



INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL

A Playbook for Equitable Economic Development:

Guidance on identifying structural racism and implementing equitable practices



**RACE, EQUITY and
ECONOMIC DEVELOPMENT**
The Playbook

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The International Economic Development Council (IEDC) is a non-profit, nonpartisan membership organization serving economic developers. With more than 5,000 members, IEDC is the largest organization of its kind. Economic developers promote economic well-being and quality of life for their communities, by creating, retaining and expanding jobs that facilitate growth, enhance wealth and provide a stable tax base. From public to private, rural to urban and local to international, IEDC's members are engaged in the full range of economic development experience. Given the breadth of economic development work, our members are employed in a wide variety of settings including local, state, provincial and Federal governments, public-private partnerships, chambers of commerce, universities and a variety of other institutions. When we succeed, our members create high quality jobs, develop vibrant communities, and improve the quality of life in their regions.

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EXECUTIVE SUMMARY

According to the International Economic Development Council (IEDC), the goals of economic development are to promote economic well-being and quality of life for communities by creating, retaining and expanding jobs that facilitate growth, enhance wealth and provide a stable tax base. Yet, it is apparent that in our current economy not everyone benefits equally from economic prosperity. The wealth resulting from growth in jobs, businesses, and real estate development is not evenly distributed in our society and people of color bear the brunt of economic downturns:

- In 2019, the median household held almost eight times the net worth of the typical Black household.¹
- In 2019, only 3 percent of all SBA loans went to Black-owned small businesses and 7 percent to Hispanic-owned small businesses.²
- Just 18.3 percent of small businesses with employees are owned by people of color and only 2.2 percent are Black-owned.³
- People of color are more likely to face outcomes such as bankruptcy and foreclosure during economic downturns (e.g., the Great Recession and the COVID-19 pandemic).⁴
- Two-thirds of Black Americans who grew up in impoverished neighborhoods are still in those neighborhoods a generation later, whereas only two-fifths of White Americans remain in such areas.⁵
- Communities of color are more likely to be geographically located in environmentally high-risk areas. An analysis of Federal flood insurance payments shows that flooding is more common in Black communities.⁶

These statistics reflect how institutions, processes, and transactions leave people of color behind economically. The first step to ameliorating this imbalance in wealth is to understand the roots and patterns of structural, or systemic, racism. This can help us to not repeat the same mistakes and instead create a path of greater racial equity moving forward.

Economic development has played a role, even if inadvertently, in perpetuating inequality. Yet economic developers can be part of the solution, working to reduce barriers and increase opportunities for communities of color through the more equitable distribution of wealth in these communities.

IEDC, the leading association for economic development professionals and organizations, recognizes that to mitigate the impact of systemic racism, we must address the economic disparities that contribute to and result from it. As the largest organization of economic developers, it is incumbent upon IEDC to lead the way by supporting equitable and inclusive growth and development that helps to close the racial wealth gap. With this Playbook, IEDC endeavors to comprehensively assess the economic development practice through a racial equity lens and compile best practices from the field on how economic developers can integrate racial equity into their practice.

The Playbook will address the ways that economic development organizations (EDOs) and economic developers can be agents of change to increase equity in their communities. It begins with an introductory chapter presenting foundations for this project, including an assessment of equity based on a survey of economic developers and review of literature and data on the historical roots of inequity. The Playbook is organized to showcase best practices, with chapters focusing on the following practice areas:

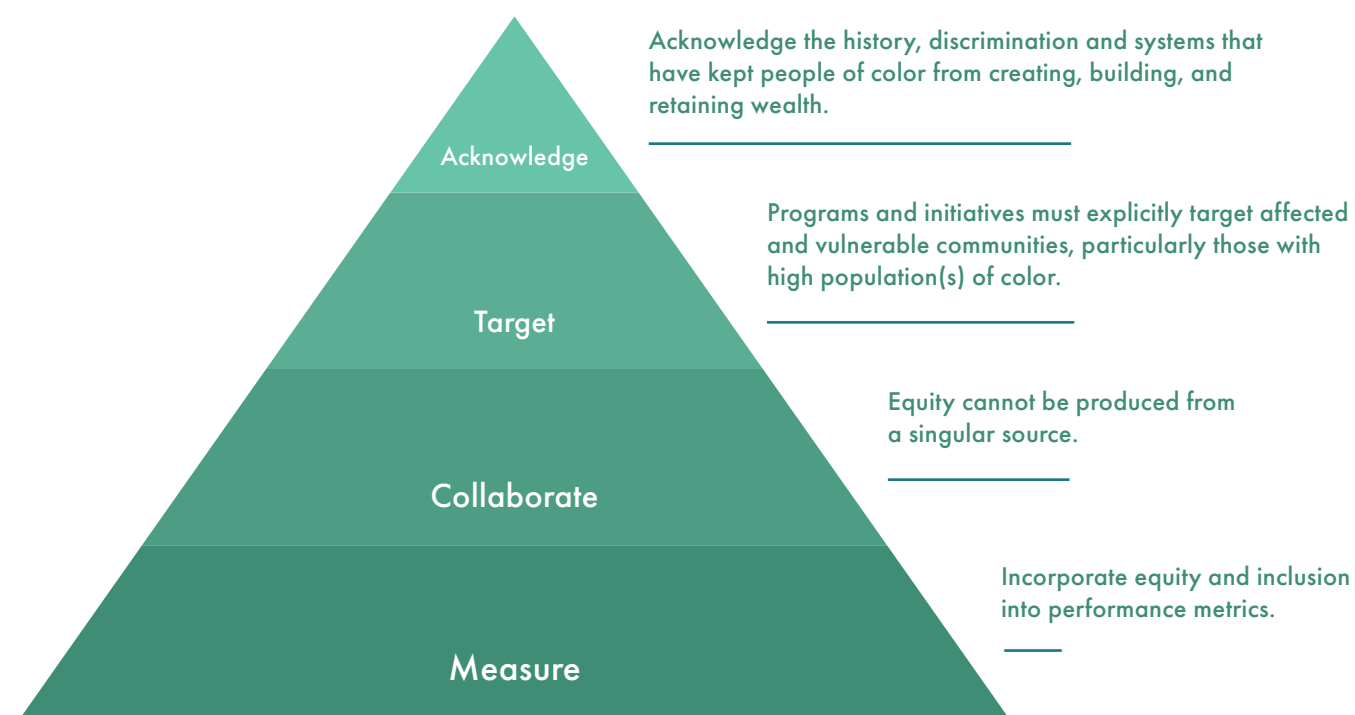
- Managing EDOs
- Small Businesses
- Entrepreneurship
- Workforce Development
- Real Estate
- Business Attraction and Marketing
- Neighborhood Development and Downtown Revitalization
- Disaster Recovery, Climate Resilience and Environmental Justice

Managing EDOs is the topic of the first chapter because it is important that organizations appraise their own practices and strive for racial equity internally along with, or even before promoting such practices externally. Working on diversity and equity internally will make an EDO a more honest and effective agent for change. The work EDOs do in racial equity sets an example for the community. Moreover, the strategies in this chapter are a good starting point for all types of EDOs and in fact all types of organizations that might be readers of this Playbook.

Each chapter includes a section providing a historical framework with references to institutions, processes and transactions that have influenced the current state of racial inequity. Each chapter also includes data from various sources that illustrate current inequities. Finally, each section also includes sample metrics that EDOs can use to measure their performance in each of these areas. We have included multiple examples of best practices in other communities and longer case studies. While there is some overlap in content chapter to chapter, as barriers confronted by people of color can be similar, these chapters were shaped to present the content in an easily digestible manner for readers.

Our research enabled us to develop four fundamental prisms through which equitable economic development strategies can be understood and applied in practice: Acknowledge, Target, Collaborate, Measure, as illustrated below.

Prisms: Acknowledge, Target, Collaborate, Measure



The Playbook uses these prisms as a guide for systemic, strategic and tactical work that EDOs can undertake to increase racial equity in their communities:

Acknowledge the history, discrimination and systems that have kept people of color from creating, building, and retaining wealth.

History must be acknowledged to be successfully involved in working to promote equity. For that work to be genuine, EDOs need to acknowledge the roots of past inequity and understand how they reverberate in the present. This may involve an internal evaluation of racism or unconscious bias within an EDO. The work should begin a conversation about past/present institutions that perpetuate inequity and mistrust in a community, and involve seeking out and engaging new partners. **Economic developers must learn from history and work towards trust and partnership within their community to move forward.**

Programs and initiatives must explicitly target affected and vulnerable communities, particularly those with high population(s) of color.

In the past, programs purported to target distressed areas often saw the benefits accruing to the investors, instead of the communities of color who were the intended beneficiaries. All stakeholders — including developers, the financial community and the public sector — should be engaged to achieve equitable outcomes and maintain progress by applying metrics and enforcement measures. For effective targeting, community engagement must be constant and meaningful. Programs should also be designed so they can reach people of color, e.g., by taking into account diverse transportation, scheduling and financial needs. EDOs should listen to community stakeholders to create targeted programs. **Intentionality to increase equitable outcomes for communities of color is crucial.**

Equity cannot be produced from a singular source.

Improving equity with holistic solutions is necessary moving forward. This means including public and private stakeholders working in areas that have often been siloed in economic and community development including existing Minority Business Enterprises (MBEs), local lending institutions, workforce development institutions, housing and real estate stakeholders, environmental and public health leaders, and EDOs. **Cross- sector collaboration is critical to increase equitable outcomes.**

Incorporate equity and inclusion into performance metrics.

Only by establishing a baseline and understanding how initiatives are making a difference can EDOs understand which programs are — or aren't — succeeding in reaching people of color. **Economic development work should incorporate equity-focused performance metrics to establish a baseline and measure progress.**





INTRODUCTION

PROJECT BACKGROUND

The past few years have cast a harsh light on systemic racism and its blight on the American dream. The United States is presently engaged in the greatest reckoning over racism it has experienced in generations. Individuals and groups such as communities, businesses, governments, faith organizations, nonprofits, and many others are questioning the assumptions, roles, and behaviors by which they may have contributed to unequal outcomes for people of color.

In 2020, the murder of George Floyd was a clarion call, to which IEDC responded by making the commitment to racial equity our number-one priority. Within a month of the tragedy, a group of over 40 diverse economic-development leaders gathered for the inaugural meeting of IEDC's Racism and Economic Development Committee. That group, now a permanent committee of over 60, meets monthly to develop internal and external IEDC initiatives.

The Equitable Economic Development Playbook, which was conceived in the fall of 2020, is one of those projects. The committee designed an approach that combines research to assess the practice of equitable economic development nationwide across the profession with a technical-assistance component to assist U.S. communities to improve their equitable practices. It aims to inform, empower and encourage economic developers to address widespread inequity across society with meaningful action.

WHY THIS PLAYBOOK IS NECESSARY

Economic developers are instrumental in the distribution of wealth in our society. They can help business owners and entrepreneurs of color gain access to capital, expand their markets and weather short-term disruptions, better enabling them to build wealth. Through the distribution of investments in communities, they influence, for example, where companies locate and jobs are created, where new water and sewer lines are laid, and where redevelopments are planned. In all of these processes and transactions, people of color are disregarded and left behind. The Playbook seeks to address the ways that systemic racism has limited economic development opportunity for communities of color and help us learn from the past to reshape development practices.

Economic developers should strive for racial equity in their communities. The last few years have laid bare the wide disparities that still exist in the US. The double punches of the COVID-19 pandemic and the ongoing racial reckoning have led many Americans to feel greater urgency to address these persistent inequities. There is a growing awareness that closing the wealth and opportunity gaps makes economic sense, on top of the moral rationale. As the country becomes more diverse, realizing the full potential of so many underutilized resources will benefit all Americans. By addressing the barriers that people of color encounter, economic developers can further encourage entrepreneurship, spur job creation, and build intergenerational wealth.

This Playbook will act as a guide for economic development professionals to leverage best practices and data to provide tangible solutions that improve our communities and the lives of people who live in them.

We will provide an economic framework that helps to support equitable economic and community development that includes growing businesses owned by people of color, improving workforce opportunities, creating jobs, and investing in underserved neighborhoods.

This work is particularly important as the economy withstands and recovers from the COVID-19 pandemic, during which Black and Hispanic Americans have suffered disproportionately in terms of deaths, unemployment, business closures and other measures. The Playbook provides tools and examples designed to increase equitable economic development practice during this crisis.

HOW THIS PROJECT IS STRUCTURED

This multi-year project has two components: the Playbook and technical assistance to ten communities. The Playbook identifies those mechanisms that lead to inequitable outcomes, presents strategies for incorporating equity in key areas of economic development practice, and provides sample metrics to measure progress across these areas. For the second component, IEDC will engage leaders in ten Equity Communities – in two cohorts of five – to create and implement locally tailored Equitable Action Plans. The leaders will be involved in a year-long engagement, including an orientation, a technical assistance project, and multiple opportunities to learn through community-of-practice sessions via regular virtual meetings.

The input for the Playbook is both quantitative and qualitative. IEDC deployed a survey in June 2021 to determine the areas of economic development where EDOs perceive inequity. In addition to the survey, the Playbook draws upon other IEDC surveys conducted in the past few years, examples from IEDC members, and outside research to develop case studies and best practices.

The Playbook uses a variety of terms which are important to define at the outset. The following Glossary of Terms contains IEDC's unique definition of 'equitable economic development', while the other definitions are adapted from outside sources.

GLOSSARY OF TERMS

- o **Structural Racism:** A system in which public policies, institutional practices, cultural representations and other norms work in various, often reinforcing ways to perpetuate racial group inequity⁷
- o **Systemic Racism:** In many ways, 'systemic racism' and 'structural racism' are synonymous, although the concept of structural racism pays more attention to the historical, cultural and social psychological aspects of our currently racialized society⁸
- o **Racial Inequity:** Racial inequity occurs when two or more racial groups are not standing on approximately equal footing, such as the ages of each group in terms of dropout rates, single-family home ownership, access to healthcare, etc⁹
- o **Equitable Economic Development:** Economic development promotes economic well-being and improves the quality of life in communities by creating and retaining jobs, enhancing wealth and providing a stable tax base. Equitable economic development is achieved when every member of a community is able to share in and benefit from economic growth
- o **Racial Equity:** Racial equity means a person is no more or less likely to experience society's benefits or burdens due to the color of their skin. In the United States, a person of color is more likely to live in poverty, be imprisoned, drop out of high school, be unemployed and experience poor health outcomes. Racial equity requires paying attention not just to individual-level discrimination, but to overall social outcomes¹⁰



WHAT WE HOPE TO ACCOMPLISH

We know we are treading on uncomfortable ground for many. No one wants to be told they are responsible for inequitable practices or outcomes, and it may feel like an affront if they see no personal connection between their action (or inaction) and an outcome. People of color are not homogenous and have different barriers and histories. Yet the conversation must start somewhere. Racial inequities in our society are endemic and precede us by hundreds of years.

Our charge is to examine long-standing systems, policies and practices to help us pinpoint the sources of today's economic inequalities and help to change course. For example, understanding how Black Americans have been denied opportunities to build wealth is fundamental to helping create support in our communities and organizations to ameliorate this injustice.

This Playbook addresses equity issues in both the internal and external workings of economic development organizations. Internally, EDOs must address the potential for unconscious bias and ensure that staff and leadership reflect the diversity of the community. Externally, they must incorporate considerations of equity to existing programs and develop programs that create more equitable opportunities moving forward. The crises of the past two years present an opportunity for EDOs to break long-standing patterns and ensure that their practices are creating a more equitable future for all.





FOUNDATIONS

The goals of economic development are to promote economic well-being and quality of life for communities by creating, retaining, and expanding jobs that facilitate growth, enhance wealth and provide a stable tax base. It has become apparent that the wealth resulting from growth in jobs, businesses, and real estate development is not evenly distributed. At times of economic growth, people of color do not fully benefit, and at times of economic contraction, people of color bear the brunt of the consequences.

In 2019 the median White household held almost eight times the net worth of the typical Black household. Large banks were twice as likely to approve loans for White small-business owners compared to Black small-business owners: 60 percent versus 29 percent. According to the Main Street Alliance, in September 2020 nearly half of Black business owners surveyed said that they would only be able to remain in business for another six months without supplemental income as a result of the pandemic's impact.

These statistics reflect how institutions, processes and transactions leave people of color behind economically. The first step to ameliorating this imbalance is to understand the roots and patterns of structural, or systemic, racism. This can help us find remedies that help us avoid repeating mistakes and enable us to create a path of greater racial equity in our pursuit of equitable economic development.

In this chapter we will look at existing racial inequities from two perspectives: the opinions of economic developers who participated in IEDC's 2021 Equity and Economic Development survey, and a literature review that connects economic development inequities to the larger U.S. historical context.

WHAT IEDC'S 2021 EQUITY SURVEY REVEALS ABOUT ECONOMIC DEVELOPMENT INEQUITIES

In June and July of 2021, IEDC fielded a survey to our wide network of members and economic developers to see where they perceive inequities in economic development practices. A total of 415 respondents, representing more than 400 organizations participated, yielding a response rate of 16.1 percent, which exceeded our goal of 15 percent. There were between 207 and 415 respondents to the questions. Their responses provide clear direction on what is needed to create more equity in economic development practice. The survey instrument consisted of 29 questions, several of which were open-ended and generated hundreds of comments about perceived inequities and proposed and implemented strategies.

Who responded to IEDC's 2021 Equity Survey?

Figure 1 - Gender

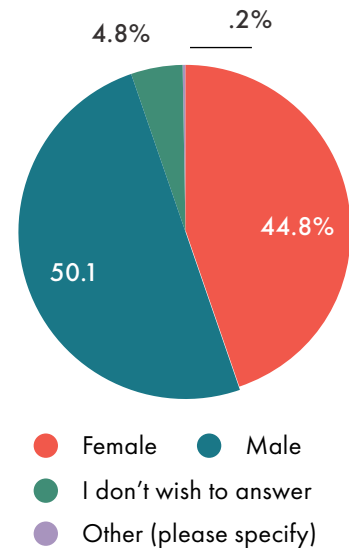


Figure 2 - Ethnicity/Race

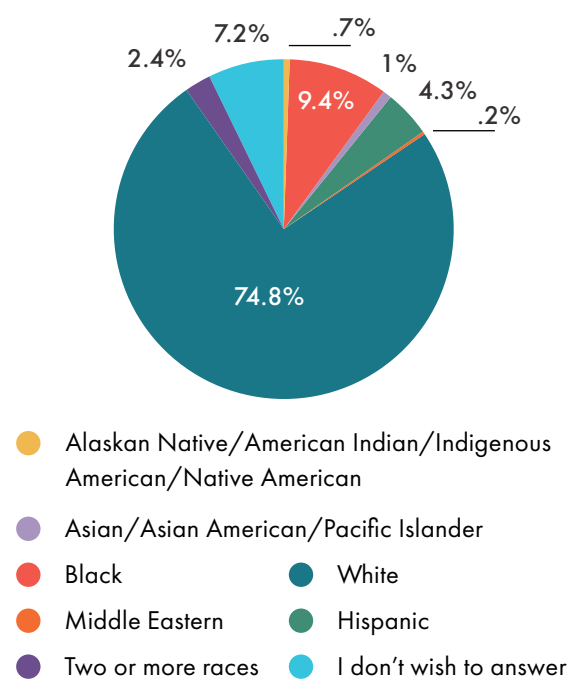


Figure 3 - Years in the economic development industry

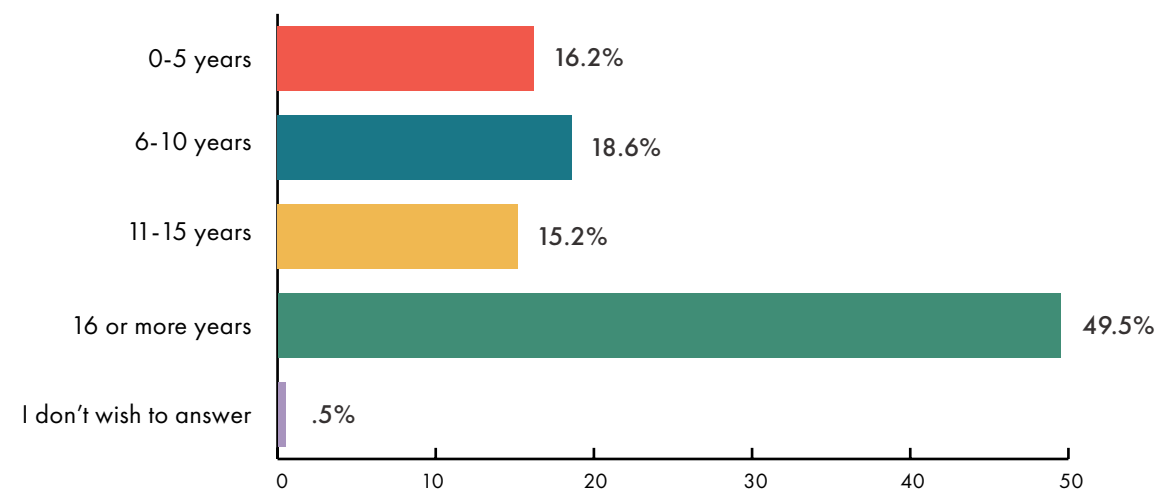


Figure 4 - Role in the organization

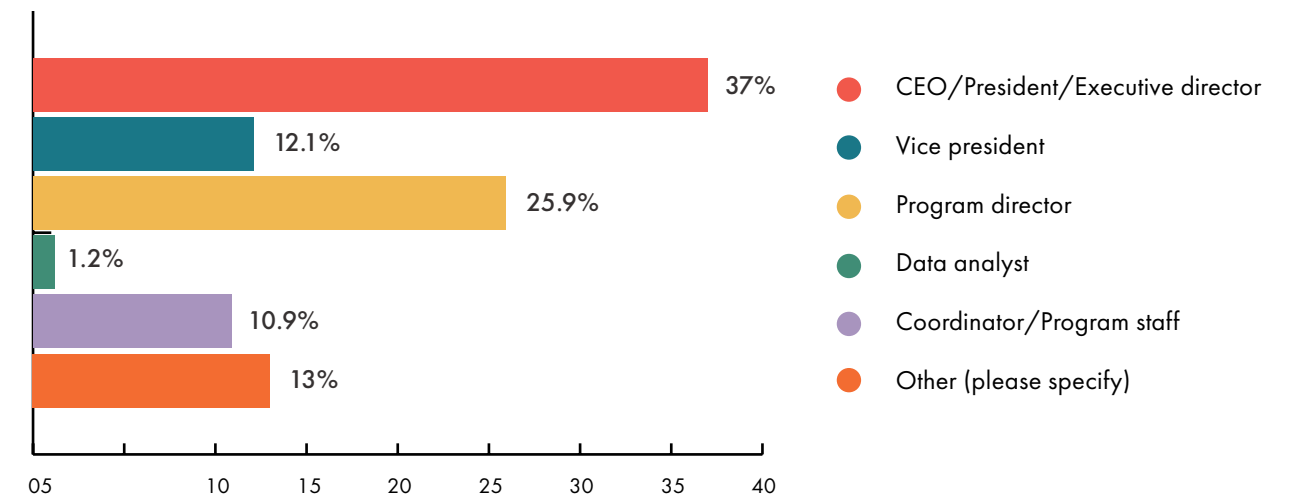


Figure 5 - Organization type

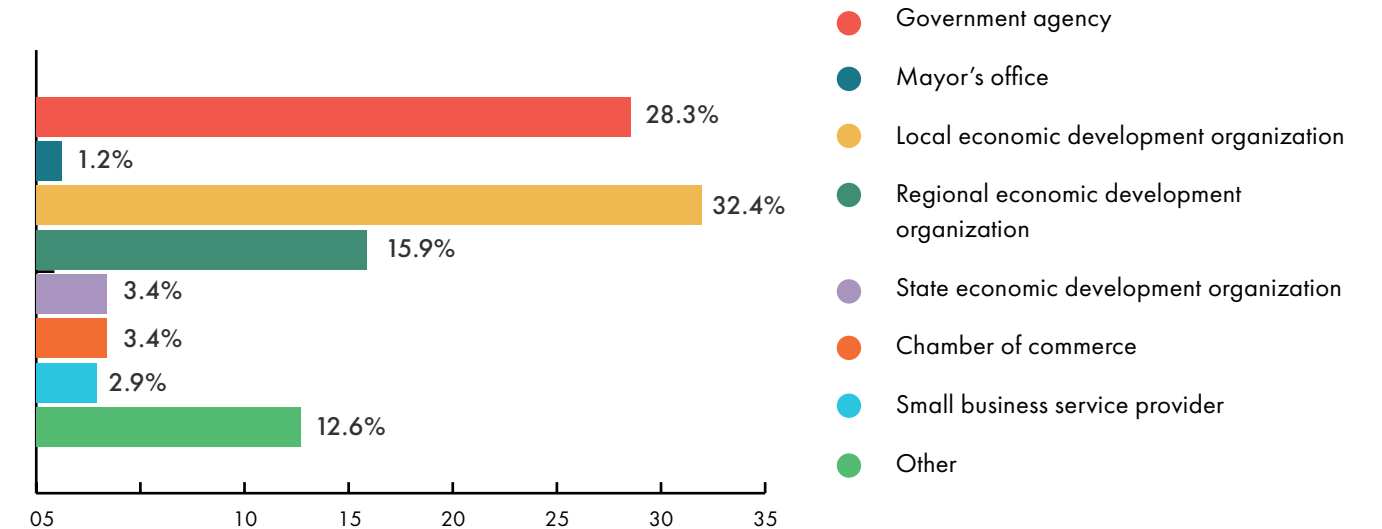
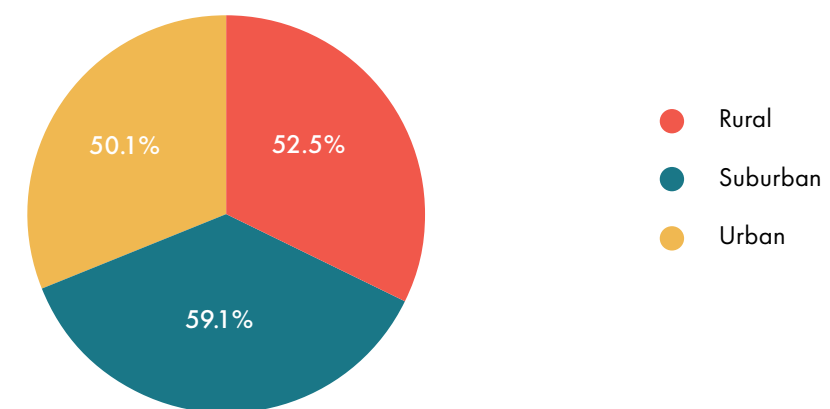


Figure 6 - Type of geographic service area



RANKING PERCEIVED INEQUITY IN ECONOMIC DEVELOPMENT

The survey asked respondents to indicate the level of inequity they perceive in their practice areas, on a five-point scale from “not at all” to “a very significant amount.” It is notable where inequity ranks among the nine fields of economic development practices from *worst to least* for all respondents, as well as for People of Color, Black and Hispanic respondents:

Figure 7 - Ranking perceived inequity in economic development

	All	People of Color*	Black	Hispanic
Entrepreneurship and Small Business Development	1	3	4	7
Workforce Development	2	2	2	4
Managing EDOs and Diversity in the Profession	3	4	5	1
Downtown and Neighborhood Development	4	1	1	3
Business Retention and Expansion	5	6	6	6
Economic Development Finance	6	5	8	9
Attraction and Marketing	7	8	7	2
Real Estate Development and Reuse	8	7	3	5
Disaster Preparedness, Recovery, and Climate Resilience	9	9	9	8

*People of Color Respondent Breakdown: 53 percent Black, 24 percent Hispanic, 13 percent Two or More Races, 6 percent Asian, 3 percent Native American, 1 percent Middle Eastern.

