



MAYOR MARTIN J. WALSH



next street

mass | economics

City of Boston

Small Business Plan

MARCH 2016

Dear Friends:



Small businesses add so much value and character to Boston's neighborhoods. They provide us with goods and services, with jobs and community meeting places. They reflect a rich diversity of cultures and languages. Small business owners are stewards who invest in our neighborhoods and our neighbors. They inspire our young people to dream, motivate them to pursue new opportunities, and model for them the resolve to succeed.

From the first days of this administration, small business has been a priority. We have already doubled the City's funding for on-site business assistance and increased funding for Main Streets organizations. We have reduced permitting and licensing approval times and simplified zoning to increase small business development. We have increased the number of liquor licenses available for small businesses and restaurants for the first time since 2006, and we've worked with the City Council to pass BYOB legislation to help small restaurants draw customers. And we have tackled economic equity for small business head on with the launch of Women Entrepreneurs Boston and the Economic Inclusion & Equity Agenda.

But there is always more we can do. That's why we assembled a thoughtful, committed team of small business leaders and consultants to help us think through these issues – to take a fresh look, using new data, to help us make more informed decisions about how we support small businesses in Boston.

What we found is that there has been no shortage of small business support in Boston, but we can do better by using better data, by implementing new strategies based on the priority needs of small business, and by creating a more sustainable alignment of resources and partners. This plan outlines what we have learned and how we are going to use it to make Boston's small business community even stronger.

Boston has a strong, impressive ecosystem of more than 40,000 small businesses. Our 20 Main Streets districts alone are home to more than 3,500 businesses and serve more than 200,000 residents, and the many other small businesses throughout Boston serve countless more. Their hard work, commitment to community, and dedication to making Boston great are an inspiration to me and to the entire business development team. Our small businesses enrich Boston culturally and economically, and I want to thank each of them for doing business here. My thanks also to the Small Business Advisory Council for their time and talent, to Next Street and Mass Economics for their hard work and research, and to Co-Chairs Chief John Barros and Chief Sheila Dillon and their dedicated teams for all that they have done and, most importantly, all that they will do next.

I look forward to working with all of you to keep making Boston a stronger, more equitable, and richer community.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Walsh', followed by a long horizontal line.

Martin J. Walsh

Mayor, City of Boston

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Introduction

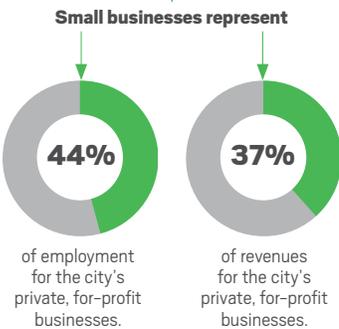
Introduction: The Need For A Small Business Plan

Together, Boston's over
40,000
 small businesses generate about
\$15B
 in annual revenue and approximately
170,000
 jobs.

Small businesses are the heart of Boston's economy. Approximately 95% of Boston's businesses are sole proprietors and firms with fewer than 50 employees and/or less than \$5 million in revenue. These businesses create jobs, wealth, and opportunity for the city's workers and residents. Small businesses also strengthen the city's neighborhoods by providing goods and services and contributing to social and civic life. Together, Boston's 40,000 plus small businesses generate around \$15 billion in annual revenue and approximately 170,000 jobs, representing roughly 44% of employment and 37% of revenues for the city's private, for-profit businesses.¹

Recognizing the role of small businesses in the future health and vitality of Boston and its residents, the City of Boston committed to develop a five-year plan to help businesses start and grow in Boston. The plan was developed collaboratively by engaging public, private, and civic stakeholders to identify strategies to increase equitable opportunities for existing and new entrepreneurs across Boston and to determine actions the City of Boston could take to implement these strategies.

This Boston Small Business Plan has three primary goals: to make the small business economy thrive, to enhance neighborhood vibrancy, and to foster economic and social inclusion and equity. To accomplish these goals, the Plan proposes policies and programs to foster a high-quality, efficient support system for all small businesses; to develop tools, programs, and policies to address specific gaps in key small business segments that are vital to the city's economic growth; and to enhance the ability of minority, immigrant, and women entrepreneurs to successfully launch and grow small businesses across the city.



This Boston Small Business Plan has three primary goals: to make the small business economy thrive, to enhance neighborhood vibrancy, and to foster economic and social inclusion and equity.



Make the Small Business Economy Thrive

In a thriving small business economy, local businesses provide goods and services while simultaneously creating a path to income and wealth creation for workers, owners, and investors. In Boston, small businesses also serve a crucial role in the overall success of the economy by supporting the operations of large, global companies. Small businesses' innovation, goods, and services are critical to maintaining the competitiveness of Boston's leading national and global positions in many industries. Positioning the city's small businesses to continue to play these important roles is a cornerstone of the Small Business Plan.

At the same time, small business startup is costly, and business failure also imposes real costs on many stakeholders. While recognizing that starting and managing a business is inherently risky, the Small Business Plan explicitly aims to increase the small business success rate and reduce the number of preventable small business failures in Boston. As one City leader expressed, "the goal of the small business strategy is not that all small businesses succeed – that's not possible – but that all businesses have the chance to succeed." The programs and policies recommended in this Plan will increase opportunity for existing and would-be entrepreneurs while reducing small business "churn" by improving access to small business services across the city and addressing specific challenges, such as finding real estate and hiring talent.

Over
95%
 of Boston's businesses are sole
 proprietors or firms with
<50
 employees and/or
<\$5M
 in revenue.

Enhance Neighborhood Vibrancy

Small businesses make Boston an attractive place to live by providing goods and services essential to residents' quality of life, whether dry-cleaning, daycare, or groceries. Local amenities also contribute to the city's uniqueness and vitality – restaurants, cafés, bars, and shops shape Boston's streetscapes and create urban environments that make the city a desirable place for residents, workers, students, and tourists. The Plan targets support to local services businesses, restaurants, and retailers, with a particular emphasis on establishing these businesses in currently underserved low- and moderate-income neighborhoods where, in addition to providing necessary services, small businesses can create local jobs and pathways to wealth.



Introduction

Drive Inclusion and Equity

Small businesses contribute to social equity and inclusion by serving as an entry point for workers with diverse education and experience levels and by supporting wealth creation in all of Boston's communities. Despite strong job growth over the past decade, unemployment remains unacceptably high and average incomes too low in communities of color. Ownership of the city's businesses (32% minority-owned) is also far less diverse than the city's population (53% minority) and women are also underrepresented as small business owners (52% of the city's population, 35% ownership of the city's businesses).²

A vibrant small business ecosystem is a cornerstone of efforts to extend economic opportunity to all residents. Unfortunately, serious obstacles stand in the way of many historically underrepresented individuals seeking to start or build businesses. This Small Business Plan puts forth a series of recommendations to ensure that minority-, women-, and immigrant-owned businesses have access to the opportunities and resources they need to be successful. The Plan recommends policies and programs that expand access to networks and resources and prioritizes activities that help small business owners and their employees to achieve financial well-being and build wealth.

A vibrant small business ecosystem is a cornerstone of efforts to extend economic opportunity to all residents.

Plan Development Process

The Small Business Plan presented here reflects six months of work by many organizations and individuals. The consulting team of Next Street and Mass Economics collected, integrated, and organized data on tens of thousands of small businesses, hundreds of business service organizations, and hundreds of capital providers. In addition, the team interviewed almost 100 business service organizations, capital providers, and other experts, including consulting with over 40 public sector leaders from City and Commonwealth departments and agencies. Multiple agencies provided data, insights, and guidance throughout the process. The team also researched efforts and interviewed public and private leaders nationwide to identify best practices in other cities.

Most valuable was the strong support and guidance of the small business community itself. More than 60 small business owners spoke with the project team one-on-one or participated in one of seven roundtable sessions. Small business leaders also played a prominent role in the project's Advisory Committee, which reviewed project findings and shaped recommendations. Over the course of the project, these entrepreneurs provided valuable information on their needs and aspirations, the challenges they face operating a business in Boston, and their ideas for strengthening Boston's small business environment.

The team interviewed almost

100

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40

public sector leaders from City and Commonwealth departments and agencies

Small Business Overview

By the definition employed in this Plan, approximately 40,000 small businesses have fewer than 50 employees and/or revenues of less than \$5 million in revenue. Of these small businesses, "micro" businesses with fewer than ten employees and less than \$500,000 in revenue account for about 85% of the city's small businesses, about one-third of small business revenue (\$4.8 billion), and about two-fifths of small business employment (72,200 employees). Established businesses, with ten or more employees and \$500,000–\$5 million in revenue, make up 15% of the city's small businesses but account for about two-thirds of small business revenue (\$10.2 billion) and approximately three-fifths of employment (97,600 employees).³

Micro Businesses

less than \$500,000 in revenue
fewer than 10 employees

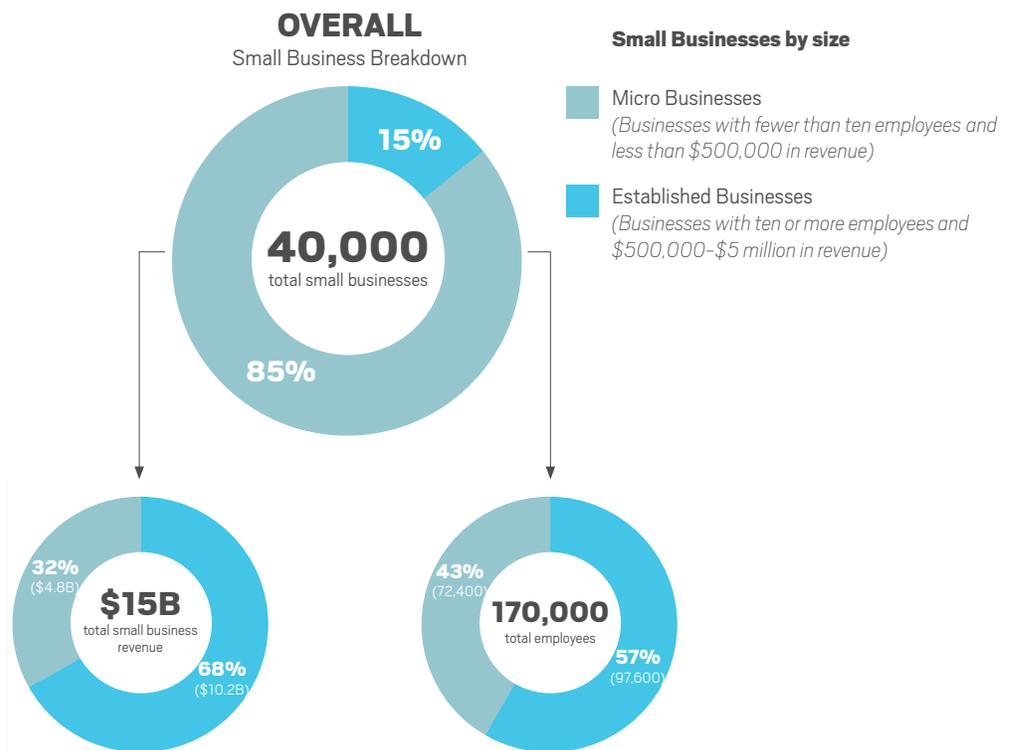
Established Businesses

\$500,000 – \$5M in revenue
more than 10 employees

Older firms also contribute disproportionately to revenue and employment. Startups – defined here as firms less than three years old – make up 34% of small businesses and account for 17% of Boston small business employment. Firms older than three years have an average of about five employees, compared to two at startups. In all, older firms account for 83% of small business employment.⁴ Among these older, established businesses, over half are ten years old or older.

Small businesses are found in almost every industry category, but the vast majority (62%) serve customers directly (e.g. via retail and restaurants). About 31% of the city's small businesses are in sectors that typically have customers located across the U.S. or abroad. The remaining 7% are local business-to-business firms that provide goods and services to other businesses across the city and region.⁵

Figure 1: Small Business Breakdown by Size



Neighborhood Locations of Small Businesses

Every neighborhood in Boston is home to small businesses, but businesses are not evenly distributed across the city. The Boston neighborhood with the largest number of small businesses is Downtown, with more than 20% of the total, followed by Dorchester and the Back Bay. Mattapan, Roslindale, and the West End have the highest concentration of micro businesses in the city, while the South Boston Waterfront, Leather District, and Downtown have the highest concentration of established businesses.

Downtown makes up
>20%
 of all small businesses

Figure 2: Neighborhood Locations of Small Businesses

Neighborhood	% of Total Small Businesses	Micro (as % of Neighborhood Small Businesses)	Established (as % of Neighborhood Small Businesses)
Downtown	20%	81%	19%
Dorchester	11%	91%	9%
Back Bay	8%	82%	18%
Brighton	5%	89%	11%
Jamaica Plain	5%	90%	10%
South End	5%	89%	11%
East Boston	4%	88%	12%
Hyde Park	4%	90%	10%
Roxbury	4%	89%	11%
South Boston	4%	84%	16%
West Roxbury	4%	91%	9%
Allston	3%	84%	16%
Charlestown	3%	85%	15%
Fenway	3%	82%	18%
Roslindale	3%	92%	8%
South Boston Waterfront	3%	71%	29%
Beacon Hill	2%	88%	12%
Mattapan	2%	93%	7%
North End	2%	84%	16%
Chinatown	1%	84%	16%
Leather District	1%	78%	22%
Longwood Medical Area	1%	89%	11%
Mission Hill	1%	91%	9%
West End	1%	92%	8%
Bay Village	<1%	85%	15%
City Total	NA	85%	15%



Minority-Owned Businesses

Helping entrepreneurs of color to build businesses and participate fully in the city's economic life presents a vital opportunity – and imperative – for Boston. According to the U.S. Census, people of color – all groups other than non-Hispanic whites – made up 53% of the city's population in 2013, an increase of 20 percentage points since 1980 (from approximately 32% to 53%).⁶ These trends are expected to continue. Population growth in the overall Boston–Cambridge–Quincy metro area is expected to be entirely driven by minority groups from 2010–2040.⁷

Data on minority business enterprises (MBEs) in the city show that as of 2012, 32% of Boston's privately-held businesses (including both small and larger businesses) identified as minority-owned.⁸ These businesses employed 32,400 people and generated about \$2.7 billion in revenue.⁹ The vast majority of these businesses – 87% – are sole-proprietorships compared to only 79% for all privately-held businesses.¹⁰

Helping entrepreneurs of color to build businesses and participate fully in the city's economic life presents a vital opportunity – and imperative – for Boston.

