



## Small Business's Big Moment

The American Rescue Plan Act can help civic leaders put independent businesses at the center of their economic development strategies.

By Kennedy Smith  
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**ILSR** INSTITUTE FOR  
Local Self-Reliance

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*The author would like to thank everyone interviewed for this report for their time and insights.*

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## INTRODUCTION

The American Rescue Plan Act offers communities a once-in-a-lifetime opportunity to fundamentally change their economic development strategies. One of the smartest things they can do with this unprecedented cash infusion is to make small business the center of their economic development policies and programs.

Small business development builds local wealth, with benefits that ripple through nearly every aspect of the community and region. Young, small businesses create the bulk of the nation's new jobs. They offer a path to prosperity for hard-working entrepreneurs. They keep a significantly larger share of their economic output within the community than businesses with outside ownership, putting that 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.<sup>1</sup>

Creating a small business-centric economic development strategy is a significant shift for most towns and cities. For decades, communities have courted big companies with tax breaks, free municipal services, free infrastructure, and many other subsidies and enticements. But this approach leaves communities vulnerable to a host of problems, including increased industry concentration, greater income inequality, and diminished economic resilience. And it costs communities billions of dollars. Timothy Bartik, of the W.E. Upjohn Institute for Employment Research and one of the nation's top experts on financial incentives, has found that, in nine out of ten instances, incentives intended to attract big companies have had little impact on companies' location decisions; they would have made the same location decisions anyway, based on factors like workforce availability, proximity to customers or suppliers, access to transportation, quality of life, and similar characteristics.<sup>2</sup>

The American Rescue Plan Act gives communities the remarkable opportunity to reverse course and make comprehensive investments in small business growth and development. A growing number of policymakers and community leaders have recognized this opportunity and are already moving in this direction. Even the United Nations Conference on Trade and Development is urging policymakers to step up support to strengthen small businesses, given their outsized importance to the economy.<sup>3</sup>

**This report is organized into two main sections. The first section provides an overview of the parts of the American Rescue Plan Act that local and state governments can use to support small business development, and it offers some guidelines for how cities might set priorities for these funds. The second section offers a dozen ideas for using ARPA funds to embed small business development in a community's overall economic development strategy, with some examples of early actions that towns, cities, and counties are taking to do so.**

## What does the American Rescue Plan Act Provide?

The \$1.9 trillion American Rescue Plan Act is the fifth major federal relief program since the pandemic began. Unlike the first four relief programs, which focused mostly on immediate public health needs and on keeping the economy afloat, the American Rescue Plan Act is intended to have a lasting, meaningful impact by giving towns and cities the resources to undertake transformative projects that would otherwise be beyond their reach.

The Act is also explicit about its intention to help the most economically vulnerable communities by helping women, people of color, veterans, and other historically disadvantaged entrepreneurs create and grow businesses. In addition to the parts that can be used to support small businesses, the overall act also includes funding specifically for education, transit, housing, food, child care, and other essential recovery initiatives.

*\* For a brief overview of the federal government's pandemic relief funding, and how the American Rescue Plan Act fits into it, see the Appendix.*

### The Coronavirus State and Local Fiscal Recovery Fund

First, the Act provides \$350 billion to local, state, territorial, and tribal governments through its Coronavirus State and Local Fiscal Recovery Fund (with the unpronounceable acronym "SLFRF"). States and the District of Columbia are receiving a total of \$195.3 billion; large cities \$45.6 billion; small ones \$19.5 billion;<sup>i</sup> counties \$65.1 billion; tribal governments \$20 billion; and territories \$4.5 billion. They will receive it in two chunks — one now, and one next year.<sup>ii</sup> The money must be committed by the end of 2024 and spent by the end of 2026.

The Treasury Department has included clear parameters in its final rule on how Fiscal Recovery Fund money can and cannot be used.<sup>4</sup> The Department says the money may be used "to respond to the public health emergency with respect to

i. Small communities – "Non-Entitlement Units," generally meaning those with fewer than 50,000 residents – will receive their money from their state governments, in proportion to their population size, with a cap of 75 percent of the local government's most recent budget as of January 27, 2020. All other government units will receive their funds directly from the US Department of the Treasury. For research on the economic and community benefits of small businesses, visit: <https://ilsr.org/why-care-about-independent-locally-owned-businesses/>.

ii. There is one exception: states whose net unemployment has increased by more than two percent will receive all of their money up front.

the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality.” It also makes it clear that ARPA’s Fiscal Recovery Fund should “[...] lay the foundation for a strong, equitable economic recovery, not only by providing immediate economic stabilization for households and businesses, but also by addressing the systemic public health and economic challenges that may have contributed to more severe impacts of the pandemic among low-income communities and people of color.”

Within the Treasury Department’s parameters, local governments have a lot of latitude in deciding how to use their SLFRF money. They can use it to address economic damage done by the pandemic, such as providing direct assistance to small businesses and families. They can use it to fill budget shortfalls created when local governments dipped into their general funds to cover pandemic-related costs, including small business relief programs. They can improve their water, sewer, and broadband infrastructure. They can cover relevant public health expenses. In fact, there are only a few explicit restrictions: It cannot bolster reserves, and it cannot be used for “extraordinary deposits” into local government pension funds, or for legal settlements, or for infrastructure improvements that are not specifically related to the pandemic.

### **Funds Specifically for Hard-Hit Businesses**

Second, ARPA provides \$45.25 billion specifically for businesses in two hard-hit categories, through two new programs: the \$29 billion Restaurant Revitalization Fund, and the \$16.25 billion Shuttered Venue Operators Fund. Or, rather, it *provided* it: the restaurant fund was already exhausted by early July 2021 (several bills have been introduced to cobble together an additional \$48-60 billion to replenish the fund), and the deadline for the Shuttered Venue Operators Fund was August 20, 2021. ARPA also replenished the Paycheck Protection Program (\$7.25 billion) and Economic Injury Disaster Loan program (\$15 billion).

### **Federal Government Agencies for Targeted Assistance**

Third, it provides new funding to some government agencies for specialized assistance. For instance, the National Endowment for the Arts received \$75 million to re-grant to arts organizations to support their operations and

to local arts organizations to re-grant to artists; the Economic Development Administration received \$3 billion, which it is investing in six programs supporting economic innovation, workforce training, and infrastructure; and the Department of Agriculture received \$3.6 billion to support food supply chains, including money that can be used to support farmers markets, small food producers, and other food-related businesses.

### **State Small Business Credit Initiative (SSBCI)**

Fourth, ARPA includes a new \$10 billion tranche of funding for the State Small Business Credit Initiative (SSBCI), giving state and tribal governments flexible money for small business finance programs that they design to fit their specific needs, including financing for historically underserved entrepreneurs, through equity investments, loans, loan guarantees, collateral support, and other tools. States will receive \$6.5 billion in three payments, plus an additional \$1.5 billion specifically to support small businesses owned by disadvantaged business owners. There is another \$1 billion available, on a competitive basis, for states that provide “robust support” to disadvantaged businesses. The program also includes \$500 million for tribal governments and \$500 million for technical assistance to small businesses.

### **Indirect Support for Small Business Growth**

There are also a few specialized funding programs that indirectly support small business growth and development. For instance, the \$10 billion Capital Projects Fund will make grants to states and territories for capital projects that enable work, education, and telehealth. The \$100 million Community Navigator program will support nonprofit organizations that provide hands-on guidance to small businesses. And ARPA extended the Employee Retention Credit — originally created by the CARES Act — through December 2021, offering businesses a tax credit of up to \$7,000 per quarter per employee.