As **Figure 7** shows, among All respondents, Entrepreneurship and Small Business Development, Workforce Development and Managing EDOs and Diversity in the Profession were the three areas with the highest perceived levels of inequity – where having the most inequity is the sum of how many respondents checked off “some,” “moderate,” “significant” or “very significant.”

When isolating the responses from people of color, the inequity ranking changes. While among all respondents, Entrepreneurship and Small Business Development was the area with the most inequity, for People of Color, Downtown and Neighborhood Development was the area with the most inequity. Workforce Development, the field of economic development with the second highest level of inequity for all respondents, remains in second position when looking at responses from People of Color.

The individual rankings for Black and Hispanic respondents also reveal some interesting results. For Black respondents, the areas of practice with the most and second most inequity were Downtown and Neighborhood Development and Workforce Development, respectively. For Hispanic respondents, the areas of practice with the most and second most inequity were Managing EDOs and Diversity in the Profession and Business Attraction and Marketing, respectively.

To take a more nuanced look, we looked at the practices where most respondents perceived “significant” or “very significant” amounts of inequity, and the order of areas remains largely the same with Entrepreneurship and Small Business Development and Workforce Development having the highest level of perceived inequity. Again, however we do see differences among racial and ethnic groups. Most notable is the difference in how much inequity respondents of color perceived. While for all respondents the inequity fell within the range of 21.6 percent and 34.3 percent, for People of Color the range was significantly higher at 30.2 to 50.6 percent.

Figure 8 – Percentage of respondents identifying “significant” or “very significant” inequity

	All	People of Color*	Black	Hispanic
Entrepreneurship and Small Business Development	34.3%	50.6%	58%	56.3%
Workforce Development	31.8%	46.2%	50.4%	48.3%
Economic Development Finance	31.6%	46.7%	52.3%	41.7%
Downtown and Neighborhood Development	31%	45.1%	44.2%	53.6%
Business Retention and Expansion	30.4%	46.5%	51.3%	47.2%
Managing EDOs and Diversity in the Profession	29%	43.9%	50%	41.7%
Attraction and Marketing	28.1%	47.2%	52.9%	41.7%
Real Estate Development and Reuse	24.5%	39.0%	45.6%	38.3%
Disaster Preparedness, Recovery, and Climate Resilience	21.6%	30.2%	34.7%	31.3%

*People of Color Respondent Breakdown: 53 percent Black, 24 percent Hispanic, 13 percent Two or More Races, 6 percent Asian, 3 percent Native American, 1 percent Middle Eastern.

In terms of differentiation between the areas of practice, respondents reported a relatively small difference. The top seven areas of practice are clustered in terms of degrees of inequity.

However, from these high-level findings, it can be concluded that economic developers of color perceive a higher level of inequity in economic development. This shows the need to listen more to economic developers of color to understand why and where they identify the inequity and to collaborate across races and ethnicities to close this gap.

INEQUITY IN ECONOMIC DEVELOPMENT PRACTICE AREAS

This section highlights results from the survey in each area of practice in economic development in the Playbook. First, we will discuss finance, which is a cross-cutting issue across different areas of practice but had a distinct question in the survey. Results from the survey will be displayed in **Table 8** below.

Then we will present a summary with highlights of results from relevant survey questions for each area of economic development practice featured in the chapters in the Playbook (and shown in **Figures 7 and 8**). The summary will present an overview of the trends in the survey findings on degree of inequity and highlights from qualitative questions (e.g., about programs.) The quantitative results on perceived inequity will be presented in figures in the chapters that follow.

Economic Development Finance

Respondents to the survey indicated access to finance as a significant barrier to equity within economic development, which cuts across multiple areas of economic development, including entrepreneurship, small businesses, and real estate.

Figure 9 - Perceived inequity in finance

	Not at all	A small amount	A moderate amount	A large Amount	A very large amount
Debt financing underwriting criteria	26.6%	15.8%	20.3%	20.7%	16.7%
Equity financing	23.1%	15.8%	22.2%	19%	19.9%
Revolving loan funds	26.8%	18.6%	21.4%	19.1%	14.1%
Microloan funds	30.8%	20.4%	19%	18.6%	11.3%
State financing	32.1%	17.9%	19.3%	15.6%	15.1%
Tax increment financing	36.7%	15.8%	20%	15.8%	11.6%
Foundations/philanthropic funding	32.6%	21.7%	22.2%	14.9%	8.6%

Here respondents indicated that there has been a focus on financial literacy, but this has not been sufficient to shift the wealth gap or the socioeconomic balance. Respondents also highlighted an oversized focus on microloan programs, which can pigeonhole entrepreneurs of color into certain business sectors. Correspondingly, respondents indicated that they had focused on creating COVID-19 relief funding with targeted outreach programs for entrepreneurs and businesses of color.

Entrepreneurship and Small Business Development

Within Entrepreneurship and Small Business Development, respondents were most likely to assign high levels of inequity to access to capital, followed closely by access to formal and informal networks. Many of the newly implemented programs mentioned by respondents tackle these issues head on, such as the creation of networks for information sharing and program promotion with community leaders, or increasing and targeting COVID-19 response funding to small businesses led by entrepreneurs of color.

Workforce Development

Significant levels of inequity are perceived across several areas of the Workforce Development system including connecting job seekers with employers, workforce training and reskilling, and K-12 education. Respondents added that inequities in Workforce Development are exacerbated by a lack of wrap-around services as well as practices of ex-offender screening, both of which have an outsized impact on people of color. Respondents also mentioned that many Workforce Development programs are geared towards helping employers versus helping workers, leading to limited opportunities for career growth. To effectively address equity in workforce development respondents suggested wrap-around services, such as childcare and subsidized public transit. Special attention should be given to specific populations, such as people recovering from addictions or formerly incarcerated individuals.

Downtown/Neighborhood Development

Respondents indicated that decades of disinvestment have caused irreparable damage to communities of color. They cited historic redlining, population loss, flight and the aging of remaining residents and gentrification as having a negative impact on communities of color. Responding organizations that address Neighborhood Development indicate that they are working to address racial equity as part of their commercial revitalization practice, collaborating with and funding community organizations to provide resources and expand their coverage to housing.

Business Retention and Expansion

Financial assistance was ranked to be the area of the greatest inequity by respondents. They cited the disparities in Paycheck Protection Program (PPP) loans as recent evidence of bias. Respondents indicated that much effort is needed to reach out to businesses in underserved communities, noting the importance of culturally competent outreach, which should include multilingual services and outreach outside of typical office hours and commercial areas.

Managing EDOs and Diversity in the Profession

When dealing with internal EDO procedures, respondents signaled that many organizations have not yet addressed inequity in their own workforce. Economic development staff are primarily White; there is clearly a need for more diversity in the profession. Similarly, there is frequently a lack of diversity on EDO boards and insufficient key performance indicators (KPIs) to measure the state of inclusion in their programs. However, our survey indicated that many positive changes have been made in the past twelve months. Several respondents indicated that they had recently brought on, or were in the process of hiring, an equity officer. Formal efforts to raise awareness across an organization, such as unconscious bias training, are becoming more standard.

Attraction and Marketing

Attraction and Marketing ranked relatively low for perceived inequities. Yet comments in this area indicated that people of color have historically been excluded from many communities' Marketing and Attraction strategies resulting in a lack of investment in infrastructure, both hard and soft in underserved



neighborhoods. Other comments indicated that historically non-White neighborhoods are passed over as potential locations for economic development. More encouraging is that some EDOs responded that they have shifted their attraction strategies towards underserved groups, by trying to attract people of color to their communities.

Real Estate Development and Reuse

There were overlaps in comments on the Neighborhood Development and Real Estate Development and Reuse survey questions, with respondents indicating a lack of real inclusion and consideration for communities of color when it comes to these issues. One respondent commented that because inequity is built into their local tax structure, it is more challenging to revitalize poor neighborhoods. Others mentioned that many deals and decisions are based on pre-existing relationships, which excludes non-insiders. Positive developments include wider use of minority and community participation agreements for construction projects, and identification and outreach to real estate networking groups with Black representation to broaden the real estate development circle.

Disaster Preparedness and Recovery and Climate Resilience

While Disaster Preparedness and Recovery and Climate Resilience ranked the lowest among the practices (i.e., less inequity), respondents still noted racial inequities, often as a consequence of inequities in other areas. For example, lack of wealth limits housing options, and what is available is more likely to be in areas with higher flooding risk. Biased policy decisions have placed waste dumps and brownfields near neighborhoods occupied by people of color. Because remediation for these problems are traditionally outside the scope of economic developers, the respondents did not identify many programs that ameliorate such problems. Yet, many of the previously mentioned solutions could have a follow-on effect to improve inequities in Disaster Preparedness and Climate Resilience.

Incorporating Equity and Inclusion Efforts in Economic Development

With many respondents perceiving real inequities in their practices, many EDOs are also working to consciously incorporate Equity into their work. Slightly over 36 percent of respondents indicated that they currently do include racial equity as a strategic goal. Furthermore, just over 25 percent of all respondents indicate that their organization has a staff position focused on DEI.

However, many organizations do not include DEI in their metrics and internal procedures yet. Only 13 percent of responding organizations significantly include DEI metrics in their programmatic performance, while 42 percent do not do this at all. When it comes to internal processes, DEI only plays a significant role for 24 percent of responding organizations.

EDOs recognize the importance of partnerships in advancing racial equity. Most organizations indicate that they would partner with local nonprofits (81 percent), government agencies (74 percent) and higher education institutions (66 percent). The areas that they indicate would most benefit from additional attention and resources are Entrepreneurship and Small Business Development and Workforce Development, the two areas with the highest levels of perceived inequities. The areas that receive the least attention are Disaster Preparedness and Recovery and Climate Resilience and Managing EDOs.

Inequities in Economic Development – Structural Roots

This chapter now turns to an overview of structural racism identified through institutions, processes, and transactions across areas of economic development covered in this Playbook. Each subsequent chapter will include a Historical Framework section that will reference what is covered here and add additional historical topics.

From an economic development point of view, the story of structural racism and historical inequity in communities of color is a story about wealth – the dispossession of wealth and barriers to possession of wealth. In the mid-twentieth century,

the role and impact of the practice of economic development expanded. Post-World War II, the economic development profession oversaw a boom of federally backed programs supporting business attraction, incentives, real estate development practices, middle-class homeownership, increased access to higher education and expanded infrastructure. These programs increased the quality of life for many Americans through federal intercession, but too often, communities of color were expressly excluded from reaping the benefits.

Business Attraction

During and following World War II, public- and private-sector leaders collaborated to attract businesses to communities. They presented a variety of incentives to entice firms and factories to locate or expand: offers of valuable land; influence over land-use development; housing for workers, often new or upgraded; and subsidies and tax reductions/exemptions to large firms.¹¹ A long-held belief in economic development has been prioritizing the recruitment of larger businesses (particularly in wealthy or industrial professions). The assumption was that they would contribute more to a region's economic success through the creation of new jobs and the local infusion of revenue.¹²⁻¹³ These incentives have been treated as essential for policy planning and building the foundations of a region's economic future.¹⁴⁻¹⁵ Yet their historic location away from communities of color or even from public transportation access has meant that those communities have not enjoyed the revenue and jobs benefits.¹⁶

Small Businesses and Entrepreneurship

Yet, recent data demonstrates that traditional business attraction methodology does not guarantee economic or development growth: a 2016 study from the Center on Budget and Policy Priorities reported that annually, only 3-14 percent of new jobs are attributed to business relocation. And while larger organizations carry greater wealth, most Americans are employed by small businesses; between 2000 and 2017, U.S. small businesses generated 8.4 million net new jobs, nearly double that of large businesses.¹⁷⁻¹⁸

Entrepreneurship has proven to be a viable path in stimulating economic development and increasing financial agency for people of color. The median net worth for Black business owners is twelve times higher than those of Black non-business owners while the majority of female Black and Hispanic entrepreneurs who are also mothers are able to contribute to 50 percent or more of their household finances.¹⁹⁻²⁰ Despite the faster growth rate for minority-owned business enterprises (MBEs) than White-owned businesses,²¹ entrepreneurs of color represent a fraction of all business owners. Only 29.3 percent of small businesses are identified as MBEs and they generate on average far less wealth than White-owned businesses. The Michigan Minority Supplier Development Council estimated that it would take over 300 years for MBEs to reach wealth parity with White-owned businesses.²²⁻²³





Multiple studies have proven a correlation between lower levels of asset ownership and lower probability of achieving success as an entrepreneur. A 2010 U.S. Commerce Department report theorized that the aggregate low levels of wealth among Black and Hispanic populations not only diminished their capacity to self-invest but limited their appeal to funders.²⁴ After reliance on one's own wealth, liquid-based capital from within an entrepreneur's network is the most common resource for business expansion; the smaller your network or the narrower your network's resources, the more obstacles a business owner faces in expansion. Other hurdles for entrepreneurs of color include lack of connection to technical assistance, potential contracts, and lack of exposure to entrepreneurial culture and peer networks.^{25 26}

Businesses owned by people of color were hardest hit with COVID-19-related closures and decreased productivity. The Federal Reserve Bank of New York reported a 41 percent decrease in Black business ownership, 32 percent decrease in Hispanic ownership, 36 percent decrease in Asian business ownership, and 36 percent decrease in immigrant business ownership.²⁷ The closure disparities are partially due to issues in Federal aid disbursement, particularly the Paycheck

Protection Program, because criteria prioritize businesses that have already benefited from and/or know how to work within the system." with "The closure disparities are partially due to issues in Federal aid disbursement, particularly the Paycheck Protection Program, because businesses that have pre existing relationships with banks, more access to assistance with grant application assistance, including financial and legal services, are likely to receive financial support.²⁸

Education and Workforce

Inequity in education is a cumulative effect of many factors. Funding for K-12 school systems is directly tied to the local property tax-base which is lower in communities of color due to the historical wealth gap. Those students of color who do advance beyond the K-12 system are more likely than White students to struggle with student debt. Though they remain under-represented in college settings, the level of debt among Black students and graduates has added to the racial wealth gap.²⁹

When it comes to the workforce, people of color trail behind Whites in wealth and in wages. As McKinsey notes, in 2021 the median annual wage for Black workers is about \$10,000, or 30 percent lower than that of White workers.³⁰ Breaking down the demographics, the Institute for Women's Policy Research calculated that non-White women's median earnings to White men were 61.4 percent for Black women, 84.8 percent for Asian women, and 56 percent for Hispanic women.³¹

Building more inclusive, racially aware economic development plans requires understanding what economic sectors have the most impact on persons and communities of color, especially as the U.S. Census predicts a majority non-White population by 2043 and a majority non-White working-class workforce by 2032.³² Historically low-paid industries — such as agriculture, hospitality, retail, cleaning/mechanical service — have long had an over-representation of employees of color, particularly Black and Hispanic employees.^{33 34}

It is important to provide protections for workers of color in these front-line jobs, as well as increase the pipeline of opportunity to better wages. Investing in America's current and future workforce is critical for a sustainable and healthy economy. Providing the resources and pathways for workers to be well-compensated and protected is the most effective, long-term way to shape the U.S. workforce.³⁵ One of the strongest contributing factors to workforce development is the educational pipeline; unfortunately, disparities in the U.S. education system create different levels of educational quality and access for students.

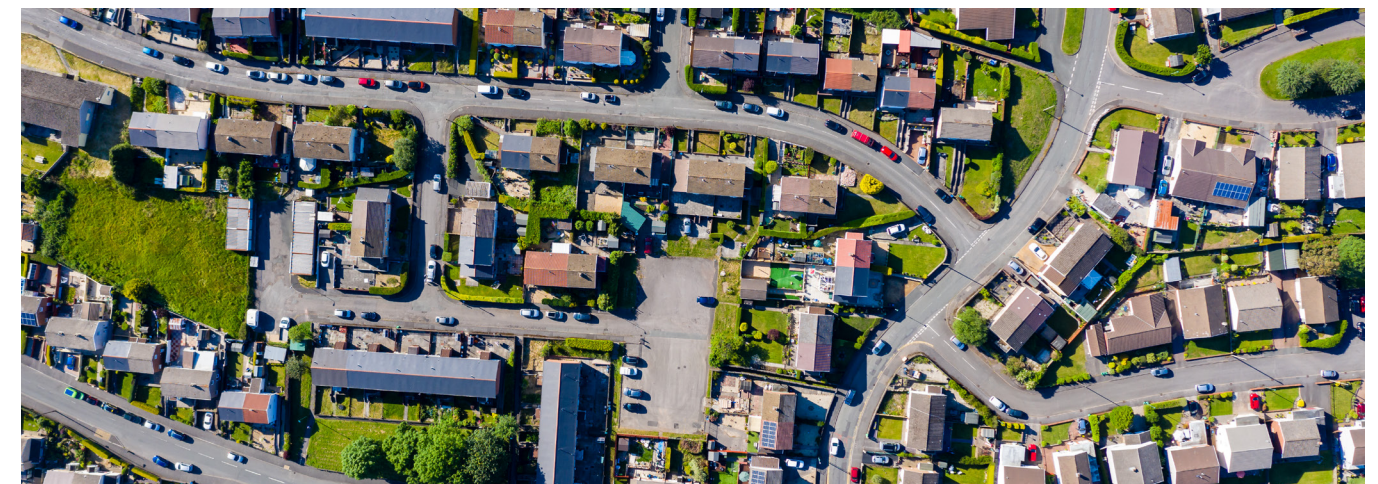
COVID-19 has revealed and exacerbated the effects of racial inequity's root causes in the United States. During COVID-19, it became apparent that many blue-collar jobs were front-line jobs that required a worker to be onsite, placing greater health risks and childcare demands on those workers. In addition to managing these challenges, these workers also often endure the biggest economic fallout from furloughs, cut hours, and layoffs.³⁶ The long-term impact of these disparities hinder asset building, public health, social welfare benefits, and housing security.

Real estate

Real estate policy and practices are inextricably linked with inequitable economic outcomes for people of color. Policies enacted by the Federal government have kept property ownership out of reach for most people. These policies go back to the founding of the United States; Native Americans, the original inhabitants, are now allotted only 3 percent of the land area through a legacy of broken treaties with the Federal government. Similarly, national policies blocked Black people in the United States from accessing Federally backed mortgages through the process known as redlining. Investments in flourishing Black communities were decimated by Federal urban renewal and highway construction policies and projects.

Post-Depression Policy and the Emergence of Redlining

The Great Depression created a massive foreclosure event. In response, broad-ranging New Deal economic policies were passed to create stability in the housing market. The Home Owners' Refinancing Act of 1933 created the Home Owners' Loan Corporation (HOLC), which began as an emergency agency to refinance mortgages. Though HOLC established the current system of long-term, low-interest, mortgages and the establishment of uniform national appraisal





methods, it also introduced the racist practice of redlining. In the late 1930s, HOLC categorized neighborhoods into four rankings, based in large part on their racial makeup. Neighborhoods with Black occupants were marked in red — ‘redlining’ — and considered high-risk for mortgage lenders. These maps were used by the newly formed Federal Housing Authority to determine if a property was eligible for a Federally backed mortgage loan. Homes in redlined areas were not granted Federally backed loans, which resulted in Black would-be homeowners not purchasing houses or relying on predatory lenders.

Post-World War II Policies and Programs Widen the Gap

Post-World War II, a series of Federal policies and societal trends created economic growth for many citizens while leaving behind people of color. The GI Bill of 1944 facilitated opportunities for returning veterans to purchase houses and attend college, fueling the demand for housing and the development of suburban tract homes. Restrictive covenants were specifically written to keep Black, and in California, Asian families out of these new developments. Although the Supreme Court ruled in 1948 that such covenants were unenforceable, de facto segregation continued and was frequently enforced by violence and intimidation. Furthermore, Federal Home Administration (FHA) mortgages were still out of reach for people of color. As White families moved to the suburbs, the tax base also shifted and cities were increasingly financially imperiled, causing further disinvestment in Black neighborhoods.

Real estate, urban planning and infrastructure practices also caused inequity. Federal urban-renewal projects launched in the 1940s and 1950s interstate projects were made possible by the ‘slum clearance’ of existing lower-income and homes and businesses in communities of color.³⁷⁻³⁸ Displaced families and communities were never fully compensated for their loss, leading to the lack of accumulation of wealth that is part of the lineage of the existing wealth gap today between communities of color and White populations.³⁹⁻⁴⁰ Interstate highway and urban renewal programs created hundreds of popular suburban and exurban communities offering cheap and substantial space away from ‘inner-city problems’ while excluding people of color from those opportunities.⁴¹⁻⁴² Furthermore, many of these new highways cut right through Black neighborhoods, isolating areas from the rest of the city that were both physical and wealth divides.

The Housing Act of 1949 was President Harry Truman’s attempt to increase and improve the American housing stock, but in practice it displaced communities of color and created notorious housing projects. Through “urban renewal” cities were incentivized with Federal funds to clear so-called blighted areas so that new housing could be built. Often these blighted areas were functioning communities of color, which were replaced with large-scale projects such as convention centers and former residents were moved into newly built housing projects. Urban renewal continued into the 1960s. The destruction of communities, coupled with disinvestment and “White flight” from cities, destabilized populations of color and further exacerbated loss of property and barriers to ownership.

Other legislative attempts that addressed economic inequity without fully acknowledging the role of race in creating this inequity proved to have limited effectiveness. In 1966, Congress passed the Demonstration Cities and Metropolitan Development Act, requiring urban-renewal projects to provide housing for affected people in blighted areas with a heavy preference on communities with persistent unemployment. The Housing and Community Development Act of 1974 simplified urban-renewal funding by creating Community Development Block Grants (CBDGs) that localities could apply for based on their direct and specific needs.⁴³ However, patterns of poverty and disinvestment in majority communities of color persisted.⁴⁴

Black Land Ownership

After the Civil War, Black people were able to acquire land through the Homestead Act. By 1920, Black families owned 14 percent of U.S. farmland. This percentage has been whittled away, however, due to property-ownership laws. Black landowners often passed property to their offspring in an informal way, due to not having a will. In many states, property without a will is disbursed to all living heirs of the original owner, sometimes numbering hundreds. They do not have what is called “clear title” — their names are not on the deed of the property. The lack of clear title precludes the land from being eligible for loans, disaster-relief funds and other benefits. It also destabilizes ownership; if one party of the collective ownership is approached to sell, they can force the sale of the entire parcel. This vulnerability has led to a sharp decrease Black farmland ownership, from 14 percent to 2 percent.

Native American Land Ownership

The most significant legislation, which still shapes Native American land policy today is the General Allotment Act of 1887 (also called the Dawes Act.) Through this act, reservation land was divided up and allotted to individual tribal members, rather than land being held collectively. The land that was not allotted to individuals was then made available for sale or lease to non-Native Americans. This has led to a complicated “checkerboarding” of Native land, which makes it difficult for tribes to undertake activities that use large parcels of land, such as farming and ranching. Additionally, the land allotted to individuals has been passed down generationally, so ownership is split among the next generation. This compromises land use because for any one owner to use or sell the land, there must be agreement from all parties, which can number in the thousands.





PRISMS

Examining present and past inequity in economic development gives us prisms to look through as we develop a Playbook with concrete tools, best practices, and case studies in equitable development.

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

History must be considered to successfully promote equity. For that work to be genuine, EDOs need to acknowledge the roots of past inequity and understand how they reverberate in the present. This can involve an internal evaluation of racism/unconscious bias in your EDO and beginning a conversation about past/present institutions that perpetuate inequity and mistrust in your community and engaging new partners. **Economic developers must learn from history and work towards trust and partnership with their community to move forward.**

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

In the past, programs purported to target distressed areas often benefited investors instead of communities of color. Stakeholders, including developers, the financial community and the public sector should be engaged to achieve equitable outcomes and to apply metrics and enforcement measures for programs. For effective targeting, community engagement must be constant and meaningful. Programs should also be designed so they can reach people of color, e.g., by considering transportation, scheduling and financial needs. EDOs should listen to community stakeholders to create targeted programs. **Intentionality to increase equitable outcomes for communities of color is crucial.**

Equity cannot be produced from a singular source.

Improving equity with holistic solutions is necessary moving forward. This means public and private stakeholders — including existing MBEs, local lending institutions, workforce development institutions, housing and real estate stakeholders, environmental and public health stakeholders, and EDOs — working together in areas that have often been siloed in economic and community development. **Cross sector collaboration is needed to increase equitable outcomes.**

Incorporate equity and inclusion into performance metrics.

Only by establishing a baseline and understanding how initiatives are making a difference can EDOs understand where programs are or aren't succeeding in reaching people of color. **Implement a performance metrics system to measure baseline and progress.**





MANAGING EDOS

More than nine thousand Economic Development Organizations support the local, regional and national economies of the US.⁴⁵ They provide the linkages that align community economic resources, from workforce development to commercial real estate, from targeted revitalization areas to supplemental financing.

As the EDO brings Diversity, Equity and Inclusion (DEI) to its practice areas, it must also embed these values in its own management. For a cohesive and effective program, an EDO integrates an inclusive approach into its core organizational functions, including vision, mission and strategic objectives; staff and board management; community outreach and partnership building.

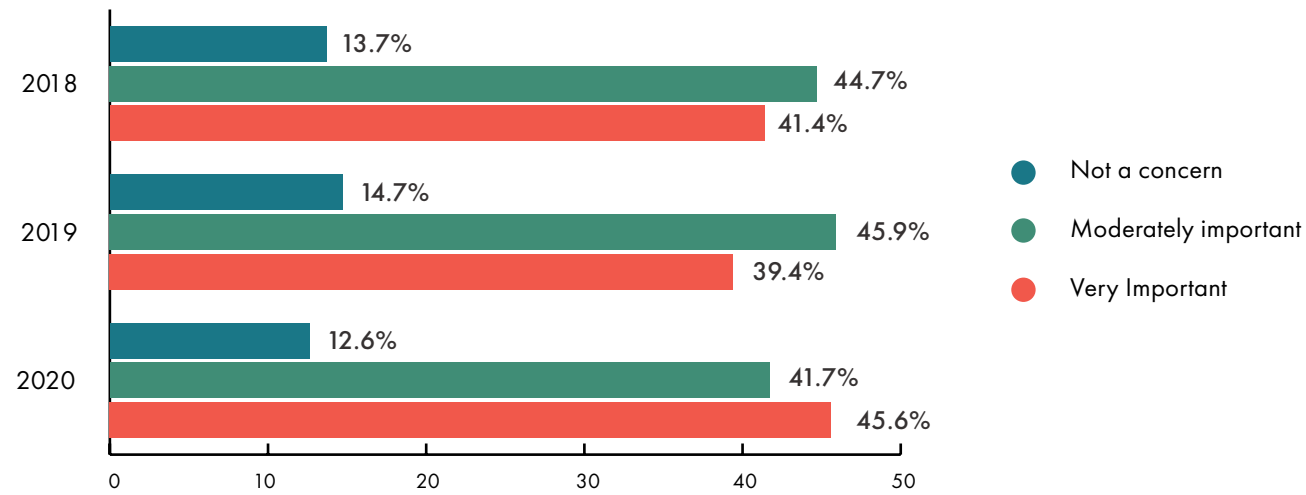
The strategies available to the EDO that bring DEI into these core management areas create the process of educating and aligning the organization with the full range of the diverse community it serves.

