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## ENTREPRENEURIAL ECOSYSTEMS AND THE ROLE OF COMMERCIAL DISTRICTS



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The 21st century economy has dramatically influenced the way people do business, the way businesses differentiate themselves, and the way physical place and business intersect. We are experiencing a shift in demographics, consumer shopping and transitions within our local, regional, and national economies that are impacting the development and growth of entrepreneurs. These transformations have significant implications for downtowns and commercial districts. This guide is intended to help commercial district managers better understand the multi-faceted factors at play in supporting an entrepreneurial economy, demonstrate the role revitalization leaders have in helping entrepreneurs thrive, and position quality places as central to these efforts.

## THE NEW FACE OF ENTREPRENEURSHIP

Small businesses and entrepreneurial enterprises have long played an important role in defining the fabric of our communities—helping to fuel local economies, providing unique experiences for consumers, and catalyzing innovation. Over the last decade, this sector of the economy has grown, with a correspondingly greater impact on downtowns and neighborhood commercial districts across the country. Two critical factors are converging that will continue to fuel both the transition and growing importance of entrepreneurship as part of a community’s revitalization efforts: an increase in the percentage of the workforce employed by small businesses, and a shift in the demographic makeup of small business owners.

According to the Small Business Administration’s Office of Advocacy, “small firms accounted for 60% of net new jobs since the end of the recession (mid-2009 to mid-2013).” Small businesses are defined as independently owned and having fewer than 500 employees. Almost 80% of small businesses are sole proprietorships, or businesses without employees.

And, according to the Pew Foundation, 10,000 baby boomers retire each day, a rate that will continue through 2019. As this boomer generation—which is disproportionately represented among small business owners—nears retirement age, there are significant implications for the small business landscape. Based on research by Bank of America, 11% of baby boomer business owners plan to simply dissolve their businesses, and many more have no succession plan in place. Thus, there is a critical need to develop a proactive entrepreneurship development agenda to set the stage for the future of America’s Main Street economy.

Filling the small business gap is a boom in rates of entrepreneurship among women and minority groups. According to the most recent U.S. Census’ Survey of Small Business Owners, women own 36% of all businesses, a jump of 30% over the previous five years. And, women are starting businesses at a rate of 1.5 times the national average. The rate of African-American women starting businesses was nearly seven times as high as their white counterparts, and the rate among Latina women was nearly nine times as high. And the largest generation, Millennials, are showing strong signs of entrepreneurial interests. Almost two-thirds (67%) said their goal involves starting their own business, according to a study from Bentley University.

### THE DIFFERENCE *PLACE* MAKES

When most experts talk about entrepreneurial ecosystems, they’re looking at the policies, structures, and approaches to investment that play a role in supporting new forms of economic activity and enterprise. While these factors are important, what’s often missing in this dialogue is the importance of place. This guide will provide a framework for developing a place-based strategy to support entrepreneurship in your own commercial district. Key takeaways include:

- A distinct sense of place is the glue that holds any commercial district together.
- Quality of place is a critical factor in attracting and retaining great entrepreneurial talent.
- New forms of business, generational trends, and shopping preferences all point to the central role of place in entrepreneurs’ location decisions.

## IMPORTANCE OF ENTREPRENEURSHIP TO DISTRICT REVITALIZATION

Main Street America communities have long understood that supporting new and existing small businesses, and the entrepreneurs who run them, represents a vital aspect of the revitalization of downtowns and neighborhood business districts. These enterprises are the key to future prosperity, so it is imperative that commercial district leaders understand their importance and support their growth. New businesses, especially those owned and operated by Millennials, immigrants, and minority groups, will bring new ideas, innovation, excitement, and jobs to communities.

As communities experience this transition in entrepreneurship, there is a corresponding transition in the habits of consumers. The move away from regional shopping malls and sterile big box stores represents a profound shift towards a more bifurcated shopping pattern. On the one hand, shoppers are seeking convenience and lower price points, while there is also a growing desire and willingness to support more experiential and value-add consumer shopping. Acknowledging these changes, and catering to those needs, is critical for commercial district managers.

Given that need, how can commercial district managers maximize their position to take advantage of these conditions? While technical and financial assistance, along with entrepreneurial networks, are critical for the formation and growth of new businesses, a place-based entrepreneurial strategy is needed. **A truly robust local entrepreneurial ecosystem recognizes a location's physical environment as a critical factor for ensuring small business success.**

Putting “place” in a prominent position within an entrepreneurship strategy recognizes that historic business districts have the character, building stock, and walkable human scale that provides a competitive advantage within the marketplace and is conducive to the kind of personalized, experiential shopping desired by today's consumers.

