



# Discovering Your City's Maker Economy

BY THE NATIONAL LEAGUE OF CITIES, ETSY, RECAST CITY  
AND THE URBAN MANUFACTURING ALLIANCE

## About the National League of Cities

The National League of Cities (NLC) is the nation's leading advocacy organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. Through its membership and partnerships with state municipal leagues, NLC serves as a resource and advocate for more than 19,000 cities and towns and more than 218 million Americans. NLC's Center for City Solutions provides research and analysis on key topics and trends important to cities, creative solutions to improve the quality of life in communities, inspiration and ideas for local officials to use in tackling tough issues, and opportunities for city leaders to connect with peers, share experiences and learn about innovative approaches in cities. Learn more at [www.nlc.org](http://www.nlc.org).

## About Etsy

Etsy is a global creative commerce platform that builds markets, services, and economic opportunity for creative entrepreneurs. Within Etsy's markets, millions of people around the world connect, both online and offline, to make, sell and buy unique goods. Etsy offers a wide range of seller services and tools that help creative entrepreneurs start, manage and scale their businesses. Etsy's mission is to keep commerce human. Etsy's Craft Entrepreneurship program and Maker Cities initiative offers community organizations, city officials, and Etsy sellers new ways to foster the spirit of entrepreneurship and grow creative local economies. Learn more at [www.etsy.com](http://www.etsy.com).

## About Recast City

Recast City is a national consulting firm that works with real estate developers, city and other civic leaders, and business owners to integrate manufacturing space for small-scale producers into redevelopment projects. Recast City brings together small-scale manufacturers and community developers to strengthen our neighborhoods, build value in our real estate, and create more job opportunities for residents. We help landowners, developers, and city leaders understand this growing business sector and how to incorporate it into real estate products. We help maker industry entrepreneurs and small manufacturing business owners get the support and exposure they need. And we help communities create more good paying jobs for our local residents. Learn more at [www.recastcity.com](http://www.recastcity.com).

## About the Urban Manufacturing Alliance (UMA)

The Urban Manufacturing Alliance (UMA) is a national coalition of organizations that are building manufacturing economies fit for the 21st century. Our goal is to create pathways to middle-class jobs, spark homegrown innovation and ensure that cities and towns continue to be the places where we make things. Through our Communities of Practice, in-person Gatherings and original policy research, UMA showcases current practices, programs and people that are uplifting manufacturing and creating more equitable communities. Learn more at [www.urbanmfg.org](http://www.urbanmfg.org).

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# Introduction

As the maker economy continues to take shape in cities across the country, it is emerging as a potential powerhouse for building strong local economies through creative maker-microbusinesses and small-scale manufacturing. As this nascent industry of small businesses expands and transforms, city leaders should understand what the maker economy is and how to harness its economic development potential.

A “maker” is someone who makes things. A “maker-entrepreneur” sells handmade items for a profit either online or in-person through brick-and-mortar stores, craft fairs, pop-up markets, or to friends and family. Maker-entrepreneurs are, quite literally, everywhere. A recent survey conducted by Etsy, an online marketplace for creative entrepreneurs, reported that there have been Etsy shops open in 99.9 percent of U.S. counties.<sup>1</sup> These entrepreneurs are taking advantage of a growing market for local homemade and vintage goods, with Etsy sellers generating \$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.<sup>2</sup>

Despite the growing prevalence of maker-entrepreneurs, there is still room to grow in terms of the programs and public policies in place to support their sustainability and success. Often, the traditional support systems provided by local governments for small businesses, such as access to loan capital or streamlined building permitting, are not always the types of interventions that maker-entrepreneurs need to succeed. Instead, maker-entrepreneurs are more likely to need assistance with advertising, legal support or connecting to other makers and local manufacturers.

Cities have many good reasons to support maker-entrepreneurs, from their economic contributions to providing more local options for goods and services. However, there is also one lesser-known value of makers to local communities: the potential for the maker community to be inclusive and act as a key driver in achieving a city's equity goals. Without the need to raise venture capital, sign expensive retail leases, or meet payroll costs, the barriers and risks associated with entering the industry of maker-entrepreneurship are lower than for high-growth tech startups, restaurants, or even a traditional corner store. Therefore, cities should embrace the maker movement as a way to proactively connect underserved, low-income and minority individuals with a pathway to a sustainable career as a maker-entrepreneur.

This action guide, *Discovering Your City's Maker Economy*, is co-developed by National League of Cities (NLC), Etsy, Recast City and the Urban Manufacturing Alliance and aims to provide a roadmap for cities and maker communities on how to collaboratively develop policies, programs and a culture that better supports local maker businesses, micro-producers and small manufacturers. The guide aims to help define the maker community, highlight specific ways that city leaders can support these entrepreneurs, and provide profiles of supportive programs, policies and partnerships at the city level.

