Cities and Businesses of Color: A Guide to Economic Growth

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- Programmatic support from Living Cities
- $100K Grant to 5 cities (Atlanta, El Paso, Long Beach, Newark, Rochester)
- Technical assistance provided by Ascendant Global to assist the municipalities develop and implement specific strategies to grow businesses owned by people of color
- The guide borrows from the learnings of these communities and others to provide a concrete approach and practical tools for communities.
Economic Opportunity and People of Color
The Economic Realities

The Current Environment

• Large, mature businesses are not producing enough jobs or income to meet growing demand.

• First time since the great depression a white 30-year old male is not expected to do better than his parents.

• Most new jobs are being created by small and medium-sized businesses.

• People of color will represent the greatest share of the U.S. population in the next 25 years. People of color significantly lag the white population in every indicator of social and economic advancement.

What This Means

• Competition is nimbler, fierce, and global. Large businesses do not have an understood competitive advantage just because of size anymore.

• Social and economic indicators of people of color will more closely be a proxy for socioeconomic performance for the nation.

• While black people and other people of color are continuing to grapple for access to opportunities, all Americans are experiencing competition in a new way adding to the social pressures.

• Where are the jobs?
Businesses of Color

• The gap in business creation among people of color is costing the US over one million businesses, an estimated 9 million jobs, and $300 billion in income annually.

• Nonwhites represent 38% of the US population but only 19% of entrepreneurs. In urban areas, nonwhites represent 76% of the population and just 22 percent of entrepreneurs.

• Between February and April of 2020
  - Black businesses plummeted more than 40%
  - Hispanic businesses dropped by 32%
  - Asian-owned businesses fell by more than 25%
  - Immigrant-owned businesses fell by 36%

• Perfect storm of high concentration in leisure industries, communities devastated by the coronavirus, and weak savings.
COVID-19 Landscape – New Risks & Opportunities

- Global projections all point to a dramatic reduction in general economic opportunity as a result of the coronavirus.
- Social isolation will cause people to rethink existing values.
- Health and health security will become the most important global issue in the coming months and years.
- Remote work protocols established during the crisis will likely extend well after the crisis is over.
- Long-term disruption in business operations will cause many companies to rethink capital expenditure models.
- Protectionist trade policies are quickly emerging to protect supply chains for US and the Europe creating new market opportunities.
- Trends suggest that investments in environmental technologies, fintech, blockchain, and cyber security will continue to significantly grow.
- Shifts in global values will continue to elevate ‘quality of life assets’ as an important and marketable global differentiator for high tech and millennial talent.
Local Government: A Force for Driving Inclusion
What can local government do?

• Local government should drive ecosystem development and an economic inclusion agenda.

• Local government can leverage their tools and influence across an array of decisions (housing, economic development, procurement, health, infrastructure, etc.) to promote inclusive growth.

• Leverage the bully pulpit to force conversations and encourage nuanced collaborations.

• Focus on building an inclusive ecosystem across technical assistance, capital access and real estate.

• Take a market-driven versus patronage or social service orientation to help communities towards a proven path to economic revitalization.

• Create safety nets to encourage more entrepreneurship.

• Public procurement represents a major revenue opportunity for businesses owned by people of color and can drive the economic performance of a city and region.

• Lead in the ecosystem building process to ensure that access to entrepreneurship support is broadly available and attuned to the specific needs of diverse residents.
“Communities of color in cities have the potential, if they are able to participate in the economy on par with their white counterparts, to raise overall US levels of productivity and economic activity, increasing everyone’s prosperity and upward mobility.”

Principles for Securing Economic Inclusion

**Principle 1**
Acknowledging history, discrimination, and systems that have historically kept people of color from optimally participating in economic development.

**Principle 2**
Act now while investing in the long-term.

**Principle 3**
Equitable economic growth is better for everyone.

**Principle 4**
Build more competitive communities.
Principles for Securing Economic Inclusion

Principle 5: Inclusion will bolster innovation

Principle 6: Use a data driven approach

Principle 7: Strategies need to be specific and targeted versus generic and global

Principle 8: Equitable economic growth is better for everyone
Ecosystem Building: The Long Work to Sustainable Growth
Ecosystem Building

Ecosystem building is organizing a concerted and integrated effort by a robust network of partners, usually spanning the public, private, and nonprofit sectors, in a given region or market to provide targeted support to entrepreneurs to help them have greater success and more quickly so that more companies start-up, stay-up, and scale-up.

Sustainable support for growing businesses owned by people of color is not possible without intentional ecosystem building.
Steps to Ecosystem Building

01 RELATIONSHIP CULTIVATION
- Who are the players?
- What are the resources?
- What are the desired outcomes?
- Who leads this effort?