## **Setting priorities**

Most towns, cities, and counties will want to use some of their ARPA allocation for immediate priorities, like restoring basic services and meeting critical public health needs. Others will use part of their allocations to replenish municipal budgets depleted during the pandemic as cities scrambled to ramp up medical care, meet residents’ basic needs, shift to virtual education, and prop up small businesses. These are legitimate

and important uses of ARPA funds. But the American Rescue Plan Act's funding — particularly its State and Local Fiscal Recovery Funds — is a one-time opportunity to bring about fundamental, lasting change by supporting economic development investment that builds local wealth, rather than extracting it. In turn, this can grow future municipal revenues.

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*Money from ARPA isn't enough to reverse all the conditions that have undermined local economies. But, for most communities, it can provide enough to support one or two truly transformative strategies.*

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As unprecedented as this federal funding windfall is, it isn't enough to reverse all the conditions that have undermined local economies over the years. But it can provide enough to support one or two truly transformative strategies. "This is a once in a generation opportunity to align resources with community goals and expectations and to have a lasting impact on our community," Boulder's Deputy City Manager, Chris Meschuk, said.<sup>5</sup>

Civic leaders might consider three key questions when establishing guidelines for investing their communities' American Rescue Plan Act allocations:

- **Does this build local wealth?** Will these investments help create opportunities for entrepreneurs to create new businesses and for existing business owners to grow?
- **Does this help close the racial and gender gaps in business ownership?** Will these investments facilitate access to the business development resources that people of color and women have historically struggled to obtain?
- **Will this help strengthen the overall environment for small business development?** Will these investments eliminate barriers to small business development and actively encourage small business growth?

## How Policies Adopted During the Pandemic Favored Big Business Over Small Business

For civic leaders, the pandemic's economic toll served as a wake-up call about the importance of local businesses to the communities they serve. But even as hundreds of thousands of small businesses shuttered around the country, policymakers persisted in adopting policies that favored big businesses at the expense of many small shops, restaurants, and other businesses.

**Poorly constructed shutdown policies drove unprecedented gains for Amazon, big-box stores, and other chains.** When the pandemic initially forced shutdowns, "non-essential" businesses like bookstores, clothing stores, and toy stores had to close. But because of their grocery offerings, general merchandise stores — big-box stores like Walmart and Target, and small-box stores like Dollar General — were allowed to remain open. While customers shopped there for groceries, they could also buy books, clothing, toys, stationery, and any of the myriad other products that they might otherwise buy from small businesses.

Some cities, counties, and states recognized this enormous inequity and stepped in to require general merchandise stores to close their non-essential departments to in-store shoppers. But most did not, effectively sending small business sales directly into chain variety stores' cash registers. Walmart's revenues grew by \$24 billion between the second quarters of 2020 and 2021.<sup>6</sup> Between March 2020 and August 2021, Dollar General's foot traffic increased 32 percent.<sup>7</sup> Almost half of all new store openings in the U.S. in 2021 are dollar stores.<sup>8</sup>

Shutdowns also drove billions of dollars of sales online. No one has benefitted from this more than Amazon, whose profits soared by a staggering 220 percent<sup>9</sup> in the first quarter of 2021 alone — and, like big-box stores, was not limited to selling essential

*Continued on following page.*

## How Policies Adopted During the Pandemic Favored Big Business Over Small Business (Continued)

merchandise. Jeff Bezos, Amazon's founder and executive chairman, grew his personal wealth by more than \$70 billion in 2020.<sup>10</sup> Amazon's 2020 net sales — \$368.1 billion — are the equivalent of the average annual net sales of 463,637 retail businesses with fewer than five employees.

### **Big third-party restaurant meal delivery platforms rapidly grew into powerful gatekeepers with no check on their ability to price-gouge locally owned restaurants.**

The major third-party restaurant meal delivery platforms — DoorDash, Grubhub, Uber Eats — typically charge restaurants 30 percent or more of a meal's cost. Meanwhile, small, locally owned restaurants net an average of just 3-6 percent profit. Before the pandemic, restaurants were generally able to absorb the loss in order to attract new customers. But when the pandemic hit and restaurants halted indoor dining, they became almost completely dependent on curbside pickup and deliveries, leaving them few alternatives but to use the big platforms. Not surprisingly, third-party delivery platform revenues skyrocketed during the pandemic, with sales hitting \$40.8 billion at the end of 2020, more than double 2019's sales.<sup>11</sup> Meanwhile, a host of locally grown, locally owned delivery services have popped up during the pandemic, charging restaurants a fraction of the cost and keeping restaurant revenues in the community.<sup>12</sup>

### **A disproportionate percentage of business relief went to larger businesses.**

The federal government's Paycheck Protection Program was the largest small business support program in U.S. history. By August 2020, when it stopped accepting applications for its first tranche, it had given out \$522 billion in forgivable loans. But more than half of the loans went to big businesses, with almost 600 large companies receiving \$10 million each.<sup>13</sup> The program relied on distributing money through banks and credit unions, but many banks prioritized their larger commercial customers over their smaller ones; many small businesses

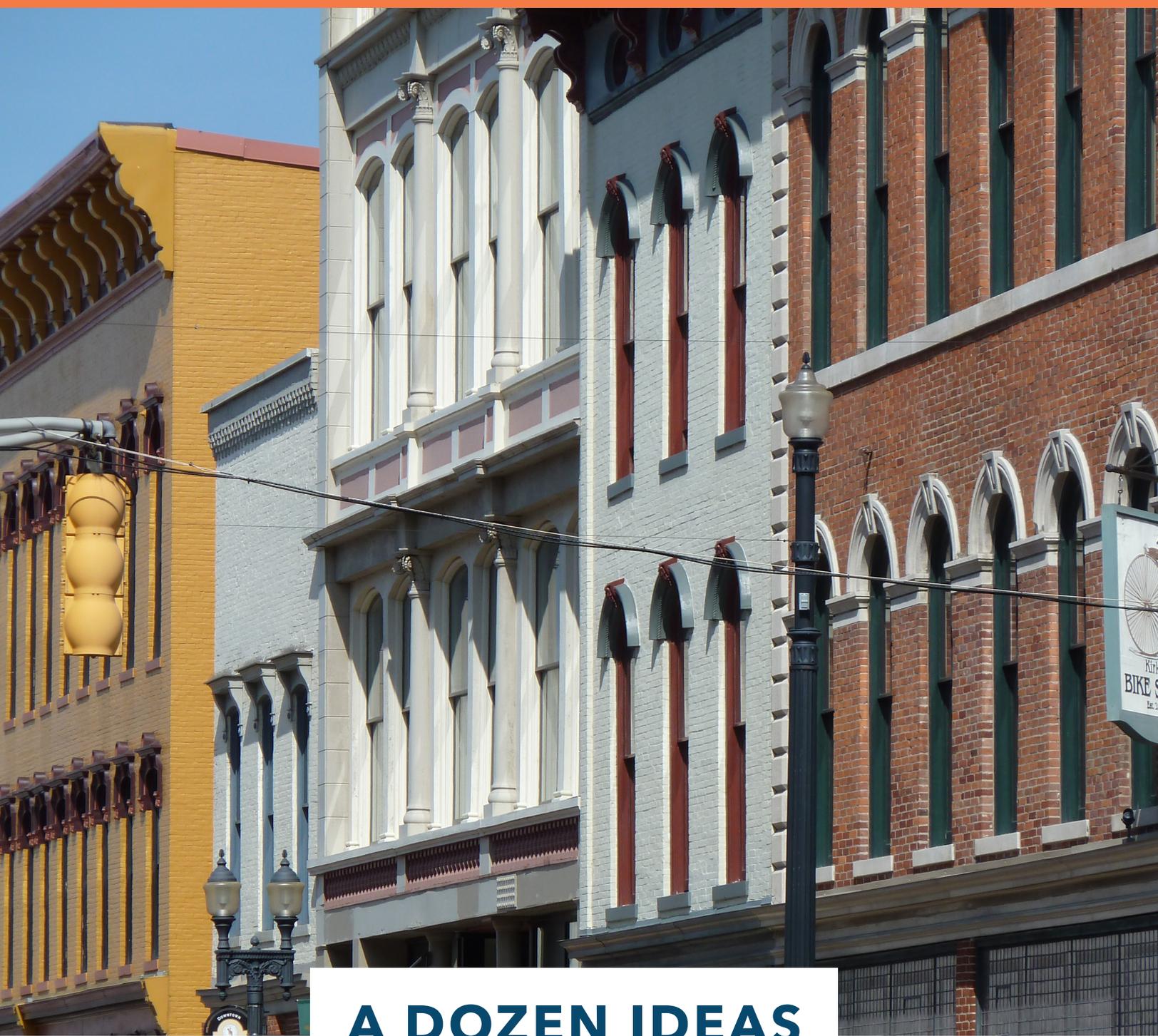
lacked banking relationships altogether. What's more, the program initially excluded two of the most common types of small businesses — sole proprietors and independent contractors. The Small Business Administration, which administered the program, made course corrections for the program's smaller second and third tranches.