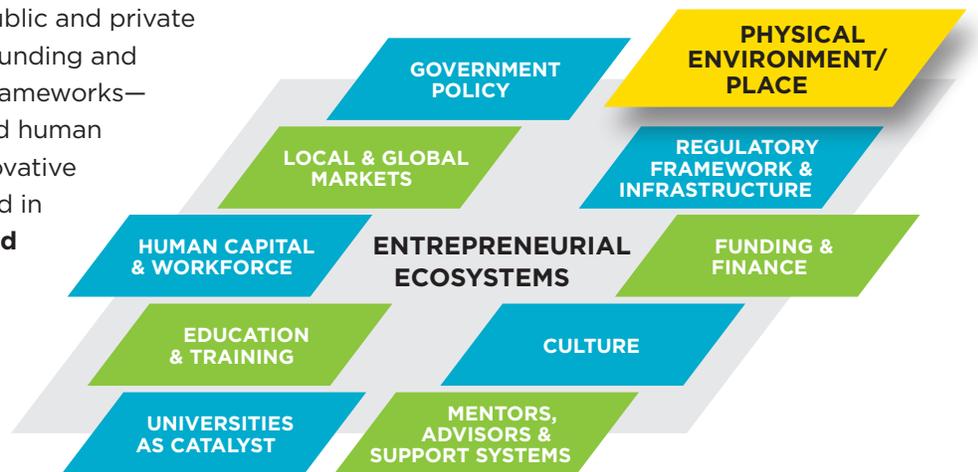
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## WHAT IS AN ENTREPRENEURIAL ECOSYSTEM?

By most definitions, entrepreneurial ecosystems refer to the strategic alignment of a variety of public and private efforts—including government policies, funding and finance, human capital, and regulatory frameworks—to provide necessary financial, social, and human capital to foster entrepreneurship in innovative and creative ways. Frequently overlooked in these definitions is **the value of place and the physical environment as central factors in creating and growing successful enterprises.**

By emphasizing the creation and support of great places and spaces for people to live and work, commercial districts can attract new businesses and new ideas, thus contributing directly to the development of the local entrepreneurial ecosystem.

The graphic on this page illustrates the traditional “ingredients” that contribute to an entrepreneurial ecosystem, with a particular emphasis on place/physical environment.



## THE ROLE OF MAIN STREET IN AN ENTREPRENEURIAL ECOSYSTEM

For today’s savvy entrepreneurs, factors like the character of the space and place can have just as much weight in the decision of where to locate their business as traditional factors like taxes, utility costs, and rent. This makes the small scale of Main Street-type communities much more appealing. Places with strong character, historic building stock, and mixed-use development also tend to have more diversity in terms of business type, and have higher-density residential offerings—factors which in turn fuel a healthier entrepreneurial ecosystem. A recent study by Cushman/Wakefield of 500 businesses and entrepreneurs bolsters this conclusion:

- /// Talent attraction and retention is the most common reason why businesses ultimately made the decision to move to a downtown.
- /// Architecture also plays a role. Many respondents mentioned their desire for an open-office feel—converted warehouses and lofts impress potential workers. In addition, they take advantage of a surplus of underutilized buildings that convey local heritage.
- /// Entrepreneurs looked for locations in “live/work/play” neighborhoods, located near bars, restaurants and cafes.

References in this study to talent attraction and retention, the value of architecture, the reuse of historic buildings, and “live/work/play” communities all tie directly back to the principles that Main Street America programs have been using for decades to revitalize their downtowns. As a framework for commercial district revitalization that is rooted in improving local economic conditions and overall quality of life, the Main Street Approach is uniquely positioned to support a local entrepreneurial ecosystem. Much of the work of Main Street America programs is centered on cultivating quality spaces and places that provide a foundation for attracting new businesses, as well as creating great environments for employees to live and work. With an overall strategy to support entrepreneurs in hand, revitalization leaders can outline activities based in each of the Four Points. For instance:



**ECONOMIC VITALITY** By leveraging existing resources and creating new programs to fill gaps, districts demonstrate to entrepreneurs that they will be supported and have continued opportunities to grow and thrive.

**DESIGN** Communities that honor their architectural and natural resources, and create easy access to amenities will attract entrepreneurs who value unique spaces, multi-modal transportation, and available technology.

**PROMOTION** Spreading the word about available local resources can create buzz and generate interest with entrepreneurs looking for a place to start.

**ORGANIZATION** Developing new partnerships is key to leveraging collective resources, identifying roles, and connecting entrepreneurs.

# ENTREPRENEURSHIP AND THE FOUR POINTS

The Main Street Approach provides a strong framework for districts to grow their entrepreneurial ecosystems. Each of the Four Points easily lends itself to this work. Some example strategies in each point include:

## ECONOMIC VITALITY

- /// Offer technical assistance workshops in support of small business development
- /// Create incentives to drive targeted new entrepreneurial investments
- /// Develop a downtown incubator, accelerator, or innovation work center
- /// Leverage proximity to other entrepreneurship hubs
- /// Create a strategic downtown development plan with an entrepreneurship component
- /// Encourage cultural or distinctive businesses or institutions
- /// Launch pop-up showcases
- /// Recruit “Third Space” businesses

- /// Develop downtown clubs or networking activities for young professionals and entrepreneurs
- /// Create new partnerships with entrepreneurship stakeholders such as:
  - /// Small Business Development Centers
  - /// Local universities and community colleges
  - /// Tech groups
  - /// Young professional groups
  - /// Media to market new ventures
  - /// Developers

