

**City of South Gate
Local Economic Advisory
Program (LEAP)**

**Supporting
Small Businesses**



City of
**South
Gate**

**October 16, 2018 Report
August 27, 2018 LEAP Event**



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OVERVIEW

A five-person volunteer team of economic development experts (“LEAP Team”) met in the City of South Gate (“City”) on August 27, 2018 to understand better the City’s current efforts in collaborating with small business partners and supporting small businesses, as well as how the City can improve its economic development efforts.

The City’s current economic development endeavors are restricted by limited staff and financial resources. The dissolution of redevelopment agencies in California severely reduced funding availability for the City’s economic development. Lacking a dedicated economic development department, the City runs an Economic Development Division (“EDD”) out of its Community Development Department. The City’s Community Development



Director, a Management Analyst, and an Administrative Services Coordinator provide part-time attention to citywide economic development efforts. The EDD’s goals are to support the creation of jobs, stimulate economic activity that grows the local tax base, and strategically position the city and its businesses to compete better in the economy.

Background

The City is located approximately 15 miles south of Los Angeles, along the Interstate 710 (Long Beach Freeway) and Alameda Corridor. According to the U.S. Census American Community Survey, the City had an estimated 99,578 residents and about 24,200 housing units as of 2015.

The City’s industrial roots began with the auto industry, where Firestone and GM both had major manufacturing activities based in the City. As these industries subsided throughout the country, other businesses moved into the City. Today, approximately 3,000 businesses are based in the City. Small businesses are especially key to the local economy; not only does the City have a

disproportionately high concentration of small businesses (77 percent compared to approximately 70 percent in California), but these small businesses also employ an unusually high percentage of the local workforce, where more than one out of every six jobs in South Gate is in a business with less than five employees.

Because of the traditionally high failure rates of small businesses, a thriving entrepreneurial and startup culture is essential not only to a successful small business sector, but local employment levels too. According to many local leaders, South Gate lacks the organizational infrastructure necessary to ensure that small businesses are aware of local, state, and federal resources to help them succeed. The City also lacks business mentors actively working in the region.

In June 2018, the City prepared an economic development strategy, identifying four core focus areas intended to guide city leaders in developing and implementing a successful economic development plan. One of the focus areas, “Leveraging Opportunity,” includes an action step for the City to provide assistance to small businesses. The City sought the LEAP Team’s assistance in part to provide recommendations on that action step.



The LEAP Team was given three priorities on which to focus their efforts, identified on the following page.

LEAP Event Priorities

1. Solicit input from local small business owners to understand what areas of assistance are most valuable;
2. Evaluate, particularly given the demographic makeup of the community and small business owners, the effectiveness of communication of Small Business Development Center (“SBDC”), SCORE, and events and resources hosted by business organizations such as the South Gate Chamber of Commerce and the Tweedy Mile Association; and
3. Make recommendations for how the City can better coordinate with these small business partners to ensure that South Gate small businesses are receiving the assistance they need.

METHODOLOGY

To address the Priorities, the LEAP Team and City staff completed the following:

Prior to the event:

- The City's Community Development Director and the Management Analyst communicated with RSG between September 2017 and June 2018 to discuss the LEAP program, prepare the problem statement, and arrange the event details;
- The LEAP Team participated in a conference call on August 14, 2018, to have an initial discussion about the City's business makeup and the Priorities; and
- In preparation for the event, members of the LEAP Team reviewed relevant market research, business and real estate data, and demographic and socioeconomic information about the City, as well as the City's June 2018 Economic Development Strategy.



At the August 27, 2018 event, the LEAP Team:

- Following a welcome from the City's Community Development Director, began the day by interviewing over a dozen local business owners;
- Continued with interviews of South Gate Chamber of Commerce representatives, local commercial and industrial real estate brokers, and a representative of the local SBDC;
- Met with the City Manager and Community Development Director to share their initial impressions of the local business community and its needs;
- Interviewed the local SCORE representative; and
- Convened to discuss additional impressions and to form recommendations for the City.

