical assistance and mentoring cannot end when the 12-month program ends. Continuing support for "alumni" businesses needs to be built into the program.
- A vital component of Catapult is the network and support that the participants develop with each other.

NEWS FROM IEDC

IEDC AWARDED EDA GRANTS FOR DISASTER RECOVERY ASSISTANCE AND COVID-19 RESOURCE PROVISION

On April 30, the Economic Development Administration (EDA) awarded IEDC a $550,280 grant to provide assistance to Midwestern states that were impacted in 2018 and 2019 by natural disasters including floods, wildfires, and tornadoes that caused infrastructure damage, agricultural losses, and business disruptions to Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, and South Dakota. IEDC will support economic recovery, resilience, and new business growth.

On May 21, EDA's Austin office announced a grant for $106,100 to support IEDC's RestoreYourEconomy.org platform to provide technical assistance and knowledge sharing resources for communities that have been impacted by or are working to prepare for natural disasters and other economic disruptions, including COVID-19.

ANNUAL CONFERENCE GOING VIRTUAL OCTOBER 13-16

The 2020 Annual Conference was scheduled to take place in Dallas this October. Unfortunately, due to current public health and budgetary concerns, IEDC and our local Host Committee made the determination to host the conference "virtually" in an online format.

The conference program has been enhanced with additional curated networking opportunities and additional main stage events featuring outstanding keynote speakers. Paired with the exciting breakout sessions and speakers, the 2020 Virtual Annual Conference is not to be missed.

Registration is available at significantly reduced rates, including a package registration that will allow up to eight people from your organization to attend for one low fee.

COMBATING RACISM IN ECONOMIC DEVELOPMENT

IEDC shared the grief and outrage of the nation in response to the killing of George Floyd at the hands of law enforcement. Since then, IEDC has shared with our community reflections on our own role in addressing, combating, and remedying institutionalized racism in all its forms, but most especially in the context of economic justice, equality, diversity, and inclusion. IEDC reaffirmed our commitment toward promoting economic well-being for all and to providing leadership on these issues within our profession.

IEDC's Board of Directors established a committee to review these items and prepare webinars, conference content, policy proposals, and other resources for economic developers to combat racism in their work and their communities. A webinar series launched in August and can be found on IEDC's website.

ECONOMIC DEVELOPMENT RESEARCH PARTNERS (EDRP) PROGRAM FOCUSES ON MINORITY-OWNED SMALL BUSINESSES, BROADBAND AND FUTURE OF WORK

ECONOMIC DEVELOPMENT RESEARCH PARTNERS

International Economic Development Council

The COVID-19 global pandemic – and the challenges it poses – continues to be at the forefront for economic development professionals as well as the undercurrent for EDRP's 2.5-day virtual retreat in late July. Members voted to focus research efforts on how EDOs can support minority-owned small businesses in response to the pandemic and its disproportionate impact on small businesses, especially minority-owned businesses.

Other topics that EDRP will focus on include the role of EDOs in supporting expansion of broadband access in their communities and future of work and racism against a backdrop of heightened investment in technologies such as automation, artificial intelligence, and robotics. Staff will also launch a series of briefs on managing EDOs during a crisis to provide additional support for economic development professionals struggling with a pandemic and a recession.

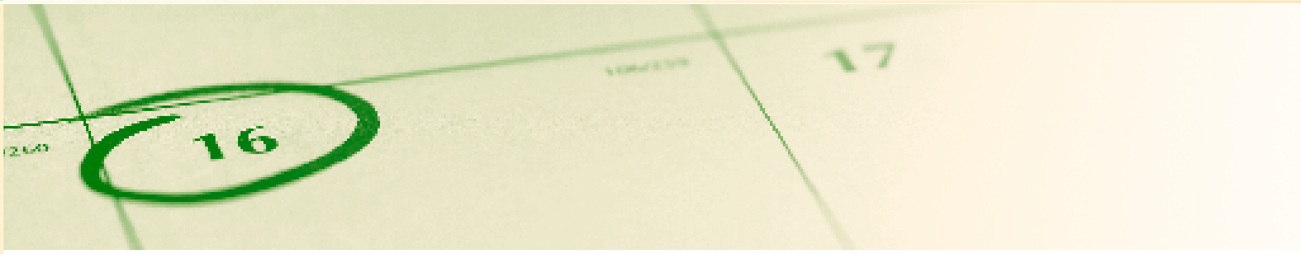
TRAINING COURSES GO ONLINE

IEDC has converted the remaining in-person training courses in 2020 to the virtual learning format. The interactive online courses have been instrumental for IEDC to provide valuable professional development opportunities to our members.

The second Economic Development Academy takes place September 22-25, pairing the Real Estate Development and Reuse, and Neighborhood Development Strategies courses into one continuous series. Register for the Academy and save 15% off of registration! For more information on training courses, please visit www.iedconline.org/courses.

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

CALENDAR OF EVENTS



RECERTIFICATION FOR CERTIFIED ECONOMIC DEVELOPERS

Fulfill a recertification requirement without tapping into your budget!

Earn two credits towards your next recertification by having an article published in the *Economic Development Journal*, IEDC's quarterly publication.

This is one of a number of ways that you can pursue recertification credits. Submissions are accepted throughout the year. The Journal Editorial Board reviews all articles and determines which articles are accepted for publication.

For more information contact Jenny Murphy, editor, at murp@erols.com (703-715-0147).

INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

IEDC sponsors an annual conference and a series of technical conferences each year to bring economic development professionals together to network with their peers and learn about the latest tools and trends from public and private experts.

IEDC also provides training courses and webinars throughout the year for professional development, a core value of the IEDC. It is essential for enhancing your leadership skills, advancing your career, and, most importantly, plays an invaluable role in furthering your efforts in your community.

For more information about these upcoming conferences, webinars, and professional development training courses, please visit our website at www.iedconline.org.

CONFERENCES

2020 Virtual Annual Conference
October 13-16

2021 Leadership Summit
March 14-16
Phoenix, AZ

2021 Economic Future Forum
June 6-8
Spokane, WA

2021 Annual Conference
October 3-6
Nashville, TN

2022 Leadership Summit
January 30-February 1
Coachella Valley, CA

2022 Economic Future Forum
June 12-14
Richardson, TX

2022 Annual Conference
September 18-21
Oklahoma City, OK

2020 TRAINING COURSES

Entrepreneurial & Small Business Development Strategies
September 17-18
(online)

Economic Development Academy

Course 1: Real Estate Development & Reuse

Course 2: Neighborhood Development Strategies
September 22-25
(online)

Economic Development Strategic Planning
October 8-9
(online)

Business Retention & Expansion
November 5-6
(online)

Economic Development Credit Analysis
November 18-20
(online)

Economic Development Marketing & Attraction
November 17, 24,
December 1, 8 (online)

Real Estate Development & Reuse
December 3-4
(online)

VIRTUAL CERTIFIED ECONOMIC DEVELOPER EXAM

October 3, 8, and 9

2020 WEBINARS

Thriving in a New World: Supporting Immigrant Investors & Entrepreneurs
September 17

Business Continuity Planning During COVID-19 and Hurricane Season
September 24

Not So Foreign Trade Zones
October 22

On Successful Pitches & RFP Responses: Putting Your Best Foot Forward
November 19

Becoming Accredited: A Conversation on the AEDO Program
December 10

Night Economy: Thrive for a Full 24 Hours
December 17

succession planning,

EMPLOYEE OWNERSHIP, AND BABY BOOMER BUSINESS RETIREMENTS

By Pete Shuler, Michael Palmieri, and Chris Cooper

INTRODUCTION

We all hear and read about economic development all the time. Whether it's the fight to attract the next e-commerce distribution facility; the construction of a new waterfront shopping and entertainment center; or the latest expansion of a regional health care provider, these stories make the news, and rightfully so. Large scale projects such as these bring much needed capital into our communities, create jobs and other economic activity, and attract our attention.

Less well-known are the smaller economic development success stories – Company X grows its workforce by a third; Company Y secures a loan that allows them to expand their manufacturing capacity and build a second facility; the owner of company Z successfully transitions his or her company to the next generation of ownership and keeps the doors open.

Less well-known are the smaller economic development success stories – Company X grows its workforce by a third; Company Y secures a loan that allows them to expand their manufacturing capacity and build a second facility; the owner of company Z successfully transitions his or her company to the next generation of ownership and keeps the doors open.

TAKEAWAYS

1. Two of the biggest economic challenges of our time are the impending wave of baby boomer business owners and the growing wealth inequality between those at the top and everyone else.
2. Employee ownership is an effective and viable option for business owners as they plan for exiting their business – creating a buyer for a business that may have a lack of other options while providing a fair price for the seller; and preventing business shutdown due to the same lack of options or poor/non-existent planning.
3. Employee owned businesses compete well in the marketplace (especially during a downturn) and provide employee owners with an opportunity to build real wealth and opportunity for themselves and their families. This stabilizes our communities and mitigates wealth inequality.
4. Taking advantage of the tool of employee ownership depends on a proactive strategy of educating business owners of this option and assisting with the transfer.

