

State of Downtown Durham Summit 2021

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Context

Largest Economic Shock Since The Great Depression

- After a year of COVID and trillions of dollars in federal rescue packages, 10.1 million Americans remain unemployed and job growth is slowing.
- Small business has been devastated, with tens of thousands closing - many for good.
- Black & Latino unemployment and business closures are more severe.

Largest Economic Opportunity for Cities Since the New Deal

- The Biden Administration and narrow Democratic majorities in congress have vowed to spend trillions to ensure a swift and equitable rescue and recovery.
- The Administration's Build Back Better agenda entails a sweeping economic modernization plan with generation-defining potential.

To Lead, Cities Must Coordinate

- Cities will get a lot of money but it will be diffuse and uncoordinated. Leaders across cities must prepare to effectively receive and deploy federal investments in a way that leverage their unique strengths.
- During The New Deal just over half of the population was urban, today it is well over 80%. A proportional COVID recovery is an urban recovery, but it must also be a coordinated recovery.

Historic Crisis for Downtowns

Downtowns face three post pandemic challenges:

1

Impact of Covid

Central Business Districts affected by the pandemic due to concentration of hospitality, office work, convention centers and entertainment

2

Spatial Geography of Work

Remote work has accelerated; there is the potential that 20-30% of office workers will not return

3

Domino Effect

If Downtowns don't come back at full strength, tax revenues, small business, and transit revenue will all be affected



Historic Crisis for Small Business Sector

Small businesses sit at the intersection of three colliding forces:

1

Small Business-led Recession

COVID-19 devastated the small business sector, resulting in unemployment and shuttered neighborhoods.

2

Disproportional Impact of COVID-19 on WMBE

Fully 41% of Black small-business owners and 32% of Hispanic owners stopped working altogether between February and April of 2020 (vs 16% for White small-business owners).

3

Economic Centralization

Twenty years of economy-wide business consolidation leading to reduced competition and lower rates of business formation.



Durham-Chapel Hill MSA: Business Baseline

Prior to the pandemic, the MSA was home to approximately 9,788 Black-owned firms, 3,719 Latino-owned firms, and 2,813 Asian-owned firms. Black and Latino residents are considerably underrepresented among owners of employer firms.

Employer and Nonemployer Firms by Race and Ethnicity of the owner in Durham-Chapel Hill MSA.

Firm Ownership	Employer Firms	Nonemployers	Total Firms	MSA Demographics
Total	10,384	46,500	56,884	567,428
Black	488 <small>(5% of all employer firms)</small>	9,300 <small>(20% of all nonemployers)</small>	9,788	26%
Latino	419 <small>(4% of all employer firms)</small>	3,300 <small>(7% of all nonemployers)</small>	3,719	11%
Asian	713 <small>(7% of all employer firms)</small>	2,100 <small>(5% of all nonemployers)</small>	2,813	5%

Source: 2018 Annual Business Survey (2018 ABS), 2017 Nonemployer Statistics database (2017 NES), and 2017 American Community Survey (2017 ACS).