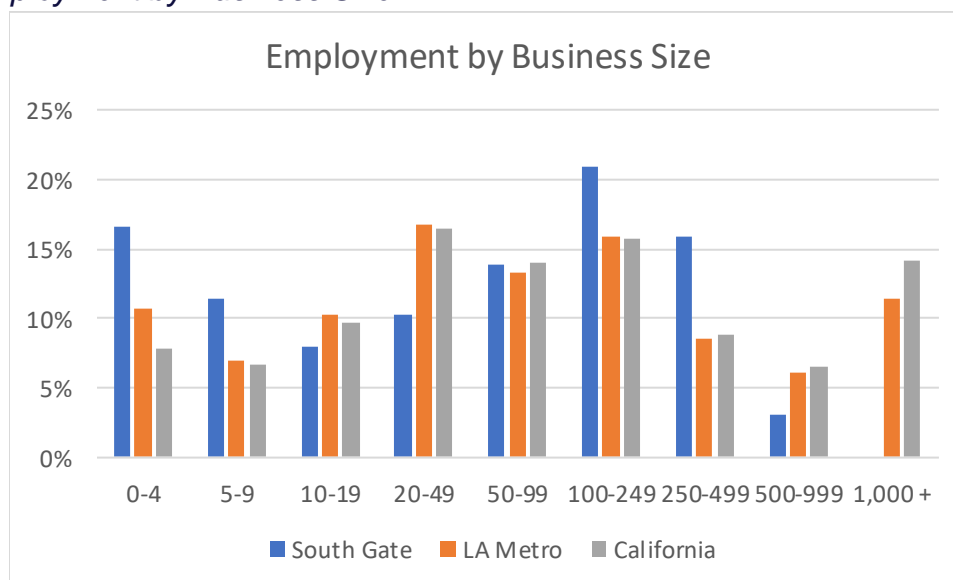
OBSERVATIONS

The LEAP Team made the following observations, incorporating their experience, analysis of market data and trends, the August 27, 2018, interviews with business owners and other local stakeholders, and discussions with City staff. These observations provide the basis for recommendations that follow in the next section.

Areas of Assistance

Figure 1 below shows that businesses with less than 10 employees employ approximately 28% of all workers in South Gate, compared to less than 18% in the Los Angeles Metropolitan Area and less than 15% in the State of California. Given this **high rate of employment at very small businesses**, the City will receive a greater return on its investment in small business success. The best form this can take is to arrange for training on a range of business management skills. **Many of the businesses in the City are owned and operated by immigrant or second-generation residents**, many with limited English skills, a factor that needs to be addressed in any business assistance outreach. As the LEAP Team understood from the interviews, these **business owners are engrossed in the day-to-day operations of their businesses**, usually engaged in where their passions lie and serving customers that they value deeply.

Figure 1. Employment by Business Size



To serve its businesses despite its limited staff resources, the City should **leverage local organizations engaged in cultivating a more robust business community**, by developing

partnerships with the Long Beach/Gateway Cities SBDC and HUBCities, which serves as the local workforce development board. The City can advocate for its businesses more strongly by putting pressure on these and other business-serving organizations to have more local events and to work more with the City's businesses, as well as by making more connections between local business owners and such available resources, already present in the region.

Noting that some local businesses operate entirely in Spanish, and based on their experience and the interviews, the LEAP Team believes that **trainings should be available in both English and Spanish**, but separately. Having a training presented in two languages simultaneously breaks the flow of the training and makes it harder for attendees to follow. Instead, the same training should be presented twice, on separate days, once in English and once in Spanish. The Emprendedor@s Program is an 8-week entrepreneurship training in Spanish offered by the Orange County SBDC and could serve as a model.