Unfortunately, detailed firm-level data on Boston's MBEs are limited. The data that do exist suggest that MBEs have lower average rates of revenue and employment growth than the average small business in the city. Controlling for the industry composition of MBEs, 13% of MBE small businesses demonstrated employment growth in the last three-year period for which there are data (2009–2012), compared to 68% for all small businesses operating in the same industry segments.¹¹ Nationally, minority-owned businesses are more likely to serve local markets than the national average, and also more likely to serve neighborhood markets than white-owned firms.¹² These factors limit growth opportunities for MBEs and make them more susceptible to local economic downturns.

+20%

increase in population of
people of color in Boston,
1980 – 2013

MBEs comprise

32%

of city businesses, generate

\$2.7B

in revenue, and employ

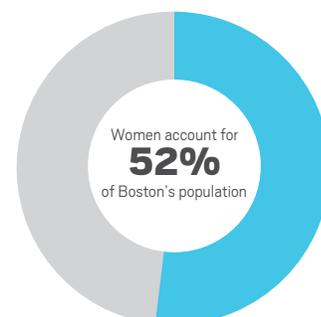
32,400

people

Women-Owned Businesses

The city of Boston is majority women (52%) but as of 2012, only 35% of the city's businesses were women-owned.¹³ These businesses employed 36,100 people and generated \$3.3 billion in revenue.¹⁴ At 89%, sole-proprietorships comprise the majority of women-owned businesses.¹⁵

As is true for MBEs, detailed firm-level data on Boston's WBEs are also very limited. These limited data suggest that WBEs have lower average rates of revenue and employment growth than the city's overall small businesses. Controlling for industry composition, 16% of WBE small businesses demonstrated employment growth in the last three-year period (2009–2012) for which there are data compared to 61% of all Boston small businesses operating in the same industry segments.¹⁶ In Massachusetts, only 2.3% of women-owned businesses earn over \$1 million in revenue. Businesses owned by men are 3.3 times more likely to reach the same million-dollar threshold.¹⁷



Immigrant-Owned Businesses

Boston is home to a large and growing foreign-born population — 27% of city residents are immigrants, hailing from over 100 countries. Boston is also a multilingual city, with 36% of households speaking a language other than English at home.¹⁸ Although data for Boston's immigrant entrepreneurs do not exist due to the limited geographies of the relevant data source, across Massachusetts, 7% of sole proprietorships and 9% of firms with employees have foreign-born owners.¹⁹ Foreign-born entrepreneurs have made important contributions across economic sectors, but industry representation diverges from native-owned firms, with higher concentrations in sectors like accommodation and food services that often create lower-paying jobs and don't always provide a clear path to wealth creation for the owner.²⁰ In Massachusetts, among firms with employees, the revenue-per-firm for foreign-born entrepreneurs is only 66% of the revenue-per-firm for native-born business owners.²¹



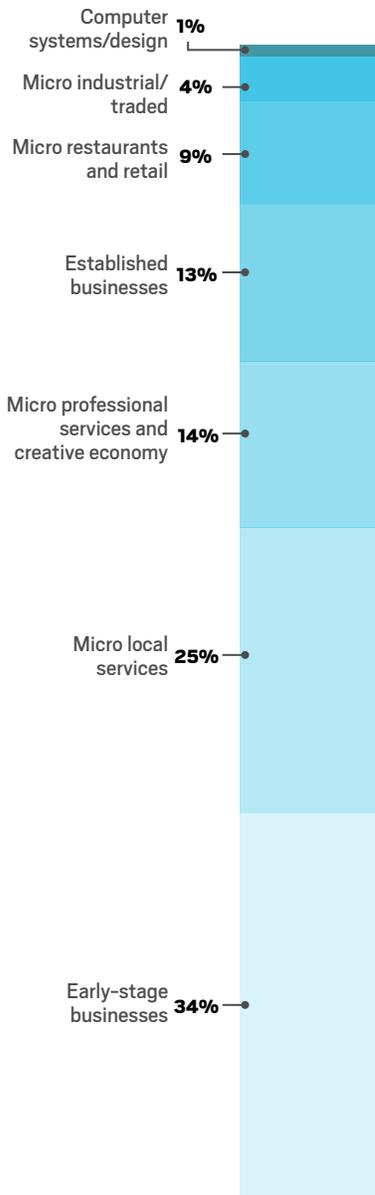
Small Business Segments

No two businesses are alike, but firms of the same age or sector often share similar challenges. A startup business, for example, faces very different growth challenges than an established business looking to expand to global markets. A growing industrial business has different real estate and talent needs than a new restaurant. Given these differences, one way to better understand Boston's small business landscape is by categorizing firms according to characteristics such as size or product type. By analyzing small businesses in these ways, it is possible to estimate the size and impact of different business segments and define the unique survival and growth challenges facing firms in each group.

Small businesses were categorized by stage of growth, industry, and type and location of customer served. As described above, the primary growth stages of small businesses are micro (<\$500,000 revenue and <10 employees), and established (\$500,000–\$5 million in revenue and >10 employees). The key small business industry categories are industrial/"high tech" goods, industrial services, wholesale/distribution, products, local services, retail/restaurants, professional services/creative, and computer systems/design. Market areas vary by type of business. Restaurants and retail primarily serve neighborhood market areas, business-to-business local services firms have customers across the city and region, and traded industries like manufacturing serve national and even global markets.



Small Businesses in Boston by Segment



Using these distinctions, Boston's 40,000 small businesses can be mapped into **seven segments**, each with a distinct set of characteristics and needs:

Early-stage businesses include startup businesses across all industries and serving all customer types, with the exception of computer systems/design firms. This segment covers 34% of small businesses in Boston, but only 12% of small business revenues and 16% of small business jobs.

Computer systems/design firms are all computer systems/design firms that meet the definition of a small business, including early-stage, micro, and established businesses. This segment comprises 1% of the city's small businesses and is responsible for 3% of small business revenues and 2% of jobs.

Businesses in the **micro industrial/traded** segment include smaller manufacturers, wholesalers, and industrial services firms. Typically, businesses in this segment sell to national and global markets. These businesses, comprising 4% of the overall small business landscape, are responsible for 2% of both revenues and jobs.

The **micro local services** segment includes smaller firms providing services locally (as opposed to traded firms). One-quarter of Boston's small businesses are in this segment. These firms are responsible for 9% of the city's small business revenues and 13% of small business jobs.

The **micro restaurants and retail** segment includes smaller restaurants and retailers that provide goods and services directly to consumers. The micro retail and restaurant segment covers 9% of the city's small businesses, 4% of revenues, and 6% of jobs.

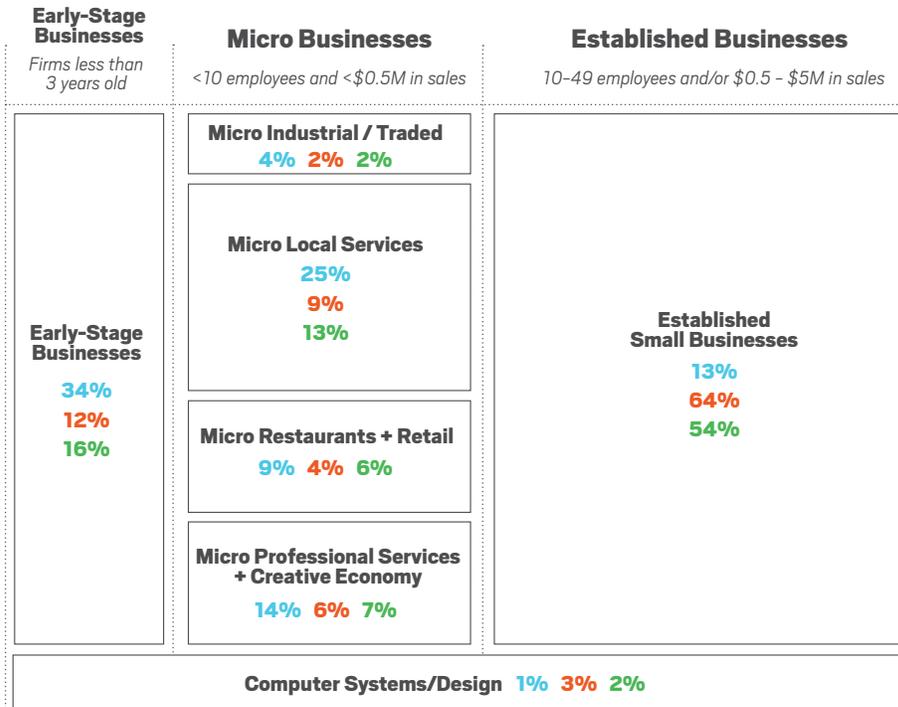
The **micro professional services and creative economy** segment includes smaller professional service providers, such as accountants and lawyers, as well as creative industries such as film and graphic design. This segment includes 14% of Boston's small businesses. These small businesses are responsible for 6% of the city's small business revenues and 7% of the city's jobs.

Established businesses are non-computer systems/design firms with 10 to 49 employees and/or \$500,000 to \$5 million in revenue. Established small businesses make up only 13% of all small businesses but are responsible for 64% of revenues and 54% of jobs.

The Boston Small Business Plan aims to support growth for all small businesses in the city. At the same time, given the City of Boston's interest in using small business development to improve quality of life in Boston's neighborhoods and to create more equitable opportunities for wealth, some small business segments emerged as high priorities. Over the course of project research and interviews, it also became evident that these high-priority segments have pronounced unmet needs.

Priority segments will receive targeted support during the launch and initial implementation of the small business plan. Over time, as the City's priorities and segment needs change, new segments can be identified for support.

Figure 3: Composition of Small Businesses by Segment



KEY
 COUNT
 REVENUE
 JOBS

Sources: NETS, ZIP Code Business Patterns

Micro Local Services

Micro local services firms, which include businesses-to-business and business-to-consumer firms, are critical to economic growth and equity. The business-to-business (B2B) sub-segment is a large and growing provider of services (such as landscaping, facilities maintenance, and catering) to larger businesses, allowing those firms to focus on core business lines. However, in land-constrained, high-cost cities like Boston, B2B businesses are likely to find it increasingly difficult to start or maintain businesses, undermining the health of individual businesses and potentially the operational efficiency of the larger firms that depend on their services. The business-to-consumer (B2C) sub-segment provides services throughout Boston's neighborhoods, ranging from childcare to dry-cleaning. The micro local services segment is critical for economic inclusion efforts. The segment is home to a diverse set of entrepreneurs and is an important source of middle-wage job opportunities for workers without high levels of formal education.

Early-Stage Businesses
Computer Systems/DesignFirms
Micro Industrial/Traded
Micro Local Services
Micro Restaurants and Retail
Micro Professional Services and Creative Economy
Established Businesses



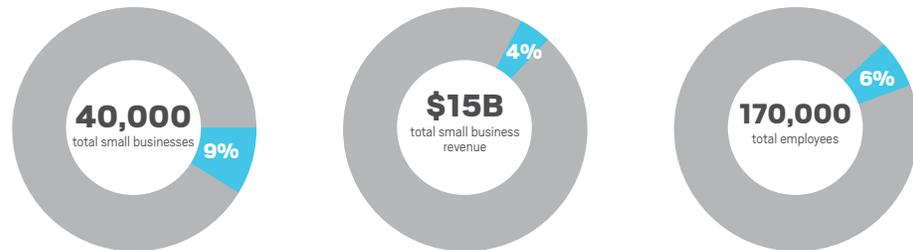
One-quarter of Boston's small businesses are in the micro local services segment. These firms are responsible for 9% of the city's small business revenues and 13% of small business jobs.

Early-Stage Businesses
Computer Systems/DesignFirms
Micro Industrial/Traded
Micro Local Services
Micro Restaurants and Retail
Micro Professional Services and Creative Economy
Established Businesses

Micro Restaurants and Retail

Successful support of retailers and restaurants can contribute to neighborhood vibrancy and economic inclusion by creating a path for neighborhood entrepreneurs to own and operate businesses in underserved neighborhoods. For workers, this segment often serves as an important entry-point to the labor market, particularly for youth, immigrants, and low-income residents.

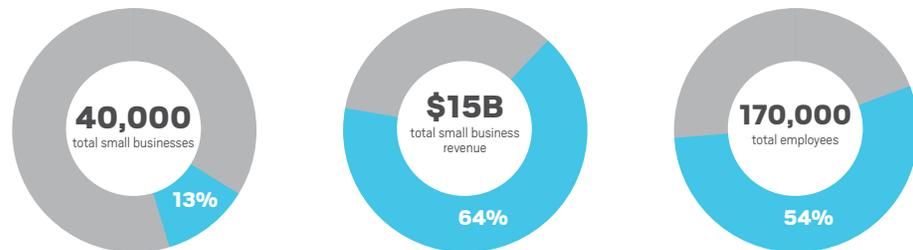
Restaurants and retail businesses have unique needs given the segment's typically high churn and failure rates, which may be magnified in historically underserved neighborhoods without established consumption patterns. A variety of supports are required to better evaluate market opportunities across Boston's diverse neighborhoods, as well as to provide entrepreneurs with information on successful capital and operating models.



The micro retail and restaurant segment covers 9% of the city's small businesses, 4% of revenues, and 6% of jobs.

Established Businesses

Established businesses generate a disproportionately high proportion of the city's small business activity, yet are often underserved by existing supports. Many businesses in this category would be well positioned to create significant numbers of new jobs if they could overcome roadblocks to additional capacity, whether new systems, new employees, or new skills. Addressing growth challenges at this stage demands advice and solutions tailored to individual businesses, as well as access to critical information about new markets. However, the current small business ecosystem offers few of these supports. The City of Boston will focus additional small business resources on this segment with the goal of unlocking the significant growth potential in established businesses.