## ORGANIZATION

## DESIGN

- /// Enhance the local digital infrastructure, including cell, fiber and Wi-Fi networks
- /// Be willing to drive innovative uses of space beyond retail, such as manufacturing
- /// Provide access to transportation alternatives (recreation trails, bike/hike paths, car shares)
- /// Create live/work spaces
- /// Place a greater focus on downtown housing on second floors and as part of infill developments

- /// Conduct events designed to promote, encourage and showcase entrepreneurship. Examples include pop-up retail and “Shark Tank” events
- /// Run feature articles on new entrepreneurs locating to your district
- /// Use of targeted entrepreneurship marketing materials that outline local ecosystem resources
- /// Create a downtown blog
- /// Run a social media contest for favorite, innovative or quirkiest district entrepreneur

## PROMOTION



## LOCAL ENTREPRENEURIAL ECOSYSTEMS IN HARRISONBURG AND DETROIT: A CLOSER LOOK AT PLACE-BASED ECOSYSTEM DEVELOPMENT

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While Harrisonburg, Virginia, and Detroit, Michigan, are two very different locales, they both illustrate the fundamental principle that “place” is a critical factor in the development of a vibrant local economy. The thriving downtown district in Harrisonburg is the driving force behind the town’s entrepreneurial renaissance, while the unparalleled sense of opportunity and critical need to generate new forms of enterprise in Detroit (detailed on the following page) have fueled new innovative approaches to small business support in that city.

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### A TECH HUB IN SHENANDOAH VALLEY (HARRISONBURG, VIRGINIA)

The town of Harrisonburg, Virginia, situated in the Shenandoah Valley and home to a large student and recent graduate population, is a prime example of how a local Main Street effort can contribute to a culture of entrepreneurship and innovation. In recent years, a cluster of tech start-ups has sprung up downtown, taking advantage of a wide range of incentives the community has developed, including tax incentives for eligible companies that locate in the downtown area.

With key partners like the Center for Entrepreneurship at James Madison University equipping students with the know-how to start their own enterprises, the local Small Business Development Center providing free training and resources to local businesses, and the Main Street America program Harrisonburg Downtown Renaissance (HDR) ensuring that the downtown district continues to draw residents and support growth, there is a community wide commitment to supporting a holistic ecosystem of entrepreneurship.



CREDIT: HARRISONBURG DOWNTOWN RENAISSANCE

While the results of coordinated efforts are impressive, Harrisonburg Downtown Renaissance knows the work is never truly done. Looking to the future, HDR is focused on ensuring that existing businesses continue to adopt new data-driven approaches to expand their customer base, helping them shift towards more experiential—not just transactional—modes of operating, and deepening engagement efforts to make sure that the mix of businesses and stakeholders in the entrepreneurship ecosystem reflects the diversity of the community.

Harrisonburg Downtown Renaissance received the Great American Main Street Award in 2014. [Watch their GAMSAs video here.](#)



HARRISONBURG  
DOWNTOWN  
RENAISSANCE

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For more information, check out [Harrisonburg Downtown Renaissance’s website](#).

## LOCAL ENTREPRENEURIAL ECOSYSTEMS IN HARRISONBURG AND DETROIT: A CLOSER LOOK AT PLACE-BASED ECOSYSTEM DEVELOPMENT

### MOTOR CITY MATCH (DETROIT, MICHIGAN)

**Motor City Match** is a unique entrepreneurship and real estate program in Detroit that pairs small business owners with the city's available vacant and under-used spaces, providing competitive grants, loans, training, and technical assistance to building owners and business owners. Motor City Match offers \$500,000 in resources each quarter.

Administered by the Economic Development Corporation of the City of Detroit (EDC) and staffed by the Detroit Economic Growth Corporation, Motor City Match offers two tracks: [the Building Owner Track for property owners looking for quality tenants to fill their vacant spaces](#); and [the Business Owner Track for business owners looking to start or expand in Detroit](#). Within each track, building owners and business owners apply for competitive financial and technical assistance to help them through renovation, build-out and startup.

For more information, check out [www.motorcitymatch.com](http://www.motorcitymatch.com).



CREDITS: MICHIGAN HISTORIC PRESERVATION NETWORK

To support the burgeoning entrepreneurial ecosystem in Detroit, all business owners who receive financial or technical assistance through Motor City Match must open within one year of their awards and commit to staying in Detroit for at least two years. Building owners and business owners may use grants and loans to pay for building renovations, equipment, code compliance, working capital, and inventory.

Motor City Match's broad variety of funding sources demonstrates Detroit's commitment to creating and supporting an ecosystem of entrepreneurship. Several city departments, small business service providers, and community organizations are also part of the unified partnership to advance small business growth and corridor revitalization in Detroit, as well as the Department of Housing and Urban Development Community Development Block Grants (CDBG), and

six lending partners specifically committed to small business and construction loans: Detroit Development Fund, Invest Detroit, Detroit Microenterprise Fund, Capital Impact Partners, Detroit Local Initiatives Support Corporation (LISC) and the Michigan Women's Foundation.