Data at-a-Glance

Beyond the survey completed for this project, IEDC conducts annual surveys to track the sentiments of our membership. Over the last three years, IEDC has included questions about equity into the annual *State of the Industry Survey*, which has drawn between 570 and 815 responses. In particular, the answers to these questions allow for an analysis of how organizations are trending in DEI. Among respondents in the survey, 80.9 percent were White, 5.4 percent were Black, 4.3 percent Hispanic, 0.7 percent were Asian, 0.2 percent Native American with about 8 percent choosing not to respond.

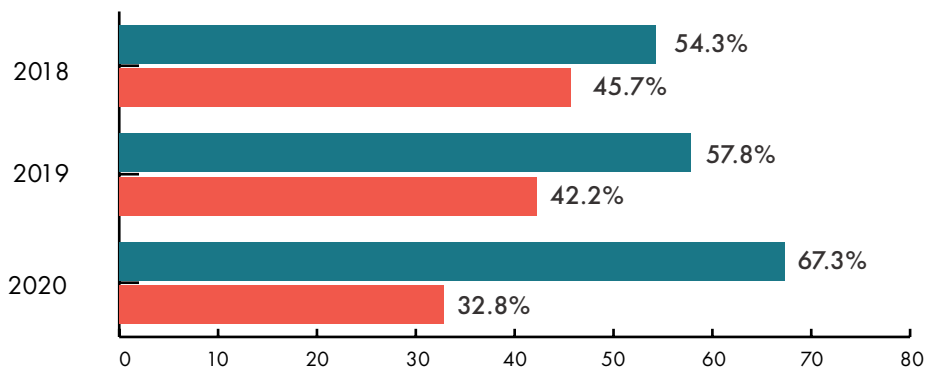
When asked about equity, as the survey results show, there has been a slight progress from 2018 to 2020 in the number of EDOs rating DEI issues as “important” or “very important.” Of particular note, in 2020, there was a 6.2 percent increase over 2019 (45.6 percent compared to 39.4 percent the year before) in communities that said that equity and opportunity issues were “very important.” The survey was distributed in December 2020, following the murder of George Floyd, racial unrest, and a year of a disparate COVID impact, which further elevated racial awareness.

Figure 10 - To what degree are equity and opportunity issues a concern for your organization?



Separately, in the *State of the Industry* survey, EDOs were asked about the degree to which diversity was a priority for their organization in 2018, 2019 and 2020: The trend also shows that DEI was more of a priority in 2020.

Figure 11 - Is staff diversity (ethnic, age, or gender) a priority for your organization?



There was an increase of 9.5 percent from 2019 to 2020 in the number of organizations who said staff diversity was a priority.

The 2021 Equity Survey included several questions on internal DEI measures for EDOs. For this analysis, the sample pool was between 250 and 300.

When assessing all of the EDO responses on DEI implementation and metrics, it is clear that overall, EDOs are in the early stages of putting their racial equity goals into action. In many cases this could be related to the size and/or capacity of the EDO.

As the statistics presented throughout this Playbook continue to show, it is clear there is a mismatch between the percentage of organizations who say equity is a very significant issue and the percentage that are following through with implementation measures such as programmatic evaluation and hiring a diversity officer. Closing the gap between aspirations and performance in the foreseeable future is essential for advancing equitable economic development.



The Historical Frame

Overcoming a flawed legacy and building community trust

EDOs need to build trust within the community, often to overcome a history of being perpetrators or participants in redevelopment trends (such as Urban Renewal programs) that have damaged the fabric and economies of communities of color. This legacy requires today’s economic developers to enact exceptional standards for public inclusion in the planning process, and rigorous criteria for determination of public benefit.

Shift from acquisition of wealth towards building and sharing wealth

When the industry began to professionalize, economic developers were doing so in the pursuit of factories, corporations and installations; they were often portrayed in the media and perceived in the community as “smoke-stack chasers,” concerned with business attraction in order to add to their tax base and win jobs for their region and for corporate interests.⁴⁶ The survey indicates that today, economic developers have evolved to become more concerned with matters related to facilitating equity through opportunities for the creation of wealth.

STRATEGIES

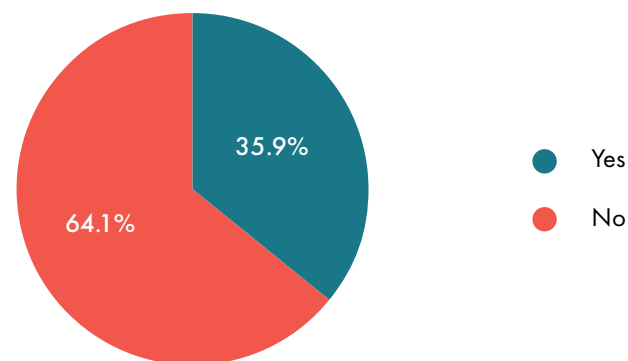
Embedding Equity in Strategic Plans and Diversity Statements

Equity Plans

Organizations may have equity strategies embedded in their planning process in multiple ways. Many have added DEI to their organizational strategic plan. DEI can also be a central component of a recovery and resilience strategy, a master plan for a specific redevelopment project or part of a city/county charter. As discussed in the next section, EDOs can define their organization with a DEI statement or adopt a slogan that reflects their emphasis of issues related to equity.

IEDC asked communities if they had racial goals in their strategic plans and in this sample the majority said “no” at a ratio of about 3:2.

Figure 12 - Has your organization identified racial equity goals in its strategic plan?



IEDC’s 2021 Equity survey found that 35.9 percent had identified racial goals in their strategic plans, while 64.1 percent had not. This shows that while equity and opportunity are “very important” (45.6 percent) or “moderately important” (41.7 percent) issues according to respondents in the same survey, there is a performance gap in converting this priority into strategic planning.

While the majority of organizations do not have racial goals in their strategic plans at the other end of the continuum, some organizations may have drafted plans that are singularly focused on equity. For example, the **St. Louis Development Corporation (SLDC)** completed the St. Louis Economic Equitable Framework.

In St. Louis, the Equitable Economic Development Strategic Framework presents a vision to create collaborative opportunities for development and investment that benefit all the City’s people and neighborhoods. The SLDC administers the Framework but is reliant on partners, including private and public institutions and businesses, for implementation and success. Additionally, there is coordination with other regional, citywide and neighborhood development plans.

The Framework presents four main goals:

- o Increase the city’s population by 30,000 residents by 2030
- o Exceed the national growth-rate in jobs and payrolls among key industries
- o Close existing opportunity, employment, wage, entrepreneurship, and wealth gaps for people of color
- o Achieve sustainable long-term tax revenue growth for the city

The Framework was developed with input from hundreds of interviews, meetings, and other feedback from community members, and with the guidance of an Advisory Committee of over 40 members.⁴⁷

Equity DEI Statements

In addition to incorporating equity into strategic planning, economic development organizations (and organizations in general, including businesses) can show commitment by developing a diversity statement. According to the **Society for Human Resource Management**, considerations include:

- o Length (word count)
- o Branding
- o Use when onboarding
- o Readability (e.g., some research shows that 11th grade level and the usage of short sentences is optimal)
- o Visibility/platform^{48 49}



TIP Strategies and **M. Hensley Consulting** developed “the Five Elements of a Meaningful Statement on Racial Justice.”⁵⁰ This list references statements written in the wake of the George Floyd murder and focuses on racial justice for Black populations.

- o **Name the problem unequivocally** – Avoid “we are in this together” platitudes and overly-broad language like (“people of color” or “minority” or “diversity.”) While those are positive areas of focus, this moment is about the Black community and should be named as such.
- o **Demonstrate empathy** – Show that you hear the community’s pain, trauma, anger, sadness, grief. This is about the Black community’s pain, not your company’s. Show that you are listening and you hear them.
- o **Demonstrate humility** – Indicate that your company is doing its own self reflection right now and listening and learning. . . . Don’t rely on statements like “we’ve got a diverse board,” “... diverse employee base,” or “we’ve been doing XXX in this area” without acknowledging there is still work to be done.
- o **State your plan of action** – A statement of solidarity without sharing how your company will be part of the long-term solution may be seen as empty. It might be a financial donation to an organization working on the cause, or – even better – setting aside an annual budget for the cause. Perhaps it’s reviewing your own hiring/board recruitment practices to ensure they’re aligned with your stated values, advocating for change at the local/state/federal policy level, etc. But make sure this is stated from a place of service and not self promotion.
- o **Do the work** – Follow through with your plan of action. Your clients and prospects are watching and so is history. Authentic contributions to the long-term solution will be appreciated. Inauthentic ones will fall flat.

The **Miami-Dade Beacon Council** provides an example of an organization that operationalized some of the principles identified above. The Council employed *empathy* and a *plan of action* in its statement:

“As the impact of systemic racism comes to a head in communities across the United States (including our own), we join millions of voices that stand with the families of George Floyd, Breonna Taylor, Ahmaud Arbery and countless others that have suffered discrimination, hatred and racially motivated violence. We say to Black families and Black business owners: We see you. We hear you. We stand with you to demand change.”

The statement’s plan of action goes on to include working with partnering organizations that share these values and commitments. Additionally, it lays out a plan for engaging in focused efforts to reach Black-owned businesses that have historically struggled with the access to capital and business-support services needed for growth, and programs to help structurally unemployed individuals get and keep living-wage jobs. Each organization should choose to reference specifics that apply to its local community, including demographics (e.g., this statement is focused most on the Black population).

Branding

Presenting an outward-facing message that an economic development organization values, supports and implements diversity, equity and inclusion initiatives can influence stakeholders in the community. In addition to diversity statements, organizations may develop slogans or tags like **New Orleans Business Alliance (NOLABA)**.

NOLABA is explicit in its commitment to diversity in its tag line: “Culture, Equity, Prosperity.” Those core values logically support an equity objective, “We are especially interested in growing businesses owned by entrepreneurs of color and women”⁵¹ and the slogan makes the organization accountable to its mission. It aligns with its supportive programming, such as the Business Alliance Small Business Growth Team, the Supplier Diversity Certification, and the Resilient Corridor Initiative, among others. The strategic positioning of the organization is set on a foundation of equity, creating consistency in its objectives and programming.

Managing Your Staff and Equity Priorities

An EDO should examine its internal and external policies and programming through a DEI lens. An honest assessment must be followed by a commitment to change, if necessary, and a process of reorienting the EDO’s hiring, training, and other staff management practices.

According to IEDC’s surveys, the majority of EDOs do not perceive racial inequity (“not at all”) or perceive only “a small amount” in their organizations.

Figure 13 - To what degree are equity and opportunity issues a concern for your organization?

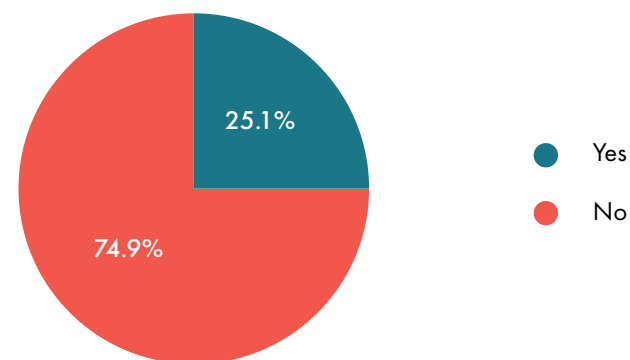
	Not at all	A small amount	A moderate amount	A large amount	A very large amount
EDO staff diversity	30%	22.9%	22.4%	12.4%	12.4%
EDO board diversity	24.6%	18.5%	25.6%	14.2%	17.1%
Community outreach in economic development strategic planning	24.5%	19.8%	24.5%	19.8%	11.3%
Dashboard indicators/KPIs to measure success of economic development programs	27.3%	22.5%	21.5%	17.7%	11%

As the above answers show, the area where the most inequity is perceived is EDO board diversity.

DEI Leadership and Management

Depending on the needs of the organization, and in some cases, its size and capacity, the EDO may want to designate a person to work in a full- or part-time capacity on DEI, with the title of Chief Equity Officer. IEDC's survey revealed that the majority have not pursued this.

Figure 14 - Does your organization have a staff member focused on diversity, equity and inclusion (DEI), such as a chief equity officer?

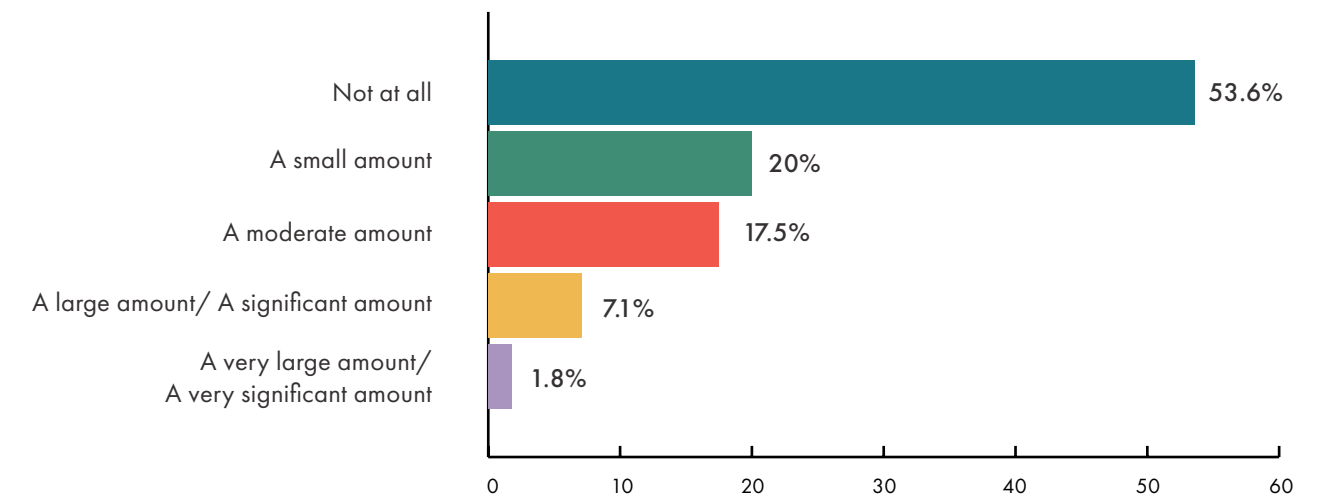


A Chief Equity Officer may lead the organization's internal programming in addition to external, outward-facing matters. For example, internally this person may serve in an overarching and connective role, among different equity programs across agencies to ensure that the community's programs are aligned with goals.

Staff management should include elements such as establishing a culture, providing training and providing a mechanism for reporting DEI incidents. A survey conducted by the **Society of Human Resources and Management (SHRM)** with **Harvard Business Review Analytic Services** found that leading organizations also extend DEI accountability beyond the Human Resources (HR) department, starting with the most senior positions but trickling down to different levels of management for maximum impact.⁵² While the HR head is accountable for meeting DEI objectives in 73 percent of leading organizations, CEOs are accountable in 71 percent, business unit heads in 54 percent, department heads in 50 percent, managers in 44 percent and DEI team leaders in 28 percent.

The 2021 Equity survey asked respondents, the majority of whom are heads of their organizations, to what extent they are personally evaluated for their performance in meeting metrics related to diversity, equity and inclusion (**Figure 15**). The most common answer was "not at all."

Figure 15 - To what extent are you evaluated on DEI?

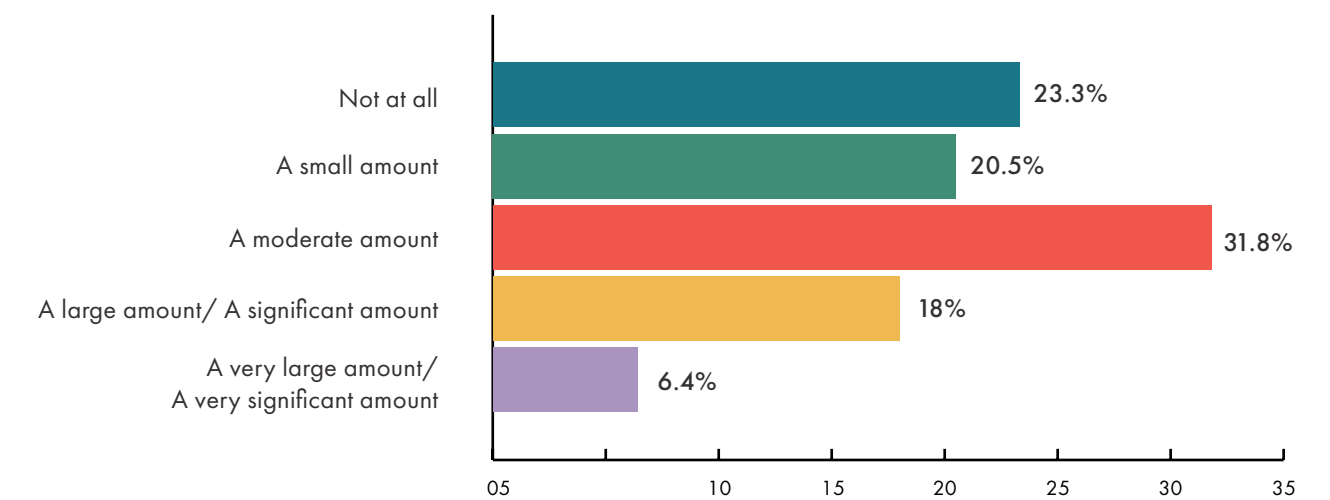


This finding shows that the EDO profession is still in the early stages of adopting equity policies and practices with built-in measures for performance and accountability, which is perhaps related to the fact that equity metrics are still themselves being developed and adopted.

DEI Recruitment

The 2021 Equity survey provided a benchmark look at the degree to which DEI (including hiring and training) is currently embedded into internal processes. The highest response indicates it is embedded a "modest amount" (31.8 percent), followed by "not at all" (23.3 percent), and "a small amount" (20.5 percent).

Figure 16: To what extent is DEI embedded in your internal processes, such as hiring and training?



Recruitment is essential to ensure that the applicant pool and the organization reflect the diversity of the community. If this is not the case the EDO can take steps to achieve this goal:

- o Ensure that job postings are reaching diverse populations through networks serving professionals of color and partners, and neighborhood and community newsletters
- o Consider whether the job requirements prohibit qualified candidates who may have followed nontraditional paths to acquiring the needed skills
- o Actively recruit people of color in advanced-degree programs for development
- o Provide internships or fellowships to people of color to develop a talent pipeline

EDOs should widely advertise positions to tap into an array of talent pools beyond the usual suspects, to bring people of color into consideration. For example, EDOs can list job postings not only through four-year and Community Colleges and Chambers of Commerce but through HBCUs and Black and Hispanic Chambers of Commerce.

Training

EDOs can provide bias training to help staff understand unconscious bias and structural racism. To do the work of racial equity, economic developers themselves must understand their own (often unrecognized) personal biases, and how structural racism has and continues to limit people of color from thriving economically.

The Diversity and Inclusion workshop provider **Awaken**, in **Oakland, CA**, has suggested some guidelines to optimize results from a bias-training initiatives: use an experienced facilitator, make it voluntary (people who are forced to participate can become hostile, resentful and defensive), set ground rules so that participants know what topics (including uncomfortable ones) that can be safely explored, use interactive and experiential means of interaction, provide tactical, actionable steps for the participants to help them overcome unconscious bias and arrange for follow-ups when possible.⁵³

DEI Board Management

EDOs should recruit staff and board members who reflect a community's demographics. Recruiting and hiring diverse candidates to join the team — especially in positions of power — is a critical way to incorporate DEI into the organization and its strategies, internally and externally. As the survey indicated, it is also the area of management where EDOs are identifying the most inequity which indicates the importance that it be incorporated into an organization's goals.

Community Outreach and Partnership Building

Past Plays a Role in Present

EDOs should know the racial history of their communities and acknowledge past discrimination. They should take the time to learn about the people, businesses, neighborhoods, organizations and events that are or have been significant to people of color in your community. What is the history of investment or disinvestment in neighborhoods? How does this history contribute to economic challenges faced by people of color in the community today? How could this be inhibiting a culture of trust and cooperation in the community?

In 2015, **Prosper Portland** began shifting its priorities and goals to center equitable economic development.⁵⁴

The organization had previously started initiatives that emphasized diversity, equity, and inclusion (DEI) in workforce development, housing, and neighborhood development. However, the organization faced mistrust and accusations of inequitable practices from the communities it serves, and to fully embark on an equity-focused strategy, Prosper Portland needed to acknowledge the harm that some of its past projects have caused for communities of color.⁵⁵

Some of the organization's historic development work labeled thriving communities of color and of immigrant populations as "blighted;" and vibrant neighborhoods in south Portland and Albina were torn down in the 1960s and 70s. Citywide discriminatory policies and practices destabilized communities of color and disadvantaged people who were not landowners. The impacts of these decisions still resonate today and have generated wide disparities in employment, income, and wealth between white communities and communities of color.

In 2017, the organization underwent a thorough strategic communication and community engagement process. That work led to the organization changing its name from the Portland Development Commission to Prosper Portland, to better reflect the organization's focus on building an equitable economy and away from traditional urban renewal practices. Externally, the agency committed to managing all programs and investments in a manner that explicitly considers beneficiaries, addresses disparities, and supports equitable outcomes. Prosper Portland's programs and investments that impact the community center racial equity in program development, community engagement, and implementation and are considered from a racial equity perspective to understand who benefits, who is burdened, and who influences decisions. Internally, Prosper Portland committed to diversity and inclusion training, changing hiring practices, making its commitments clear through a public equity statement, and acknowledging past mistakes.

Prosper Portland has a dedicated section on its website for its Equity Framework, which includes a timeline and a history of the organization. It develops its practices and policies using an Equity Model for Change which identifies the organization's goals, its work and the alignment and influence of its equity efforts to achieve the goal of building an inclusive economy. The Model clarifies roles and staff contributions to both internal change and external outcomes. Prosper Portland now considers its programs and investments with a focus on inclusive growth and addressing persistent gaps, leading with race as the primary factor in determining outcomes for the community.

Getting the Ombudsman Role Right

Because historically many communities of color have developed mistrust of EDOs and government, financial and other institutions as a result of disinvestment, underinvestment and other discriminatory practices, it is important to have not only the right message but the right messengers.

In **Fort Collins, Colorado**, which is 88 percent White but has a significant population of color that is primarily Hispanic (11.6 percent) and includes some undocumented persons, the Department of Economic Health was tasked in 2018 with providing assistance to businesses owned by people of color. Rather than taking a traditional BRE approach with listening sessions and achieving a transactional goal, Fort Collins chose to do something more transformational.

To reach the Hispanic community they found that they needed to hire "multicultural brokers" to deliver services through the language and trust barriers. During the recent pandemic, the Economic Health team found that there are many businesses that have not had much interaction/experience with and trust of government. With CARES funding, the team offered grants but found that many businesses owned by people of color did not access grant funds, due to the trust issues and/or financial requirements requested for these grants. Staff found that the businesses felt more comfortable "opening up their books" to an ombudsman of color. Fort Collins also hired a Spanish-speaking bilingual business specialist to continue to develop and nurture these relationships moving forward. In this effort to assist businesses of color, Fort Collins surveyed 1,800 people, held 45 events and made 800 one-on-one connections. Over the last year, the Fort Collins team worked to build strong, innovative relationships that were not only for the Hispanic/Latino businesses but benefited all others as well.



As Fort Collins moves forward, it is utilizing American Rescue Plan Act funding towards the creation of the **Multicultural Business and Entrepreneur Center**, which includes new positions focused on bilingual- and women-owned entrepreneurs. Additionally, businesses in the region have banded together to create the NoCo Latino Chamber of Commerce to help advocate, support, and influence future resources.

Performance Measures and Analytics

EDOs must incorporate equity and inclusion into performance metrics. It is important to understand the use of external and internal metrics for equity by EDOs. This Playbook has presented the kinds of metrics that can be used to measure different types of programming (e.g., in areas of entrepreneurship and workforce development). Only by establishing a baseline and understanding how initiatives are making a difference can EDOs understand where their programs are or aren't succeeding in reaching people of color. IEDC's survey of economic developers found that most organizations are still lagging in this area.

The majority of EDOs had no evaluation based on DEI metrics, with just over a third having a moderate or small amount. This reveals that while EDOs are aspirational and increasingly state the importance of equity and opportunity, there is a gap between those that are implementing equity programming and applying equity metrics.

Not only are metrics about an organization's external DEI programs important but so too are its internal metrics – about how it is performing as an organization in meeting DEI goals. Among these metrics, diversity metrics remain most important. As one EDO director said, it is impossible to be a service organization without reflecting those you serve. To that end, diversity of staff and of the Board are paramount, and tracking these metrics to make sure the pipeline of diverse talent continues to be refreshed and grow is paramount.

Other internal metrics — checks for best practices incorporation — include those identified by the **SHRM-Harvard Business Review Analytics study**, where they found that leading organizations possessed these components in their DEI strategy:

- Visible executive support (77 percent)
- A culture that is supportive of DEI (75 percent)
- DEI training for managers (68 percent)
- DEI training for all employees (67 percent)
- Safe mechanisms to report DEI incidents (63 percent)
- Employee Resource Groups (ERGs)/Affinity groups (55 percent)
- Trends in DEO metrics shared with all employees (35 percent)

With respect to all metrics, it is important that EDOs track goals with regularity and communicate the outcomes. 47 percent of respondents to the SHRM/Harvard Business Review Analytic Services survey measure progress toward their diversity and equity goals at least twice a year. Additionally, transparency with respect to monitoring a DEI program may also mean calling out certain departments for performance. Targeted attention can be used as a lever, though it is not that frequently employed yet. As the survey showed currently, very few organizations surveyed (12 percent) offer financial incentives for DEI improvements. As represented above, if leaders of EDOs are measured according to their performance in DEI matters, this is one form of incentivizing equitable economic development through management of EDOs.

PRISMS

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

Confronting racism and inequity that have existed in the past opens the doors to more trust and the promise of a more equitable path forward. Without this communication, separation is more likely to remain between communities that historically faced discrimination and lack of resources and the institutions that governed over them. Conversations are the beginning of partnerships that can catalyze solutions.

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

The economic development profession may not be as homogenous as it once was but people of color are still underrepresented. Unconscious bias, which leads to the maintenance of the status quo (or worse) and keeps the scale from balancing toward equity, is a possible outcome without intentional strategy. Commitments to diversity, through statements, plans and metrics, can hold EDOs accountable so that there is more equity.

Equity cannot be produced from a singular source.

Economic-development organizations may need the outside push from a third-party organization, such as a community organization, an employee resource group or a consultant. Such outside pressure can be a positive and exogenous force for change management. EDOs should work with organizations and people of color as they try to achieve goals that reach business, workforce and other populations of color, in order to help break down barriers of trust and language that may exist.

Incorporate equity and inclusion into performance metrics.

It is vital that EDOs know the demographics of their own communities and develop an internal strategy so that their staff and board reflect these demographics and an external strategy that has programs with metrics. EDOs should strive toward increased measurement of their own performance so that they set a positive example of DEI in their community.