### **Black and Brown-owned businesses were disproportionately excluded from SBA loans.**

The Small Business Administration did not require Paycheck Protection Program lenders to collect information on the demographic characteristics of the small businesses that received loans. But several sources point out a substantial disparity between loans awarded to white-owned and Black and Brown-owned businesses. One survey found that only nine percent of white-owned businesses that applied for a Paycheck Protection Program loan or Economic Injury Disaster Loan were turned down, versus 23 percent of Black-owned businesses.<sup>14</sup> Analyses by a coalition of Federal Reserve Banks<sup>15</sup> and by the Associated Press<sup>16</sup> concluded that businesses in majority-white areas received more loans than those with majority-minority areas.

### **Very few local governments intervened to stop private equity firms from snapping up distressed commercial property.**

Retail, office, and hotel real estate was pummeled during the pandemic, creating bargains for private equity firms, which had more than \$350 billion in cash reserves in April 2021.<sup>17</sup> For example, real estate investment firm Highgate bought \$2.8 billion worth of hotel property — a total of 23,000 rooms in 197 hotels — from Colony Capital in the fall of 2020 for the bargain price of \$68 million.<sup>18</sup> Kimco Realty and Weingarten Realty, two major real estate investment trusts, merged in April 2021, controlling more than 550 grocery-anchored shopping centers. In the first half of 2021, commercial real estate deals increased almost 400 percent over the previous year.<sup>19</sup>



## A DOZEN IDEAS

Here are a dozen suggestions for how the American Rescue Plan Act might help civic leaders support small businesses and make small business development one of the driving forces of their economic development strategies.

## Build a Strong Infrastructure to Cultivate, Grow, and Support Small Businesses

**Locally owned businesses offer countless benefits to their communities. But they operate on an uneven playing field, without 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.**

Because of their enormous market power, national chains and large corporations have access to resources out of reach to small, independently owned businesses – capital, credit, market data, and economies of scale, for instance. But small businesses are much better for local economies. Almost half of every dollar spent in a locally owned business remains in the community, versus just 15-20 percent of every dollar spent in a chain retailer.<sup>20</sup> The difference is even more extreme for locally owned versus chain restaurants. And, while national corporations provide local jobs and pay local taxes, their profits go to their (usually) out-of-town owners and investors, rather than to build local wealth.

For all these reasons, Timothy Bartik, the Upjohn researcher mentioned earlier, recommends that communities invest in small businesses and entrepreneurs instead of dangling money to attract out-of-town businesses.<sup>21</sup> ARPA money can be invested in local business development, helping reorient a community's economy around small business and local wealth creation. In fact, the Treasury Department specifically mentions that “technical assistance, counseling, or other services to assist with business planning needs” is a permitted use of American Rescue Plan Act money.<sup>22</sup>

In the first months of the pandemic, thousands of towns, cities, counties, and states rallied to provide emergency financial

relief to small businesses (see *Our Big List of COVID-19 Assistance Programs*<sup>iii</sup>), injecting cash at a crucial time to help keep small businesses alive. By December 2021, at least 200 towns and cities had used some of their ARPA money to extend these programs or launch new ones.

But the American Rescue Plan Act can offer so much more. It offers civic leaders the opportunity to make truly transformative investments in small business development and growth, not just short-term, stop-gap investments. ARPA money could, for instance, be invested in high school and community college courses to teach entrepreneurs a range of small business management and marketing skills. It could be used to develop specialized business incubators, to launch and provide seed capital for small business accelerators, to buy commercial property, to sponsor business plan competitions, to establish storefront business assistance centers, to cover the costs of new equipment, to hire one-on-one business coaches, to offer hands-on assistance in small business ownership transitions, to help businesses build a robust online presence, to create small business marketing programs, and much more. Together, actions like these can help make small business ownership a viable, achievable, and exciting career path for residents while also building a strong economic engine for the overall community.

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*Local governments can use their American Rescue Plan Act allocations to level the playing field by making transformative, strategic investments in small business training, coaching, and finance.*

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Several communities have already announced or launched plans to use some of their ARPA allocations to provide training, technical assistance, and mentorship to small businesses and entrepreneurs, often as part of a comprehensive package of wrap-around services that may also include financial relief grants, small business loans, incubator space, and other resources. Roanoke, Va., for instance, plans to use \$5 million of its allocation to build the Gainsboro Neighborhood Hub, a facility that will include a business incubator and provide

iii. You can find our Big List of Covid-19 assistance programs here: <https://ilsr.org/information-on-covid-19-small-business-assistance-programs/>



entrepreneurship and job skills training.<sup>23</sup> Fort Bend County, Texas, will pair a \$25 million small business relief grant program with \$500,000 to provide consulting services to help small businesses strengthen their operations.<sup>24</sup> And Ingham County, Mich., has committed \$11 million of its allocation to an omnibus grant program — the Ingham Sunrise Grant Program — that addresses a number of short- and long-term small business pandemic impacts by offering targeted grants, a revolving loan fund, long-term technical assistance, small business succession planning, and childcare facility expansion.

## IDEA #2

### Close the Racial Entrepreneurship Gap

**Small business ownership offers a solid path for building personal and intergenerational wealth, but 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.**

Economic differences between Black and white households in the U.S. are stark. According to the Federal Reserve Board's 2019 Survey of Consumer Finances,<sup>25</sup> the median net worth of white households is nearly eight times that of Black households. Business ownership provides a proven opportunity to help close that gap: the median net worth of Black business owners is 12 times greater than that of Black

nonbusiness owners.<sup>26</sup> Yet, while 13 percent of Americans are Black, only three percent of American business owners are Black. Similar disparities exist for other groups of color, particularly Hispanics.