Providing the local business owners with general entrepreneurial training is essential. Returning back to basics such as sharing resources on how to create and/or update a business plan to evaluate the success of their business operations would help to build the foundation for businesses to thrive. Promoting other areas of training that are integral to a business's success should be incorporated into future workshops to help business owners achieve the following:

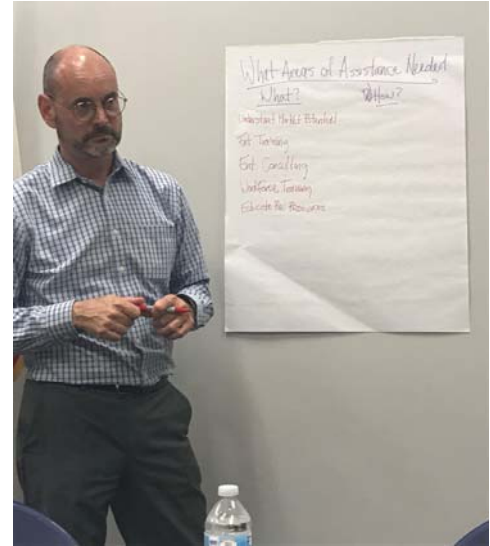
- how to understand the market potential for their good or service,
- how to leverage local resources for workforce training to recruit and train staff,
- how to build and maintain a sales and customer base,
- how to access capital for growth and avoid overly expensive capital loans, and
- how to use social media effectively to drive business growth.

Improving Communication

Beyond the areas of training identified, the **City's businesses would benefit from stronger coordination with local experts and stakeholders**, including SBDC, SCORE, the local Chamber of Commerce, and the Tweedy Mile Association, a business improvement district that receives annual fees collected by the City from businesses in its service area.

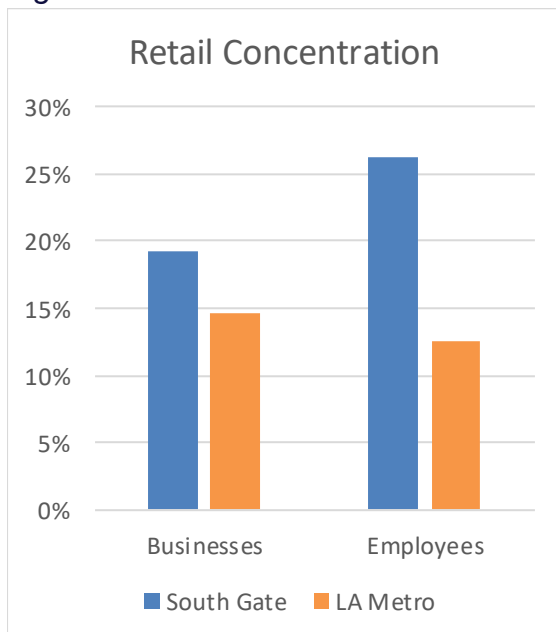
The LEAP Team learned that the **City and its Chamber of Commerce, to some extent, still must combat the reputation of corruption caused by scandals from almost two decades ago**. Further, the Chamber of Commerce saw a large decrease in membership following the

Great Recession of 2008 and today has **106 members out of approximately 3,000 businesses located in the City**. It appears that many small businesses in the community are not or feel that they are not represented by the Chamber of Commerce's membership, composed mostly of larger businesses. Despite these setbacks, the **Chamber of Commerce is in a prime position for growth**. Impressed with the Chamber of Commerce's current leadership, the LEAP Team advises that the City rely on the Chamber of Commerce to lead more of the business outreach efforts. This would allow the City to focus its limited staff on other objectives.



Such efforts should include a promotion for local shopping. The City has a **higher than average concentration of retail businesses and an even higher concentration of retail employment**, as seen in **Figure 2**. This indicates that retail businesses and retail employment make up a larger share of businesses and employment in the City than in Los Angeles County. By emphasizing local civic pride and the benefits that public revenues generated at local businesses provide in the form of funding for services, the Chamber of Commerce can encourage residents to patronize City businesses.

