The State of Urban Manufacturing

MILWAUKEE CITY SNAPSHOT
Acknowledgements and Thanks

For their guidance on this research, thank you to Lee Wellington and Katy Stanton from the Urban Manufacturing Alliance; Laura Wolf-Powers, Ph.D., from the City University of New York Hunter College; and Lamont Smith from the Greater Milwaukee Foundation. We also received helpful support with data collection from many Milwaukee-based organizations. Thank you to Tanu Kumar and Jenifer Becker at Pratt Center for Community Development and Case Wyse at Pratt Institute’s Spatial Analysis and Visualization Initiative for their additional analysis of manufacturing data at the metropolitan level. Thank you to Adam Friedman at Pratt Center for Community Development and Greg Schrock, Ph.D., at Portland State University for their invaluable thought leadership throughout this process. Additional support for the State of Urban Manufacturing was provided by Emily Holloway from Hunter College; Johnny Magdaleno and Eva Pinkley from the Urban Manufacturing Alliance; and Martha Cannon and Kelsey Kaufmann, our Milwaukee Community Leaders.

Most importantly, thank you to the survey respondents and focus group participants for their time and insights, without which this report would not have been possible.

Report Author Mark Foggin

Report Design Maria Klushina

May 7, 2018
Contents

Introduction  4

Our Approach and Manufacturing Background  6

Key Survey and Focus Group Results  9

Characteristics of Milwaukee's Microentrepreneurs  12

Microentrepreneur Priorities and Barriers to Scale  22

Workforce Development Opportunities and Challenges Among Smaller and Larger Firms  20

Opportunities  24

Photo credit: Menomonee Valley Partners
Introduction

There has been a well-documented—though not yet well-measured—increase in small-batch manufacturing over the past decade. It’s been most noticeable in cities as more products and brands emerge to take advantage of the increasing interest in all things “made locally.” But most of the evidence to date has been anecdotal. It’s not surprising, then, that many members of the Urban Manufacturing Alliance (UMA), including decision makers in cities across the country, told us they know remarkably little about the smaller-scale manufacturers emerging in their local economies. These businesses often combine design, art, and production in innovative ways. As a result, they do not fall neatly into the data collection categories that government has used to classify manufacturers for generations. Policymakers and economic development officials report to us that they’re left with a sense that something is happening, but they’re not entirely sure what. The entrepreneurial spirit of these businesses’ owners and workers—and the contributions they can make to the local economy—seem to hold promise for cities. But the exact role and economic potential of these emerging businesses are poorly understood.
UMA conceived of the *State of Urban Manufacturing* study as a way to help fill this information gap and begin to give policymakers, economic development practitioners, and workforce training providers information they can use to make strategic decisions. Our goal is to help UMA members begin to understand what the small-batch manufacturing sector looks like in their cities, who its entrepreneurs and employees are, and what cities can do to help these firms thrive and grow into larger employers. This was the reason that the Greater Milwaukee Foundation and Bader Philanthropies invited UMA to include Milwaukee in the *State of Urban Manufacturing* study. “Many economic development leaders and community members have observed a persistent challenge in using traditional workforce development approaches to connect city residents—particularly of cultural minority groups—to jobs,” said Marcus White, Vice President of Civic Engagement at the Greater Milwaukee Foundation, research partner of the *State of Urban Manufacturing* research in Milwaukee. “We hope that shining a light on this sector will help to identify ways in which Milwaukee’s leaders can prepare to support smaller-scale manufacturing to expand our economy in ways we may not be used to thinking about.”

In this snapshot, we explore key findings about Milwaukee’s making and manufacturing economies; these findings incorporate the perspectives of both firms and practitioners in the city’s manufacturing ecosystem. In particular, we touch on many opportunities support the emerging small-manufacturing sector in Milwaukee¹.