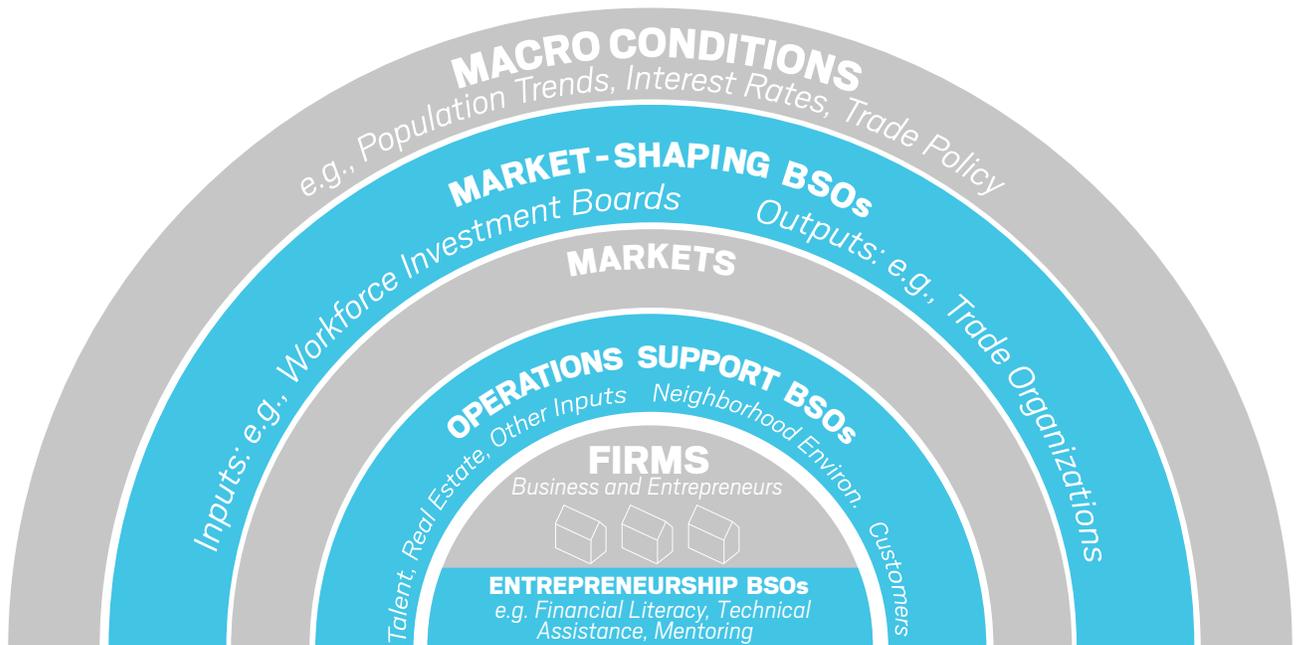


Established small businesses make up only 13% of all small businesses but are responsible for 64% of revenues and 54% of jobs.

The three priority segments will receive targeted support during the launch and initial implementation of the Small Business Plan. Over time, as the city's priorities and segment needs change, new segments will be identified for specialized support.

THE SMALL BUSINESS SUPPORT ECOSYSTEM

Figure 4: The Small Business Ecosystem



In addition to analyzing the current state of Boston’s small businesses, the project team examined the business service organizations that are critical to their success. All small businesses operate within a larger context – they have storefronts on streets that are more or less vibrant, look to labor markets to find workers and to capital markets to finance growth, and buy and sell goods and services in local, national, and global markets. Small businesses also operate within local and national policy and regulatory frameworks that determine factors from City of Boston permitting regulations to national trade policy. Together, these myriad factors have a pronounced effect on business operations and profitability.

By providing valuable advice, services, and advocacy, business service organizations are critical to the success of the city’s entrepreneurs.

To navigate their environment, entrepreneurs rely on a variety of business service organizations (BSOs) to provide education and technical assistance; support firms in navigating real estate, labor, and service markets; and influence the local environment through information sharing and advocacy. BSOs include both public and private sector organizations focusing on small business services. By providing valuable advice, services, and advocacy, BSOs are critical to the success of the city’s entrepreneurs.

BSO
=
Business Service
Organization

The State of Boston's Small Businesses

As part of the Plan development, the project team identified BSOs across the city and gathered data on the activities of these organizations. Mapping the services and locations of the city's BSOs identified opportunities to increase the impact and effectiveness of the BSO ecosystem.

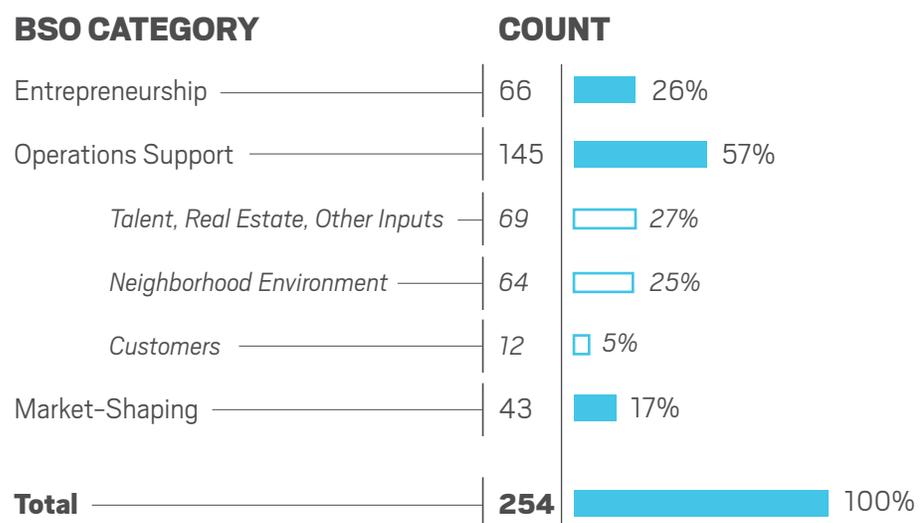
Boston is home to approximately 250 BSOs that can be categorized into three broad groups:

Entrepreneurship BSOs provide direct services and supports to business owners and aspiring entrepreneurs. Some focus on the entrepreneurs themselves by offering training and mentorship, while others focus on supporting overall business operations. Examples of entrepreneurship BSOs include Interise, the Center for Women and Enterprise, and the city's incubators and accelerators.

Operations Support BSOs assist businesses in improving their immediate operating environment. The city's Main Streets organizations, for example, strengthen neighborhood businesses through marketing, promotion, and technical and design expertise. Main Streets and similar organizations might also link individual businesses to available resources and information, such as available financing programs or permitting information. A subset of Operations Support BSOs help firms secure critical inputs like workers and real estate. These BSOs essentially serve as intermediaries between individual firms and labor and real estate markets by helping firms identify options or secure inputs.

Market-Shaping BSOs can influence input and output market conditions in a city or region. For example, decisions by Workforce Investment Boards influence the number of local workers with specific skill and occupational training, thus shaping labor supply in important ways. Regional trade organizations operate on the demand side of markets – by creating links to buyers in foreign markets, these organizations create new export opportunities for local firms, potentially increasing output in the city's and region's economy.

Figure 5: Business Service Organizations by Primary Category and Type



Improving the BSO Ecosystem

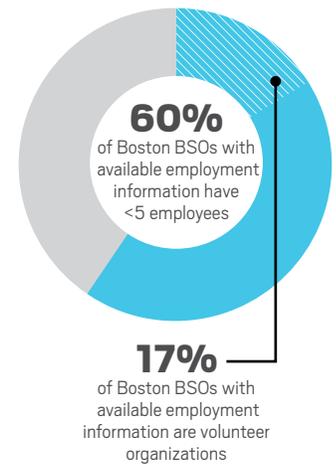
Interviews and analysis point to three issues with the current BSO ecosystem. The primary issue is a lack of business owner awareness of available BSO resources. BSOs themselves also often lack resource awareness and connections to other service providers, further heightening navigation issues. The second issue is a mismatch between small business needs and BSO functions. In particular, many BSOs are devoted to improving their immediate neighborhood environment while very few are dedicated to supporting businesses in finding new customers, which is an expressed need of businesses. Finally, too few industry-specific resources exist for small businesses.

Need for Improved Connections to Business Service Organizations

Many Boston small business owners are unaware of available resources, such as advice, networks, and capital, and struggle to secure the stage- and industry-appropriate resources and strategies for their businesses. When asked to identify business service organizations, small business owners surveyed for this project could only identify an average of 2.5 organizations.²²

One of the causes of this disconnect is that many business service organizations are not well linked to one another. This contributes to the fragmentation of the support ecosystem, with BSOs often working exclusively on their own. One contributing factor is the size of the typical BSO: over 60% of BSOs with available employment information have fewer than five employees and 17% are volunteer organizations with no employees. For some BSOs – particularly service-intensive organizations – low staff capacity can contribute to a lack of connectivity.

This citywide awareness issue may be heightened for businesses located in BSO-scarce neighborhoods. BSOs are unevenly distributed across neighborhoods. There are very high BSO concentrations in the Leather District, Downtown, the Back Bay, Chinatown, Beacon Hill, and the South End, and very low BSO concentrations in the West End, Bay Village, South Boston, Mattapan, Hyde Park, Roslindale, and West Roxbury. These neighborhoods have an average of less than one BSO per square mile.



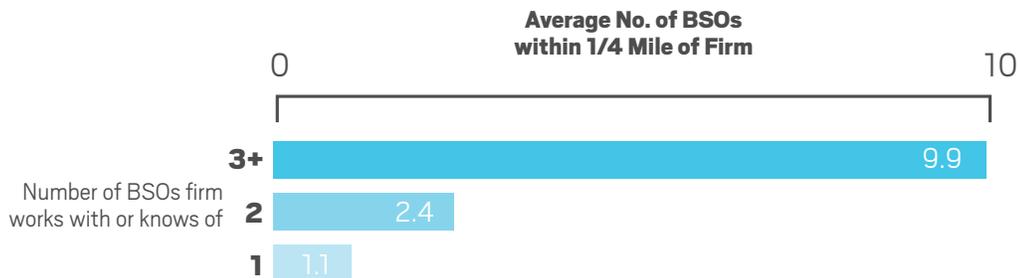
Many Boston small business owners are unaware of available resources, such as advice, networks, and capital, and struggle to secure the stage- and industry-appropriate resources and strategies for their businesses.





Project survey data suggest that business owners in BSO-scarce neighborhoods may have especially limited BSO awareness. Although the survey sample size is small, this finding indicates an important trend that was also reflected in project interviews and roundtables. When asked about familiarity with BSOs, business owners' answers mapped almost directly with the concentration of BSOs in the area around the businesses. Those with the least familiarity of BSOs were in BSO-scarce environments (an average of 1.1 BSOs per quarter mile area) while the most familiar owners were located in BSO-rich environments (an average of almost 10 BSOs per quarter mile area). These data suggest that closing information and connectivity gaps might require additional outreach and communication efforts in BSO-scarce communities. Fortunately, Boston as a whole is resource-rich – home to hundreds of business service organizations – which presents an opportunity for improved networks and connections to significantly improve small businesses resource access in all neighborhoods.

Figure 6: Small Business Owner Awareness of Business Service Orgs.



Need for Business-Responsive Supports and Services

The BSO ecosystem today is partially a reflection of historical needs, leadership, and funding patterns. As a result, there is some mismatch between services offered and the needs of today's entrepreneurs. For example, when surveyed, small business owners indicated that attracting and retaining customers was one of their greatest needs – but the BSO environment seems to not be structured to provide sufficient assistance in this area. In fact, only twelve of the 150 "Operations Support" organizations primarily assist businesses in accessing new customers and markets – and eight of these twelve organizations target their services to minority- and/or women-owned businesses.

On the other hand, almost 65 of the city's 254 BSOs focus on the neighborhood business environment. At the time that many of these organizations were founded, this focus made sense – many of the city's now vibrant corridors had high vacancy rates and little in the way of consumer foot traffic or strong retail businesses. Boston today, however, is a much different place, in part because of these organizations. In 2014, 95% of storefronts in Main Streets districts were occupied. Although Main Streets organizations have successfully adapted to changing needs and client demands by providing more direct technical and financial support to businesses and entrepreneurs – they assisted 2,500 businesses in 2014 – a formal recognition of and strategy for deeper engagement with stated needs of businesses, as well as collaborating with other BSOs with complementary roles and geographies, will ensure their continued effectiveness as a vital on-the-ground force for small business development.²³

12/254

BSOs assist businesses in
accessing new customers
and markets

65/254

BSOs focus on the neighborhood
business environment



Need for More Industry-Specific Business Service Organizations

BSOs can provide generalized services to a broad spectrum of clients or they can specialize by catering to a specific type of business (e.g. startups), a specific industry (e.g. medical devices), a specific demographic group (e.g. recent immigrants), or a specific area (e.g. South Boston). Only about one-third of BSOs are differentiated by stage of business or focus on a specific industry, and fewer than 10% of BSOs explicitly serve women or minority entrepreneurs.

In certain industries, Boston has nationally renowned industry networks and supports that emerge from and connect funders, talent, mentors, and other resources in an integrated system. For example, the city's technology and life sciences networks are very strong, with numerous available advisors, clear connections to capital and talent, industry groups, and a variety of programs and supports. The food industry offers another area of emerging network and resource strength in Boston. However, few other formal industry-specific networks exist in Boston, a challenge also faced by many cities around the country. In the absence of these networks, businesses are left to make customer connections through word of mouth or general networking events, must negotiate operating conditions primarily through local business-related associations like Main Street organizations, and are often unable to address real estate, workforce, or capital challenges collectively.

In certain industries, Boston has nationally renowned industry networks and supports.

Boston has a rich and diverse array of business service organizations. Additional strengths and challenges of the city's current BSO environment are discussed later in the report, both in the context of citywide gaps in the small business ecosystem and proposed small business solutions.

Boston's Small Business Capital Landscape

Entrepreneurs require capital to finance their businesses. In order to identify strengths and potential gaps in the capital landscape, the project team worked to determine the number of capital providers in and serving Boston as well as the amount of capital flowing to Boston's small businesses.

Boston has a rich capital environment. Over 250 bank branches and credit unions provide debt capital, venture capital firms, angel investors, and private equity providers offer equity capital, and additional programs provide grant dollars. Boston's capital landscape also includes alternative and emerging funding sources such as microlenders, online lending platforms, and accelerator programs that combine space, advisory services, and capital. Government-funded programs and organizations, such as community development financial institutions, and public and quasi-public city, state, and federal agencies also have a strong presence in the city.