Pre-COVID Large Racial Disparities Exist in Firm Performance

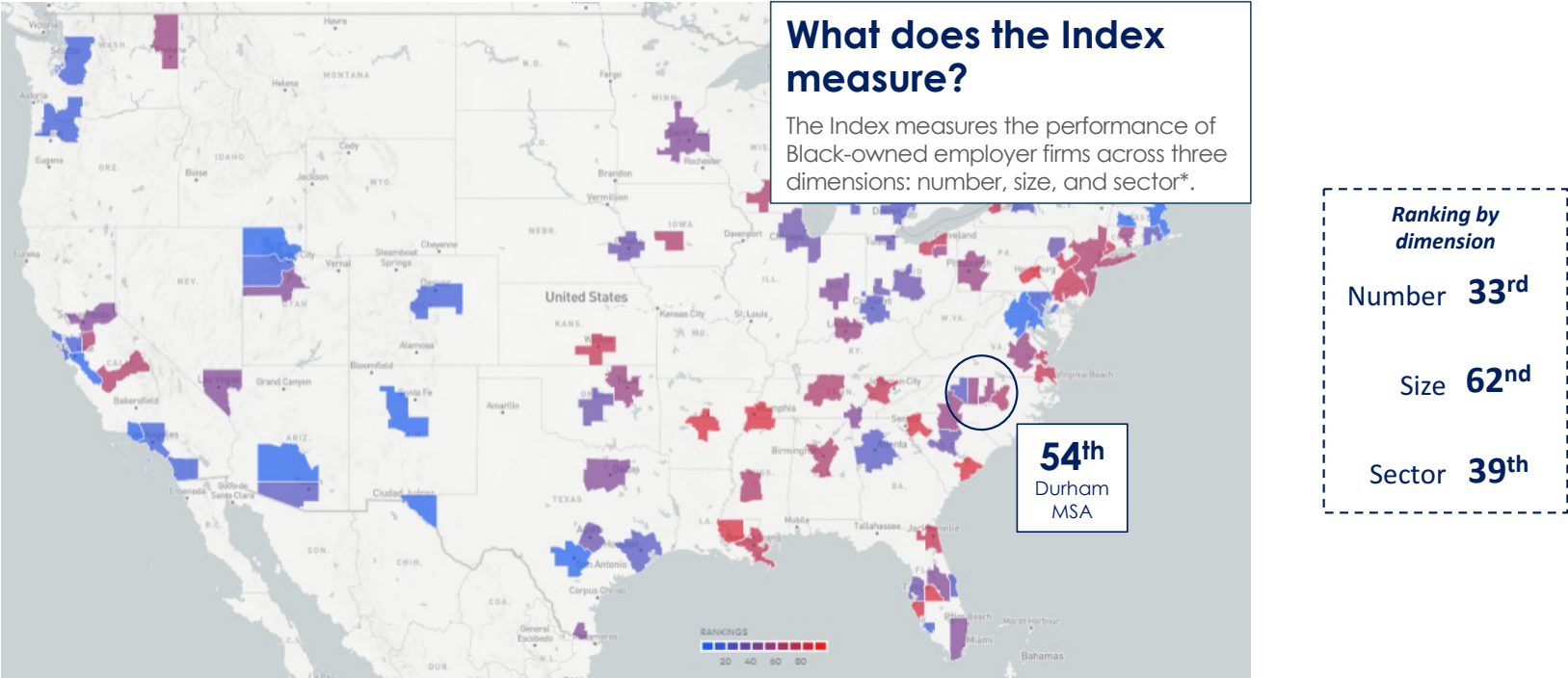
Black-owned Employer Firms in Durham-Chapel Hill MSA					
Number of Businesses		Business Size		Sector Concentration*	
3.3	Black-Owned firms per 1,000 Black Residents	\$0.6M	Average Annual Sales from Black-Owned Firms	34%	Black-Owned Firms in Health Care and Social Assistance
22.1	White-Owned firms per 1,000 White Residents	\$1.6M	Average Annual Sales from White-Owned Firms	9%	White-Owned Firms in Health Care and Social Assistance
Hispanic-owned Employer Firms in Durham-Chapel Hill MSA					
Number of Businesses		Business Size		Sector Concentration*	
6.7	Hispanic-Owned firms per 1,000 Hispanic Residents	\$1.0M	Average Annual Sales from Hispanic-Owned Firms	16%	Hispanic-Owned Firms in Other Services
17.0	Non-Hispanic-Owned firms per 1,000 Hispanic Residents	\$1.5M	Average Annual Sales from non-Hispanic-Owned Firms	8%	Non-Hispanic-Owned Firms in Other Services
Asian-owned Employer Firms in Durham-Chapel Hill MSA					
Number of Businesses		Business Size		Sector Concentration*	
25.7	Asian-Owned firms per 1,000 Asian Residents	\$1.2M	Average Annual Sales from Asian-Owned Firms	34%	Asian-Owned Firms Accommodation & Food Services
22.1	White-Owned firms per 1,000 White Residents	\$1.6M	Average Annual Sales from White-Owned Firms	9%	White-Owned Firms in Accommodation & Food Services

* Percentage points. Source: Own elaboration based on 2018 Annual Business Survey (2018 ABS) and 2017 American Community Survey (2017 ACS).

Durham-Chapel Hill MSA's Comparative Position

Black-owned employer firms in Durham-Chapel Hill MSA rank 54th among the largest 100 MSAs in the U.S.

Black-owned Business Index for the largest 100 MSAs. Includes only employer firms.



