

HEALTHY LOCAL BUSINESSES, HEALTHY COMMUNITIES

**FINAL REPORT
2015**

BUSINESS RESOURCES COLLABORATIVE





HEALTHY LOCAL BUSINESSES, HEALTHY COMMUNITIES

The Business Resources Collaborative (BRC) was established in 2008 to support businesses and property owners in the Green Line Corridor before, during and after LRT construction. Over the next six years our partnership of business coalitions, nonprofit community developers and local and regional governments developed and delivered financial, technical and marketing support primarily to small businesses along the Corridor.

As a formal group, the BRC has completed its work plan. However, local businesses and our partners along the Green Line will carry forward the vision, relationships and plans unleashed during this vital period.

This final report both recaps our work and salutes the established and new businesses that will make the Green Line a destination and a place of opportunity for generations to come.

Chris Ferguson, Chair
Business Resources Collaborative



VISION

While our founding purpose was to help businesses to prepare for construction and be in a position to thrive once the Green Line began operation, the BRC always kept in mind the long-term prosperity of the Corridor—and the risk that development might gentrify the area.

Thriving business districts in the urban core are essential to the long-term economic success of the entire region. Healthy local businesses provide good jobs, needed services and distinctiveness to the neighborhoods and to the Twin Cities as a whole.

But it's not enough for businesses to do well if the entire community is not also doing well. So we also envisioned goals for equitable development resulting in:

- More locally owned businesses and thriving mid-sized companies
- A growing proportion of minority-owned business, especially with 10+ employees
- A narrowed employment gap between whites and African Americans
- Employment levels equal to the average for Minneapolis/St. Paul as a whole
- A continued income and population mix that helps give this community its character
- A broader tax base so taxes are lower and communities can invest in themselves
- Increased density so businesses and transit have more customers
- Affordable commercial space for business startups.
- 14,000 new living wage jobs by 2030

APPROACH

Where possible, we coordinated and focused efforts of existing community organizations that already provided information, tools, training and assistance to small businesses. Where needed, our members developed additional information and tools specific to the needs of Corridor businesses. Details on these programs are on page 8.

RESULTS SINCE GREEN LINE PROJECT START

\$2.8B

INVESTED



**NET INCREASE IN BUSINESSES
DIRECTLY ON THE GREEN LINE**

4,459

**NEW MARKET RATE
HOUSING UNITS ADDED**

2,375

**NEW OR PRESERVED LONG-TERM
AFFORDABLE HOUSING UNITS**



SMALL BUSINESSES PROFILE: DIVERSE AND DISTINCTIVE

The Green Line Corridor, connecting the two downtowns primarily along University Avenue, has about 550 small businesses along the light rail line that qualified for the Ready for Rail loan program; 212 received loans.

Among loan recipients who responded to the Wilder Research survey, 43 reported pre-construction sales of less than \$5,000 per month.

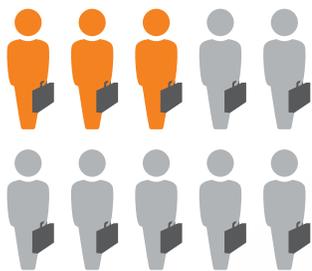


Courtesy of Metro Transit

THE SURVEYED RETAIL AND SERVICE BUSINESSES ON THE GREEN LINE REFLECT THE BUSINESS MIX IN THE TWO CITIES AS A WHOLE. 90% OF THE RESPONDENTS WERE IN ST. PAUL, 10% IN MINNEAPOLIS.

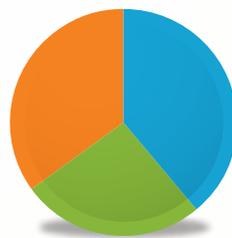
STABILITY

30% OWNED THEIR BUSINESS PROPERTY



VARIETY

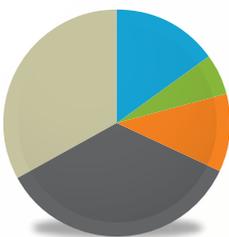
DOING BUSINESS IN THEIR CURRENT LOCATION