It is difficult to obtain a complete and accurate count of capital providers: data sources always lag real-time organizational shifts, and some sources, like angel investors and corporate venture capital groups, don't provide extensive public information on their existence or activities. In addition, some important sources of small business capital, like credit cards, are not captured by existing data sources. The use of private sources of capital such as personal assets and capital from friends and family also cannot be accurately measured.²⁴ Taking these source limitations into account, the project team identified over 400 capital providers in or serving Boston.²⁵

Figure 7: Boston Capital Providers

TYPE	COUNT
Bank Branch	212
Credit Union	47
Private Equity	47
Venture Capital	43
Microlender/Alternative Lender	11
Online Lending Platform	10
Angel Investor Group	6
Quasi-Public Agency	5
Accelerator	5
Primary Crowdfunding Platform	4
CDFI	3
Other (e.g. Federal and City Agencies, Corporate Venture Capital)	8
Total	401

As shown in Figure 8 on the following page, we estimate that these sources provided between \$935 million and \$1.365 billion in capital to small businesses in Boston in 2014. Boston is home to a large number of alternative lenders, is a national leader in crowdfunding, the birthplace of private equity, and has more venture capital funding than all but a few cities. However, even in a capital landscape as rich as the one in Boston, traditional banks and credit unions are still the largest source of small business capital measured for this project. Traditional banks and credit unions account for between about half and three-quarters of small business capital flows in 2014 through formal channels (excluding credit cards and online lending, for which data are not available).

Venture capital and angel funding are also significant sources of capital – providing an estimated \$590 million in Seed and Series A funding to businesses in Boston. However, venture and angel capital tends to fund tech startups that are scalable without large investments in plants or equipment and, in general, is not available to the vast majority of small businesses.²⁶ In 2014 in Boston, 120 venture capital deals occurred.²⁷

Venture capital + angel funding
provided an estimated

\$590M

in Seed and Series A funding to
Boston businesses.

120

venture capital deals occurred in
Boston in 2014

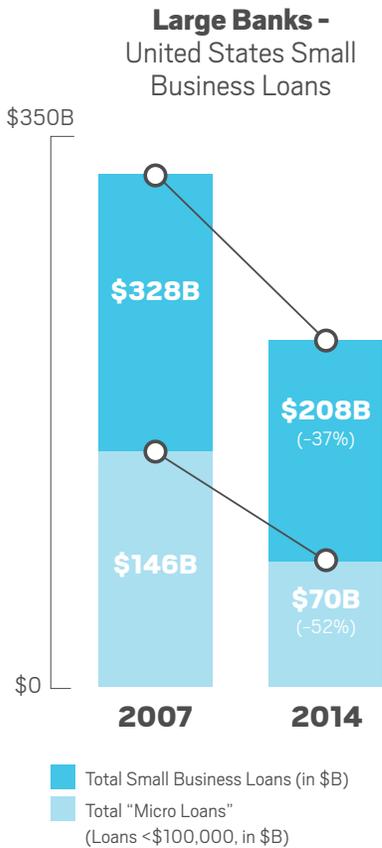
Figure 8: Estimated Capital Flow to Boston Small Businesses in 2014*

Capital Source	Capital Type	Estimated Flow to Small Business (\$M)
Large Bank Lending	CRA Bank Lending (<\$1M)	\$490
Community Bank Lending	Non-CRA (est.)	\$220
Angel	Equity/Non-Traditional	\$115-\$305**
Venture Capital	Equity	\$55-\$285**
Credit Unions	Credit Union Lending	\$30
SBIR/STTR	Grants - Federal	\$15
Crowdfunding	Non-Traditional Lending	\$10
Alternative Lenders	Loans	< \$5
State and Local Agencies	Loans and Grants	< \$5

*All table values have been rounded to the nearest multiple of five.

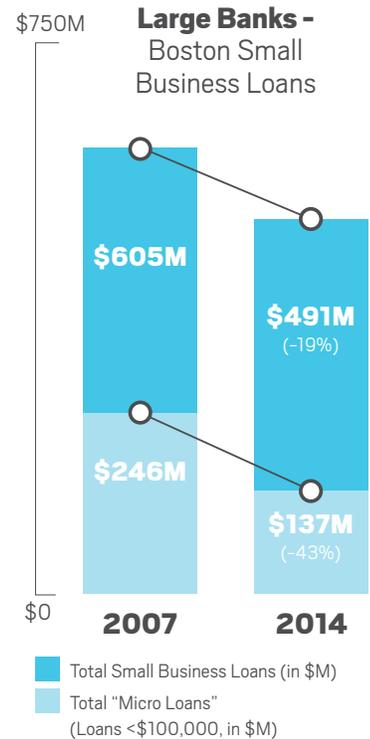
** In the table above, the estimated value of venture capital and angel lending to small businesses in Boston is provided as a range. The low end of the range is Seed Stage funding only. The high end of the estimate is both Seed Stage and Series A funding.

Due to heavy reliance on bank loans, Boston's small businesses are sensitive to changes in the lending environment. Unfortunately, national small business lending has not fully recovered from dramatic declines during the last recession. In 2014, large banks made \$208 billion in small business loans, almost 37% less than the \$328 billion lent in 2007.²⁸ (In real terms, the decline would be even greater due to inflation.) The number of small business loans also declined nationally. In 2007, banks awarded about 13.5 million loans, but in 2014, only 5.4 million loans were made nationwide (a 60% decline). More troubling is performance in terms of "micro" loans of \$100,000 or less that are critical to startup and small business growth. In 2014, only \$70 billion in microloans were made nationally, less than half of the \$146 billion made in 2007.²⁹ (The number of microloans has dropped from 13 million to 5 million.) Moreover, microloans made today are more likely to be secured by collateral than those made pre-recession.³⁰



These trends are also evident in Boston. Small business lending in Boston remains significantly lower than in the pre-recession period. The number of small business loans made in 2014 was less than half of the 2007 levels, and the total value of small business loans was also down significantly (to \$491 million from \$605 million). The vast majority of the decline in small business lending has been in microloans, which remain well below pre-recession levels. In 2014, there were 14,000 fewer microloans to Boston small businesses than there were in 2007. Loans between \$100,000 and \$1 million have more or less recovered to pre-recession levels, but account for only a small portion of total small business lending.³¹

In this constricted national and local lending environment, U.S. Small Business Administration (SBA) microlending offers a bright spot. Much of the decline in SBA loans of less than \$100,000 experienced during the recession has recovered. Relative to peer cities, SBA microlending in Boston is quite strong.³² This strength reflects deliberate efforts by the local SBA office, which promotes and employs national SBA incentives to increase microlending in the city and across the state. Nationally, SBA fees have been eliminated on loans of \$150,000 or less and the national SBA Small Loan Advantage and SBA Express programs are used to further incentivize banks to make microloans. These programs aim to simplify and streamline the SBA process in ways that reduce time, cost, and risk for banks. The Boston SBA office promotes these national programs and also supports lenders in obtaining SBA Preferred Lenders Program status, further reducing barriers for capital providers.³³ While these practices have had a positive impact, SBA loans account for only a very small portion of small business lending in Boston (and nationally) due to the SBA programs' relatively small size when compared with all traditional bank lending; overall small businesses lending in Boston remains well below pre-recession levels.



Across the U.S., the decline in traditional small business lending has created opportunity for nonbank entities, such as online lenders.³⁴ While non-bank lenders offer an opportunity for lending innovation and a means to fill lending gaps, they are also associated with greater risk: these loans often have far higher interest rates, and some fear that a lack of regulation and oversight may lead to predatory lending.^{35,36} The amount of online lending utilized by Boston small businesses is unknown. During surveys and interviews, very few small businesses or business service providers mentioned online lending as a key capital source, likely reflecting the relative newness of the platform.

Small business owners are also increasingly turning to credit cards to finance their businesses. Nationally, the amount of businesses credit card spending is growing³⁷ and credit cards are now the second most popular form of external financing after bank and credit union loans.^{38,39} Interest rates for business credit cards are generally higher (approximately in the 11% – 20% range) than those of bank loans, which usually are between 6% and 8%, depending on loan size.^{40,41} Nationally, 34% of small businesses used credit cards as a form of business financing in 2015, as did 30% of Boston businesses surveyed for this project.⁴²

Capital Providers and Lending by Neighborhood

Small business lending is not equally distributed across Boston's neighborhoods, in part because of the uneven distribution of small businesses across the city. For example, Downtown receives around one-fifth of all small business loans in Boston, an amount roughly proportional to the number of small businesses in the neighborhood. However, even after taking the number of small businesses into account, some Boston neighborhoods receive a disproportionate share of loans while other neighborhoods receive fewer loans than their numbers of small businesses would predict.

23%

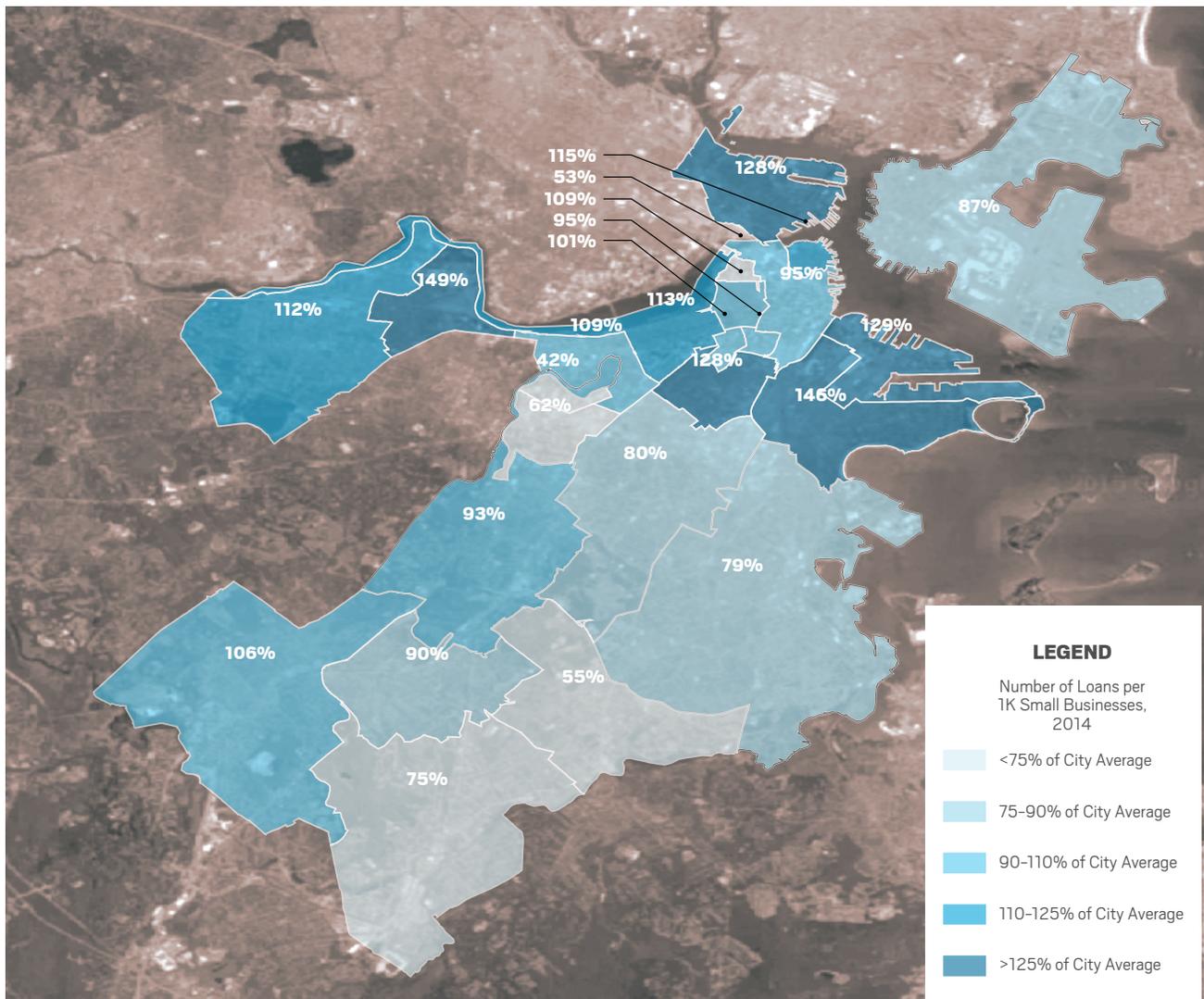
fewer loans in loan-scarce areas than would be expected based on # of businesses in neighborhood

In 2014, large banks made approximately 11,000 loans to Boston small businesses, with a total loan amount of approximately \$500 million. Citywide, about 288 loans were made per every thousand small businesses. However, as shown in Figure 9, lending rates vary across neighborhood, with some neighborhoods receiving significantly more or fewer loans per business than other areas. East Boston and the West End, as well as neighborhoods in the southern two-thirds of the city – including Dorchester, Hyde Park, Longwood Medical Area, Mattapan, Mission Hill, Roslindale, and Roxbury – receive fewer loans per business than the numbers of small businesses in these neighborhoods would suggest. In all, these loan-scarce areas received 23% fewer loans than would be expected based on the number of businesses in these neighborhoods.



Declines in traditional small business lending offer a particularly relevant capital finding for Boston's small businesses and suggest an area of need. The following section of the report addresses citywide gaps in the small business ecosystem. These gap discussions return to both BSO and capital findings and detail the effect of Boston's current BSO and capital environment on small businesses.

Figure 9: Map - Boston Capital Providers and Loan Density by Neighborhood



Gaps In The Small Business Ecosystem

A key goal of the Boston Small Business Plan was to identify meaningful ecosystem gaps where small business needs are not being met. A small business “gap” indicates an area in which resources and supports are lacking in the current environment or in which small businesses are disconnected from the resources and supports they need to be successful. After cataloguing and mapping Boston’s business service resources and conducting expert interviews and roundtable discussions with Boston small business owners, the project team identified nine primary gaps in Boston’s small business ecosystem:

- 1 Supports for minority-, women-, and immigrant-owned businesses**
- 2 Awareness and navigation of small business resources**
- 3 Access to targeted technical assistance and one-to-one business coaching**
- 4 Availability of capital**
- 5 Availability of and access to affordable real estate**
- 6 Existence of industry-specific networks and peer networks**
- 7 Access to critical talent and human capital**
- 8 Access to new customers**
- 9 Navigating City of Boston small business services and regulations**

These small business support gaps have varying effects on the city’s businesses. Some gaps – such as a lack of available, affordable real estate – are pervasive, and affect most small businesses in the city. Other gaps – such as a need for talent – particularly affect businesses in specific segments. Some populations and communities experience gaps especially acutely. For example, while capital gaps affect virtually all small businesses in Boston, the effects are more acute for minority- and women-owned business enterprises (M/WBEs) and immigrant-owned businesses, which often have fewer personal and “friends and family” assets to meet financing needs.

