

August 11
2020
1:30 pm EST

*IEDC Sponsored Economic
Development Webinar*

The Great Reset #3

Race and the Role of Economic Development
to Foster Equity



Purpose of this webinar:

Inequities hold society back

Goal: Advance a dialogue on the need for **social justice and a strategy for **economic growth****

What We Know:

US Economy:

- **Slowed economic growth**
- **Constrained by declining labor force participation**
- **Slowing productivity gains**
- **Aging of baby boomers**

What We Know:

By enabling the **full creative and economic potential** of all people:

- **Increase the size and skills of the workforce**
- **Increase productivity**
- **Improve fiscal situation**
- **Boost long-term economic growth**

What we Know:

**Average earnings of
persons of color are
63% of the average
earnings of whites**

Source: W.K. Kellogg Foundation: The Business Case For Racial Equity

What is Possible:

By 2050, closing the racial equity gap would generate \$8 trillion gain in GDP

Annual increases of:

- **\$191 billion spent on food**
- **\$500 billion spent on housing**
- **\$52 billion spent on apparel**
- **\$259 billion spent on transportation**
- **\$450 billion in Federal tax revenue**
- **\$100 billion in State and local tax revenues**

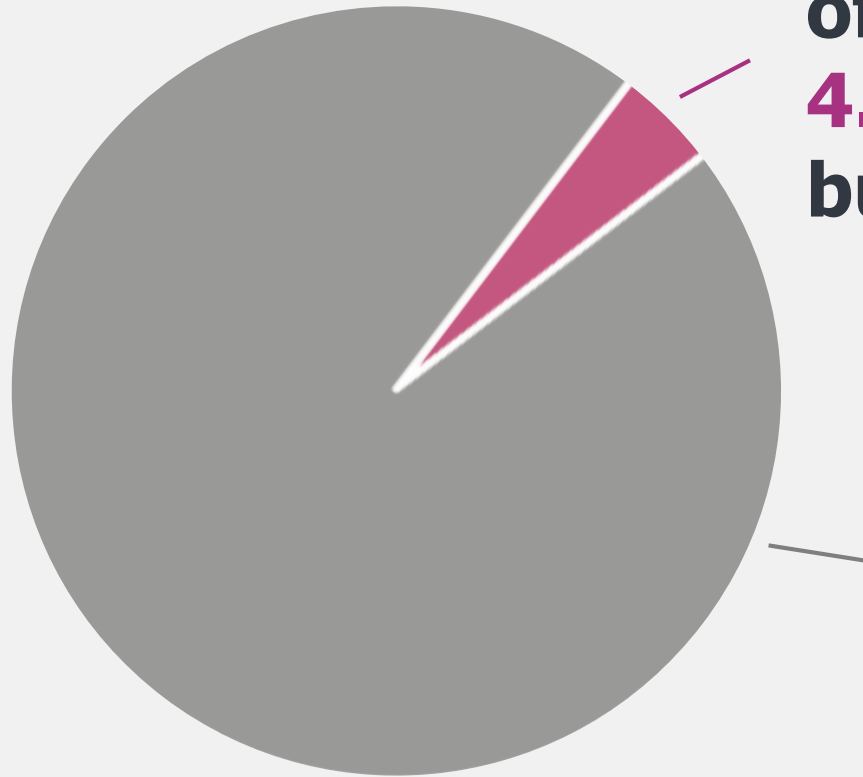
Source: W.K. Kellogg Foundation: The Business Case For Racial Equity

The Reality:

1% of Black business owners obtain loans in their founding year, compared to 7% of white business owners

Source: Brookings Report – Five-star reviews, one-star profits: The devaluation of businesses in Black communities – Feb. 18, 2020

What We Know:



Black people represent 12.7% of the US population, but **only 4.3% of the nation's 22.2 million business owners**

95.7% of the nation's business owners are non-Black people

Source: Brookings Report – Five-star reviews, one-star profits: The devaluation of businesses in Black communities – Feb. 18, 2020

The Reality:

21% of Black-owned businesses were financially distressed at the end of 2019 vs 5% of white owned businesses

