

NIAGARA ERIE REGIONAL COALITION

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Niagara Erie Regional Coalition Small Business Assistance Website Master Proposal

Interested in helping us fund this project? For more information please contact us at tkniazuk@ecidany.com

The Community Need:

Erie and Niagara counties have not recovered from the deindustrialization that has swept the country over the past half century. National and global economic forces decimated the economy of the two counties. A measure of living standards, per capita personal income, reflects on the level to which the combined Erie and Niagara County economy lags New York State and the nation.¹ Real per capita personal income in 2002 in the two counties was \$28,489. That is 25.7 percent below the New York State average and 8.5 percent below the national average.²

During 2004, Erie and Niagara counties added jobs at an annual rate of 0.4 percent – this after losing jobs the previous three years. New York State added jobs at a 1.1 percent rate and the nation added jobs at a 1.7 percent rate

¹ Pendall, Rolf, Matthew P. Drennan, and Susan Christopherson. (2004). *Transition and Renewal: The Emergence of a Diverse Upstate Economy*. Washington, DC: The Brookings Institution.

² U.S. Department of Commerce, Bureau of the Census. (2000). *Bureau of Economic Analysis: Regional Economic Accounts*. Washington, DC: Data User Services Division. Available online at www.census.gov.

during the same time period. With state and national unemployment rates at 5.2 percent and 5.4 percent respectively, local unemployment rates of 5.9 percent in Erie County, 6.5 percent in Niagara County, 7.2 percent in the City of Buffalo, and 8.1 percent in Niagara Falls in January 2005 paint a continuing disparate economic picture.^{3,4}

Aubrey Rogers, Director of the Small Business Administration's New York City district states, "When things are going bad in the economy, we find that people want to start their own businesses." He added that "sometimes people are forced into starting their own business because they have been laid off and there are no jobs," while others have dreamt about going into business for themselves and see their layoffs as an opportunity to pursue their dream.⁵

The information above suggests that growth should have been occurring in the small business sector in Erie and Niagara Counties over the last several years. However, a study of small business growth between 1998 and 2003 in America's 100 largest metropolitan areas ranks Erie and Niagara Counties "dead last" with a growth rate of 0.5 percent. The average growth rate for all 100 areas was 18.6 percent.⁶ In addition, a partial measure of small business income, aggregate self-employment income,

³ David Robinson. (2005, January 21). Region Lost 13,000 Jobs Last Year; Area Posted Job Losses for Four Straight Years. *The Buffalo News*, p. D7. Retrieved August 5, 2004 from LexisNexis database.

⁴ David Robinson. (2005, March 10). Surprise: Area Gained 2,300 Jobs in Year; Revised Data Upturns Previous Picture. *The Buffalo News*. P. B7. Retrieved March 28, 2005 from LexisNexis database.

⁵ Freid, Joseph P. (2002, February 17). From Modest Business Loans, the Fulfillment of Modest Dreams. *The New York Times*, p. 37. Retrieved on July 21, 2004 from LexisNexis database.

⁶ Buffalo Brings up the Rear in Small-Business Ranking. (2004, December 21). *Buffalo Business First*. Retrieved on December 22, 2004 from <http://buffalo.bizjournals.com/buffalo>.

demonstrates that small businesses contribute less to total income in Erie and Niagara counties than in the rest of the state and nation. Household aggregate self-employment income (the gross receipts less expenses from one's own business, professional enterprise, or partnership) collected in Erie and Niagara counties during 1999 was only 5.2 percent of all aggregate income collected in the two counties during that year. In New York State and the nation, that percentage rises to 6.9 and 7.3 percent of all aggregate income, respectively.⁷

The opportunity for residents to start their own small businesses is part of the American ideal of freedom and entrepreneurship, but also important for several economic reasons. First, small businesses are incubators of new ideas that can enhance economic growth. Second, they are an avenue for minorities, women, and immigrants trying to access the stability the mainstream economy can provide.⁸ Finally, in the constrained economic environment of Erie and Niagara counties, small businesses employ residents. In 2001, 97.2 percent of firms in Erie and Niagara counties had less than 100 employees.⁹

In order to start up and survive small businesses need financial support, access to current information, technical assistance, and networks that can sustain them during

⁷ U.S. Department of Commerce, Bureau of the Census. (2000). *Census of Population and Housing Summary File 3*. Washington, DC: Data User Services Division. Available online at www.census.gov.

