

Long Beach, CA

Mayor Beverly O Neill



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City Neighborhood Business Investment Program

Economic Development Bureau

Background

The City of Long Beach created the City Neighborhood Business Investment Program (BIP) in January 1994, initially to target main business corridors that suffered extensive damage caused by the 1992 riots. Storefronts were especially hard hit, with broken or boarded up windows. Long Beach was also entering a recession, with major employers laying off thousands of workers. Community leaders asked the city to target resources to Long Beach's most distressed business areas. The hope was that the City could retain and even attract new neighborhood retail or service industry businesses.

How the BIP Works

The BIP uses Community Development Block Grant (CDBG) money to provide \$2,000 grants to start-up businesses in CDBG-eligible areas. While \$2,000 is relatively small, and certainly not enough to actually start a business, it is a meaningful amount for the entrepreneur that has just opened shop and exhausted all her/his own money. Before getting the \$2,000 BIP grant, a business must provide receipts for expenses such as the following:

- Business license fees
- Rent/lease payment
- Telephone/utility hook-up charges
- Inventory purchases

Recipients are always grateful to the City for the BIP's help.

The BIP criteria for participation also distinguishes itself because of its success rate. According to the Small Business Administration (SBA), over 90% of businesses fail during their first five years of operation. BIP grant recipients boast a 55% success rate. The City attributes the success rate not only to the money, but also to the business development training that recipients are required to fulfill to get the BIP grant.

Community Impact/Achievement of Goals

The BIP sends a message to the small business community that the City values them. Since 1994, the BIP has pumped nearly \$940,000 into 470 new business hands.

Effectiveness of the BIP is demonstrated by its 100% success rate. Each year, the BIP's goal is met as new businesses open in Long Beach's poorer neighborhoods. On average, 74.5% of businesses stay after their first year of operation.

Job creation is an added bonus. Since 1994, over 512 jobs have been created. While the Department of Housing and Urban Development, which oversees the CDBG program, requires for every \$35,000 in assistance that at least one full-time job be created, the BIP guarantees that for only \$2,000 at least one job will be created.

Coordination

The City views the BIP as a "carrot" to also expose businesses to a variety of other programs. BIP grant recipients often graduate to receive other forms of City financing in either the Microenterprise or Capital Availability Loan Programs. To date, seven BIP recipients received loans totaling \$145,000 in the Microenterprise Loan Program and twelve received Capital Availability Loan Program loans totaling \$328,500. Most BIP awardees get the required business development training through the low-cost SBA Small Business Development Center (SBDC) housed at the City's Economic Development Bureau.

Community Support

Community support is exemplified in a variety of ways. An excellent example of satisfaction with the BIP is from Jeanine McWhorter of Artscape. She said that not only did the grant give her the needed start-up capital, but eventually led her to do volunteer work for her business' surrounding community. She helped with clean-ups and tree plantings, became president of a business association, and authored grants which brought an additional \$320,000 into her business district. She also sees the BIP as a tool to increase tax revenues, reduce crime, and ensure that Long Beach residents spend their consumer dollars locally.

Another recipient, Tyler Barnes, Ace Hardware owner, says that the BIP's \$2,000 grant paid for the business' sign. He credits the sign with building a base of up to 500 customers per day entering the store. Mr.

"We are pleased that Long Beach's efforts to encourage small business development in targeted neighborhoods is being recognized nationally. These programs are important as a means of revitalizing the fabric of our communities."

Program has been running 6 years

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Barnes also believes the new customers may have otherwise driven to another city to buy hardware, but instead now shop locally.

Long Beach's Sixth District City Council representative Laura Richardson-Batts, said that the BIP has helped many aspiring Long Beach entrepreneurs realize their dreams of owning a business. She added that the BIP gives businesses, considered too small by banks, financing for basic start-up costs.

Replication

The BIP is an ideal program for cities looking for unique ways to distribute CDBG or any other available dollars to their small business communities. In most business development projects, \$2,000 is not a significant sum to spawn job creation, foster business attraction, and eliminate urban blight. The BIP proves that \$2,000, coupled with business training support, can have a lasting impact on distressed areas.

Financial Innovation

When the BIP was created, Long Beach forced tremendous hardships. A multimillion-dollar deficit in its coffers, aerospace layoffs, naval base closures, the aftermath of the 1992 riots, and a recession all placed demands and constraints on the City. Long Beach's creative solution was to use CDBG dollars to promote business attraction in its distressed business corridors, thus ending further deterioration of troubled communities. It guarantees that for only \$190,000 per year, up to 95 new neighborhood-serving businesses will open. Six years and \$940,000 later, the BIP has created 470 new businesses and 512 jobs.

The BIP is also financially innovative because of the required business development training that recipients must complete. The training ensures that the City's money is well-spent as over 65% of BIP recipients still operate a business in Long Beach, exceeding the national average by over 35%. And, because most grant recipients fulfill the training requirement using the low-cost in-house SBDC (recipients pay \$10 to enroll in the SBDC workshop), the BIP also represents efficient use of existing programs. The training equips participants with skills to overcome business problems and acquaints them with the SBDC's free one-on-one consulting service if future guidance is needed.