02 MAP THE ECOSYSTEM
- Identify roles and be specific.
- Draw and define the roles of the diverse players

03 REVIEW EXISTING SERVICES AND SPECIFIC CAPITAL NEEDS WITH A FOCUS ON ENTREPRENEURS OF COLOR

04 VERIFY AND SOCIALIZE

05 SHARE THE MAP BROADLY AND USE IT

06 LEVERAGE INSIGHTS TO FURTHER ASSESS MARKET, REFINE PERFORMANCE, AND ELEVATE SHARED OBJECTIVES

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Key Elements of Successful Ecosystems

• Joint problem-solving and meticulous coordination of services among diverse partners
• Specialization by different technical assistance providers and partners on different parts of the ecosystem at various phases along the business development life cycle with intentional information sharing
• Storytelling as a marketing and learning tool to elevate key successes and fix systemic failures
• Strategic connections between businesses, individuals, financiers, government and philanthropy to create synergies and launch new programs
• Clear on-ramps to provide businesses with accessible support appropriate to where they are in their lifecycle
• A culture of trust fostered by clearly articulated goals, responsibilities, a focus on results, and consistent communication.
Case Studies
Municipal Case Study: Newark

Context: Newark developed the Buy. Hire. Live. initiative to reduce unemployment, grow local businesses, and increase rental and homeownership choices for employees of local businesses in partnership with Rutgers University-Newark, RWJ Barnabas Health, Prudential, and other local anchor institutions. However, it became apparent that while the city was experiencing an unprecedented redevelopment, local developers and other real estate related businesses owned by people of color were not benefitting, despite more than 80% of the population being African American or Latinx.

Intervention: The project had two core elements, a Contractors' Development Initiative (CDI), and an All-Inclusive Business Portal.

Contractors Development Initiative. Newark expanded on a previous capacity-building program targeted to local contractors/developers owned by people of color. The aim was to provide technical expertise and back office operations to increase their scalability and sustainable growth to participate in local contracting opportunities, both with public sector and private sector anchors. This program helped entrepreneurs of color build back office operations, create a roadmap to the bonding process and eventually lead to becoming an M/WBE prime.

The All-Inclusive Business Portal. Newark established a business portal to assist firms owned by women and people of color in navigating training, resources, and opportunities. Highlights include links to pages regarding access to capital, links to their partners to streamline and aggregate all RFPs out for bid and produce them in one place. Marketing of opportunities in the City of Newark will be accessible in one easily accessible place in an interactive format.

Results to date: This project is still under development. However, the local procurement spend has tripled since June 2017. Rutgers University is currently at 24 percent, with a goal of 30 percent by 2020. There has been match-making of local suppliers with key anchor institutions, including Prudential Financial engaging Royal Marketing, Prudential Center engaging BMC Construction (a CDI graduate) and Blue Cross Blue Shield contracting with women-owned KS Engineering.
Municipal Case Study: Paradise Valley, Detroit

Context: Harmony Park was an area on the outskirts of Detroit’s downtown that was sinking into blight with low levels of real estate occupancy (20%), increasing levels of crime and drug infestation, and few prospects for economic revitalization.

Public Intervention: The Detroit Economic Growth Corporation (DEGC - the City’s economic development agency) purchased much of the property for $10M, arguably at values higher than their worth, in 2006. The organization then invested in significant improvements in the multiple buildings purchased, public-use infrastructure in the park and streets, and began programming the area with varied cultural events. The DEGC aggressively promoted and managed the real estate in Harmony Park with the goals of getting quality businesses in that community, increasing foot traffic, and specifically encouraging businesses of color to locate there.

Results: By 2015, the properties were over 90% occupied and had a range of businesses including restaurants, a cigar bar, several professional services firms, and apartments. The DEGC then decided to sell its assets in Harmony Park for redevelopment and rename it Paradise Valley to pay homage to an African American and Jewish business district that had been razed in the 50s for the city’s urban renewal efforts. The results of the public sell of the property was more than $50M in private investment by 6 local developers, 4 of which were African American led, 2 had significant women ownership, and one was led by an immigrant. Projects include a hotel, office tower, multiple apartment complexes, a theater, and varied retail.
Questions?

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Other Select Resources

- Association for Enterprise Opportunity, www.aeoworks.org
- Case Foundation, www.casefoundation.org
- Interise, www.interise.org
- Kiva, www.kiva.org
- Local Initiatives Support Corporation, www.lisc.org
- Policy Link, www.policylink.org
- REAP, www.projectreap.org
- Real Estate Executive Council, www.reec.org
- The Reinvestment Fund, www.reinvestment.com
- USC Ross Minority Program, https://lusk.usc.edu/ross
Q&A Discussion

Please type your questions into the “Questions” box on your GoToWebinar Dashboard.

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UPCOMING WEBINARS

COVID-19 Metro Recovery Watch: A Framework for a Racially Inclusive Recovery

- Monday, September 28 | 3:00 p.m. – 4:30 p.m. ET
- Visit iedconline.org for more information and to register

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