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The Small Business Retention, Expansion
and Recruitment Project



Main Street



National Trust for Historic Preservation

STRATEGIES USED IN EFFECTIVE RETENTION /EXPANSION AND RECRUITMENT PROGRAMS.

A number of strategies are used by the 16 cities surveyed for this study. No community, however, uses all possible strategies. Because most communities have commercial areas that suffer from the problems listed above, all strategies listed in this section may be considered.

Table 19 on the following page lists 37 strategies that may be employed to retain, expand and recruit small businesses. Each strategy is related to one or more of the elements of the model affecting businesses' decisions to remain or locate in a particular area. As can be seen, many strategies help to reduce businesses' costs and increase their market shares; a number improve the public infrastructure, services, amenities or aesthetics of an area; and several improve the potential or existing work force for area businesses.

Each of the strategies listed in Table 19 is described below.

1. Provide commercial rent subsidies. Although not used by any of the 16 cities surveyed, providing commercial rent subsidies can be an effective way to address several key problems faced by old commercial districts. Commercial rent subsidies may be paid to small businesses if they locate or remain in buildings designated by local officials. The subsidy is used to assist small businesses that would otherwise be displaced by high rents. The subsidy can also be conditioned on the property owner's willingness to repair buildings.

2. Maintain commercial rent controls. Although this approach is used by few American cities other than Berkeley, Calif., it is an attempt to place a limit on the amount of rent charged by property owners. The goal is to prevent displacement of businesses that can not pay increased rents.

3. Assist in packaging loans. Fourteen of the sixteen cities surveyed assist in packaging loans, especially for new small businesses being recruited to the commercial district. Packaging loans usually entails assisting businesses with an analysis of their market, current revenues, debts, and projected needs for cash. Based on this analysis, a request for a loan is structured and the businessperson is assisted in approaching a Lending institution.

4. Provide free or below-cost land for new construction. Many communities own land or can acquire it through negotiation or eminent domain. They can provide this land to desirable small businesses for construction of new facilities.

5. Loan or grant start-up capital. Several of the cities surveyed provide low-interest loans or grants to recruit small businesses. These loans may be entirely from private sources or they may include some public funds. Interest rates may be at or near conventional terms, or they may be lowered substantially by using public funds or mixing public and private monies. In some cases, private lenders provide substantial reductions in the interest rates they charge. The requirements of the Community Reinvestment Act can encourage lenders to provide these monies.

6. Loan or grant monies for inventories. This also may be a subsidized loan or grant program to help existing or new small businesses build inventories. Since many small businesses do not have much money when they start, they cannot buy large enough inventories to make enough profit to expand. This approach can break that cycle.

7. Loan or grant money for rehabilitating interiors of buildings. Modern displays and store arrangements can result in significant increases in retail sales and more productivity in businesses. Subsidized loans or grants for improving building interiors can assist small businesses that cannot obtain funds from conventional sources.

8. Purchase rehabilitated facades or allow donations of facade easements. In many communities building owners obtain additional tax benefits by donating façade easements of historic buildings to local governments or nonprofit corporations. In some cases, local governments or preservation organizations have bought easements to save them or to provide funding to owners for further building or restoration.

9. Loan or grant money for rehabilitating exteriors of buildings. Many communities, including 11 of the 16 cities surveyed, give loans or grants to property owners for improvements to building exteriors. Generally these loans are at interest rates somewhat below conventional terms.

10. Issue tax-exempt bonds for rehabilitation or construction. Most local governments in America may legally issue tax-exempt bonds for rehabilitating structures or constructing new buildings. Although there are a number of limitations on the use of tax-exempt bonds, they provide an important subsidy to property owners since their effective interest rate is several percentage points below taxable, conventional loans.

11. Provide investment tax credits. There are many forms of investment tax credits used in different states. These include the investment tax credits provided by the federal government for rehabilitating historic and old buildings, credits for creating jobs in areas of high unemployment, and credits for making improvements to the energy efficiency of buildings.

12. Use property tax abatements. Many states have passed legislation allowing local governments to create enterprise zones in which a partial or complete ad valorem property tax abatement is provided to property owners who rehabilitate their buildings or construct new ones. These designated areas are usually severely deteriorated.

13. Issue credit enhancement or loan guarantees. Although the ability of local governments to do this varies from state to state, many communities can back a rehabilitation or construction project. By guaranteeing to repay loans to the developer if he defaults, the locality can reduce the risk and, consequently, the interest rate on the loan.

