
Inclusive entrepreneurship in downtowns and urban districts

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Abstract Small businesses are not only critical drivers of the local economy, particularly in downtowns and urban districts, but also the creators of wealth and opportunity for small business owners. Entrepreneurs from underrepresented or marginalised groups, however, face a lack of resources and limitations on the networks they need to thrive. Supporting entrepreneurs in these communities is a role that urban place management organisations (UPMOs) can step into to develop the local economy and create vibrancy and a unique identity for their district. Many of these businesses are typically street-level

storefronts. Successful UPMOs have a unique skill set to link together public and private stakeholders, and in entrepreneurship can play a direct role in giving grants and identifying storefront space, providing wraparound services and developing programmes for business retention and sustainability. This paper describes multiple ways that UPMOs can support inclusive entrepreneurship. Ultimately, providing opportunities for a greater portion of the population benefits everyone and supports a culturally vibrant downtown for everyone.

Keywords: *place management, entrepreneurship, inclusion, diversity, downtown revitalisation, small business, storefront*

INTRODUCTION

Downtowns serve as economic engines for their communities, yet they also operate within complicated contexts, both shaping and responding to economic development, planning, urban design and policy decisions. As a downtown evolves, its leaders must ensure that the diverse population it intends to serve has adequate access to entrepreneurial opportunities. Entrepreneurship in communities of colour and other disadvantaged populations often provides the shortest path to wealth generation through ground-floor businesses like food and beverage, retail and services such as salons and spas. Equitable and inclusive entrepreneurship strategies designed to support these businesses help build an economy that truly reflects the community around it.

Inclusive entrepreneurship describes the practice of supporting entrepreneurs — from home-based to brick-and-mortar to business expansion — regardless of their identity and background. It centres the unique needs of entrepreneurs from underrepresented or marginalised groups, defined as those who are disadvantaged due to structural/societal obstacles and disparities.¹ In the North American context, underrepresented or marginalised groups often include racial or ethnic minorities who historically faced racism and discrimination which prevented them from accessing the same resources as others. In the small business ecosystem,

this meant that these groups were unable to obtain loans at fair rates, were exploited by landlords, and faced severely limited access to networks needed for business growth.

Urban place management organisations (UPMOs) traditionally focus on core competencies of clean, green, safe, marketing and events. While most districts genuinely aspire to build ‘a downtown for everybody’, actions to achieve this goal can prove elusive, especially if people see it as falling outside traditional areas of focus. Retail, restaurant and other neighbourhood-serving categories have higher concentrations of these entrepreneurs, who commonly fill the street-level storefronts and mobile vending spaces that give downtowns cultural vibrancy.

Supporting a healthy, vibrant and diverse tenant mix requires innovative, targeted strategies for recruiting, cultivating and retaining local small businesses. Building an ecosystem that supports diverse business owners and reduces structural obstacles to success presents many challenges. This report identifies the key barriers to inclusive entrepreneurship, including gaps in the skills needed to manage a business, and challenges to control fixed costs such as rent. A focus on clearing paths to property ownership and wealth generation for underrepresented groups helps close a significant economic gap for the entire centre city. Providing opportunities

for a greater portion of the population ultimately benefits everyone.

This report explores successful methods UPMOs in North America have used to support inclusive entrepreneurship by: 1) improving capital readiness; 2) easing access to commercial spaces; and 3) developing programmes for business retention and sustainability. While the specific examples in this paper refer to resources primarily available in the US, the general approaches described can be applied in other national contexts.

IMPROVING CAPITAL READINESS

While banks and other corporations have funded major capital access programmes focused on addressing the vast disparity in capital access between White and non-White business owners, the creation of these programmes also highlight a deeper issue lenders and providers of technical assistance have long recognised: capital readiness. *Capital readiness* is the assessment of creditworthiness that a lender typically makes when considering lending to a small business (and investors when considering investing, or grantors when considering granting).² While the typical UPMO does not have the resources for significant lending, granting, or investing, they can help small businesses establish capital readiness. UPMO programmes can help a business prove its concept and establish early sales, connect to resources, lower barriers to real estate access and reduce soft costs such as permits, legal fees, marketing, etc. associated with brick-and-mortar locations.

Direct grants and lending

UPMOs have adapted small grant and lending programmes to develop pilot programmes focused on Black and other minority-owned businesses. UPMOs have long offered grants for

façade improvements, and new offerings target soft costs and other start-up costs, including rent subsidies, inventory and equipment costs and professional services to strengthen new and legacy businesses. Programmes focused on Black and other minority business owners, such as Magic City Match³ in Birmingham, AL, BOOST⁴ in Baltimore, MD and RAISE⁵ in Ontario, Canada, couple grants and lending with technical assistance designed to boost chances of success.