A woman with a joyful expression is shown from the chest up, wearing a light-colored sweater. She is holding a small object, possibly a spice jar, in her hands. In the foreground, there are several brown paper shopping bags. The background features a chalkboard menu with handwritten text. The overall image has a blue tint.

**The maker community  
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# Defining Your City's Maker Economy

Your city's maker community likely already exists in one form or another. Perhaps you are familiar with a local brewer, or a cupcake entrepreneur that sweetens any trip to the farmers' market. You probably pass by a handful of makers at your local fairs, or browse their wares at boutiques on Main Street.

Makers are all around you, quietly pursuing their passion and adding local flavor to global marketplaces. In many ways, maker-microbusinesses constitute an "invisible economy", operating out of their homes more than Main Street storefronts, yet creating meaningful economic impact.

## Who are makers?

Broadly, a maker is one who creates (either by design or fabrication) a tangible item. Makers are potters, jewelers, metalsmiths, woodworkers, seamstresses, fabric artists, designers, cooks, chefs, artists, doodlers, printers, painters, candlestick makers and more.

## What is a maker-microbusiness?

Research from the Kauffman Foundation describes maker-microbusinesses as ones that "integrate design and production in creating goods for sale. For maker-entrepreneurs, production is essential to, and informs, the creative process."<sup>3</sup> In other words, if a maker decides to monetize their work by selling their wares, they become a maker-microbusiness or creative microbusiness.

Microbusinesses have less than ten employees, and often are businesses of one, operating out of a private home. In the U.S., microbusinesses

comprise about 75 percent of all public-sector employers. Microbusinesses manage every aspect of their business, from design to fabrication, often assuming the role of administrator, bookkeeper, distributor, marketer and sales representative.

For some makers, their creative business is their sole source of income, while for others it supplements other employment or freelance work. The flexibility and freedom of owning a microbusiness allows creative entrepreneurs to pursue their passions and seek ways to make both a living and a life.

## What is small-scale manufacturing?

Small-scale manufacturing (also known as micromanufacturing, small-batch manufacturing or artisan manufacturing) is defined as all types of small businesses producing tangible goods. This includes businesses producing goods in textile, hardware, wood, metal, 3D printing, consumer product design and prototyping, breweries and distilleries, and local food production and packaging.<sup>4</sup>

Many maker-microbusinesses trust small-scale manufacturers to help produce and scale their products. For example, a food entrepreneur may partner with a local small-scale manufacturer to professionally package and ship homemade jellies or jams.

Traditionally, the thought of manufacturing conjures up images of big factories, endless production lines and automotive industries. While there are still many of these traditional types of manufacturers, the maker movement has begun to lift the veil on manufacturing. In the U.S., 94 percent of all manufacturers have fewer than 100 employees.<sup>5</sup> Now more than ever, the country's manufacturing companies are smaller in size and number of employees, use higher-tech equipment and cater to more creative industries. Across the Etsy platform, more than one in five Etsy sellers used outside help to produce their items. Among those producers, 75 percent were businesses of less than 10 employees. Often these manufacturers are creative entrepreneurs with the right machines, extra time and a willingness to co-create with other artists to bring projects to life.

### **Why are maker-microbusinesses different than small businesses?**

Many makers, including 77 percent of Etsy sellers, are businesses of one, which means they face very different challenges from a five or ten-

person enterprise. A full 97 percent of Etsy sellers work from home, and many combine income from multiple jobs.

Also, in many ways, the internet, e-commerce and peer-to-peer trade have disrupted standard business processes. For example, rather than exploring a market, developing a product, contracting with a customs broker or wholesale buyer, and selling their wares through a retail partner, makers now are able to list their item and ship it directly to a customer anywhere in the world.

### **What are some common barriers or challenges that maker-microbusiness face?**

Maker-entrepreneurs often face challenges finding mentor and peer networks, accessing shared working space and equipment or locating business support services that meet their needs.

Working alone from a home or studio can make makers feel isolated. However, the ability to join support networks and connect with mentors can





Photo Credit: Dany Green

help small-scale makers thrive. Makers flourish when they have access to networks of creative entrepreneurs to explore new partnerships or opportunities and collaborate on projects. Networks exist largely online, but spaces to organize, collaborate, network and support each other can exist offline as well.

Makers also need places to showcase and sell their wares. 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 is also a common challenge for local maker-microbusinesses and small-scale manufacturers. 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.

In speaking with sellers, Etsy has learned that, in most instances, these creative entrepreneurs don't even look to government as a resource or source of support. Unfortunately, some government programs for small businesses overlook the needs of these makers, focusing instead on helping startups become big businesses via low-cost loans, hiring help or assistance obtaining large government contracts. These services are well-suited for other types of small businesses, but less relevant to, for example, a microbusiness owner who wants to increase her sales locally, improve the efficiency of her business operations and grow more moderately. Public programs and initiatives should incorporate the unique needs of maker-microbusinesses into their suite of business support services.

