



**MAIN STREET
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SMALL SCALE MANUFACTURING: OPPORTUNITIES FOR ECONOMIC GROWTH AND DIVERSIFICATION

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THE EVOLUTION OF MANUFACTURING IN OUR COMMUNITIES IS CHANGING...



DEFINED...

- + **Small scale production** refers to the **production** of a commodity with a **small** plant size firm. It requires less amount of capital and is labor intensive in nature. The investment in machinery is lower when compared to large **scale** units.

SMALL SCALE PRODUCTION – EXAMPLES

- + Breweries
- + Food Production
 - Coffee Rosters
 - Popcorn
 - Bakery
 - Chocolate
- + Apparel
- + Furniture
- + Sporting Goods
- + Jewelry/Watches
- + Artisans/Crafters
- + Vintage Goods
- + Health and Wellness Products
- + Personal Hygiene
- + Eco-Friendly
- + NOTE: B to B as well



ALL TYPES....



SMALL SCALE PRODUCTION – MAIN STREET COMMUNITY EXAMPLES

+ Hasting, NE –

- Pacha Soap Company – a for-profit social enterprise selling into places like Whole Foods and Bed Bath and Beyond. 46 employees



+ Leadville, CO

- Melanzana – retail and manufacturer of outdoor recreation apparel. Employ 20 people in downtown.

+ Salt Lake City – The Granary District –

- Frida's Bistro – Restaurant with back-office production of Mexican food products (under the Roco Brands) shipped to West regional grocers. Employs nearly 100 in this urban commercial district.



EXAMPLES OF SMALL SCALE PRODUCTION CLUSTERS

- Duluth, MN's "Craft District"
 - Bent Paddle Brewing Company (39 employees)
 - Frost River – Canvas and Leather Bags (32 employees)
 - Hemlocks Leatherworks



+ Owosso, Michigan

- Popcorn Manufacturer
- Chocolate Manufacturer
- Leather goods Manufacturer
- Glass blowing
- Brewery

OTHER INITIATIVES

- + **Memphis, Tennessee**, conducted a [research study](#) to learn more about the needs of their creative community and what actions they can take to support this sector of their economy.
- + **Kennesaw, Georgia**, held a [Maker and Micro Business Expo](#) aimed at connecting creative entrepreneurs to information and inspiration about how to scale and grow in the Metro-Atlanta region.
- + **Knoxville, Tennessee**, organized a [city-specific summit](#) to unite the maker community in Knoxville and announce the formation of a mayoral Maker's Council, to ensure creative entrepreneurs have a voice in local policy.

MAKER CITY SUMMIT

We host a one-day educational Summit in downtown Knoxville each year to bring the maker community together for networking, professionally-led sessions, and a hands-on educational experience.

[READ ABOUT 2017](#)



OTHER INITIATIVES

- + **Pittsburgh, Pennsylvania**, is working with the city's development corporation to identify buildings ready for rehabilitation that can be converted to work spaces for makers.
- + **Tacoma, Washington**, incorporated small scale production into the city's long term strategic plan, Artful Tacoma, and established the [Made in Tacoma initiative](#).
- + **Talent, Oregon**, makers formed their own nonprofit organization, [Talent Maker City](#), and worked with the mayor and the development planning office to write a makerspace commitment into the strategic plans for the City.
- + Cincinnati Made & Baltimore Made



WHAT WE DO

Talent Maker City's long-term plan is to bring a bustling makerspace facility, brimming with creative energy to downtown Talent, Oregon. In the meantime, we offer STEAM-based workshops and programs for curious minds of all ages.