- 39%** Ten years or less
- 26%** 11-20 years
- 35%** More than 20 years

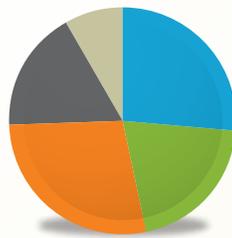
MIX OF BUSINESSES

NUMBER OF EMPLOYEES AT LOCATION SURVEYED



- 6%** >20 employees
- 11%** 1 employee
- 15%** 11-20 employees
- 33%** 5-10 employees
- 35%** 2-4 employees

MIX OF THE BUSINESSES SURVEYED



- 8%** Health & fitness
- 17%** Property management, professional services, & finance
- 20%** Restaurants, bars, hospitality, & recreation
- 26%** Retail, grocery, & convenience stores
- 27%** Nonprofessional services (e.g., auto, plumbing, etc.)

DIVERSITY

GENDER, RACE, ETHNICITY, AND FIRST-GENERATION STATUS (RESPONDENTS SURVEYED)

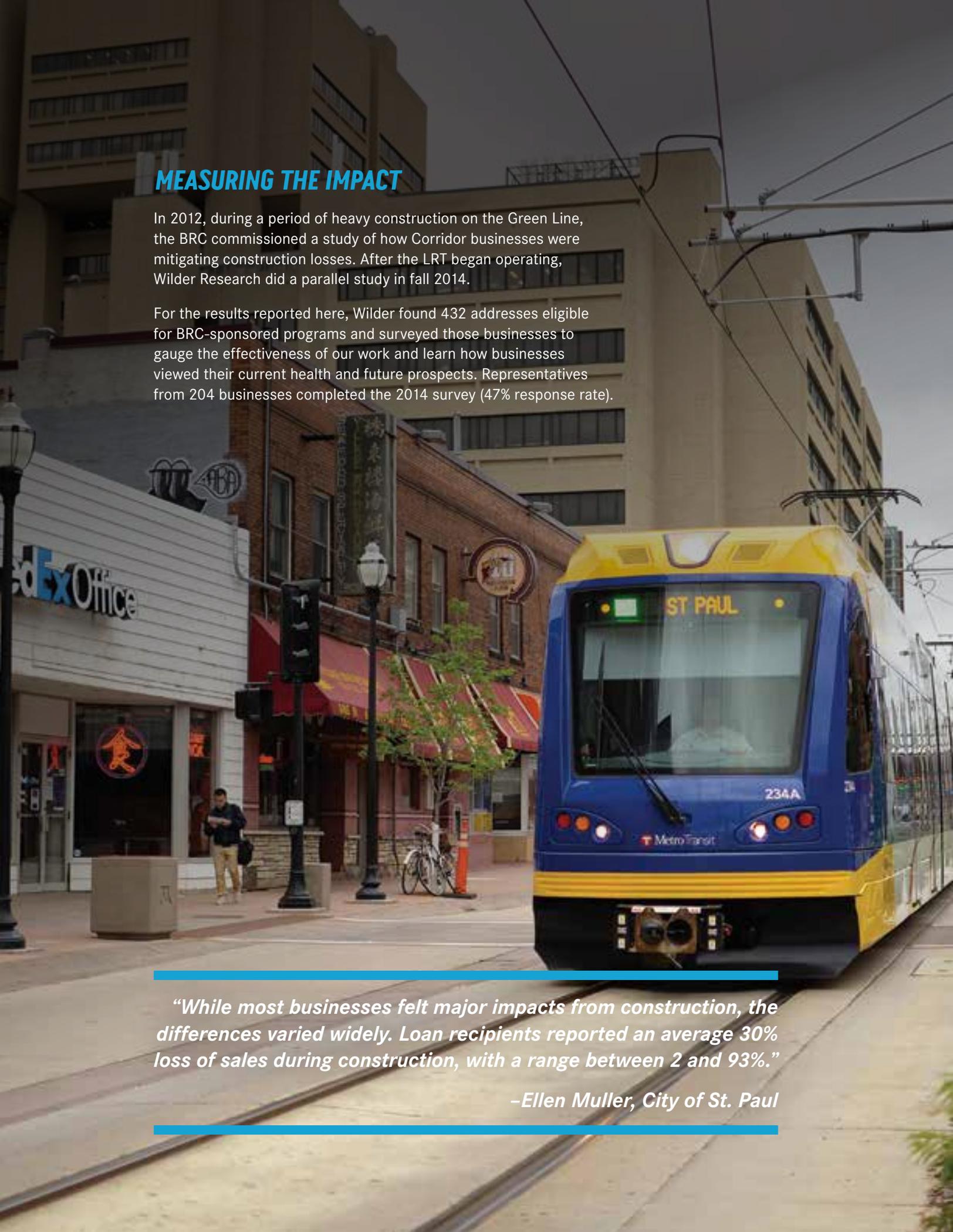
	All respondents*
Male respondents	69%
Female respondents	31%
Person of color*	47%
White (non-Hispanic)	53%
Respondent born in another country	34%
At least one parent born in another country	40%
Respondent or parent born in another country	40%

