“In San Francisco, we believe it is critical to find ways for our technology industry to partner with our traditional small business community to expand networking and business opportunities for both industries. The Tech Connection, facilitated by sf.citi, is a fantastic example of how to foster stronger relationships between small businesses and emerging industries, like the technology industry.”

— San Francisco District Supervisor Mark Farrell

Create Incubator Spaces

Many cities have established incubator spaces, which are shared working spaces made available at low or no cost to entrepreneurs working on start-up projects. In addition to providing affordable office space where start-ups can begin to grow, incubators also provide access to business mentors, potential investors, and other networking opportunities that help an early-stage business to scale up. At the same time, incubators deliver trainings and seminars designed to help enhance the skill sets of business owners and strengthen their business plans.

The goal of incubators is to help accelerate the pace at which small businesses can expand, and also to ensure that start-ups are successful in the long-term. The National Business Incubation Association (NBIA), an international association supporting the incubator industry, reports that 87 percent of the firms that have graduated from their members’ incubators are still in operation.⁹

Incubators also serve as an economic development tool for attracting specific industries to take root in a city. Typically, incubators attract specific types of start-ups, such as those hoping to enter the technology or restaurant industries, in order to better provide targeted resources and support. Once the start-ups graduate from the incubator they most often choose to remain in the same city. The NBIA reports that 84 percent of graduates remain in the same city.¹⁰

The city of Chicago’s 1871 incubator program is a model for how cities can use their incubators as a driver for local economic development. The tech incubator has produced 1,000 jobs and helped 26 start-ups advance into larger enterprises.
**Chicago: 1871**

A robust digital technology ecosystem that generates good jobs and attracts talent investment is a core component for the 21st Century city. Before 2012, Chicago had human capital in the form of world-class universities and serial entrepreneurs, financial capital from angel investors and venture capital firms to host such an ecosystem, and enthusiastic support from the government and community organizations. Yet a physical space, where all parties could interact, host meetings and share ideas, was missing.

Backed by the leadership of Mayor Rahm Emanuel and J.B. Pritzker, an entrepreneur, investor and philanthropist, the Chicagoland Entrepreneurial Center (CEC) opened 1871 in May 2012. Named for the intense period of innovation that followed the Great Chicago Fire of 1871, this incubator for digital entrepreneurs convenes Chicago’s creative minds — digital designers, engineers and entrepreneurs — in a space that includes meeting rooms for entrepreneurs, co-working areas, offices, classrooms and a large auditorium.

1871 hosts entrepreneurs who disrupt business models and form new ventures, as most incubators do, but 1871 took the incubator model to the next level. While the majority of tenants are early-stage digital startups with fewer than 10 employees, universities and other players in the local technology scene are on-site tenants as well. Unlike many similar spaces, the CEC runs 1871 as a non-profit, and does not take equity in the companies there.

Companies located at 1871 have created more than 1,000 jobs, and 26 companies have graduated out of the space based on fundraising or hiring. However, 1871’s engagement with the citywide ecosystem that supports innovation has been even more remarkable. More than 20,000 people have attended events or meetings in the space, and local officials regularly attend weekly open government hack nights at 1871, developing relationships with the tech community and encouraging the development of new technology to improve city services.

Excitement about 1871, led by CEO and serial entrepreneur Howard Tullman, is spreading throughout Chicago and across the country. The Starter League, a coding academy that operates in the space, partnered with the Chicago Public Schools and the City Colleges of Chicago to implement web development courses. The 1871 model has already been replicated in Washington, D.C. where 1776 opened in April 2013.

“1871 has become a gathering place for the Chicago technology community and a driving force of innovation throughout the ecosystem. As 1871 grows and evolves we are seeking to increase the breadth and depth of our offerings while continuing our strong focus on job creation and building sustainable, successful businesses.”

- 1871 CEO Howard A. Tullman

**Celebrate Successful Businesses**

Small businesses help build the foundation for a resilient local economy by providing jobs to residents, contributing to sales tax revenues, and attracting tourists and other visitors. City leaders should take measures to publicly thank small businesses and recognize their contributions to a city’s unique character.

Seattle’s Office of Economic Development and the Seattle Metropolitan Chamber of Commerce select several local companies per quarter to recognize as part of the In Good Company initiative. The chosen companies are awarded a video profile on the Seattle Channel, a profile on the Office of Economic Development’s daily newsletter, a press release and proclamation from the mayor, and a free one-year membership to the Seattle Metropolitan Chamber of Commerce. This type of recognition is twofold – businesses receive not only the formal recognition from the city, but the increased exposure for the business may also attract new clientele.