SMALL BUSINESSES

With more than 32 million of them across the country, small businesses form an essential part of the U.S. economy.⁵⁶ U.S. small businesses generate 43.5 percent of the GDP and account for 62 percent of net new job creation since 1995.⁵⁷ However, people of color currently don't have an equal share of the pie. They lag not only in business ownership but have lower business-survival rates and are less likely to receive appropriate loans or funding.

While it's very clear from the data that businesses owned by people of color are at a disadvantage, there is not one solution that will work for all situations. In this Playbook we have divided strategies for Small Businesses and Entrepreneurship into two chapters. The first chapter, Small Business, will focus on retention and expansion, while the Entrepreneurship chapter will focus on growth strategies.

This chapter will present a wide spectrum of strategies on how to assist businesses owned by people of color, meeting them where they stand and providing them with the right tools to flourish. Some of the strategies can be adapted to any community, while others are creative solutions for unique problems. By including them, we hope to encourage economic developers to think outside of the box.

Data at-a-Glance

Small businesses — those with fewer than 500 employees according to the SBA — constitute 99.9 percent of all firms across the U.S.. Of all U.S. small businesses, 81 percent are non-employer firms, meaning they have no employees, while 19 percent are employer businesses, meaning they have employees. While non-employer firms account for roughly 80 percent of all small businesses, they constitute 96 percent of Black-owned businesses.⁵⁹ Looking at employer small businesses, only 18 percent are owned by people of color; of these, the majority are Asian-owned (10.1 percent), followed by Hispanic owned (5.8 percent), Black-owned (2.2 percent), American Indian or Alaska Native-owned (0.4 percent) and Native Hawaiian or Pacific Islander-owned (0.1 percent).⁶⁰ The vast majority of businesses owned by people of color are microbusinesses, employing between 1-4 individuals.

However, the business survival rate for businesses owned by people of color is slightly lower than the national average. While the two-year survival rate for 'young business' (2-3-year-old firms) was 71 percent between 2016-18, the surviving percentage of Black-owned business dropped to 65 percent and Hispanic-owned business dropped to 64 percent for that same time period.

Financing: Out of Mind and Out of Reach

Financing often plays a factor in business failure and continues to be a big barrier for businesses owned by people of color in both business expansion and survival. This issue is two-fold: not only do businesses owned by people of color apply for funding less frequently, but when they do, they are also less likely to be approved.⁶¹ Large banks approve around 60 percent of loan applications from White-owned businesses, 50 percent of those from Hispanic business



owners, and just 29 percent from Black business owners.⁶² With a lack of access to formal loans, businesses owned by people of color are more susceptible to predatory lending.

COVID-19 Disproportionately Affects Small Businesses Owned by People of Color

The COVID-19 pandemic greatly disrupted operations for small businesses. Research shows that in the first few months of the pandemic, February to April 2020, the number of active U.S. business owners fell by 3.3 million, or 22 percent, from the same period in 2020. Black-owned businesses were hit the hardest, experiencing a 41 percent drop in business activity, followed by Hispanic-owned businesses, which lost 32 percent, and Asian-owned businesses, which dropped by 26 percent.⁶³

Many pre-existing disparities and barriers for businesses owned by people of color were exacerbated during the COVID pandemic. Regarding access to capital, similar disparities played out in the rollout of the Paycheck Protection Program (PPP) federal relief funds. Some of this is because most Black-owned firms lack strong bank relationships. In the latest Report on Employer Firms based on the Fed's 2019 Small Business Credit Survey, the New York Federal Reserve found that 1-in-10 Black non-employer firms had a relationship with a bank, compared with 1 in 4 White-owned non-employer firms.⁶⁴

By the end of 2020, about 73 percent of small single location employer firms had received financial assistance from the Paycheck Protection Program (PPP).⁶⁵ Yet, according to the New York Federal Reserve, PPP loans reached only 20 percent of eligible Black firms in states with the highest densities of Black-owned firms. In counties with the densest Black-owned business activity, coverage rates were typically even lower.⁶⁶

The dynamics discussed in this chapter are reflected in the response to the survey IEDC fielded to EDOs regarding where they perceive the greatest inequities are in the area of business retention and expansion (**Figure 17**).

The Historical Frame

The rise and fall of Black commercial areas

Through the 20th century, Jim Crow segregation laws forced Black Americans into insulated communities. Some Black-owned businesses boomed resulting in Black commercial areas across the US. The 1930-40s saw the decline of these commercial areas, through race riots incited by White mobs (e.g., Tulsa, Oklahoma) or a slower demise through redlining, slum clearance and highway development. Paradoxically, integration gave White businesses with more capital an unfair advantage, with which many Black businesses could not compete.⁶⁸

Equal Credit Opportunity Act (ECOA) of 1974

Because Black Americans were excluded from many of the wealth creation programs starting with the New Deal, Congress passed the ECOA in 1974 to end lending discrimination on the basis of race, color, religion, national origin, sex, marital status.

Even after the ECOA passed, predatory lenders continue to skirt the rules and charge small business owners of color exorbitantly high interest rates.

Figure 17 - Perceived inequities in BRE

	Not at all	A small amount	A moderate amount	A large amount	A very large amount
Business visitation and surveying	32.2%	19.1%	22.9%	17.0%	8.9%
Business technical assistance	28.4%	17.4%	27.1%	17.8%	9.3%
Business financial assistance	25.4%	15.3%	21.2%	19.1%	19.1%

STRATEGIES

Targeted Technical Assistance

Targeted technical assistance is one of the most essential strategies in improving service to businesses of color. This holds true for any type of technical assistance, varying from access to capital to business assistance and mentorship programs. Technical assistance can come from EDOs, Community Finance Development Institutions (CDFIs), Small Business Development Centers (SBDCs), universities or from the private sector.

Prospera, an EDO that operates in **Florida and North Carolina**, specializes in providing bilingual business assistance, provides a wide array of services to Hispanic entrepreneurs regardless of industry, stage of business, or the type of assistance needed. With over 25 years of successful operation, Prospera has developed a deep cultural understanding of Hispanic entrepreneurs, their businesses' pain points, and business motivations. They leverage this understanding through business seminars, consulting, grants, and access to capital programming.

In the **City of Mesa, Arizona**, the **Office of Economic Development** manages a program to specifically assist businesses owned by people of color who effectively do not have access to banks and loans. As the COVID pandemic demonstrated for businesses without pre-existing relationships with banks, it can be difficult to access loans when there is an emergency. The City of Mesa's program offers webinars that provide tactical on-demand solutions, and peer-to-peer groups that are invaluable for removing barriers to capital and identifying funding opportunities.⁶⁷ In addition to fostering relationships with financial institutions and providing finance knowledge, the City of Mesa's program also covers topics such as digital media, marketing, computer literacy and more.

Stronger Collaboration Between Small Business Assistance Providers

Collaboration between the different players in this ecosystem is key to improving the services available to business owners of color. A coordinated approach empowers each assistance provider to more effectively fulfill their role and connect the businesses they're serving with resources for services outside of their scope. Players in the small business support ecosystem include EDO's, universities and SBDC's, Chambers of Commerce, banks and CDFIs. True collaboration between these organizations results in mutual trust, enabling referrals back and forth, joint programming and ultimately a stronger support net for small businesses.

In **Raleigh, North Carolina**, the **Carolina Small Business Development Fund**, a CDFI, has strong partnerships with economic development organizations and universities. These collaborations have made the local response to small businesses during COVID especially effective, as the Carolina Small Business Development Fund was able to step in and expand services. Currently the Carolina Small Business Development fund manages a \$2.8 million loan and grant

program in four-way partnership with the City of Durham, Durham County and Duke University. While Duke University and the county provided the funding, the city charter did not allow them to disburse small business grants. As a CDFI, the Carolina Small Business Development Fund was able to take on that role. The Durham loan program provides loans between \$5,000 to \$35,000 for 10 years at a 3.00 percent fixed-interest rate. It is aimed specifically at locally owned small businesses and encourages applications from sole proprietorships, home businesses, food trucks, and independent contractors.

During COVID, the Carolina Small Business Development Fund also managed two loan funds with Mecklenburg County under a partnership known as Meck Lending. The COVID Relief Fund extended loans up to \$35,000 and half of the recipients were businesses owned by people of color. They're currently working with Mecklenburg County on small businesses loans up to \$75,000. In addition to managing the loan program, Meck Lending also provides technical assistance to businesses interested to help them apply for loans.⁶⁸

In **Prince George's County, Maryland FSC First**, a CDFI, has strong strategic alliances with the Prince George's County Economic Development Corporation, area Chambers of Commerce, Maryland Small Business Development Center, City of Bowie, Small Business Administration (SBA), Maryland Department of Commerce, Maryland and County Departments of Housing & Community Development, U.S. Treasury Community Development Financial Institution (CDFI), and 10-15 local banks. With a focus on small and minority owned businesses, FSC First has become a 'one stop shop' offering local businesses extensive technical assistance such as credit repair, lease execution assistance, and accountant and attorney referrals.

Make Your BRE Program Inclusive

Many economic-development organizations consider business retention and expansion (BRE) to be among their main activities. By implementing an effective BRE program, the economic developer can identify and address local businesses' needs to stay afloat and grow. However, to reach those businesses owned by people of color, it's important that the BRE program takes a comprehensive and inclusive look at its community. With 95.8 percent of Black-owned businesses being non-employer firms, and many people of color running home-based businesses, any successful BRE program must go off of Main Street and industrial park areas to reach them.⁶⁹ Some questions to assess the inclusiveness of a BRE program are:

Does the program include outreach to businesses that operate outside of normal business hours, such as festivals or events?

Is outreach available in all languages spoken in the area/community?

Are there any affinity groups or networks of small business owners the economic developer can connect with to reach unserved businesses?

Access to Alternative Funding

Even with expanded access to conventional loans, sometimes a bank loan is not the best option or fit for a small business. The three main reasons why entrepreneurs and businesses owned by people of color are denied funding are poor credit, lack of previous loan experience and not having the necessary documentation. Bridge-funding programs can fill this gap, providing small businesses the capital they need to grow, while also preparing them for conventional loans in the future. These programs can boost business owners' credit rating and build financial literacy by mirroring traditional loan applications.

The **City of Norfolk** built a strong bridge-funding program with their **Capital Access Program (CAP)**. The City wanted to develop new access to capital programs that filled the gap for those businesses that weren't eligible for traditional capital, but more importantly can become eligible to receive traditional capital in the future. The City structured their loan application to be similar to a loan application from a traditional banking institution. This prepares the applicant to gather information and documentation that banks will need, with the hope that they can apply for traditional funding in the future. Access to capital programs like these can also help businesses gain or improve credit history and position them for applying for a traditional loan.

The Capital Access Program (CAP) was established to increase access to capital for low-to-moderate-income entrepreneurs and small-business owners, with a target population of people of color, women and veterans. CAP offers five different financial products that vary based on business size, need, and purpose of fund for small business owners who would not otherwise be serviced by a traditional bank. It helps small business owners who may not have the ability to apply to a traditional lending source, as well as for those who need help that is not provided by banks, such as micro loans (under \$10,000), technical assistance, and lower interest rates. The five CAP loans are: Microgrant, Economic Development Authority Small Business Grant, Façade Grant Program, Reimbursable Grant Program and Norfolk Revolving Loan Fund. Applications are considered on a quarterly basis, which allows businesses four opportunities a year to apply for funding.

During the first year of the CAP program, the City of Norfolk provided a total of \$764,695 in grants and loans to 37 businesses. 54 percent of the recipients were businesses owned by people of color.

Protecting Legacy Businesses

In growing and gentrifying areas, long-standing businesses owned by people of color are at risk of being priced out. With rent increases and/or loss of clientele a neighborhood can lose the businesses that gave the area its character. When San Francisco was confronted with this issue they came up with a multi-pronged approach to conserve their unique businesses.

In 2013, **San Francisco Heritage** launched the **Legacy Bars & Restaurants Educational Initiative**.⁷⁰ Launched as an online map and guide, the initiative celebrated iconic establishments that contributed to making San Francisco unique, but do not qualify for formal historic designation. The online guide invites users to experience and visit these legacy businesses. During the first three rounds of the initiative, SF Heritage added 100 restaurants and bars that have been in business for more than 40 years, possess distinctive architecture or interior design and or contribute to a sense of history in the surrounding neighborhood.

In 2015, San Francisco expanded upon their small business conservation strategies with the **Legacy Business Registry and Preservation Fund**.⁷¹ While the Legacy Business Registry built upon and formalized the Legacy Bars & Restaurants initiative, the Preservation Fund provides grants to both Legacy Business owners and property owners who agree to lease extensions with Legacy Business tenants. The Legacy Business Preservation Fund makes Legacy Businesses on the registry eligible for an annual grant of \$500 per employee. Additionally, it also offers an annual \$4.50 per-square-foot grant to property owners who extend 10-year leases to Legacy Business tenants. Annual grants are capped at \$50,000 per Legacy Business and \$22,500 for building owners. By providing grants to these businesses, San Francisco is working to preserve businesses in a speculation-driven real estate market.



Increasing POC Ownership with Succession Planning

Another creative approach comes from **Manufacturing Renaissance**, a non-profit organization formed to retain manufacturing jobs and companies in **Illinois**. Confronted by two problems, namely a lack of successors for ownership of existing manufacturing businesses (the majority of which are owned by people over 55) and a lack of Black and Brown manufacturing company owners, Manufacturing Renaissance created **Re/Cast**. Re/Cast encourages and assists people of color to purchase companies which don't have successors in place. In doing so, the program aims to retain jobs and diversify manufacturing sector ownership.

Re/Cast looks for healthy manufacturing companies that have aging owners, between 15 and 50 employees, \$2 million to \$15 million in sales, and potential for growth. After evaluating the company to ensure continued viability, Re/Cast works to identify prospective purchasers from its employees or external entrepreneurs of color. Lastly, Re/Cast assists in the acquisition, including financing the acquisition.

Include Anchor Institutions

Anchor institutions, such as hospitals, universities, and other institutions with long-term investments in the community can play a significant role in bolstering businesses owned by people of color. Anchor institutions can leverage their major purchasing power to grow and expand local businesses owned by people of color.

In **Philadelphia, the Economy Leagues'** in partnership with the **City of Philadelphia** have developed a program to leverage the purchasing power of their local anchor institutions. The goals of the **Philadelphia Anchors for Growth and Equity' (PAGE)** are to create jobs and growth for local Black- and Brown-owned small businesses. By analyzing the purchase data of anchor institutions, PAGE identifies supply chain opportunities, reduces barriers by working with institutional procurement professionals, increases capacity by providing tailored consulting services, and collaborates with partners to provide access to growth capital. The founding members of PAGE are Philadelphia's large education and medical institutions. It grew out of the Economy League's matchmaking between anchor institutions and local Black- and Brown-owned small businesses, developing into the three-tiered PAGE framework in 2020, which includes:

1. **Page R&D.** The PAGE framework begins with research and advocacy work with the large anchor institutions to start shifting their purchasing power. Each partner institution is asked to provide their purchasing data on nineteen different industry categories — for example, IT, construction, or security services. PAGE then puts together an extensive supplier landscape analysis to determine how much money the institutions were spending on local businesses in aggregate and specifically Black- and Brown- owned small businesses. Additionally, for each anchor institution, PAGE put together an individual spend shift report to create a plan indicating where the anchor can start spending their money locally on businesses of color in the PAGE program. Success requires strong relationships and trust between the Economy League and the anchor institutions.
2. **PAGE Prep.** The second step is to build capacity for Black- and Brown-owned small businesses, so they can fulfill contracts for the anchor institutions. A significant barrier on the demand side is that many small businesses lack the capacity to fulfill the anchors' needs. PAGE Prep operates a skill- and mentor-focused business incubator to reduce these barriers and make it possible for a more diverse group of small businesses to receive contracts from major institutions. PAGE also works with the anchors to understand what these small businesses need to do to be ready, and then will connect the small businesses with tailored consulting services.
3. The third component is **PAGE Capital** to help Black- and Brown-owned small businesses build relationships with the investment community. This piece of the PAGE program is run by two organizations in Philadelphia, **Impact PHL** and **Social Venture Circle**. Their goal is to develop a cohort of individual and institutional investors interested in advising, mentoring and investing in Black and Brown businesses. The process includes recruiting and informing (e.g. on implicit bias) investors, facilitating networking among investors, and identifying specific types of capital needed, to ultimately connect them with the PAGE Prep graduates for mentorship and investment.

METRICS

When implementing new programs to assist businesses owned by people of color, it is important to measure their impact to learn what needs to be adjusted. Useful metrics include program outcome and statistics for comparison to other businesses owned by people of color in the area/region. The **Tactical Guide: Inclusive Small Business Support**, which was produced by the **Local Initiatives Support Corporation (LISC)**, identifies an array of metrics.⁷² Useful data to measure outcomes of programs that target people of color include:

- o Number of public meetings/events hosted, attendees
- o Number of partners engaged/partnerships created (nonprofits, philanthropic, public)
- o Number of businesses reached/engaged through marketing/outreach
- o Number of workshops/training sessions, attendees
- o Number of businesses supported
- o Individuals who are minority, women, disabled, or veterans from LMI neighborhoods

To assess program performance, track output-focused metrics about the businesses supported:

- o Employment increase
- o Sales increase
- o New products or services introduced to a new or existing buyer
- o Skills increase
- o Change in behaviors

To measure the health of business owned by people of color in your area you can track:

- o Percent of business owned
- o Business openings/closings
- o Business expansions
 - Increase in employees
 - Increase in revenue
 - Increase of physical footprint
 - Credit leveraged



PRISMS

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

When it comes to business ownership, people of color come from and continue to be at a significant disadvantage. A recent example is the disbursement of Paycheck Protection Program during the COVID-19 pandemic.

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

To assist businesses owned by people of color, economic developers should listen to local businesses owners of color. By assessing their input on current and future needs, EDOs (either by themselves or as part of a larger partnership) can provide assistance.

Equity cannot be produced from a singular source.

Collaboration among small business assistance providers can lead to more robust and comprehensive assistance programs. By breaking down silos and working as conveners, economic developers can more effectively assist small businesses owned by people of color.

Incorporate equity and inclusion into performance metrics.

Include metrics on businesses owned by people of color when assessing a region's business climate. The number and size of businesses owned by people of color, as well as their operating budgets and lines of credit, are some of the data that can help EDOs understand, and find solutions to, the obstacles business owners of color face.





ENTREPRENEURSHIP

Entrepreneurship offers opportunities for building generational wealth, enables people of color to bypass biased hiring practices and encourages community engagement and leadership. Despite the many barriers an entrepreneur may encounter, including lack of access to capital and corporate peer networks, the path of starting a business offers an opportunity for wealth and path of self-determination.

This chapter is focused on addressing some of the barriers faced by entrepreneurs of color. These barriers include ingrained, systemic ones including lack of access to capital, as well as emerging circumstances, such as how COVID-19 exacerbated pre-existing disparities and disproportionately impacted businesses of color. Here are many strategies that have already been employed by economic developers that demonstrate effective strategies that can chart a path toward greater equity.

Data at-a-Glance

Over the last 10 years, there has been an outsized increase in the growth of business enterprises owned by people of color: entrepreneurs of color have accounted for more than 50 percent of the two million new businesses started in the U.S. that created a total of 4.7 million jobs.⁷⁵ The data show that in 2020, more than half of new entrepreneurs were White (55.6 percent), over 1 in 5 were Hispanic (21.7 percent), close to 1 in 6 were Black (13.1 percent), and about 1 in 15 were Asian (6.7 percent). Hispanics represented much of the growth of people of color entrepreneurs, increasing from 10.0 percent of the whole population in 1996 to 21.7 percent in 2020. Black entrepreneurs increased from 8.4 percent in 1996 to 13.1 percent in 2020, while Asians doubled their share, from 3.4 percent to 6.7 percent in this time period.⁷⁶

Black and Hispanic women are a fast-growing segments of new entrepreneurs. In its State of Women-Owned Businesses Report, American Express reported that women of color led a disproportionate share of new businesses in 2019, comprising 39 percent of the total female population in the United States, but 89 percent of the new women-owned businesses created per day (1,625). Black women led 42 percent of the new businesses - three times their share of the female population (14 percent) and Hispanic women, 31 percent - nearly double their share of the female population (17 percent).

Women have generally fared worse in economic downturns and entrepreneurship served as a response to their unemployment or underemployment.⁷⁷ In the post-World War II US, the 2007-2009 Great Recession was the most severe and prolonged economic downturns. It had a far greater impact on women of color who turned to entrepreneurship (even when employed) in far greater numbers to make ends meet.⁷⁸

More start-up enterprises fail than succeed. A Kauffman Foundation report indicated that in 2018, only about 9 of 100 employer businesses were expected to make first payroll within their first eight quarters.⁷⁹ For businesses of color, the odds of success are worse, given the systemic barriers they face. The Minority Business Development Agency (MBDA) noted in a recent report that even though the number of minority-owned firms, now about 4 million, has grown by 35 percent, the average gross receipts for those firms dropped by 16 percent.⁸⁰

A lack of resources is the main source of performance gaps for businesses owned by people of color. According to the Kauffman Foundation, some of these disadvantages are no prior family business ownership, lower education levels, and fewer years of managerial experience, all of which are more common in Black and Hispanic entrepreneurs than their Asian and White counterparts.⁸¹

Relatedly, for most entrepreneurs, personal wealth, obtained from family and from real estate holdings, is critical to start-up and success. As found in a Kauffman report, White people are more than five times as likely to receive an inheritance as Black people (36 percent vs. 7 percent) and that inheritance is about ten times more on average than the inheritance for Blacks. More than two-thirds of entrepreneurs use personal savings as a source of funding and more than one in five rely on family for funding,⁸² so Black people are significantly disadvantaged when it comes to launching a business with personal wealth. Entering the COVID-19 crisis, the Federal Reserve bank of New York found, "weaker cash positions, weaker bank relationships, and pre-existing funding gaps left Black firms with little cushion ... even the healthiest Black firms were financially disadvantaged at the onset of COVID-19."

To make up for starting at a lower baseline, entrepreneurs of color are dependent on debt and equity. In these areas, they also trail their White counterparts. In 2019, only 3 percent of all SBA loans went to Black-owned small businesses and 7 percent to Hispanic-owned small businesses.⁸³

Entrepreneurs of color were less likely to get in front of venture capital (VC) firms to pitch and even less likely to receive funding. They made up just 8.5 percent of businesses pitching to angel investors in the first half of 2013.⁸⁴ Data service site Crunchbase shows that Black and Hispanic founders receive far less VC funding than their White peers. The report found that just 2.4 percent of the total VC funding over 5 years went to Black and Hispanic founders, based on a study of about 970 Black and Hispanic-founded companies.⁸⁵ According to Project Diane, which tracks women of color entrepreneurs, as of January 2021, a shockingly low number of 93 Black and 58 Hispanic women have raised over \$1 million in venture capital.⁸⁶

This may be linked to racism or bias in the industry, which is disproportionately White; 4 percent of the VC industry workforce is Black and 7 percent Hispanic, according to 2020 data from the National Venture Capital Association.⁸⁷ Some reports, including an interview with Black VC employees, give credence to the prevalence of unconscious bias against funding people of color entrepreneurs.⁸⁸



The Historical Frame

Slavery and Jim Crow

Black people in the U.S. have been exposed to the cumulative discriminatory effects of laws and practices, including almost a century of segregation and anti-Black laws under the "Jim Crow" system, in which separate was not equal and opportunities to achieve wealth were crippled. White entrepreneurs are much more likely to use inherited wealth to fund their initial start-up capital. The dispossession of wealth over generations is one reason communities of color lag in launching or expanding enterprises. This is validated by research that shows that Black people descended from slaves have fewer resources and lower rates of self-employment than Black immigrants.⁷³

Venture Capital

Since the venture capital industry emerged in the 1970s, it has been a leading catalyst for rapid business growth. Venture capital is a form of private equity financing provided by investors (generally well-off individuals, investment banks and other financial institutions) to startup companies perceived to have long-term growth potential. Reports show that entrepreneurs of color receive a disproportionately small share of venture capital funding, no doubt due in part to unconscious bias the majority-White industry.⁷⁴

Figure 18 - Perceived inequity in entrepreneurship and small business development

	Not at all	A small amount	A moderate amount	A large Amount	A very large amount
Entrepreneurial formal/informal networks	20.9%	21.3%	25.2%	18.3%	14.4%
Access to capital	18%	14.9%	21.1%	25.9%	20.2%
Business incubator/accelerator programs	26.9%	21.2%	22.5%	20.3%	9.3%
Technical assistance	25.4%	18.9%	26.8%	18.9%	10.1%

As **Figure 18** shows, access to capital is the area where the greatest inequity is perceived; 46.1 percent of respondents noted a large amount or very large amount of inequity in this area. Strategies to address this challenge and others are discussed in this chapter.

STRATEGIES

Economic developers can play roles as leaders of innovation in their community. They can provide technical assistance or funding for entrepreneurs, connect and convene the various entrepreneurial ecosystem players, such as direct support organizations (incubators, accelerators) and lenders and investors, corporations, funders and educational institutions (community- and four-year colleges, including the HBCUs).

Increasing Access to Capital

EDOs can provide more flexible lending, help with business planning and documentation, and create funding opportunities specific to people of color. They can set up their own financial vehicles, including venture funds, revolving loan funds, low-interest funds or grant programs. Community Development Financing Institutions are also an important source of funding for enterprises that might otherwise not meet the requirements of private commercial lenders.

During the COVID epidemic, there has been an even stronger exigency for capital to help businesses start, as a means of creating or supplementing income totally or partially lost.

As the largest city on the Rio Grande, **Brownsville, Texas** is 94 percent Hispanic and home to the **Brownsville Community Improvement Corporation (BCIC)**. BCIC's StartUp Texas Program, started as a seed fund program for entrepreneurs hoping to scale up and evolved almost overnight into an expanded COVID-19 Relief Aid, offering grants and forgivable loans. To date, the program has invested in 10 startups, assisted over 900 businesses, saved over 1,600 at-risk employees, and secured over \$10.7 million in emergency funding for businesses. The program is a showcase of regional collaboration including the Brownsville Chamber of Commerce, the Greater Brownsville Incentives Corporation, and the University of Texas Rio Grande Valley Entrepreneurship and Commercialization Center.

The **New Community Transformation Fund (NCTF)** is creating a venture fund for entrepreneurs of color in **Western Michigan**. The fund will provide venture capital for Black, Hispanic, Native American, and Asian entrepreneurs as they scale their businesses or help legacy businesses transition ownership to entrepreneurs of color. Working with partners from Consumers Energy Foundation, DTE Energy and **The Right Place**, an economic development organization in Grand Rapids Michigan, NCTF aims to create multi-generational wealth within historically disadvantaged communities in West Michigan. The program has a built-in requirement that businesses that receive funds stay in the region, to retain firms that might otherwise take off to other destinations with venture capital they raise.

One of the NCTF's goals is to attract more people of color to the region and bring down the regional unemployment rate. They target early-to-mid stage businesses founded by people of color in West Michigan and legacy businesses that are transitioning ownership and ready to sell to an entrepreneur of color. Representative industries are advanced manufacturing, food and agricultural, e-commerce, information technology, fintech, sports tech, and life sciences. Through the Right Place, Inc.'s deep regional business connections and expertise in its entrepreneurial ecosystem, they will be able to provide NCTF businesses with the tools and support needed to succeed, including traditional economic development services such as access to networks, customers, site selection, and mentorship.

To tackle funding disparities some organization have begun targeting their fund to specific demographic groups who have particular challenges and needs.