# Inclusion as an Economic Driver

As mentioned before, maker-entrepreneurship is celebrated because of the economic diversity it can bring to local and regional economies. Maker-entrepreneurs add manufacturing value to their region, drive supply chains by building networks with other local manufacturers and, if they decide to expand, provide job opportunities for local communities.

Because the startup costs are typically lower than in other industries, opening a maker-microbusiness is more accessible to individuals across all income levels. The inclusive access to business ownership that maker businesses offer should be embraced and championed by city leaders and local government. Maker communities should include individuals from every community, so that all residents are able to access the empowerment and financial support that entrepreneurship offers.



Makers are entrepreneurs, and entrepreneurship can be the catalyst for economic freedom. Black entrepreneurs report on average 12 times the wealth of their peers who aren't involved in entrepreneurship.<sup>6</sup> Hispanic household earnings increased by 6.1 percent between 2014 and 2015

while poverty dropped by 2 percent — a census change that the U.S. Department of Commerce attributed to rising Hispanic entrepreneurship rates.<sup>7</sup> Entrepreneurship alone isn't the silver bullet for financial troubles faced by historically underserved communities, but minority- and women-owned businesses are on the rise across the U.S. — particularly in large and mid-sized cities<sup>8</sup> — and between 1997 and 2007 their total receipts grew at a faster rate than non-minority-owned businesses.<sup>9</sup>

Cities can help this trend expand into the maker and small-scale manufacturing economies by partnering with community organizations to identify entrepreneurs or youth interested in science, technology, engineering, arts and mathematics (STEAM) subjects. Local leaders should also support the growth (or creation) of conveners, like economic development corporations, that can raise a diverse portfolio of funds to invest in programs. The examples on the following pages highlight how cities are leveraging the maker economy to push for equity and inclusion.



## **BOSTON, MASSACHUSETTS**

The Local Initiatives Support Corporation (LISC) partnered with Kiva Microfunds and Northeastern University to create their Impact Lending program, which provides loans from \$1,000 to \$1 million, at rates between 0 percent and 7 percent, to entrepreneurs.<sup>10</sup> They target their loans at women and minority entrepreneurs in low-income areas. The city of Boston, through its Office of Business Development, assists this partnership by referring small businesses to the Impact Lending program and inviting LISC representatives to small business workshops across the city to discuss what loans are available at the local level. Maker businesses and small-scale manufacturers can qualify for these loan opportunities.



## **SAN JOSE, CALIFORNIA**

The San Jose Office of Economic Development is partnering with employers to train low-skilled manufacturing workers, many of whom don't have college degrees, in advanced manufacturing techniques.<sup>11</sup> The office also brings youth from gang-prone neighborhoods into advanced manufacturing through the San Jose Works program, which connects them with internships at major advanced manufacturers like Jabil, Inc.



## **DETROIT, MICHIGAN**

A coalition of industry, public schools, philanthropic stakeholders and city organizations like the Mayor's Workforce Development Board are providing skills training and work-based experience for an estimated 10,000 youth in Detroit. The Linked Learning program, led by United Way for Southeastern Michigan, connects youth in 15 Detroit high schools with direct access to employers for hands-on experience, which is reinforced by customized school courses that lead to industry-valued certifications in areas like engineering and advanced manufacturing.<sup>12</sup> The Mayor's Workforce Development Board partners with industry to help create opportunities for those hands-on experiences. Also in Detroit, the Eastern Market Corporation and its incubator Kitchen Connect helps aspiring chefs turn their food ideas into viable products and find the kitchen space they need to execute. They partner with local organizations, including churches and neighborhood economic development corporations, to double up on outreach programs and identify entrepreneurs with a drive for food production. They've also worked closely with state and local food licensing agencies to help food makers navigate the red tape that might otherwise prevent them from scaling successfully.



## ROCKLIN, CALIFORNIA

Sierra College, a community college, has penetrated the local innovation economy by partnering with HackerLab, a hacker and maker space, to provide academic expertise and off-campus resources for students interested in manufacturing and other STEM fields.<sup>13</sup> With over 600 members and upwards of 6,000 individuals served every year, HackerLab, which the city supported in 2016 with a \$100,000 innovation grant, lets Sierra College students join Hacker Lab for less than \$13 a month. HackerLab also partners with local art clubs and youth groups independent of Sierra College to attract young people who haven't previously worked with manufacturing techniques.



## PORTLAND, OREGON

Prosper Portland, the city's economic development agency, built equity and inclusion into its five-year strategic plan, which includes providing microloans and start-up funds specifically targeted at women entrepreneurs and entrepreneurs of color.<sup>14</sup> Their \$2 million Inclusive Startup Fund was jump started by \$500,000 from the city's general fund and matched by another \$500,000 from the county and \$250,000 from the state. After securing these supports, Prosper Portland received an additional \$800,000 in private contributions to the fund. This program cuts across many different industry clusters, but small-scale manufacturers are a target area.