Source: www.fedsmallbusiness.org

Black-owned businesses face a system set up against them.
COVID makes it worse

Since COVID

The Reality:

PPP: 12% of Black and Latino-owned businesses received assistance sought, 41% were denied

Source: UnidosUS and Color of Change

The Reality:

**Black-owned businesses
dropped by 41% compared
to a 17% drop in white-
owned businesses**

The Reality:

**May 2020: Black
unemployment rate was
16.7% vs 12.4% white
unemployment**

National Bureau of Economic Research

Our Panelists

Henry Coaxum

President

Coaxum Enterprises



Adam Knapp

President & CEO

Baton Rouge Area Chamber



Rodrick Miller

CEO

Invest Puerto Rico



**“We all have the power to
advance racial equity
within our circles,
workplaces and
communities.”**

Taking Action

Some Evidence-based Strategies:

- **Invest early: maximize lifelong health and educational achievement**
- **Empower social mobility**
- **Increase economic growth by supporting inclusionary zoning policies**
- **Improve existing communities through neighborhood revitalization**
- **Better connect youth to job skills through career-focused education**
- **Create economic opportunity through business development in underserved areas**
- **Grow minority entrepreneurship through expanding access to capital**

Source: W.K. Kellogg Foundation: The Business Case For Racial Equity

— QUESTIONS?

steve@gazelle.ai



Dusable Museum of African American History Founder Dr. Margaret Taylor Goss Burroughs



WHILE IN NOLA,
VISIT YOUR LOCAL McDONALD'S

**10001 I-10
SERVICE RD
NEW ORLEANS, LA**

KAREN & HENRY COAXUM
McDONALD'S OWNER/OPERATORS





**First African American McDonald's Operator
Herman Petty
and McDonald's Founder Ray Kroc**

In 1972, the first convention
of the National Black McDonald's®
Operators Association barely
filled a hotel room.



Today, they fill a hotel.

Twenty-five years ago, the NBMOA was a small group, formed to address the unique issues and concerns of black franchise owners. Today their franchises fill neighborhoods with employment opportunities, sponsorships and economic development. They've grown to over 300 owners, but their mission remains the same – to maintain the business and to build the community.

McDonald's salutes the NBMOA on their 25th anniversary.





National Black McDonald's Operators Association





BUSINESS ROUNDTABLE CEOS ARE RESPONDING TO COVID-19

The CEOs of America's leading companies recognize the magnitude of the COVID-19 crisis and are focused on ways to support employees, customers, communities and the country.



Baton Rouge recently benchmarked its economic inclusion data. Here's what we found.

Comparing 40 metropolitan areas between 400,000 and 2 million people, within 1,000 miles of metro BR



Poverty & Racial Disparities

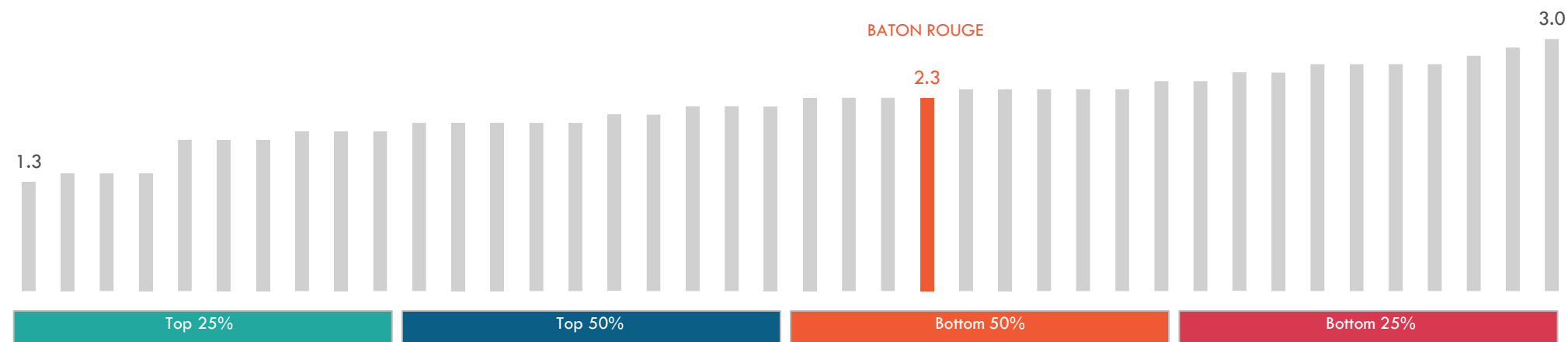
Regional poverty rates rarely reflect the prevailing poverty rates of individual racial and ethnic groups. While poverty rates for most racial and ethnic populations have ebbed slightly in recent years, there remain substantial differences in the poverty rates for White, Non-Hispanic individuals and racial and ethnic minorities.