In 2018, the **Doyenne Group**, an organization based in Wisconsin raised \$1.2 Million from the **City of Madison**, the **Wisconsin Economic Development Corporation**, the Wisconsin Women's Business Initiative Corporation, A Fund for Women-Madison Community Foundation, the Craig and Kathryn Hall Foundation, and private donations to create an investment fund to be distributed to women-led and people of color-led businesses throughout the state. These dollars are being distributed through grants and equity investments. All returns received from the companies cycle directly back into the organization and the Doyenne Evergreen Fund. The Fund also runs a year-long Doyenne Accelerator program for entrepreneurs receiving funding to increase the chance of successfully implementing their business ventures and achieving a return on investment.

The majority of funding went out as \$5k grants, the rest were equity investments. The investments were not just for high-growth companies, which is the type of entrepreneurship fostered by the University of Wisconsin, but also for scaling smaller enterprises. Most of the investments (86 percent) were distributed to women-owned or -led ventures, 31 percent went to businesses owned or led by Black, Indigenous, or other persons of color. 48 percent of the investments were made to firms owned or led by White entrepreneurs.

The Doyenne Accelerator program is an additional service for entrepreneurs who received funding from the Doyenne Evergreen Fund. The year-long program consists of a minimum of four touchpoints with the entrepreneur and has a mission to support the continued growth and success of the entrepreneur within the first year of funding. As part of the program, participants go through Doyenne's Triple Venture Training program, have bi-monthly coaching sessions, and pitch their ideas at a Showcase event to highlight their venture to the community. The Doyenne Accelerator program helps to ensure that these entrepreneurs not only have the funding to succeed, but the knowledge and opportunities to succeed.

The Doyenne Evergreen Fund has supplied funding to a wide range of businesses from various industry sectors. The fund has supported technology companies focused on training youth sports coaches to keep kids safer, to consumer products for niche markets and businesses creating new alarm systems that detect a gun fire to better protect workplaces and schools. Doyenne also provided funding to a baby food company looking to produce healthier and minimally processed food in safe, lead-free, and low-environmental-impact containers. In addition

to these, their equity investments have been used as leverage to gain additional funding from other opportunities and investors. One of the companies to receive equity funding provides electrical generators to countries in Africa to power wells, indoor lighting and plumbing. A second receiver of the equity investments was an entrepreneur producing eco-friendly wine glasses that are now being used in stadiums or festivals – making a small but promising dent in the environmental footprint of those events. The Doyenne Evergreen Fund is providing new opportunities to entrepreneurs, who in turn use these funds to create products that are looking to improve the standards of living and benefit society as a whole.

Increasing the pipeline of entrepreneurs

It is important to encourage entrepreneurship from a young age, socializing young people of color with the concept that a valid way to get jobs and acquire wealth is through entrepreneurship. Many young people, in fact about 40 percent of American middle- and high-school students, say they plan to start a business and/or invent something.⁸⁹

Increasing peer networks

Social capital is also extremely important to helping entrepreneurs realize success. Having a network of business relationships can help a business owner more successfully apply for loans, secure clients, and learn the ropes of being an entrepreneur. While lack of connections can be a barrier for all entrepreneurs, entrepreneurs of color are less likely to have connections to people in financial institutions and existing business circles, and to those who can provide technical assistance. Peer-to-peer learning is an important component to success.

The Center for Urban Entrepreneurship and Economic Development (CUEED) at Rutgers University in New Jersey created the \$20 Million Connection program to accelerate businesses owned by people of color with or above \$3 million in revenue. The objective is to help them scale to \$20 million. The program brings in corporate sponsors who provide c-suite executives as mentors for the participants. Each cohort is made up of 10 entrepreneurs who go through a program consisting of 3 months of connection sessions and 6 months of leadership coaching. The program costs \$10,000, but participants receive an \$8,000 scholarship from Rutgers and are responsible for \$2,000. With a strong focus on implementation and sustainability, participating entrepreneurs also develop a 15-year business plan assisted by curriculum covering marketing, sales and other business-related operations. The executive education unit helps entrepreneurs with important decision-making. Participants engage in the creation of a business plan to scale the business followed by a period of implementation with accountability. The first cohort started in 2020.

Creating an Entrepreneurial Ecosystem that is reflective of the population served

When possible, it is important for service providers to be diverse and represent the businesses they serve. For many years, due to systemic racism, people of color have been alienated and not trusted by the same financial, government and private sector service institutions that they must effectively engage with to succeed as entrepreneurs.

Additionally, it is important that not only are entrepreneurs of color receiving venture capital but that some of those who are in positions of power can manage and place that venture capital are people of color. It is also crucial to have a diverse group of people serving as mentors.

Accessibility to Services

Technical assistance and training to entrepreneurs of color can go a long way toward fostering their success, including assisting with financial planning, digital proficiency, business plans, marketing and obtaining access to contracts.

Many technical assistance and training programs sound effective but have flawed designs that prevent persons of underserved communities to access or benefit from them. It is important that programs take into consideration the following factors.

- o **Timing of the program** – do they allow for aspiring entrepreneurs to access training outside of a 9-to-5 schedule they are often beholden to?
- o **Transportation** – is the program proximate to the population center(s) being served and is there public transportation nearby?
- o **Cost** – Are there participation costs that make it prohibitive for entrepreneurs with limited resources to enroll? (Note the CUEED program subsidized 80 percent of the cost.)
- o **Diversity of service providers** – Are the service providers/mentors/trainers diverse and representative of the target population? Will they make them feel at ease and serve as good role models/examples of success?

Create Work Spaces

Entrepreneurship programs can combine goals of equity while furthering other goals, such as adaptive reuse. The vacant space created by temporary or permanent retail and office vacancies occurring as a result of COVID-19 offers opportunities for new businesses to develop.

With COVID-19 producing multiple vacancies, there is an opportunity for EDOs to support entrepreneurs and small businesses by providing space to these enterprises at free or reduced rent. The **Golden Triangle Business Improvement District (BID)** launched **Grow Golden**, a program that provides entrepreneurs room for ‘pop-ups’ in the retail space. The pandemic recovery efforts connect entrepreneurs, including makers, restaurateurs, and creatives in the **Washington, DC**-area, to building owners, filling high-profile ground floor space with pop-up retail. Spice Suite, a Black-owned incubator, is the first enterprise to benefit, scaling its operations to a second location in the BID.⁹⁰ Small businesses activate vacant spaces and receive multiple months of free rent as well as wrap-around technical assistance to help them advance to the next level. The program is a community partnership among the Golden Triangle BID, the Department of Small and Local Business Development, M&T Bank, and the DC Chamber of Commerce.⁹¹





METRICS

EDOs interested in measuring their success in reaching and serving entrepreneurs of color can look at metrics to evaluate their own program(s), as well as metrics to measure the performance of the wider entrepreneurial ecosystem that the EDO fosters. The metrics below, adapted from **Sourcelink**, are a good starting point for measuring the success of the entrepreneurial ecosystem:

1. Emerging network
 - Number of network partners that serve people of color
 - Number of network partners that employ people of color
 - Number of network partner meetings
2. Measuring an Active Network
 - Web visits
 - Hotline calls
 - Directory searches
 - Network strength
 - Partners
 - Calendar events
 - Satisfaction survey results
 - Network reach
 - Friends and followers
 - Sources of traffic

One best practice, particularly when a start-up receives government funding, is to develop metrics, including measures on jobs (entrance and retention) and income for people of color.⁹² Metrics help you know your success, understand its trends over time, successfully report out results to your community, and gain more financial and relationship capital for your future projects.

PRISMS

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

Intergenerational wealth matters. People of color face greater challenges than Whites in launching their businesses because they have fewer real estate holdings, family businesses and other personal assets. Outside funding takes the place of inherited wealth and is more essential for people of color. Intentionality in establishing vehicles that provide debt and equity financing for people of color is vital.

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

Technical assistance can help entrepreneurs to obtain financing, construct business plans, identify and expand markets and start and/or grow their enterprises. Technical assistance should be designed to support entrepreneurs of color. This requires gaining an understanding of the needs of the entrepreneurs in the program's target population – by taking factors into account such as physical locations, convenient times, and languages.

Equity cannot be produced from a singular source.

The ecosystem that supports entrepreneurs must include EDOs that may also be direct providers (e.g., accelerators, incubators), regional economic development organizations, chambers of commerce (including those specifically serving Black/Hispanic businesses), universities and community colleges, social service (wrap around) providers, and the contingent of stakeholders who can assist with access to capital (from venture capital funds to CDFIs to corporations).

Incorporate equity and inclusion into performance metrics.

EDOs should ensure there is baseline data to measure the impact of programs. Being able to measure outputs will help fulfill reporting requirements and can help win successive investments. Ensuring there is good baseline data in the event of a negative impact is also important to demonstrate needs when asking for assistance.



WORKFORCE DEVELOPMENT

Today, talent is economic developers' number one concern. In communities of all sizes, types, and locations across the United States, businesses are unable to find the staff they need. While workforce developers, such as Workforce Investment Boards (WIBs), have the primary mission of addressing employee needs, economic developers have a responsibility and self-interest to work with WIBs and other training stakeholders, such as educational institutions, local and state governments, and companies, to build more equitable workplaces in the future. As EDOs focus on workforce programs to develop, train and attract talent, they must include an intentional focus on communities of color in order to reduce and ultimately eliminate the racial inequity that hinders the labor force now and in the past.

Historically and currently, unemployment rates are higher while wages are lower among Black, Hispanics and Indigenous workers. These racial inequities become exacerbated during times of economic distress, such as the Great Recession in 2008 and during the COVID-19 pandemic. There are many systemic factors contributing to this disparity including the education pipeline, concentration of people of color in certain professions, and pervasive racism and unconscious bias in the workplace. This chapter examines some of these systemic barriers to employment and provides examples of strategies to respond to them.

Data at-a-Glance

It is incumbent upon economic developers to pursue strategies that reduce racial disparities in income, wage and employment rates and enhance opportunities for productivity and prosperity for all, especially as people of color are making up an increasing share of the U.S. population. While according to U.S. Census 2020 numbers, the number of Whites declined from 72.4 percent to 61.6 percent in 2020, other racial and ethnic groups gained or stayed the same in population. The Hispanic population grew to 16.3 percent of the population, Blacks accounted for 12.4 percent, Native Americans 1.1 percent, and Asians, 6 percent. Those identifying as “Some Other Race” constituted 15 percent.¹⁰⁰

The October 2021 job report from the U.S. Department of Labor revealed that unemployment is lower in year-over-year figures, from 2020 to 2021. However, people of color have recovered at a slightly lower rate than Whites from the COVID-19 pandemic – and their level of unemployment remains higher. While the seasonally adjusted unemployment rate for Whites dropped from 6.0 to 4.0 (33 percent) from October 2020 to October 2021, the rate for Blacks dropped from 10.8 to 7.9 (27 percent).^{101 102}

The United States is recovering from the pandemic-induced recession, a decade after the Great Recession of 2007-2009. Both events have had serious consequences for the careers of workers today. A person starting their career during a moderate recession could potentially lose up to 60 percent of a year’s potential wages over their first 10 years in the labor market.¹⁰³

According to data from 2019, Whites earn more than 26.6 percent than Blacks and 28.4 percent than Hispanics in average wages and that gap has increased more than 50 percent from 1979 to 2019.¹⁰⁴ Part of the increase in the wage gap is the decline of unionization levels among Blacks. In the 1970s, for example, 40 percent of Black men and 25 percent of Black women were in union jobs; research suggests that if unionization rates remained at these levels, the wage gap would be 30 percent less between White and Black men.¹⁰⁵ The data also shows that unions were a wealth creator for Blacks.

Not only does the level of employment lead to inequitable outcomes for people of color, so too does the distribution of employment. An analysis by McKinsey found that the concentration of the Black labor force by geography, industry, and occupation creates challenges and mismatches which work against people of color in terms of increasing their risk of unemployment. Black workers are overrepresented in parts of the country with low-growth – in particular, the South – and Blacks and Hispanics are overrepresented in frontline jobs. By one account, 45 percent of Black private-sector workers work in three front-line industries: healthcare, retail and accommodation and food service.¹⁰⁶ These industries also have some of the highest shares of workers making less than \$30,000. In higher-growth and higher-wage industries such as information technology, professional services and financial services, Blacks and Hispanics are underrepresented.¹⁰⁷

It is important that people of color are provided more pathways into high-growth occupations. Research indicates unconscious bias has directed too many of them towards more unskilled jobs in the past.¹⁰⁸ Furthermore, other research has found that people of color are overrepresented in highly automatable low-paying jobs, which could put their jobs and careers at risk in the future security.¹⁰⁹

Economic developers have the perception that people of color face more difficulties finding work even without seeing the statistics. In a survey conducted by IEDC in September 2021 on workforce development issues, more than 400 respondents were asked to estimate “What groups have the highest rate of unemployment in your community?” People of color were the choice of about 38 percent. Outranking categories were ones that were perceived as containing people of color: long-term unemployed (59 percent); persons with criminal records (57 percent); and parents of young children (39 percent).

The dynamics discussed in this chapter are reflected in the responses to the survey IEDC fielded to EDOs regarding where they perceive the greatest inequities are in the workforce.



The Historical Frame

The New Deal

The New Deal is a series of programs and projects initiated by President Franklin D. Roosevelt during the Great Depression that aimed to restore prosperity to the U.S. — created tens of thousands of jobs in public works, utilities, infrastructure, community art and farming. However, these programs did not benefit the population equitably. Several New Deal programs, such as the Civilian Conservation Corps, implemented racially segregated work units and work sites and provided limited employment to Blacks and Native Americans.⁹³ The Fair Laborers and Standard Act of 1938, widely considered the last major piece of legislation in the New Deal, providing a 40-hour work week and setting a minimum wage and labor standards, excluded agricultural and domestic service workers, fields dominated by men and women of color.^{94 95}

Discrimination in Labor Unions

Labor unions support fair wages and safe working conditions through collective bargaining; historically, unions have catalyzed change in blue-collar industries such as mining, manufacturing and construction. The history of workers of color in unions is mixed. For much of the history, Black workers were denied entry. The exclusion of Blacks from White unions that were consistently in better bargaining positions contributed to ongoing wage and wealth racial disparity.⁹⁶ In 1935, the historic year in which President Roosevelt signed the Wagner Act into law, less than 1 percent of all union members were Black.⁹⁷ It was only in the late 1960s and early 1970s during the Civil Rights movement that many unions began to integrate and end discriminatory practices. The higher levels of wages and benefits changed the standard of living for people of color with union memberships.⁹⁸

Figure 19 – Perceived inequities in workforce development

	Not at all	A small amount	A moderate amount	A large amount	A very large amount
K-12 education	24.1%	19.8%	26.4%	15.1%	14.6%
Workforce training and reskilling	21%	20%	25.7%	19.1%	14.3%
Connecting job seekers with employers	21.4%	19.1%	23.8%	21.4%	14.3%
Certification requirements	25.6%	21.3%	26.6%	13.5%	13%
Ex-offender screening	26.6%	18.7%	21.2%	13.3%	20.2%

As economic developers are aware and as the survey responses show, recent conditions of the labor market have been difficult for many job seekers, even more so for those from already marginalized groups. Traditional recruitment often underestimates the productive capacity of veterans, those returning from incarceration, the disabled, and people without formal degrees or certifications. People of color make significant percentages in all of these categories.

Even when controlling for these markers, people of color have harder times finding employment. From 1989 to 2015 one study showed, the count of White applicants receiving second-round interviews is 36 percent higher than for Black applicants and 24 percent higher than for Hispanic applicants. Whether due to overt racism or unconscious bias, the implication is that for employers to have workplaces that are more diverse, there needs to be more intentionality in fostering talent, hiring and promoting people of color.¹⁰



STRATEGIES

Partnerships

Successful workforce development programs include a multiplicity of players including workforce investment boards (WIBs), economic developers, community development finance institutions/ community development corporations, chambers of commerce, universities and community colleges, the K-12 system, and the private sector. EDOs should include leaders, managers and mentors of color. HBCUs and racial/ethnically associated Chambers of Commerce provide a pipeline of talented people and businesses of color to help establish peer groups and provide contacts and mentors for job seekers.

Although workforce investment boards are the traditional leaders in matching job seekers with employers, EDOs can play a lead role as well. In **Miami-Dade County**, the **Opa-locka Community Development Corporation**, a Black-owned CDFI runs a program called “We Got the Jobs” which is designed to support the community by matching qualified candidates with jobs, providing ongoing coaching to ensure they are successful in their roles and delivering wrap-around support services in the areas of transportation, job training, child care, education and social services.¹¹ The CDFI works with the City of Opa-locka and the Beacon Council, the regional EDO for Miami-Dade County, among other stakeholders. They host job fairs and have postings for a range of jobs from bank tellers to office support to trades (e.g., electricians and mechanics) to food and beverage and other jobs in the public and private sectors.

Building a Workforce Pipeline

Workforce investments should start early in the K-12 system, where businesses (whether they be technology, nursing, or trade) can play a part in helping develop curriculum to respond to the needs of industry, provide mentors to students, and provide internship programs. Such programs can be intentionally targeted toward populations where unemployment and wage gaps are high and the prospects for people of color entering the workforce can be raised with strategic intervention.

In **Albuquerque, New Mexico**, with the goal of ensuring that Albuquerque’s Native American community has access to industry-focused college and career readiness programming, the **City of Albuquerque Economic Development Department** partnered with the Southwestern Indian Polytechnic Institute (SIPI) to recruit and enroll SIPI students for participation in an early childhood education work experience program. Topics covered relate to college readiness, early childhood education careers, and culturally relevant resources.

The Historical Frame

Jim Crow

“Jim Crow” is a term that refers to state and local laws throughout the southern United States in the late 1800s to 1960s that codified racial segregation. Under the Jim Crow era, segregated schools were not equal. Black schools had inferior public funding and resources, leading to inequities in skill sets, education levels and job opportunities for Black youth. Researchers from the National Bureau of Economics found that for Black men in the South during the 1940s, this skill gap was the most significant determinant of the wage gap at that time.⁹⁹ By the time the Civil Rights Act of 1964 was enacted, Blacks had suffered from decades of inequity in education that denied them higher wages and wealth opportunities.

The **Pathways in Technology Early College High School (P-TECH)** is an initiative in **Dallas, Texas** featuring the Dallas Independent School District working with the City of Dallas' Economic Development Department, Dallas College-affiliated community colleges and several dozen industry partners (i.e., business owners/perspective employers). Under the P-TECH program, the Dallas Independent School District (DISD)—which serves a majority Black and Hispanic student population—partnered with local community colleges to allow high school students to earn up to 60 hours of college credit towards an associate degree or Certification. P-TECH students attend tuition-free and receive essential program supplies—textbooks and, post-COVID, laptops—at no cost. Several regional EDOs, including the city's Economic Development Department, act as a conduit, connecting P-TECH students with local businesses for internships and additional skill training, with an emphasis on the STEM, hospitality, and healthcare industries.

Vocational training and apprenticeships are crucial to assisting the workforce to develop skills for jobs that will provide good wages and be less vulnerable to threats of automation. These opportunities may be available with trade groups, companies, unions, and other organizations. The displacement of workers from their places of employment that during the pandemic presents an opportunity for EDOs to work with their partners in reskilling and upskilling the workforce in ways that align with jobs of the future.

Incorporating Wrap-around Services and Financial Assistance

Many more people could succeed in the workplace with the assistance of wrap-around services like transit and food vouchers, assistance with childcare, job placement and language translation.¹¹² Incorporating one or a few of these elements into a workforce development program can make a substantial difference. For example, many worksites are not accessible by public transportation, the primary mode of transport for many workers of color. Economic developers can play a role in creating an equitable solution to the transportation problem by encouraging employers to build transportation costs into compensation packages, partnering with other businesses or community organizations to create shuttle services, or creating Guaranteed Ride Home programs to aid workers located in low-income, small or rural communities without reliable public transportation.

A regional workforce development agency, **Capital Area Michigan Works! (CAMW)** provides support for both job seekers and employers. Much of their programming for job seekers is designed to support populations likely to face systemic barriers including tuition grants for those without college or certificate training, interpreter services for newly arrived immigrants, and a Clean Slate program to assist in expunging records and finding employment for those formerly incarcerated. For employers, CAMW's Businesses Services Team works with businesses to develop effective talent recruitment tools and job placing; they also offer grants to qualified employers dedicated to financially supporting their employees' continual training and education.

Specific populations may have different wrap-around needs. Many women of color face barriers to regular employment due to childcare challenges. For example, if someone cannot attend a training program because they must care for their child, an EDO can develop a solution joining with other partners. The case study of Project Quest in San Antonio, Texas shows that there has been a very strong return on investment for this program with the participants experiencing significant wage gains.

Targeting Industries of the Future

In addition to being a case study for the importance of offering wrap-around services, **Project QUEST in San Antonio, Texas** also showcases the mission of a program to target workforce opportunities in growth fields that are "good jobs," including family wage jobs and that are less subject to automation, including health care and technology.

In 1992, the Levi Straus manufacturing plant in **San Antonio, Texas** closed its doors, ending over 1,000 local jobs. During this period, though San Antonio was facing an overall decline in manufacturing jobs, the healthcare and technology sectors in the region expanded, creating new labor markets. But while these new jobs paid better, they required different skills than long-term manufacturing employees had. To close the gap of the skills mismatch, two local community organizations serving low-income, predominantly Latino neighborhoods—COPS (Communities Organized for Public Service) and Metro Alliance—formed **Project QUEST** to train residents for better paying jobs in the emerging tech and healthcare sectors.

Project QUEST identifies growing occupations in the region through collaboration with the City of San Antonio and Bexar County economic development departments, using regional labor market information from the Texas Workforce Commission and working directly with area employers to understand their current projected job needs.

Project QUEST's priority is to help people break out of poverty by becoming qualified to work at a job with higher wages and benefits. The majority of 'Questers' are Hispanic women and or women in their 20s; nearly half of QUEST participants are mothers. QUEST has served more than 7,700 students in the region, with 90 percent of participants graduating from the program and 90 percent of graduates achieving a job placement.

Project QUEST has three teams that are core to the organization's operations. The sourcing team works to find and recruit applicants; the coaching team works closely with the students, offering counseling to ensure success; finally, a job placement team works with employers and the participants for hiring after graduation.

Training is provided by community colleges and job training centers throughout the region, with the majority of students enrolled in associate degree programs. Project QUEST works in three main sectors: healthcare, manufacturing and trades, and information technology. In 2020, 40 percent of QUEST participants studied to become registered nurses, 35 percent registered for other healthcare-related programs, and 18 percent enrolled in the information technology track. All of Project QUEST's training partners allow their staff to meet students on-site to make program support and resources more accessible.



QUEST career coaches meet with participants weekly to help them navigate college courses, instruct on time management, create financial plans, and support alumni's transition from school to employment. Crucially, they also identify the institutional hurdles that students face and help them access wrap-around services so they can finish their program. These services include transportation vouchers, childcare and housing assistance, food and other needs that arise. Project QUEST also pays for half of participants' tuition and books, with the institutions' financial aid departments pay for the remaining tuition. This support is especially crucial for low-income, first-generation students. In total, Project QUEST spends an average of \$11,000 on intensive coaching and financial aid for each student.

Project QUEST receives about 50 percent of its roughly \$4.6 million budget from the City of San Antonio. Funding for Project QUEST also comes from the federal, county and state government, as well as foundations and donors, both individual and corporate.

The project partners with several community institutions, targeting outreach to students with the greatest need of services and training. These stakeholder partners include churches, schools, libraries, family services groups, the Housing Authority, Head Start programs and the local food bank. The programs all speak to their stakeholders about QUEST, and every individual accepted into one of its partner programs receives a letter explaining Project QUEST and how to apply.

The program has yielded measurable results. For the 2019-20 school year, gross annual wage for QUEST participants prior to enrollment was \$14,360; after completing the program, participants' average gross annual wage increased 200 percent, to \$43,088. Project QUEST places 300 to 400 students annually in educational programs across San Antonio. In 2020, it served 981 students, placing 272 of QUEST's 285 graduates in jobs in their sector. In 2019, an Economic Mobility Corporation's impact study found that for every dollar invested in Project QUEST, \$19.32 returned to the local economy. Over a 25-year period, QUEST's total economic impact was \$1.67 billion.

Not only should EDOs assist workers, they can assist businesses to affect the demand side (and not just the supply side) of producing more equity in the workforce. EDOs can support the businesses that are integrating and training a newly recruited or entering workforce of color with funds or program development. Meanwhile, workforce programs can respond to the needs of participants who may not be able to afford the training and require tuition assistance or in-kind support through textbooks and computers.





METRICS

It is important for EDOs to have good baseline data on their workforce, as well as familiarity and facility with data sets such as the U.S. Census, Bureau of Labor Current Population Survey and Occupational Statistics data. If an EDO doesn't know the baseline data about their community, it can't measure the impact of programs or document the negative impact on the workforce of an external shock like the pandemic. Having baseline data helps inform a needs assessment to determine the extent of effects on the workforce, the demographics and workforce characteristics, and therefore target programs to raise employee welfare.

In addition to tracking workforce statistics within a community, an EDO can follow the progress of the development of the broader ecosystem. To assess how well an EDO is doing at adopting strategies to build a more equitable, inclusive workforce, The Urban Institute developed a framework for measuring workforce "systems change" that can be adapted to apply to workers of color.¹¹³ Some of the recommended metrics are:

Collaboration

- Presence of effective coordinating bodies
- Quantity and quality of partnerships
- Plans for continued partnership among system actors
- Joint decision-making between key stakeholders

Quality and Accessibility

- Rates of graduation, credentialing and job placement among workforce development providers
- Participant level of satisfaction with program
- Employer level of satisfaction with program
- Level of parity among subgroups (e.g., by gender, race, ethnicity, age)
- Availability of supports to counter barriers to employment
- Level of public awareness of programs, services and employment opportunity
- Number of training slots
- Availability of information on the performance and quality of training providers



Industry Engagement

- Level of employer awareness and use of programs
- Quality and quantity of employer engagement (and at what management level)
- Quality and quantity of work-based learning opportunities

Data-driven decision-making

- Quality and quantity of available data on system actors' activities, outputs and outcomes
- Evidence of effective data sharing and data management
- Widespread, effective use of data by system actors

Scale and sustainability

- Amount of funding leveraged or activated and efficiently allocated
- Amount of sustainable funding from employers
- Future funding opportunities identified

For a good example of an organization that employs metrics to measure diversity, equity and inclusion in its community, **the Minneapolis Saint Paul Regional Economic Development Partnership (Greater MSP)** publishes a regional indicators dashboard each year, tracking the region's economic, environmental and social outcomes. While the dashboard includes traditional metrics for economic development success, categorized by economy, business vitality, talent, education, infrastructure, environment and livability, each section adds a layer of demographic indicators that can inform equitable economic and workforce development strategies, in particular.

In addition to the publication of this dashboard, MSP partners with the **Center for Economic Inclusion** to evaluate inclusive economic development, human capital and transportation access indicators. By providing this contextualized data on equity and inclusion, Greater MSP informs all workforce development partners and support programs that help equitable workforce development efforts.



PRISMS

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

People of color in the workforce have historically lacked wage protections and have not had a comparable platform to obtain or advance their career positions as the White population, in terms of education and support from unions and peer networks. One systemic result has been a channeling of people of color into occupations in stagnant or at-risk industries where they don't find opportunities to build wealth, puts workers on the front lines in crises such as the pandemic and in tenuous positions for replacement by technology. These patterns reinforces race-based disparity.