# Supporting Local Maker Businesses and Manufacturers

City governments, local leaders and their partners serve critical roles in sustaining and expanding the local maker business community. These businesses, from maker businesses to microbusiness production to small-scale manufacturers, will benefit from these major areas of support:

- 1** Create a supportive business environment for makers and manufacturers
- 2** Drive demand for locally made and manufactured products
- 3** Provide access to affordable and safe production spaces for makers and manufacturers
- 4** Advocate for state policies that support makers and microbusinesses

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The programs and activities outlined below should be considered a starting point for a strong initiative around maker businesses and small-scale manufacturing. As always, individual programs will need to be customized to the specifics of each municipality.

### **Create a Supportive Business Environment for Makers and Manufacturers**

Maker business owners will benefit from business development programs and entrepreneur connections within the community. Each service must respond to a specific need identified within the maker business sector and existing business owners should be engaged to help lead program development where possible. These strategies will help promote an inclusive and supportive ecosystem for local makers.

■ **Map and convene the existing community** of maker businesses and small-scale manufacturers. Most communities know that this business sector exists within their city, but do not always know where to find them. Some communities are familiar with the legacy businesses that

have been around for three or four generations; however, few communities have a full directory of all local producers. Local government can lead this research or provide funding to an external partner to find these business owners. The community should invest extra time to identify underrepresented populations and ensure racial, ethnic, gender and age diversity among the business owners engaged. Once the community identifies a first group of businesses, then local leaders can help to convene these business owners to better understand their needs and challenges. For example, the City of Knoxville launched a Mayor's Maker Council to advise local government leadership.<sup>15</sup> In Ohio, the Dayton Regional Manufacturing Task Force connects makers and manufacturers.<sup>16</sup> A local initiative in Memphis, the MadeBy Project, identifies and convenes the local maker business community.<sup>17</sup>





■ **Connect entrepreneurs to small business support services** from the city, local Small Business Development Center (SBDC), state economic development resources and nonprofit organizations, where they are available. Cities should also provide clear guidance to new and existing business owners regarding what kind of help each business support organization offers. This information needs to be shared widely online, on social media and at business community events. A starting point for cities is to host listening sessions with local makers to highlight how local government can support their success. The city of Grants Pass, Oregon recently held a series of community discussions about ways to better support their maker business community. These open dialogues resulted in a set of recommendations, including developing a Main Street support program, promoting local makers and a partnership with the community college to open a makerspace.<sup>18</sup>

■ Another specific strategy for creating a culture of connectivity is to **develop a city/county one-stop shop** for all maker business and small manufacturing needs. Small business owners never have enough time in the day, so they need a single point of entry to access programs and services provided by the local government. The point of entry

may be a government office, an online portal or a nonprofit service provider charged with offering support in partnership with the city. The information provided by a one-stop shop should cover business licenses, required registration, permitting, business development programming, incubators, available grants or loans, and relevant local events or trainings hosted by community-led organizations. The local government should promote this one-stop shop to businesses through the government website, social media, at popup events and in partnership with local leaders like the chamber of commerce. SFMade, in San Francisco, has a comprehensive website with information about industry-specific workshops, service providers and financial advising.<sup>19</sup>

■ **Invest in maker-microbusiness incubators and accelerators.** Encourage existing local incubators or accelerators not currently providing support for maker-microbusinesses to consider adding a new track or integrating these business types into existing programs. For example, EforAll in Lowell, Massachusetts, the Knoxville Entrepreneur Center and Rev Birmingham all offer programs that integrate maker-microbusinesses into existing business acceleration initiatives.<sup>20,21,22</sup> Additionally, Rev Ithaca in Ithaca, New York, is an example of how to engage higher education to

provide business incubation services. Rev Ithaca is a partnership between Cornell University, Ithaca College and Tompkins-Cortland Community College offering an acceleration program to help scale hardware microbusinesses.<sup>23</sup>

■ **Securing access to capital** is a necessary step for aspiring entrepreneurs looking to scale, but not many programs aimed at providing funding are targeted to makers or small-scale manufacturers. Cities can play a vital role in helping small businesses from low-income or disadvantaged communities by forming funding partnerships with economic development organizations and philanthropies and aiming those resources at innovators from underserved areas. To boost maker economies, these equity-focused models can be replicated — with a focus on makers and small-scale manufacturers not previously exposed to opportunities for business capital. In Seattle, for example, local makers can match funds raised in their local community with up to \$25,000 in matching zero interest loans from a partnership that was piloted between Seattle Made, the crowdfunding platform Community Sourced Capital and local banks.<sup>24</sup>

