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51

Best Cities to Start a Business

by DIVYA on APRIL 22, 2013

May is Small Business Month, and entrepreneurs everywhere face uphill battles with funding, the economy, hiring and affordability in the effort to get their businesses off the ground. NerdWallet sifted through the factors that matter to small business owners to determine which cities are the best for those looking to start a business.

NerdWallet calculated the best cities for starting a small business according to the following questions:

- 1. Is it easy to obtain funding?** We measured the amount of C&I loans under \$250,000 given out over a one-year period. NerdWallet's interviews with over 40 CEOs from lending institutions indicated that while traditional bank capital for start-up businesses is difficult to obtain, there are [certain actions](#) small business owners can take to improve their chances of getting approved for loans.
- 2. How business-friendly is the city?** We assessed business-friendliness through the number of businesses per 100 residents and the small business friendliness rating from Thumbtack's Survey of Small Business Owners.
- 3. Is the local economy thriving?** We assessed the state of the local economy through per capita income and unemployment rate.
- 4. Will hiring be easy?** We proxied ease of hiring through population growth and the percentage of residents with bachelor's degree.
- 5. How affordable is it?** Start-ups need to be able to grow cheaply until they get rolling, so we included the cost of living in this analysis.

For more information, check out our [Cost of Living Calculator](#), [City Life](#) tool, and additional CEO perspectives on [small business loans](#).

1. Atlanta, GA

Atlanta earned an A- on Thumbtack's Survey of Small Business Friendliness. The city's population is educated, as 46% have a Bachelor's degree, and the cost of living is low, making Hotlanta a top notch city in which to start a business. Nearby Georgia Tech supplies plenty of technology talent to the city, and Atlanta is a growing tech hub. The [Metro Atlanta Chamber](#) is a great resource for entrepreneurs, offering CEO Roundtables, networking luncheons and monthly workshops. The [Small Business Development Center Network](#) at the University of Georgia provides low-cost training and free consulting.

2. Raleigh, NC

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Business owners agree that Raleigh is a great place to start a business, and the city earned an A on Thumbtack's Survey of Small Business Friendliness. The city is highly educated (almost half the population has a college degree) and the cost of living is very low. Research is a huge industry in Raleigh, and the presence of Duke and UNC nearby contributes talent to the job pool. Resources abound in Raleigh, including Wake Tech Community College's [Small Business Center](#), a program that offers one-on-one counseling, seminars, workshops, classes and a resource library.

3. Austin, TX

It's not hard to see why Austin received an A+ rating from Thumbtack's Survey of Small Business Friendliness. With a low unemployment rate, a low cost of living, high population growth and proven business-friendly culture, Austin is thriving. The 0% corporate tax rate takes a burden off of small businesses, and Austin is a burgeoning tech hub. The city's focus on business is evidenced by the plethora of resources for entrepreneurs—Austin's [Small Business Development Program](#) offers classes and networking events, and the UT Austin [Professional Development Center](#) offers expert training to small businesses, including workshops that cover financing, writing business plans, marketing, management and taxes.

4. Tulsa, OK

Community banks are lending plenty in Tulsa—a whopping \$125 million was lent in small C&I loans (less than \$250,000) from Tulsa community banks in 2012. An aircraft and aerospace hub, Tulsa has plenty to offer entrepreneurs. Tulsa's [Chamber of Commerce](#) has launched several initiatives for small businesses, including a networking series and a guide for entrepreneurs.

5. Oklahoma City, OK

This aviation and healthcare hub has a low unemployment rate and a low cost of living, making the city ideal for small businesses trying to watch their costs. However, funding is available—\$118 million was lent in small C&I loans from community banks in 2012. The University of Central Oklahoma [Small Business Development Center](#) is a trusted resource, offering management trainings and seminars for aspiring small business owners as well as tenured professionals.

6. Tampa, FL

Tampa's population is growing by 3% a year, and community banks are willing to lend to small businesses. \$80 million was lent from Tampa community banks in small C&I loans in 2012. The city boasts a thriving business climate, and there are 11.5 businesses per 100 residents in Tampa. Additionally, the University of South Florida College of Business hosts a [Small Business Development Center](#), offering university-driven business information and market research as well as regular training and consulting.

7. Seattle, WA

With a whopping 12.5 businesses per 100 residents, Seattle is clearly supportive of small businesses. There's plenty of talent in the hiring pool in Seattle as well, and 55.8% of the population has a college degree. Seattle has plenty of business owners to network with at [meetups](#), and entrepreneurs can receive technical assistance, training and loans from [Community Capital Development](#).