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

People of color are in need of more assistance to take full advantage of programs that provide training opportunities. Considerations about transportation, childcare, scheduling, language and other needs need to be factored in when creating programs.

Equity cannot be produced from a singular source.

Workforce developers and economic developers need to be more aligned to produce outcomes that serve the interests of employers, who cite talent as their number one need, and the interests of workers, who need access to good jobs with family wages. People of color are disproportionately disadvantaged in the workforce. Economic developers should operate as part of a team where other players include workforce investment boards, universities inclusive of HBCUs, community colleges, Chambers of Commerce (inclusive of Chambers of Color,) unions, industry trade organizations, nonprofits and other partners.

Incorporate equity and inclusion into performance metrics.

EDOs should have a strong grasp of the workforce data in their region, including by demographic and occupational segments. They can measure the strength of their workforce development system by such metrics as the number of players engaged, and their programs by the number of persons trained, companies served and satisfaction levels of these parties, and other program-specific data.





REAL ESTATE

Real-estate policies and practices demonstrate a history of systemic racism that has led to the wealth and resource gap. Real-estate ownership is inextricably tied to wealth in the US, but beyond that, ownership of property is correlated with increased political power and more access to better-paying jobs and higher-quality schools. Local and institutional real-estate policies, from segregation via racial deed covenants to the inability to access traditional financing, have led to unequal distribution of wealth. Lack of ownership and disinvestment in low-income neighborhoods of color have led to blight, vacant properties, crime and a lack of value for area properties. The disparity in property ownership rates and values is one of the biggest intergenerational reasons for the wealth gap between people of color and Whites.

This chapter discusses strategies to improve equity in real estate, including incentivizing development in areas with people of color, assisting with home-ownership programs and inclusive redevelopment. The next chapter on Business Attraction and Marketing will delve deeper into business and commercial real estate trends.

Data at-a-Glance

Because home ownership is a primary means of establishing intergenerational wealth, economic developers should be aware of historical and current trends in rates of ownership and assessed property values.

In the first quarter of 2020, the Census Bureau reported that Black households had the lowest homeownership rate at 44 percent, nearly 30 percentage points behind White households.¹¹⁴ Among homeowners, Blacks were likely to have only about 56.6 percent as much equity in their house and Hispanics only about 66.5 percent as much equity as White homeowners. Overall, Blacks had about 36 percent as much wealth as Whites and Hispanics had 38 percent as much wealth.¹¹⁵ People of color are more likely to be vulnerable during an economic downturn and face outcomes such as bankruptcy and foreclosure as during the Great Recession or the pandemic.¹¹⁶

There is ample evidence of systemic racism in the real-estate market. People of color face many obstacles to homeownership including limited access to financing due to challenges with credit and collateral and the lasting repercussions of policies like redlining, which affects supply. An analysis of 2019 mortgage data by realtor.com found that Black and Hispanic home buyers are more frequently denied mortgages than White buyers. When they do secure mortgages, they are more likely to pay higher fees and interest rates than White and Asian buyers.¹¹⁷ Furthermore, according to a Brookings analysis, homes in Black neighborhoods had a 23 percent lower appraisal than homes in White neighborhoods, or \$48,000 less per home on average.¹¹⁸

Lower property values in formerly redlined neighborhoods reflect the history of disinvestment, automobile-oriented infrastructure policy and urban renewal that has directly led to segregated communities. People of color are overrepresented in neighborhoods without open space, and with lower quality schools and insufficient grocery stores, amenities and other services. These areas are removed from job centers. There are high vacancy rates in these neighborhoods and little incentive to improve occupied property, as the return on investments through rents or sales are difficult to achieve.



Native American communities on reservations have also experienced a history of disinvestment resulting in lower quality schools, insufficient food sources and amenities, and lack of access to public services. Compounding these problems are the complex reservation land-ownership relationship between tribes and the Federal government and those who lease or use tribal lands. These relationships, and lack of clear ownership, make it difficult to launch economic development and real estate development projects.

Economic developers can help with efforts to help communities of color spur revitalization in areas that experience ongoing inequity. Successful strategies have focused on the need for redevelopment to be inclusive and to include local stakeholders in the process, so that people of color gain access to services, opportunities (including jobs) and ownership.

The dynamics discussed in this chapter are reflected in the response to the survey IEDC fielded to EDOs regarding where they perceive the greatest inequities are in real estate.

The Historical Frame

Post-Depression Policy and the Emergence of Redlining

The Home Owners' Refinancing Act of 1933, which began as an emergency agency to refinance mortgages, also introduced redlining. Neighborhoods were classified in large part by their racial makeup and those with people of color were marked in red, hence the term "redlining" came into use. These areas were considered high-risk for mortgage lenders. Homes in redlined areas were not granted federally backed loans, which prevented Black would-be homeowners from purchasing houses or forced them to rely on predatory lenders.

The GI Bill

The GI Bill of 1944 facilitated opportunities for returning veterans to purchase houses and attend college, which fueled the demand for housing and the development of suburban tract homes. Restrictive covenants were specifically written to keep Black and (in California) Asian families out of these new developments. Although the Supreme Court ruled in 1948 that such covenants were unenforceable, de facto segregation continued and was frequently enforced by violence and intimidation.

Housing Policy and Urban Renewal

The Housing Act of 1949 was President Harry Truman's attempt to increase and improve the American housing stock, but in practice it displaced communities of color and created housing projects that were often segregated and inferior. Through 'urban renewal' cities were incentivized with federal funds to clear so-called blighted areas so that new housing could be built. Often, these blighted areas were functioning communities of color, and the residents were displaced to impersonal and substandard housing projects.

Figure 20 - Perceived inequities in real estate

	Not at all	A small amount	A moderate amount	A large amount	A very large amount
Marketing, financial and political feasibility	31.3%	16.7%	26%	15%	11%
Real estate financing	28.8%	14.2%	23.5%	18.1%	15.5%
Contractor negotiations and public approval	33.3%	19.3%	21.5%	18%	7.9%
Permitting/approval process	37.8%	22.2%	21.8%	12.4%	5.8%
Brownfield cleanup assistance programs	45.7%	20.6%	14.8%	10.8%	8.1%

STRATEGIES

Property Ownership

Strategies to reduce the property ownership gap take many different approaches, such as mortgage underwriting requirements reform, down payment assistance, and land buyback support.

Economic developers can work with lending institutions to encourage programs and practices that enhance the loan candidacies for people of color. These include supporting the expansion of credit-score calculations to include rental and other monthly payments, adopting better protections for homeowners who experience income shocks (e.g., unemployment or illness) and providing alternative models for homeownership for those facing difficulty qualifying for loans in traditional lending institutions.

One of the main impediments to home ownership is putting together the down payment. Due to lack of intergenerational wealth among people of color, family gifts or loans for down payments are often not feasible. While there are bank and federal government programs providing assistance to first-time home buyers, some local organizations are showing intentionality in targeting people of color. Two initiatives to note are Birdseed in Washington, DC and the Local Reparation Fund in Evanston, Illinois.

In **Washington, DC**, a real estate-management company, **Flock DC**, in partnership with the **Greater Washington Community Foundation**, launched the **Birdseed** down-payment assistance program which provides grants of between \$5,000 to \$15,000 to first-time home buyers who have lived in the DC metro area for at least three years and have annual incomes below \$150,000. The primary applicant must identify as American Indian, Indigenous or Alaska Native; Asian American/Pacific Islander, Black, or Hispanic. In 2021, the program launch distributed \$40,000 in grants to its first four grant recipients from an applicant pool of 20.¹¹⁹ To date, Flock DC has offered a total of \$130,000 in grants to 13 applicants selected by their Advisory Board from the 148 applications.

In 2019, **Evanston, Illinois** created the **Local Reparation Fund**, to compensate Black residents for decades of codified discrimination. In 2021, the City's aldermen voted to spend \$400,000 on a housing grants program that will issue \$25,000 grants to help with mortgage costs, down payments, and home improvements for those who qualify if it is paid for out of Evanston's \$10 million Local Reparations Fund. The Fund comes from local sales tax revenue collected from recreational marijuana purchases. To qualify, applicants must have "origins in any of the Black racial and ethnic groups of Africa," must have been a Black resident of Evanston between 1919 and 1969, or a direct descendant of someone meeting that requirement. Applicants can also qualify if they experienced housing discrimination due to the city's policies or practices after 1969.

Research showed that Blacks had been denied the same opportunities in the Evanston housing market and thus the same opportunities to build wealth. For example, as the city grew, Black residents were largely limited to housing in a small triangular area. Targeting housing support was also an effort to address the city's declining Black population, which has dropped from 22.5 percent of the population in 2000 to 16.9 percent in 2017, according to U.S. Census data.¹²⁰ Plans are for applications to be accepted in 2022.

Land Reclamation/Ownership

In the case of Indigenous people, many tribes had their land taken by the U.S. government through broken treaties. For example, in the **Idaho/Washington/Oregon** region, in an 1855 treaty made in exchange for access to trade routes to the Pacific, the U.S. government granted the **Nez Perce** people the right to live on the 7.5 million acres where they had lived on for 16,000 years. In time their land was reduced to a reservation only 5 percent of the original territory, including many of the most sacred areas. In 2020, the Tribe found out the property was for sale and purchased it for \$3.3 million. Such buybacks are also occurring among other tribes around the US. Organizations are lending resources to enable the reclamation, such as the **Maine** environmental consortium that supported the **Passamaquoddy tribe's** buy-back of Pine Island.¹²¹

Redevelopment

Strategies in this area include several elements among them:

- Effective mixed use
- Affordable housing
- Creative financing tools
- Stakeholder collaboration
- Inclusive development

The examples in this section¹²² each feature at least two or more of these strategies:

In 2018, **Invest Atlanta** approved the creation of a **Westside Tax Allocation District (TAD)** to capitalize a **Community Builders Pre-Development Fund** to spur local developers to invest in their own neighborhood and build community capacity. This fund uses tax-increment financing (TIF), which allows for tax income generated by increased property taxes to be channeled back into an area. TIF is typically used to pay for large projects that significantly increase the value of a neighborhood. In this case, the increase in property value will result from the new Atlanta Falcons stadium on the border of the neighborhood; by using a TIF for a development fund, existing property owners will also benefit.

To be eligible to access the fund, would-be developers must graduate from the Community Builders program that trains Westside resident property owners and other community stakeholders in core property-redevelopment skills. These neighborhoods are low-income neighborhoods of color and are at risk of gentrification as development rises in in-town Atlanta neighborhoods. The Community Builders program shows how property owners can add value to their homes and commercial properties, for example, building a mother-in-law suite to rent out, or starting a market in their parking lot. A \$36,000 grant from the fund Royal Family Properties financed improvements to a residential property, expanding it so that it was rented to local residents for rates affordable to those who earn at or below 50 percent of the area's median income. "This program represents what true community engagement and wealth-building means," said Alan Ferguson, senior vice president of Community Development at Invest Atlanta. "It ensures that our residents and stakeholders are involved in the transformation that's occurring within their communities and are not just observers."

The opportunity to redevelop an area of 183 acres in an urban area just a few miles and subway stops from a major metropolitan center does not come along all the time. Such an opportunity presented itself in **Washington D.C.** where the **D.C. Mayor's Office of the Deputy Mayor for Planning and Economic Development** spearheaded an effort with multiple partners to redevelop the **St. Elizabeths** hospital property. The goals are manifold including integrating into the neighborhood, offering affordable housing, hosting a retail business incubator and providing a mix of services to both serve residents in Anacostia and attract visitors from outside the area to patronize local businesses.

The historically Black neighborhood of Anacostia in Washington, DC has always been divided from the rest of the city by the Anacostia River. Anacostia's location "across the river" has been a factor in a lack of investment, leading to higher rates of poverty, lower-quality schools and fewer services and amenities.

During the Civil War, St. Elizabeths was a 600-acre facility dedicated to providing mental health care to wounded soldiers. The 183-acre East Campus was purchased in 1869 and added more space, mostly for farm activities. Transferred to the District of Columbia in 1987 and declared a historical landmark in 1990, the East Campus experienced decades of dwindling use before breaking new ground with the redevelopment framework plan in 2008, followed by the finalization of the **St. Elizabeths East** master plan in 2012.

The St. Elizabeths East redevelopment is managed by DC Mayor's Office of the Deputy Mayor for Planning and Economic Development with partners including the Anacostia Economic Development Council, private sector developers and an advisory board that includes residents, school deans, and community leaders in Ward 8. The objective is to integrate St Elizabeths into the neighborhood when the fences come down.

The size of the property, the proximity to Washington DC and the location of the Congress Heights metro in the center the property are part of the compelling economic potential for the property revitalization. All the property is located in an Opportunity Zone, which helps draw investment to the area.

The first two completed St. Elizabeths East projects focused on community development. In October 2013, Gateway DC opened as an urban park and pavilion with space to hold community events, arts and culture programs, farmers markets, and other dynamic programs. In September 2014, the R.I.S.E. The Demonstration Center was completed. The goal of the R.I.S.E. Center is to connect local communities with the innovation economy. The center has a state-of-the-art computer lab, classrooms and lecture halls, and conference spaces.

A collaboration between the District, Events DC, and Monumental Sports & Entertainment led to the development and construction of the Entertainment and Sports Arena which opened in 2018. The arena is home to the Washington Mystics and serves as a practice facility for the Washington Wizards and the Capital City Go-Go. In 2019, a partnership between the District, Anacostia Economic Development Corporation (AEDC), and Flaherty & Collins led to a successful adaptive reuse project for 252 apartment units, with 80 percent of the units considered affordable housing. The adaptive reuse project received American Institute of Architects awards for historic preservation and equitable communities. Currently, 88 townhome units are being constructed by the Knuston Companies. 30 percent of these new townhomes will be priced to qualify as affordable housing.

The Office of the Deputy Mayor for Planning and Economic Development is considering different possible uses for these facilities, which are currently being used for a market that supports local farmers. Multiple projects will be completed to help further evolve the campus, including the development by Redbrick LMD of a "town square" that will include housing, retail, office space and a hotel. Included in the retail area are "interim retail spaces" which will be available to startups and expanding businesses, allowing entrepreneurs to test whether their business ideas can be successful in a brick-and-mortar setting. This space will serve as a retail business incubator for the community. One of the largest projects set for the next phase is the construction of a 136-bed hospital complex scheduled to begin in 2022. Additionally, the construction of a new men's replacement shelter that will provide 356 beds for low-barrier, workforce, and senior living nightly is currently underway.

The **Chicago Trend** and **Walbrook Junction** project promotes inclusive ownership and the end of disinvestment in neighborhoods of color. This project intentionally empowers Black entrepreneurs and community residents to have meaningful ownership stakes in the revitalization and continued vibrancy of commercial corridors and Black shopping districts. Chicago Trend organized a crowdfunding campaign that allowed Black entrepreneurs and community residents to co-own the Walbrook Junction shopping strip in Baltimore, MD, with as little as \$1,000. The Chicago Trend Corporation closed on the acquisition of the Walbrook Junction Shopping Center for \$6.2 million with a \$332,500 buy-in from local investors.^{123 124}





METRICS

For the economic developer, there are some standard metrics, as used by the **California Association for Local Economic Development**, that should be tracked for a community, using zip codes, blocks, or other identifiers to denote the neighborhoods where people of color live.¹²⁵ These include:

- Industrial space used
- Office vacancy rate
- Number of building permits issued
- Value of industrial and commercial property
- Percent of new residential lots

Additional metrics that are followed by the **Minneapolis St. Paul Regional Economic Development Partnership** include median home purchase price, annual change in median apartment rent and cost-burdened households. The latter two are considered “inclusive metrics.”¹²⁶

While it is important that communities have a dashboard to compare year-over-year and neighborhood to neighborhood data for equity, it is also important that communities develop metrics on a project-by-project basis so that they can track and be accountable for progress, increasing their chances of success.

In 2005, the **Flint, Michigan** campaign to reduce blight developed a very specific set¹²⁷ of metrics in a five-year framework that included:

- Remove 71,000 tons of garbage
- Board 4,235 vacant structures, or one out every nine houses
- Demolish 5,500 vacant and blighted structures
- Mow 119,000 vacant properties annually
- Demolish 5,028 residential structures, or one out of every eight houses
- Demolish 432 commercial structures, or one out of every six business buildings
- Reuse 5,000 vacant lots
- Bring 95 percent of properties into compliance with local ordinances
- Structurally and functionally rehabilitate 850 houses
- Increase commercial building occupancy by 15 percent

Research shows that the City of Flint has not been able to achieve these goals, in part because of a declining population that has led to the creation of more vacancies, even as vacancies are being boarded and/or demolished. Despite the challenges, this set of metrics demonstrates specific tailoring for the challenges in a particular area.¹²⁸

PRISMS

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

In the U.S. ownership of private property is the most common path to wealth. Black, Native American and other people of color have been systematically excluded from this path through Federal, state and local policies. Beyond shutting these populations out of property ownership, the policies have, by proxy, made job opportunities, services, open spaces, and other amenities remote and inaccessible.

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

While traditional tools of economic development can be used to increase property ownership and real-estate projects benefiting populations of color, they must be used specifically for this purpose. Those who administer these programs should be on the lookout for opportunistic parties looking to benefit in a manner that will take away from the target community. One way to develop programs that serve the desired population is to work directly with stakeholders to design them.

Equity cannot be produced from a singular source.

Reversing foundational policies that guide real-estate development is not an easy task. Creating programs that provide property-based reparations may not be politically popular. Untangling land titles unequivocally involves lawyers. Buying back Native land requires funders. Economic development-led real estate programs must work collaboratively, and in partnership with impacted communities to develop creative solutions.

Incorporate equity and inclusion into performance metrics.

If people of color are not taking advantage of programs, there is likely a reason. Tracking marketing, the racial makeup of participants, the success and failure rates, and other metrics specifically targeted toward equity and inclusion will help to develop better, more relevant programs that increase real-estate success for these populations.



BUSINESS ATTRACTION + MARKETING

Communities cannot thrive without employers. Companies provide jobs, training, and tax revenues that pay for infrastructure and other services, all of which can provide economic opportunities and social benefits for communities of color. Public-private cooperation toward the goal of more inclusive location selection processes could move society toward fuller employment and community investment with more equitable outcomes.

Diversity, Equity, and Inclusion (DEI) are starting to play a bigger role in site-selection strategies, as corporate America recognizes the importance of these initiatives to achieve long-term growth. As DEI becomes more important in attraction and retention efforts, a growing number of companies are seeking out markets with diverse workforces. According to the Site Selector's Guild, this is especially the case for "large, multinational publicly traded companies and mid-to-large-sized IT companies."¹²⁹

This chapter will address strategies for economic developers to attract diverse businesses, strategies to attract businesses to communities of color and most importantly, strategies to make business attraction a benefit for all in an area or region.

Data at-a-Glance

The business-location and site-selection industry—hired consultants who help companies to evaluate locations to retain, develop, relocate, or expand facilities—plays a crucial but poorly understood role in distributing wealth throughout a community. Many elements factor into the business-location selection process, each of which can have an impact on equity. Examples include decisions and policies about infrastructure investment (past and future), real estate investment (e.g., the location and preparation of sites and buildings), the residents' education levels, skill types, adaptability, attractiveness for transferring executives/staff, recruiting of specialized talent from outside the area and more. Many of these factors, such as real estate, workforce, and neighborhoods are discussed in earlier chapters. This section will focus on recent developments in site selection and the interplay with diversity and equity efforts.

Shifting Away from Smokestack Chasing

For many decades economic development was primarily concerned with 'smokestack chasing', the practice of attracting business from other regions with promises of a better location, due to talent and incentives. In this paradigm, locations were recognized as good for business due to lax workplace and environmental regulations, low taxes, and low levels of unionization. Today, in light of economic trends that prioritize human capital, the practices of economic development have changed focus. Recent data shows that business relocations only account for 2 percent of job growth, while new and expanding businesses are responsible for the majority of job growth.¹³² While strategies for business attraction have shifted radically since the smokestack chasing days, economic development marketing remains important. Big corporate relocations and expansions still cause a frenzy among economic developers, as evidenced by the Amazon HQ2 competition in 2017. However, corporate relocations and expansions such as Amazon's, have declined by 50 percent since 2008, while the average incentive price tag has tripled since the 2008 recession.¹³³

New Trends in Company Migration

Historically, site selection has favored locations in the Midwest and South for a variety of factors, but in recent years the American Southwest has become the new hotspot for business expansions and relocations. According to an analysis by The Wall Street Journal, the Southwest (Arizona, New Mexico, Texas, and Oklahoma) has increased its manufacturing output more than any other region in the U.S. between 2017 and 2020.¹³⁴ From January 2017 to January 2020, these states plus Nevada added more than 100,000 manufacturing jobs, representing 30 percent of U.S. job growth in the manufacturing sector, at about triple the national growth rate.¹³⁵

Similarly, in the tech industry, business relocations and expansions have also been concentrated in the southwestern states. In 2020, during the pandemic, more than 154 companies announced that they would relocate or expand in Austin, TX.¹³⁶ Besides Austin, cities like Denver, CO and Miami, FL are also attracting tech businesses leaving Silicon Valley. While reasons for the mini-exodus from Silicon Valley are complicated and unique to every company, experts indicate that tax incentives, cost of workers, and business climate are all important factors.¹³⁷

Inherent Bias in the Industry

Site selection is primarily a White industry that is largely based on relationships. This can lead to issues such as racial steering in business-location decisions, due to unconscious bias and other blind spots, and weak networks for non-White colleagues and leaders.

Related industries, such as commercial real estate (CRE), face the same issue. White + Burke and other researchers cite a study conducted in 2017 by Bella Research Group and the Knight Foundation which found that 75 percent of senior executive jobs in the U.S. CRE industry were held by White men while only 1.3 percent held by Black men. Out of 889 CRE firms, they found that ownership was a shocking 0.7 percent by women and 2 percent by minorities.^{138 139}

The dynamics discussed in this chapter are reflected in the response to the survey IEDC fielded to EDOs regarding where they perceive the greatest inequities in the area of business attraction.



The Historical Frame

From One Firm to Many

Site selection as a profession is often traced back to Felix Fantus, who moved his small furniture plant from Chicago to Indiana and began offering site-selection services to other businesses. His firm, which expanded under the name Fantus Factory Location Services, and then became Fantus, was the primary service provider until the 1990s when they were acquired by Deloitte. Subsequently, the consolidation of the site-selection industry ended as global engineering, accounting and real estate firms opened location assistance arms.¹³⁰

Fantus assisted in the relocation of many manufacturing companies from Northern cities to Southern locations. This migration was prompted by the more favorable economic conditions and policies in the south – for example, Mississippi instituting Industrial Revenue Bonds in the 1930s. The impact on the Rust Belt cities of the north — where southern Black populations had migrated post-Civil War — greatly affected the working class and bankrupted former manufacturing cities.

The Emergence of the Business Park

Like residential real estate, after World War II developers located factories and office space in the suburbs, away from inner cities where many people of color lived.¹³¹ This created a physical barrier for communities of color to well-paying office jobs that is still a problem today.

Figure 21 - Perceived inequities in site selection and marketing

	Not at all	A small amount	A moderate amount	A large Amount	A very large amount
Site selection in-house or consultant processes	38.5%	19.1%	14.3%	11.7%	16.5%
Infrastructure (e.g. transportation, broadband)	30.3%	13.7%	23.9%	16.7%	15.4%
Community marketing messages	28%	17.7%	25.9%	18.5%	9.9%
Criteria for incentives	40.7%	18.2%	17.3%	11.7%	12.1%

STRATEGIES

Retooling Incentives for DEI

According to the Brookings Institution, tax incentives historically have “reward[ed] a narrow set of business behaviors, namely the creation of new jobs, the retention of jobs under threat, and the creation of construction jobs.”¹⁴⁰

In more recent years, economic developers have shifted incentives offered to businesses to reward job longevity, livable wages, and local hiring. However, there is still more economic developers can do to use incentives to support racial equity and inclusive growth in their communities.

Working with the Brookings Institution, the City of **Indianapolis** created a scorecard to target tax incentives to support equitable growth by focusing on ‘opportunity industries’, industries that create good jobs that don’t require a bachelor’s degree. The city uses the scorecard to evaluate the value of economic-development projects and how they contribute to their equitable-growth goals.¹⁴¹ For example, only jobs that pay at least \$18/hour with health-care benefits would count on the scorecard.

In addition to using the scorecard to assess projects for incentivization, Indianapolis also requires companies to invest 5 percent of their tax savings into transit, workforce training, or childcare support for employees, all three services identified as barriers to employment in the city. The city has built strong partnerships with organizations providing these three services, so that they can facilitate the connection between the businesses and specialized providers.

Help Fill Commercial Vacancies with Businesses that Meet Community Needs

As discussed in the neighborhood development chapter, economic developers play an important role in developing prosperous neighborhoods. By engaging with the community, economic developers can prioritize their needs. If access to healthy food, healthcare, and other essential services is lacking, for example, developers can incentivize the relocation of businesses that meet those needs. With a focus on filling existing gaps in services and amenities, business attraction strategies can support the development of healthy neighborhoods.

In **Chicago** in 2019, a joint effort between government, non-profit corporations, and developers led to the development of a grocery store in the **Woodlawn** neighborhood, ending the community’s 40-year-long distinction as a federally recognized food desert. The 48,000 square foot Jewel-Osco is the first full-service grocery store in Woodlawn in 50 years, a happy outcome many years in the making.

The Jewel-Osco not only provides a much-needed amenity to the community as a grocery store, bakery, and pharmacy but has also brought a significant number of full-time jobs. The grocery store employs about 200 people, all of whom are paid living wages. Approximately 95 percent of the positions are union-affiliated and 80 percent of employees are from the greater Woodlawn area.¹⁴² It took more than a year of efforts and working at the Woodlawn Resource Center to recruit and train area residents for jobs.¹⁴³

The development of a grocery store in the Woodlawn neighborhood was a multiyear effort and part of a long-term strategy to revitalize the neighborhood. This started in 2011 when the Obama administration awarded the City of Chicago a multimillion-dollar grant to redevelop a distressed Section 8 housing project. This created a springboard to a revived mixed-income community. By 2018, more than 1,000 units of housing had been built and/or renovated, and for the first time since the 1960s, population and income in the neighborhood began trending upwards.¹⁴⁴

However, efforts to attract a grocery store were not successful until 2018 when a local real estate developer with intimate knowledge of the neighborhood, DL3 Realty, was brought on board. DL3 Realty partnered with Terraco Real Estate, a well-known shopping center consultant. In March 2018, Jewel-Osco broke ground on the Jewel-Osco financed with New Market Tax Credits, equity investments from Northern Trust, and loans from Fifth Third Bank.

In addition, The Chicago Community Loan Fund, a CDFI, provided the developer with a predevelopment loan. The mission of the Chicago Community Loan Fund is to provide flexible, affordable, and responsible financing and technical assistance for community stabilization and development efforts that benefit low- to moderate-income neighborhoods, families and individuals throughout metropolitan Chicago.¹⁴⁵

Integrate DEI into the Community Marketing Strategy

With DEI becoming more important to businesses’ location decisions, economic developers can and should include messaging about DEI in their community’s marketing strategy. Communicating about an EDO’s DEI work and strategy should be done in an authentic and transparent manner, no matter how far along the DEI strategy is. According to Tracye McDaniel, president of TIP Strategies, a meaningful statement on racial justice includes the following five elements:¹⁴⁶

1. Name the problem unequivocally
2. Demonstrate empathy
3. Demonstrate humility
4. State your plan of action
5. Most importantly, do the work

While economic developers cannot solve all equity problems in their communities, they can play an important role in working towards the solution. “Equity and inclusion are everyone’s responsibility,” McDaniel emphasized.¹⁴⁷ In marketing, economic developers can do this by authentically telling the stories of their communities, including ones that are unfinished, don’t avoid the hard parts, or are not easy to tell.