14. Form a tax increment financing district. Tax increment financing districts are formed by local governments in areas in which there is growth in property taxes due to increased occupancies and construction. A portion of the increased taxes is used to pay for special improvements to the area, such as water and sewer systems, roads, sidewalks, services and amenities.

15. Form a tax assessment district. A special tax assessment is levied in these districts to pay for special need facilities and services. Unlike a tax increment financing district, the taxes are levied on existing property owners, rather than coming from new taxes generated from increased development.

16. Provide parking. There are many ways for a community to provide parking, including building and operating lots and decks or providing incentives and subsidies to private owners and operators. The role of the local government in regulating parking areas and structures, controlling parking fees and ensuring effective private management can vary widely and have dramatic effects on other retention, expansion and recruitment efforts.

17. Provide public or special transportation. Local governments, special purpose districts or private parties may own and operate transportation systems that serve the older commercial areas. These systems include fixed-rail buses, jitneys and people movers, and may serve the general public or specific groups such as shoppers, conventioners and tourists, the elderly or school children.

18. Provide or arrange security. In addition to the police, many public and private organizations provide or arrange for security measures, such as guards, mounted horse patrols, information on crime prevention and designs for structures and sites to improve security. Property owners and tenants often join together to hire their own security personnel.

19. Revise or prepare zoning regulations. Zoning regulates the use of properties in old commercial districts. Many localities, including nine of the sixteen cities surveyed for this study, have revised their zoning ordinances to provide incentives for small businesses. These include: allowing people to live over their stores; reducing parking requirements, especially in areas served by public transit; reducing setbacks; increasing floor area ratios in exchange for amenities; and increasing requirements for open spaces and landscaping. The transfer of development rights has been used to save old buildings in many cities.

20. Revise or prepare design regulations. Often in conjunction with revised zoning and creation of historic districts, many localities enforce strict building design regulations, especially in historic areas. These ordinances may regulate materials used, paint colors, overall design and exterior changes.

21. Fund or build streetscapes. Public and private groups often raise money for and build attractive public areas in older commercial districts. Amenities that are purchased or constructed include pedestrian malls and plazas, cobblestone or brick paved walkways, wrought-iron and wooden railings and fences, benches and planters for trees and flowers. Any public improvements should be in keeping with the character of the district.

22. Create a historic preservation district. Localities and states often designate historic areas for special preservation and attention. These designated areas include districts, sites and structures on the National Register of Historic Places. Older structures in a designated district may not be demolished as easily as those in unprotected areas and design changes to the buildings are usually regulated.

23. Repair exteriors of buildings. In addition to providing low-interest loans for exterior buildings repairs, some jurisdictions assume responsibility for those repairs, especially to historic buildings. Sometimes this is done in the form of a grant to the property owners and sometimes a lien is placed on the structure for the value of the repairs. Repairing building exteriors is often done in conjunction with strong code enforcement.

24. Provide design assistance to building owners. Property owners who are willing to fix up their buildings are sometimes given free technical design assistance by architects and other design professionals who are provided by the locality, state or private associations. This assistance usually includes advice on materials, design, colors, awnings, window repairs and other features, and sometimes includes drawings.

25. Provide interior design and display assistance to retailers. Some local and state programs assist retailers by providing advice on interior layouts and displays. This advice can be through on-site consultation or through training sessions or seminars.

26. Prepare brochures, flyers and other promotional materials. Local small business assistance programs frequently prepare brochures, flyers and other promotional materials to entice visitors and customers to area shops or special events.

27. Conduct promotional campaigns for individual businesses. In addition to attracting customers to the commercial district through promotional campaigns, local assistance programs may also work with individual businesses to structure better advertisements and promotions. These should be based on market studies that clearly delineate the target audience for each business.

28. Coordinate marketing and promotions for local businesses. Local programs may assist businesses to better coordinate their marketing and promotions. This help may include structuring joint advertising, coordinating displays and special promotions and providing funding for cooperative advertising efforts. Conduct training courses for personnel. The types of training for small business personnel are almost limitless. Training may include initial orientation to the area; information on local facilities, transportation and child care; development of skills and expertise; advice on nearby housing; and much more. Training of area personnel will help local employers recruit and retain valued employees.

30. Recruit and place personnel. Many public agencies, such as the Job Service and programs funded through the Joint Partnership Training Act (JPTA), and private agencies, such as temporary personnel services and recruitment specialists, may find and place personnel in local businesses. This support service should be tailored to the businesses in the area and changing needs of employers.

31. Provide day-care, health and community facilities and other support services. In order to be able to work in an area, many working parents may require day-care services for their children or public transportation. These services, as well as public health and other community services, may be provided by various public and private agencies to help support persons working in an area.