SOME COMMON THREADS FOR SMALL SCALE PRODUCERS

- + Use “Local” to their advantage
- + Most have a retail/customer facing element (not largely B2B)
- + Quality
- + Highly Specialized
- + Uniqueness
- + Experiential
- + Tell a Story
- + Environmentally Friendly
- + Speak to Your Lifestyle

WHAT'S DRIVING THE SHIFT...A CONVERGENCE OF TRENDS (COSTS, ACCESS AND CONSUMERS)

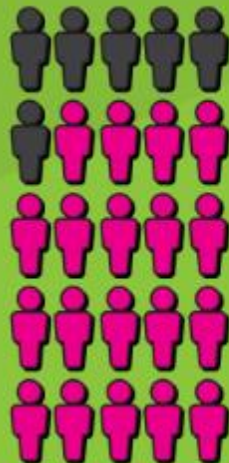
- + Technology
 - Equipment costs – 3D Printers, High Speed Sewing Machines; Performance Mixers and High Speed Ovens
 - Barriers to entry to global markets – Shipping and Retail Platforms
- + Rental Rates and Building Functionality
- + Overbuilt Retail Environment and Need for Downtowns to Diversity Use/Functions
- + New Platforms for Distribution
 - Etsy
 - Larger Retailers Seeking Unique Products for Differentiation
- + More Pipelines for Entry
- + The Changing Nature of Retailing and Consumer Preferences
- + Growing Importance of Place to Consumerism

CONSUMER SHIFTS: CREATIVE/EXPERIENTIAL” RETAIL



OVER
50%

OF SHOPPERS
WOULD PAY A
HIGHER PRICE
FOR CUSTOMER
EXPERIENCES
THEY VALUE.



77%

OF SHOPPERS
ARE MORE LOYAL
TO STORES THAT
PROVIDE THEIR
TOP CUSTOMER
EXPERIENCES.

Stats Provided by: Synchrony Financial

A vast majority of respondents who shopped on Small Business Saturday (96%) agree that shopping at small, independently-owned businesses supports their commitment to making purchases that have a positive social, economic and environmental impact.

ARCHITECTURE & PLACE MATTERS

+ Cushman Wakefield Study of 500 Companies:

- Many respondents mention their hunt for an open-office feel — converted warehouses and lofts impress potential workers. In addition, they take advantage of a surplus of underutilized buildings that convey local heritage.
- They looked for locations that were “live/work/play” neighborhoods, located near bars, restaurants and cafes.

- Smart Growth America Study of companies relocating downtown from 2010-2015 – Common Element:

- Relocation of jobs to areas that were more bikeable, walkable and transit-accessible.



SMALL SCALE PRODUCTION – NMSC STATISTICS

Main Streets: Manufacturing accounts for 2.4% of all businesses

Average Main Street Capture of City-Wide Manufacturing Industry:

- Manufacturing Businesses: 18.5%
- Manufacturing Sales: 22.8%
- Manufacturing Jobs: 20.1%

Takeaway: In the average city with a Main Street, about a fifth of manufacturing is located within the Main Street boundary.

	In Main Streets (2015-16)	City-Wide (2015-16)	Difference (Higher Growth in MS)
Manufacturing Business Growth Rate	5.1%	0.0%	5.1%
Manufacturing Sales Growth Rate	31.7%	27.7%	4.0%
Manufacturing Job Growth Rate	15.9%	9.0%	6.9%

Takeaway: 1. Manufacturing sales are up over the last year. 2. Main Streets are experiencing greater manufacturing growth from 2015 to 2016 than elsewhere in cities.

MANUFACTURING NAICS DATA FOR VIRGINIA MAIN STREETS

	In Virginia Main Streets (2017-2018)	City Wide (2017-2018)	Difference (Higher Growth in Downtown Districts)
Manufacturing Business Growth Rate	10.2 percent	2.9 percent	7.3 percent
Manufacturing Sales Growth Rate	23.8 percent	2.1 percent	21.7 percent
Manufacturing Job Growth Rate	(-1.0) percent	(-10.4) percent	9.4 percent

Source: ESRI 2019, 2018 Data Pulls by NMSC. VMS shape files outlining districts. City wide using designated city boundaries.

