

# BUSINESS

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Ivan wreaks havoc on nightclub scene B7



GROWTH ENGINES—The intersection of Homewood and Frankstown avenues is a growing business strip.

PHOTO BY K. NEELY

## Engines of growth Why low-income communities need small business

Housing development has long been a staple for community development practitioners working to revitalize low- and moderate-income neighborhoods. Efforts to promote the new home construction, homeownership and affordable housing have been key to urban renewal in many areas. But housing alone is not a panacea; rather, housing must be one part of a broad, holistic approach to community revitalization that also includes small business development. Small businesses and micro-enterprises (businesses with fewer than five employees) have an important role to play in low- and moderate-income communities. Often they are the engines of growth in these neighborhoods, providing employment opportunities, generating tax revenues and helping to anchor the community.

In addition, owning a business can be an important way for individuals to build wealth, both for themselves and the community. Small business development in low- and moderate-income areas can have a multiplier effect, according to Michelle

Long, national coordinator of the Business Alliance for Local Living Economies, a national network of independent alliances. Locally based businesses "support other local folks through employment, wages and product support; they strengthen the long-term stability and diversity of the community, and they support the work of local nonprofits," Long explains.

But attracting and retaining businesses in low- and moderate-income communities is not without its challenges: Negative perceptions about doing business in distressed communities remain.

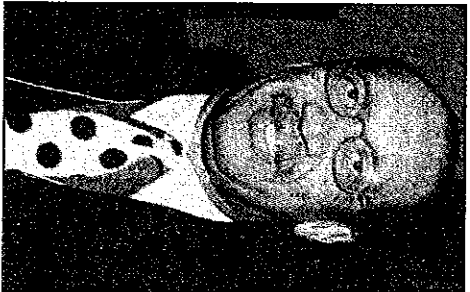
Al Jones, retired director of the U.S. Small Business Administration's office in Pittsburgh, says the "misperceptions or barriers that exist are the occupations of overpricing, selling inferior merchandise and providing less than quality service."

Many believe that local small businesses have a significant advantage: intimate knowledge of their market.

Small businesses "know their community better [than national chains], they can offer products and services that are unique and they have stronger interpersonal relationships—all of this helps with customer loyalty, better services and profitability," says Long.

These relationships among low-income communities and small businesses create lasting bonds that can boost business for small firms. According to Jones, "it is necessary to marry the business with the community the business serves...Small business owners know the heartbeat of the low- and moderate-income communities."

Businesses that locate in lower-income areas may also have an advantage because they face little competition. "Business owners can absorb most of the market



AL JONES

share, therefore generating enough sales to make a profit... This is especially true for businesses such as grocery stores, clothing stores and restaurants," says Bill Edwards, executive director of the Association for Enterprise Opportunity, a trade group for micro loan funds.

**Making a personal commitment to growth**  
In addition to the benefits that small business brings to communities in the form of jobs and tax revenue, business owners themselves can play a powerful role as community leaders. Often, entrepreneurs become personally invested in the communities they serve, acting as spokespeople for their neighborhoods and as catalysts for change.

"I believe that business owners can play an important role in revitalizing neighborhoods," says Congressman Steve Chabot of Ohio.

"This creates long-term benefits for them (through increased property values and customer base) and for residents." For instance, when Cleveland-based tooling components manufacturer Jergens

Inc. went looking for a new home for its 150-employee operation, it found an opportunity to make a difference in the city's eastside Collinwood neighborhood. President Jack H. Schron Jr., whose family founded the company in 1942 and grew up in Collinwood, initially considered locating on a Greenfield site or moving out of the city altogether.

Instead, the company chose land then occupied by the abandoned Collinwood Rail Yard, once a hub of activity for the New York Central Railroad that had become environmentally blighted.

Schroen believed that if Jergens got the ball rolling by redeveloping the Collinwood Yards, others would follow suit. He was right: In addition to Jergens' 105,000-square-foot facility, which opened in 1999, the Cleveland Foodbank and the Cleveland Clinic now have properties on the site.

Although the move made business sense—the space would give Jergens enough land to continue to expand in the future, and its proximity to Interstate 90 makes it convenient for employees—it also became a personal commitment for Schroen, who has opened up the building for community events and helps to organize the neighborhood watch.

Other entrepreneurs, too, cite their commitment to their communities as one reason they're in business. Carolyn Dorsey, an independent State Farm insurance agent, has operated her business in East Liberty, an inner-city neighborhood in Pittsburgh.

SEE ENGINES B2



DORIS CARSON-WILLIAMS



CAROLYN DORSEY

# Engines of growth

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for 20 years despite pressures to move to a more affluent area.

"I wanted to be in a community where...I could help advise people and make my services available, because so many businesses..."

Carol Foster, a Pittsburgh-based real estate agent working in the city's Manchester section, also believes that her personal connection to the neighborhood benefits both her business and her customers.

"I concentrate on Manchester because they are my neighbors—I ensure they get the service they deserve," she says. "It's a great neighborhood. I have a competitive advantage through my detailed knowledge of the neighborhood: I know the residents, I know the market," she says.

## Fueling small business development

How can community development practitioners create a fertile environment for small businesses and micro-enterprise? Some of the best

resources for start-ups in low- and moderate-income communities are small businesses themselves, which can form invaluable mentoring relationships and networks for sharing information and best practices.

According to Bill Edwards, "Building relationships is especially important for business owners in low- and moderate-income communities. To be known as a 'good neighbor' can lead to free publicity and community loyalty."

In the Pittsburgh area, the African American Chamber of Commerce of Western Pennsylvania "tries to assist members in finding access to capital through various government lending programs and through working with the local financial institutions," explains Doris Carson Williams, the chamber's executive director. "We have helped several members by providing them a contact at a local bank that is not only sensitive to some of their issues, such as credit ratings, but looks for ways to improve

their lending programs from small business."

In addition to these formal and informal local networks, small business that choose to locate in low- and moderate-income areas can take advantage of a number of tax incentives and loan programs, such as the New Markets Tax Credit Program and the Main Street initiative. Firms can also tap community development financial institutions, many of which specialize in higher-risk start-ups and minority- and women-owned businesses.

Small businesses are a powerful economic force, and nowhere is this more true than in low- and moderate-income communities. In fact, neighborhood revitalization cannot be complete unless local businesses are strong. By complementing our efforts in affordable housing and financial literacy with small business development, we can work toward stronger, more self-sufficient communities that will thrive and grow over the long term.

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