The poverty rate for White, Non-Hispanic residents in the Baton Rouge Area is less than 10%. The combined poverty rate for all other racial and ethnic groups in the region exceeds 20%. Among benchmark regions, the Baton Rouge Area has the 24th smallest ratio of non-White and Hispanic poverty rates to White poverty rates.

Lowest Poverty
Rate Racial
Disparities
(2018)

- Deltona, FL
- Fayetteville, AR
- Port St. Lucie, FL
- Springfield, MO
- Lexington, KY

RATIO OF NON-WHITE & HISPANIC POVERTY RATE TO WHITE POVERTY RATE
2018



Household Income & Racial Disparities

Much like poverty rates, there is often significant differences in median household income figures for individual racial and ethnic groups. While household income levels for all groups have steadily risen since the the last recession, White, Non-Hispanic households are still characterized by greater income levels than Non-White and Hispanic households.

In the Baton Rouge Area, substantial differences exists between White, Non-Hispanic households and Non-White and Hispanic households. In 2018, median household income for the Baton Rouge Area’s White, Non-Hispanic households topped \$75,000. The figure for Hispanic households was less than \$58,000 and just \$38,000 for Black/African American households.

- Lowest
Estimated
Household
Income Racial
Disparities
(2018)
- Deltona, FL

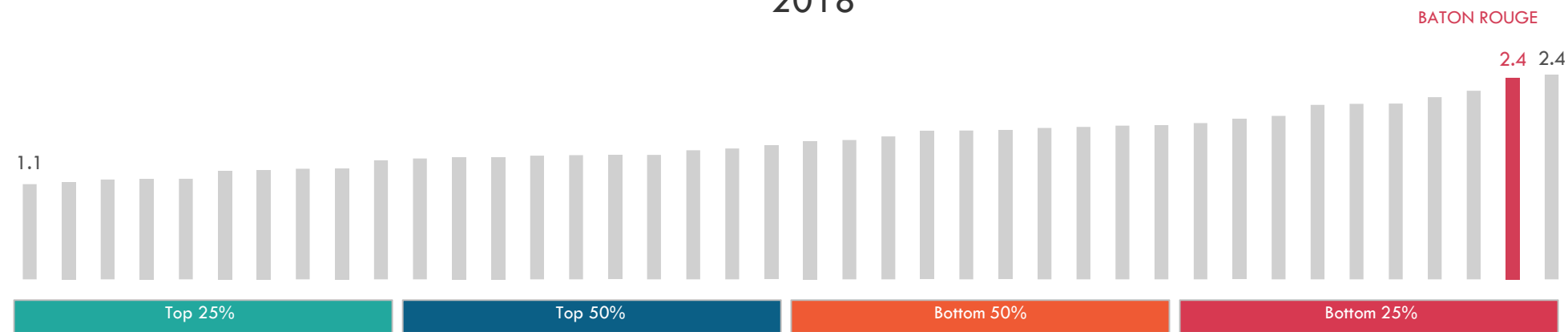
Fayetteville, AR

Port St. Lucie, FL

Springfield, MO

North Port, FL

ESTIMATED RATIO OF WHITE HOUSEHOLD INCOME TO NON-WHITE & HISPANIC HOUSEHOLD INCOME
2018

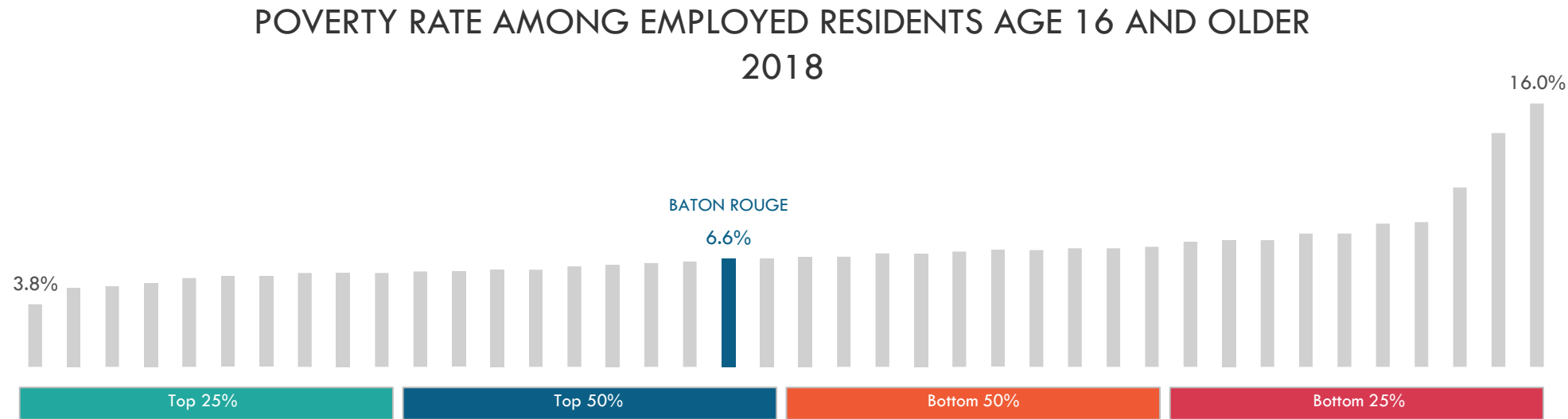


People Working in Poverty

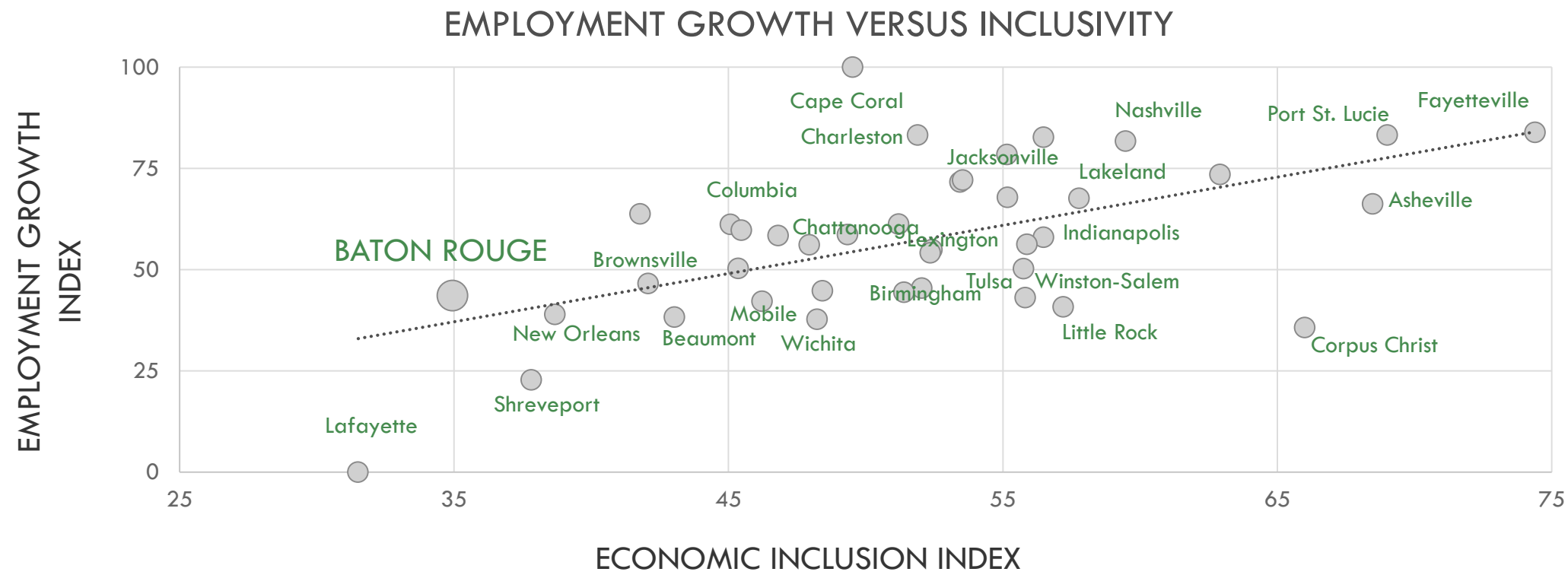
Most people living in poverty are not actively engaged in the workforce. More than 20% of US children, for example, live in poverty. At the same time, a significant number of employed individuals also experience poverty. Regions with a high proportion of employed residents living in poverty may suffer from a preponderance of low-wage jobs and/or a lack of sufficient full-time employment opportunities. As US poverty statistics are based on household size, the working poverty rate may also reflect an elevated share of families with children. Less than 7% of Baton Rouge Area residents employed six months or longer in 2016 lived in poverty. The Baton Rouge Area has the 19th highest working poverty rate among the 40 examined regions.