■ **Provide broadband access** to core neighborhoods and ensure access in rural towns. High-speed internet access is important because many microenterprises sell products online either wholesale or retail, and some

small manufacturers use online platforms to gain production contracts. Communities need to invest in online access to make sure maker businesses can consistently connect to clients and customers. In Kansas City, Missouri, the city is implementing a Small Business Growth Plan that aims to help businesses leverage broadband access to increase sales and compete in a global marketplace.<sup>25</sup>



### **Proactively Drive Demand for Locally Made and Manufactured Products**

Successful microenterprises and small-scale manufacturing businesses often have multiple revenue sources — online and in-person, retail and wholesale. Yet these businesses can also benefit from a coordinated effort to promote their brand, connect to regional contract manufacturers to enable scaling, and compete for local procurement opportunities. Local governments can serve a key role to connect and convene businesses to achieve these outcomes. Commitments from local government and anchor institutions to buy local can strengthen the local production economy.

■ **Establish a “Made Local” campaign** to promote microenterprises, and use this network as a way to connect local businesses who may contract with each other for products. These campaigns provide a “made local” certification to local production businesses, and may



provide marketing support or access to local procurement requests from the city or other anchor institutions. The Urban Manufacturing Alliance's Local Branding Toolkit is a how-to guide for creating a new locally-made brand platform campaign in your city.<sup>26</sup> Seattle Made and Made in Baltimore are helpful examples of how cities are implementing such branding campaigns.<sup>27,28</sup> In Washington, D.C., a store dedicated to selling locally-made goods, Shop Made in DC, opened in October 2017 to promote local makers.<sup>29</sup> (See more information about local marketing campaigns in the Case Studies.)

■ In addition to creating a city-specific Made Local campaign, local governments can work with surrounding communities to **create a regional brand for small-scale manufacturing and microenterprises**. Neighboring cities or towns may have complementary manufacturing services and producers that could form a collaborative economy of scale, instead of disparate manufacturers competing and working independently. A third-party convener may benefit the communities so that each jurisdiction feels like they have equal say in the effort, such as in the Bay Area Urban Manufacturing Initiative regional partnership. The initiative is a regional effort convening multiple cities to grow manufacturing, develop training pathways, keep industrial space affordable and market the Bay Area as a powerhouse for local manufacturing.<sup>30</sup>

■ **Create new business-to-business procurement** within the community. Many local governments and anchor institutions procure products from across the nation and often globally. Many of these products could be procured from local small-scale manufacturing businesses instead. In many cases, the local government can serve as the connector and convener of these opportunities through reverse pitch events or RFPs. Some communities may also institute requirements that a minimum percent

of local spending be directed at locally-owned businesses. For example, Johns Hopkins University is committed to buying products from Baltimore businesses as a recognition of their role as a local driver of economic opportunity.<sup>31</sup>



### Provide Access to Affordable and Safe Production Space for Makers and Manufacturers

Small-scale manufacturing businesses and maker-microenterprises need safe spaces to produce their goods in both wholesale and retail settings. Some microenterprise owners produce at their kitchen table, a spare bedroom or in the basement. As these businesses grow their sales, they may require industrial spaces to expand their capacity to produce. These businesses also need low-risk ways to test out products in the market or reach new clients for wholesale products. For these reasons, communities should look at local regulations and retail opportunities to support safe and affordable real estate and shared working spaces for these businesses. This can include:

■ **Identify micro-retail opportunities in existing buildings and new construction.** Microenterprises benefit from small retail spaces in which they can fabricate their products and sell to customers at the same time. **These small retail spaces** (approximately 400-700 square feet) are more affordable than traditional, larger retail spaces. They also naturally create “experience retail”



where people can walk by and see a product being made. Some property owners are willing to offer these micro-spaces, but others will require a third party to master-lease a larger space and sublet it to microenterprises. A city-owned property can serve as a catalyst to prove this type of real estate model can succeed and help attract foot traffic. A micro-retail project called theLOCAL in Jackson, Tennessee, serves as a good example for developing a “retail hub” with multiple, small startup shops in addition to space for entertainment and food trucks.<sup>32</sup> The Monroe Street Market in Washington, D.C., is a collective of small shops selling pottery, baked goods and original art.<sup>33</sup>

■ Cities can also encourage non-profit small manufacturing developers or community development corporations to create **affordable workspace** or consider a **zoning incentive** for private developers to **set aside space for local businesses**. Small-scale manufacturers benefit from being around each other to share resources, learn from each other, and partner on products. Additionally, in states that do not allow home-based food production, access to affordable **shared kitchens** will be vital. In hot markets, these businesses are often priced out of central locations, and in cooler markets with chronic vacancy, they may not be able to find safe and built-out space. Brick City Makes in St. Louis is an example of a local community development corporation investing in affordable workspace for small producers.<sup>34</sup> The La Cocina shared

kitchen in San Francisco offers low-income women and immigrant food entrepreneurs access to shared commercial kitchen equipment along with business incubation services.<sup>35</sup> In Somerville, Massachusetts, the city’s zoning code has a dedicated Fabrication District comprised of commercial buildings that are designed to accommodate multiple tenants.<sup>36</sup>