¹ For further research and information on small-batch manufacturers and the maker movement, please see urbanmkg.org and urbanmfg.org/project/discovering-your-cities-maker-economy/.
Additionally, more so than any other city in UMA’s *State of Urban Manufacturing* study, Milwaukee stakeholders articulated that the manufacturing sector in Milwaukee should be doing more to apply an equity lens when supporting its small-scale manufacturing entrepreneurs and their workforces. In the 1970s, when the manufacturing sector and organized labor were still strong, African-Americans in Milwaukee had one of the highest median incomes and lowest poverty rates of any African American community in the United States. A substantial majority of the stakeholders with whom we spoke were acutely focused on opportunities to create equity in their communities and hoped that continuing to support the manufacturing sector might be a pathway to pursue on that mission.

Indeed, many of the results from our survey and focus group conversations indicate that small-scale manufacturers have needs and challenges that are different than those faced by large-scale businesses, and that smaller businesses require particularized services.
Our Approach and Manufacturing Background

To inform this research, UMA collected information directly from hundreds of manufacturers in six cities—including over 100 in Milwaukee—about their businesses as well as the challenges and opportunities they face. In each city we also spoke with a variety of organizations that aim to support manufacturers. These included practitioners in economic development, community development, workforce development, and real estate development, as well as chambers of commerce and neighborhood nonprofits.²

Milwaukee was built on manufacturing. And while there has been a significant exodus of blue-collar jobs in the past 50 years, manufacturing remains an essential element of its economy. Even as the Milwaukee metropolitan area lost about 15 percent of its manufacturing jobs from 2007 to 2015, the sector remained the region’s second-biggest employer in 2015 with 119,212 jobs—14.9 percent of the total. And those jobs paid the highest share of total wages, at $7.42 billion.

² While the State of Urban Manufacturing advances our understanding of this sector simply by providing perspective on what small-scale producers experience as they navigate business ownership and growth, our study has one key limitation: we did not use a representative sample for our survey distribution and focus group recruitment. As a result, participants were not necessarily representative of manufacturers as a whole in each city. In particular, we relied on community partners to promote the survey and focus groups, so participation in each place reflected the types of businesses our partners interact with most.
Figure 1: Total Employment by Major NAICS Category, 2014

Figure 2: Total Annual Pay by Major NAICS Category, 2014
Figure 3: 3-Digit Employment Trends, Percent Change

- Apparel manufacturing
- Paper manufacturing
- Textile mills
- Wood product manufacturing
- Chemical manufacturing
- Transportation equipment manufacturing
- Machinery manufacturing
- Petroleum and coal products manufacturing
- Miscellaneous manufacturing
- Textile product mills
- Computer and electronic product manufacturing

Percent Change from 2007 - 2015

-80
-60
-40
-20
0
20
40

Key Survey and Focus Group Results
UMA’s primary research in the city of Milwaukee tapped into a pool of firms that differs from those covered in secondary data on the metropolitan region. While respondents to our survey in Milwaukee proper included a broad distribution of business ages and sizes, many were newer, smaller producers.

Figure 4: Number of Employees (n = 85)

- 0 employees: 35
- 1-9 employees: 17
- 10-49 employees: 18
- 50+ employees: 15

Figure 5: Year of Business Founding (n = 88)

- Before 1971: 19
- 1971 - 2000: 18
- 2001 - 2012: 21
- 2013 - 2017: 30

- A third of respondents had businesses that were founded since 2013 and over half (56 percent) were founded since 2001.

- A majority (61 percent) of respondents had fewer than 10 employees, and 41 percent of the total reported having no employees other than the business owner.
Nearly 40 percent of respondents reported 2016 revenues of less than $25,000; one-quarter were based in their homes.

- Started business with production at home, and it are still based out of their home.
- Started business with production at home, but now have a separate business location.
- Started production outside of their home.
Characteristics of Milwaukee’s Microentrepreneurs
Among the top manufacturing subsectors responding to our survey, companies in the Food & Beverage and Apparel & Textiles sectors were most likely to be micro-entrepreneurs—that is, having revenues under $25,000 in the previous year and with no employees other than the owner.

**Figure 8: Manufacturing Subsectors Among Survey Respondents**
More than a third of Food & Beverage firms, and almost three-quarters of Apparel & Textile companies, reported 2016 earnings under $25,000.