Virtually every small business gap is experienced more acutely by minority-, women-, and immigrant-owned businesses. Members of these groups are less likely to have access to capital and networks than other firms, heightening already existing gaps and leading to poorer outcomes. These issues are exacerbated by the fact that minority- and immigrant-owned businesses are highly concentrated in neighborhoods outside of the downtown core, which houses a large proportion of Boston’s BSOs and capital providers.⁴³

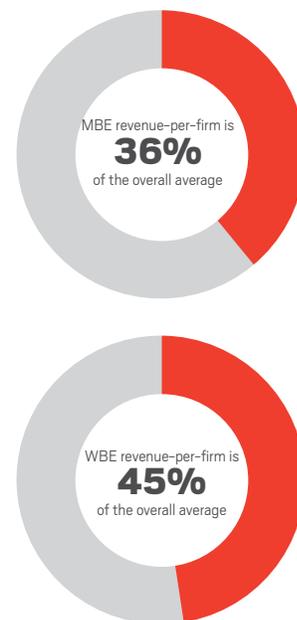
Although small businesses in Boston share many common challenges, the City will prioritize the needs of specific business segments and of historically underrepresented entrepreneurs. This focus will provide the greatest return on resource investment and increase opportunity in the city. To reinforce this commitment, the following section leads with needed supports for minority-, women-, and immigrant-owned businesses. The specific gaps facing priority business segments are then addressed during the discussion of the general small business gaps.

1. Supports for Minority-, Women-, and Immigrant-Owned Businesses

The goal of the Boston Small Business Plan is to ensure that all businesses have the chance to succeed. To achieve this goal, existing inequities must be identified and addressed to make certain that small business owners of all backgrounds have access to the resources they need. The current gaps in Boston affecting small businesses are magnified for M/WBE and immigrant-owned businesses – in particular, a lack of access to capital and networks negatively affects these businesses.

Currently, Boston's M/WBEs generally have poorer outcomes in terms of revenues and hiring than the average firm in Boston. Among firms with employees, the revenue-per-firm for MBEs and WBEs is only 36% and 45% of the average revenue-per-firm, respectively. MBEs and WBEs also have only approximately 60% and 70% of the average firm's employee count. These outcomes reflect many factors, including underlying disadvantages in terms of access to resources and opportunities. Overall, Boston's MBE and WBE performance ranks lower than that of non-M/WBEs for many measures of small business success. The last national U.S. Census Bureau Survey of Business Owners in 2012 showed that among large U.S. cities, Boston's M/WBEs rank towards the middle or even bottom on metrics such as firms-per-population, number of employees, and revenue-per-firm. This is especially true for the city's MBEs, which rank an average of 31st out of 50 cities on five key metrics related to business ownership. (Boston's WBEs rank an average of 21st.)

Among firms with employees



The current gaps in Boston affecting small businesses are magnified for M/WBE and immigrant-owned businesses.

Over the past two years, the City has prioritized increasing and enhancing the delivery of programs and services to M/WBEs. For example, since January 2014, the City's onsite technical assistance recipients have been 78% minority-, 52% immigrant- and 52% women-owned small businesses. Storefront improvement assistance recipients have been 64% minority- and 42% women-owned small businesses, and 63% of the program's dollars were invested in minority-owned businesses. The City also launched Women Entrepreneurs Boston (WeBOS) to help women entrepreneurs start and grow businesses in Boston. Over 1,000 women participated in launch events during the inaugural WeBOS Week.⁴⁴ While this focus has been important at a programmatic level, the larger performance measures in Figure 10 demonstrate the urgent need for an increased range of targeted supports designed for minority- and women-owned businesses.

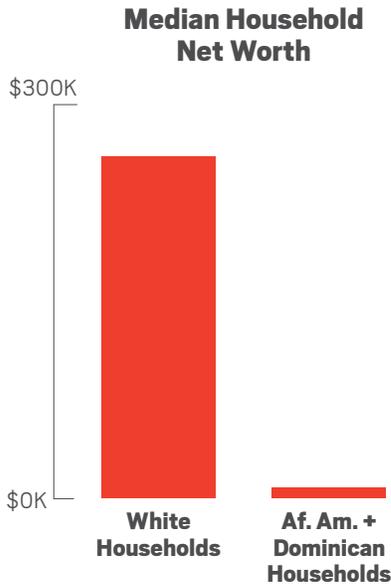
Figure 10: Boston's Small Business Performance Rankings Compared to 49 Peer Cities

Statistic	TOTAL (by percentile)	MBE (by percentile)	WBE (by percentile)	
Firms with Employees	Firms to Population	40th	52nd	62nd
	Revenue per Firm	16th	60th	14th
	Revenue per Employee	20th	72nd	42nd
	Employees per Firm	20th	42nd	46th
Firms without Employees	Revenue per Firm	38th	80th	46th

Availability of Capital for Minority-Owned Businesses

A lack of access to capital is among the most important obstacles to the success of businesses owned by people of color. Nationally, research shows that minority-owned businesses pay higher interest rates on loans, are more likely to be denied credit, and have less than half the average amount of loans and equity investments when compared with non-minority firms. Research has also documented higher rates of loan rejection in minority-owned businesses, even after controlling for factors such as business size and creditworthiness.⁴⁵

Challenges accessing capital are exacerbated by the enormous racial divide in wealth that exists in Boston. A recent report from the Federal Reserve Bank of Boston found that across the Boston region, the median net worth for white households is \$247,500 and barely above \$0 for Dominican and U.S. African-Americans households.⁴⁶ These wealth disparities likely have a strong effect on minority entrepreneurs, who are less likely to have personal savings to invest in their business or to be able to obtain loans from family members than white entrepreneurs. These findings are consistent with information from project interviews and roundtables, where minority business owners identified accessing capital as a barrier to their businesses' growth.



Nationally, research shows that minority-owned businesses pay higher interest rates on loans, are more likely to be denied credit, and have less than half the average amount of loans and equity investments than non-minority firms.



Availability of Capital for Women-Owned Businesses

Nationwide, although 30% of small business owners are women, women-owned businesses receive only 16% of traditional small business loans and 17% of SBA loans. Across all traditional small business lending, only one of every twenty-three dollars is awarded to women-owned businesses. In addition, women-owned businesses receive only seven percent of venture capital deals.⁴⁷ This lack of capital is a contributor to disparate outcomes for women-owned businesses.

Nationally, only one of every twenty-three dollars in traditional small business lending is awarded to women-owned businesses.

Availability of Capital for Immigrant Entrepreneurs

Wealth gaps also affect Boston's foreign-born residents, who have lower average and median incomes than native-born residents and are less likely to own their homes.⁴⁸ In addition to possibly not having the personal capital to start a business, immigrant entrepreneurs often lack credit histories – making obtaining traditional capital difficult. Compounding these issues, a lack of familiarity with U.S. financial systems, government programs, and other resources present additional barriers to success. This lack of familiarity also makes immigrant business-owners vulnerable to predatory financial practices.⁴⁹

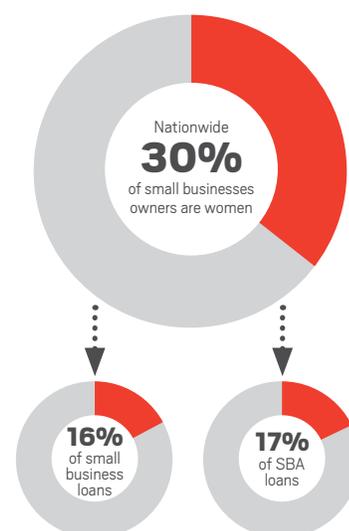
Access to Networks

Women, immigrant, and minority entrepreneurs often lack the strong business and social networks that are critical in obtaining information, clients, mentors, financing, and other resources and supports. Without broad networks, business owners have difficulty assembling the resources they need to succeed. Discrimination by lenders, networks, and potential clients can heighten each of these barriers.⁵⁰ Foreign-born entrepreneurs may lack connections to professional and family networks in the United States, limiting their access to critical information and resources.⁵¹

A Lack of Ecosystem Connectivity

Boston's fragmented small business ecosystem perpetuates existing disparities. Resource navigation is often especially difficult for immigrant-, and minority-owned businesses and for businesses located in low- to moderate-income areas. These business owners may experience increased difficulty navigating resources due to smaller networks, few proximate BSO resources, and language and cultural barriers. Overall, the current system likely disproportionately benefits businesses located in resource-rich areas and those that can easily find and pay for services. For example, startup businesses that can afford full-service co-working spaces that provide service directories and networking opportunities face fewer barriers to success than firms without access to these resources.

More of Boston's minority residents live in low-income communities than non-minority residents.⁵² Research demonstrates that residents in low-income communities often lack networks that allow them to access resources and information outside of their neighborhoods. While residents may have extremely close horizontal ties within their communities, access to bridging or "linking" connections



A study of Boston businesses found that

27%

of firms in low-income communities had websites, whereas

45%

of firms in higher-income communities had websites

to external resources might be more likely to create economic opportunities.⁵³ Without linking connections, residents may be unaware of or unable to access business needs – including talent, real estate, capital, information, and customers – that exist outside of their networks and communities. This disconnection may be increasingly heightened by a lack of technology and internet connectivity. A recent study of Boston businesses found that of 875 randomly selected businesses, only 27% of firms located in low-income communities had websites compared to 45% of businesses located in higher-income parts of the city.⁵⁴

For these reasons, an unequal distribution of capital providers and BSOs likely burdens MBEs in the city. In resource-poor areas, business service organizations and other community organizations and networks can assist business owners in forming these “linking” relationships with connections and resources outside of their communities. A business service center located in Downtown Boston may be unknown to Mission Hill business owners, while in resource-rich areas, small business owners are located in close proximity to the goods, services, and supports they need to succeed.

Additional Gaps Affecting Boston’s Immigrant Entrepreneurs

In 2014, the City of Boston completed a study of Boston’s immigrant entrepreneurs which provided key insights into Boston’s immigrant business owners and their particular needs. The study found that immigrant entrepreneurs in Boston are challenged by a relative lack of familiarity with U.S. government and financial institutions and limited language skills. Boston’s immigrant entrepreneurs also expressed a lack of awareness of available programs and services, difficulty accessing capital, and difficulty expanding their networks beyond their own ethnic groups. In addition, some study participants had experienced discrimination based on their language, customs, or ethnicity.⁵⁵



2. Awareness and Navigation of Small Business Resources

Boston is served by over 250 business service organizations and approximately 400 capital providers. Unfortunately, small business owners are often unaware of the many resources available to them, and struggle to navigate Boston's currently disconnected business support environment. The navigation issue is exacerbated by a lack of connections between BSOs; these support organizations are also adrift in Boston's fragmented environment and generally unable to offer targeted referrals.

Unfortunately, there is no common platform or system for small businesses in Boston to navigate the vast range of business services or to assess provider quality. During interviews and when surveyed, Boston small business owners expressed frustration at not being able to find the right help at the right time, a particularly daunting challenge given the difficulty for owners of taking time away from their businesses. One issue is the lack of clear definition among business service organizations – the majority of BSOs provide multiple types of services and serve numerous geographies, industries, and types and stages of businesses. The pervasiveness of generalist, non-specialized support services can make it difficult for business owners to know who does what, and often confuses and discourages businesses seeking support. As one small business owner described the fragmented ecosystem: "... there are so many branches and so many trees. I want to go to one tree, and get all of the different branches."

"I can't tell you how many times I've asked myself 'how am I going to fix this problem, and who do I go to?' and then found out later there's some kind of group that could have helped." – Small Business Owner

Lack of coordination on the supply side compounds these issues. For suppliers of services – BSOs, capital providers, and the City – there is no shared view of small businesses' most critical needs and where relevant resources are available. This lack of data and communication almost certainly indicates that some BSOs and City programs are responding to outdated gaps and that BSOs are not able to refer business owners to the appropriate resources.

As a result of system fragmentation and information gaps, small business owners often simply reach out to people they know, if they reach out at all. Surveyed small business owners relied most often on personal networks to meet a diverse range of their business needs, from finding a location to hiring. As a result, many businesses without deep networks often either do not receive assistance or receive poorly matched support.

"... there are so many branches and so many trees, I want to go to one tree, and get all of the different branches." – Small Business Owner

"People make a go of it on their own without knowing what resources are out there to support them. More can be done to communicate to the businesses." – Business Service Provider

3. Access to Targeted Technical Assistance and One-to-One Business Coaching

Priority Segment Highlight: Established Businesses

Established firms often require specialized one-to-one coaching and firm-specific, situational advice to reach the next stage of growth. These businesses can benefit from on-site, customized assistance to right-size their infrastructure, identify new markets, and design and deliver expanded products and services. Unfortunately, very little one-to-one assistance exists for established businesses in Boston – and generalized technical assistance is rarely well-matched to their needs.

While very strong technical assistance offerings exist in Boston, the system as a whole is not as responsive and targeted as it could be. Although the City of Boston has recently improved its internal small business needs assessment practices, it does not actively convene, analyze, or shape the larger small business ecosystem in response to these needs.

“Everyone seems to want a clear path to high quality mentoring and business coaching...but can’t seem to find it.” – Small Business Owner

The lack of assessment followed by responsive programming can lead to mismatches between the needs of small business owners and the services provided by BSOs and the City. Due to this mismatch, some services are underprovided in Boston. Businesses also can be mismatched to the type of services they receive. For example, a business might receive intensive one-to-one coaching for an issue that could have been addressed in a workshop open to other firms with similar issues.

A related issue is that many BSOs and the City often provide services to small businesses that seek them out rather than strategically targeting small businesses in need of support. This approach particularly affects one-to-one coaching, which is a scarcer resource than training and technical



assistance. Approximately 90 BSOs in Boston provide some technical assistance – but fewer than ten BSOs primarily provide intensive one-to-one coaching services. Moreover, because one-to-one coaching is intensive and expensive to provide, even programs with considerable resources generally serve only a small number of firms. Using these resources strategically and intentionally could improve outcomes in target segments, populations, and neighborhoods.