*Includes Asian or Pacific Islander (23%), African American or black (11%), African born (10%), and Hispanic or Latino/a (1%)

MEASURING THE IMPACT

In 2012, during a period of heavy construction on the Green Line, the BRC commissioned a study of how Corridor businesses were mitigating construction losses. After the LRT began operating, Wilder Research did a parallel study in fall 2014.

For the results reported here, Wilder found 432 addresses eligible for BRC-sponsored programs and surveyed those businesses to gauge the effectiveness of our work and learn how businesses viewed their current health and future prospects. Representatives from 204 businesses completed the 2014 survey (47% response rate).



“While most businesses felt major impacts from construction, the differences varied widely. Loan recipients reported an average 30% loss of sales during construction, with a range between 2 and 93%.”

–Ellen Muller, City of St. Paul

EFFECTS OF CONSTRUCTION

The effects of Green Line construction were not uniform across the different types of businesses surveyed.

Construction-related impact. Reduced auto traffic and environmental effects (dust, noise, etc.) were the most-reported construction-related impacts on businesses. Reduced pedestrian traffic and delivery difficulties presented major issues for fewer businesses.

CONSTRUCTION-SPECIFIC DISRUPTIONS

Reduced sidewalk access	78%
Street closed 1 month or more	78%
Lost on-street parking.....	71%
Lost off-street parking	30%

CONSTRUCTION-CAUSED IMPACTS

	Major	None
Excessive noise, dust, other issues	60%	15%
Reduced automobile traffic	60%	19%
Reduced pedestrian traffic	49%	25%
Delivery difficulty	34%	36%

Parking. Almost all businesses relying on street-only parking reported impacts. More than half the businesses with access to off-street parking said parking availability was adequate.

PARKING AVAILABILITY

Business Access to Parking		Parking OK
Street only	12%	4%
Off-street only	64%	60%
Both	24%	50%

Location. Businesses located in St. Paul were more likely to be impacted than those in Minneapolis.

Size. Smaller businesses were more impacted than larger ones.

Property Ownership. Businesses that own their space were more likely than renters to report business disruptions for all reasons.

Business type. Businesses selling products were somewhat more likely than service businesses to report business disruptions for all reasons.

MITIGATING THE IMPACT

Leading up to and during construction, businesses received services and financial support from mitigation programs offered through our partners. In addition, businesses invested their own funds in mitigation activities.

As of mid-2012, more than one-third (36%) of respondents to our first survey had participated in one or more construction mitigation services. Responses to the 2014 survey indicated a much higher participation rate: 81% of surveyed businesses reported loss mitigation activities; 64% received services or assistance from external entities and 55% implemented self-funded measures.

Below is a summary of programs offered, total funding by the partners and reported participation rates.

FUNDED MITIGATION PROGRAMS

Construction Outreach Services. Services from the Cities, Metropolitan Council and prime contractors to reduce and respond to construction-related issues.

52%

Small Business Forgivable Loan Program. A modest safety net for businesses that show a loss in sales due to construction.

\$4.0 million **31%** (Average loan: \$17,969 to 202 businesses)

Parking Loan Program. Forgivable loans for improvements to off-street parking along University Avenue in Saint Paul.