Even before the pandemic, hundreds of communities were working to increase Black and Brown business ownership and growth. For instance, Cincinnati's Minority Business Accelerator, launched in 2002, is built on a strong network of local organizations, institutions, and businesses that provide it with talent, procurement spending, capital investments, and connections. It has nearly 50 minority-owned businesses in its portfolio; together, they have created more than 3,500 jobs. The accelerator not only offers intensive technical assistance and venture investments to its portfolio businesses, like most accelerators do, but it also helps Black and Brown entrepreneurs buy established minority-owned businesses. According to Lending Tree, Cincinnati has a higher percentage of minority-owned businesses with annual revenues over \$500,000 than any other U.S. city.

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ARPA can make it possible for almost every community to launch a comprehensive program to boost small business ownership among communities of color and help existing businesses grow. This is one of the Act's stated intentions:

the Department of the Treasury's January 2022 final rule specifically spotlighted the need to provide assistance to "businesses with less capacity to weather financial hardship, such as the smallest businesses, those with less access to credit, or those serving underserved communities."<sup>27</sup> To do so successfully, civic leaders must do two things. First, they must make an honest, objective assessment of whether their existing business development programs and policies encourage or deter participation by entrepreneurs of color and must make needed changes. Second, they must identify and fill gaps in the community's small business support infrastructure. It is crucial that communities conduct a holistic review of the myriad, interconnected barriers that Black and Brown entrepreneurs face and craft a comprehensive ecosystem of programs, partnerships, and policies to tackle each of these barriers — programs that might include providing child care for working parents, offering credit counseling and hands-on mentorship, creating opportunities to own commercial property, relaxing collateral and credit score requirements for small business lending, and much more.

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*Buffalo, N.Y., is investing \$3.5 million of its ARPA funds in a minority-owned business development program, which will provide grants and technical assistance to existing and start-up businesses*

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Black and Brown-owned businesses tend to be concentrated in industries that were hardest hit in the COVID-19 pandemic, like food service, personal services, and retail, and they need particular attention. Consequently, some local and state governments have already announced plans to use some of their ARPA money to support small businesses in these industries. Vandalia, Ohio, for example, is offering grants to small businesses in these hard-hit categories, including restaurants, retail, childcare, entertainment, and hair care.<sup>28</sup> Pennsylvania is making \$20 million available in grants of up to \$20,000 for image and hair care businesses that lost money during shutdowns.<sup>29</sup>

But relief grants should be just the starting point for what ARPA can do to close the racial entrepreneurship gap. A few communities are already looking beyond relief grants to more

expansive initiatives. Buffalo, N.Y., for example, is investing \$3.5 million of its ARPA allocation in a minority-owned business development program, which will provide grants and technical assistance to existing and start-up businesses, plus development of a start-up incubator.<sup>30</sup> The City of Louisville, Ky., conducted a disparity study that revealed that, although Black residents make up 23 percent of the population, they own only 2.4 percent of the city's businesses. Consequently, the City has launched a bundle of ARPA-supported programs to close this gap, including a \$250,000 Equity in Procurement program to support supplier diversity initiatives. And at least two dozen towns and cities have announced plans to use ARPA funds to create or make contributions to Community Development Financial Institutions, nonprofit lending organizations that provide lending and financial services to underserved populations.

### IDEA #3

## Develop Grocery Stores in Underserved Communities

**Many communities lack grocery stores. Not only is this harmful for the health of residents and for community vitality, it can also lead to dollar store proliferation and a downward spiral of poverty. But grocery stores are capital-intensive and difficult to operate profitably. The American Rescue Plan Act 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.**

Hundreds of communities — small towns and urban neighborhoods alike — lack full-service grocery stores and access to fresh produce. This problem is particularly acute in economically distressed towns and neighborhoods, where grocers often perceive that market demand is too weak to support a full-service store. Underserved communities are also often easy prey for dollar stores that offer mostly processed food and whose presence in the area makes it even more difficult to support a full-service grocery store.

ARPA funds can help solve this problem. For instance, ARPA funds might help local government share the costs of developing and opening full-service grocers. A local government could give ARPA money to a community-based



nonprofit organization or public benefit corporation to buy land, develop a grocery store building, operate a grocery business, or any combination of these. With the land and/or building owned locally, the risk that the grocery store might close in the future because of a corporate headquarters decision is eliminated. ARPA funds might also cover the administrative fees and consulting costs to create a citywide healthy food ordinance to encourage development of full-service grocery stores, farmers markets, urban farms, and other fresh food options and to discourage development of dollar stores.

Even before the pandemic, some communities had begun making investments in healthy food options in underserved areas. When the only grocery store in Bonaparte, Iowa (pop. 359) closed in 1987, a local resident spearheaded a

community-owned grocery store, Township Grocery, selling \$2,000 shares to about 50 local residents. St. John, Kan. (pop. 575) opened a municipally owned grocery store in 2013. The city paid for the building and retains ownership of both the building and the business, ensuring that it will always be there for area residents. The city hired two people to manage the store and uses the store's profits to gradually pay back the city's original outlay. Baldwin, Fla. (pop. 1,600) did the same thing when its only grocery store, an IGA, closed in 2018. The town used a \$150,000 loan from its reserve fund to reopen the store, hiring back the original store manager. The store buys as much of its fresh produce and seafood as possible from local farmers and fishermen.

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*Two organizations in Charleston, W.V., have asked the city to use ARPA funds to help cover some of the costs of developing a new community-owned grocery store in the city's West Side.*

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Tulsa, Okla.'s predominantly low-income North Tulsa neighborhood lost its last grocery store in 2014, leaving more than 90 percent of the neighborhood's residents with little access to fresh, affordable food. Tulsa's Economic Development Authority (EDA) played a leading role in assembling financing for a new 16,425 square foot grocery store building, with investments from the City of Tulsa (through a Community Development Block Grant) and from three private family foundations. A new full-service grocery store, Oasis Fresh Market, opened there in May 2021. By owning the land and building, the EDA shifted capital expenses away from the grocery store, making it more affordable to operate. The new grocery store is owned by a for-profit impact investment company, with a partner nonprofit — the Oasis Project — that provides a variety of programs and activities through the new grocery store to help neighborhood residents, from teaching kids to grow food and become food entrepreneurs to helping families with budgeting and food preparation.

Several communities are already exploring options for using ARPA money to support grocery store development. For example, two organizations in Charleston, W.V., have asked the city to use \$500,000 of its \$37.8 million in ARPA funds to

help cover some of the costs of developing a new community-owned grocery store in the city's West Side.<sup>31</sup> And Pueblo, Ariz., is considering investing \$735,000 in a proposed grocery store for the city's East Side, whose last grocery store closed in 2016.<sup>32</sup>

#### IDEA #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 local 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.**

Small scale manufacturing is an economic dynamo. In the first quarter of 2020, manufacturing businesses with fewer than five workers accounted for almost half of all manufacturers in the U.S., and almost three quarters of manufacturers — 72.7 percent — had fewer than 20 workers.<sup>33</sup> These are small operations, not big, smoke-spewing, pollution-generating industries. “I call [the things they make] hot sauce, handbags, and hardware,” Ilana Preuss, author of *Recast Your City*, said on a recent episode of ILSR’s *Building Local Power* podcast.<sup>34</sup> While small manufacturers can easily be tucked into side street and upper floor locations, they are also great storefront tenants, creating energy on the street and filling stubborn vacancies. And because their clients often reach them online or through a distributor, rather than through a storefront, they typically do not need as much parking as retail shops or offices.