It's easy to see why the second set of examples doesn't attract the same level of attention as the first type. They represent a smaller, quieter, and everyday type of economic development that might be less newsworthy, but no less important to the economic vitality of our communities. Small businesses still provide nearly half of all private employment.[1] Moreover, studies have shown that small businesses circulate dollars from purchases in their communities at a rate three times higher than large big box or chain stores.[2]

Another and somewhat more uncomfortable truth is that not all economic development is equal. The movement of traditional high-paying manufacturing jobs to offshore markets, to be replaced by service sector jobs with generally lower pay and benefits, has manifested a growing disparity of eco-

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AN IMPORTANT TOOL FOR ECONOMIC DEVELOPMENT

Employee ownership, specifically as an under-utilized option in business succession, can address two major issues of our time – the current baby boomer business owner retirement wave and growing wealth inequality among all but those at the top. We analyze trends and data for both issues, discussing how business transfers to employees can mitigate business (and job) loss due to poor or non-existent succession planning and can build wealth for those at lower ends of the economic ladder. Addressing these two issues is an important task for economic development in the coming years; the impact of which ensures a strong base of economic activity, and community resilience.

Low wages, precarious work, and wealth and income inequality have negative effects on retirement security, health and well-being, education, and housing. In this context, local economic development strategies must focus not only on the number of jobs but the quality of those jobs and how they contribute to increasing incomes and provide wealth-building opportunities for individuals and families.

nomic opportunity. Increasingly, working people find themselves with fewer pathways to economic security, which gradually saps the economic vitality of our communities in ways large and small.

This article examines two specific trends from those outlined here – the impending wave of baby boomer business owner retirements (the so-called "Silver Tsunami") that if not confronted may lead to large scale business loss (along with the jobs they support); and a specific option for the transfer of ownership of these businesses that closes the wealth gap, provides a succession option for owners, and anchors jobs and capital in our communities.

TWO BROAD TRENDS

Inequality, precarious work, wealth creation

Decent jobs and wealth creation are a core mission of economic development efforts. Thus, trends in the labor market and the structure of wealth inequality are major concerns. Despite recent wage growth, wage stagnation has characterized the past four decades for many workers, with a disproportionate amount of wage gains going to the highest earners.[3] Moreover, with the decline of manufacturing and production sectors, low wage industries are growing and precarious work (defined as non-standard employment that is poorly paid, insecure, unprotected, and cannot support a household) is becoming more common. Recent research finds that half of all workers ages 18-64 work jobs that pay median hourly earnings of just over ten dollars.[4]

Trends in inequality are equally stark. Regarding income, the top one percent of earners receive 13 percent of all income. Wealth is even more concentrated with the top one percent holding nearly forty percent of all wealth in the US.[5] Low wages, precarious work, and wealth and income inequality have negative effects on retirement security, health and well-being, education, and housing. In this context, local economic development strategies must focus not only on the number of jobs but the quality of those jobs and how they contribute to increasing incomes and provide wealth-building opportunities for individuals and families.

Baby Boomer Retirements and Business Closures

In addition to trends in the labor market and wealth distribution there is another significant economic development challenge that will affect nearly 20 percent of the nation's labor force – baby boomer retirements. Baby boomers, defined as individuals born between 1946-1964, are retiring at the staggering rate of 10,000 a day. In addition, this group owns nearly half of all privately held businesses in the United States which employ 25 million people, and account for over $5 trillion in sales. Cities and states across the nation, that rely on these businesses staying open to provide good paying jobs and the needed tax base to keep communities thriving, must be serious and proactive in response.

The need is profound. Between 60 and 80 percent of business owners do not have a written succession plan in place, meaning there is no plan for what to do after the current owner retires, becomes incapacitated, or dies "on the job".[6] For some of these businesses, retirement of the owner can result in the business being packaged for a quick sale, a quiet liquidation, or other catastrophic event that can leave the owner's family, the employees, and the broader community suffering as a result.

In addition, small businesses' owners who are actively planning a succession strategy are finding it more difficult to sell their businesses. Very few family-owned businesses will pass to the next generation and less than 50 percent will find a buyer outside the family. For companies operating for more than 25 years with 20-100 employees in key service sectors including grocery stores, food manufacturing, home care agencies, residential care facilities, and child care centers the numbers are even starker. A recent report by Citi Community Development and Capital Impact Partners states that the ratio of business closures to sales of businesses among firms with these characteristics is 9 to 1.[7]

Estimating the Impacts

The enormity of this shift to the business landscape is daunting. For example, in the state of Ohio baby boomer retirements (if they follow established national estimates) will likely affect an estimated 72,000 businesses, which generate $190 billion in sales and employ 950,000 people. While all communities will be impacted, the magnitude and types of sectors affected changes according to the local context (Table 1).

TABLE 1: POTENTIAL ECONOMIC IMPACTS OF BABY BOOMER BUSINESS CLOSURES IN FRANKLIN COUNTY (COLUMBUS), OHIO

	Firms with at Least 1 Employee	Baby Boomer Owned Firms with at Least 1 Employee	Potential Average Loss Assuming 25 Percent Closure Rate
# of Firms	19,031	8,732	2,183
# of Jobs	615,914	251,339	62,835
Payroll ($US Billions)	$28.1	$13.2	$3.3*
Sales ($US Billions)	$162.2	$77.6	$19.4*

Source: Census Bureau, 2012 Survey of Business Owners. * These numbers are based on the strong assumption that payroll and sales are equally distributed across all companies. We know this is an assumption that likely will not hold.

A 25 percent shutdown rate is conservative, assuming national averages for shutdowns due to a lack of succession planning. However, it is important to show that, even under a conservative estimate, the potential economic impacts can be large. Knowing that owners of smaller companies face more difficulties when selling their companies, Table 2 looks at a narrower segment of businesses that have fewer than 100 employees. The economic impacts are still large, 4.6 percent of firms and 4.5 percent of jobs would be lost in this scenario.

TABLE 2: POTENTIAL ECONOMIC IMPACTS OF BABY BOOMER BUSINESS CLOSURES WITH 5-99 EMPLOYEES IN FRANKLIN COUNTY (COLUMBUS), OHIO

	Total	Baby Boomer Businesses 5-99 Employees	Potential Average Loss Assuming 25 Percent Closure Rate
# of Firms	19,031	3,530	883
# of Jobs	615,914	112,853	4.5

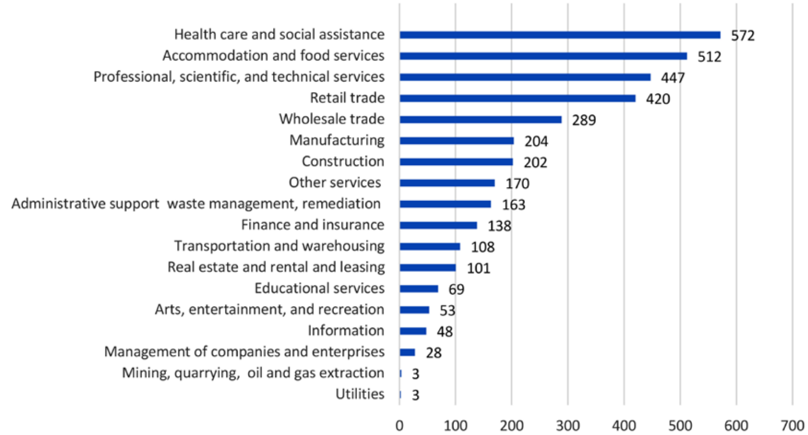
Source: Census Bureau, 2012 Survey of Business Owners. Due to the nature of the Census data we could not provide estimates for payroll and sales for this narrower segment.

Baby-boomer retirements will not affect all industries in the same way. To demonstrate in the state of Ohio, Figure 1 provides estimates for potential impacts on number of firms by industry, while Figure 2 does the same for jobs. When considering what industries have the most businesses at risk, health care and social assistance; accommodation and food services; professional, scientific, and technical services; and retail trade are among the potentially most affected industries. Combined, these four industries represent over half of the total number of at-risk businesses. Looking at jobs, a similar picture of unevenness emerges. Health care; accommodation and food services; and retail trade, when combined, account for two thirds of at-risk jobs. This isn't surprising as all three industries are labor intensive.

Some industries that rank high in the total number of at-risk firms rank lower for the total number of at-risk jobs (or vice versa). This is a function of businesses within an industry employing, on average, more employees per business because that industry is more labor intensive. Hence, while the manufacturing and construction industries have a similar number of at-risk businesses, the construction industry has four times the amount of at-risk jobs. This underscores the importance of understanding the local context, especially if you want to know the impact on tax revenues.

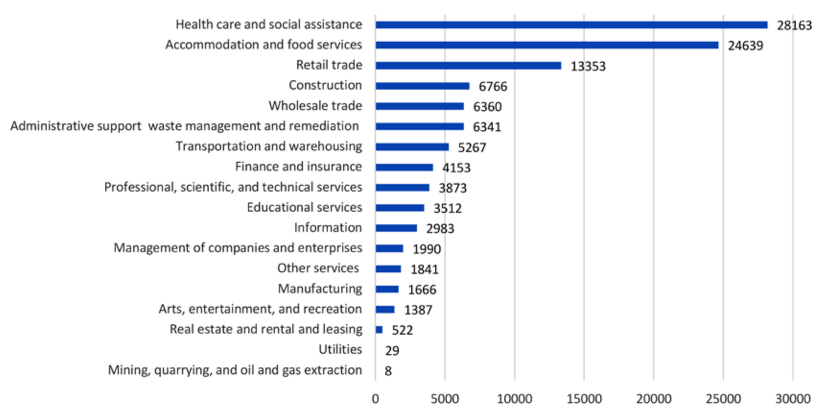
One final point: the most at-risk industries are also those that pay the lowest wages and have the least amount of wealth-building potential for marginal workers. This can increase demands and expenditures on already squeezed government services and social safety net programs. Economic development strategies should not be solely based on retaining these jobs, but doing so in a way that provides pathways to real wealth creation.