■ **Local craft events, farmers’ markets, and festivals** are a great opportunity for microenterprises to build an audience and test out new products with little risk. These events are a key step to build the pipeline of new microenterprises. They allow vendors to access affordable, temporary retail space with built-in foot traffic. Cities can help, organize these festivals by working with local organizations or a business improvement district. These types of events are also a good opportunity for cities to cast a wide net and ensure a more diverse set of makers and manufacturers have an opportunity to sell their goods. The organizers of the Market at Pepper Place in Birmingham, Alabama, help vendors grow their businesses and mature into storefronts.<sup>37</sup> Steel City Pops and Jawanda’s Sweet Potato Pies are two businesses that started at the market and now have their own retail spaces.






## Advocate for State Policies that Support Makers and Microbusinesses

Local leaders may need to look to state policies in order to leverage the greatest positive impact in their maker economies. Regulations and red tape that restrict the growth potential of maker-microbusinesses should be eliminated. Cities can also explore ways to use the tax code to drive demand for local maker products, such as:

■ **Consider a state (or local) sales tax exemption program** for microenterprise artisan products. Such a program could focus on handmade items produced within the jurisdiction, or only in target neighborhoods. For example, the Rhode Island Art Sales Tax Exemption makes the purchase of original art in the state exempt from the state's sales tax. The law was enacted in 2013 as a way to support local artists and cultivate the state's reputation as a cultural destination.<sup>38</sup>

■ **Review regulations related to home-based businesses**, including cottage food laws, and advocate for needed legislation. Many maker microenterprises start at home and stay there. These businesses provide an important source of revenue to these households by bringing in

a second or third source of income. Some of these businesses will grow into shared kitchens or lease their own space as they expand and hire staff. Forrager is an online support community for cottage food entrepreneurs that compiles state-by-state information on cottage food laws.<sup>39</sup> Local policymakers can review their state's laws and determine if new regulations are needed to remove restrictions on home-based businesses.



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# Initial Action Steps for Local Leaders

The strategies outlined in this action guide are longer-term goals that will take coordination across city departments, budget planning and partnership development with local institutions. In the meantime, however, there are a few key steps local leaders should take in order to spark momentum among the local maker economy.

First, city elected leaders should **convene a maker council** to advise the city on how to provide targeted support for local maker-microbusinesses and small-scale manufacturers. The maker council should consist of entrepreneurs, community leaders, residents and other interested stakeholders, and represent the demographic diversity of the jurisdiction.



Also, cities can offer programming targeted at makers in their community by partnering with a library, accelerator, small business incubator, entrepreneurship center, or maker space to offer Etsy's Craft Entrepreneurship curriculum.<sup>40</sup> This is a five-week long program that teaches makers the basics of running an online craft business by using Etsy as a learning lab.

Lastly, city leaders can lead by example and **purchase directly from local makers**. The formal procurement process isn't the only way cities can support local businesses. Smaller purchases from local bakeries, cafes or coffee shops also make a big difference. The next time you host a community meeting or office hours, consider using a local maker's shop as your city hall away from home. The experience will not only be more unique, it will also help your city's local maker economy.

A second initial step is to **incorporate the maker economy into the city's strategic economic development plans**. Mayors, council members and city managers should collaborate with city staff responsible for economic development, land use planning, business development and local regulations to proactively incorporate the needs of maker businesses into future policies and programs.

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# Case Studies:

## Exploring How Five Cities Drive Demand for Locally-Made Goods

With calls for consumers to “buy local” sprouting up across the country, local branding organizations — those “Made Local/Made In” campaigns that render local pride into an advertising slogan — are emerging as a new form of economic development and service delivery at the city level.

They remind us that there are local entrepreneurs working in the neighborhoods and industrial districts we pass every day, creating unique goods and services that give our economies spark and variety.

Additionally, some of these organizations have also taken on the role of economic convener for the cities they call home. They provide manufacturing research that city officials may not have been able to tackle on their own, and

add value to campaigns for greater job creation by connecting local entrepreneurs and makers with the tools they need to expand, take on more workers or partner with supply chains.

Below are profiles of a few of these organizations across the county, with an emphasis on their organizational structure and the way they’ve partnered with local governments.



Photo Credit: Shawn Poynter Photography

# Made in NYC

*University-staffed 501(c)3 funded by New York City Council.*

**Made in NYC** sprouted from a string of industrial community-building and economic development initiatives which trace their roots back to 2001, when manufacturers in the city's garment industry struggled to move and sell their product because of decreased truck flow out of the city in the wake of 9/11. The program was founded by a now-defunct industrial non-profit and eventually absorbed by the Pratt Center for Community Development, in line with the center's mission to encourage sustainable, equitable economies and good jobs in cities.