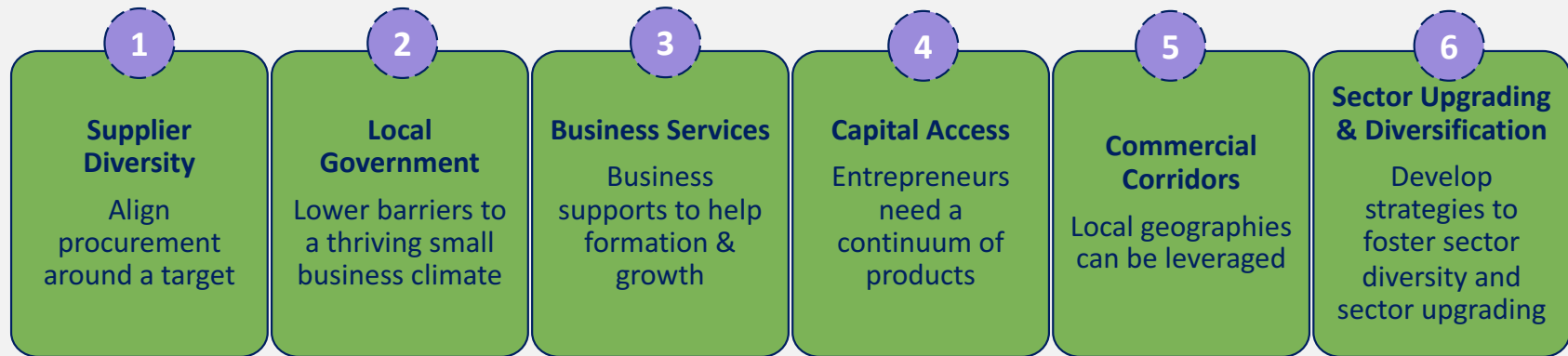
* (1) number: number of businesses per 1,000 residents of that same population group; (2) size: average annual sales of businesses; and (3) sector: percentage of employer businesses operating in the high-wage industries. See online tool: [Small Business Equity Toolkit](#). Source: own elaboration based on 2018 Annual Business Survey (2018 ABS) and 2017 American Community Survey (2017 ACS).

Activating the Small Business Ecosystem

A framework for assessing ecosystem gaps and opportunities for growing number, size, or sector of businesses based on local needs.

Organizing Entity

Coordinate goals, actions, and relationships across the ecosystem.



The Opportunity

POSITIONING DURHAM

Coordination and deployment of ARP funds

MAXIMIZING FEDERAL FUNDS

There's real potential to draw down multiple sources of funding for business equity and other purposes

WORK UNDERWAY

Go deeper on supplier diversity, commercial corridors and equity planning



The Challenge

THE ARP IS BIG

ARP funds will flow to 84 programs from 19 federal agencies, via 7 distribution methods. Cities must manage beyond flex funds