Lowest Rate of Poverty Among Employed Residents (2018)

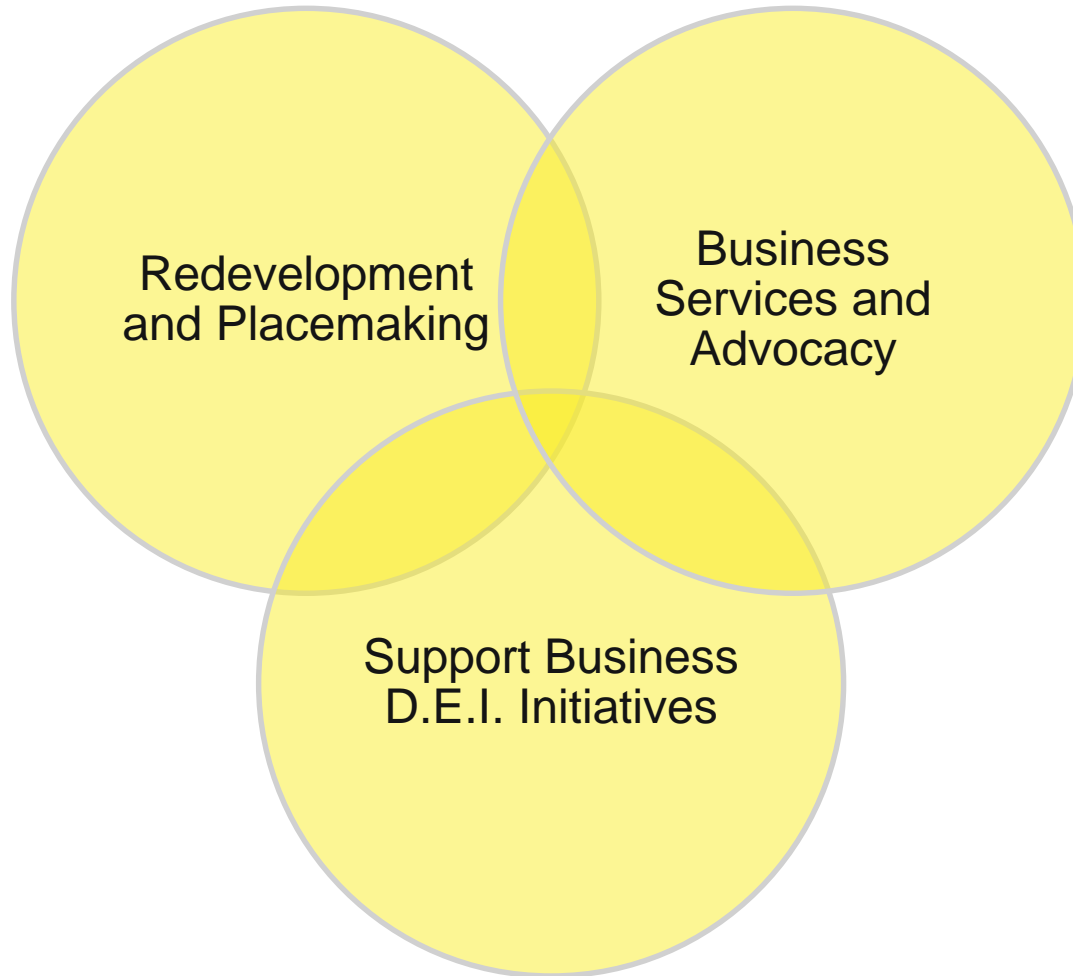
- Port St. Lucie, FL
- North Port, FL
- Palm Bay, FL
- Indianapolis, IN
- Deltona, FL