BENEFITS OF SMALL SCALE PRODUCTION

+ Equitable Economic Development

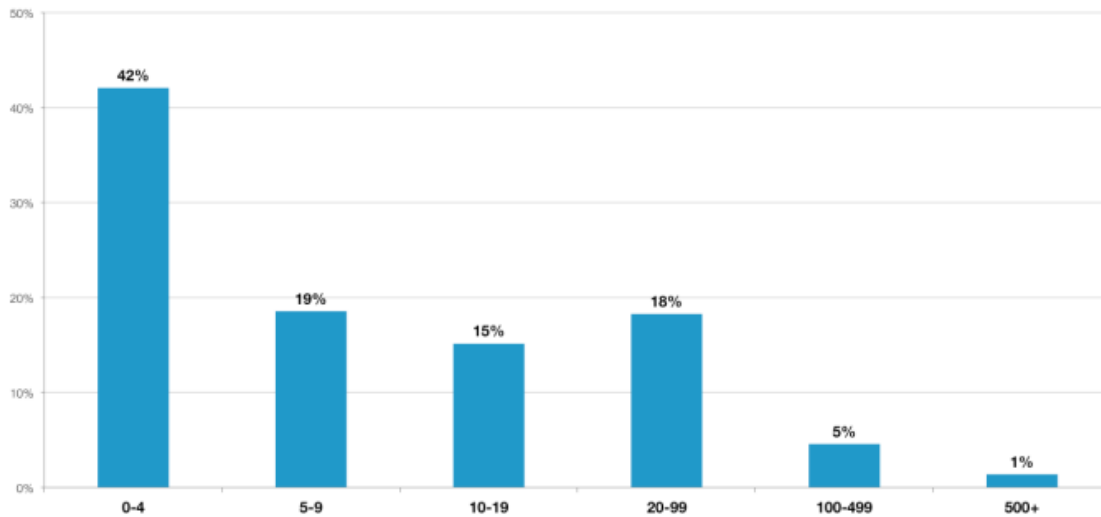
- Data show that small-scale manufacturing entrepreneurs come from a range of ethnic and racial backgrounds, and include men and women.
- Example, on Etsy, one of the largest platforms for makers and micro-manufacturers, 87 percent of sellers are women.
- Additionally, there is a growing trend of entrepreneurialism in immigrant communities: 28.5 percent of new entrepreneurs in 2014 were immigrants, up from 13.3 percent in 1999.

+ Diversifies the Economy and Building Use/Functions

- Adds to the Experiential economy in your community = Retail, Tourism and Manufacturing
- Better ROI from investing in local producers than trying to attract one (NC State Study; New Jersey Study, Aspen Institute)

BENEFITS OF SMALL SCALE PRODUCTION

Percentage of manufacturing firms by number of employees



Source: Manufacturing Institute; Bureau of Labor Statistics

- + Research from the Brookings Institution shows that advanced industries (which is inclusive of small-scale manufacturing) pay more than retail at every education level.
 - In particular, for individuals without a college degree, manufacturing jobs pay higher wages than other industries when compared to retail, casino, call center or other service jobs.
- + JOBS - According to data from the Manufacturing Institute, over 75 percent of manufacturing businesses in the U.S. had fewer than 20 employees in 2014.

BENEFITS OF SMALL SCALE PRODUCTION

+ Diversifies Revenue Streams....More Sustainable Businesses

- Many of these businesses have more diverse revenue sources than traditional retailers—including online sales, business to business, or specialty orders.
- While most of these businesses are not necessarily dependent on foot traffic to be financially feasible, they can serve to help draw people to an area.
- Some small-scale manufacturers, like breweries, can also serve as stand-alone destinations, drawing an experience-oriented crowd.