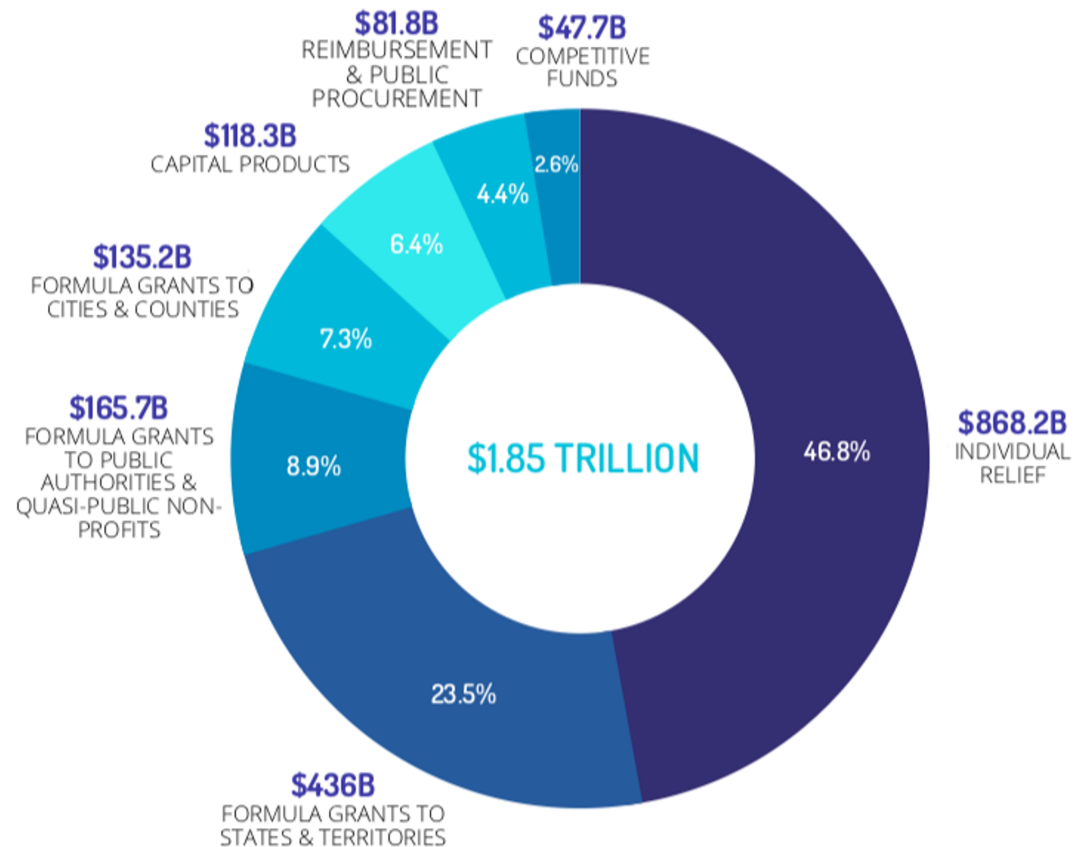
ID 3-5 PRIORITY USES

Cities need a clear set of *local uses* to drive fund deployment, and an action plan connecting sources and uses

IMPACT

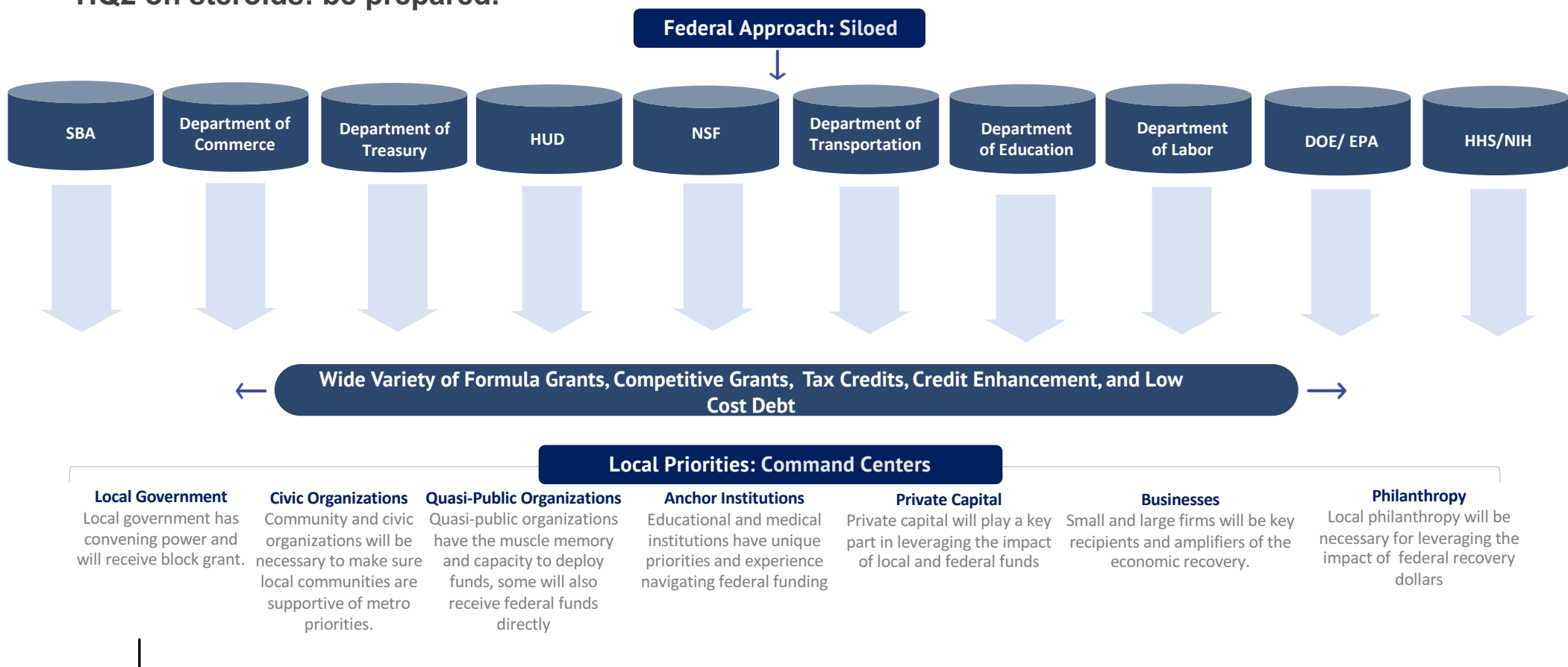
Drive priority uses to maximize equitable outcomes and avoid spreading relief too thin