**Figure 9: Characteristics of Top Three Manufacturing Subsector Respondents**

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Share with 0 employees</th>
<th>Share earning &lt;$25,000 annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel, Textile, Leather (n = 11)</td>
<td>73%</td>
<td>73%</td>
</tr>
<tr>
<td>Food &amp; Beverage (n = 24)</td>
<td>29%</td>
<td>38%</td>
</tr>
<tr>
<td>Metalwork, Machining &amp; Fabrication (n = 17)</td>
<td>12%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Figure 10: Food & Beverage Firms by Revenue (n = 26)

Figure 11: Apparel, Textile, and Leather Firms by Revenue (n = 11)
Almost all respondents appeared to have a growth mindset; 94 percent indicated that they anticipate being larger in two years, and 58 percent said they expected to be “significantly larger”. Despite their small size, almost half of the producers with fewer than 10 employees sold primarily to nationally or international customer bases. On the other hand, these businesses appeared to rely on individual sales; three-quarters of these smaller firms sold primarily direct-to-consumer while less than a third of larger firms did. (Direct sales provide higher margins but scaling a business usually requires significantly expanded distribution that comes with wholesaling and business-to-business sales.)
How businesses thought of themselves changed over time. Respondents were asked about their professional identities at founding and at present. The number of respondents identifying as artisans, engineers, or makers declined while the number identifying as businesspeople, manufacturers, artists, and designers increased. This has potential implications for how business support services are marketed to these firms; if they are not thinking of themselves as manufacturers when they start out, they won’t easily find the services made available to manufacturers—either through city government or neighborhood-based nonprofits.

Figure 14: Professional Identities of Survey Respondents
Microentrepreneur Priorities and Barriers to Scale

Overall, the most common and most important barriers to growth cited by survey respondents were: reaching new customers, access to capital, and finding qualified employees. But here, too, responses varied by firm size. Reaching new customers was a particularly concern to employers of 1-9 people, while capital access and affordable space were more frequently cited by sole proprietor firms. This appears to reflect the well-established pattern that the smallest businesses might benefit from targeted business support as they navigate moving from start-up into more established businesses. Not all of these firms may be ready to grow, but a better understanding of their individual circumstances and prospects may lead to useful investments of time and energy by support organizations.

Figure 15: Barriers to Growth Mentioned by Different Business Sizes

<table>
<thead>
<tr>
<th></th>
<th>Mentioned by any business (n=79)</th>
<th>Mentioned by larger employers (10-100 employees) (n=24)</th>
<th>Mentioned by smaller employers (1-9 employees) (n=17)</th>
<th>Mentioned by sole proprietors (n=35)</th>
<th>Mentioned by very large firms (over 100 employees) (n=9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reaching new customers</td>
<td>52%</td>
<td>54%</td>
<td>65%</td>
<td>43%</td>
<td>56%</td>
</tr>
<tr>
<td>Finding qualified employees</td>
<td>42%</td>
<td>63%</td>
<td>47%</td>
<td>20%</td>
<td>56%</td>
</tr>
<tr>
<td>Capital access</td>
<td>48%</td>
<td>25%</td>
<td>35%</td>
<td>69%</td>
<td>44%</td>
</tr>
<tr>
<td>Affordable space</td>
<td>28%</td>
<td>17%</td>
<td>29%</td>
<td>40%</td>
<td>0%</td>
</tr>
<tr>
<td>Finding retailers</td>
<td>18%</td>
<td>4%</td>
<td>24%</td>
<td>23%</td>
<td>11%</td>
</tr>
<tr>
<td>Planning for the future</td>
<td>28%</td>
<td>25%</td>
<td>24%</td>
<td>29%</td>
<td>22%</td>
</tr>
<tr>
<td>Technological limitations</td>
<td>15%</td>
<td>13%</td>
<td>18%</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>Competition</td>
<td>23%</td>
<td>33%</td>
<td>12%</td>
<td>14%</td>
<td>44%</td>
</tr>
</tbody>
</table>
Many of the makers we spoke to described challenges in expanding their markets. Focus group participants from small firms reinforced the importance of reaching new customers. Despite the local pride that they almost universally feel, small producers who mostly sell locally felt like Milwaukee is not a large enough market as they need, collectively, to thrive. Several who are artists or artisans and sell in Milwaukee’s various seasonal and pop-up markets expressed that the markets were saturated, especially given the relatively short season of warm weather. “There’s a bunch for three months, but then it’s tough outside of summer,” one maker said. “The events are starting to bump up against each other, which is cannibalizing our customer base instead of expanding it.” And while most survey respondents indicated that they planned to remain in Milwaukee for the foreseeable future, those who did expect to leave for reasons other than personal- or family-related (e.g. “to be closer to aging parents”) said that it was because they wanted to live in a larger market for their products.