“I am not informed enough about financing options to be confident in decision-making.” – Small Business Owner

Targeting Technical Assistance

Surveyed small business owners identified five primary challenges that offer an initial opportunity for the City and its partners to provide targeted technical assistance. The “top five” business challenges identified by small businesses were:

- 1 Marketing: Customer Acquisition and Retention**
- 2 General Business Problems (Business Planning, Strategy, and Operations)**
- 3 Accessing Growth Capital**
- 4 Acquiring New Talent to Grow and Maintain the Business**
- 5 Accessing Working Capital and Managing Cash Flow**

Of these five topics, the challenges related to financial literacy emerged as a particularly acute skills-gap for small business owners. Financial literacy – which encompasses the challenges “accessing growth capital” and “accessing working capital and managing cash flow” above – includes a basic understanding of business and personal finance as well as the ability to manage credit and secure business capital. During roundtables and interviews, many small business owners expressed frustration with their financial skills and a lack of understanding of how to acquire capital. In interviews, capital providers expressed similar concerns, noting that small business owners often apply for loans with poor personal credit and/or disordered financial documentation, or are unable to manage loan commitments once they are secured. Currently, very few of Boston’s business service organizations provide robust financial education and loan packaging services to small businesses.

Challenges related to financial literacy emerged as a particularly acute skills-gap for small business owners.

“I see so many small business owners come through our doors looking for a loan without any specific use for the capital or a justifiable business model that supports repayment. Oftentimes a loan is sought when what is really needed is a different business model or a refreshed plan all together.” – Lender

Approximately
90 BSOs
in Boston provide some
technical assistance, but
<10 BSOs
primarily provide intensive
one-to-one coaching services

TOP 5
Business challenges identified
by small businesses:

- 1** Marketing: Customer Acquisition + Retention
- 2** General Business Problems (Bus. Planning, Strategy + Operations)
- 3** Accessing Growth Capital
- 4** Acquiring New Talent to Grow and Maintain the Business
- 5** Accessing Working Capital and Managing Cash Flow

4. Availability of Capital

Priority Segment Highlight: Micro Local Services

Micro local services firms in labor-intensive segments like facilities management or back office support face structural capital challenges. These firms often have little in the way of collateral and thus are often not strong candidates for traditional lending, making it difficult for them to secure capital needed for growth. Local services firms also have difficulty fulfilling large contracts – an important source of growth – due to a lack of working capital. For example, a small catering company may be unable to purchase the materials and hire the staff necessary to serve university-wide banquets. Payment delays also challenge small local services firms working with larger customers, as these small firms might lack the working capital to sustain their business while waiting for large payments to come in. Local services firms have a high concentration of MBE and WBE owners, which further exacerbates these capital challenges.

Individual small businesses can struggle to secure the capital they need due to personal credit issues or the financial condition of their business. In these cases, the solution lies in financial literacy and broader credit counseling. However, it is important to recognize the broader systemic capital issues facing small businesses in Boston. These issues include weaknesses in traditional lending, a real estate focus of the city's New Markets Tax Credits (NMTC) projects, and limited small business capital innovation in the city.

“The biggest banks in the U.S. are making far fewer loans to small businesses than they did a decade ago, ceding market share to alternative lenders that charge significantly higher rates.”

– “Big Banks Cut Back on Loans to Small Business,” [Wall Street Journal](#)

In Boston, traditional banks are still by far the largest source of small business capital. As discussed earlier, small business bank lending has declined nationally and in Boston. Small business loans are hard for banks to make profitably because of low interest rates and high costs associated with packaging and monitoring these loans. As a result, many banks consider small business loans to be more trouble than they are worth. The emergence of alternative small business lenders has also been slower in Boston than in other regions and has not yet created widely applicable or available alternatives.

At the same time, interviews revealed that available alternative capital can go undeployed in the absence of a strong pipeline of well-matched and qualified deals. The lack of ecosystem connectivity described above is directly hindering the ability of new, innovative offerings to gain traction – even when they are desperately needed.

“Small business loans are traditionally the most difficult in the commercial lending business because they require extensive hand-holding and returns just aren't that great.” – Lender

5. Availability of and Access to Affordable Real Estate

Priority Segment Highlight: Micro Local Services

Local services firms require diverse types of real estate, ranging from industrial properties to storefronts to offices. Local services firms providing “on-site” services (e.g. rental and leasing services and wholesale and construction services) often have significant building and site requirements and industrial space is difficult to secure in Boston. Consumer-facing local services firms, such as daycares, physicians’ offices, and beauty salons, often need commercial storefronts, which are also increasingly expensive. Local observers worry that “rising rents and taxes make it harder to prevent national and international chains from taking over all the storefronts,” particularly in Boston’s high-demand neighborhoods.⁵⁶

Three main barriers prevent small businesses in Boston from obtaining the real estate they need to thrive: availability, affordability, and awareness (i.e., limited market information about the available and appropriate spaces that do exist in Boston).

“There has been more of a shift towards the larger national businesses and they’ve created tremendous pressure for real estate... Small businesses can barely survive in the Back Bay.” – Business Service Provider

Boston is a relatively small geographic area surrounded on three sides by water. In the words of one local expert, Boston is “a very land-poor city,”⁵⁷ and the land that does exist is used intensively for residential and jobs-producing activity. Boston ranks fourth among large U.S. cities in population density and, over the last decade, added more than 60,000 jobs and 3,500 establishments to an already dense employment base.^{58,59} As a result, real estate availability is low and costs are high. In 2014, only Houston had central business district office vacancy rates as low as Boston’s and currently, only Manhattan, San Francisco, and Washington, D.C. have higher Class A rental rates.⁶⁰

Boston had the
2nd lowest
central business district office
vacancy in 2014, and the
4th highest
class A rental rates among
large US cities

Boston ranks
4th
among large US cities in
population density



Gaps in the Small Business Ecosystem

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3,500

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dense employment base

Tenant improvements present another affordability issue. Even when small businesses do successfully find affordable real estate, the space itself may be in need of major improvement. As a result, many small businesses face the choice of investing in commercial spaces they do not own (if they can even afford to do so) or accepting a site that de-motivates employees or discourages customers.

Real estate awareness is also a critical challenge. Spaces with small square footage can be extremely difficult for small business owners to find, even when they do exist. Commercial real estate brokers generally focus on large properties with longer-term leases and higher rents rather than smaller, cheaper spaces. Small commercial spaces are also underrepresented on traditional online search platforms, which offer a limited, often outdated sample of available spaces – an issue that can be particularly pronounced in low- to moderate-income areas.

The commercial real estate market is often hard to understand for small business owners, in part because there is no clear way to assess and compare all available space options. This lack of information makes real estate searches time-consuming and costly for small businesses at their most vulnerable stages. Small business owners often operate by trial and error as they attempt to search for real estate without professional help.

“I am trying to stay in Roxbury. I am a Roxbury resident and I want to support the local community but it is very challenging to find an affordable space.” – Small Business Owner

“It is hard to find affordable Class C office space that is not falling apart.” – Small Business Owner

Lack of Available, Affordable Industrial Space

Industrial real estate is limited and in high-demand within Boston. The city has only 3.6 square miles of land zoned for industrial use – and this land is increasingly under pressure from non-industrial uses.⁶¹ Firms that require industrial land include process and manufacturing firms (now almost non-existent in Boston) but also many B2B firms, such as those providing shipping and warehousing services or support services like vehicle and equipment maintenance and repair. Unfortunately, businesses that are more physical than digital have been underserved by real estate market innovations, such as shared facilities and incubators, despite a dire need in the city for affordable spaces to manufacture, assemble, store, and repair goods.

“I am located in a very, very up-and-coming industrial space in an area that is on fire right now and we are worried about being a casualty of our own success.” – Small Business Owner

Boston has only

3.6

square miles of land
zoned for industrial use

“Boston only has a couple of dedicated areas for industrial use, and the real estate options are hard to tailor for small businesses, even when they are for sale or lease.” – Real Estate Professional

6. Existence of Industry-Specific Networks and Peer Networks

Priority Segment Highlight: Micro Restaurants and Retail

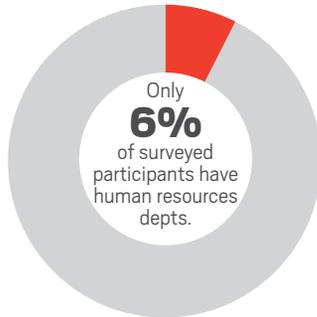
Despite strong networks in Boston’s food industry, there are not significant resources for restaurateurs or large-scale retail and restaurant industry mentorship programs. Many food entrepreneurs are demonstrating demand for increased industry support. This lack of restaurant and retail networks prevents particularly vulnerable businesses from obtaining specialized support and resources.

Access to industry networks provides important support for businesses, including help with navigating industry-specific regulations, identifying sources of capital, and obtaining introductions to potential customers and suppliers. However, industry-specific networks and peer networks are currently somewhat limited in Boston. Support is necessary to create strong formal networks in priority segments and increase network access for particular demographic groups; formal networks and cluster organizations often involve public or philanthropic support, especially in their inaugural stages.

“We need industry-specific roundtables.” – Small Business Owner

“We are not in the business of matching people to mentors who are industry-specific... we often get requests, we just can’t accommodate based on capacity.” – Business Service Provider





7. Access to Critical Talent and Human Capital

Priority Segment Highlight: Established Businesses

Established businesses are particularly affected by small business hiring challenges. These businesses have often reached an inflection point at which further growth requires that the original owner hire a talented COO or CFO to help manage the breadth and complexity of the firm's activities. Unfortunately, talented managers are difficult for established small businesses to find, especially in job markets as competitive as Boston's. Like other small businesses, established firms often lack the knowledge and networks to make their job openings more attractive and to advertise openings via strong recruitment channels.

Small business roundtable participants across all segments identified "acquiring new talent" as one of their top five business challenges. Difficulties can arise from firm-specific needs but also broader market navigation challenges. At the firm level, many small business owners do not have the specialized knowledge or time required to identify their precise hiring needs and to recruit, hire, and train new employees.⁶² Only 6% of surveyed small business roundtable participants reported having human resources departments. Surveyed small business owners also relied on personal networks nearly three times more often than human resources agencies when recruiting.

"Hiring is just so much more competitive now. It's hard for small businesses to show that they will be able to help new talent grow, making it hard to attract young people." – Small Business Owner

Second, small businesses encounter issues competing for talent with the region's large, known firms and the myriad smaller enterprises across the metro area. Large firms generally have more resources and recognition, and potential employees are often unaware of – or even wary of – new or smaller organizations. These recruiting issues are particularly pronounced in high-skills, high-demand areas.⁶³ When surveyed, small business owners overwhelmingly listed managerial and skilled positions among their hardest to fill roles. Contributing to this recruitment barrier, some small businesses are unable to afford the services of private search firms, while public workforce development organizations often have incentives to partner with large employers in order to provide training and placement services to a higher number of job seekers.

"It is hard for us to afford people that are 'mid-career.' Some of it has to do with the salary, but some of it also has to do with what mid-career employees want their future to be like, and our business showing that we can help them get there." – Small Business Owner

8. Access to New Customers

Priority Segment Highlight: Local Services

B2B local services firms in Boston would particularly benefit from an increased opportunity to serve large customers. These firms provide services that can scale to meet the needs of large corporations and anchor institutions, both of which can relatively easily redirect contracts for things like maintenance and repair services to local businesses. In other U.S. cities, corporate and anchor purchasing and supplier training programs have redirected millions of dollars to local economies. No citywide program currently exists in Boston to connect the city's many large purchasers to local suppliers.

Priority Segment Highlight: Micro Restaurant and Retail and Local Services

No centralized resource exists to help small businesses expand to new neighborhoods. This absence particularly affects the micro restaurant and retail segment as well as some businesses in the local services B2C sub-segment. Currently, a small business owner seeking to open a second location has few resources for assessing various location options, selecting a neighborhood, and later identifying real estate and supports. In Chicago, for example, the Second Store Initiative pilot will assist local commercial businesses in expanding to a new location if data indicate that the expansion will be beneficial to both the community and to the business.

Small business owners are consistently challenged by the cost of marketing relative to potential return. For neighborhood restaurant and retail owners in particular, as well as some local services B2C firms, coordinated neighborhood-wide efforts to increase visibility and awareness can support a range of local businesses at a more affordable level of investment.

In order to grow, firms generally require access to new customers. For some firms, growth will largely come from new customers in local and regional markets while other firms might grow by expanding sales in national and global markets. Firms can expand to serve larger customers, such as anchors and corporations, or sell more of their goods and services to peers. Accessing new customers and expanding to meet customer demands are complex changes that can prove challenging for firms to navigate without assistance.



Expanding Within the Local Market

Small businesses encounter many barriers when expanding to new markets. First among these is identifying market opportunities. For many small businesses, lack of good market information is the first, key constraint to business development. In Boston, small business owners and other interviewees expressed that poor market knowledge and a lack of coordinated resources are primary constraints to business expansion, even within the city. This lack of resource coordination limits the visibility business owners have beyond their initial entry point without dedicating substantial time to research.

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Expanding to Serve Larger Customers

Currently, most small businesses find it challenging to sell to and serve Boston's large anchor institutions: the hospitals, universities, government agencies, and corporations that collectively procure billions of dollars in goods and services. Relationships with large institutions allow small firms to grow and thrive, while large buyers benefit from working with suppliers that are locally connected, responsive, and service-oriented. Large buyers also benefit directly and indirectly from supporting their community by supporting the growth of local small businesses. Strengthening connections between large purchasers and small businesses in Boston presents a powerful opportunity. In Detroit, for example, the D2D local purchasing program increased local spending by participating large purchasers from \$500 million in 2012 to \$925 million in 2014.⁶⁴ The increase in spending can be attributed to two sources. First, more large purchasers have joined the D2D program, increasing the number of businesses involved and therefore increasing overall spending. Secondly, it is estimated that the program's original large purchasers increased their local spend by 5% in just the first years of the D2D program, generating an additional \$25 million in contracts for Detroit-based businesses in these early years.

Unfortunately, barriers exist to the formation of partnerships between large customers and small businesses. For small businesses, selling to anchor institutions is very different from selling to other small businesses. Small business owners find the large, formal contracts used by many large buyers to be overly complex, if not impossible to win. Working with large customers can strain small businesses' capacity and finances. Demand-side barriers exist as well. Buyers at major institutions may not have incentives to "buy local" or support small businesses. Scale is a critical demand-side barrier to local purchasing. Large organizations are likely to offer large contracts to a few suppliers in order to benefit from lower prices and transaction costs, and to simplify their supply chains.⁶⁵

Strengthening connections between large purchasers and small businesses in Boston presents a powerful opportunity.

In other U.S. cities, anchor purchasing and supplier training programs have redirected millions of dollars to local economies.