Case study: Motor City Match (Detroit, MI)

Over 23 rounds of funding (to date), Detroit's Motor City Match⁶ programme has granted more than US\$14m to more than 1,800 businesses (most women or minority-owned) in existing commercial corridors. Participants have used the funding to seed a total of US\$73.6m in committed investment in their businesses.

Run by the Detroit Economic Growth Corporation, funding comes from private philanthropy and microloan companies, as well as U.S. Department of Housing and Urban Development funding for technical assistance. Grantees commit to establishing their businesses in Detroit and operating there for at least three years.

The programme targets low to moderate-income and blighted communities to create economic mobility and jobs through entrepreneurship and eliminate blight by reactivating vacant space. For small business owners, the programme offers technical assistance awards, such as business services, architectural design and consulting for small businesses, including matching available space to the business's needs. Financial assistance, offered as a separate grant programme, offers gap-funding of up to US\$100,000. For commercial property owners, the programme will list their space on a public website, and

if matched with a small business tenant, owners can apply for separate funds to ready the space for the business.

Testing the market

Pop-ups and street markets benefit a district by activating underutilised spaces and drawing new visitors. Activities like these can also play a powerful role in improving participating vendors' readiness by providing opportunities to establish sales histories, formalise accounting and record keeping and generate revenue for reinvesting in the venture. In short, entrepreneurs can use activities like these to build their business acumen *before* committing to major brick-and-mortar capital investment.

Case study: Woodlawn Marketplace (Birmingham, AL)

Over eight years, the Woodlawn Street Market has provided a platform for hundreds of makers and other small businesses to attract customers, gain early sales and iron out business practices. REV Birmingham, a place-focused economic development agency, has run the market in partnership with Woodlawn Business Association.

In 2021, REV gave 22 vendors — all women, and mostly Black — the chance to operate a brick-and-mortar space cooperatively: Woodlawn Marketplace. This storefront shopping venue enabled entrepreneurs to test pricing, learn about supply and restocking needs and earn revenue while planning next steps. Entrepreneurs sold locally roasted coffee, fresh juice, homemade snacks, jewellery, candles, apparel and more. A common point-of-sale system enabled REV to provide vendors with the most accurate accounting many had ever had.

Over the course of the project, one vendor quit her full-time job and signed a lease on a shared brick-and-mortar

space. The coffee roaster began business modelling for a more permanent cafe to open in a space across the street. REV launched a second iteration of the project in spring 2022.

EASING ACCESS TO COMMERCIAL SPACES

Space readiness, availability and cost have a heavy impact on the goal of inclusion in urban commercial districts. Ensuring sufficient move-in-ready space⁷ or connecting property owners to resources they can use to transform vacant ground-floor space into productive sites can lower barriers to entry and increase the likelihood of sustainable success for many Main Street businesses. Creating additional incentives or funding mechanisms for woman-owned and/or minority-owned businesses helps ensure equitable access to these opportunities. Experience shows that connecting these business owners to wrap-around services helps maintain a healthy and vibrant business district.

Pop-up spaces

An important first step in identifying potential commercial space entails inventorying the size and location of existing street-level space. Some vacant properties may be viable for immediate tenanting opportunities. For example, the best sites for pop-up retail — short-term space available through a low-cost or free rental agreement — have some or all of these qualities:

- Proximity to existing dining, shopping, arts/cultural entertainment or other attractions;
- Local ownership;
- Proximity to a mix of different uses and/or to residential areas;
- Basic clean and safe qualities of the property.

Sprucing up these sites and installing short-term tenants not only eliminates barriers to entry for entrepreneurs, it also demonstrates the viability of the space to district visitors, residents and other potential business owners.

Case study: Activated spaces pop-up shops (Dayton, OH)

The Downtown Dayton Partnership worked with property owners to identify move-in-ready spaces that could be temporarily transformed into a small commercial area. The Activated Spaces Pop-Up Shop programme⁸ helped launch 26 new businesses, 17 of which remained open past the pop-up period, filled approximately 25,000ft² of previously vacant space, and created 42 jobs. Property owners also benefited. One participating location, St. Clair Lofts, offered move-in-ready space of under 1,000ft². A mixed-use building, it filled all 17,300ft² of street-floor space with eight tenants, and its residential units now have a waiting list.