Figure 2. Retail Concentration



Many of the City's small, owner-operated businesses offer **great opportunities to highlight success stories**, especially of immigrants and second-generation residents. By highlighting these stores, the Chamber of Commerce can leverage **civic pride further to support small, local businesses**. One way to highlight business successes would be to spotlight a business in a monthly electronic newsletter, distributed to member businesses. In addition, the City's **history in the automotive industry** can be capitalized on by sharing success stories of current automotive businesses, particularly whose owners have local roots. **Figure 3** demonstrates the City's strength in automotive repair and maintenance businesses and employment.

In addition to working more with the Chamber, the **City can take greater advantage of the services of the Long Beach/Gateway Cities SBDC and SCORE.** Many of the former's beneficiaries are located in the City of Long Beach, 30 minutes from the City of South Gate. While understandable given Long Beach's relative size and the SBDC's location in that city, this means that South Gate businesses are not receiving available assistance. City staff can communicate more with their counterparts in Long Beach to learn how Long Beach has partnered so effectively with the SBDC and apply those lessons to arrange for more workshops and advising services provided closer to and in the City.

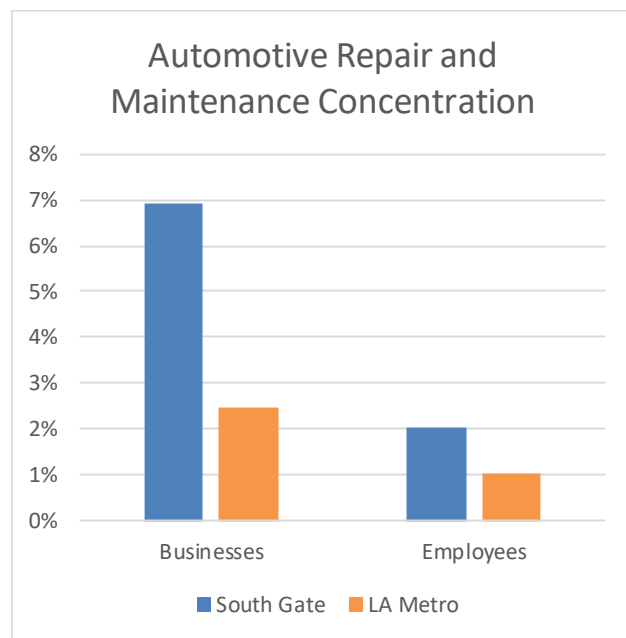
SCORE is a nonprofit association dedicated to helping small businesses get off the ground, grow, and achieve their goals through education and mentorship. Successful business executives volunteer to provide mentoring and workshops for businesses. Seeing growing demand for their services, the regional chapter of SCORE has been expanding, with a recent new location in the San Gabriel Valley. The **LEAP Team sees the potential for a SCORE location in the City to provide services** to all Gateway Cities.

The Tweedy Mile Association, meanwhile, primarily serves businesses along the Tweedy Mile corridor. While it is primarily focused on a targeted area, the Tweedy Mile Association helps to produce the Annual Street Fair, organizes merchants' sidewalk sales, and provides community programs such as art and signing contests, Halloween and Christmas celebrations. The **Tweedy Mile Association can supplement the Chamber of Commerce's efforts for its member businesses.**

The City's Role

By working with other organizations like the Long Beach/Gateway Cities SBDC and the local Chamber of Commerce, the **City can refocus its limited staff resources on projects to**

Figure 3. Automotive Repair and Maintenance Concentration



coordinate economic development efforts among local partners and maximize the resulting benefits. The most important role for the City is to **orient its existing interactions with businesses toward making it easier for businesses to start, flourish, and expand**. The interviews revealed that some businesses find it hard to get things done when seeking City approval. An opportunity for the City to improve customer service delivery is to engage all City staff to acknowledge each of their respective contribution to the City's overall economic development efforts, from the public counter at which building plans are processed to business licensing to public works services to building inspections. The internal training is to strive for development review consistency while supporting businesses investment in South Gate. The ultimate goal would be to promote the City as business friendly and proactively enhance the business environment for new and expanding businesses. The **Chamber of Commerce can provide collaborative support for this project**, for example by serving as a welcoming committee to new businesses.

