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Best Cities for Entrepreneurs

By Michelle Dammon Loyalka

A Tiny Town's Big Advantage

Waitsfield, Vt., doesn't boast a single traffic light. Yet its tech infrastructure and entrepreneurial climate make it a haven for startups

Waitsfield, Vt.

2000 Census Population: 1,650

Pros: Easy access to DSL and other communication technologies, a local business incubator, rich entrepreneurial community, big-city amenities, no traffic

Cons: Lack of affordable housing, no municipal services

Think of a place with a population of under 2,000 people, and words like quaint and sleepy come to mind. But not in Waitsfield, Vt. Though surrounded by farms and without even a single traffic light, this booming metropolis of 1,650 boasts a diverse and thriving entrepreneurial community, including players such as Small Dog Electronics, one the nation's larger Apple resellers; Diffraction, an electro-optical microfabrication specialist; and American Flatbread, national producer of wood-fired, natural pizzas.

"A lot of small businesses start here, grow here, and sometimes they even outgrow here," says Susan Roy, executive director of the local Chamber of Commerce.

At the foundation of Waitsfield's success, Roy says, is Waitsfield Champlain Valley Telecom, a 101-year-old local company that's anything but old-fashioned. By keeping the area wired with all the latest in communication technology, including high-speed DSL, the company has created a fertile environment for local businesses to grow. "Through their advances and cutting-edge technologies, it

allows these companies to compete in the global economy," Roy adds.

VEGAN COOKIES. Having two nearby ski resorts (Sugarbush and Mad River Glen) and a strong tourism-based economy hasn't hurt Waitsfield's business climate, either, since it has brought in a number of banks, real estate offices, restaurants, and a host of other big-city amenities.

But Waitsfield is also a town with some spunk. When Mad River Canoe -- a homegrown company that was one of the biggest in the area -- moved to North Carolina a few years ago, it could have been a devastating blow for the local economy. Instead, two area entrepreneurs converted the canoe company's 38,000 square-foot facility into a small-business incubator that now houses companies such as cereal-maker Vermont Morning and vegan cookie company Liz Lovely.

For such a small town to be teeming with so much innovation may seem surprising, but it's increasingly common in areas beyond the reach of suburban America, says Jack Schultz, CEO of Agracel, an Effingham (Ill.)-based industrial-development company that specializes in bringing high-tech jobs to rural markets.

"In many ways, small towns seem to encourage entrepreneurship," says Schultz, the author of *Boomtown USA*, a book about thriving small towns. "I've seen some really out-of-the-way places do some really amazing things."

DIY SERVICES. Of course, even in Waitsfield, not everything is idyllic. Picturesque scenery, a vibrant art community, and high-speed Internet aside, the town has stringent zoning restrictions and lacks municipal services (residents and businesses are responsible for their own septic and water services, for example), which can make the town a tough sell for some. A flurry of second-home building has occurred in recent years that has driven property values up and led to a shortage of affordable housing.

But Daniel Holtz, who, together with wife Liz, founded Liz Lovely in 2003 and moved the company from Philadelphia to Waitsfield in early 2004, says the town's long history of entrepreneurship is an especially big perk, since almost everyone either owns a small business or knows someone who does. "It's not new or hot," he says. "It's just a real solid place to start a business."

Thursday: A conversation with Jack Schultz, author of *Boomtown USA*.

Friday: A look at one thriving company and where it's choosing to expand. Plus: a slide show spotlighting some of the nation's most innovative small-business cities.

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