More inclusive opportunities for all people in a region can propel growth, attract business, and enhance quality of place.

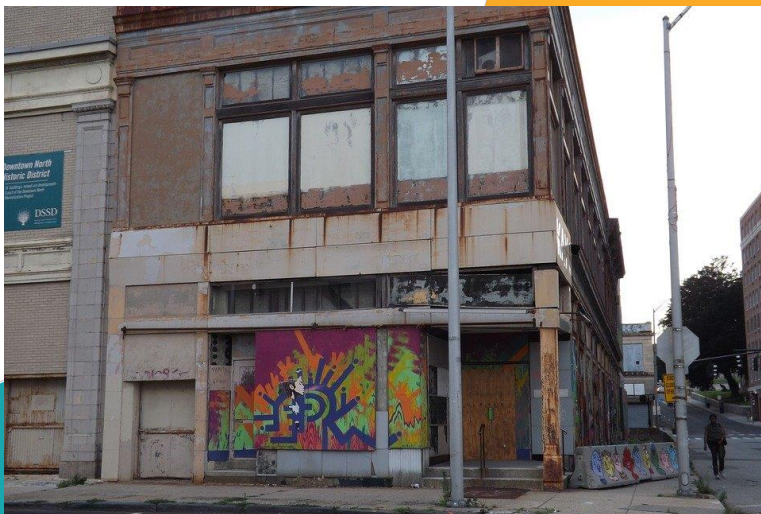


Regional economic inclusion initiatives



COVID & D.E.I. PRIORITIES

- Assess the disparity of pandemic impact
- Targeted outreach to DBEs re: COVID relief programs
- Facilitate corporate requests to meet the racial equity moment for change (ex. race dialogue sessions, refreshing business diversity initiatives)
- Targeted site development and B.R.E. in disinvested communities



The Great Reset: Race and the Role of Economic Development

Rodrick T. Miller

President, Invest Puerto Rico

August 11th, 2020



The Current Environment

- Large, mature businesses are not producing enough jobs or income to meet growing demand.
- Most new jobs are being created by small and medium-sized businesses.
- People of color will represent the greatest share of the US population in the next 25 years. People of color significantly lag the white population in every indicator of social and economic advancement.
- First time since the great depression a white 30-year old male is not expected to do better than his parents.

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 as a whole.
- 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.
- More job creation is needed. Where can/should it come from?