The pandemic has accelerated interest in small scale manufacturing. Supply chain breakdowns have created new opportunities for small scale manufacturers — think of all the distilleries that pivoted to produce hand sanitizer, and all the tailors and theater costume shops that pivoted to make face masks — and have gotten the attention of civic leaders and economic development organizations interested in making supply chains more resilient to interruption by sourcing

products and components closer to home. “Instead of buying 200,000 units for a single source supplier based thousands of miles away, why not buy 20,000 each from smaller, more localized factories or individuals?” asks Chris McGivern in an article for the Shuttleworth Foundation.<sup>35</sup>

Interest in small scale manufacturing as a key component of community economic development has drawn inspiration from a number of examples of successful food production hubs, specialized coworking spaces, and entrepreneurial training programs over the past decade or two. San Francisco’s La Cocina, a commercial kitchen that offers production space to low-income food entrepreneurs, with industry-specific technical and financial assistance, is one of these pioneers. Since its launch in 2005, it has supported growth and development of hundreds of small food businesses, mostly owned by people of color and women. The Southern Virginia Higher Education Center’s Business of Art & Design Lab launched in 2009; it blends traditional woodworking and metalworking with futurist engineering and design in South Boston, Va. It has helped catalyze a growing cluster of small manufacturing and technology incubators in this town of 7,800, including ProductWorks and the SOVA Innovation Hub and Innovation Labs — all housed in historic tobacco warehouses.

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*San Mateo County, Calif., plans to make a total of \$500,000 of its ARPA allocation available as grants to micro food businesses, like food carts and caterers.*

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Some towns and cities have already announced plans to use American Rescue Plan Act money to bolster and cultivate small-scale manufacturing. For example, San Mateo County, Calif., plans to make a total of \$500,000 of its ARPA allocation available as grants to micro food businesses, like food carts and caterers. It is bolstering this small industry by revising its zoning code to allow food sales from home kitchens and will use additional ARPA money to cover the Environmental Health Services Division’s costs to support home food sales. Communities could also use ARPA funds to buy vacant buildings and convert them for use for small-scale manufacturing. They could make grants and loans available to

help small manufacturers buy equipment and hire staff; offer technical assistance to help them scale up their operations; create marketing programs and consortiums; and support job training programs. All these potential uses are at the heart of the American Rescue Plan Act's intention to help communities diversify their economies, create good jobs and businesses for historically underserved entrepreneurs, and boost their resilience to future setbacks.

#### IDEA #5

## Improve Small Business Procurement Policies and Practices

**It became obvious during the pandemic that many small, locally owned businesses were being sidelined in local and state government procurement processes. ARPA money can help repair procurement programs and funnel more contracts to locally owned businesses.**

Local and state government spending can be a powerful engine for economic growth. In 2018, local governments spent \$1.7 trillion on goods and services, and state governments spent \$1.5 trillion.<sup>36</sup> Unfortunately, not many local and state governments have explicit policies prioritizing small businesses.<sup>37</sup> And only a small percentage of their contract dollars have gone to businesses owned by women and people of color. A 2020 disparity study for the City of Boston found that, although 3.6 percent of the city's businesses are Black-owned, they received only 0.4 percent of the City's procurement dollars between 2014-2019. In King County, Wash., 12 percent of the businesses eligible for the County's Small Contractor and Supplier program between 2014-2018 were Black-owned, but they received only seven percent of the County's procurement spending. According to a December 2016 study of racial disparities in government contracting by the Minority Business Development Agency,<sup>38</sup> race-conscious policies have helped a bit — but, at the end of the day, government agencies tend to award procurement contracts to the business owners with whom they have worked in the past and with whom they are most familiar, who have most often been white and male. The same is true of procurement by anchor institutions — a community's hospitals, colleges, military installations, and industries.

The processes for bidding on government contracts are often complicated and time-consuming for small businesses, many of whom lack the time to jump through all the administrative hoops required. Even the process of getting certified to be able to bid on contracts is often beyond the resources of many small businesses. And, from a local or state government's perspective, finding small businesses that offer the goods and services they need, have the qualifications and certifications required, and are prepared to manage a government contract can be an enormous challenge.

But the benefits for both small businesses and local government are huge. For small businesses, government contracts can be a game-changing opportunity to develop new products and services, create new jobs, and reach new markets. For a city or county government, spending money with small, locally owned businesses, rather than spending it with large businesses in distant places, translates into local jobs and the cascade of revenues that come with a strong job base. For the community as a whole, local government and institutional procurement from small businesses helps build local wealth by keeping much of the considerable buying power of local government and anchor institutions in the community. Somewhat ironically, it even makes same-day delivery an easy option.

There are several things local government can do to improve small business procurement policies and practices — almost all of which could be supported by American Rescue Plan Act funding.

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*Officials can simplify and streamline the procurement process, removing the logistical roadblocks that often keep small businesses from bidding on local government contracts.*

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First, officials can simplify and streamline the procurement process, removing the logistical roadblocks that often keep small businesses from bidding on local government contracts. Philadelphia, for instance, identified three key steps it could

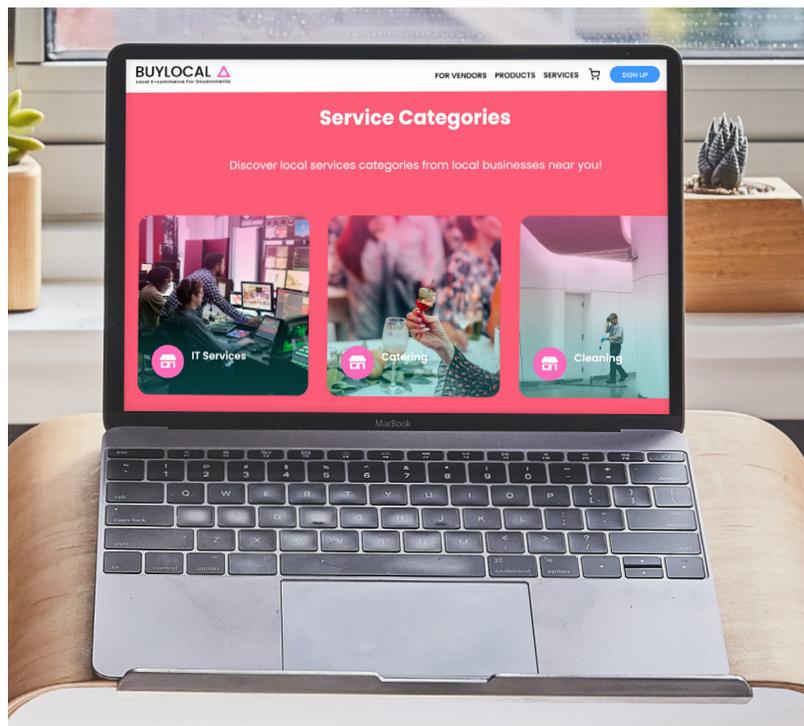
take to engage more small businesses in the procurement process: speed up payments (particularly important for small businesses that lack the cash reserves to cover expenses while waiting to be paid), create a centralized hub for managing contracts, and provide hands-on guidance, through a mentorship-protégé program, in winning and fulfilling city contracts.

Second, local government can help ensure that the procurement process is equitable. This process might begin with an ARPA-supported disparity study, examining the gap between the percentages of businesses owned by historically disadvantaged entrepreneurs (people of color, women, veterans), the capacity to fulfill procurement contracts, and the percentages to which contracts are actually awarded.

Third, it can develop or adopt a platform that makes it easy for local government agencies to find small, locally owned businesses offering the goods and services they need. A few larger cities, like Los Angeles and New York, have already created or revamped online procurement platforms as a result of lessons that emerged early in the pandemic.