Access to growth capital. Relatively young companies (those founded in 2007 and later) were asked about their sources of start-up capital. Almost all (94 percent) indicated that they relied on personal investments. Barely one in ten (11 percent) was able to acquire a bank loan to help start their business. It may be notable that the businesses that did acquire bank loans reported having employees; two firms reported have 10 or more employees. From the data we cannot say with certainty that that businesses that received bank loans were able to hire employees. For instance, a business that received a bank loan might have had a stronger business plan and demonstrated the potential for managerial acumen. But the correlation between financing and the ability to hire appeared to be strong and speaks to the need to better understand what characteristics businesses need to have to increase their chances of receiving traditional financing.

Small businesses confronting financing challenges is hardly news—regardless of the sector or geography being studied, and our survey indicates that Milwaukee is no different. But inasmuch as stakeholders are hoping to address some of the gaps in the
manufacturing sector, especially for smaller producers, it may be worth noting some of our findings:

- 43 respondents indicated a need for financing in the past year. Of those, half (49 percent) were successful. The other half were either denied (16 percent) or didn’t bother to apply believing it would be too difficult for them to be approved (35 percent).

- Nearly half of the businesses that indicated a need for financing were founded between 2013 and 2017.

- 86 percent of those failing to receive financing had under 10 employees; 77 percent were sole proprietors.

- The most often-cited needs for financing were: cash flow, new equipment for expansion, upgrading current equipment, and new hiring to promote expansion.

Despite strong public-sector support for manufacturing, official programs and services don’t sufficiently support the burgeoning sector of small-scale manufacturing. Milwaukee’s city and regional governments are both highly aligned and squarely focused on supporting manufacturing. Milwaukee has some of the most explicit goals with respect to supporting blue-collar jobs of any city UMA has studied. The city’s economic plan, for instance, requires that there be 100 acres of manufacturing land available at any given time for potential users. And the city’s employment standard for justifying support to manufacturers is that the firms provide 15 to 22 jobs per acre of land. Despite commitments like these, though, there was a sense among several stakeholders who support smaller manufacturers that that city’s policies focused on attracting large firms—an opportunity that pans out only infrequently. Why not, they asked, spend more time and effort to help support and develop a larger number of smaller businesses in the city. One community service provider described their organization and ones like it as organizing resources at the neighborhood-level “to fill the gap in services and leadership” in supporting smaller businesses reach scale.
Workforce Development Opportunities and Challenges Among Smaller and Larger Firms

Finding qualified employees ranked high as a challenge for small firms. (We heard a similar refrain from larger firms.) But what was notable was how different-sized firms recruited production staff for their firms. Smaller companies relied much more heavily on referrals from friends or their own personal networks, including their alma maters. (Larger firms, on the other hand, used more formal methods for hiring much more frequently than smaller firms, including independent job postings, unions and apprenticeships, and public or nonprofit workforce partners.) Smaller companies’ inclination to rely upon informal networks has potential equity issues since socially-driven hiring channels tend to reproduce existing workforce or ownership demographics.

