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Local first New approach to Bay Area economic development

Michael H. Shuman
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If San Franciscans shifted just 10 cents of every \$1 of their spending from chain stores to local retailers, they could add to the city's economy nearly 1,300 more jobs and \$200 million more in annual output. This finding comes from a just-released study by Civic Economics, an Austin-based research firm (www.civiceconomics/SF/). It contains an important message for the Mayor's Office on Economic and Workforce Development: It's high time for the city to refocus its economic development efforts on locally owned business.

The economic office's mission, as stated on its Web site, is to "oversee activities and programs related to business attraction and retention, workforce training, development planning and neighborhood commercial revitalization (www.sfgov.org)." Topping the list is "business attraction and retention." In fact, this is the centerpiece of most of what purports to be economic development across the country. Because very few local businesses ever move from city to city, these priorities target nonlocal businesses -- retention of publicly traded behemoths such as Bank of America or attraction of outside chains like Home Depot, Barnes & Noble and Wal-Mart.

A growing body of evidence, however, suggests that nonlocal businesses are much less reliable contributors to income, wealth and jobs for a community. In Lane County, Ore., an investigative report on the performance economic development incentives by the Eugene Register-Guard found that a new local job only cost about \$2,100 of business tax forgiveness. A new job from outside business attraction or retention cost \$67,220 -- more than 30 times more. In an era of increasing corporate mobility, such a bet on unreliable global players makes no sense.

At least a dozen studies in recent years have shown, moreover, that a job at a locally owned business contributes far more to a community's well-being than one at an equivalent nonlocal business. Five years ago, Civic Economics analyzed the relative impact of proposed Borders bookstore in Austin, Texas, as compared to a local bookstore the chain was gunning to put out of business. The researchers found that \$100 spent at Borders would circulate \$13 in the Austin economy, while the same \$100 spent at the two local bookstores would circulate \$45.

What accounts for the difference? The local bookstore, unlike Borders, had a high-level management team, used local business services, advertised locally and enjoyed profits locally. Greater local spending means a higher "economic multiplier," the hoped-for circulation of a dollar many times in a community. The Austin study suggested that every dollar spent at the local store contributed three times the jobs to the local economy, three times the income effects and three times the tax benefits.

In 2004, Civic Economics improved its methodology and completed another study (www.andersonvillestudy.com) of Andersonville, a neighborhood in Chicago. The principal finding was that \$1 spent at a local restaurant generated 27 percent more economic multiplier than a chain. The local advantage was 63 percent more for local retail, and 90 percent more for local services.

Now, Civic Economics has done its most in-depth study yet encompassing San Francisco and the neighboring communities of South San Francisco, Colma and Daly City. Looking at books, toys, sporting goods and fast food, the researchers found that a far greater proportion of the region's retailers were locally owned than is true nationally. That was the good news. It also found enormous new benefits were possible if residents spent just a little more locally.

The bad news is this: If 10 percent of local purchasing drifts to the chains, the region could lose 1,300 jobs and \$200 million of annual output.

This study highlights the critical importance of the Mayor's Office on Economic and Workforce Development embracing "buy local" as a cornerstone for economic development. More than 50 communities in the United States now have active "Think Local First" campaigns, led by the Business Alliance for Local Living Economies, which educates consumers about ways to buy local.

City officials have already embraced this goal by declaring the period of Dec. 2-9 to be "Shop Local First Week." But much more is possible. The mayor's office should consider publishing a coupon book for its local businesses, as does Bellingham, Wash. Or creating a local debit card that gives discounts to all local purchases, an innovation introduced in Santa Fe last August that is a money-maker. Or helping small businesses bid more effectively on government contracts.

The mayor's office's activities should to be reviewed, top to bottom, and reoriented. The emphasis on attraction and retention should be dropped entirely. Every dollar of city money and every hour of city time wasted on unreliable nonlocal businesses are precious resources unavailable to nurturing local businesses. Real economic development should begin with the home team.

Michael H. Shuman, an attorney and economist, is the author of "The Small-Mart Revolution: How Local Businesses Are Beating the Global Competition" (Berrett-Koehler, 2006).

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