The organization is primarily consumer-facing. Through its marketing and consulting work with local manufacturers and city-wide ad campaigns, Made in NYC aims to help businesses become more marketing-savvy while also encouraging city residents to buy from local makers. Adam Friedman, the program's founder, says they're also looking into creating an internship program that would connect interns with Made in NYC members.

One of the benefits of the university model is that members can get direct access to faculty, staff and students with expertise in marketing. As a 501(c)3 with a close relationship to the city, participating makers benefit from both philanthropic donations and city funds.

The city, on the other hand, leverages Made in NYC when promoting zoning and policy changes to support manufacturing and its middle-class, low barrier jobs. Lacey Tauber, the legislative and budget director for Councilmember Antonio Reynoso, who oversees Williamsburg, Bushwick and Ridgewood, says the organization helps them keep the industry in the city.

"Job creation and job retention. That's the biggest reason why we care about this," says Tauber. "In New York, everyone from developers to the city

looks at every piece of land as a development site for housing." Promoting local manufacturers can help change that mindset, however. "If we help businesses learn how to do things like promotion, then we know that there will be a job base in these industrial zones that is going to provide what our constituents need."

To ease the playing field for the local companies Made in NYC was created to support, Mayor Bill de Blasio announced in 2015 an overhaul of the city's tax code that slashes tax rates for small manufacturers making under \$10 million a year from 8.85 percent to 4.45 percent.<sup>41</sup> His administration has also explored strategies to strengthen New York City's Industrial Business Zones, which are designed to stem the tide of real estate speculation and provide safe havens for manufacturing businesses.<sup>42</sup>

Made in NYC is primarily funded by money from the New York City Council, but has also received funds from New York State Department of Agriculture and Markets, Citi Community Development and Zazzle.

# MAKE IT IN L.A.

*In the process of becoming 501(c)3, after transferring out of mayor's office*

**MAKE IT IN L.A.** was founded in June 2016 following a region-wide survey into Los Angeles' manufacturing industry by Krisztina "Z" Holly. Holly had served as the Entrepreneur-in-Residence in Mayor Eric Garcetti's office for two years when she dreamed up the idea of a business-facing network that would inspire entrepreneurs and companies to manufacture their products in the L.A. area.

On top of connecting entrepreneurs within L.A. County's manufacturing industry, the organization hosts educational programs for its members on subjects like prototyping, working with contracting manufacturers, packaging and retail strategies. It's also in the midst of starting a new facility tours program, where interested companies will be able to tour larger L.A. manufacturers to learn the ins and outs of "making it in L.A."

Having previously worked as an entrepreneur, Holly says she saw huge potential for creating a support network among L.A.'s manufacturing companies to help them thrive. Mayor Garcetti's office backs the work in part because connecting the industry helps him fulfill his campaigns for job creation and economic growth. When the program was first launched with support from the city, Holly made a goal to create educational programs like webinars that would reach 1,000 L.A. entrepreneurs in the first 18 months. They hit that number before the end of the first year. "Any success that I have is a success for the mayor," she says.



The program's primary funder is Ernst & Young, through their funding for the Entrepreneurship-in-Residence program, and the organization has relied on the Los Angeles Cleantech Incubator to act as its fiscal sponsor while it applies for 501(c)3 status.

# Cincinnati Made / First Batch

*Community driven non-profit*

**Cincinnati Made** and its accelerator, **First Batch**, work as a marketing, events and incubator platform for local makers. Both organizations were founded by Matt Anthony, Noel Gauthier and Bryant Goulding in 2012 and 2013, respectively, with the goal of bridging local makers looking for networks and the necessary resources to help them scale.

The organizations stemmed from a series of grassroots meet-up sessions held by the founders to unite small scale makers and manufacturers in the city, where they'd discuss common struggles in the push to grow their operations. Anthony and his peers eventually reached out to The Carol Ann and Ralph V. Halle, Jr./U.S. Bank Foundation, a local placemaking organization and Cincinnati stakeholder, who helped them apply for 501(c)3 status and is now their primary funder.

Marketing to consumers is one part of Cincinnati Made's operation. It also hosts events for member companies, provides funding and workspace for entrepreneurs to bring ideas to scale through their five-month First Batch program, and works to identify local contract manufacturers willing to take on pilot ideas and produce them in small batches.

Anthony says the primary benefit of being a 501(c)3 is that they qualify for grants at both the local and national level, and in his experience foundations at both levels have showed continued interest in supporting their work. But they've struggled to secure city support since becoming a 501(c)3, which means they have to devote significant resources to investigating and applying for their grants, as this is their only source of

funding. Other local branding organizations cite their city relationships as key to fundraising and operational efforts, underscoring the need for officials to back these programs to help them reach their full potential.

It also took six months for their 501(c)3 status to get approved, meaning they had to rely on an outside fiscal agent to receive grants that would then get diverted to their program. They're currently looking into new revenue models, like membership fees, and will be skipping their First Batch accelerator program this year to plan for an expansion into a bigger industrial space and develop a "larger vision" for their program, according to Anthony.