Another opportunity in which the LEAP Team believes the City should maintain its role is **information sharing**. This includes sharing information gathered from existing businesses or from a special database, maintaining a list of resources on the City website, and building a shareable business database to offer brokers a way to anticipate and react to growing businesses' location needs in the City. The City could work with the Chamber of Commerce and the Tweedy Mile Association to survey businesses every few years to receive input from businesses, to benchmark how they are doing, to gauge satisfaction with the City overall, and to glean their thoughts on what resources or assistance from the city would be beneficial.

Further, a potential business development resource is to make available the City's business license database (on a monthly or quarterly basis) to be shared with the Chamber of Commerce to promote a "Welcome to South Gate" communication to new local businesses. The incorporation of a local property database (such as CoStar or LoopNet) to the City's website to highlight available South Gate properties for lease and for sale is a simple outreach tool for small business entrepreneurs seeking possible locations who may not have the resources to engage an active broker.

One of the City's economic development successes is the **façade improvement program**. The LEAP Team would like to see the program **reach more businesses**, to widen the number of businesses impacted and expedite neighborhood improvement and investment. The City can achieve this by allocating more funds for the program and by identifying funding sources to supplement the grants given by the City. One funding source could be an increased allocation of Community Development Block Grants ("CDBG"), which are already used for the program. In addition to being used to expand the façade improvement program, an increased

CDBG funding allocation can be used to assist business startup and expansion with things like purchases of equipment and inventory, as well as supplying working capital.



The LEAP Team recommends that the City's economic development staff prioritize getting input from businesses, meeting with businesses, and **monitoring economic development programs** to ensure they are targeting local businesses' evolving needs. Business engagement efforts could initiate with business visits to the top ten commercial, retail, and industrial employers or sales tax generators. In working with the Chamber of Commerce and the Tweedy Mile Association, the City should request that each respective organization share metrics and measurements of organizational activity such as member referrals. This information can be incorporated into the City's review of programs and used to ensure that the City's economic development programs complement the other organizations' efforts.

RECOMMENDATIONS

The LEAP Team's observations led it to provide the City with the following recommendations addressing the LEAP Event Priorities.

Goal #1. Solicit input from local small business owners to understand what areas of assistance are most valuable.

The LEAP Team identified the following areas of assistance as most valuable to local businesses and the following methods to help the City secure that assistance.

Areas	Methods
<ul style="list-style-type: none"> • Business 101 / general entrepreneurial training • Education about resources • Understanding market potential • Leverage workforce training • How to build a sales and customer base • Awareness of financing options and access to capital • Getting entrepreneurial consulting as needed for specific needs 	<ul style="list-style-type: none"> • Actively engage with the local Small Business Development Center to provide more local programming such as SBDC workshops and training • Connect the business community with HUBCities, which serves as the local workforce development board • Distribute a survey to business owners to get more details about assistance needs from a broader contingent of businesses

Goal #2. Evaluate, particularly given the demographic makeup of the community and small business owners, the effectiveness of communication of SBDC, SCORE, and Chamber events and resources.

The LEAP Team recommends the following efforts to partner with SBDC, SCORE, the Chamber of Commerce, and the Tweedy Mile Association to improve communication and the following strategies to implement those efforts.