WHAT ARE THE CHALLENGES AND BARRIERS FOR SMALL SCALE PRODUCERS

- + Locating mentor and peer networks
- + Places to showcase and sell their wares outside of online platforms. Pop-up shops, craft markets and Main Street businesses can all offer access to the foot traffic needed to spark further interest in a maker's product.
- + Access to equipment - Fabrication tools like 3D printers, computer-aided design (CAD) and laser cutting machines are costly but can be a game-changer for a maker business. Sharing those resources in co-ops or makerspaces can be essential to the growth of their business.
- + Fail fast real estate opportunities – Maker Spaces, Co-Manufacturing Spaces, etc.
- + Programs designed to help more micro establishments grow at scale – ie. Largely incentives have large employment hurdles.
- + Funding tools for equipment, raw materials, etc.
- + Marketing and Multi-Channel online skill development

HOW TO SUPPORT: BUILD A SMALL SCALE PRODUCTION PIPELINE PROGRAM



Pipeline Benefits:

- + ITS CHEAPER TO FAIL FAST AND EASIER TO QUICKLY TRANSITION WITH CUSTOMER FEEDBACK
- + Can bring more ideas into the pipeline – think of it as a funnel
- + Allows for transition to version 2.0 and better prepared entrepreneurs

IN STORE POP-UPS WITH COMPLEMENTARY USES - COFFEE ROASTER – BIKE STORE



MOJO BIKES AND BREWERY



LINE EXTENTIONS FOR EXPANSION - JANE MOTORCYCLES (AND APPAREL MFG)



PERMANENT TO PARKING LOT "HUT" POP UPS. OTHERS INCLUDE HOLIDAY MARKETS, NIGHT MARKETS



ASSIST EXISTING SMALL SCALE PRODUCERS MOVE TO ONLINE WHOLESALING

- + Moving Bricks and Mortar experience to mobile and online platforms
- + Mobile retailing as an expansion of successful existing businesses...not just a starting point.
- + Selling to larger restaurants, grocery stores, apparel vendors, etc.



VALUE ADDED PRODUCTION FROM FARMER'S MARKETS



ONLINE PLATFORMS FOR MAKERS/ARTISANS

- + 60% of ETSY Stores have a Bricks n Mortar store.
- + Mine using zip code searches by category
- + Etsy survey found there are Etsy shops open in 99.9 percent of U.S. counties with sales of \$2.8 billion in worldwide sales in 2016 from a wide variety of items including clothing, kitchenware, baked goods, toys, jewelry, craft supplies and furniture.