⁸ Federal Reserve Bank of New York, Buffalo Branch. (2002). *Small Business: Big Challenge: A Survey of Small Firms in Upstate New York*. Buffalo, New York: Federal Reserve Bank of New York, Buffalo Branch. Retrieved on July 24, 2004 from www.ny.frb.org.

⁹ U.S. Department of Commerce, Bureau of the Census. (2002). *County Business Patterns*. Washington, DC: Data User Services Division. Available online at www.census.gov.

difficult times or after their financing runs out. The need for small business assistance has not gone unnoticed. Early in 2004 the Erie-Niagara Regional Partnership, in cooperation with the Institute for Local Governance and Regional Growth, conducted research to identify small business assistance programs available from local, state, regional, and federal public and private, non-profit agencies. The research resulted in a database of 275 small business assistance programs at 60 different agencies offering financial, technical, workforce, and advocacy assistance to those wishing to start or expand small business in Erie and Niagara counties.

Clearly, this research indicated a plethora of small business assistance programs in the two counties. Why, then, does the region lag behind in small business creation and growth? Qualitative research conducted by contacting a cross section of recently opened or expanded small businesses told the rest of the story. The rich web of assistance available to new and existing small businesses, while useful for many, can be difficult to access and navigate. Small business owners are busy people. They typically don't have the time to try to understand the assistance available to them. A discussion with a first point of contact does prove helpful, but no one person or agency can be expected to know about and understand the full breadth and depth of programs available. Furthermore, a simple search of the phone book or the internet failed to yield but a handful of said 60 agencies.

In 2000 and 2001 the Buffalo Branch of the Federal Reserve Bank of New York surveyed small business owners in Upstate New York. The survey indicated that over

75 percent of survey respondents think a statewide guide listing the resources available to small businesses would be very helpful. The development of a one-stop center for small business assistance drew similar support, as 70 percent of those surveyed believed that such a facility would be beneficial.¹⁰

“Everything is already here,” says Richard Adelman, CEO of E.H. Brink Co., a Buffalo-based developer and distributor of heaters. “We have all the programs. We just have to do a better job of putting businesses in touch with the right people – and doing it expeditiously.” City of Buffalo Mayor Anthony M. Masiello agreed, claiming that there is a “significant disconnect” between service providers from various agencies.¹¹

Communication and coordination between small business assistance agencies is an important facet of managing scarce resources and in providing the full realm of diverse programs available to small businesses. It should be stressed that there are significant collaborative efforts already underway, such as the Niagara County Economic Development Alliance and the collective of agencies meeting with the UB Center for Entrepreneurial Leadership. In addition, publications such as Niagara County’s *Connections for Business*, the *Erie County Business Assistance Directory*, the Federal Reserve’s *Small Business Resource Directories*, and the New York State Banking Department’s *Small Business Financing Assistance Directory* provide excellent

¹⁰ Federal Reserve Bank of New York, Buffalo Branch. (2002).

¹¹ Meyer, Brian. (2000, July 14). Alliance to Seek Ways to Help Small Firms in Buffalo. *The Buffalo News*, p. 1E.

starting points for those looking for government assistance in opening or expanding their small business.¹²

The Niagara Erie Regional Coalition Solution:

In order to efficiently and effectively deliver the rich web of assistance available to interested parties the Niagara Erie Regional Coalition is creating a single, interactive, web-based resource of all small business assistance programs available in Erie and Niagara Counties. The site will also link to Empire State Development's web-based calendar of upcoming seminars, programs, and events relevant to small business owners in Erie and Niagara Counties.