Several commercial procurement platforms have also popped up. For example, GLASS, a California-based government software company, launched a small business procurement platform in 2017 to streamline small business procurement for local and state governments, with a focus on micro-purchases of \$10,000 and under.<sup>39</sup> Its BUYLOCAL platform provides small businesses with soup-to-nuts help in getting their products online, organizing and uploading their certifications, tracking online invoices, and other details. It then helps local governments find small businesses that offer the goods and services they need and that meet the characteristics they seek. If local businesses do not offer something a local government agency needs, it can search BUYLOCAL's national database of small businesses.

Fourth, officials can actively work with small businesses to fill gaps in the supply chain of goods and services that government and private-sector anchor institutions need. At the most basic level, local government can play a matchmaking role to pair the products and services that small businesses currently provide with local government agencies and regional anchor institutions looking for those items. It can also help small



businesses modify or diversify their offerings to meet local and regional procurement and supply chain needs. In addition to its State and Local Fiscal Recovery Fund, ARPA also includes provisions for infrastructure, health care, manufacturing, and many other industries critical to building back a strong, resilient economy, and funding might be available from these ARPA components to help small businesses grow their businesses by meeting supply chain needs.

Finally, local government can cancel, or choose not to renew, procurement contracts that give preferential treatment to massive online retailers over locally owned businesses. As with so much of America's economy, Amazon has elbowed its way into government procurement processes, winning a contract in 2017 from U.S. Communities, a cooperative purchasing group whose members include thousands of local and state government agencies.<sup>40</sup> The contract shifts government procurement to Amazon's online marketplace, bypassing the textbook dealers, office supply shops, uniform suppliers, and tens of thousands of other small businesses that have supplied government agencies in the past and whose property, income, and sales taxes help support their communities. The contract, which has been strongly criticized by the Coalition for Government Procurement, among others, will be worth as much as \$5.5 billion to Amazon by 2027.<sup>iv</sup>

iv. The U.S. General Services Administration struck a similar deal with Amazon, Overstock, and Thermo Fisher Scientific in 2020.

## Buy Pivotal 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. It's an unprecedented opportunity to put commercial property in the hands of community-focused organizations that can help ensure that independent businesses can rent space affordably and prevent small businesses from being displaced. There is also the threat that much of this commercial property will be gobbled up by private equity and other speculative investors, hiking prices beyond the reach of small businesses.**

The pandemic-imposed shift to remote work has emptied out office space from coast to coast, leaving 137 million square feet unoccupied by the end of 2020, up 40 percent from 2019 and the largest amount of vacant office space on the market since 2003.<sup>41</sup> With office rents down 13 percent by December 2020, demand for traditional office space will likely remain depressed for years. Retail vacancies are also at historically high levels, exacerbated by the pandemic-accelerated shift to online shopping, with shopping mall vacancy rates doubling between 2017 and the first quarter of 2021.<sup>42</sup> And hotel occupancy is expected to average just 52 percent in 2021, significantly behind 2019's 66 percent occupancy rate.<sup>43</sup>

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*In urban areas, there is a high risk that institutional investors will buy up distressed commercial real estate, then charge rents unaffordable to small business owners once the market rebounds.*

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In urban areas, there is a high risk that institutional investors will buy up distressed commercial real estate, then charge rents unaffordable to small business owners once the market rebounds. In fact, it's already happening. In May 2020, data

firm Prequin estimated that private equity firms had as much as \$328 billion available for real estate investment.<sup>44</sup> Within a year, Koch Industries,<sup>45</sup> Blackstone, Starwood, Morgan Stanley, and other major investors had scooped up thousands of properties. In smaller towns, there is a high risk that commercial property will simply sit vacant, creating an economic drag on commercial districts and triggering market erosion.

Local governments can help by buying distressed commercial property and transferring ownership to a nonprofit organization — a land trust or nonprofit conservation organization, in particular — with the capacity to manage the property in perpetuity and make it available at affordable rent levels for small businesses. Or they might give grants to qualified nonprofit organizations to buy property. Unlike private property owners, local governments and community conservation-focused nonprofit organizations have a civic motivation to foster local business ownership and to cultivate opportunities for entrepreneurs to build wealth, create local jobs, and generate tax revenue to support education, public safety, and other municipal functions. A local government might consider giving priority to commercial buildings in pivotal areas, like a downtown, a neighborhood commercial district, or a prominent intersection, where its businesses can create foot traffic. Or it might focus primarily on buildings with specific characteristics or adaptive use possibilities.

Land trusts own property and manage it for community benefit. By removing property from the usual market constraints, land trusts can charge below-market rents to make commercial space affordable for small businesses and provide opportunities for young or undercapitalized businesses to gain a foothold. They can also cultivate businesses that the neighborhood needs (groceries, for example) and assemble a cluster of businesses that work together to build or strengthen a market niche.

There are over 200 land trusts in the U.S. and, while most of them focus mostly on keeping residential property affordable, some also include commercial property in their portfolios. The Rondo Community Land Trust, in Ramsey County, Minn., for example, has developed two buildings in a historically Black neighborhood in St. Paul for the express purpose of keeping commercial rents affordable for neighborhood businesses.<sup>46</sup> The Selby Milton Victoria Project provides 9,300 square feet

of ground-floor commercial space and 34 affordable upper-floor apartments. A handful of other community land trusts, from Durham, N.C., to Anchorage, Alaska, have also played active roles in acquiring and managing commercial property for community benefit.

Nonprofit conservation and historic preservation organizations have also launched programs to keep commercial rents affordable while also meeting neighborhood needs and protecting valuable community assets. For instance, Historic Boston, Inc., a nonprofit historic preservation organization, has acquired several historic commercial buildings in recent years, rehabilitating them and then leasing them at affordable rent levels to small businesses that benefit the community in meaningful ways. Its Fowler Clark Epstein Farm, for example, is rented by the nonprofit Urban Farming Institute of Boston, Inc. (UFI), which grows food for the neighborhood and teaches young people how to farm.<sup>47</sup> The City of Boston seized the farm for outstanding tax debts in 2012; it then permitted the owners to pay back the debt by essentially selling the farm to Historic Boston. The farm — one of the oldest remaining patches of original farm land in the city — is in one of Boston's lowest-income neighborhoods.

A few local and state governments have already announced plans to make grants from their ARPA allocations to community stewards. California has earmarked \$500 million of its ARPA funding to help community land banks<sup>v</sup> buy property, including commercial buildings. Minneapolis is considering adding \$10 million in ARPA money to its Commercial Property Development Fund, which offers forgivable loans to assist

commercial property development that might not take place without financial assistance. The Fund gives priority to commercial development in economically distressed census tracts and to smaller property owners and developers. Springfield, Mass., will use \$2.75 million of its ARPA money to buy three pivotal downtown commercial buildings, transferring ownership to the city's redevelopment authority.<sup>48</sup>

## IDEA #7

### Create a Local Delivery Service

**The big third-party 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.**

Before the pandemic, most restaurants used the major third-party restaurant meal delivery platforms — DoorDash, Grubhub, Uber Eats, and their subsidiaries, like Postmates and Seamless — only occasionally, and primarily to attract new customers. The platforms' fees typically add up to 30 percent or more of the meal cost, not only erasing a restaurant's net profit for each meal ordered and delivered through the platform — typically a modest 3-6 percent of gross revenues — but also cutting into its overall bottom line. While it was very expensive, it was a cost that many restaurants were generally willing to absorb to grow their client base.