9. Navigating City of Boston Small Business Services and Resources

Boston's small businesses interact with city government at a number of different junctures. Small businesses encounter the City in a regulatory role when they obtain permits and licenses, and also work with the City to obtain business support ranging from basic information to grants and loans. During interviews and roundtables, some small business owners and service providers described confusing interactions with city government and a perceived lack of clear pathways, systems, and regulations. These interactions sometimes left small business owners frustrated or burdened by delays and fines as a result of misunderstood rules and regulations.

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Some of these challenges can be traced to the City's small business staffing and resources, which are currently spread across numerous departments. To expand, a business might interact with its local Main Streets organization as well as with the Main Streets organization in a new neighborhood, pursue a variety of technical assistance and loan programs within the Department of Neighborhood Development's Office of Business Development, and then separately need to engage with multiple agencies to secure permits and other approvals. Today, there is no clear means of resolving roadblocks across these many entities and interactions.

Recognizing these structural challenges, the City has identified coordinated small business service delivery as a priority gap for the Small Business Plan. This will be achieved through better formal coordination, as well as improved cross-departmental communication and information-sharing. This approach will streamline the delivery of small business services to constituents, while allowing the City to better align and coordinate related initiatives, such as neighborhood innovation districts, Main Streets investments, and transportation and mobility improvements.

The City has identified coordinated small business delivery as a priority gap for the Small Business Plan. This will be achieved through better formal coordination, as well as improved cross-departmental communication and information sharing.

Case Study: Simplified Permitting, Licensing, and Zoning

When Mayor Walsh took office, small business owners across Boston expressed frustration with the City's permitting and licensing processes. Small businesses found applying for and obtaining permits and licenses daunting and unnecessarily complex. First, due to antiquated systems, applying for permits and licenses often required completing paper applications at designated locations and times. After applying, small business owners often waited long periods for approvals or denials – wait periods that were costly for businesses seeking to open or expand services. Furthermore, small business owners found permitting and zoning outcomes unpredictable and inconsistent. Heightening these issues, some City licensing and zoning requirements were overly restrictive and had not been adapted for modern business needs and uses. For example, art galleries and bakeries were previously denied operating permits in most Boston business districts.

In his inauguration speech, Mayor Walsh announced that simplifying and modernizing Boston's permitting, licensing, and zoning would be a priority for his administration. Mayor Walsh then convened an interagency permitting team to improve the experience of small businesses working with the City. In August 2014, the City hosted its first Hubhacks event to redesign the City's permitting system. At the same time, the Mayor announced the creation of a separate, streamlined Zoning Board of Appeals process for small businesses and small residential projects. The City also increased the number of hearings given by the Zoning Board of Appeals. Restrictive zoning regulations were updated to automatically allow more low-impact small business uses (such as bakeries or art galleries) and improvements (such as the ability to offer takeout food) across all business districts. These reduced and simplified zoning, licensing, and permitting regulations allowed for more as-of-right uses for small businesses.

The City has also created online permitting, licensing, and zoning services. In December 2014, a new online Permit Finder allowed applicants to quickly track the status of their permit applications.⁶⁶ In June 2015, the City launched a Zoning Check website, supporting businesses in quickly identifying permitted site uses.⁶⁷ Most recently, in November 2015, the City launched a beta version of the full Boston Permits & Licenses online platform. This new platform will eventually allow businesses to apply online for a wide variety of City permits and licenses and then virtually track their permitting progress. Mayor Walsh stated that the new online permitting will be “user-friendly, modern, and easily accessible to all of our customers”⁶⁸ – a powerful improvement to the prior system.



Small Business Solutions

To design solutions to support small businesses, the project team first analyzed the state of Boston's small businesses, business service organizations, and capital providers to determine strengths and needs in Boston's current environment. Building from this analysis, the team identified nine critical gaps affecting Boston's small businesses. Then, using these gaps, the team identified a series of solutions that built on the city's current strengths and met the needs of small businesses across the city.

The following initiatives are designed to address gaps that affect all small businesses in the city as well as those that apply to specific segments of businesses and business owners. In some areas, the City will directly invest in, organize, and coordinate activities. In others, the City will seek to collaborate with Boston's many BSOs and other stakeholders to shape and implement more responsive approaches to meeting small business needs. The City will also work to foster innovation and attract new resources from both within and outside Boston.

Citywide Small Business Solutions

Initiative #1: Establish a Small Business Center

Description Establish a Small Business Center to improve the navigation of citywide business supports and to serve as an advocate for the city's small businesses.

Actions 1.) Create a Small Business Center with a physical presence that will serve as a gateway to the full range of Boston's small business resources and opportunities; the Center will have a fixed location (or locations) as well as consistent satellite office hours around the city.

2.) Launch a new web portal to integrate and publicize existing resources for small businesses and offer a variety of new tools and resources for small businesses, including:

a.) A calendar function that includes events hosted by the city's BSOs;

b.) An online tool to match businesses with business service organizations and segment-specific resources, along with diagnostic and self-service tools and templates;

c.) A tool to match small businesses with vacant neighborhood commercial space based on neighborhood market demand;

d.) Online permitting, licensing and zoning tools being developed by the City's Department of Innovation & Technology and Inspectional Services Department.

e.) Direct access to city services and support.

3.) Train a dedicated contingent of 311 or Mayor's Hotline operators to support small business owners and business service organizations; train all City staff who interact with small businesses to serve as small business navigators.

Initiative #2: Organize and support the BSO community

Description Lead and support the BSO community to coordinate, target, and strengthen small business services.

Actions 1.) Improve citywide business assistance by serving as a convener for BSOs and a catalyst for greater BSO collaboration in the city;

a.) Create structures and supports to identify and jointly solve for citywide needs over time;

b.) Utilize shared intake and outcomes data to improve referrals, identify trends, and shape the development of new initiatives.

2.) Improve intake and training to equip all public and private BSOs to screen and refer businesses; formalize BSO partnerships to create a small business resource network.

3.) Work to align public and private programs and funding with the identified needs of business segments;

a.) Invest in and help to replicate proven programs and services throughout the city;

b.) Define a shared view of pathways for businesses by type and stage;

c.) Increase investment in key areas, including financial literacy training in partnership with the Office of Financial Empowerment;

d.) Prioritize support for BSOs, resource networks, and other organizations in resource-poor neighborhoods to increase the number of businesses being served and service quality.

“The City needs to do a better job of segmenting small businesses and the services provided.” – Small Business Owner



Initiative #3: Increase small business capital availability and innovation

Description Increase small business capital availability and innovation by convening capital providers and supporting the development and deployment of alternative capital programs.

Actions 1.) Establish a Capital Working Group which will convene local capital providers and business service organizations to share information and enhance referrals, define and address market gaps, and catalyze small business capital innovations.

2.) Build a pipeline of capital-ready small businesses in collaboration with the Small Business Center and BSO partners.

3.) Guide and support capital providers seeking to expand small business lending or to launch alternative lending programs; engage lending circles and other informal capital providers.

4.) Seek out and collaborate with local and national leaders to pilot new capital programs in Boston and to scale promising programs.

5.) Reposition the City's own debt capital to fill key gaps over time.

"Cash flows are a big issue for me. I don't have enough capital, I can't join programs because I'm not big enough yet, and when I go to the bank, they turn me down for loans because I don't have enough experience."

– Small Business Owner



Initiative #4: Increase small business real estate availability, accessibility, and affordability

Description Work to increase available, affordable space for small businesses and to improve the coordination and navigation of the small business real estate market.

- Actions**
- 1.) Build a network of public and private sector property owners and managers, brokers, and other experts to provide ongoing intelligence and referrals for small businesses seeking space.
 - 2.) Transform underutilized city properties into small business real estate with leasing priorities awarded to businesses in priority segments and/or with minority, women, or immigrant owners; allocate space for small businesses in new publicly-owned developments.
 - 3.) Offer training and advice for small business owners in areas such as space planning, lease negotiation, and real estate acquisition, in collaboration with BSOs.
 - 4.) On the new small business web portal, develop a tool to increase awareness of and match small businesses with vacant neighborhood commercial space based on neighborhood market demand.
 - 5.) Explore the creation of new incentives and regulations, including policies that provide increased protection to small business tenants and provide incentives for tenant improvements.

“There is absolutely no systematic way to identify available office, retail, or other commercial spaces that are on the small side. All of the online systems that are available are very incomplete and constantly outdated. You have to know a guy who knows a guy to get what you want.”

– Real Estate Broker

“The City needs to incentivize commercial real estate managers to provide more affordable options for small businesses. Oftentimes, spaces will remain vacant while the managers sit on them and wait for changes that will make demand increase, keeping their high prices.”

– Small Business Owner

Initiative #5: Celebrate and promote small businesses

Description Launch a year-round campaign to brand and promote Boston's small businesses.

- Actions**
- 1.) Create a new brand and messaging for the City's small businesses.
 - 2.) Launch a program to promote small businesses citywide.
 - 3.) Work with BSO partners to market business districts and sectors and to create seasonal campaigns.

Solutions to Drive Inclusion and Equity**Initiative #6: Elevate the City's procurement goals and practices**

Description Increase the City's procurement goals and provide greater transparency, accessibility, and support for small suppliers.

- Actions**
- 1.) Commit to increase City targets for procurement from M/WBEs and immigrant-owned businesses, including both direct City procurement as well as procurement for City-sponsored projects.
 - 2.) Create a central point of contact and information for suppliers and catalog and publicize the city's procurement spend and timing of contracts by category.
 - 3.) Offer targeted training for prospective suppliers to understand the procurement process and learn from successful suppliers.
 - 4.) Leverage statewide efforts to conduct supplier outreach and offer more flexible certification options.



Initiative #7: Expand Women Entrepreneurs Boston

Description Expand WeBOS, the City of Boston program designed to provide resources and networks to women entrepreneurs.

- Actions**
- 1.) Broaden the WeBOS network in partnership with the Small Business Center to connect women entrepreneurs to BSOs, mentoring opportunities, and one another; recruit women entrepreneurs to participate in City of Boston small business initiatives.
 - 2.) Develop specialized programming to help women scale their businesses.
 - 3.) Expand programs addressing the gender gap in venture capital funding with partners such as the Babson Center for Women's Entrepreneurial Leadership and the Women's Venture Capital Summit.
 - 4.) Work towards policy recommendations that will support women entrepreneurs in partnership with the Mayor's Office of Women's Advancement and the WeBOS network.

Initiative #8: Launch a network and new programs for minority business owners and entrepreneurs

Description Create a network for minority business owners and entrepreneurs that connects and supplements existing resources.

- Actions**
- 1.) Modeled on WeBOS, but responsive to the unique needs of MBEs, create the infrastructure and networks to connect minority entrepreneurs to one another and to technical assistance, training and mentorship opportunities, capital, and the City's new small business initiatives.
 - 2.) Partner with the Roxbury Innovation Center and other public and private programs to expand the availability and vitality of shared spaces for minority entrepreneurs, and to increase the engagement of the city's investor, corporate, and anchor community as sources of mentorship, capital, and networks.

Initiative #9: Launch a network and new programs for immigrant business owners and entrepreneurs

Description Create a hub for immigrant entrepreneurs to provide culturally appropriate and multilingual services.

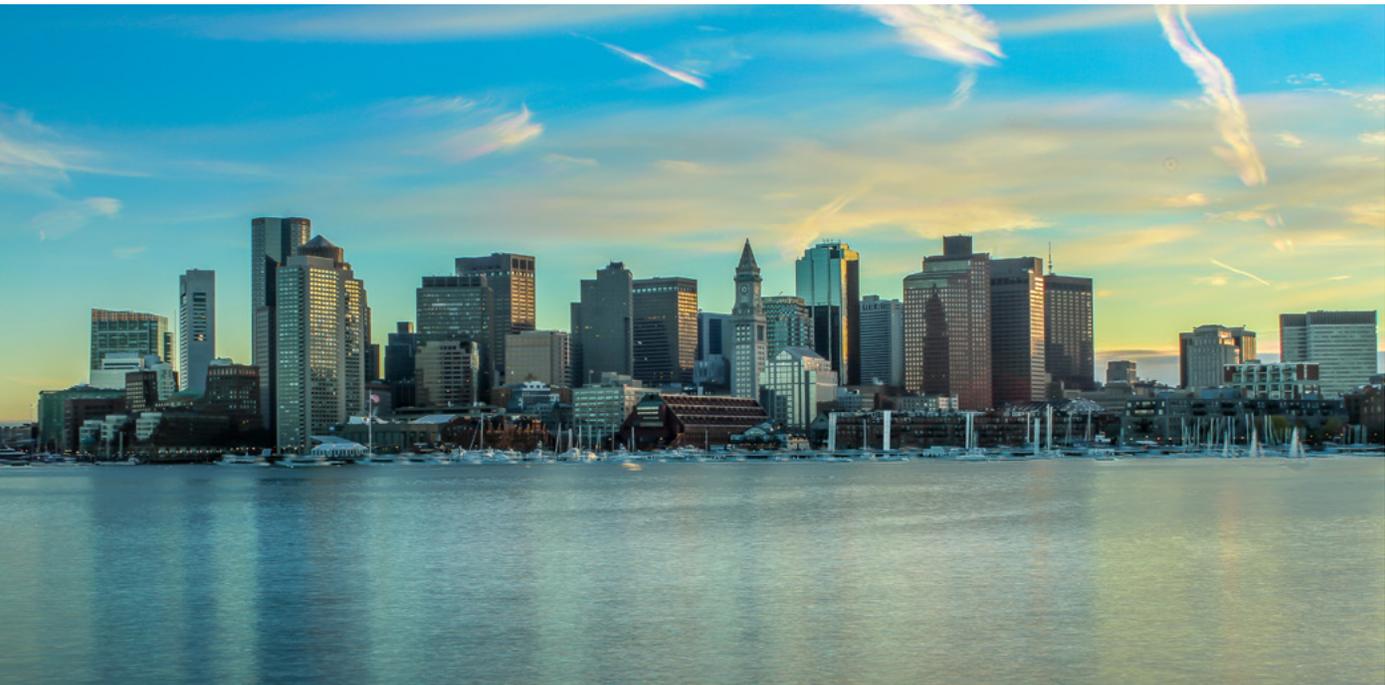
- Actions**
- 1.) Provide support in the major languages spoken by Boston's business owners and ensure the availability of multilingual assistance and resources on the small business website, small business hotline, and at the Small Business Center.
 - 2.) Strengthen existing networks and resources by partnering with the City's Office of New Bostonians to convene immigrant business owners, BSOs serving immigrant entrepreneurs, and leaders of immigrant communities in order to better coordinate and target their services and to advise the City on its programs and services.