FIGURE 1: AT-RISK BUSINESSES BY INDUSTRY, TOTAL (3,530)



Source: Census Bureau, 2012 Survey of Business Owners

FIGURE 2: AT-RISK JOBS BY INDUSTRY, TOTAL (112,853)



Source: Census Bureau, 2012 Survey of Business Owners

EMPLOYEE OWNERSHIP AS A BUSINESS SUCCESSION STRATEGY

Proactive Outreach Succession Planning

Nearly all business owners intuitively understand the need to plan for what happens when they leave their company. Yet, one of the biggest impediments to successful ownership succession is often the business owner him/herself. A typical business owner often spends much more time working *in* the business than *on* the business. Their entire life (and often their sense of self-worth) can be so closely tied to the business and their role in it, that it can be hard to step back or out. The difference between the expectations and reality of business value can delay succession planning on the hope that next year will bring the windfall. Or they just don't want to quit what they love doing.

Despite all these factors, every business owner will eventually exit their company, one way or another. This truth should reinforce to all who care about the economic well-being of our local economies that inaction is not a viable path forward for businesses or local economies. So what's the solution? The key is to connect proactively with business owners to convince them that inaction is costing them money when it comes time to exit the business. There are options that allow a business owner to begin cashing out of the business while staying involved, if that is their wish. The possibility exists to create a plan that provides value for the business owner while addressing their goals and objectives for the business, and for their life after leaving the business. It can be a win-win situation.

The Employee Ownership Option

Traditionally, there were two common methods for transferring a smaller, closely held business – passing on the business to one or more of their children, and selling to an outside buyer. (A lucky few see enough growth to have a third option – going public).

Forty or 50 years ago, it was not uncommon for a business to be in its 3rd or 4th generation of family ownership, it was an important part of the family legacy. But we tend to see fewer of these today, for a number of reasons. For example, a typical business owner has likely been successful enough to send their children to college, providing an opportunity to find their own path, and perhaps a profession. Having witnessed the amount of effort and time away from the family that mom and dad spent to build the business, or merely finding a preferred profession of their own, children are increasingly choosing a career path rather than taking over the family business.

Conversely, selling to an outsider is often an appealing option for a business owner. There are a number of reasons for this, and primary among them is, absent a distressed or liquidation type situation, it will likely provide the selling owner with the best price for the business. On the other hand, after the transaction and the check has been cashed, owners may be unprepared for the changes implemented in, and on, the company, including name changes, layoffs, dismantling of the business, and more. Finally, (as mentioned above) a viable external buyer is not always easy to find. Buyers have choices in where they invest their money and no matter how financially successful, a particular business is not always of interest to investors.

So, what is an owner to do in situations where neither a financial investor or children are prepared to purchase and run the business? There is a third option for the business owner and that is selling to most or all of their employees – as a group. In the United States, there are two major types of employee-owned business models in general use – Employee Stock Ownership Plans (ESOPs) and employee-owned cooperatives. Both are intended to be broad-based structures that include most (if not all) employees as owners (this differentiates them from management or key-person buyouts).

ESOPs are tax-qualified retirement plans similar in many ways to 401(k) plans and profit-sharing plans. Like these other plans, ESOPs offer tax advantages to the companies sponsoring them and to employees participating in them. In exchange for these tax advantages, ESOPs and these other retirement plans must follow certain rules capping the tax advantages and promoting the fair treatment of all employees. The Internal Revenue

THE TWO EMPLOYEE OWNERSHIP MODELS – IN BRIEF

Employee Stock Ownership Plan (ESOP)

Employee stock ownership plans (ESOPs) are tax-qualified retirement plans similar in many ways to 401(k) plans and profit-sharing plans.

ESOPs offer tax advantages to the companies sponsoring them and to employees participating in them. In exchange for these tax advantages, ESOPs and these other retirement plans must follow certain rules capping the tax advantages and promoting the fair treatment of all employees. The Internal Revenue Service and Department of Labor oversee compliance with and enforcement of these rules.

ESOPs are the only retirement plan permitted to borrow money to acquire assets. Unlike other retirement plans, they are not subject to fiduciary concerns regarding diversified investments and must invest primarily in the sponsoring company's stock.

Owners of stock in a C-Corp can completely avoid capital gains taxes, if they sell their shares to an ESOP and follow certain rules.

ESOPs sponsored by C-Corps receive tax deductions for the contributions they make to the ESOP, and those contributions can flow back to the company as payments on the ESOP loan. Thus, these companies receive tax deductions without losing cash.

S-Corps are taxed at the shareholder level, and an ESOP is a tax-exempt shareholder, so income attributable to shares in an ESOP is not taxed at the federal level nor by most states.

As with any retirement plan, employee accounts in the ESOP grow tax free until they eventually receive payouts of benefits from the plan. Unlike any other retirement plan, that growth can be fueled by the employee's own efforts in the business.

Employee-Owned Cooperative

A type of corporate entity (not a retirement plan) that has similarities with Partnerships, LLCs, S-Corps, and C-Corps but differs in its internal structure and tax implications.

Employees are member-owners of the business (similar to LLCs), and each member has one share and one vote for major corporate decisions, including voting for the Board of Directors. Most states require at least a majority of board members also be member owners of the company.

Corporate profits are distributed not based on membership share but on employee contribution (i.e. amount of labor hours) provided to the company on an annual basis. This distribution is called patronage or a patronage refund and is taxable as income on an annual basis (similar to S-Corp distributions).

As a type of corporate entity, cooperatives do not have the regulatory burden of ESOPs, thus they are less costly to set-up and maintain.

Cooperatives do not have the tax breaks for the operating company and member owners that ESOPs have.

Selling owners can utilize the 1042 Rollover on Capital Gains on the proceeds of a sale, and the cooperative will pay a negotiated price for the stock.

Service and Department of Labor oversee compliance with and enforcement of these rules.

Unlike an ESOP, an employee-owned cooperative (or co-op) is a type of corporate entity – other types of corporate entities include C- and S-corps, LLCs, and Partnerships – and not a Qualified Employee Retirement Plan. And also unlike with an ESOP, the employers are generally required to consent to take over the business and will be required to pay a membership fee to join the new cooperative business (which is generally not prohibitively expensive). Cooperatives also institute a new governance structure of one member one vote on major corporate decisions.

Both models usually finance the sale by leveraging the cash flow of the business to generate financing. This financing usually is obtained from traditional sources, like banks, but can also include seller financing for some or all of the purchase price. Because of this, good candidates must be generally financially solvent without a current debt load that would preclude additional financing. Another important pre-requisite is the presence of a current strong management team, or a plan for the company to either build one from within or from outside. This ensures business continuity when the selling owner(s) fully exit the company.

Both models can benefit the company on an ongoing basis, providing a motivated workforce when participation is encouraged enabling employee-owned companies to outperform non-employee-owned firms on a number of important indicators.

Why Employee Ownership?

Selling Owners – We've mentioned above the impact of not having another viable buyer for the business. In fact, selling to employees can in many ways allow the seller to create a buyer, that pays a fair price, for the company where none previously existed. In most cases, selling to an ESOP or cooperative also allows the owner to defer or even eliminate capital gains taxes on the proceeds (the "1042 Rollover"). Finally, for those business owners interested in maintaining the legacy of the business – for the employees and the community – this type of sale may be the next best thing to a family member taking over the business. Finally, if the selling owner wishes to continue to be involved in the new employee-owned business, that can happen as well.

Company – Both models can benefit the company on an ongoing basis, providing a motivated workforce when participation is encouraged enabling employee-owned companies to outperform non-employee-owned firms on a number of important indicators. This includes productivity, profitability, employee turnover, and a lower closure rate during economic crises.[8] Ongoing income tax breaks for S-Corp ESOPs provide for a competitive advantage in the market. Consumers/customers also like employee-owned companies.[9]

Employees – Employees stand to benefit greatly from this type of sale. The selling owner has chosen an option that keeps the business, and the jobs it supports, viable for the future. Employees also stand to benefit financially, allowing them to build real wealth beyond just a wage or salary.[10] Research has shown that employee-owned firms, on average, pay higher wages, provide better levels of benefits, provide 401k retirement plans at higher rates than conventionally owned companies, provide higher levels of employee retirement savings, and more.[11] For example, research conducted by the Ohio Employee Ownership Center (OEOC) finds that in Ohio the average ESOP participant's balance in their ESOP account is more than $109,276, with some averaging over $500,000 or more.[12]

Communities – The benefits to our communities are numerous. Retaining companies and jobs that might otherwise be lost to a lack of succession planning is important by itself, and if a company is sold to an outside buyer, layoffs and/or the movement of the company to another location (perhaps out of the country) are certainly possible and often occur. Employee-owned companies, on the other hand, almost always continue operating in the same location and with the same employees they had before the transaction.

AN OUTREACH APPROACH

It's clear from our experience that employee ownership will not be a fit for every company, every business owner, or every ownership succession situation. What cannot be denied is that every business owner will benefit from timely and effective succession planning. Transferring a business to children, key management, a competitor, all of the employees, or even a financial buyer will benefit the community more than if an owner's lack of planning causes the business to shut down. What's needed is a proactive, community-based strategy that includes a variety of stakeholders.

An example of one strategy was developed in the mid-90s in Northeast Ohio by the OEOC, local economic development partner The Greater Cleveland Partnership's Council on Smaller Enterprises, and local service providers (attorneys, accountants, financial planners, etc.) The program's goal was to engage with business owners with a comprehensive set of seminars on issues related to succession and post-succession planning, including highlighting the employee ownership option. In addition, the program provided a short manual on succession planning (that outlines an easy to implement and manage process and worksheets that helped jump start planning) and a Service Provider Directory of local practitioners in relevant fields needed to complete the planning process.