Right-sizing

Another trend in commercial real estate, particularly for emerging businesses, is the demand for smaller, budget-friendlier spaces.⁹ A developer may find it more economically appealing to lease to a single large tenant, but the reality of the post-COVID-19 world is that consumer-facing businesses need smaller, more flexible spaces.

More than 440,000 start-ups launched from March 2020 through June 2021,¹⁰ a surge that exceeded trends in prior years. With so many new prospective tenants entering the market, right-sizing large spaces to accommodate them is an economically savvy choice.

Food halls and other multi-tenant spaces offer another route to sharing

the economic burden of small business ownership. Several smaller users can use a common seating area and self-serve options to reduce the overall square footage — and corresponding overhead — needed to operate.

Wrap-around services

Intentionally pairing available commercial space with financial incentives combines the best of both approaches. Grants should target specific needs or barriers, including pre-development activity, equipment and gap financing. Focusing programmes on woman-owned and minority-owned businesses helps shore up equity among potential tenants. Adding wrap-around services that support long-term sustainability can boost the effectiveness of capital and financial tools and bolster diversity, equity and inclusion (DEI) development goals.

Case study: Building a DEI toolkit for commercial development (Memphis, TN)

The Downtown Memphis Commission (DMC) saw an opportunity to expand the ecosystem of developers by recruiting underrepresented voices. Aided by a new Diversity Committee of board members, city leaders and key players in the minority business community, the DMC created a DEI toolkit¹¹ that sends an unambiguous signal that all voices matter and clearly invites everyone to join the DMC's efforts to build downtown. The desired outcome is simple: increase the representation of women and people of colour in economic and commercial development.

Key DEI toolkit elements include:

- A Pre-Development Grant programme was created to help aspiring and emerging developers by providing US\$5,000 in grant funding that lowers

the upfront costs of exploring potential development opportunities. Among other areas, it can cover the cost of preliminary architectural designs, financial modelling, market analysis and environmental testing;

- A Retail Tenant Improvement (TI) Grant of up to US\$30,000 was created to help reduce the cost of tenant build-out and encourage entrepreneurs to open retail and service businesses downtown;
- The toolkit also restructures an existing development-loan programme to better address the needs of emerging developers. This loan of up to US\$200,000 serves as a key element of the capital required for several commercial redevelopment projects led by women and people of colour. Flexible underwriting and very low interest (1 per cent over ten years) make this a powerful tool to help emerging developers attract traditionally risk-averse bank financing.

So far, about 69 per cent of Pre-Development Grant funding has gone to women and/or people of colour. Moreover, developers spent 55 per cent of pre-development grant funds with minority or women-owned business enterprises (MWBE) certified service providers. Seventy-five per cent of Retail TI Grant recipients have been women and people of colour, accounting for a combined total development budget of more than US\$1.8m. About 69 per cent of approved loans went to diverse developers, and the programme has supported 16 emerging developers with a total development budget of more than US\$18.4m since 2018.

SUPPORTING AND RETAINING EXISTING BUSINESSES

Small businesses face a high risk of economic displacement in all markets;

UPMOs can help anchor vulnerable businesses. When new market-rate development attracts more affluent customers, it helps to stabilise a commercial district, but can also draw national retailers who drive up rents and drive out pioneering small businesses in previously affordable areas. The Small Business Anti-Displacement Network's (SBAN) toolkit¹² covers displacement and strategies for preventing it in detail. SBAN is a national US network of small business advocates who focus on research that supports Black, Indigenous, and People of Colour (BIPOC)-owned and immigrant-owned small businesses and their communities.

Addressing affordability concerns

To understand the breadth of the challenge, UPMOs can amass this data by establishing a storefront registry or advocating creation of a citywide registry. They can then use this data to educate landlords about market conditions and help restrain speculation (or predatory and exploitative landlord practices) and rent increases. For example, New York City has required property owners to participate in a storefront registry since 2019.¹³

Because place management organisations control few spaces through leases or ownership, they typically require partners to deploy solutions that promote affordability. UPMOs should explore three forms of partnerships:

- *Funding*: City or philanthropic partners can fund rent-subsidy programmes, create tax incentives or develop other financial tools to help tenants and landlords counteract displacement;
- *Space*: Private and public landlords can earmark space for small businesses. Note that smaller spaces contribute to affordability, as rent rates are often calculated by square footage;

- *Business support organisation (BSO):* BSOs play a prominent role in supporting minority-owned small businesses. They can serve as master lessors to lock in rent rates, manage space-preservation grant programmes or own space themselves.