- 3.) Offer immigrant-owned businesses targeted assistance and programming through the Small Business Center and in partnership with BSOs, with a focus on navigation of government regulations, resource identification, customer acquisition, and expansion into new markets – areas identified as key barriers for Boston’s immigrant-entrepreneurs.⁶⁹
- 4.) Broaden and replicate successful programs that are already addressing the holistic needs of immigrant entrepreneurs, such as MassREAP.

Initiative #10: Increase capital availability

Description Catalyze the expansion of innovative capital solutions for historically underrepresented businesses.

- Actions**
- 1.) Collaborate with the Capital Working Group to prioritize, assess, and solve for the distinct capital gaps affecting M/WBE and immigrant-owned businesses, including increased availability and flexibility of affordable working capital, microloans, and other products; work with the philanthropic and impact investing sectors to explore new capital vehicles and structures.
 - 2.) Create an active referral pipeline of businesses to known capital sources, including the SBA, Accion, Boston Impact Initiative, and other public and private funders; expand WeBOS programs addressing the gender gap in venture capital funding.
 - 3.) Refer prospective borrowers to training and mentorship opportunities that improve success rates and mitigate risk.



Initiative #11: Create on-ramps to high-growth sectors for minority and women entrepreneurs

Description Launch a new initiative to support minority tech entrepreneurs and scale existing WeBOS tech initiatives.

- Actions**
- 1.) Expand and enhance peer networks for minority and women tech entrepreneurs and develop points of access to the city's robust industry resources, along with strong mentorship and navigation support.
 - 2.) Work with anchor and private-sector partners to design outreach and investment strategies targeting M/WBE tech entrepreneurs.
 - 3.) Connect the city's high school and college STEM students to entrepreneurship resources and programs.



Priority Segment Solutions:*Local Services, Restaurant + Retail, Established Businesses***Local Services****Initiative #12: Launch an Anchor Council to increase large institutions' local spending**

Description Increase large institutions' spending with the city's small businesses by sharing data and best practices, making connections, and jointly investing in supplier development and support.

- Actions**
- 1.) Convene anchor institutions to set increased goals for local purchasing and to aggregate demand across large buyers, including educational and medical institutions, major corporations, and Tier 1 suppliers.
 - 2.) Work with participating anchors to share information, gather and analyze spend and supplier data, and develop more consistent practices and access points.
 - 3.) Collaborate to provide training and technical assistance for well-matched suppliers; pilot programs for Tier 1 suppliers to mentor small businesses.
 - 4.) Link anchor institutions' procurement goals and participation in the Anchor Council to their community benefits commitments under the BRA's Institutional Master Plan (IMP) process as well as the City's PILOT program; explore creating a City of Boston "Local Purchaser" certification for anchors.

Initiative #13: Launch "B2B" (Boston-to-Boston) Network

Description Create a network and campaign to promote Boston's B2B businesses and increase local purchasing.

- Actions**
- 1.) Sponsor buyer-supplier networking and matchmaking infrastructure and events to strengthen local referral networks; explore offering buyer and supplier matching options on the new web portal to supplement in-person events.
 - 2.) Brand and promote B2B Boston in collaboration with anchors and BSOs, including chambers of commerce and industry groups.

"If the City could have a platform to bring small business owners and vendors together to create a personal relationship, that would go a long way." – Small Business Owner

Initiative #14: Create capital solutions for local services firms

Description Work with anchor institutions to pilot new financing models for local services firms.

- Actions**
- 1.) Pilot a program in which working capital loans are partially secured through anchor contracts.
 - 2.) Make a City of Boston commitment to improved payment timelines.

“Prompt payment – we’re talking 30 days – this is a major issue for many minority contractors in Boston. This can push you out of business.”
– Small Business Owner

Initiative #15: Increase availability of industrial real estate

Description Re-launch an expanded Back Streets Boston program as a hub for B2B and other businesses requiring industrial space.

- Actions**
- 1.) Evaluate and optimize industrial land use to identify under-utilized parcels and potential City-owned development opportunities.
 - 2.) Lead and support the development of new industrial real estate models, including sub-leasing and space-sharing models.
 - 3.) Direct BIDFA – the Boston Industrial Development Financing Authority – to work with Back Streets Boston to finance and incentivize industrial land optimization.
 - 4.) Incentivize activity density through City-supported subletting platforms and incentives.

“Boston only has a couple of dedicated areas for industrial use, and the real estate options are hard to tailor for small businesses, even when they are for sale or lease.” – Real Estate Professional



Restaurants and Retail

Initiative #16: Create an industry-specific mentorship network and programs for retail and restaurant businesses

Description Partner with large corporations and BSOs to increase the capacity and success rates of small retail and restaurant businesses.

Actions 1.) Create an industry mentorship program in partnership with established businesses, including large corporations.

2.) Work with BSOs to provide specialized, industry-specific technical assistance to restaurant and retail businesses; offer train-the-trainer programs and resources to BSOs, preparing them to meet the specific needs of this segment.

3.) In collaboration with the Small Business Center, develop tools for aspiring entrepreneurs to build and test their plans prior to making major investments.

“Talking to peers has been one of the most helpful resources. It would be good to connect startups and companies that are trying to position themselves for growth with other firms that have gone through similar situations to exchange ideas.” – Local Retailer



Initiative #17: Improve access to capital for micro restaurants and retailers

Description Utilize the City's capital programs and partner with capital providers to develop and deploy funds designed for restaurant and retail businesses.

- Actions**
- 1.) Identify capital providers with experience and capacity lending to retail and restaurant businesses; train additional providers to better understand and design products that meet the unique needs and challenges of these businesses.
 - 2.) Shape the City of Boston's lending capacity as well as new microlending and emerging programs with restaurants and retailers in mind; connect borrowers with targeted technical assistance and advising.

Initiative #18: Increase flexibility and availability of space

Description Pilot innovative space solutions for restaurant and retail businesses that increase access and affordability and reduce risk.

- Actions**
- 1.) Create a program to match under-utilized, ground-level commercial space and publicly-owned space with interested retail and restaurant entrepreneurs, including both traditional leases as well as "pop-ups," sub-leases, incubators, shared spaces, or other models.
 - 2.) Explore streamlined permitting, landlord incentives, and other reforms to simplify and facilitate the use of temporary spaces.

Initiative #19: Support businesses seeking to expand to new local markets

Description Provide citywide resources for small businesses seeking to expand to new neighborhoods.

- Actions**
- 1.) Partner with Main Streets and other BSOs to gather and publish data on consumer spending power, existing businesses, and market gaps for key business districts and neighborhoods; train BSOs in the particular needs of retail and restaurant entrepreneurs seeking to expand.
 - 2.) Provide direct support for businesses to evaluate new locations through the small business resource network; equip Main Streets to effectively work with one another and other BSOs to guide small businesses to experts and information in other parts of the city.

Established Businesses

Initiative #20: Provide targeted one-to-one assistance to established firms

Description Refocus existing one-to-one coaching programs and provide new services to support established firms.

Actions 1.) Focus the City's one-to-one advising and other high-intensity programs on serving high-potential, established firms.

2.) Utilize the City's capital programs, including BIDFA and BLDC, as well as partnerships with traditional and alternative capital providers to expand, publicize, and deploy capital for established businesses.

3.) Collaborate with the Office of Workforce Development to build awareness of small business hiring needs and to incorporate established businesses into existing City hiring and internship programs; include workforce and placement agencies in the small business support network and work to create clear entry points for small businesses.

4.) Leverage the B2B network to connect professional service firms in areas such as accounting and IT services with established businesses seeking to grow; explore potential matching funds or other incentives to connect professional service providers and established businesses.

"There are a lot of resources for startups but there are not a lot of support systems for businesses that are ready to take their business to the next level and scale." – Small Business Owner

"We're growing, we're trying to do the right thing, and we're trying to have a really good operation. But with that comes so many expenses." – Small Business Owner



Conclusion: Small Businesses and the City of Boston

Three broad principles will guide the City's overall approach to implementing the small business solutions. In turn, these principles will influence citywide cultural and organizational approaches to supporting small businesses. First, the City will integrate its many efforts and initiatives affecting small businesses in order to target supports and to avoid redundancies and missed opportunities. The City will also engage a diverse array of partners to coordinate and strengthen Boston's small business ecosystem. Finally, the City will utilize a data-driven approach to continuously improve small business programs and services.

Integrating the City's Efforts and Improving Service Quality

Historically, the City's small business efforts have been divided across many departments which have direct responsibility for particular activities and geographies. As part of this plan, the City will work to integrate the leadership, strategy, delivery, and marketing of related programs and activities. An ongoing City priority will be continuing to simplify and streamline the small business permitting process, building upon the Mayor's existing commitment and improvements. The City will also enhance and coordinate its place-based investments – including neighborhood innovation districts, Main Streets districts, and business improvement districts – in ways that complement the solutions and priorities in the Small Business Plan. For example, The Mayor's Office of New Urban Mechanics could partner with the new Small Business Center to create a Small Business Experience Lab to solve for small business challenges. Neighborhood mobility improvements – including new City parking policies, expanded mobility options such as bike-sharing hubs and transit access, and street-level infrastructure upgrades – could be prioritized in commercial areas requiring small business support.

Engaging Partners

Improved citywide partnerships and networks will strengthen Boston's small business environment. The need for increased accessibility and connectivity in the city is one of the most powerful findings of the Small Business Plan. By deepening connections and fostering this connectivity, the City and its partners will create easy-to-navigate pathways to guide small businesses to the services they need. The City will convene diverse teams of experts, practitioners, and leaders to establish a shared view of small business needs and to collaboratively solve for issues across sectors, neighborhoods, and business types. These groups will become a legacy of this Plan – resulting in a responsive and integrated ecosystem.

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Enhancing Data and Measuring Impact

A focus on data and outcomes will support the City of Boston and its partners in becoming more responsive to small business needs. Information collected during the small business intake process, program results data, and citywide impact measures will all be used to modify and create services for small businesses. The City will also regularly engage small businesses in assessing services and will also incorporate feedback from partners such as BSOs, anchor institutions, and capital providers. These various data sources will be used to update and improve the Small Business Plan over time.

The City of Boston will measure progress towards high-level impact goals with an annual “State of Small Business” assessment. New metrics will be used to evaluate progress toward the key goals of this plan. These will include measures of equity and representation among business ownership, small business growth and expansion, availability of new capital and real estate, and other measures of inputs, outputs, and outcomes.

The City will also track leading indicators for its key programmatic investments and their impact on small businesses. For example, the City will track the proportion of businesses who have improved their credit and secured capital as a result of new training, navigation and innovation programs. The City will also seek to quantify the increase in collaboration among BSOs as well as evaluate whether small businesses are better connected to the supports they need as a result of this increased collaboration.

Every five years, coinciding with the release of the U.S. Census Bureau Survey of Business Owners, the City will undertake a comprehensive assessment of small businesses. This assessment will include an analysis of small business revenues, employment, ownership patterns, and other metrics. The assessment will compare the performance of Boston’s small businesses to comparison cities across the U.S. As part of the five-year evaluations, additional key assessments completed for this project, including data on BSO access and capital availability and lending will be performed. The use of continuous, annual, and five-year assessments will allow the Small Business Plan’s priorities and initiatives to adapt to meet Boston’s small business needs.

Small businesses thrive when they are surrounded by a robust ecosystem of resources and opportunities – and have the ability to navigate and secure them.



Small businesses thrive when they are surrounded by a robust ecosystem of resources and opportunities – and have the ability to navigate and secure them. At the core of this plan is a commitment by the City of Boston to play an integrative role in achieving this vision, to partner with great organizations, and to invest in both proven and innovative models to help small businesses succeed. The City’s new approach to small business services will be more visible, analytical, and creative – reflecting the culture of its small business constituents. The new Small Business Center will serve as a connection point for all small business services in the city, employ data to assess and meet small business needs, and continuously monitor and refine its portfolio of small business services. Boston’s twenty Main Streets organizations, with their powerful neighborhood presence and public-private partnerships, will play a critical role in evaluating small businesses’ needs, “connecting the dots” for businesses, and serving as the empowered voice of neighborhood commercial districts.

Over the coming months, the City will identify leaders from across the City’s agencies and departments who will be responsible for advancing this plan. The City will work closely with business service organizations, anchor institutions, capital providers, and the small business community itself to define a detailed implementation roadmap and timeline to work together in the near term and over time to design and launch these efforts.

The City of Boston is committed to supporting Boston’s diverse and dynamic small businesses. This strategic support will complement other City priorities, such as the regional economic strategy, Boston 2030, and the City’s key driver industries. By increasing its collective attention and assets, Boston will become more supportive of small businesses than ever before. In turn, this support will strengthen Boston’s economy, drive inclusion and equity, and enhance neighborhood vibrancy throughout the city.

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Jim Koch	Founder & Brewer	Boston Beer Company
Joe Kriesberg	President	MA Association of CDC's
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Glynn Lloyd	Board member	CommonWealth Kitchen
Kathe McKenna	Co-Founder & Director of Special Projects	Haley House
Patrick Moran	Executive Director	Main Street Partners
John Nguyen	Founding Board Member	Vietnamese American Chamber of Commerce
Panos Panay	Founding Managing Director, Institute for Creative Entrepreneurship	Berklee College of Music
Tina Petigny	Executive Director	Mattapan Square Main Streets
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Liam Pisano	Managing Director	Learn Launch
Meredith Sandiford	Executive Director	The Capital Network
Joel Sklar	President	Samuels & Associates
Charles Smith	Senior Vice President	Eastern Bank
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Joel Miller	Founder & CEO	Perishable Management Services
Dave Miller	General Manager	PivotDesk
Bart Mitchell	President and CEO	The Community Builders
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Thomas Nadeau	Chief Operating Officer	Metro Credit Union
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Gilad Rosenzweig	Founder and Executive Director	Smarter in the City
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Mass Economics works with public, private, and philanthropic institutions, and we are nationally known for our work on economic cluster strategies, urban land issues, inclusive and equitable growth, and the creation of models that link economic and physical assets, such as innovation districts.

We contribute to economic growth and equity in U.S. cities by leading transformative, large-scale economic development projects as well as building customized, local strategies for cities and neighborhoods. Our development strategies create jobs, strengthen innovation and entrepreneurship, rationalize urban land use, and link economic opportunity to the aspirations and needs of local residents.

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City of Boston

Small Business Plan