\$2.1 million **4%**

Marketing and buying campaigns. District branding contract, “Buy Local” coupon book, progressive dinner funded by businesses and Met Council.

\$1.4 million **21%** (marketing services) **28%** (joint promotions)

Technical Services. Marketing and business planning, façade improvement, technology assistance and other business services provided through MCCD and the U7 collaborative.

\$1.6 million **9%**

ADDITIONAL, SELF-FUNDED MITIGATION ACTIVITIES

Signage to help customers navigate construction or indicate the business was open during construction

28%

Promotional offers like coupons or deals to attract or retain customers during construction

28%

Advertising including radio, TV, print to attract or retain customers during construction

16%

Other activities including word of mouth advertising, canvassing, and other attempts to build patronage

16%

EFFECTIVENESS OF MITIGATION EFFORTS

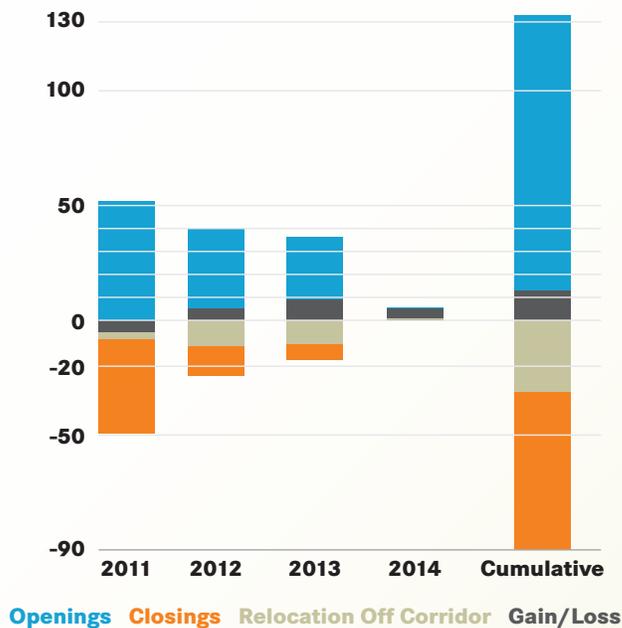
- 52% of businesses used outreach services, especially those reporting sidewalk disruptions. 80% found these services helpful.
- Most forgivable loan recipients (85%) thought the program was at least somewhat effective.
- The participation rate in the parking loans program was low (67% of businesses were unaware of the program) but 5 of 7 participants rated the program very effective.
- One in five businesses surveyed participated in the On the Green Line marketing campaign that built district brands to bring customers to Green Line businesses. 46% of those who participated thought it was at least somewhat effective.
- Businesses investing in their own signage, promotions and advertising reported their efforts were at least somewhat effective in raising awareness, but at least half said the spending did not produce a return on investment.
- Retail and hospitality businesses were more than twice as likely to run promotions compared to service businesses.

A NET GAIN OF BUSINESSES

The Metropolitan Council began a street-level count of business openings, closings and relocations starting in February 2011. That first year of construction saw a net loss of three businesses on the Corridor. As of June 2014 when the business count ended, 134 new businesses had opened and 121 had closed or moved off the Corridor.

BUSINESS CHANGE ALONG THE LINE STABILIZING

Change at street level, directly on the line



2014 Data January-June only

“When we began this work, I expected to see more businesses close, and no one imagined we’d see a net gain of new businesses. Clearly the planning, hard work and investment made a difference.”

–Chris Ferguson, BRC chair



HOW ARE BUSINESSES DOING?

Almost two-thirds of businesses reported that employment and wage levels had stayed the same compared to five years earlier. However, more than half the businesses reported that numbers of customers had decreased, with an accompanying decline in sales and profits.

FIVE-YEAR CHANGE IN BUSINESS HEALTH

	Increased	Same	Decreased
Employees	31%	61%	8%
Wages	14%	64%	21%
Customers	19%	27%	53%
Sales	18%	25%	57%
Profits	17%	27%	57%

BUSINESS OUTLOOK

Compared to respondents in 2012, larger companies were somewhat less optimistic about sales and profit growth but had become more optimistic about adding employees. Smaller companies were slightly more optimistic about sales growth.