In **Washington, DC** the **Greater Washington Partnership**, a civic alliance of major employers in the Baltimore-DC metro area, took a transparent and aspirational approach to equity when they announced the newly formed **Inclusive Growth Strategy Council** in June 2021.¹⁴⁸ The Council is led by two prominent business leaders of color and is speaking frankly about the racial equity gaps that exist in the area.

The Greater Washington Partnership and the Inclusive Growth Strategy Council have been honest about the work that remains to be done for racial equity and are making the business case for closing the racial wealth gap. In its initial press release the Council indicated the importance of inclusive growth and closing the equity gap. The Greater Washington Partnership outlined its steps for their first year, which included creating an actionable set of solutions, identifying communities that lack access to opportunity, and driving collaboration. Since the creation of the Council in June 2021, they have put out a diagnostic report, which shows the significant gaps and barriers Black and Hispanic people in the region face, and proposes a blueprint for the future.

Another strategy for EDOs to display commitment to DEI is to showcase local businesses of color in their marketing strategy. It can serve as both a business and talent attraction tool. When EDO marketing strategy represents a community in an authentic manner, it advances inclusivity.

Approaches to this can vary, based on the organization and its goals, audience, and community. In **Philadelphia**, **Visit Philadelphia** includes curated lists of Black and Hispanic businesses around town to appeal to both locals and visitors, while **NYC Go** showcases Black businesses with curated weekend itineraries exploring Black-owned restaurants, shops and venues in distinct neighborhoods.

Equitable Opportunity Zones

In the last few years Opportunity Zones have been a big part of the conversation on how to attract new business and construction projects. As part of the 2017 Tax Cuts and Jobs Act, more than 8,000 Opportunity Zones were created around the country to encourage investment in census tracts that are economically distressed.

Maryland offers several **Opportunity Zone Enhancement Credits**, which are tax incentives available to businesses active in Opportunity Zones. Many of these credits focus on job creation, with a specific incentive given for jobs created for economically disadvantaged Marylanders. Companies that qualify for the Income Tax Credit for Economically Disadvantaged Employees receive three years of tax credit for each qualified new employee.¹⁴⁹

Another Opportunity Zone enhancement credit that is available in Maryland is the Job Creation Tax Credit, which focuses on job creation in designated 'revitalization' areas. For jobs to qualify under this credit the position must exist for at least 12 months before applying, guaranteeing job longevity, and pay at least 120 percent of Maryland's minimum wage to guarantee a livable wage.¹⁵⁰ By building incentive programs that target well-paying jobs and employment of economically disadvantaged people, Maryland is encouraging businesses to support Marylanders of color.

METRICS

A business attraction and marketing strategy should be closely connected to the region's general economic development goals. As such, incorporating equity into business attraction and marketing strategy should boost the overall economic well-being measures of businesses and communities of color. However, there are several quantitative and qualitative measurements to capture the state of equity and inclusion in an EDO's marketing and incentive strategy.

Marketing

To measure if a marketing campaign is successfully and authentically representing the organization's goals and objectives, economic developers can cross-compare their marketing messages to their demographics:

Does the marketing campaign accurately reflect the people that reside and work in this community?

Does it accurately reflect the businesses in this community?

Does it tell a compelling story that resonates with local residents and business owners?

Incentives

When it comes to incentives it is important to not only measure the input, such as the quantity of incentives applied for or awarded, but also the outcome of the incentives. In **Portland, Prosper Portland** measures the impact of the incentives awarded in their Enterprise Zone program by comparing the forgone tax revenue against their inclusive growth goals, such as:

- Number of newly created living-wage full-time jobs
- Percentage of business tax on company's revenue
- Total of state income-tax revenue contributed
- Total of amount contributes to their workforce training & business-development fund
- Total cost of procurement with City of Portland's public benefit agreements

By comparing the total of incentives given against the city's larger inclusive growth goals, Prosper Portland can better evaluate how their incentives contribute to their goals, adjust, and keep companies accountable.



PRISMS

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

To do justice to communities of color, economic developers must tell the authentic story of their community. This includes talking about challenges, past mistakes, and sometimes painful histories. By communicating authentically economic developers can be a part of the solution.

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

When it comes to business attraction, economic developers must carefully calibrate incentives to benefit their larger equitable and inclusive growth goals. This can be done by specifically building incentives and targeted marketing for equity, like Maryland is doing, but it can also be done by measuring the larger impact that incentivized businesses have on the community's prosperity and socioeconomic well-being.

Equity cannot be produced from a singular source.

With successful business attraction and marketing strategies, economic developers can be part of the solution in their community. However, a successful business attraction and marketing strategy will be responsive to community needs and engage local stakeholders in storytelling. Furthermore, business attraction and marketing is only one component of a successful equity approach to economic development.

Incorporate equity and inclusion into performance metrics.

Diversity, equity and inclusion outcomes that most communities care about are a long-term strategy. Simply measuring the recipients of a certain program is helpful, but probably not sufficient to reach an organization's strategic goals. Creating high-quality metrics that focus on larger impact take effort to create but will give a better picture of the community's progress.





NEIGHBORHOOD DEVELOPMENT + DOWNTOWN REVITALIZATION

Today, where we live has a direct impact on access to the services we need, the goods we consume and our economic opportunities.¹⁵¹ Urban renewal policies enacted by the government in the twentieth century displaced people of color across the country and disrupted their opportunities to generate wealth. To this day, American neighborhoods remain segregated by race and class.¹⁵² This segregation affects wealth building in communities of color but also hurts the local and national economy by not realizing the full potential of everyone who could participate in the economy and by creating costs that would not exist otherwise.

Economic developers must work to build wealth in communities of color for the future.

Data-at-a-Glance

Since the late twentieth century, levels of concentrated poverty in the U.S. have increased and opportunities for economic mobility have stagnated. According to the Brookings Institution, there are twice as many neighborhoods experiencing concentrated poverty—where 30 percent or more of the population lives below the poverty line—today than there were in 1980, and two-thirds of impoverished neighborhoods in 1980 are still impoverished today.¹⁵³ The same Brookings Institution study reports that two-thirds of Black Americans growing up in impoverished neighborhoods are still in those neighborhoods a generation later, whereas only two-fifths of White Americans are.¹⁵⁴

People of color are more likely to live in neighborhoods with concentrated poverty. In 2019, 16 percent of people of color lived in impoverished neighborhoods compared to 4.3 percent of the White population.¹⁵⁵ Native Americans are most likely to live in areas of concentrated poverty (23.6 percent), followed by Black individuals (20.9 percent) and Hispanic individuals (17.0 percent).

Impacts Beyond Poverty

Impoverished neighborhoods have negative impacts on those who live and work there. These neighborhoods often lack quality access to the building blocks of strong neighborhoods, like transportation, healthcare, education, and healthy food. Parents may struggle to get and keep quality jobs due to the lack of a support system, which could lead to children not having the resources they need to thrive. Individuals may not have the resources they need to fully enter the economy simply based on their neighborhood. Communities need access to a mix of services to reach their fullest potential.

Neighborhoods without access to quality services—like transportation, health care, and education—higher crime rates, poorer health outcomes, fewer and elusive job opportunities and decreased social mobility.¹⁵⁶



Neighborhood Indicators of Success

Neighborhoods are the places to start to remedy these issues because they can shape future economic successes or failures. Economists have shown that moving children to neighborhoods with higher levels of social mobility—the ability for a child to earn more money than their parents—has a direct effect on children’s future economic outcomes.

For children, every year spent in a neighborhood with higher social mobility levels increases how much money they will earn as adults.¹⁵⁷ That being said, it is not reasonable for all children to move to neighborhoods with higher social mobility levels. Instead, we must work towards helping all neighborhoods promote social mobility. The researchers found neighborhoods that produce better outcomes for children tend to be less segregated by race and class, have less income inequality, experience less violent crime, have access to better schools and more families with two parents.¹⁵⁸

Economic Developers Understanding of Neighborhood Revitalization

The dynamics discussed in this chapter are reflected in the response to the 2021 Equity Survey. In this survey, IEDC asked EDOs where they perceive the greatest inequities in the area of downtown revitalization. The results, shown below, show that economic developers perceive inequities in this area of the practice, though the highest results are in the “Not at all” category. This could be due to a more recent focus on these types of interventions in low-income neighborhoods of color.

The Historical Frame

Development Of the Federal Highway System

Starting in the 1950s with the Federal Aid Highway Act, the U.S. government funded the construction of highways that displaced Black communities as the roads cut through thriving neighborhoods. In some communities, the highway system was a tool for segregation, as they literally separated Black and White communities. The rapid development of highways around the country fueled geographic concentration of race and poverty and created barriers, physical and economic, that persist to this day.

Gentrification

In the 21st century, gentrification continues to perpetuate segregation in some U.S. cities. In booming cities, the relatively low price of housing is pushing higher-income, often White, gentrifiers into neighborhoods historically inhabited by people of color and people with lower incomes. This can quickly drive up rents and property taxes, pushing out longtime residents and businesses. For those long-term residents who manage to remain, gentrification leads to the erosion of a sense of belonging. Economic opportunities disappear with old businesses, cultural institutions, and the cost of services and physical distance to former neighbors grow.

Figure 22 - Perceived inequities in neighborhood revitalization

	Not at all	A small amount	A moderate amount	A large Amount	A very large amount
Stakeholder involvement in planning processes	24.5%	21.2%	21.7%	20.3%	12.3%
Place-based strategies	25.1%	19.4%	24.6%	19.9%	10.9%
Neighborhood façade/storefront programs	33.2%	21.8%	16.1%	19.4%	9.5%
Blight/vacancy removal	25.6%	22.8%	19.4%	17.1%	15.2%
Business improvement districts and associations	31.3%	16.8%	24.5%	15.4%	12%
Zoning	31.7%	22.1%	17.8%	14.4%	13.9%
Infrastructure investments	26.2%	17%	19.9%	18.9%	18%

STRATEGIES

Help Build Strong Community-led Organizations/ Foster Strong Resident Engagement

For an economic developer to be successfully engaged in neighborhood development there must be strong engagement with neighborhood residents. Neighborhood-development strategies should be at least responsive to resident requests, and at best, be resident-driven. However, such stakeholder engagement exercises are seen as too costly, in time and money, and don't sustain past the timespan of one project. The City of Hamilton, Ohio has pioneered a resident involvement model that operates on a minimal budget and has become self-sustaining.

In the **City of Hamilton, 17 Strong** is a resident-led advisory board for city initiatives. Because 17 Strong was created shortly after the Great Recession when the City of Hamilton was operating with a limited budget, the organization sought to provide opportunities for neighborhood improvement that didn't require large amounts of resources.

Created in 2016, 17 Strong seeks to build safe, clean, and engaged neighborhoods. The decline of manufacturing had left Hamilton with a decreased sense of place and many citizens lacked a sense of pride in their neighborhood and city. This led to a focus on programs that engage the community and work to build a strong sense of place.

Today, 17 Strong is led by 12 board members, all of whom are residents of the city's neighborhoods: 4 from urban core neighborhoods, 4 from traditional neighborhoods, and 4 from suburban neighborhoods. 17 Strong is funded by the city government and receives \$50,000 annually that can be spent based on the discretion of board members.

Part of 17 Strong's initial work was to create a structure that would be inclusive for the city's residents. To do so, 17 Strong developed a neighborhood system to create more of a sense of place than previous distinctions between subdivisions and geographic regions. Rather than relying on traditional boundaries like roads and school districts, Hamilton's neighborhoods must contain public spaces, institutions and commercial spaces. The neighborhoods are further categorized into urban, traditional and suburban based on their location within the city and whether they are composed of standard street grids or subdivisions.

Most Hamilton neighborhoods have neighborhood associations or groups, which helps residents come together to improve the neighborhood and further contributes to the sense of place and community. These neighborhood groups facilitate the resident-led work of 17 Strong, and many members of neighborhood groups have become spokespeople for their neighborhoods. These people help communicate the needs of the neighborhood to the city government and support the city's programs. The personal connections formed between residents, 17 Strong Board Members, and city officials have played a large role in the initiative's success.

Regular neighborhood surveys help 17 Strong and the city government better understand what residents see as the strengths and weaknesses of their neighborhoods. These surveys have demonstrated that residents who perceive their neighborhood as "clean" and relatively free of blight goes hand-in-hand with significant amounts of pride, whereas the perception that a neighborhood is unclean or unsafe shows that residents lack pride in their community. These surveys also help the city understand the priorities of residents, from increasing the availability of parking to reducing crime levels.

Additionally, 17 Strong also oversees a micro-grant program that provides up to \$2,500 of funding for projects, programs, and events that support community engagement and improvement. Micro-grants have been used for a wide range of projects, from One City, One Book, a city-wide book club, to updating signs in the Lindenwald neighborhood. One of the most successful micro-grant-funded projects is Art in the Park, a summer program that hosts monthly arts and crafts projects for elementary school students. This program was originally created by one elementary school teacher and has since expanded to 6-7 parks across the city with the support of other educators. The group is also exploring a program that would allow successful microgrant programs to receive sustained funding in larger amounts from the Hamilton Community Foundation.

Even operating with a limited budget, 17 Strong has been able to improve the sense of place that residents across Hamilton feel. By building connections between residents and between residents and city officials, the residents of the city can better work together to address the issues facing its residents. The continued focus on resident-led initiatives and community engagement has played a key role in this process because residents better understand the ways that the city is working to support them.

Address Resident Needs for Amenities and Services

Many impoverished neighborhoods in the U.S. lack reliable access to essential services and amenities, such as good schools, reliable transportation, healthy food and green areas. When it comes to grocery stores, in the 50 largest U.S. metro areas, on average approximately 17.7 percent of predominantly Black neighborhoods had limited access to supermarkets, compared to 7.6 percent of largely White neighborhoods.¹⁵⁹ According to an analysis conducted by the Reinvestment Fund, these racial disparities persisted across income lines.

However, for many of these communities it's not easy to attract business to provide these essential services. For example, with grocery stores, companies might be worried about a stable customer base or competition from convenience stores. Research from The Food Trust has shown that low-income zip codes have about 30 percent more convenience stores than middle-income zip codes.¹⁶⁰ Convenience stores tend to lack healthy items, but also charge more for healthy staple foods such as milk, bread and eggs.¹⁶¹

In **South Peoria, Illinois**, city government, economic developers and community organizations implemented a variety of alternative strategies to increase access to healthy food when their last grocery store closed in 2018. In South Peoria, where about 22 percent of households don't own a vehicle, and with the nearest grocery store more than a mile away, initiatives focused on community gardens and farmer's markets.¹⁶²

As grocery stores started leaving the area, the Peoria City Council passed legislation to loosen approval requirements for community garden and urban farms. Community gardens up to 1 acre in size now require no approval. This has led to a scattering of community gardens throughout the city, including a multi-acre garden run in partnership between a local church and healthcare provider. The Garden of Hope was started in 2015 with funding from the city, the University of Illinois and Illinois Central College. In 2020, the garden yielded over 6 tons of fruits, vegetables and herbs.

South Peoria has also seen several farmer's markets start to fill the gap of grocery stores. Over the summer, the South Peoria farmer's market operates with funding for the Greater Peoria Economic Development Council and the Southside Community United for Change resident association. A more recent addition is Market 309, which is operated by non-profit Peoria Grown and opened in January 2021.¹⁶³ Every Sunday residents can pay \$5 to fill a paper bag with as many fresh groceries and produce as they can carry. While in January they started out with seven offerings — three fruits and four vegetables — they have since expanded to twice that amount and now also offer milk and eggs.¹⁶⁴

Assist In Implementing Community Benefit Agreements

In low-income neighborhoods, many residents are rightfully worried that they will not benefit from big development projects. Beyond conducting stakeholder engagement throughout the project to ensure it meets their needs, economic developers can assist neighborhood residents by advocating for a community-benefit agreement. A community-benefit agreement is a legally binding contract between the developer and a community organization to guarantee benefit to the local community. Community-benefit agreements can include agreements on affordable housing, local training and hiring, wrap-around services, living wage requirements, and green spaces.¹⁶⁵ By undergoing this process the community organization gets a seat at the table to shape the project to their needs. For the developer a community benefits agreement can lead to a smoother approvals process.

One of the strongest examples of a **community benefits agreement** occurred in **Nashville** in 2018 with the construction of a new MLS Soccer stadium. **Stand Up Nashville**, a community coalition, negotiated a community-benefits agreement that ultimately led to their support for the stadium. The agreement included requirements for the development of affordable housing, living wage jobs, local hiring, a childcare center, and other community benefits.¹⁶⁶ With this agreement formalized, Stand Up Nashville openly supported the soccer-stadium development and urged the Nashville Council to approve several controversial pieces of rezoning legislation that were necessary for the project to proceed.¹⁶⁷

Prevent Displacement

While gentrification is not happening in every American city, it causes real problems for neighborhood cohesion and sense of place in cities where it does occur. There are several interventions that economic developers can be involved in to slow gentrification and help legacy residents stay in gentrifying neighborhoods. These programs can vary from assisting with maintenance costs, maintaining housing stock, to home-ownership-assistance programs and should be targeted for the neighborhood and specific problems at hand.

Tax Abatement and Assistance Programs

As real-estate prices climb in gentrifying areas, rising property taxes become a heavier burden for legacy residents even after their mortgage has been paid off. With tax abatement and assistance initiatives, longtime residents can afford to stay in their homes.

The **Atlanta BeltLine** project implemented a **Legacy Resident Retention Program** in 2021 to assist homeowners who bought houses prior to March 2017 to cover the costs of increasing property taxes through 2030.¹⁶⁸ These are awarded as grants and do not require participants to pay back any of the received funds.

Housing Repair Programs

Housing-repair programs can operate through grantmaking or as low-cost loan giving and are frequently operated by local government or non-profit organizations. The programs are designed to repair roofs, replace windows, install new heating units and furnaces. Housing-repair programs can also focus on accessibility modifications (e.g., wheelchair ramps, stairlifts and bathroom updates), allowing senior residents to stay in their neighborhood longer.

In the northwestern suburbs of **Chicago**, **The Senior Handyman Program** has been active since 1999 to help senior citizens in need of a trusted handyman. The program is managed by the Northwest Housing Partnership (NWHHP) and serves as a successful model for intergovernmental collaboration between local housing authorities and the Northwest Suburban Housing Collaborative (NWSHC). Since it started, nearly 800 seniors in Arlington Heights, Buffalo Grove, Mount Prospect, Palatine and Rolling Meadows have received services. The program currently serves residents over the age of 65 with toilet repair and replacements, grab bar installations, faucet repairs, door and door lock repairs, drywall repairs and other miscellaneous replacements. While residents are responsible for the cost of the materials, NWHHP seeks donated materials if the household is unable to cover the costs.¹⁶⁹



Take A Holistic Approach to Neighborhood Development

While the strategies discussed focus on solving problems many low-income residents and neighborhoods face, economic developers should see neighborhood development as an integral part of their economic development strategy.

An example of a well-integrated economic development plan focused on neighborhood development is the **Atlanta BeltLine**, a redevelopment project designed to convert 22 miles of unused rail corridors into a loop that connects 45 Atlanta neighborhoods with a streetcar, trails and parks.¹⁷⁰ The guiding vision for the BeltLine centers equity with six equitable development goals:

1. Distributing amenities equitably along the BeltLine's vast geography
2. Creating jobs and business opportunities along the path
3. Using the BeltLine's development to stabilize neighborhoods, while minimizing the displacement of existing residents
4. Engaging with the community throughout the implementation process
5. Enhancing the community's character
6. Using the community's existing economic, social and environmental assets to connect residents and develop a sustainable, competitive neighborhood¹⁷¹

To achieve these goals, the BeltLine takes a holistic approach to neighborhood development. The project is informed by the understanding that economic development is directly related to workforce development, housing, transportation, culture and more, especially when it comes to equity.

The BeltLine set out with ambitious goals to create 48,000 one-year construction jobs and 30,000 permanent jobs through \$10 billion of investment in the corridor by 2030, the project's expected completion date.¹⁷² To center equity in these development goals, the BeltLine established a variety of metrics, including:¹⁷³

- Living wage jobs created in the community
- Workers hired from the community for development contracts
- Investments in minority-, disadvantaged- and women-owned businesses
- Businesses in underserved neighborhoods on the south and west sides receiving economic development assistance

The BeltLine plans to use development along the corridor to lift workers in the community. Investment in the community creates job opportunities for neighborhood residents. To enhance those opportunities, the BeltLine partners with other Atlanta groups to offer job training programs for BeltLine workers, and it connects the trained workforce with businesses moving into the corridor.¹⁷⁴ Pairing business investments with workforce development builds a trained labor force that could continue to work on the BeltLine and on other projects in the Atlanta region. Workers would gain a skill set that they can apply to future jobs.

To allow legacy residents, workers and the elderly to reap the benefits of development, the BeltLine hopes to build or preserve 5,600 affordable housing units by 2030.¹⁷⁵ The BeltLine has partnered with local and statewide community development groups to support these housing units. As of May 2021, these organizations have achieved 3,966 affordable housing units on or near the corridor, with another 915 units in the pipeline.¹⁷⁶ The BeltLine's

partnerships with economic-development organizations like Invest Atlanta, affordable housing groups like the Atlanta Housing Authority, and the State of Georgia's Department of Community Affairs demonstrate the BeltLine's understanding that economic development is more than just jobs. The people who work along the corridor and have lived there for years should be able to take part in the community's vibrant future. Preserving affordable housing will help residents stay in their homes.

The BeltLine has committed to sustainability along the corridor, through multi-modal transportation systems and new green spaces. The Metropolitan Atlanta Rapid Transit Authority (MARTA) has committed to including rail transportation along the BeltLine. Rail transportation will connect BeltLine residents to the greater Atlanta region and connect the region to the BeltLine.¹⁷⁷ Residents and visitors alike will be able to access greater opportunities through this transit connection. Additionally, the BeltLine hopes to improve pedestrian safety in and around the corridor.¹⁷⁸ They have made pedestrian safety improvements along roads, and they have built paved trails for walking, bicycling and more. The trails aim to reconnect neighborhoods that were previously severed by the original rail corridor, while offering safer spaces for BeltLine travelers.¹⁷⁹ The focus on sustainability is important to diversity, equity and inclusion because communities of color most often experience environmental crises and injustices.

The BeltLine has not always had this focus on racial equity, and some missteps along the way reveal lessons for other cities that may undertake a transformative infrastructure project. Although the initial plan for the BeltLine included affordable housing, concrete steps such as purchasing surrounding land, was not undertaken. This has led to developers purchasing adjacent property, driving up value and threatening displacement. One analysis found that for the value of homes within a half-mile of the BeltLine, increased between 17.9 and 26.6 percent between 2011 and 2015.¹⁸⁰ Not including Initiatives to provide affordable housing and prevent displacement from the start was a missed opportunity for the Atlanta BeltLine.



METRICS

For their comprehensive program, **Atlanta BeltLine** is tracking the following metrics, broken down by category.¹⁸¹

Housing Affordability

- Number/percent of affordable housing units created and/or preserved (60 percent of Area Median Income or less) through the Atlanta BeltLine Housing Trust Fund
- Number/percent of legacy families receiving tax abatements/exemptions in BeltLine neighborhoods
- Number/percent of legacy families receiving home repair incentives
- Number/percent of single-family homes preserved

Economic Development

- Number/percent of jobs created in the BeltLine Planning Area
- Number/percent of livable wage jobs created within the BeltLine Planning Area
- Number/percent of new businesses created in the BeltLine Planning Area
- Number/percent of legacy businesses expanded in the BeltLine Planning Area
- Number/percent of legacy businesses receiving facade improvement incentives in the BeltLine Planning Area
- Number/percent of workers hired from BeltLine neighborhoods through Atlanta BeltLine development contracts
- Dollar amount/percent of investments going to minority/disadvantaged/women-owned businesses
- Number/percent of businesses receiving economic development incentives from Atlanta BeltLine on the south and west side
- Number/percent of small businesses receiving contracts from Atlanta BeltLine

- Dollar amount/percent of funding to support local artists and arts and culture organizations

Access to Transit

- Number/percent of people in walking distance to transit and trail
- Number/percent of residents with access to transit
- Number of miles of trail and transit infrastructure
- Dollar amount/percent of BeltLine funds invested in improving affordable transportation access, especially on south and west side

Inclusion

- Number of community engagement events held
- Type of engagement opportunities provided
- Number/percent of community members engaged
- Number/percent of underrepresented community groups attending at events
- Number/percent satisfied with community engagement
- Number/percent of community who feel community engagement strategies were effective
- Number/percent of community who is aware of Beltline mission, vision and work

Quality of Life

- Number/percent of park acreage in BeltLine neighborhoods on south and west side
- Number/percent of acreage of brownfield remediation/environmental clean-up in BeltLine neighborhoods, especially those on south and west side
- Dollar amount/percent of resources invested in public art which preserves and enhances history and historic culture of communities of color in BeltLine neighborhoods

The **City of Charlotte** which has recently adopted a 2040 Comprehensive Plan focused on equity has adopted similar metrics, focused on access:¹⁸²

Access to Essential Amenities, Goods and Services

- Proximity to childcare and Early Childhood Education
- Proximity to parks, open spaces and trails
- Proximity to community facilities
- Proximity to fresh food
- Proximity to health care and pharmacies
- Proximity to financial services
- Access to Internet service

Access to Housing

- Housing unit diversity
- Housing cost
- Housing size
- Subsidized housing
- Tenure
- Level of (Re)Investment

Access to Employment Opportunity

- Proximity to employment
- Employment in commute shed
- Wage levels
- Middle skill jobs
- Knowledge-based jobs

Each of the City of Charlotte's Equity Metrics comprise a series of relevant indicators and is compared to data to understand where populations that are vulnerable to displacement are concentrated and see where progress is being made.



PRISMS

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

A direct line can be drawn from current concentrations of poverty in American neighborhoods to many early 20th century urban renewal projects. Such past missteps should be discussed with communities to regain trust, rectify mistakes and work together.

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

To ensure that communities of color benefit from economic development efforts, involve residents in consistent and continuous stakeholder engagement. For even stronger models of community engagement, utilize community-benefit agreements.

Equity cannot be produced from a singular source.

Economic developers must work with neighborhood-based community organizations, like community-development organizations, workforce-development boards, social services, and other neighborhood nonprofits that provide goods and services directly to residents. The economic developer can use their insight into the opportunities available in the city and regional economy to guide neighborhood groups in their approach to equitable growth. As a stakeholder in the regional economy, economic developers should use their networks to build systems to distribute resources equitably across and within neighborhoods.

Incorporate equity and inclusion into performance metrics.

By continually measuring the state of economic inclusion in a community, metrics establish a baseline that progress can be compared against. This can include indicators on wealth, health determinants, livability, wages and education for different demographics in the community.