In addition, it is worth exploring in further research the role in which social capital may preempt skills and qualifications when small businesses hire new employees. One hypothesis is that new business owners may perceive hiring people closer to their social circles as a safe way to compensate for their lack of managerial experience and skill. A new business owner may be confident in her or his craft, but less sure of their ability to navigate the challenges of delegating, supervising, and coaching staff.
A related and somewhat surprising observation in our research in all of the State of Urban Manufacturing cities, including Milwaukee, was how frequently smaller manufacturers indicated that a high school diploma or college degree was a preferred or required credential for their production employees. This is in contrast to larger manufacturers who either placed less emphasis on these credentials, or valued previous experience to a greater degree than smaller companies. It also challenges the commonly held understanding that production jobs in the manufacturing sector provide good-paying job opportunities for individuals with relatively lower levels of education.
With respect to workforce opportunities, several focus group participants pointed out that business location is important to community residents as well as to business owners. They spoke to the lack of linkages between many manufacturing or maker businesses and the immediately adjacent, often lower-income residential neighborhoods. Some participants posed some version of the question, Do the jobs in those businesses go to neighborhood residents? “You can’t just plop a business down in the middle of a neighborhood without any outreach or connections to who is there,” one community developer said as they spoke to their frustration of several manufacturing businesses in lower income communities having done just that. These comments appear to reveal disconnection in how residents, practitioners, and businesses understand the fundamental and appropriate relationship between businesses and communities where they are located. A desire to find ways to bridge these barriers was widely expressed.

Business owners discussed challenges with finding job-ready individuals. But while service providers acknowledged the role education and job training plays in preparing diverse candidates for production jobs, some business service provider respondents to the SUM research felt greater responsibility should be taken by business owners in developing equity-focused business practices. “It can’t just be, ‘the broken family unit’ or ‘the terrible public-school system,’ or the ‘lack of personal resources’,” one business neighborhood service provider said. “Yes, all those problems should be addressed, but there are things owners can do, too.” Examples mentioned by participants included not asking job applicants about criminal histories (i.e. “banning the box”); providing coaching and support to front-line supervisors working with populations that have additional life stresses; facilitating access to work supports, such as childcare and transportation; and relaxing certain workplace restrictions, such as rigid scheduling or use of mobile phones, to facilitate employees being able to better tend to family or home needs. Business owners that we spoke with said that such changes

---

3 A related, promising practice comes from Dan T. Moore Company, a Cleveland-based manufacturer. Partnering with a local public high school, the company created the Workroom Program Alliance, which converted a public school classroom into a makerspace that provides foundational skills-training for manufacturing in the curriculum. They launched the program because they saw a decline in their workforce pipeline and wanted to create opportunities for neighborhood residents.
would require substantial cultural shifts in their companies. Workers advocates acknowledged this but expressed that they were prepared to work with businesses willing to explore these options. “You take a chance while everyone learns—and while they stumble—including the business owners and long-time employees,” one service provider said.

Equity opportunities extend to business owners, and would-be business owners, too. “Economic development resources are significantly tilted toward workforce development and not entrepreneurship,” said the representative of one business support organization. The question becomes how can a fully functioning maker ecosystem help people with some know-how and experience take a chance to scale a product idea. In the context of this conversation, similar questions arose about business development and finance professionals’ ability to accurately determine business risk when engaging individuals from a different or unfamiliar cultural context in processes to access capital. One opportunity for continued exploration on this topic is to examine more closely models and opportunities for business development professionals to share effective practices in servicing prospective business owners that have risk-profiles or cultural backgrounds they don’t have as much experience servicing.
Opportunities
Increase the focus on small business development—and the physical spaces that support successful, growing small businesses.

Milwaukee’s and the metropolitan area’s focus on manufacturing is laudable and stands out among the six cities UMA is studying as part of the *State of Urban Manufacturing*. But the bulk of its attention appears to be focused on attracting or retaining large-scale manufacturers. Increasing the attention to, and support of, smaller scale manufacturers has the potential to diversify Milwaukee’s economy and make it more resilient to the decisions of a small number of larger employers. It also promotes local entrepreneurship, which strengthens communities by keeping more of an economy’s dollars circulating locally. It appears that this would be a paradigm shift for both the City and some manufacturing service providers, as it would be in many cities. Rather than focusing on incentives and other attraction-based tactics, strategies to grow small, existing, Milwaukee-based companies is an area for further exploration. In fact, Milwaukee’s Scalerator appears to already offer a promising model, focusing on a strategy that tries to “grow 50 businesses by 10 jobs each instead of going after 500-job companies.”