Businesses were generally optimistic about their survival, with 78% indicating their business will be operating at its current location in five years.

Businesses receiving forgivable loans were somewhat more optimistic about remaining in their present location, but they were slightly less likely than other businesses to report they expected to have positive business metrics in the next five years.

Businesses that received outreach services were slightly more likely than other businesses to report positive current business health metrics. But they also reported mixed perceptions regarding future business prospects.

FIVE-YEAR BUSINESS OUTLOOK

More **larger** than **small** businesses expect to see their businesses grow:



(% percent of respondents expecting an increase within 5 years)

LESSONS FOR FUTURE PROJECTS

Expect considerable impacts related to construction. The evidence shows high levels of disruption related to Green Line construction. Planners should be aware of the potential distresses, plan for ways to reduce it and prepare businesses adequately for it.

Businesses experience impacts differently. Outreach and mitigation efforts should take into account that smaller retail businesses and property owners, and street-parking-dependent businesses may experience more impact from construction-related disruptions.

Target loss mitigation services to those in need. The highest users of loss-mitigation services (as well as those implementing their own activities) experienced the most construction-related distress. Rather than offering general, one-size-fits all services, focus resources on businesses most impacted.

Forgivable loans are most desirable and effective. Direct financial resources were the most preferred by businesses, and appear to be the most helpful. Forgivable loan resources should make up the core loss-mitigation strategy for large-scale infrastructure projects.

Business-specific efforts need help. Businesses saw some benefit from their own loss mitigation efforts. However, additional advertising, promotions and signage did not pay for themselves. Subsidies for business-specific promotions should be part of an overall loss mitigation plan.

Continue to monitor the business climate and extend support. Businesses on the Green Line are in a different urban environment now, which presents new opportunities and risks. This study was conducted when businesses were still in a state of flux. Continuing attention and support during this transitional period likely will prove valuable.

LOOKING BEYOND MITIGATION

The BRC's efforts were focused mainly on small, locally owned businesses and the business districts that provide jobs and services to residents and give the Green Line a distinctive character overall. For equitable development to occur, a broader focus is needed.

Further smart public investment in housing can attract, shape and accelerate private investment, building long-term value of businesses and real estate along the Corridor.

Land trusts, alternative business structures and other mechanisms for creatively financing business and real estate growth are needed to supplement conventional financing for small business and large projects.

The Corridor already has successful clusters of enterprises in education and medical sectors. We can accelerate growth by attracting, nurturing and connecting companies and entrepreneurs in these sectors with high growth potential.

Matching local businesses, growth sector recruitment and training can increase employment growth—not just more jobs for Corridor residents, but jobs close to home.

MEMBERSHIP

The **Business Resources Collaborative** was a partnership of business coalitions, nonprofit community developers and local and regional governments. Representatives included:

- **Christopher Ferguson**
Stadium Village Business Association, BRC Chair
- **Va-Megn Thoj**
Asian Economic Development Association
- **Kristin Guild**
City of Minneapolis
- **Emily Stern**
City of Minneapolis
- **Nancy Homans**
City of Saint Paul
- **Ellen Muller**
City of Saint Paul
- **Jim Roth**
Metropolitan Consortium of Community Developers
- **Shoua Lee**
Metropolitan Council Central Corridor Project Office
- **Kari Canfield**
Midway Area Chamber of Commerce
- **Mihailo Temali**
Neighborhood Development Center
- **Isabel Chanslor**
Neighborhood Development Center
- **Zach Schwartz**
Saint Paul Area Chamber of Commerce
- **Michael McLaughlin**
Southeast Business Association
- **Larry Peterson**
University Avenue Betterment Association
- **Robin Cauffman**
Metropolitan Council, Central Corridor Project Office



RESOURCES

Visit funderscollaborative.org/partners/business-development-group for more information on:

- BRC goals and work plan
- Wilder Research Business Impact Studies and the Central Corridor Tracker
- Central Corridor Anchor Institutions Cluster Study

The Business Resources Collaborative received support from the Central Corridor Funders Collaborative and member organizations.

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