



Small Business's Big Moment

The American Rescue Plan Act (ARPA) gives civic leaders a once-in-a-generation opportunity to fix the broken approach to economic development, and level the playing field for small business. Putting small business growth at the heart of local economic development strategies would be transformative – generating benefits that will ripple through nearly every aspect of our communities and local economies for decades.

By Kennedy Smith, January 2022

Small businesses create the bulk of the nation's new jobs. They offer a path to prosperity for hard-working entrepreneurs. They build local wealth by keeping a significantly larger share of their economic output within the community than businesses with outside ownership. They put that local economic output to work to support schools, public safety, roads, parks, affordable housing, and myriad other public needs. They help create a distinctive community identity that, in turn, attracts residents, visitors, and new businesses.

But for decades, small businesses have operated on an uneven playing field, an imbalance that the pandemic has exacerbated. Shutdowns drove sales to the biggest online platforms, like Amazon and Walmart, whose pandemic-era revenues broke records. Banks prioritized their big customers over their smaller ones, giving them preferential access to the Small Business Administration's Paycheck Protection Program. Third-party restaurant delivery platforms gutted locally owned restaurants, charging fees and commissions far exceeding restaurants' profit margins. Dollar stores launched ambitious expansion plans, moving into neighborhoods suffering from food insecurity. And small businesses owned by non-white entrepreneurs and by women, who are more likely to lack cash reserves and collateral, were largely left out of recovery efforts.

Here are twelve ideas for how civic leaders can use American Rescue Plan Act funds to make small business development the driving force of their economic development strategies. See the [full report](#) for examples of local policies and programs in each of these areas:

- 1. Build a strong infrastructure to cultivate, grow, and support small businesses.** Locally owned businesses lack the management formulas and marketing muscle of national chains and corporations, the deep pockets of publicly traded companies, and the incentives city governments often give away to lure and keep larger businesses. Local governments can use some of their American Rescue Plan Act allocations to level the playing field by making transformative, strategic investments in small business training, coaching, and finance.
- 2. Close the racial entrepreneurship gap.** Opening and growing a small business is exponentially more challenging for Black and Brown entrepreneurs than for white entrepreneurs. Entrepreneurs of color are more likely to lack banking relationships and have less collateral than businesses owned by white and male business owners. And they are subject to biases baked into the banking system. ARPA funds can help close this racial entrepreneurship gap.

- 3. Develop grocery stores in underserved communities.** Grocery stores are capital-intensive and difficult to operate profitably. ARPA gives communities the money to invest in land, buildings, and full-service grocery operations, helping solve one of the most pressing problems facing economically distressed towns and cities.
- 4. Cultivate small-scale manufacturing and local and regional supply chains.** Small manufacturing businesses help diversify local economies, enliven commercial districts, plug supply chain gaps, and create good jobs that build wealth. But many communities chase elusive large industries instead of cultivating these smaller economic powerhouses. ARPA funds can help civic leaders build a robust infrastructure to develop and grow them.
- 5. Improve small business procurement policies and practices.** It became obvious during the pandemic that many small, locally owned businesses are sidelined in local and state government procurement processes. ARPA money can help repair procurement programs and funnel more contracts to locally owned businesses.
- 6. Buy commercial property and place it in a community land trust.** Tens of thousands of small businesses closed during the pandemic, flooding the commercial real estate market with millions of square feet of vacant space. ARPA offers an unprecedented opportunity to put commercial property in the hands of community-focused organizations that can rent affordable space to small businesses.
- 7. Create local delivery services.** The big third-party restaurant delivery platforms' exorbitant prices, information-hoarding, and menu-cloning contributed to the deaths of thousands of restaurants during the pandemic. But there is no real economy of scale in providing an inherently local service like meal delivery. Communities can use ARPA funds to support or sponsor locally owned delivery services, helping restaurants and other local businesses survive and thrive.
- 8. Promote small businesses and shopping small.** Small businesses lack the massive online platforms and marketing budgets of national chains and Amazon. Local governments can use ARPA money to create their own platforms and marketing initiatives.
- 9. Capitalize a publicly owned bank.** Public banks work in the interest of the community or state, making more money available for local banks to lend out to small businesses and filling gaps left by commercial banks. ARPA funds can likely be used to capitalize and help launch public banks.
- 10. Support employee business ownership.** Transferring ownership of a business to its employees can not only help business owners retire comfortably but can also keep vital locally owned businesses alive and build wealth for worker-owners. The American Rescue Plan Act can make that happen.
- 11. Improve broadband access for small businesses.** Having a robust online presence is crucial for small, locally owned businesses to succeed. But having a robust online presence is dependent on having strong, reliable, and affordable broadband internet access. The American Rescue Plan Act explicitly supports development of community-based broadband.
- 12. Invest in commercial district improvements that help small businesses.** Infrastructure improvements alone cannot make or break a small business's chances of success. But they can go a long way towards making a commercial district a more pleasant and inviting – and better functioning – place to live, work, and visit. ARPA supports this. ■

Find the full report online at:

<https://ilsr.org/report-small-business-big-moment>



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