In the same vein, helping to create affordable space for small but growing companies—especially those that have already broken out of the volatile start-up phase—could offer a better bet for relatively modest public and philanthropic investments, perhaps paired with capital from mission-driven private or non-profit developers. These facilities, which could more easily be located along existing commercial
corridors to help support their revitalization, could therefore perform “double-duty” by supporting growing manufacturers and re-activating underutilized spaces in Milwaukee’s neighborhoods. MaKen Space on Philadelphia’s northeast side is a prime example of reuse of an historic manufacturing space for new industrial use. Shift Capital has revitalized two textile mill buildings, creating right-sized space for emerging makers and artists whom they connect to local neighborhood residents. Everett Mills, in Lawrence, Mass., sets low and flexible rates inside their former mill building and works with companies as they scale up to accommodate their growth in the same building.
Nurture the Maker Ecosystem.

Small businesses everywhere struggle with expanding their markets as they grow. This appears to be acutely the case among some of Milwaukee’s artisan businesses, several of whose owners told us that the city’s various seasonal and pop-up markets were saturating the local customer base—especially during a relatively short outdoor season. But even increasing the selling season, perhaps by identifying more indoor markets during the colder weather, the potential customer base was described as small for the increasing number of makers and artisans in the city.

It was also expressed by Milwaukee artists and makers that the city seemed to lack someone at the helm who could put together a more comprehensive approach to nurturing this ecosystem of producers and would-be producers. Identifying an individual or entity who knows the maker community in Milwaukee and can help connect the smallest producers with the knowledge and opportunities they need to get their goods sold—in Milwaukee and beyond—would be an important complement to many of these other recommendations. In addition to turning more small producers on to market opportunities, a go-to person or organization could more easily connect makers to workforce intermediaries, advocate in local or state government when needed, and keep an eye on national trends that would benefit the sector.

Pittsburgh’s Craft Business Accelerator (CBA) may offer hints on approaches Milwaukee could take to support this emerging sector. In addition to the affordable space it offers
nascent businesses in their 7800 Susquehanna building, it created an online platform called Monmade to showcase its members’ products and producers nationally. The accelerator also helps several of its members showcase their products at NY NOW, an important trade show in NYC for home decor and gifts, by subsidizing their entrance fee and travel. The CBA also links their members to new contract opportunities, such as emerging real estate developments, which helps makers build a new line of revenue for their business.

Similar to Monmade, local branding organizations such as Made in Baltimore and Seattle Made, also provide a foundation for nurturing the maker and manufacturing ecosystems in their respective cities. These organizations often help producers differentiate themselves as local manufacturers and provide a competitive advantage with customers seeking locally made products, as well as with investors and other potential capital sources. Creating a “Made in Milwaukee” brand could be a path to bring new opportunities for collaboration between makers and manufacturers; create a support system for emerging businesses; and strengthen Milwaukee’s manufacturing ecosystem.
Include manufacturing workforce and business ownership in the equity conversation.

Milwaukee service providers we spoke with were clear on the need to increase equity in the manufacturing sector. One step is to increase the socio-economic and racial diversity of the workforce, for both small-batch producers and large manufacturers.