Over the intervening years, the above model has been adjusted and altered, as local circumstances have required in communities around Ohio, to reach out to business owners – where they are – and get them the assistance they need. The keys have remained the same – a partnership of a variety of community stakeholders all geared to one purpose of proactively engaging with business owners.

The outline here is not the only way to do things. Local problems require local solutions, and there are numerous organizations and groups, public and private, that are working in communities across the country to reach out to business owners and get them the planning help they need. The OEOC is currently developing additional programs for communities around Ohio that build on previous iterations, but that also adapt, in strategy, to the present.

CONCLUSION

The broad canvas of business sizes and types are all important for maintaining a strong economic ecosystem. Such a system supports jobs, economic opportunity, and the overall health of our communities. No region can survive on only large, or small businesses. Everyone is needed if we are to thrive and remain resilient. As we reach the wave of baby boomer business owner retirements, and the potential for business and job loss if succession planning needs are not met, are we ready to accept the consequences? The question is ours to answer.

THE IMPACT OF COVID-19 BUSINESS SUCCESSION PLANNING

Note: this article was originally written prior to the COVID-19 Virus impact on the economy.

It's hard to know at this point what the full impact of COVID-19 will be for business owners, business succession planning, and future trends with both. Clearly, some businesses (including those facing an ownership succession event) will not make it through the crisis or have closed already. Some business owners close to retirement will choose to ride it out for a few years more, maybe a few years more than they would like. Others will decide enough is enough and seek a way to sell or otherwise exit the business as soon as they can – to whoever they can – getting what they can for the business. This may accelerate the rate of business closure or dislocation.

Depending on who you ask, third-party sales (to private equity, strategic buyers, or sales through brokers) have slowed considerably or have ground to a halt. We expect third-party sale activity to slowly increase, but the already low odds (around 25 percent) of an outside sale will be even lower for some time. Since the seller is essentially creating its own buyer with a sale to an ESOP or Worker Cooperative, the attractiveness of this option will likely increase for business owners looking to exit the business right now. Anecdotal information from the employee ownership advisory community is corroborating this assumption – and the related tax breaks with such sales create additional incentives.

For the economic development community, the intense dislocation of the past six months, and the resultant loss of businesses and jobs, makes it even more imperative that a proactive strategy be developed without delay not only to help business owners and their exit planning but to educate and inform them of the employee ownership option. The benefits of employee ownership, for individuals, companies, and surrounding communities is well documented. The data is clear, employee-owned businesses on average survive recessions at a higher rate than conventionally owned counterparts – shedding fewer workers, and coming out onto the other side in better financial shape.

With so much lost already, can we afford to lose even more due to incomplete planning or lack of knowledge? We believe allowing this to happen will be a mistake of lasting consequence for our communities and the people we serve.

FURTHER RESOURCES

1. **Ohio Employee Ownership Center**
   - Owners Guide to Succession Planning (https://uploads-ssl.webflow.com/5cdc97dbfcbd7455a5788315/5e5400b7a6be493a177d08a5_OEOCOwnersGuideBusinessSuccessionPlanning.pdf)
   - Selling Your Company to Your Employees: Employee Stock Ownership Plans and Worker Owned Cooperatives (https://uploads-ssl.webflow.com/5cdc97dbfcbd7455a5788315/5e5402bf64688e7af861b247_SellingToEmployees.pdf)
2. **Crowe**
   - A Comprehensive Guide to ESOPs (https://www.crowe.com/insights/asset/a/a-comprehensive-guide-to-esops)

OTHER MATERIALS AND ORGANIZATIONS

1. **National Center for Employee Ownership** – How an Employee Stock Ownership Plan Works (https://www.nceo.org/articles/esop-employee-stock-ownership-plan)
2. **Democracy at Work Institute** – A Guide to Cooperative Conversions (https://institute.coop/resources/legacy-business-our-opportunity-build-wealth-economy-and-culture)
3. **Project Equity** – Business Conversions to Worker Cooperatives (https://www.project-equity.org/wp-content/uploads/2017/02/Case-Studies_Business-Conversions-to-Worker-Cooperatives_ProjectEquity.pdf)

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drawn together

By Susan Soroko

"The creative economy is recognized as a significant sector and a meaningful contributor to the national gross domestic product. It has spurred innovation and knowledge transfer across all sectors of the economy and is a critical sector to foster inclusive development." – *United Nations Conference on Trade and Development*

INTRODUCTION

When businesses and creatives collaborate beyond traditional exhibitions, performances or embellishments, new outcomes are the catalysts for a competitive advantage. For every sized community, assessing its assets, opportunities, and untapped business relationships is core to new sector development. In Arlington County, Virginia, keeping a pipeline of new industries that impact and influence other sectors is key to diversifying the business base for long term gains.

WHAT IS THE CREATIVE ECONOMY?

If you ask an economic developer, an urban planner or an artist to define the creative economy, you'll probably get three different responses. It's not that the creative economy is undefinable. While it is deeply rooted in industry and occupation codes (Bureau of Economic Analysis Arts and Culture Satellite Account), creative economy initiatives often evolve from placemaking, small businesses and maker spaces sprung from new technologies. It actually took someone with a background in international relations and urban design to put the first stake in the ground about how to define creative economy. Now, much of how creative economy is defined harkens back to the essence of what John Howkins posited as the title of his 2001 book *The Creative Economy: How People Make Money from Ideas*.

In Arlington County, Virginia, keeping a pipeline of new industries that impact and influence other sectors is key to diversifying the business base for long term gains.

In 2013, researchers led by the National Creativity Network and supported by a grant from the National Endowment for the Arts set out to establish definitions, purpose, and impact to frame this evolving sector. Seeking commonalities of industries, occupations, and practices, *America's Creative Economy* report noted that "creative economy involves both individuals and entities who engage in activities that add value to society in one or more

TAKEAWAYS

- Regardless of economic standing, every community has creative assets that often exist independently. Artists and artisans exist everywhere. When featured, supported, promoted on social media, and held up collectively, these individuals and businesses form the basis of a sector that can set the community apart.
- Relationships with community members are essential to growing support for a creative sector. Whether a project idea can be implemented immediately or in the future, take stock of individuals and companies that are willing to host, sponsor, and promote. Stay connected until the time is right to launch a program, talk or workshop.
- Higher education, whether it's a community college or the main campus of a university, is key to workforce development. Find the departments that are training creative workers, ask them what they're preparing their students for, and make them an asset for businesses looking to move to your area.
- Why look at the creative economy now? As municipalities revisit their economic base post pandemic, supporting businesses that thrive on agility and creative problem solving will be essential.

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ARTS & ECONOMIC DEVELOPMENT

Attracting and retaining businesses takes economic development authorities to new creative levels. Learn how tracking local makers, artisans, and entrepreneurs can contribute to sector diversification and stability. Agility and community relationships are the hallmarks of the way many creative businesses thrive, especially during unforeseen challenges.

The breadth and variety of creative industries and occupations essentially allow municipalities to develop a creative sector meaningful to its community. It's not a "one size fits all" industry base that looks the same in every area.

ways through the provision of goods and/or services that are inextricably linked to human creativity manifesting itself in one or more dimensions throughout the process of ideation, creation, production, distribution, and use." From architects to media specialists, makers and chefs, the creative economy serves to both accentuate an area's assets and leverage its unique business models.

The breadth and variety of creative industries and occupations essentially allow municipalities to develop a creative sector meaningful to its community. It's not a "one size fits all" industry base that looks the same in every area.

Creative sectors are relevant to any size community, growing or mature, urban or rural, service or industrial, academic or agricultural. Many may know Arlington, Virginia, as the new home of Amazon HQ2, but in 2005, it had just been ranked first in the creative class index introduced by Richard Florida in *The Rise of the Creative Class*. Talent, transportation, and placemaking were heralded as key factors for urban planning and Arlington had them all.

With its proximity to the nation's capital, Arlington had grown into a comfortable suburb with many residents who worked for the federal government. It was also a natural place to launch many service companies that are largely defense contractors and government support agencies. Its rank in the creative class index was a direct result of astute and forward-thinking transportation planning, including the Washington Metro subway system, placemaking that included world-renowned public art, and a smart workforce that stayed because those index attributes also made Arlington attractive to both businesses and residents.

In today's competitive talent environment, a creative sector initiative stands as the next key to innovation and business diversification.

IMPORTANCE OF COLLABORATIONS AND PARTNERSHIPS

When it comes to sector development, a municipality needs partners. Arlington began by reaching out to people and organizations in the community and identified partners internally, like the Department of Parks and Recreation, and external ones like financial institutions, developers, universities, and housing companies. The first opportunity to explore a unique creative collaboration was at the Arlington Mill Community Center, a new recreation and community facility with a street facing retail space that was unfinished and vacant. The neighboring community was anxious to have an anchor there, like a local café or restaurant, to attract the community as a gathering place and bring vibrancy to an area that had no Metro station.

Arlington invited attention to the space first through traditional real estate leasing agents, then with familiar community development partners, programs, and a few temporary uses. These efforts failed to find a tenant and the Economic Development Department was asked to help activate the space. What started with a photography exhibit documenting the community kicked off a facility-wide day-long festival. The photography exhibit of over 80 prints from Lloyd Wolf's book *Living Diversity* reflected the character and faces of the neighborhood. The prints were professionally installed (on unfinished dry wall) and became the colorful backdrop for dozens of other interim programs. From recreational art programs, author talks and history lectures, the space, which already had electricity, heat, and air conditioning was furnished with repurposed gallery lighting and became the starting point for other larger projects.