Efforts	Strategies
<ul style="list-style-type: none"> • Promote shopping local/homegrown campaign • Celebrate local success stories • Learn from others (Long Beach) on how to partner with the local Small Business Development Center more effectively • Start a conversation with SCORE on a Gateway Cities hub 	<ul style="list-style-type: none"> • Create a hashtag campaign to leverage social media outreach for local businesses and events • Encourage the South Gate Chamber of Commerce to lead these efforts, possibly with an agreement outlining mutual responsibilities • Encourage the Tweedy Mile Association to bolster these efforts in its area

Goal #3. Make recommendations for how the City can better coordinate with these small business partners to ensure that South Gate small businesses are receiving the assistance they need.

The LEAP Team prioritized the following projects and first steps for City staff to take to coordinate more effectively with SBDC, SCORE, and the Chamber of Commerce

Projects	First Steps
<ul style="list-style-type: none"> Assemble information about real estate market and sales trends to better understand future opportunities Provide internal organizational training for City staff, and encourage interdepartmental coordination, to see economic development as a citywide effort 	<ul style="list-style-type: none"> Ask businesses to share data with the City’s Management Analyst in charge of economic development Maintain a list of useful resources, tools, partners, and successes on the expanded City’s economic development webpage Share clear messaging for City staff across departments
<ul style="list-style-type: none"> Expand startup and business expansion funding 	<ul style="list-style-type: none"> Evaluate the existing façade improvement program and consider awarding more funding to expand reach to more businesses Target increased CDBG funding for startup and expansion assistance, including equipment and inventory purchases, working capital, façade improvement, and other purposes
<ul style="list-style-type: none"> Monitor economic development programs to ensure they target businesses’ needs, benchmarking progress with surrounding cities 	<ul style="list-style-type: none"> Prioritize staff’s meeting with, and getting input from, businesses As part of agreements with the City, request metrics and measurements from the Chamber of Commerce and the Tweedy Mile Association
<ul style="list-style-type: none"> Build a business database to promote broker networking 	<ul style="list-style-type: none"> Use business license software Participate with the local brokerage community through attendance at their monthly meetings to highlight benefits of doing business in South Gate

CONCLUSION

Based on its visit to the City and conversations with local business owners, the LEAP Team admires the entrepreneurial spirit and perseverance of small businesses in the City. Wanting to see them succeed, the LEAP Team assembled the aforementioned recommendations for the City to implement to assist further in local businesses' successes.

The recommendations are intended to help address the areas of greatest needs among local businesses, to ensure effective communication between local business owners and organizations that can help them, and to make the most of limited City resources to complement others' efforts.



LOCAL CONTRIBUTORS

The LEAP Team extends their sincere gratitude to the following local contributors for their invaluable participation in the LEAP event:

City staff members

- Michael Flad, City Manager
- Joe Perez, Community Development Director
- Marina Urias, Management Analyst

California Academy for Economic Development Regents

- Ralph Lippman, Executive Director, California Community Economic Development Association
- Jim Rabe, Senior Principal, Keyser Marston Associates

Business community interviewees

- Jerry Brown, Mr. C's Tow
- Alex Castaneda, TLP Entertainment
- Teresa Carlos, Angeleno Taxi
- Luis Contreras, Williams Data Management
- Mike Glaze, Auto Detail Supply Outlet
- Yudit Glaze, A Promise of Hope and Project Soy
- Evan Greenspan, Greenspan's
- Shajira Hope, Primerstor
- Alex Lopez, Alex Lopez Insurance Agency
- Fernando Madrigal, Altamed
- Christina Montalvo, Paparazzi Jewelry
- Lupe Perez, South Gate Pack N Ship
- Josue Ramon, Excellence Premier Real Estate
- Janet Torres, South Gate Chamber of Commerce
- Gary Wright, Williams Data Management

Other interviewees

- Jack Cline, Broker, Lee & Associates
- Brad Pollak, Director, Long Beach and Gateway Cities Small Business Development Center, hosted by Long Beach City College
- Tim Wallace, Broker, Cushman Wakefield
- Dennis Wright, District Director, SCORE, Los Angeles, Ventura, and Santa Barbara Counties