Additional funders have been the Duke Energy Foundation, Greater Cincinnati Foundation, the federal Small Business Association and TechSolv, which worked as their manufacturing extension partner.

# Made in Baltimore

*Based in the city of Baltimore's Office of Sustainability*

**Made in Baltimore** was founded in 2017 by Andy Cook, a Baltimore resident and MIT-trained city planner who works in the Baltimore Office of Sustainability, where the organization is currently housed. It originally developed out of work by local non-profit the Industrial Arts Collective, an organization of maker spaces and artisan makers/manufacturers whose primary activity was organizing pop-up shops in the city to put consumers in touch with local producers. The idea was absorbed by the city through a federal grant, and Andy Cook, the program director, was hired to lead it.

Current benefits of the program include member access to an online directory of local manufacturers, an online job board and a Made in Baltimore symbol businesses can apply to storefronts or products to identify as locally made. It's currently leading a business development series to help makers in areas like marketing and fundraising, which take place at a local co-working and maker space called Open Works, and wants to create a workforce services arm.

Cook says working within the city was an ideal choice because having access to city resources gives them the capacity to do outreach throughout Baltimore. Their connection with the Office of Sustainability aligned with Cook's perspective on supporting local producers as a means to reduce the city's reliance on importing and exporting, and hence its carbon footprint. It also helps the city government make good on its promises to prioritize the triple bottom line — meaning social, environmental and financial benefits — to communities. Local businesses want to partner up with the city to make that happen, as well. "In the eyes of our funders, being housed in the city government assures things will be done in a professional way," he says, "as well as for the businesses participating in the program. It's a sign this is not some fly-by-night operation."



The organization was founded with a \$100,000 grant from the U.S. Economic Development Administration. Funds were matched by the Baltimore Arts Realty Corporation, the Abell Foundation, the Baltimore Development Corporation and the City of Baltimore Department of Planning.

# SFMade

**501(c)3 non-profit**

Considered the national model for local branding organizations, San Francisco's **SFMade** was founded in 2010 by Kate Sofis and local manufacturer Mark Dwight, alongside an original partnership of 12 member manufacturers. Sofis and her cohorts decided that a 501(c)3 structure was the best format because it allowed them to include input from a cross-section of stakeholders who represent manufacturing: government organizations, community development leaders, private sector and citizen advocates. She says their close partnership with the city — and in particular with Mayor Ed Lee's office — has been absolutely vital to their impact in the region.

Part of that is because, like the other efforts outlined here, the city benefits from SFMade's operations. SFMade is the primary convener for manufacturing industries not only in San Francisco but throughout the Bay Area, acting as a proponent for the industry and helping individual companies maintain growth strategies which in turn retains jobs. They're also tracking manufacturing data throughout the region, which they then provide to the city's economic development agency to help develop policy and economic growth programs.

For example, their State of Urban Manufacturing research found that 35 to 45 percent of jobs in the manufacturing sector paid between \$18 an hour to \$33 an hour. With their efforts, "it's become clearer and clearer [to officials] over the years how interconnected manufacturing is in the region," says Martine Neider, manager of SFMade's Bay Area Urban Manufacturing Initiative.

In 2012, Mayor Lee partnered with SFMade to create a five-point local manufacturing plan, which designated a manufacturing point person at the Office of Economic Workforce Development who helps small manufacturers with issues like permitting, placed a greater emphasis on manufacturing jobs in the city's

workforce development agenda and highlighted potential growth sectors, like food and beverage manufacturing and prototyping.<sup>43</sup> A year later, his office, partnered again with SFMade, enacting legislation over the industrial real estate market that gives priority to manufacturers and light industrial businesses looking for affordable work spaces.<sup>44</sup>

With the city's help, SFMade also runs a successful youth internship program and other local hiring services that connect companies with workers from low-income communities. They also provide educational resources to entrepreneurs and partner with public and private players to improve the city's manufacturing infrastructure in areas like land use and policy.

SFMade, which has an estimated \$2 million operating budget, has 10 primary funders — including Bank of the West, California Manufacturing Technology Consulting, City of San Francisco, Citi Community Development, JP Morgan Chase & Co and others.

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# Conclusion

Makers and small-scale manufacturers offer so much to cities, from creative goods to employment opportunities to more inclusive access to entrepreneurship. Local leaders can play a big role in unlocking the potential of their city's maker economy by creating a supportive business ecosystem, driving demand for local goods, advocating for policies that support makers and providing affordable manufacturing and retail space. It is our goal for this action guide to serve as a helping starting point for effective collaboration between local government and maker communities. We also hope that in a few months, or years, you can celebrate the outcomes of these new alliances by enjoying all of the locally-produced goods crafted by your city's thriving makers.



Silver Paisley

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