The unusual space was the genesis for a focus on supporting small local creative businesses. When the new Made in Arlington initiative was established with a nod to discovering local artisans and makers, the first Made in Arlington pop-up market was launched in the space as a mini one-day retail shop for Arlington makers and entrepreneurs. The sunny large windowed space also became a welcoming home to a trial run of a library pop-up. A place to pick a book, drop off a book, or sit down for story time provided the library with a perfect spot to test an upcoming temporary use of another, larger vacant retail space in Arlington's Crystal City neighborhood.

True to its intent, the pop-up markets and temporary uses resulted in finding a permanent tenant, which was great for the space, but left this segment of Arlington's

Arlington Mill Community Center, Made in Arlington Pop-Up shop.

Image by Lloyd Wolf

creative economy without a home. Not far away, however, were two unique opportunities for partnerships.

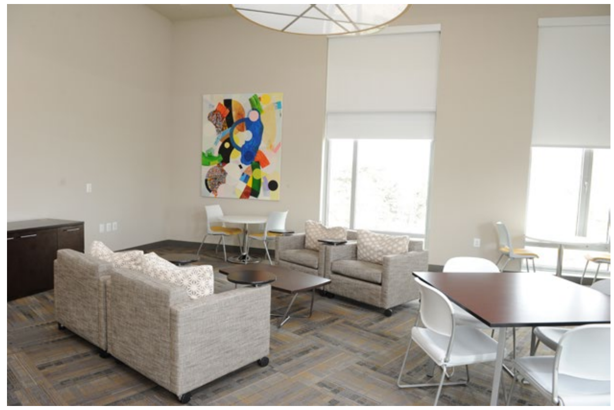
DOES ART NEED TO BE IN A GALLERY? FINDING CREATIVE VENUES

For the duration of the temporary space at Arlington Mill, the photography installation drew attention from just about everyone who came into the space. Although it had to be dismantled and returned to the photographer once a tenant was secured, the notion of an exhibit on some other existing wall space was still top of mind.

A credit union may not immediately come to mind as a community partner for an art installation, but without a lot of convincing, they were perfect. The Arlington Community Federal Credit Union had a similar mission to a nearby artist's studio. At their core, both were serving Arlington. When the Credit Union's CEO attended the nearby Columbia Pike Artists Studio open house, it became easy to imagine an exhibit in the Credit Union lobby.

With collaboration from Arlington Economic Development, the Credit Union received guidance to host original artwork in their main headquarters and in a branch office. The artists, famously introverted, had a new venue to help sell their work, be visible in the community, and even get a few commissions. Walking in to a previously non-descript lobby, the Credit Union employees were pleasantly surprised that they felt differently about their workplace. Perhaps most valuable were the business members, the customers, and the board of directors who took notice of how these two separate institutions were serving their community in a very unique way.

What came next was a project that had impact beyond expectation. Arlington Partnership for Affordable Housing (APAH) is primarily a real estate developer, but they're also a community builder. When they were about to open a new property at Columbia Hills, APAH wanted to demonstrate a bigger connection to its residents and the neighborhood. With a dedicated budget to purchase



Arlington Partnership for Affordable Housing.

Staff image. Painting by David Carlson

local art and a commitment to the community, APAH sought guidance, curation, and input. Working with Arlington Economic Development to connect to Arlington artists, they installed original art in all of the common areas and added new art-based programming to their properties.

The initiative opened the door in unexpected ways for an affordable housing organization to build a different relationship with the creative community. What began with installing art throughout the property and continuing with artist-led programs, APAH is now in the process of establishing an artist-in-residency program with Arlington Cultural Affairs through a grant from the National Endowment for the Arts.

Arlington Community Federal Credit Union.

Staff image

INTERNAL PARTNERS

These project examples built a body of evidence that partnerships and opportunities really are everywhere. After the pop-up market activation that filled the vacancy at Arlington Mill succeeded in attracting a tenant, the signature Made in Arlington initiative needed a new home. The individuals and small businesses that got an opportunity to test their products in a new marketplace were ready for more. A few, like pie bakers and coffee roasters, had opened bricks and mortar locations, so exposing more vendors to the marketplace was an important component of the program. By extending the marketplace experience with a combination of partners and an existing economic development resource, Arlington had created an inclusive, diverse platform to grow artisan businesses and needed what many startups needed, a space to continue.

As it happened, the public library has a small retail shop within the branch location in Arlington's main government building lobby. Was it possible to dedicate a section of the library shop in this public government building to vendors whose items were made in Arlington? Taking cues from big retail, it would be modeled as a shop within a shop. For the library, this would not displace the many Arlington County logo t-shirts, water bottles and hats sold to visitors and some employees. Instead, it would be another way to have something unique in the shop, a show of support for local businesses and branded as Made in Arlington.

To bring attention to this new collaboration and extend the exposure of some vendors not suited to a small shop (furniture, food, perishables or pricier items), an assortment of holiday and special occasion pop-up markets was established right outside the library. The lobby in the government building is a very wide corridor where people come and go, whether they're registering to vote, voting absentee, taking their business plans up to zoning or paying their taxes. There's a lot of foot traffic and no outdoor festival weather insecurities. With the help and support of the library and the building management that supplies tables, chairs, and indoor and outdoor signage, Made in Arlington is able to conduct regular ongoing pop-up markets featuring new and established artisans. Pay your taxes, file your site plans, buy some chocolates.

FOR-PROFIT CREATIVE INDUSTRIES

Business attraction/retention and workforce development remain key features to any sector development. So, what about the for-profit creatives? These companies, such as the media, web and graphic designers, ad agencies, architects, film companies and more, didn't have a platform for showing off their collective impact on innovation. Like many industries, each segment tends to keep close company within their ranks. But now that we have Amazon HQ2 in our neighborhood, every business is in the position to increase their capacity to be more innovative and a catalyst for competition. What's their big advantage, collectively and individually? How will they stand as a sector? With that in mind, Arlington launched the Return on Creativity series.

PROGRAMS AND EXTERNAL PARTNERS

The Return on Creativity program expands the impact of creative businesses in the community. Partnering with universities to host events and aligning with professional associations like The American Institute of Graphic Arts; the American Advertising Federation, DC Metro Chapter; and the American Institute of Architects has widened the door between the disciplines. Among those, many have been tapped to join as program partners for topics and content that are timely and relevant to their industries.

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Arlington Mill Community Center; Living Diversity photo exhibit opening.

Photo by Duy Tran.

Arlington hosts regular events after work, networking series highlighting placemaking, branding, marketing, urban design, architecture, media and more. Our business organizations often support the programs with food from local restaurants, another way they bring value to their members. When a business improvement district fast tracked occupancy of a vacant retail space into a temporary creative oasis, nearly a dozen public and private stakeholders had good reason to take credit.

These Return on Creativity networking events culminated in a day-long summit called Return on the Future. If there's one thing creative entrepreneurs do well, it's keep a phenomenal network of connections. From this network, the program team representing advertising, marketing, media, and a university invited an array of panelists from real estate developers, media, AI specialists, hospitality leaders, association strategists, and many more who were willing to come together and talk about how they differentiate themselves with creative strategies. Set in an expansive co-working space, this event provided a glimpse at what cross-sector interaction can generate for innovation.

The feedback from the organizers, the attendees, and the panelists was that this was such a rare opportunity for them to collaborate and talk to people who were not just professionals in their respective industries. It was intentional cross-sector programming, bringing people together and using their creative skills across many different sectors.

STEPS TO DEVELOPING AN INITIATIVE

Where do you go to launch a creative economy initiative? Starting points are typically available in most communities no matter what size or maturity. Begin by taking advantage of existing programs or resources that both

Around the country there is a groundswell of "Made in" programs that are cookie cutter in name only. Discovering unique talent in any community will set these makers, artisans and entrepreneurs apart. Rarely are any of the individual makers able to afford a standalone retail shop but together they bring a variety of products to a marketplace where they can begin to test their viability and scalability.

businesses and artists can take advantage of. Track what's already in your jurisdiction. Look at what other municipalities are doing (like Seattle and Denver). The Chamber of Commerce is one example. Other groups that typically have chapters or representation in just about every community include the Service Corps of Retired Executives (SCORE), originally founded under the federal Small Business Administration. SCORE offers many free and low-cost business resources, both online and in-person. In many communities, SCORE offers a free one-on-one mentoring program, a significant supplement to Arlington's small business division, BizLaunch, working with entrepreneurs and startup businesses on every aspect of business planning, funding, capacity building, and marketing.

Arlington also works with business partnership organizations and business improvement districts. Not every municipality may have a business improvement district which typically has their own special taxing capacity. But these organizations, even if they're on the smaller scale and don't have giant budgets, can help with event support. Partnership organizations may do a mural project, a festival or community fairs. Often with a slim staff themselves, these organizations rely on experts from both the public and private sector for content that's of value to their constituents.

Around the country there is a groundswell of "Made in" programs that are cookie cutter in name only. Discovering unique talent in any community will set these makers, artisans and entrepreneurs apart. Rarely are any of the individual makers able to afford a standalone retail shop but together they bring a variety of products to a marketplace where they can begin to test their viability and scalability. Using a space without overhead cost, deploying an inexpensive marketing plan, complemented on an existing government website and having the participating vendors heavily use social media have made the most of the assets in place. Beyond a government center space, there are explorations for pop-ups in different kinds of venues like hotels, office building lobbies, or even a hospital lobby, all to bring support to small business and a unique market to visitors.