32. Conduct market studies. Many local agencies conduct market studies for businesses as part of a technical assistance program. These market studies provide data on the mix of customers who may be serviced, products and services needed, what prices to charge and, frequently, strategies for reaching various market segments.

33. Prepare financial feasibility studies. In addition to market studies, many local agencies will assist individual small businesses by assessing their financial condition, cash flow and projections and strategies for optimizing profits.

34. Prepare financial pro forma. Often prepared as part of a financial feasibility analysis, a financial pro forma lists total revenues, operating expenses and profits. It is usually prepared for real estate, but may also be prepared for a business's operations. Estimated pro formas are often prepared for individual buildings as a means of interesting prospective investors.

35. Organize small businesses into an association. Merchants associations, professional associations and other business groups are frequently formed to help their members deal with problems in the commercial area. These associations may have powers to raise money through special assessments, provide services, build streetscapes, make public improvements and advocate positions with local governments. These groups may vary widely in their powers and duties.

36. Provide management assistance to individual businesses. Many local economic development organizations provide management assistance to individual businesses. This assistance may include lessons or on-site consultation in the following areas: cash management, inventory control, tenant agreements, obtaining loans, recruiting tenants, window and in-store displays, promotions, preparing business plans, recruiting, training and retaining personnel.

**TABLE 19
STRATEGIES USED IN EFFECTIVE RETENTION/EXPANSION AND RECRUITMENT PROGRAMS**

Strategies used in Effective Retention/Expansion and Recruitment Programs	Elements of the Model			
	Lower Cost	Increase Market	Improve Work Force	Improve Infrastructure/ Services
1. Provide commercial rent subsidies	•			
2. Maintain commercial rent controls	•			
3. Assist in packaging loans	•			
4. Provide land free or below-cost for new construction	•			
5. Loan or grant start-up capital	•			
6. Loan or grant money for inventories	•			
7. Loan or grant money for rehabilitating interiors of buildings	•			
8. Purchase rehabilitated facades or allow donations of facades.	•			
9. Loan or grant money for rehabilitating exteriors of buildings.	•			
10. Issue tax exempt bonds for rehabilitation or construction	•			
11. Provide investment tax	•			
12. Use property tax abatements credits	•			
13. Issue credit enhancements or loan guarantees	•			
14. Form a tax increment financing district				•
15. Form a tax assessment district				•
16. Provide parking	•	•		•
17. Provide public or special transportation	•	•	•	•
18. Provide or arrange security				•
19. Revise or prepare zoning regulations				•
20. Revise or prepare design regulations		•		•
21. Build or fund streetscapes	•	•		•
22. Create an historic preservation district		•		•
23. Repair exteriors of buildings	•	•		•
24. Provide design assistance to building owners	•	•		•
25. Provide interior design assistance/display assistance to retailers	•	•		
26. Prepare brochures, flyers and other promotional materials		•		
27. Conduct promotional cam- for individual businesses	•	•		
28. Coordinate marketing and promotions of businesses in the area		•		
29. Conduct training courses for personnel			•	
30. Recruit and place personnel			•	
31. Provide day care, health and community facilities, and other support services			•	•
32. Conduct market studies	•	•		
33. Prepare financial feasibility studies	•			
34. Prepare financial pro formas	•			
35. Organize small businesses into an association		•		

36. Provide management assistance to individual businesses	- cash management	•			
	- inventory control	•	•		
	- tenant agreements	•			
	- advice on loans	•			
	- advice on recruiting tenants	•			
	- advice on displays		•		
	- advice on promotions		•		
	- assistance in preparing business plans	•			
	- advice on recruiting personnel			•	
	- advice on training/retain- personnel			•	
37. Provide new housing near the commercial district			•	•	

**TABLE 20
FACTORS THAT THE CITIES
CONSIDER CRITICAL FOR SUCCESS**

Factors Critical for Success	Retention/Expansion	Recruitment
1. Upgrade the image of the area	•	•
2. Determine the appropriate market mix of uses	•	•
3. Understand the market potential	•	•
4. Provide financial assistance	•	•
5. Change the attitude of the community about the area	•	
6. Contain rents	•	
7. Minimize front footage of buildings in order to preserve space for small businesses	•	
8. Promote the area well	•	•
9. Assist in improving management skills	•	
10. Reduce red tape of programs	•	•
11. Assemble a good recruitment team		•
12. Recognize the importance of small businesses to the area	•	•
13. Provide tenant improvement allowances		•