

# **The Impact of Local Economic Development Policies on Entrepreneurial Activity: Evidence from Southern California Cities**

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# Government and Entrepreneurship?



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## Entrepreneurship Conference

- Cultivating Entrepreneurship in Your Communities
- Mike Grimshaw – Entrepreneurial Institute
- Provost Mike Spagna
- Entrepreneurs, policy makers



# California Entrepreneurship

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Kauffman Index:

**2017 Rank 1<sup>st</sup> in Startup Activity** (measures new venture creation)

**Rank 9<sup>th</sup> in Main Street Entrepreneurship** (measures established small business activity)

**Rank 14<sup>th</sup> in Growth Entrepreneurship** (measures entrepreneurial business)

# Los Angeles Entrepreneurship

Rank 2017	Index 2017	City (Main)	Metropolitan Area	Rank 2016	Change in Rank	Rate of New Entrepreneurs	Opportunity Share of New Entrepreneurs	Startup Density
1	4.47	Miami	Miami-Fort Lauderdale-Pompano Beach	2	1	0.56%	81.09%	107.8
2	3.95	Austin	Austin-Round Rock-San Marcos	1	-1	0.51%	84.73%	104.5
3	3.92	Los Angeles	Los Angeles-Long Beach-Santa Ana	3	0	0.56%	80.03%	92.3
4	3.19	San Diego	San Diego-Carlsbad-San Marcos	11	7	0.49%	82.54%	95.9
5	2.78	Las Vegas	Las Vegas-Paradise	5	0	0.42%	81.93%	120.7
6	1.95	San Antonio	San Antonio-New Braunfels	14	8	0.38%	89.97%	87.2
7	1.87	New York	New York-Northern New Jersey-Long Island	7	0	0.41%	84.43%	86.5
8	1.83	Phoenix	Phoenix-Mesa-Glendale	10	2	0.38%	87.15%	92.1
9	1.66	Houston	Houston-Sugar Land-Baytown	6	-3	0.40%	81.93%	92.6
10	1.59	Denver	Denver-Aurora-Broomfield	8	-2	0.39%	82.87%	92.3

# Los Angeles Entrepreneurship

	First financings 2009-10	First financings 2013-14	First financings 2016-17
<b>United States</b>	3,089	6,772	5,220
<b>San Francisco-Oakland-Hayward, CA</b>	548	1,316	1,031
<b>New York-Newark-Jersey City, NY-NJ-PA</b>	360	928	699
<b>Los Angeles-Long Beach-Anaheim, CA</b>	170	479	385
<b>San Jose-Sunnyvale-Santa Clara, CA</b>	262	561	376

# Los Angeles Entrepreneurship

Metro	Venture Capital Investment (in millions)	Share of U.S. Total
San Francisco-Oakland-Hayward, CA	\$8,468	25.26%
San Jose-Sunnyvale-Santa Clara, CA	\$4,865	14.51%
New York-Newark-Jersey City, NY-NJ-PA	\$3,335	9.95%
Boston-Cambridge-Newton, MA-NH	\$3,199	9.54%
Los Angeles-Long Beach-Santa Ana, CA Met	\$1,695	5.06%

# South Bay Entrepreneurship

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**Hawthorne** (funding: \$1,640M). One company: SpaceX.

**El Segundo** (funding: \$1,070M). 18 companies, such as Radiology Partners (\$496M, Healthcare), Centerfield (\$156M, Internet), Beyond Meat (\$104M, Food), Core Nutrition (\$66M, Food), PeerStreet (\$62M, Internet), and Navitas Semiconductor (\$42M, Electronics).

**Torrance** (funding: \$114M). There are 3 major companies: Emmaus Life Sciences (\$45M, healthcare), Health-Ade Kombucha (\$35M, Food), Phyn (\$25M, Mobile software).

**Inglewood** (funding: \$96M). ImahinAb (\$48M, Biotechnology), and Relativity Space (\$45M, Industrial)

**Manhattan Beach** (funding: \$70M). There are many small startups, many of which are Internet companies.



# South Bay Entrepreneurship

## Universities and Colleges

- CSUDH awarded 10 years accreditation from WSCUC; we have “**entrepreneurial spirit**”!
- Shout-outs to Mike Grimshaw (Entrepreneurial Institute), Gary Polk (Toro Incubator), CEIE Dean Kim MacNutt, CBAPP Dean Joseph Wen.

## South Bay Cities

- Incubators
- Business visitation programs
- Arts districts, Art walks
- Downtowns, Business Improvement Districts

## South Bay Workforce Investment Board

## South Bay Cities Council of Governments

## City Chambers of Commerce, Industry Associations



# Research Questions

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There's lots of support and help in the South Bay...

*But is it effective?*

*Does all that effort pay off?*

# Data

- ❑ Sample: 215 cities in Southern California

## Quantitative Data

- ❑ Web-based search on cities' ED programs
- ❑ Dates: November 2017-March 2018
- ❑ Other sources: U.S. census data



## Qualitative Data

- ❑ Structured phone/email interviews with ED professionals, city managers, etc.
- ❑ Questions asked: city ED programs, redevelopment funds
- ❑ Dates: November 2017-April 2018 (ongoing)
- ❑ 30 interviews completed
- ❑ Conference held at CSUDH – in-depth discussions around important topic areas

# Data

City	Economic Development Score	Self-employed %	Median Household Income \$2014	Population (2010)
Carson	8	5.3	73,829	91,714
El Segundo	9	8.3	91,623	16,654
Gardena	8	6.2	50,137	58,829
Hawthorne	8	8.7	45,089	84,293
Hermosa Beach	10	8.6	121,345	19,506
Inglewood	9	9.7	44,377	109,673
Lawndale	4	11.0	51,934	32,769
Lomita	6	10.8	61,580	20,256
Manhattan Beach	6	11.4	144,868	35,135
Palos Verdes Estates	5	11.5	200,766	13,438
Rancho Palos Verdes	5	10.6	120,668	41,643
Redondo Beach	8	9.2	103,782	66,748
Rolling Hills	2	7.1	220,764	1,860
Rolling Hills Estates	4	15.3	129,728	8,067
Torrance	10	7.4	80,862	145,438

# Findings

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More economic development programs when

- Larger cities
- Higher levels of employment
- Presence of colleges

This finding suggests a role for county or state governments or regional government councils to provide further support to disadvantaged cities.

# Findings

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More economic development programs =

(significantly correlated with):

- Higher average firm size, especially when direct assistance through tax incentives are facilitated.
- Lower levels of female ownership, especially when promotional programming is employed.

# Who is seeking gov't assistance?

Location	Firm Type	Percent of respondents
US	All firms	3
LA Metro	All firms	2.2
US	Firms with less than 2 years in business	5
US	Firms with 2 to 3 years in business	3.7
US	Firms with 4 to 5 years in business	3.1
US	Firms with 6 to 10 years in business	3.1
US	Firms with 11 to 15 years in business	2.6
US	Firms with 16 or more years in business	2.1

Location	Firm Type	Percent of respondents
US	Female-owned	5.1
US	Male-owned	2.3
US	Hispanic	4.7
US	White	2.8
US	Black or African-American	10.3
US	Asian	3.3

**SOUTH BAY  
ECONOMICS  
INSTITUTE**

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CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS

Thank you!