The website will primarily be comprised of two parts. The first is informational, listing the full range of programs and agencies, as well as contact information and links for each. Users can also access a calendar of upcoming seminars, programs, and other events. Participation of the small businesses assistance agencies is being solicited in order to keep the data up to date.

The other aspect of the site will be an interactive search of possible programs for which a user might be eligible. Users will input information on themselves and the type of business they are looking to open or expand (location, MBE/WBE, financial, etc.).

¹² Regional websites such as www.wnyrin.org, www.wnyhelpnet.org, and www.centralreferral.org list contact information for most public, nonprofit and private agencies offering public services including a listing of small business assistance agencies.

This information will in turn generate a list of most likely matches – programs for which they are likely to be eligible – with contact information for each.

The goal of the website is to make the accessibility of information as user-friendly and seamless as possible, while still maintaining the face to face contact that is so vital to the success of small business assistance. Users will shave days and weeks off of their search for information, but still need to contact agencies for applications and further details.

Other “value added” features of the site will include a clickable glossary of terms, a frequently asked questions section, and a helpful documents page.

To facilitate the creation of the database and to ensure its acceptance in the small business assistance community, a small but diverse group of small business assistance agencies and existing collectives were convened to lead website development in conjunction with the Regional Coalition. This group is advising effective and comprehensive development, maintenance, and publicity of the site. Publicity of the site must involve a sustained effort over a period of time. The group also developed a selection process to choose the right firm to design and develop the website.

We recommend that the aforementioned group be expanded over time in terms of both membership and programs. The group should serve as a tool for sustained

communication and coordination of assistance offered. The group should review and develop programs, identify sectors or aspects of small business assistance that need strengthening, collaborate for joint efforts, and organize forums for small business development. Such a group should serve as a model for other metropolitan areas of the country.

Economic Impact:

In Erie and Niagara Counties during 2002, the average business with less than 10 employees generated approximately \$50,000 in self-employment income. Therefore, only one small business created through the Erie-Niagara Small Business Assistance website will return its initial cost on investment. Obviously, it is expected that the use of the website will help generate a substantial number of such businesses. Every ten businesses would generate approximately \$500,000 in self-employment income alone, in addition to the economic impact of property and/or sales tax paid, new employee wages (and their spending), and possible spin off or related development.

Staffing/Administration:

Staff support and maintenance of the site will come from Niagara Erie Regional Coalition staff, with paid support from the selected firm.

Budget:

Phase I – Research and Database Development (complete)

Staff	120 hours	\$2,880
Grad Student	117 hours	\$1,170
Undergrad Student	160 hours	(unpaid)
Tech Support	25 hours	<u>\$ 500</u>
		\$4,550

Phase II – Project Development (complete)

Staff	216 hours	\$5,184
Grad Student	210 hours	\$2,100
Tech Support	25 hours	\$ 500
Steering Comm. Members	150 hours (cumulative)	<u>(unpaid)</u>
		\$7,784

Phase III – Website Design and Development (four months from funding)

Staff	70 hours	\$1,680
Conbrio (design & development contract)		\$9,875
Steering Comm. Members	180 hours (cumulative)	<u>(unpaid)</u>
		\$11,555

Phase IV – Launch and Maintenance (Launch date – December 2008)

Staff	300 hours	\$7,200
Conbrio – Hosting	\$100 plus \$34.95 per month	\$ 764
Conbrio – Search Engine Submission		\$ 125
Conbrio – Support Blocks	30 hours	\$1,650
Marketing – Paid		\$5,000
Marketing – PSAs		<u>\$5,000</u>
		\$19,739

Total Project Budget:	\$43,628	(100%)
Amount Provided In-Kind:	\$17,794	(41%)
Amount Requested:	\$25,834	(59%)