The Made in Arlington program fits under the small business support umbrella, so the vendors aren't charged a fee for the table space. They manage their own sales, pay their sales tax, and get some promotion. Through observation and feedback, they are guided into programs that can help them expand their business, solidify their marketing, teach them how to do social media or whatever they need to do to prosper beyond having a table in a pop-up space. Nothing can guarantee success, but offering an array of tools and resources is likely more than what they'll have on their own.

FUTURE/ CHALLENGES/LESSONS LEARNED

In order for any initiative to succeed, the conditions have to be favorable and members of the sector need conditions that support them. Incentives, access to affordable space, investment, marketplace, marketing, health insurance – all of the elements critical to any industry sector – are especially important to creatives who often work alone.

Any initiative starts with taking stock of both the challenges and opportunities that exist in the municipality. Arlington's path has not been without its challenges. In 2010, a publicly supported contemporary arts center opened and in 2015, it closed. Public support of the arts can be fragile. It's important to know what the community support is and who the champions are. Identifying allies and reaching out to those members of the community is critical. It may be a banker. It may be a developer who's amenable to short-term retail vacancies that could be used for popups or other unique uses.

Does the community have favorable zoning with permits that can support small scale manufacturing? Small scale manufacturing can be anything from breweries to 3D printed products to that special jam made at the favorite bakery. What funding, incentives or grants are available that will help spark more collaborations between creatives and businesses?

There are a growing number of reasons that communities of all sizes are pursuing creative economy initiatives but some of the most striking are surfacing in the wake of the massive, unanticipated disruption by the coronavirus. Placemaking, activation, revitalization, small-scale manufacturing, tourism, and customer experience have been showing up in many aspects of urban and community planning for decades now. But the relevance and value of a creative sector in the midst of a global pandemic? This flexibility of space and facility use are now key to recovery. Some of the most unique ways that businesses are shifting their model to stay afloat are coming from a groundswell of creative and design thinking.

A creative workforce is more important than ever to solve problems, stabilize economic shock, innovate for the long game, and provide economic developers with another tool. There is no more business as usual.

In order for any initiative to succeed, the conditions have to be favorable and members of the sector need conditions that support them. Incentives, access to affordable space, investment, marketplace, marketing, health insurance – all of the elements critical to any industry sector – are especially important to creatives who often work alone.

At the end of the day, it's important to start by keeping track of the impact of these efforts. One of the programs that's popular within our economic development department as a whole is Salesforce, which is a program that probably not everybody uses, but we certainly do, and a lot of other large organizations do.

I've worked with partners here within economic development to establish a section of Salesforce that tracks the creative economy. It becomes part of the infrastructure of the kinds of industries that we serve and industry sectors that are really important to us. Because at the end of the day, municipalities need to keep businesses, they need to attract businesses, and they need to engage businesses. The creative sector portion of that is really what is sparking a lot of innovation. It's the partnerships between businesses and creatives that make companies want to move and it makes them want to stay.

RESOURCES

Americans for the Arts (AFTA) pARTnership movement: Why businesses partner with the arts. https://www.partnership-movement.org/

America's Creative Economy; a primer to a definition, industries and occupations. https://www.arts.gov/sites/default/files/Research-Art-Works-Milwaukee.pdf

Taking Root: The Growth of America's New Creative Economy. https://www.recreatecoalition.org/wp-content/uploads/2019/02/ReCreate-2017-New-Creative-Economy-Study.pdf

The Create Act, proposed legislation. https://www.americans-forthearts.org/sites/default/files/Arts%20Advocacy%20Day%202018%20-%20The%20CREATE%20Act.pdf

New England Foundation for the Arts: Jobs in New England's Creative Economy and why they matter. https://www.nefa.org/jobs-new-englands-creative-economy-and-why-they-matter

Otis College of Art and Design: reports on California's creative economy. https://www.otis.edu/creative-economy/2020

There's Something About Seattle: Creative economy report. https://www.seattle.gov/Documents/Departments/FilmAndMusic/Creative%20Economy%20Report%20Final.pdf

National Main Street Center. https://www.mainstreet.org/home

planning for emergence

By Ken Meter

You may have walked through the grocery store during the pandemic, only to discover that flour shelves were bare. Perhaps meat supplies were sporadic or expensive. You may wonder how long vegetables or fruits will be available if harvesters in Arizona, California, Washington, or Mexico – or truckers, wholesale or grocery workers – succumb to COVID-19.

Uncertainties like these lead one to ask, how will food systems change as a result of the pandemic? Then, what can economic developers do?

While food systems have been in upheaval for well over a decade, with consumers seeking healthier foods and innovators launching new products, the pandemic created substantial new uncertainty. Grocery stores are important community gathering places, but the respected food research group Hartman reports that household deliveries doubled, from 14.5 percent to 27.8 percent of sales, as the pandemic spread. Although many economic developers view restaurants as "placemaking" venues, prominent chefs are reconsidering whether offering sit-down meals will be a viable business model in the future. Even before the crisis, consumers were opting for fast casual and take-out, while chefs felt stretched by workers' calls for fair wages. During the pandemic, several gourmet restaurants shifted to feeding medical workers or their low-income neighbors, relying on donations to cover costs.

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Businesses have responded to this uncertainty in two ways: Some are simply trying to hold on until things go back to "normal," while others are adapting their business models to help create a "new normal." Survival favors the latter, though change is difficult.

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CO-CREATING THE NEW NORMAL

We will probably not go back to the way things were. Recall that we had a global outbreak of SARS in 2003, an outbreak of MERS from 2012-2015, and three years of Ebola outbreaks beginning in 2014. Recall also that health officials warned us in January, 2019, that it was only a matter of time until some new disease outbreak would erupt as a pandemic. Whether COVID comes in one wave or multiple waves over the next few years, we are vulnerable to a different contagion at any time. We have to plan our economies to be as resilient as possible when this occurs.

Even if we are lucky enough to avoid a pandemic, we are also experiencing more violent storms frequent flooding, and crop disruptions as weather changes. Those communities that recognize this

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HOW CAN ECONOMIC DEVELOPERS RESPOND TO FOOD-SYSTEM CHANGE?

A number of potential disruptors threaten our sense of "business as usual" in the food system. The combined forces of the COVID-19 pandemic and civil unrest forced many firms to pivot quickly in June, offering new services and searching for unconventional sources of income. Weather disruptions also abound. This article offers several examples of quick pivots, and recommends that economic developers help local firms be prepared for the unexpected to emerge. The key is to listen closely to what your constituents need, being prepared to let go of your own preconceptions, to help plan for a more resilient future.

reality and plan for disruption, or become proactive in reducing carbon emissions, will be the most resilient amid this uncertainty. I live in Minneapolis, where $500 million in damages was done to 1,500 businesses in late May, as people vented their frustrations about racial inequality. This has spawned some remarkable generosity, but also its opposite. The ultimate outcome depends on how we act.

Because we live in a fast-paced, complex world, none of us knows how the pandemic will change our society. Already we see indications that we will be caring for victims who carry internal damage from the disease for years to come. We see great inequities in who is harmed. While some people help each other in extraordinary ways, we also see cynical people make political or economic gain while people are distracted by health concerns.

One strategy calls for "planning for emergence:" Drawing up plans now that prepare for economic, health, social or environmental disruption in the future. In many essential industries, including food, this will mean refashioning workplaces so that workers can keep a distance from each other and safely make customer contact when outbreaks occur. We will need to be able to operate in crisis mode by relying more heavily upon electronic communications and financial transactions as required. For some firms, this will require a major physical and strategic retooling.

Following are a few examples of food firms that have pivoted on a dime. In each case, economic developers played (or could have played) key roles.

Fast casual chain commits to local grower

A potato farmer in Maine told me in June that his sales to restaurants plummeted to 10 percent of normal levels. However, one fast-casual restaurant chain he sells to kept open for takeout. The owners thought about his plight, and theirs, and decided to shift all of their purchasing to his farm. They dropped larger commercial suppliers because the chain wanted a secure supply and figured this would send a signal to their customers that they cared about local farmers.

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City of Good IPA was launched by three Boise area brewers during the pandemic. Proceeds from the ale's sales are dedicated to catering meals for medical workers, low-income residents, and health-challenged consumers.

Photo by Guy Hand, 2020.

Three brewers collaborate to provide community meals

Another inspiring pivot created a new collaboration in Boise, Idaho. Dave Krick, an entrepreneur who owns three restaurants in that city, shifted to takeout as soon as the pandemic erupted. After a few days, however, he concluded that his restaurants could not safely offer takeout meals. So he closed all three. Still, he had food in the coolers and staff to employ. He began to prepare free or low-cost meals for medical workers, low-income residents, and health-challenged consumers. To cover costs, he solicited donations.

Krick took this one step further, creating a new source of donations. Banding together with two fellow brewers, a new India pale ale was devised, branded "City of Good: A community benefit beer." Proceeds were dedicated to providing meals to health workers and vulnerable consumers. Even more interesting than the new beer was the fact that three independent brewers decided to do business collaboratively. One firm brews the beer, while the second firm covers distribution, and the third coordinates outreach. A fourth business, the Boise Co-op (a grocery), joined the partnership as a retailer.

Cooperation such as this does not spring up out of a vacuum. In fact, those communities that began to plan for resilience long ago are precisely those that can move most effectively now. Boise benefited from decades of collaboration in strengthening farmers' markets, supporting emerging farmers, cultivating a core of local food restaurants, building a thriving cooperative grocery, and framing supportive policies. When the crisis occurred, relationships of trust were already in place, and strategic instincts were well honed.