The pandemic changed everything. With restaurants suddenly dependent on curbside pickup and delivery, they were left with few options but to use the big delivery platforms. According to an analysis of data from the *American Journal of Transportation*, *Mashed* writer Katherine Peach found that the "equivalent of 90% of the U.S. population" started ordering food deliveries in 2020.<sup>49</sup> Given how much money restaurants lost on orders placed through the big third-party delivery platforms between March-November 2020, it isn't surprising that roughly 17 percent of all U.S. restaurants closed permanently by the end of that year.<sup>50</sup>



v. Unlike land trusts, land banks typically acquire vacant, foreclosed, or other distressed property, then repair or demolish it and transfer ownership to new owners, who sometimes include land trusts. Land banks are usually governmental or quasi-governmental entities with legal authority to resolve title problems, delinquent taxes, and other issues.

Unfortunately, the exorbitant fees the big platforms charge are just one of many problems they create for restaurants. They often include restaurants on their apps and websites without the owners' permission. They "scrape" menus and logos from websites that are sometimes outdated, frustrating both customers and restaurant owners when orders appear for items they no longer serve. And they keep customer demographics, popular menu items, and other key data for themselves rather than sharing it with restaurants, then use that data to create ghost restaurants<sup>51</sup> that compete directly with their restaurant partners.



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*During the pandemic, scores of entrepreneurs launched locally based restaurant delivery services that minimized or even eliminated restaurant fees, proving that local delivery service is more cost-effective.*

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The fees that the big delivery platforms charge are huge for one simple reason: these platforms are paying shareholders who expect maximum returns on their investments. Yet, in spite of these platforms' astronomical market valuations, they still can't seem to turn a profit.<sup>52</sup> The bottom line is that there is no real economy of scale in providing an inherently local, labor-intensive service like restaurant meal delivery.

During the pandemic, scores of entrepreneurs launched locally based restaurant delivery services that minimized or even eliminated fees. Some of them push all the delivery costs to the customers; some are co-ops, owned by restaurants and, in some cases, drivers; some are membership-based; some simply charge lower commissions.<sup>53</sup> All could potentially be supported with ARPA funds. There are a few helpful examples from earlier in the pandemic. For instance, Richmond, Va.'s Economic Development Authority gave a \$120,000 grant to Chop Chop RVA, a locally owned restaurant delivery service launched in 2018, enabling the service to expand its delivery area and reduce its fee to seven percent. Chop Chop RVA's founder, Chris Chandler, hopes the increased business will make it possible for them to keep the commission fee at seven percent permanently. Beachwood, Ohio, did not have a delivery service before the pandemic, so the City

of Beachwood created a city-based program, Beachwood Delivers. Customers place their orders directly with one of the participating restaurants; the restaurant then calls a driver hired by the city, who picks up and delivers the food. Programs like these could be supported by American Rescue Plan Act funds to create a locally based delivery service or to subsidize an existing delivery service to benefit locally owned restaurants. And local delivery needn't be limited just to restaurants; it can help other types of businesses, as well. For instance, the downtown management organization in Iowa City, Iowa, launched Downtown Delivers in 2020, offering free delivery from downtown businesses five days per week.

#### IDEA #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.**

Throughout the pandemic, local governments and civic organizations have launched countless activities and initiatives to encourage shoppers to support small, locally owned businesses, from "shop local" campaigns to free gift cards. The American Rescue Plan Act's funding offers the potential to take initiatives like these to a much higher level.



The pandemic spurred scores of communities to quickly ramp up their small business marketing. In many instances, this involved creating a platform through which residents and others could easily shop from local businesses online. For instance, ShopIN.NYC provides a platform for Brooklyn-owned small businesses and same-day deliveries for orders placed before 10am.<sup>54</sup> ShopIN.NYC staffers (wearing T-shirts with the service's slogan, "Shop boroughs, not Bezos") collect merchandise from businesses in the morning, then take it to a warehouse where it is sorted for delivery in the afternoon. Purcellville, Va., is using GLASS Commerce's BUYLOCAL platform not just for local government agency procurement but also as an online marketplace for the community's small businesses.

Chula Vista, Calif., has already tapped some of its ARPA money to market its small businesses.<sup>vi</sup> The city had begun planning for equitable business development before the pandemic began, allowing the community to quickly pivot into a 180-day economic recovery plan with five core components: financial assistance, technical assistance, marketing/promotion, business-friendly city policies, and economic development catalyst projects. The plan's marketing/promotion component became the genesis of the city's "Choose Chula" program, an app-based platform that rewards customers for supporting small businesses. Customers securely link their credit or debit cards to their Choose Chula app account, which they then use to pay for purchases from participating businesses. Each Chula point earns \$1 in spending power. The city reimburses businesses for points redeemed. The app also includes first-person stories from small business owners — "behind the

counter stories" — to give customers a deeper understanding of the business and its benefits. As of October 2021, more than 200 locally owned businesses were participating — not just retailers and restaurants, but also professional and service businesses like hair salons, pool services, architectural design firms, tax services, and printers. Akron, Ohio, and Boston, Mass., among others, have launched similar programs.

#### IDEA #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.**

Public banks are banks owned and controlled by the public, not by private companies. They hold government funds, returning profits to the bank, and their lending and investments support the specific goals of the city, county, or state that owns the bank. These goals can include small business development, including meeting the needs of small business owners and entrepreneurs who currently lack strong banking relationships.

There are 910 public banks throughout the world, holding 17 percent of the world's deposits.<sup>55</sup> To date, the U.S. has only one — the Bank of North Dakota, founded in 1919. The Bank of North Dakota works primarily through partnerships with local banks and credit unions. In this way, it supports local lending by improving liquidity, rather than competing against private-sector banks. Unlike traditional banks, it does not make direct loans, other than student loans and a small number of residential loans in the most rural corners of the state. Instead, it buys loans or portions of loans from the local banks with whom it partners, making it possible for these banks to make more loans.<sup>vii</sup>

The Bank of North Dakota's track record is impressive by almost any measure: it has returned \$1.2 billion in profits to the state's general fund; its partner banks made more Paycheck Protection Program loans *per capita* than any other state; in

vi. The program also uses some CARES Act money.

vii. Early in the pandemic, Fresno County, Calif.'s government employee pension fund also began buying more mortgages and loans originated locally, rather than buying portions of loan tranches on the broader secondary market, in order to improve bank liquidity and make it possible for local banks to make more mortgage and small business loans.

2020, it lowered its fixed interest rate on student loans by one percent, saving each student borrower an average of \$6,400 in interest payments; and, at the end of that year, its return on investment was a solid 15 percent.

But momentum has been building in recent years for more public banks, with the pandemic adding fuel to the fire. New Jersey's governor signed an executive order in 2017 authorizing establishment of a board to oversee creation of a statewide public bank. California enacted a law in October 2019 to charter ten local public banks, and a bill is working its way through New York's legislature that would establish a state-owned bank there, much like North Dakota's. Oregon and Washington State, as well as cities like Philadelphia and New York, are also working towards establishing public banks.