MOBILE RETAILING



PUSH CART VENDORS

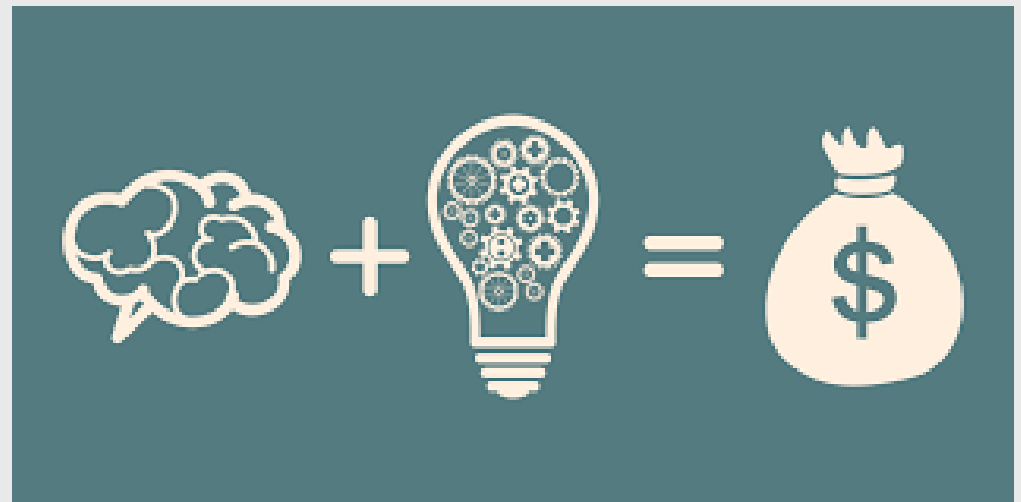


REAL ESTATE PIPELINES (MAKER SPACES, KITCHEN INCUBATORS, ARTISTS CO-OPS, ACCELERATORS, DROP-IN SPACES



ADDITIONAL PIPELINES

- + Graduates from local/regional college and university entrepreneurship programming.
- + Participants/clients from your local/regional SBDCs
- + Participants of area Pitch-It Contests and/or Shark Tank like contests.



HOW TO SUPPORT: CREATE LEVELS OF SPACE TYPOLOGY

- **Artisan/Crafter/Maker/Ag Producers**

- These are largely pipeline businesses
- Micro Spaces (400 to 700 sq.ft.)
- Perhaps as in existing stores to showcase productions
- Production in house or incubator facility
- May also use online platform for sales (eg. Etsy)
- Employee Base (1-5)

- **Traditional Small Producers**

- Local to Regional Sales
- Traditional Storefront containing retail; production & distribution
- Square Footage – 1,000 to 5,000 sq.ft.
- Employment 5-20

- **Scalable Producers**

- National to International Sales
- Marketing budget to drive Brand identity
- May need both larger production and downtown retail location
- Retail 1,000 to 3,000 sq.ft. Manufacturing up to 20,000 sq.ft.

HOW TO SUPPORT: DEVELOP AND CONNECT WITH TECHNICAL ASSISTANCE PARTNERS

- Common areas of technical assistance need:
 - Retail/Merchandising
 - Logistics
 - Finding specialized workforce
 - Scaling to regional, national and international markets
 - Third Party Packers/Shippers and Manufacturers for High Volume
 - Branding and Marketing

HOW TO SUPPORT: FIND AND CONNECT

- + Identify local, small production businesses through local fairs, markets, ethnic and religious institutions, and by hosting informal networking events in target neighborhoods.
- + Recruit small-scale manufacturers to target retail locations in the community to support reinvestment and build up the attraction and energy in an area. Provide matchmaking services for potential tenants with local developers interested in this sector.
- + Connect business owners to resources like commercial shared kitchens or makerspace facilities to expand their production at low risk.
- + Provide small business training and entrepreneurship programs specific to the needs of production businesses, similar to those provided to other types of local businesses.
- + Create a marketing brand for locally made products, with an online directory of participating manufacturers and products.
- + Establish a one-stop shop either within the local government or at a partnering non-profit to ensure that small producers know where to go for help.

HOW TO SUPPORT: IDENTIFY FUNDING SOURCES

- + Create or repurpose a municipal revolving loan program to offer small businesses low-cost loan terms that they may not receive with a short credit history.
- + Leverage federal community development block grants (CDBG) to fill financing gaps in shared production facilities or startup training programs that benefit under-represented populations.
- + Build a network of local banks that are committed to local small business growth and connect successful small-scale manufacturing businesses to this group.
- + Initiate an entrepreneur loan fund targeted to minority- and women-owned production businesses, potentially in partnership with business training or financial literacy programs where needed.
- + Employ U.S. Department of Agriculture programs in small towns to fund food business incubators and makerspaces. Consider programs such as the Value-Add Producer Grant or other Rural Development program funding sources.
- + Utilize the U.S. Economic Development Administration Public Works and Economic Adjustment Assistance Program to fund infrastructure improvements, site acquisition, rehabilitation and equipment for small manufacturing. These funds have been used to fund “Made In” branding programs, business incubators, and commercial kitchens.
- + Provide Tax Increment Financing (TIF) or Payment in Lieu Of Taxes (PILOT) awards for a development’s commitment to below market lease rates for small manufacturing businesses in target locations.
- + Help to connect Community Development Finance Institutions (CDFIs) with small-scale manufacturers. CDFIs have experience funding unconventional borrowers to help small businesses meet their goals.