Saving a town by launching a grocery store

One small community of 1,500 in Central Illinois was able to open a new grocery store in the middle of the pandemic, even as some markets suffered from empty shelves. The genesis of this store began four years ago, when the last grocery store in Mount Pulaski, Illinois, shuttered its doors. Local residents were heartbroken, but they got to work. As they reflected on their loss, they concluded that the town itself could flounder if there were no place to buy groceries. A grocery was a critical gathering place. Leaders contacted three national chains, asking each one in turn to open a new store in their town. Three times the answer came back: "There's not enough business in your town to justify our opening a store."

Residents of Mount Pulaski, Illinois, opened the Market on the Hill on June 22, 2020. The cooperative grocery store, located on the town square, is a critical community gathering point. More than 120 residents collaborated to invest $120,000 to launch the store after three national retailers rejected invitations to serve the town of 1,500.

Photo provided by Market on the Hill.

Mount Pulaski residents might have sat on their hands at that point and decided there was nothing they could do. But the group took this discussion to their neighbors. Convening a community meeting in 2019, they asked if people would step forward to support a new grocery owned by residents. Within three months, 126 people had pledged a total of $120,000 to form a cooperative grocery: the Market on the Hill. The store opened June 22, 2020.

Mount Pulaski could tackle this challenge because the community was already planning for the long haul. Local economic development officials played a key role. One crop farmer, Tom Martin, has been such a champion of community development efforts that he became chair of the town's economic development board. Martin holds a vision that his community could grow 15 percent of the food it eats. As a first installment, he dedicated nine acres of his farm to launching a new produce farm, the Hilltop Community Garden, managed by a younger grower. Martin said he would like to see 10-15 such young farmers emerge in the next few years to raise food for his neighbors.

The dual crisis of the pandemic overlaid with civil disturbance in Minneapolis also sparked some tremendously creative repositioning on the part of community businesses. These pivots followed the same logic that business retention and expansion (BRE) professionals might advance in trying to retain a business in a challenging economic environment: identify your core strengths and build on those. This retooling was all the more profound since it occurred in a context of unrest and unemployment.

This was not Martin's first visionary venture. Several years ago when a wind farm development was proposed near the town, he, in concert with other local leaders, negotiated firmly with developers. While pleased that the wind farm would inject $12 million of new property taxes into the Lincoln County budget, they also pressed for more, saying their approval of the wind farm would be contingent on the firm also investing in the community itself. Ultimately, the wind farm agreed to funnel $115,000 per year to the county economic development budget.

This pool of economic development funds was tapped by Mount Pulaski to foster the opening of the Market on the Hill. The Lincoln County Economic Development Partnership realized that their neighbors, accustomed to paying for food imported from places where land and labor are cheaper, might balk at paying the prices that a new local farmer needs to charge to cover costs. So for three months, the partnership will subsidize 20 percent of the purchase price for customers who buy fresh produce raised on local farms. Thus, income from a wind farm will forge new connections between southern Lincoln County consumers and the farmers who want to feed them. Over time, the partnership hopes that residents will realize the value of spending a bit more for their food, knowing that their purchase supports farmers they know, and pay full price.

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Distillery pivots twice after consecutive crises

Du Nord Distillery is the first black-owned distillery in the US. Located in the Longfellow neighborhood of Minneapolis, the firm established a solid following among neighborhood residents by distilling high-quality spirits and offering them at their bar, which is nestled into a redecorated warehouse. Several nonprofits also relied upon Du Nord for hosting fundraising events.

After the bar was closed on March 16 due to the pandemic, the owner, Chris Montana, became inventive. Realizing that hand sanitizer was in short supply on neigh-

This new partnership, called All Hands MN, developed a business model which called for one-third of the product to be sold through retailers. Those sales would cover the costs of giving the rest of the sanitizer away to nonprofits. In three months, All Hands MN had distributed more than 105,000 gallons.

borhood grocery shelves, he enlisted two other distillers in a partnership to produce bulk quantities of hand sanitizer to give away to organizations serving low-income residents. At first he paid for this out of his own pocket, but soon a local foundation extended a $15,000 grant to help cover some of the costs. A law firm offered legal assistance in setting up the partnership, and a chemical formulation firm contributed their expertise in writing recipes. A distributor agreed to carry the sanitizer to stores and nonprofits. An independent grocery chain agreed to carry it on their shelves.

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However, on May 28, someone set a fire inside the building during protests after the death of George Floyd. The fire was contained by a sprinkler system, but the property suffered an estimated $100,000 of fire and water damage. So Montana pivoted again. Since his warehouse and cocktail room were still intact, he put out word that the firm was collecting food donations to give to low-income residents. Volunteers packed these foods for distribution. Further, he launched a fund to help nearby businesses rebuild. This accumulated $250,000 in only five days.

Creating market connections inexpensively

While distant from urban turmoil, the gourmet restaurant Herbfarm, situated in the northeastern suburbs of Seattle, made a significant contribution to creating a more resilient food system even during the pandemic. When forced to close in March, owners Carrie Van Dyck and Ron Zimmerman put their heads together with chef Chris Weber to reconfigure the restaurant. They wanted to keep as many employees working as possible, and they had food in the coolers that would go to waste if not used. Farmers and fishers who already supplied them were poised to continue doing so. The trio's solution was to reinvent the kitchen as a catering operation, cooking and packaging three-course meals that could be given away to medical workers at five nearby hospitals. At first they simply carried the costs themselves. Then they launched a GoFundMe site, collecting $330,000 in donations from 1,700 people by the end of June. At that point, they had delivered 15,000 free meals and were ready to reopen the dining room.

Since the Herbfarm is a very high-end restaurant, with prices ranging upwards from $225 per meal, it was better placed to pull this off than many businesses. Not only did they have connections with a stable of producers, but their mailing list includes folks with enough wealth to make substantial contributions. This means their model may not be easy for others to replicate.

However, the restaurant took one simple action with lasting impact that required no additional money: It simply required imagination. Chef Weber made sure that labels for each meal box identified the farm or fisher supplying the food items inside. Including the name added nothing to printing costs but created a fundamentally different set of possibilities. Each medical worker, opening a free meal, learned which producer had supplied the contents. It was free advertising for the farm, but also fostered some sense of connection between the farmer and the eater. The next time the medical staff shopped at the farmers' market or grocery store, they would have reason to seek out that producer once again.

Creating the long-term food system

In Chicago, philanthropists played a key role in fostering a long-term vision. When the pandemic broke, they were inundated with requests for funding emergency relief. They were happy to respond, but one group of key food system funders also sent a clear signal that they hoped this crisis would be used to create a better food system that would not rely so much on emergency relief. These seven funders established the Chicago Region Food System Fund, endowing it with a combined $4.2 million. While the fund would support immediate relief efforts, it reserved some funds for projects that created longer-term resilience in the region's food system.

Moreover, the funders also recognized that many of the answers to building a resilient food system would be found in the countryside, not in the city itself. Accordingly, their first nine grants were allocated to urban and rural projects alike (See Table 1). Several ethnicities were represented. Some focused on immediate needs to plant more food in urban settings. Others were intended to spark long-term policy shifts.

TABLE 1: FIRST NINE GRANTS GIVEN BY CHICAGO REGION FOOD SYSTEM FUND, 2020

Artisan Grain Collaborative – $50,000
Black Oaks Center for Sustainable Living – $120,000
Chicago Food Policy Action Council – $75,000
Chinese American Service League – $80,000
Green City Market – $125,000
Illinois Stewardship Alliance – $100,000
Plant Chicago – $25,000
Street Vendors Association of Chicago – $120,000
Urban Growers Collective – $200,000

Source: Chicago Region Food System Fund website

TABLE 2: ARTISANAL MILLS IN THE MIDWEST SUPPLYING EXTRA FLOUR DURING THE PANDEMIC

Baker's Field Flour and Bread – Minneapolis, MN
Brian Severson Farms – Dwight, IL
Doubting Thomas Farms – Moorhead, MN
Funks Grove Heritage Fruit & Grains – Funks Grove, IL
Hazzard Free Farm – Pecatonica, IL
Janie's Mill – Ashkum, IL
Lonesome Stone Milling – Lone Rock, WI
Meadowlark Organics – Ridgeway, WI
Meuer Farm – Chilton, WI
NETZRO – Minneapolis, MN
Sunrise Flour Mill – North Branch, MN

Source: Artisan Grain Collaborative website. This is not an exhaustive list.

Looking simply at the first entry in Table 1, funding for the Artisan Grain Collaborative was dedicated to a cause resembling the one Herbfarm had tackled: a Neighbor Loaves project. Artisan grain mills ground flour from grains grown by farmers near Chicago, and bakeries fashioned this into loaves of artisanal bread that were donated to food banks so low-income people would have the best bread possible.

The grain collaborative itself also plays a wider role, one that helps build the long term. When grocery shelves were stripped clean of flour by consumers who switched to baking bread at home, small mills quickly responded. Several began to operate 24/7, filling internet orders. If one mill maxed out, it could call in another to fill the gap. To inform consumers of these new choices, the collaborative published two lists on its web site. The first listed mills that could supply household consumers with artisanal grain (Table 2).