8. Minneapolis, MN

Known for manufacturing, healthcare, and financial services, Minneapolis is a growing hotspot for startups and small businesses. Minneapolis has a very low unemployment rate of 6.3% and a highly education population, almost half of whom have a Bachelor's degree. The city has tons of great resources and associations for small business owners, including tech group [MHTA](#) and nonprofit community development association [MCCD](#), and [technical assistance groups](#) funded by the city. [CoCo](#), known as the Minneapolis Brain Exchange, is a coworking community that brings together Minneapolis entrepreneurs, community leaders, writers, etc.

9. Houston, TX

Business owners love H-Town—the city earned an A+ on Thumbtack's Survey of Small Business

Friendliness. It's not hard to see why, as the Space City has nonexistent corporate taxes, a low cost of living and a high availability of funding. The city is replete with energy capital, as well as medical institution leaders like [MD Anderson](#) and [the Texas Medical Center](#), nanotechnology, and enterprise software companies. In addition, the city's local universities have done a great job of fostering entrepreneurship – since 2000, [Rice University's Alliance](#), a collaboration between the engineering, natural sciences, and business schools, has helped launch more than 311 new tech companies. Similarly, University of Houston's RED Labs has helped accelerate student startups by providing coworking space and mentorship.

10. Omaha, NE

Omaha has an incredibly low unemployment rate of only 5.1%, and business owners love the city. Omaha was rated an A- on Thumbtack's Survey of Small Business Friendliness, and the low cost of living makes the city an affordable place to take some risks and start a business. While this Silicon Prairie town has traditionally been known as a telecommunications and finance city (home to Berkshire Hathaway after all), its innovative start-up scene has grown in recent years. Omaha is home to [MindMixer](#), an innovative platform for idea sharing and community engagement, as well as online retailer hayneedle.com, which offers home furnishings and hammocks!

Rank	City	C&I loans	Loans/ population	Businesses per 100 residents	Small business grade	Per capita income	Unemployment rate	Change in population	Percent 25+ with a Bachelor's degree	Cost of living	Overall score for business
1	Atlanta, GA	\$62,234,000	\$144	9.8	A-	\$35,884	12.1%	3.0%	46.1%	95.0	68.0
2	Raleigh, NC	\$43,923,000	\$105	10.5	A	\$30,377	7.6%	3.1%	47.3%	90.9	66.5
3	Austin, TX	\$28,370,000	\$35	10.8	A+	\$31,170	6.2%	3.8%	44.5%	94.4	66.4
4	Tulsa, OK	\$125,451,000	\$316	10.7	D+	\$26,727	6.5%	1.2%	29.5%	88.3	66.3
5	Oklahoma City, OK	\$118,547,000	\$200	10.3	B+	\$25,450	5.7%	2.1%	27.9%	90.5	65.3
6	Tampa, FL	\$79,241,000	\$229	11.5	C	\$28,863	11.2%	3.1%	32.2%	92.2	64.4
7	Seattle, WA	\$41,128,000	\$66	12.5	B-	\$41,695	7.5%	2.0%	55.8%	116.2	62.9
8	Minneapolis, MN	\$52,566,000	\$136	10.4	B+	\$30,693	6.3%	1.4%	44.7%	110.8	62.3
9	Houston, TX	\$250,528,000	\$117	9.9	A+	\$26,849	8.2%	2.2%	28.4%	94.2	61.1
10	Omaha, NE	\$51,868,000	\$125	8.1	A-	\$26,113	5.1%	1.5%	27.8%	89.4	59.9

Methodology

The overall score for each city was derived from the following measures:

1. C&I Loans from community banks (with assets less than \$1 billion) with original amounts under \$250,000 via the [FDIC](#), as of December 31, 2012
2. Number of businesses per 100 residents from the U.S. Census
3. Business friendliness ratings from [Thumbtack's](#) Survey of Small Business Owners (half-weighted)
4. Per capita income from the U.S. Census (half-weighted)
5. Unemployment rate from the Bureau of Labor Statistics (half-weighted)
6. Population growth rate from the U.S. Census (half-weighted)
7. Percentage of residents with a Bachelor's degree from the U.S. Census (half-weighted)
8. Cost of living from the [C2ER](#) Cost of Living Index

42 of the largest U.S. cities were included in this analysis

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