Cities, counties, and states could presumably use ARPA money to help capitalize public banks. Jersey City, N.J.'s business administrator has already suggested doing so to capitalize a statewide public bank.<sup>56</sup> And at least one county — Stanislaus County, Calif. — has announced plans to use \$5 million of its ARPA allocation to create a new Community Development Corporation and Community Development Financial Institution (the latter can provide some small business banking services) focused on helping new and existing small businesses.<sup>57</sup>

#### IDEA #10

## Support Employee Business Ownership

**Unlike with chains and publicly held companies, the life spans of locally owned businesses are almost always tied to the abilities and interests of their owners to keep them going. 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 help make that happen.**

Even before COVID-19, the number of small businesses shifting to employee ownership in the U.S. had been growing. As the founders of small businesses consider retirement, selling their businesses to their employees can be a great solution for keeping viable businesses alive. As pandemic-induced



small business failures grew, even more communities began turning to employee ownership as a way to save businesses, help them weather the pandemic, and position themselves to emerge stronger. Employee ownership also gives workers an equity share in the businesses, providing a crucial opportunity to build wealth.

Employee-owned businesses can take several forms, the most common being Employee Stock Ownership Plans (ESOPs), in which employees essentially own shares in the company, and worker cooperatives, in which employees both own and manage the company. Employee-owned businesses have greater survival rates than other small businesses, are more profitable, and are more successful at weathering disruptions and transitions.<sup>58</sup>

Several cities began supporting employee ownership even before the pandemic. New York City launched its Worker Cooperative Business Development Initiative in 2014, with a \$1.2 million investment. Since then, the number of worker-owned cooperative businesses in the city has grown from 23 to more than 100 in 2021. It indirectly laid the groundwork for Employee Ownership NYC and its Owner to Owners program, which provide technical support and help in finding financing to businesses interested in transitioning to employee ownership. And The Democracy Collaborative, a nonprofit organization that advocates for community wealth-building, has advocated for the creation of Local Economy Preservation Funds, public holding companies that could buy distressed businesses, stabilize them, and either operate them or transfer ownership to employees. It is possible that a community could use some of its ARPA allocation for programs such as these, providing technical and financial support to help business owners transition their businesses to employee ownership.



**BUY ONLINE | PICK UP  
IN STORE**  
SKIP THE LINE, ENJOY SAME-DAY PICKUP

**IDEA #11**

## **Improve Broadband Access for Small Businesses**

**The pandemic made it painfully clear that 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.**

The need for universal access to reliable and affordable broadband internet service became painfully apparent at the beginning of the pandemic: universal high-speed internet service is essential to remote work, learning, and shopping. Unfortunately, many small businesses lagged in establishing an online presence and in selling goods and services online. According to a survey of almost 6,000 small businesses conducted by the National Main Street Center in late March 2020, nearly 63 percent lacked an online storefront.<sup>59</sup> Internet access has also been disproportionately available to wealthier communities and neighborhoods, with the big telecom companies focusing their attention primarily on these communities because of their high revenue potential.

The American Recovery Plan Act specifically authorizes local and state governments to use State and Local Fiscal Recovery Fund allocations to invest in broadband, and many states and cities have already done so. For instance, the Commonwealth of Virginia announced in July 2021 that it will use \$700 million in ARPA funds to accelerate its plan to make universal

broadband available throughout the Commonwealth by four years.<sup>60</sup> Several months later, the Commonwealth added an additional \$220 million to the initiative, via ARPA's \$10 billion Capital Projects Fund. Given that Virginia provided \$34 million for broadband expansion in 2020, the new funding represents an enormous investment. In late September 2021, Buncombe County, N.C., released plans for spending the first \$11.3 million of its ARPA funds (roughly 20 percent of its total allocation), including plans to spend \$4 million of it to expand broadband access in underserved parts of the county.<sup>61</sup> The state of Wisconsin has awarded \$99.9 million in ARPA-funded broadband grants to 83 projects throughout the state, matched with \$101.9 million by communities receiving the grants.<sup>62</sup> The state had received applications totaling more than \$440 million.

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*With this influx in federal funding, communities can break away from broadband monopolies and, instead, create their own municipal or cooperative broadband network.*

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With this influx in federal funding for broadband expansion, communities can break away from broadband monopolies that have limited them to just one or two providers in the past and, instead, create their own municipal or cooperative broadband network. Doing so can expand service and reduce costs and help create a series of overlapping networks that make internet service stronger and safer.

## Invest in Improvements to Commercial Districts 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 funds can make many of these improvements happen.**

Restaurants in almost every town and city in the U.S. pivoted to outdoor dining during the pandemic. Doing so has encouraged communities to rethink how they use their streets, sidewalks, parking lots, and other public spaces, and how they might better use them going forward. Many towns and cities are gravitating towards shared streets, with infrastructure improvements that make it possible for streets to flexibly accommodate cars, bikes, pedestrians, and outdoor shopping and dining as demand requires. ARPA funding can support the infrastructure improvements needed to do so.



considering using some of its ARPA money to increase and maintain the city's tree canopy. Davenport, Iowa is creating a downtown destination play area. Dublin, Ca., is expanding its Outdoor Operations grant program. And Worcester, Mass., is installing library book vending machines.

## Conclusion

The pandemic has stimulated deep thought, discussion, and debate about many aspects of American life. While disagreements about politics and public health persist, there seems to be almost universal concurrence that small businesses are vital to our economy and are key to moving us towards a more equitable future.

It's now time to back up this potential with intentional action. The big challenge facing America's towns and cities is to re-level the playing field in favor of small businesses and away from the past decade's Amazon-take-all trajectory. This is not time for incremental steps but, instead, for bold planning that strategically and comprehensively makes small business development the centerpiece of local and regional economic development. The American Rescue Plan Act provides America's towns and cities with the money and encouragement to do so. ■

*The big challenge facing America's towns and cities is to re-level the playing field in favor of small businesses and away from the past decade's Amazon-take-all trajectory.*

ARPA money could also support some of the less visible challenges that plague businesses in traditional commercial districts, such as installing grease pits, sprinkler systems, and elevators; streamlining waste removal; upgrading sidewalk safety and accessibility; burying overhead utility lines; improving street lighting; creating effective wayfinding systems; and converting paid parking from coin-based meters to app-based or credit card-based systems. Morgantown, W.V., has already announced plans to use \$200,000 of its ARPA funds for façade and interior improvement grants to small businesses, plus \$200,000 for improvements to outdoor spaces for open-air dining and shopping. Syracuse, N.Y., is

# Where does ARPA Fit into the Federal Government's Pandemic Relief Funding?

The \$1.9 trillion American Rescue Plan Act is the fifth major federal relief program since the COVID-19 pandemic began. The four previous relief programs focused on immediate challenges:

- The \$8.3 billion Coronavirus Preparedness and Response Supplemental Appropriations Act, signed into law on March 6, 2020, focused mostly on health and medical needs, like developing and producing vaccines and ensuring that public health departments had the tools needed to face the coming pandemic.
- The \$3.4 billion Families First Coronavirus Response Act, enacted on March 18, 2020, focused on helping workers and families get crucial health insurance coverage. It expanded unemployment insurance, required that private health insurance cover COVID-19 testing, and ensured paid sick leave and family leave.
- The \$2.3 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, gave stimulus checks to most Americans and created the Paycheck Protection Program to help small businesses keep their workers on the payroll for eight weeks, among other things.
- The \$484 billion Paycheck Protection Program and Health Care Enhancement Act, enacted on April 24, 2020, replenished the Paycheck Protection Program and supplemented public health needs.

Unlike the first four relief programs, which focused mostly on immediate public health needs and on keeping the economy from grinding to a halt, the American Rescue Plan Act is intended to have a lasting, meaningful impact by giving towns and cities the resources to undertake truly transformative projects that would otherwise most likely be beyond their reach.<sup>viii</sup>

viii. As mentioned earlier in the report, the Act also includes funding specifically for education, transit, housing, food, child care, and other essential recovery initiatives.

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