Many UPMOs assess property owners to contribute to their overall budget. They can use these funds, or grant dollars, to offer rebates to property owners who provide support for small business tenants. A programme in Spokane, WA,¹⁴ offers rebates to owners who make safety improvements in their properties. Small business tenant supports might include providing smaller spaces, offering percentage rents (rent as a percentage of sales) or controlling annual rent increases.

Case study: Community-owned real estate (CORE) by inclusive action

In Los Angeles County, CA, it is estimated that over 15,000 businesses closed their doors due to the pandemic. Additionally, over 5,300 businesses fell behind with rent in the City of Los Angeles. While businesses seek to rebound from the impacts of COVID-19 and, more recently, inflation, it is also important to acknowledge the plight of small businesses battling displacement by gentrification.

Inclusive Action for the City's approach to small business anti-displacement interventions tests the hypothesis that providing local business owners with below-market rate rent and wrap-around services insulates commercial tenants from the forces of gentrification. Inclusive Action was founded as a laboratory for implementing innovative community development initiatives. In 2018, Inclusive Action tested this hypothesis through a programme called 'Community-Owned Real Estate' (CORE). CORE launched in partnership with two community-based

organisations: Little Tokyo Service Center and East LA Community Corporation. The primary goal of CORE is to combat displacement and gentrification through strategic commercial real estate acquisition in gentrifying and transitioning neighbourhoods, where Inclusive Action and CORE founders can serve as community stewards. Properties acquired can then be leased at below-market rates to local business owners, who can also obtain wrap-around services such as one-on-one business technical support and training. Currently, CORE is exploring ways to provide tenants an opportunity to build equity and/or take minority ownership in the CORE real estate portfolio as an added community benefit. CORE currently owns five commercial buildings in Los Angeles which are occupied by over 20 tenants.

Marketability

When a district begins to attract more investment, existing small businesses may not appeal to new residents accustomed to national brands. Guiding existing businesses in adapting goods, services and physical appearance to the changing market, along with district branding, can help existing businesses build the broader customer base crucial to sustainability.

Steps for improving marketability:

- *Integrate diversity into district marketing:* Minority businesses offer a unique selling proposition to districts, as seen in Destination Crenshaw's¹⁵ ongoing public space investments, which uses public art and pocket parks to create a transformative experience on Crenshaw Boulevard that highlights the dynamism of Los Angeles's Black community;
- *Improve each business's experience design:* Legacy businesses often have outdated interiors, which may reflect an inability to make storefront improvements or a

hesitation to spend on improvements in the face of gentrification's possible threat to their viability. Identifying this challenge for district businesses, Sweet Auburn Works in Atlanta, GA created SPARK,¹⁶ a partnership with Bank of America and the Savannah College of Art and Design to offer businesses pro bono experience-design services and funding for construction subsidies;

- *Expand social media presence:* Small businesses, often consumed by day-to-day operational demands, may not recognise the value of (or have the resources to produce) added marketing. Social media can bridge that gap and play a substantial role in attracting new customers. UPMOs can help businesses use social media more effectively by taking photos and posting them to both a business's and the UPMO's own social channels, hosting events at businesses with local influencers and helping businesses develop long-term, best-practice strategies for using social media;
- *Provide additional vending opportunities:* Businesses often have limited opportunities to sell their goods and services beyond their storefronts. UPMOs can offer vending opportunities at farmer's markets and other pop-up events that increase businesses' visibility to new customers.

CONCLUSION

Diversity and equity do not happen by accident. Inclusive entrepreneurship must be an intentional goal and treated as a priority. UPMOs stand uniquely positioned to help ensure that the people with an active stake in urban districts reflect the community's full diversity. To paraphrase famed urbanist Jane Jacobs, downtowns have something for everyone only because and only when everyone creates them. UPMOs certainly

cannot by themselves solve the structural and systemic inequities that lead to disparities; however, they bring a unique understanding of the challenges and opportunities facing their neighbourhood or district.

In ways large and small, UPMOs have taken steps to lower barriers and increase opportunity for underrepresented groups by addressing access to financing, bridging the skills gaps in owners' ability to manage and operate a business, helping control displacement and leading the way toward commercial property ownership. Prioritising this portion of the business population represents a significant economic opportunity for the entire centre city, providing opportunities for a greater proportion of the population to the benefit of the entire community.

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