DISTRIBUTION MECHANISMS IN THE AMERICAN RESCUE PLAN



New Investment, Old Distribution Channels: **Command Centers Needed**

There will be a federal stimulus in the trillions of dollars, on the scale of FDR’s New Deal. **This is Amazon HQ2 on steroids: be prepared.**



Needed: **Stimulus Command Center**

Why: Coordinate this once-in-a-generation federal investment in cities to local resilient, inclusive and innovate priorities. Harness diffuse array of products, programs, and agencies to leverage federal spending on your city.

How: 18-month intermediary made up of senior leadership from public, private, and civic sectors.

What:

- **Priority 1:** Crisis manage the allocation of flexible ARP relief money.
- **Priority 2:** Coordinate local priorities for Build Back Better.
- **Priority 3:** Systematically incorporate equity in outcomes of recovery.

Goal:

- Develop a big federal ask for Durham to advocate for in DC that has transformative impact and centers equity across priorities. **It should be greater than the sum of its parts.**



How Other Cities Are Organizing

Business and Philanthropic leaders in several cities and metropolitan areas have developed concrete, actionable, **strategies for the deployment of federal funds.**

Identified 3 major innovation initiatives around smart manufacturing, health innovation and water technologies and supportive efforts around STEM talent, digital equity, capital access and innovation districts.

Cleveland Innovation Project



Developed 10 year Jobs Plan with major commitment to grow jobs in the central city, catalyze a surge in Black- and Brown-owned businesses and qualified workers and spur innovation hubs around life sciences, location sciences, advanced manufacturing and Fin Tech.

Greater STL Inc.



Focused on accelerating the regeneration of commercial corridors located in disadvantaged communities through a network of chambers, banks, CDFIs, anchor institutions, merchant associations, community development corporations and the Urban League.

Cincinnati Regeneration Alliance



Mayors in **Birmingham**, **Dayton** and **Louisville** are beginning to sort out structure of Command Centers and connections with public authorities and private and civic sector institutions.

Example Priority 1: MBE Business Relief & Growth

ARP Sources

Formula grants to states (\$436 B)

- State fiscal relief (\$195.3 B) - Treasury
- Public K-12 emergency relief (\$122.8 B) - Education
- Childcare Stabilization Fund (\$24 B) - HHS
- Capital Projects Fund (\$10 B) - Treasury

Formula grants to public authorities (\$165.7 B)

- COVID Testing, tracing & vaccine confidence (\$48.8 B) - HHS
- FTA grants, including for capital projects (\$30 B) – DOT
- Airport relief, including for vendors in airports (\$8 B) - DOT

Formula grants to cities & counties (\$135.2 B)

- City & County Fiscal Relief (\$130.2 B)
- Homelessness Assistance, especially affordable housing build (\$5 B) - HUD

Capital products (\$118.3 B)

- PPP & Targeted EIDL Advance (\$22.3 B) - SBA
- State Small Business Credit Initiative (\$10 B) – Treasury

Reimbursement & procurement (\$81.8 B)

- Commodity credit corporation, esp. transport of commodities (\$800 m) – USDA

Competitive Funds (\$47.7 B)

- Shuttered Venue & Restaurant Relief Funds (\$29.9 B) – SBA
- Economic Adjustment Assistance (\$3 B) - Commerce (EDA)
- Community Navigator Program (\$200 M) – SBA
- Arts & Humanities COVID relief programs (\$200 M) – NEH/ NEA

MBE Business Uses

In short order, specify funding and operations

Entrepreneurial
Support

Capital Access

Supplier
Diversity

Commercial
Corridors

Sector
Diversification

+ Private &
Philanthropic
Money that
can be
leveraged

RECOVERY PLAYBOOKS



NATIONAL RECOMMENDATIONS

- 1 Use **Small Business Equity Tool** to assess your city's business equity baseline.
- 2 Set **five-year small business equity goal** for number, size, and sector.
- 3 **Assess your local ecosystem**, review best practices for ecosystem growth, and strategically apply practices locally.
- 4 Establish an 18-month **Stimulus Command Center** with a strong focus on equity when establishing priorities.

Thank you

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