For larger companies, deliberate action on the part of employers is needed, including, for instance, opening up hiring to include workers who have had contact with the criminal justice system, and providing more flexible schedules to facilitate family care by workers. This may require a cultural change among employers (and their front-line supervisors). In Cincinnati, which UMA is also studying as part of the State of Urban Manufacturing, a business roundtable has spun off from the city’s Child Poverty Collaborative to convene employers who are seeking to learn from each other about how to diversify their workforces with the goal of increasing equity. Strategies are being discussed on how to support employees dealing with challenging life issues that affect work schedules and giving employees flexibility to leave work for family needs rather than penalizing them. Increasingly, on-site coaching is offered to new workers and front-line supervisors alike, helping companies adjust to different approaches to organizing their plants’ work to increase work opportunities. Participants also noted that promoting less-rigid work environments (within the parameters of safe operations) helped in attracting and retaining young production workers, who value flexibility and the ability to be creative in their work.
Breaking down barriers between many manufacturers and adjacent lower income communities is already happening in Milwaukee. For the past two years, Havenwoods EDC has held The Engine, which is a conference of makers and manufacturers that aims to create dialog and synergies between businesses, policymakers, and nearby residents.

For smaller-scale businesses, the onus will similarly be on the owners to reach out to intermediaries who could connect them to new populations of workers. However, workforce intermediaries should also consider developing programs that are tailored for connecting workers to small businesses. For example, Youthmade in San Francisco is a partnership between the United Way of the Bay Area and SFMade is a first-of-its-kind program to give low-income youth direct work experience inside small, urban manufacturing businesses.
Expand access to growth capital.

Access to growth capital is another perennial challenge for small businesses, but it’s particularly challenging at critical inflection points of their business trajectories—not just for new equipment or expanded space, but also the working capital needed to, say, transition from the cash-on-the-barrelhead world of direct-to-consumer production to the world of 60- and 90-day terms of supplying wholesale markets, or to hire new workers to prepare and deliver their first big order.

Some business owners fill the gap with personal resources, or by tapping their networks of friends and family. However, the city of Portland, Oregon, for example, recognized the equity issues inherent in expecting small business owners to rely solely on their social capital and developed the Inclusive Startup Fund, which provides early-stage investment capital and mentoring to local high-growth companies founded by underrepresented groups. Multnomah County and Prosper Portland (the citywide economic development agency) each contributed $500,000 and state organizations committed $250,000 to launch the fund in 2015. A similar partnership effort could be explored in Milwaukee.

One business support organization who participated in our focus group also pointed out that stakeholders in Milwaukee could be doing more to press commercial banks to be more transparent about why small business loans are being rejected—and to help intermediaries to fill gaps in knowledge or support that could get more small businesses approved by traditional lenders.
Many cities are creating multi-stakeholder approaches to address this challenge. Policymakers, local financial institutions, nonprofits, and public-private partnerships are working together to create capital programs that target manufacturers and other businesses. Much like the city of Milwaukee’s partnership with Kiva, in 2016, the city of Rochester, NY partnered with the microloan platform to begin offering crowdsourced loans to entrepreneurs who may not qualify for traditional bank financing. Loans range from $1,000 to $10,000 and carry no interest. The Rochester Economic Development Corporation dedicated $100,000 to jumpstart this partnership. In its first year more than 160 local people invested and over 21 businesses were funded. Over 75 percent of the businesses were minority-owned, three-quarters of which had household incomes of $40,000 or less and credit scores under 700.

For those manufacturers who are well-established and looking to scale their business, the Philadelphia Industrial Development Corporation created a loan fund offering financing of $50,000 to $750,000 for working capital and equipment purchases. Qualifying companies have revenues between $150,000 to $10 million, have been in operation for at least two years, and have at least four employees. Priority is given to businesses that locate in low-to moderate-income census tracts or employ individuals from low- to moderate-income backgrounds.
This is Just the Beginning...

This snapshot begins to shed light on the small-batch producers of Milwaukee, but it taps only a portion of the data collected. It is the intention of UMA that cities participating in the State of Urban Manufacturing study be able to take the findings from the survey and focus groups and continue to pursue their own lines of inquiry. We hope each city will share additional research as it becomes available so that the field of business support for small producers—including UMA and its members—may continue to benefit.
The Urban Manufacturing Alliance was generously supported by our National Title Sponsors, the Ewing Marion Kauffman Foundation and Bank of America Merrill Lynch, and our National Lead Sponsors, Google and Etsy. UMA would also like to thank Local Title Sponsors, Bader Philanthropies and the Greater Milwaukee Foundation.