HOW TO SUPPORT: ENCOURAGE SUPPORTIVE PLACE AND REAL ESTATE STRATEGIES

- + Ensure that existing commercial zones and building codes allow artisan manufacturing businesses. Add an artisan manufacturing definition to the local land-use code if needed.
- + Create an incentive in target zoning areas to develop a minimum square footage of ground floor microenterprise space for small manufacturing businesses. For example, an incentive might be to provide a density bonus in exchange for development of affordable space for production within a new mixed-use project or reuse of older industrial properties central to the community.
- + Develop an overlay zone to protect existing industrial buildings from conversion to other uses, or create a district designation that both protects these uses and allows for live-work space and some commercial development.
- + Consider zoning that allows office and retail development on vacant industrial properties if new development includes a minimum square footage of new light industrial development as well.
- + Work with private developers to redevelop surplus city-owned properties with a requirement to include a minimum square footage for small-scale manufacturing businesses.
- + Connect community development corporations or private developers to new market tax credits (NMTC), historic preservation tax credits (HPTC) to reduce the cost of redevelopment for a project.

HOW TO SUPPORT: DEVELOP CROSS-SECTION PARTNERSHIPS

- + Engage local non-profit organizations that work directly with businesses owned by people of color, women, and local immigrant populations to build an inclusive network and services.
- + Build a partnership with anchor institutions that commit to purchasing a minimum percent of supplies or services from the local small-scale manufacturing community.
- + Convene local philanthropy and corporate investors to support makerspaces, apprenticeships, and workforce training programs with placements in local manufacturing jobs.
- + Partner with community colleges to offer vocational training that includes industrial manufacturing tools as well as entrepreneurship programs for the trades.
- + Work with workforce development programs to help small-scale manufacturers find local hires, and showcase manufacturing employment opportunities through internships, events, and school trips.

HOW TO SUPPORT: PARTICIPATE IN DHCD'S SMALL SCALE MANUFACTURING PILOT PROGRAM

- + Up to three (3) communities will be selected to participate in a pilot program
- + Program will include technical services including site visits, market analysis, and written report with recommendations and implementable next steps in a small scale manufacturing strategy
- + Timeline for the pilot will be January 2020 – July 2020

NEXT STEPS

- + Webinar is being recorded and the link will be posted soon.
- + Applications can be found at:
<https://virginiainmainstreet.com/small-scale-manufacturing/>
- + Requests for Interest are due January 10, 2020 by 12:00 p.m.
 - Open to any Virginia locality
- + Pilot communities will be selected by January 24, 2020
- + Start gathering your information and partnerships now!

THINGS TO CONSIDER WHEN APPLYING FOR THE PILOT

- + Does your community already have a cluster or several small scale manufacturers/producers?
- + Does your community have support networks or an ecosystem in place?
- + Does your community have the local or regional partnerships to grow this strategy?
- + Does your community have the capacity to take this on as a focused strategy?

OTHER COMMUNITY REVITALIZATION OFFICE ANNOUNCEMENTS

+ Community Revitalization Office's How to Apply Workshops

Covering Virginia Main Street; Industrial Revitalization Fund; Community Business Launch; Enterprise Zone

- January 6 – South Boston
- January 8 – Norfolk
- January 14 – Luray
- January 16 – Marion
- January 21- Richmond

+ 2020 Training Calendar available at www.virginiainmainstreet.com

+ Save-the-Date: Downtown Intersections –July 28-30, 2020 , Bristol, VA

Virginia Main Street's 35th anniversary

QUESTIONS?

- + Contact mainstreet@dhcd.virginia.gov or (804) 371-7171 for questions about the pilot program
- + Visit www.virginiastreet.com for more information (sign up for the blog to get the most recent posts!)



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