TABLE 3: MIDWESTERN BAKERS USING ARTISANAL GRAINS

Baker Miller – Chicago, IL
Brake Bread – St. Paul, MN
Doughp Creations – Granite Falls, MN
Hewn – Evanston, IL
Madison Sourdough – Madison, WI
Middle Brow Bungalow – Chicago, IL
Muddy Fork Farm and Bakery – Bloomington, IN
ORIGIN Breads – Madison, WI
Perennial Bakers – Oak Park, IL
pHlour Bakery & Cafe – Chicago, IL
Sun Street Breads – Minneapolis, MN
Three Twigs Bakery – Springfield, IL

Source: Artisan Grain Collaborative website. This is not an exhaustive list.

Many of these mills already collaborated with each other, but the list itself facilitated a system of broader connections. This made it possible for smaller mills to supply larger quantities, not by expanding, but by collaborating.

The second list published by the collaborative showed those bakers who relied on flour from nearby farms to bake their bread. That list is shown in Table 3.

Through outreach efforts such as this, consumers who turned to any of these mills or bakeries in time of crisis could easily tap a broader range of alternate suppliers. Once tasting higher quality grains and breads, they might not go back to their previous suppliers. Further, the mills and bakers might view themselves not as isolated businesses, but as firms operating inside a wider context: as one element in a Chicago region food system.

WHAT CAN ECONOMIC DEVELOPERS DO TO RESPOND TO FOOD-SYSTEM CHANGE?

Only one of these examples directly engaged professional economic developers, but each was a solid step forward in economic development. How can economic developers play a helpful role? The first step is to listen closely and learn openly, letting go of preconceived approaches. What elements of business are shifting for your constituents? How are they inventing answers for themselves? What do people need to survive the next two weeks? And then: How do we create more resilient food systems out of this crisis? Opening oneself to new ways of thinking – and investing – will be critical.

One simple step is to get on the phone with all the farmers and fishers you know and find out how they are adapting. Are they boosting online sales? Do they have large surpluses they cannot sell because restaurants are closed? What do they think would be needed to create a more robust food system in your region?

Second, economic developers have the power to convene and connect. You can bring people together, whether by video conference or other means, to compare notes. Who in your community is hurting the most, and what do they say they need? Who is doing the most to pivot their business to adapt to these unpredictable circumstances? How can those with resources share their capacities with those who are less privileged? What ideas do people have for creating a more equitable food system? What steps do we take to get there?

Just conversing will not be enough, however. Once these questions have been asked, and answers formulated, it is important to respond to community members' needs with the resources you can martial. Sharing information openly across the community will encourage broader, more inclusive solutions.

Now is the time to start planning how everyone in your community will get the food they need in 2021. Hopefully, you can count on local grocers to have enough food stocked this year. But what if supply networks break down? Where will the seeds we need to plant come from? There was a shortage for many commercial growers in

ACTIONS YOU CAN TAKE

Convene: Remember to be inclusive! After civil unrest erupted in Minneapolis, and 1,500 businesses were damaged or destroyed, neighbors in the Powderhorn Park neighborhood convened a socially distanced meeting in the park to devise strategies for defending homes and businesses. Since this neighborhood holds a long tradition of community work, 1,000 people of diverse ethnicities attended. You can also host meetings by telephone or teleconference.

Connect: One of the key steps for creating a stronger local food system is building bonds of loyalty between farmers and consumers. One economic development group in Lincoln County, Illinois, used its funds to subsidize 20 percent of the value of food purchases residents made from local farms. They hoped this would help, over time, to persuade residents to commit to spending more locally.

Reach Out to the Marginalized: Economic developers can also ensure that the voices of marginalized populations are heard, and affect community decisions. People of color who run businesses, low-income residents, and farmers are also masters at coping with uncertainty. Engage them for the resources they bring! Low-income people face severe health risks if they don't get the healthiest food possible. Partner with local food banks to make sure they are able to purchase high quality food for their constituents, and then leverage that into empowerment initiatives. Work with funders to make sure sufficient funds are allocated.

Assess: Often the first step in constructing a stronger community food system is to hire a researcher to perform a food system assessment that includes a strategic plan. USDA Local Food Promotion Program funds are often used to support these assessments.

Coordinate: Perhaps the most critical gap in most community foods efforts is value chain coordination (also called *value network coordination*, since local food systems are complex and rapidly changing networks): Someone who can talk to both farmers and food buyers frequently to facilitate deals, convene broader stakeholders to make sure public interests are served, and make strategic investments. Many communities run into difficulty because they put up a building (such as a food hub or processing center) before local commercial networks are strong enough to support the new enterprise. Place a priority on coordination.

Plan for Future Access to Food: It is relatively simple to calculate how much food residents of your community would need to eat for a year. Often, however, it is harder to find enough farmers to grow that food, or safe places where harvests can be stored. As the pandemic erupted in 2020, many commercial farmers also faced shortages of seed. Start to plan now for how more of your community's food can be grown and processed locally in 2021. Set a humble goal and build on that in the following years.

2020 as consumers raced to sign up for CSA (Community Supported Agriculture) shares. Which farms will plant these seeds, and who will harvest the crop? If we planted enough potatoes, onions, and carrots (for example) to feed everyone in our region, where would we store them? How might produce be processed if we cannot count on our usual supplies?

As just one example of planning to meet local food needs, I can very quickly generate a list for any given population of how many pounds of the most common foods consumers would need to eat for a year. Most of these grow in your community. An economic developer could take this list and start tracking down people to grow and store each of these food items in 2021. Taking this step would help design and build a community food system for your region: an excellent example of a long-term strategy.

Physical and social infrastructure investments will also be critical. This is perhaps the most significant role a local government or development partnership can play: to build data sets and technical knowledge, physical facilities, commercial networks, and policies that make community food trade as efficient as possible. This may cost more than importing food from Mexico. But if supply networks fail, adding a local option may be critical to survival.

Outbreaks of COVID-19 in giant meat packing operations and massive produce farms also raised questions about economic scale. As we build post-pandemic infrastructure, we will be forced to ask whether "going to scale" is the problem or the solution. Are the larger firms we have invested in during the post-War period really creating the efficiencies we sought, or have some become breeding grounds for the pandemic? At what point does a firm become too large to care for its workers' health? At what point is it too large to pivot as conditions change?

TAKEAWAYS

1. Several food businesses pivoted rapidly during the pandemic as markets shifted. Each one assessed the unique strengths it had, the new conditions that were emerging, and how to respond using available resources. At times, their entire business model shifted.
2. Experts predicted a potential pandemic as early as January, 2019. Even if COVID-19 winds down, another could be on the horizon. Further civil unrest or weather change could also disrupt business as usual. Economic developers can help local firms position themselves to reconfigure their businesses so workers are safe and local customers get what they need.
3. When leading at a time of great uncertainty, the best approach is to listen carefully to your constituents, subduing any preconceptions you may bring to the discussion. Learn how conditions are changing, ask people what they need, and try new strategies that respond to their concerns. Take small steps forward, reflect on the impacts, and then plan a new strategic cycle. Iterative cycles of action, reflection, and planning will serve you the best when conditions are uncertain.
4. Ask whether going to scale is the solution, or the problem. COVID-19 outbreaks were worst in massive workplaces that did not properly protect workers. Many smaller firms had little difficulty. When is a firm too large to pivot to meet consumer needs? When is it too large to care for its workers?

Economic developers can further take the systems view, starting with food systems and expanding into business more generally. This means, rather than counting success by the profitability of a single firm or project, considering the health of the entire food system, and the local economy as a whole. Careful planning and strategic investment can build more efficient community food trade.

This is not to argue that all large-scale ventures are bad. Currently, I am very happy to know that I have the option of purchasing romaine lettuce raised on a farm in Mexico during the winter months in Minnesota. Yet supply networks may flounder. This year, since I cannot travel for work, I joined a CSA and expanded my garden. This provides me with a spectrum of options, from micro to very large, for conveying fresh produce to my kitchen. This strategy includes redundancy, because the future is so uncertain.

Economic developers can further take the systems view, starting with food systems and expanding into business more generally. This means, rather than counting success by the profitability of a single firm or project, considering the health of the entire food system, and the local economy as a whole. Careful planning and strategic investment can build more efficient community food trade. Keep in mind that what is efficient for an individual firm may not be efficient for the overall community. No single business can be expected to champion a systems view by itself, however, so economic developers may need to serve as advocates. We cannot build a society strictly on individual freedom. Nor can the "new normal" be built simply by cutting costs. This requires personal and financial investment.

RESOURCES

Cooperation Works is a network of organizations and individuals doing cooperative development that covers all 50 states and works across co-op sectors. See https://cooperationworks.coop/

Crossroads Resource Center helps you assess your local food system and prepare effective action strategies. See www.crcworks.org

Economic Development Administration can support economic development initiatives, especially those fostering innovation, expanding manufacturing capacity, and building regional economies. https://www.eda.gov/funding-opportunities/

HUD Sustainable Communities Regional Planning Grants support locally-led collaborations to create jobs by working across arenas such as housing, workforce development, and infrastructure. Nontraditional partnerships addressing regional food systems are included. https://www.hud.gov/program_offices/economic_development/sustainable_communities_regional_planning_grants.

USDA Agricultural Marketing Service offers several funding streams for local food planning and promotion, as well as COVID-19 relief. See https://www.ams.usda.gov/services/grants

USDA Rural Development runs service centers, designed to be a single location where customers can access services provided by the Farm Service Agency, Natural Resources Conservation Service, and the Rural Development agencies. See https://offices.sc.egov.usda.gov/locator/app?state=us&agency=rd

USDA hosts a **Rural Cooperative Development Center** in almost every state. These centers offer technical assistance to groups that wish to organize cooperatives as well as to existing cooperative businesses. For a list, see www.rd.usda.gov>files>RD-CoopDevelopmentCenters.pdf