DISASTER RECOVERY, CLIMATE RESILIENCE + ENVIRONMENTAL JUSTICE

The effects of natural disasters and comparable economic disruptions are wide-ranging, both in impact and timescale. Disasters affect economies on multiple levels, from property and infrastructure damages to employment shifts, small business or major industry revenue losses. Disaster impacts are felt in the short-term, with acute effects like road closures or evacuations disturbing business and community life, and in the long-term, with some disruptions causing core industries to change or permanently altering the community's demographic makeup. These disruptions can take many forms: natural disasters such as hurricanes and wildfires, industry shocks such as plant closures, or, as has been experienced on a global scale in recent years, a public health crisis like a pandemic.

In the wake of such economic disruptions, the process of rebuilding and revitalizing communities and their economies is often seen as an opportunity to build back better; to take advantage, in a way, of the temporary pause in the status quo to identify opportunities for critical change and rethink how economies are structured. Communities can take stock of their economic development ecosystems to evaluate what made them resilient and what left them vulnerable, as well as the success or failure of the existing processes, plans and infrastructures in place to provide support and necessary action during and after the crisis. This is an especially vital opportunity to assess who has been affected and why the impact may be felt differently across demographic groups and economic sectors. It is an opportunity to assess who may have been left out of both short- and long-term recovery processes, why different groups experience different types of vulnerabilities, and what the role of economic recovery support functions can be in mitigating those risks and impacts.

Data-at-a-Glance

The U.S. Economic Development Administration defines economic resilience through three main attributes: the ability to recover quickly from a shock, the ability to withstand a shock and the ability to avoid the shock altogether.¹⁸⁸ When economic inequalities prevent communities from engaging in activities and accessing resources to build resilience, they can experience more severe impacts and slower recovery from economic disruptions.

Historically, certain groups have been limited in their ability to build economic resilience, experiencing higher levels of economic loss and long-term damages from natural disasters and other disruptions. Low-income communities can disproportionately experience property and infrastructure damages and are less likely to be able to access recovery funding or services to rebuild.¹⁸⁹ Immigrants experience more severe disaster impacts, such as higher reported income and employment losses and lower rates of application for disaster-recovery aid. Concerns about drawing attention to their immigration status and the lack of social- and financial-support systems are also contributing factors to their more vulnerable state pre-disaster and their inability to access post-disaster assistance.¹⁹⁰

Communities of Color More Affected by Disasters

Communities of color — whether urban or rural — face some of the worst environmental devastation in the United States. The power imbalance experienced by communities of color constrains their ability to respond to the impact of climate change and contribute local knowledge to climate solutions.¹⁹¹ Hurricane Katrina revealed how extreme-weather events cause particularly devastating damage to minorities and the poor. In Los Angeles, Blacks are twice as likely to die from a heat wave as other residents.

Disadvantaged communities also tend to be more likely to be geographically located in higher risk areas. An analysis of federal flood insurance payments shows that flooding is more common in Black communities. This is due to many reasons: historically low-lying land was cheaper, and these neighborhoods tend to have less green space and more impervious surfaces.¹⁹² The COVID-19 pandemic has also reflected this disparity. The New York Federal Reserve reports that Black-owned firms are more likely to be located in the highest COVID-affected areas while White-owned firms are less likely to be in these areas. Two-thirds of counties with high rates of Black business ownership are in the top fifty areas affected by COVID.¹⁹³

Gig, home-based, and other “nontraditional” and shared economy workers are often left out of recovery funding and unemployment support opportunities. After a disaster, communities of color experience higher rates of business closures, with lower rates of reopening in the months post-disaster.¹⁹⁴ Furthermore, a University of Pittsburgh study reported that after disasters, Black and Hispanic households experience decline in net worth, while White households actually experience increases.¹⁹⁵ Another study found that as disaster-related damages increase, wealth inequality increases along with it. In fact, this inequality grows the more aid an area receives from FEMA.¹⁹⁶

Over the next 30 years, the United Nations predicts severe climate-induced threats to the international food system and supply chain, with rising temperatures and changes in weather cycles affecting major crop yields globally.¹⁹⁷ These environmental threats have a significant impact on food security, which disproportionately impacts underserved, rural and insular communities like islands, as well as vulnerable populations such as low-income families. In some countries, the Global Hunger Index reports that up to 80 percent of rural households depend on agriculture to survive and are affected by hunger and food insecurity when agricultural yields are disrupted.¹⁹⁸ In addition to these global impacts, disruptions in economic activity and agricultural yields can be devastating for communities who rely on them for both food supply and revenue at the local and regional levels.

Long-standing inequalities in the racial wealth divide, as well as in access to capital, financial networks, educational and training opportunities, and social capital all contribute to higher risks for people of color in the face of disasters.¹⁹⁹

Lack of Infrastructure Leads to Lack of Resilience

Additionally, as has been particularly highlighted by the COVID-19 pandemic, access to infrastructure and technology such as broadband connections and computers contributes to what has been dubbed the ‘digital divide’, exacerbating inequalities in people’s ability to work and access education.²⁰⁰

These dynamics impede the capacity to build resilience – to have the capital and support systems in place to weather periods of revenue loss, employment changes, property damages and socioeconomic instability. When communities are starting at a disadvantage pre-disaster, it follows that they may be disproportionately affected during and post-disaster.

The Historical Frame

Environmental Racism

Environmental racism was a term first introduced by civil rights activist Dr. Benjamin Chavis, during a 1982 protest about the siting of a North Carolina polychlorinated biphenyl landfill in a predominately Black residential area.¹⁸³ Shortly after the North Carolina protests, the Government Accounting Office (GAO) ordered a report on racial demographics around hazardous waste sites and found that 75 percent of sites in the Southeast region were in or near majority-Black communities. Even before the phrase was coined, environmental racism has always been present in the social and economic development of the United States: It is the system of policies, laws and practices that uphold and/or cause further disparities in physical living conditions, air quality and environmental dangers for communities of color.



Figure 23 - Perceived inequities in disaster recovery

	Not at all	A small amount	A moderate amount	A large Amount	A very large amount
Disaster recovery and resilience planning	35.6%	22.0%	23.4%	11.2%	7.8%
Disaster recovery and resilience relief assistance	35.9%	19.4%	24.3%	13.1%	7.3%
Natural disaster vulnerability (inferior protective infrastructure, e.g., dikes, flood plains, below sea level locations)	39.3%	19.4%	20.4%	13.1%	7.8%
Manmade disaster vulnerability (e.g. proximity to contaminated/pollution sources)	39.7%	15.2%	19.1%	16.2%	9.8%

STRATEGIES

Closing Financial Resource Gaps

Accessing and building capital are key components of preparedness and resilience, but barriers to access can take many forms. In addition to the systemic obstacles that historically limit access to financial institutions and participation in financial networks, many businesses are also limited by their capacity to dedicate the time and investment needed to navigate complicated and bureaucratic processes to apply for funding. Furthermore, the triggers to qualify eligibility for funding do not always capture the characteristics of businesses and individuals who need it or are inconsistent in eligibility and practical application across programs.²⁰¹

In many cases, funding simply does not reach those who need it, and even when it does, the requirements, application processes and eligible uses can prove too prohibitive to be effective. Without specialized training or dedicated staff, business owners may face further obstacles as they navigate these processes. In 2019, the American Planning Association reported that White and higher-income households are more likely to receive federal disaster assistance funding than people of color or low-income households.²⁰² The divide in access to assistance will continue to grow, and use of available assistance will decline if the reasons why individuals choose not to apply for funding (e.g., distrust in or discouraging experiences with the surrounding systems) are not addressed.

Financial resource gaps occur both before and after disasters. Pre-disaster, this refers to gaps in knowledge and ability to access financial resources such as lending opportunities and relationships with financial institutions, financial-literacy education, and social and professional financial networks. The chapters on Small Businesses and Entrepreneurship speak more to these disparities.

Post-disaster, businesses face similar challenges, compounded by further reductions in their capacity to engage financial assistance opportunities geared toward disaster recovery, as well as mismatches between the eligibility and purposes of available funding opportunities and their real needs. Businesses that are already distressed before a disaster or lack the resources necessary to build resilience to disruptions may become overwhelmed.

Economic developers can work to close these resource gaps by:

- o Broadening triggers for assistance eligibility to encompass a more intersectional approach to need (re: business/entrepreneur type, geographic location and mobility, housing, household income, etc.)
- o Broadening the eligible uses of funding to include more holistic approaches to recovery and resilience
- o Disseminating information and resources about assistance opportunities
- o Partnering with local institutions to fill gaps in federal and state funding

Recognizing the unique vulnerabilities of the gig-economy workforce in **New Orleans, LA, the New Orleans Business Alliance (NOLABA)** created a relief fund to assist workers affected by the COVID-19 pandemic. NOLABA committed \$100,000 to seed the fund and was successful in its goal to raise over \$500,000 from corporate, foundation and individual donations. The program is designed to provide direct funding to gig-economy workers, who make up 8% of Orleans Parish's workforce. The highlighted workers include rideshare drivers, festival staff, and the musicians and venue staff who make up the city's thriving music and arts scenes. The fund aims to address the resource gaps for workers who typically lack access to safety nets such as sick leave, overtime pay, and employee benefits, and who are not protected by minimum-wage laws. With COVID-19's sustained interruptions to New Orleans' vital cultural calendar, these workers were at particular risk of losing their main sources of income and stability without assistance.²⁰³

After Hurricane Harvey, the **Houston Immigration Legal Services Collaborative (HILSC)** turned its attention to disaster response and equitable recovery for the immigrant communities in the surrounding Texas counties. HILSC identified needs that had been left out of traditional disaster recovery approaches, especially for immigrants experiencing interrupted legal processes and those who were isolated from family and financial support systems. Through interviews with immigration-serving organizations and disaster mitigation agencies, HILSC developed the Humanitarian Action Plan to guide its disaster preparation, response, and recovery efforts. HILSC also pledged over \$575,000 to support legal fellows to help immigrants throughout the Harvey recovery. The three main strategies of HILSC's equitable recovery approach included information dissemination (informing communities of changing regulations and resources, as well as best practices and lessons learned); increasing access to resources for immigrants; and advocacy (to governments, funders, and other stakeholders to engage in equitable recovery practices and incorporate these approaches in their own planning and actions). In 2020, HILSC expanded its program to include COVID-19 recovery, developing the Immigrant Disaster Resource Guide and coordinating funding for community-led immigrant-serving organizations.^{204 205}

The Historical Frame

Hurricane Katrina

In August 2005, Hurricane Katrina struck New Orleans, Louisiana; a storm that would come to be known as one of the most devastating hurricanes in U.S. history. Over 1,800 people lost their lives, more than million people were displaced over the course of the disaster, and the region experienced more than \$81 billion in damages.¹⁸⁴ Commonly cited criticisms of Katrina response include planning fiascos, the failure to provide supplies post-disaster, poorly coordinated evacuation efforts, disparate neighborhood impacts and responses, and the inadequate federal and FEMA response.¹⁸⁵

Beyond the criticisms to the recovery response, Hurricane Katrina laid bare long-building racial disparities. Two-thirds of Black respondents surveyed after the event reported that they believed the government's response would have been faster had the majority of victims been White, while only 17 percent of White respondents reported the same.¹⁸⁶ Ten years later, 70 percent of White respondents said they feel New Orleans had mostly recovered, while only 44 percent of Black respondents agreed with this sentiment. Hurricane Katrina, with its vastly disproportionate short-term impacts and lingering disparities in long-term recovery, is a highly visible example of how disaster preparedness and recovery is shaped by historic inequalities.

Small Business and Entrepreneurship Support

In order to mitigate and build resilience to the impact of disasters, and foster resilience for local economies as whole, communities need to invest in small business support systems and close access gaps for business owners and entrepreneurs of color. Successful strategies from economic developers include:

- Supporting lending relationships and developing financial assistance opportunities for these businesses
- Developing entrepreneurship education, training and support opportunities
- Fostering partnerships and networking groups between small businesses, entrepreneurs and public/private partners
- Supporting pre-disaster resilience strategies such as increasing access to capital, increasing access to social and financial support networks, and supporting education and training providers

The chapters on Small Businesses and Entrepreneurship take a deeper look at these strategies.

Strategies aimed at small business recovery should also be part of an EDO's post-disaster plan. After Hurricane Harvey devastated the Gulf Coast region in 2017, the **City of Houston's Department of Housing and Community Development** implemented the Hurricane Harvey Economic Development Program (HEDP) to address the assistance needs of small businesses and entrepreneurs. The program aims to provide working capital and support job creation for micro-enterprises, focusing on providing grants to businesses that are owned by or create jobs for low-moderate income residents. The \$24.9 million program has served 400-500 businesses with grants up to \$150,000 each. In addition to promoting equity through its goals of supporting disadvantaged business owners recovering from the disaster, the program also aims to support small contractors directly working on post-Harvey rebuilding projects.²⁰⁶

In 2017, the **North Carolina Rural Center** launched the **Small Business Recovery Program** to assist communities recovering from Hurricane Matthew, with a focus on long-term planning and technical assistance. Communities received a \$100,000 investment for locally administered small-business-loan funds, with additional resources to increase these funds to up to \$300,000. Additionally, the Rural Center provided business with coaches to enhance communities' capacity to design their programs and loan funds to meet the real needs of local businesses and entrepreneurs. This program was part of the broader funding efforts of the North Carolina Small Business Recovery Fund, which provided small business recovery funding for communities affected by multiple hurricanes that have impacted the region.²⁰⁷

Incorporate Environmental Sustainability Strategies

The University of California, Los Angeles defines sustainability as the intersection of the "Three E's: environment, equity, and economy." Its Sustainability Committee expands this definition to include:

"The integration of environmental health, social equity and economic vitality in order to create thriving, healthy, diverse and resilient communities for this generation and generations to come. The practice of sustainability recognizes how these issues are interconnected and requires a systems approach and an acknowledgment of complexity."²⁰⁸

These interconnected components center around effects that are experienced disproportionately by people of color, who are more likely to be affected by climate change and other environmental issues and subsequently face higher risks of climate-induced disaster impacts.²⁰⁹

Issues of environmental sustainability factor into disaster risk and frequency – weather related incidents such as hurricanes and wildfires have increased fivefold over the last fifty years, directly relating to the influences of anthropogenic climate change.²¹⁰ Furthermore, underserved groups such as low income communities, rural communities, people of color, and native communities face more severe economic impacts and greater challenges accessing aid in the wake of natural disasters and climate-induced damages.²¹¹ ²¹² In an advanced environmental justice study from the U.S. Environmental Protection Agency, it was found that individuals from minority groups, such as Black and Hispanic individuals, are more likely to experience negative effects across sectors of impact including health outcomes, mortality due to extreme temperature, labor effects and coastal flooding impacts.²¹³ In a study of over 29 million people living in wildfire-prone areas, the University of Washington found that about 41 percent lived in socially vulnerable communities, with higher exposure to wildfires reported among communities of color. This figure increased significantly for Native American communities, who are six times more vulnerable to wildfires.²¹⁴



The Historical Frame

The 2010 BP Oil Spill and Native Americans along the Gulf Coast

Along the Gulf Coast, Coastal Tribe members were forced out of their ancestral homeland in the early 1700s and pushed into the coastlands and bayous where they reside now, becoming especially vulnerable to the impacts of land loss, climate change and tropical weather events, in addition to environmental-justice issues, such as oil spills.¹⁸⁷

Because Gulf-Coast tribes have not received federal tribal recognition, they are denied the ability to control the management of and access to land, water and air in their community. It also limits their ability to receive funding following disasters, potential relocation following land loss, and the protection and handling of sacred sites. This lack of tribal sovereignty has also allowed oil companies to target and take advantage of individual tribal members, taking their land through legal agreements that are in some cases not fully understood by tribal members.

The 2010 BP Oil Spill poured over 4.9 million barrels of oil into the Gulf of Mexico. The spill negatively impacted self-reported mental and physical health, increased disparities related to healthcare access, and was associated with mental health issues related to displacement and unemployment in the aftermath. Not being federally recognized prevented the tribe from receiving resources from BP following the oil spill because BP refused to recognize claims from tribes recognized by the state but not the federal government.

Although climate change and other environmental justice issues increasingly affect all tribal communities, and indeed all individuals, the lack of federal recognition has made this particular tribe especially vulnerable to its continuing effects.

Championing not only environmental sustainability, but sustainable processes that encompass the social, cultural and economic systems that intersect with environmental impacts, is key to developing a holistic, equitable approach to recovery and resilience. Key activities include assessing the risk posed to different demographic groups and businesses by natural disasters and other environmental or public health threats; assessing how historic inequalities shape housing and business locations for different groups and their subsequent risk levels to environmental threats; including social and cultural effects in environmentally focused disaster recovery programs and incentives and supporting sustainable development efforts such as:

- Emissions caps
- Protection of at-risk land and natural resources
- Protection of culturally significant lands and resources
- Food security and independence
- Sustainable procurement
- Locally owned and sourced businesses and entrepreneurship efforts

In 2018, the Kilauea volcanic eruption devastated the island of **Hawai'i**, causing widespread business, property and infrastructure damages. The disaster's effects on travel and attractions particularly affected the island's central tourism industry, ultimately costing the county an estimated \$800 million.²¹⁵ In addition to these economic losses, the Kilauea eruption damaged culturally significant places and vital natural resources and caused destruction to low-income communities and communities of color. One of the most heavily impacted areas, the Puna District, is home to a largely socially vulnerable population, with higher poverty levels, low employment opportunities, high living costs, and barriers to accessing insurance all contributing to greater risk. The Puna District also has the highest number of households located in the area at greatest risk of volcanic eruptions, the Volcanic High Hazard Area.

The aftermath of the eruption highlighted disparities in disaster mitigation, response and recovery processes. It made clear the need for thoughtful and holistic efforts that worked to balance the economic, cultural and environmental priorities of the island's recovery. In response, the County developed the Kilauea Recovery and Resilience Plan with three core pillars: Kilauea Eruption Recovery, Disaster Readiness, and Community Resilience—Building Community Capacity. Key to the plan's vision is *āina*, integrating cultural and ecological values with mitigation, recovery and rebuilding efforts. The plan focuses on six sectors of resilience: social resilience, cultural resilience, economic resilience, resilience of the natural environment, resilience of the built environment, and government risk and resilience. Based on extensive community outreach and assessment, the plan identified four priority goals: natural and cultural resource management; housing, economic development, and services; infrastructure development and health and wellbeing.

The Natural and Cultural Resource Management goal, in particular, integrates environmental justice with economic recovery, aiming to “preserve native ecosystems, maintain pono [Hawaiian for “righteousness”, more broadly referring to ways of living with balance and integrity], use of natural resources and protect increasingly threatened forests.” The plan lays out core priorities in this space including the improvement of resource-management systems for the island's cultural and natural sites, which are vulnerable to both disasters and tourism, highlighting the need to better manage scenic locations and public access to natural spaces.

Natural and cultural resources, which are fundamentally linked and are essential to maintaining the social fabric of a community — which strengthens the weave of the economic fabric — are heavily impacted not only by the physical effects disasters like the Kilauea eruption, but by the mitigation and recovery processes in place for the community's recovery. The Kilauea Recovery Plan places the restoration of native ecosystems and protection of cultural resources as key to recovery, laying the foundation for economic revitalization processes to build on ethically and sustainably.²¹⁶

Improve Access and Connectivity to Technology

Connectivity and technology access have become everyday necessities for most Americans, a reality that has only become clearer in the wake of a global pandemic requiring a rapid, widespread transition to remote work and schooling. Broadband, which refers to the telecommunications infrastructure, technology, and policies that allow households and businesses to connect to the internet, has become essential to equity. It is central to many aspects of economic and social life, from finding, applying to, and performing jobs, to advertising businesses and selling products, to attending school and receiving medical care, to forming communities and enhancing civic engagement.²¹⁷

Connectivity is also a key component of resilience. Building and maintaining critical communications infrastructure is not only an essential part of immediate disaster response efforts, it is vital to keeping businesses and households afloat throughout the recovery process. When communities begin at a disadvantage in access to communications technology, they may face more severe outcomes when they are further isolated by both the physical and economic consequences of disasters.

In a 2021 study, Pew Research found that Black and Hispanic adults are less likely to report owning a computer or having access to high-speed internet than White adults, though this disparity does not appear to extend to other technology like smartphones. In a Houston study of technology access for students during COVID-19, for example, it was found that one third of Black families and one fourth of Hispanic families experienced challenges with Internet access, while just one in ten White families reported the same. Spanish-speaking families were more likely to report challenges than English-speaking families.²¹⁸ This divide becomes even starker according to income level: Over 50 percent of families making less than \$20,000 per year had no devices or Internet access for their children to do schoolwork, while this figure is just 4 percent for families making over \$100,000.²¹⁹ Furthermore, low digital literacy presents another barrier to access for low-income communities, older generations, ethnic minorities, rural communities, and individuals with less education.²²⁰ These trends further contribute to the many factors reducing the resilience of disadvantaged communities, as well as the ability to access assistance during and after disasters.



In addition to becoming a vital tool for increasing equity, broadband and technology development are opportunities for innovation and building resilience. Expanding access to and use of websites and ecommerce platforms for small businesses, investing in online schooling and remote-work opportunities, expanding telehealth infrastructure, and more can all be leveraged to enhance business, tourism, healthcare and overall quality of life, and can offer avenues to adapt to shifts in circumstance and certainty in the wake of disruptions.

Important strategies to support connectivity include:

- Investing in broadband infrastructure to provide reliable, high-speed access for households, businesses, schools and healthcare providers
- Supporting digital-literacy education and training opportunities for small businesses and entrepreneurs
- Assessing technology access and connectivity for different demographic groups and locations
- Incorporating closing technology-access gaps into economic recovery and development-planning efforts
- Leveraging technology and connectivity to build economic resilience by expanding opportunities to do business and work online coupled with reliable, equitably provided and maintained broadband infrastructure



METRICS

The majority of strategies to assist communities of color in the wake of disaster or to improve sustainability outcomes deal with increasing and expanding access to such services. As such, economic developers should take note of the baseline level of access as well as how their initiatives are increasing it. An example of metrics to track for quality of broadband access could include:

- Percentage of households in area with broadband access
- Affordability of broadband access
- Quality of broadband connectivity (upload and download speeds)
- Number of public wi-fi hotspots
- Number of public wi-fi hotspots in geographic areas with lower household broadband access

The **City of Charlotte's 2040 Comprehensive Plan**, previously mentioned in the Neighborhood Development and Downtown Revitalization Chapter, also includes the following measures focused on environmental justice:²²¹

- Tree canopy
- Impervious surface
- Proximity to heavy industrial uses (including extraction operations like quarries)
- Proximity to major transportation infrastructure
- Floodplain

This chapter incorporates several strategies that are highlighted in previous chapters. For more specific metrics related to closing financial gaps and small-business and entrepreneurship support, please refer to the metrics sections of Small Business and Entrepreneurship chapters.



PRISMS

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

People of color often live in areas that are more vulnerable to the physical, economic and social impacts of disasters and climate change. The racial wealth and digital divides leave people of color less resilient to their effects, and lead to inequitable recovery outcomes. When people are more economically and socially vulnerable before a disaster, they are less likely to recover post-disaster.

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

Disadvantaged communities can be left out of recovery processes, and existing programs do not always reach those who need them most. Holistic approaches to disaster preparedness and recovery policies need to consider intersectional issues of vulnerability, including race, income level, geography, housing status, educational attainment and access, health indicators, technology access, immigration status and environmental vulnerability.

Equity cannot be produced from a singular source.

Preparedness, response, and recovery are implemented across national, state and local frameworks, and require investment and partnerships between public, private and nonprofit sectors. Social, cultural, economic and environmental interests all intersect when it comes to creating equitable approaches to resilience.

Incorporate equity and inclusion into performance metrics.

When measuring recovery outcomes, the focus cannot just be on recovered assets and economic activity. If some communities build wealth after a disaster while others lose it, even if the net benefit is positive, the recovery effort has failed.



CONCLUSION

The crises of recent years have laid bare the economic disparities that people of color face in the United States. Our current systems, institutions and policies have left people of color behind. In this Playbook, IEDC acknowledges the role economic development has played in this and reflects on existing inequities in economic-development practice.

This Playbook is a comprehensive assessment of the economic-development practice on racial equity and includes a wide array of strategies that economic developers can enact in their communities, big or small. Economic developers can play an important role in achieving equity in their communities.

When thinking about implementing equitable strategies economic developers should keep in mind the four prisms distilled from the research in this Playbook:

Acknowledge the history, discrimination and systems that have kept people of color from creating, building and retaining wealth.

Economic developers must acknowledge history to be successfully involved in working to promote equity. This includes working through the EDO's and city's role in structural racism and how it has an impact on the present. Real estate, lending inequities and lack of opportunity, among other practices, have made it difficult for communities of color to attain and hold onto wealth. **Economic developers must learn from history and work towards trust and partnership with their community to move forward.**

Programs and initiatives must be explicitly targeted for impacted or vulnerable communities, particularly communities with high population(s) of color.

To avoid mistakes of the past, where programs purported to target distressed areas often saw benefits accruing to investors instead of communities of color, economic developers must correctly target their initiatives. For effective targeting, community engagement must be constant and meaningful. Listen to community stakeholders to create targeted programs. **Intentionality to increase equitable outcomes for communities of color is crucial.**

Equity cannot be produced from a singular source.

Economic developers must collaborate with other organizations to increase equitable outcomes in their community. This means public and private stakeholders working in areas that have often been siloed in economic and community development including existing MBEs, local lending-institutions, workforce-development institutions, housing and real estate stakeholders, environmental and public health stakeholders, and EDOs. **Cross-sector collaboration is needed to increase equitable outcomes.**

Incorporate equity and inclusion into performance metrics.

Economic developers must measure the impact of their programs to understand how they are moving the needle on equity in their communities. Only by establishing a baseline and understanding how initiatives are making a difference can EDOs understand where programs are or aren't succeeding in reaching people of color. **Implement a performance metrics system to measure baseline and progress.**

Looking Ahead

Based on this Playbook, it is clear that economic developers have realized the importance of integrating equity into their practice. The 2021 Equity survey shows the awareness of economic developers around issues of equity in their profession and practice and indicates where they plan to work towards removing barriers for people of color. Moving forward, economic developers indicate Entrepreneurship and Small Business Development and Workforce Development as the areas that would most benefit from additional resources.

This Playbook is only the first component of IEDC's Equitable Economic Development Playbook initiative. As we expand our work to offer technical assistance to the ten selected Equity Communities, we plan to revisit this Playbook to reflect what we learn from our work with communities, and conduct a second edition of the Equity survey to see how the economic development field has progressed over the years.

Figure 24: Target areas for equitable economic development

	Not at all	A small amount	A moderate amount	A large Amount	A very large amount
Business retention and expansion	9.4%	16%	33.1%	25.4%	25.4%
Business attraction and marketing	11.8%	23.3%	29%	23.7%	23.7%
Real estate development and reuse	15.4%	16.8%	25.4%	28.6%	28.6%
Economic development finance	11%	16.3%	25.1%	27.9%	27.9%
Entrepreneurship/ small business development	6.6%	8.7%	18.8%	31.9%	31.9%
Disaster preparedness and recovery and climate resilience	20.4%	21.8%	32%	13.5%	13.5%
Workforce development	8.6%	9.3%	19.5%	29.1%	29.1%
Downtown revitalization/ neighborhood development	11.8%	16.5%	24.7%	28%	28%
Managing EDOs and diversity in the profession	18.1%	23.6%	27.5%	16.7%	16.7%

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