LEAP TEAM



Mike Daniel is the Regional Director of the Orange County/Inland Empire Small Business Development Center (“SBDC”) Network. Mike oversees a network with seven service centers covering the region and servicing more than 5,000 small business owners each year. He has been with the SBDC program for over six years and has served as Director of the Long Beach City College SBDC. Mike has personally assisted more than 1,000 clients in areas such as business start-up, marketing, legal advice, funding opportunities, and more. Mike is also a small business owner, owning Rocky Mountain Chocolate Factory’s. He has been part of the Rocky Mountain franchise system for more than 15 years. As an entrepreneur, Mike has firsthand experience in systematizing operations, developing budgets, creating marketing programs and managing employees.

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As Assistant to the City Manager, **Valerie Escalante’s** responsibilities include overseeing economic development for the City of Glendora. Her efforts and activities focus on business attraction, business retention, and support of the business community, as well as developing partnerships with key stakeholders and developers. Her undertakings helped lead the city to its recognition as the Most Business Friendly City in Los Angeles County by the Los Angeles Economic Development Corporation in 2014 and the Best Downtown in the San Gabriel Valley by the SGV Newsgroup’s Readers’ Choice Awards for the past seven consecutive years. Valerie has been with the City of Glendora since 2011. She holds a Bachelor’s Degree in Civil Engineering from the University of Southern California.

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Lisa Kim was appointed the Community and Economic Development Director for the City of Garden Grove in April 2016. She brings more than 25 years of experience in the field of economic development, community revitalization, and redevelopment dissolution. Lisa oversees an annual department budget of \$33 million and is responsible for the administration of the Office of Economic Development, Building & Safety, Planning Services, Code Enforcement, and Neighborhood Improvement Divisions. She holds a Bachelor's Degree in Urban and Regional Planning and a

Master's Degree in Public Administration.

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Eric Romero is a Project Manager in the City of Long Beach Economic Development Department, Business Development Bureau. He oversees and supports multiple program areas and special projects, including a \$10 million Business Improvement District Program, business assistance and entrepreneurship initiatives, data and performance management, communications and community outreach, policy development and implementation, and strategic planning. Eric previously worked in the City Manager's Office as a member of the City's first Innovation Team, which

functioned as an in-house research and development unit, moving from one city priority to the next. Eric holds a Bachelor's Degree in Sociology from California State University, Long Beach and a Master's Degree in Urban and Regional Planning from University of California, Los Angeles.

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Jim Simon joined RSG in 1991 and has served as a Principal and shareholder since 2001. Inspired to improve the Golden State in his work, Jim delivers intelligence, innovation and passion to projects requiring his unparalleled expertise in fiscal health, real estate and economic development. For nearly 25 years, Jim is proud to have led projects that have resulted in the investment of over \$3 billion in private and public capital, transforming cities and communities across California. As President of RSG, Jim is helping to shape the next generation of the firm's legacy - leading

RSG's team of inspired, creative and insightful consultants that serve over 100 communities each year.

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ABOUT THE ACADEMY



The California Academy for Economic Development (Academy) is a center devoted to Economic Development training, education, and research. By emphasizing innovation as well as tested methods, we strive to educate economic developers and communities on the best ways to grow healthy, vibrant communities. We are a 501(c)3 non-profit, managed by the California Association for Local

Economic Development (CALED).

Our mission:

- Educate economic development professionals, officials and others about the critical processes and strategies needed to improve California's communities so they can succeed in the global economy.
- Provide new business information and resources to local economic development professionals so that they, in turn, can pass this information on to entrepreneurs in their communities.
- Conduct supportive research, data development and analysis.
- Strengthen the link between economic development and educational institutions.
- Make economic development professionals more productive by bringing new technologies to the field.

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