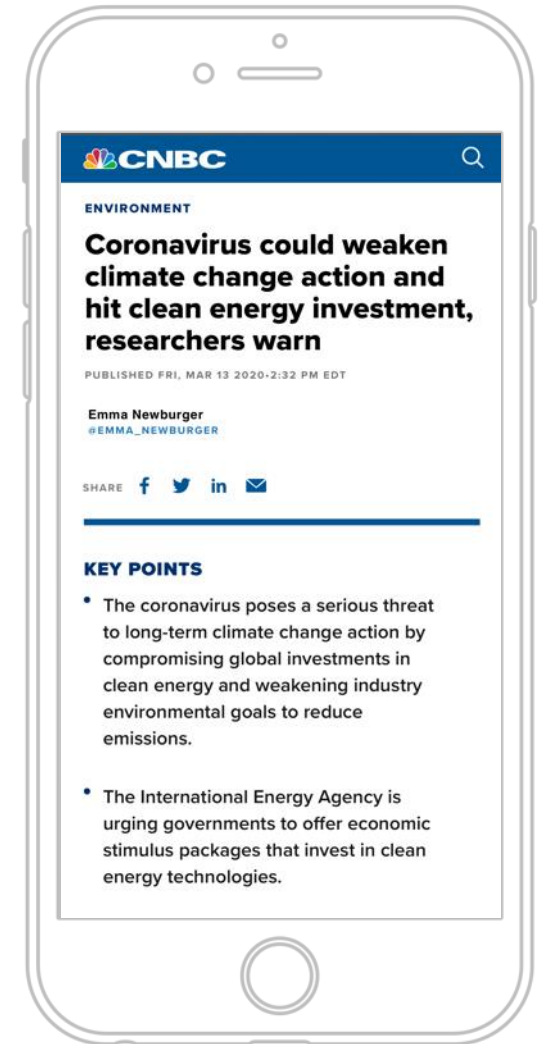
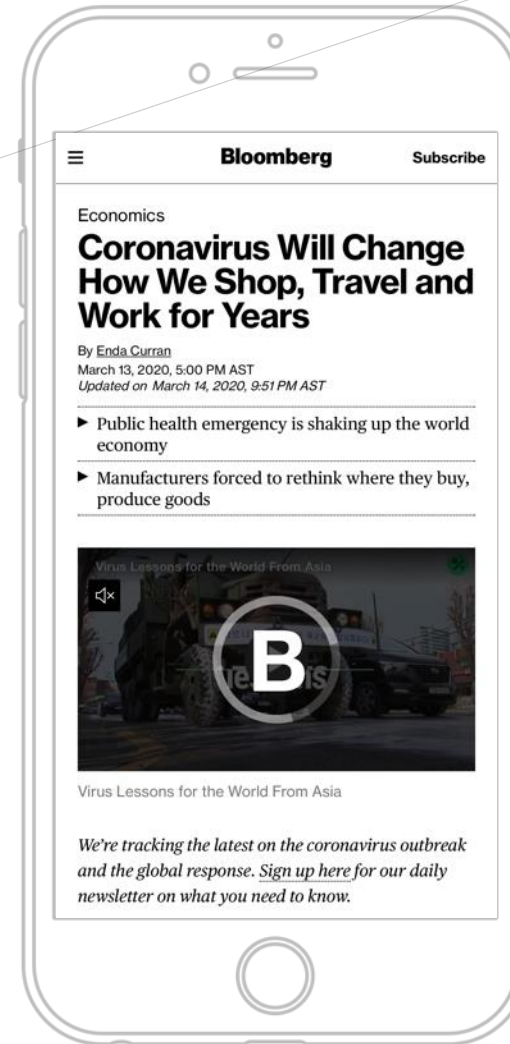
Businesses of Color

- 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 and 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.



What can economic developers do?



- 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.



Select Resources

- Association for Enterprise Opportunity, www.aeoworks.org
- Case Foundation, www.casefoundation.org
- Federal Reserve Bank of New York, <https://www.newyorkfed.org/outreach-and-education/community-development/economic-inequality>
- Living Cities, www.livingcities.org
- International Economic Development Council, www.iedconline.org
- New Growth Innovation Network, www.newgrowth.org
- Interise, www.interise.org
- Ewing Marion Kauffman Foundation, www.Kauffman.org
- Kiva, www.kiva.org
- Local Initiatives Support Corporation, www.lisc.org
- National Development Council, www.ndconline.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>



Questions?

Rodrick T. Miller
CEO, Invest Puerto Rico
rmiller@investpr.org
www.investpr.org