

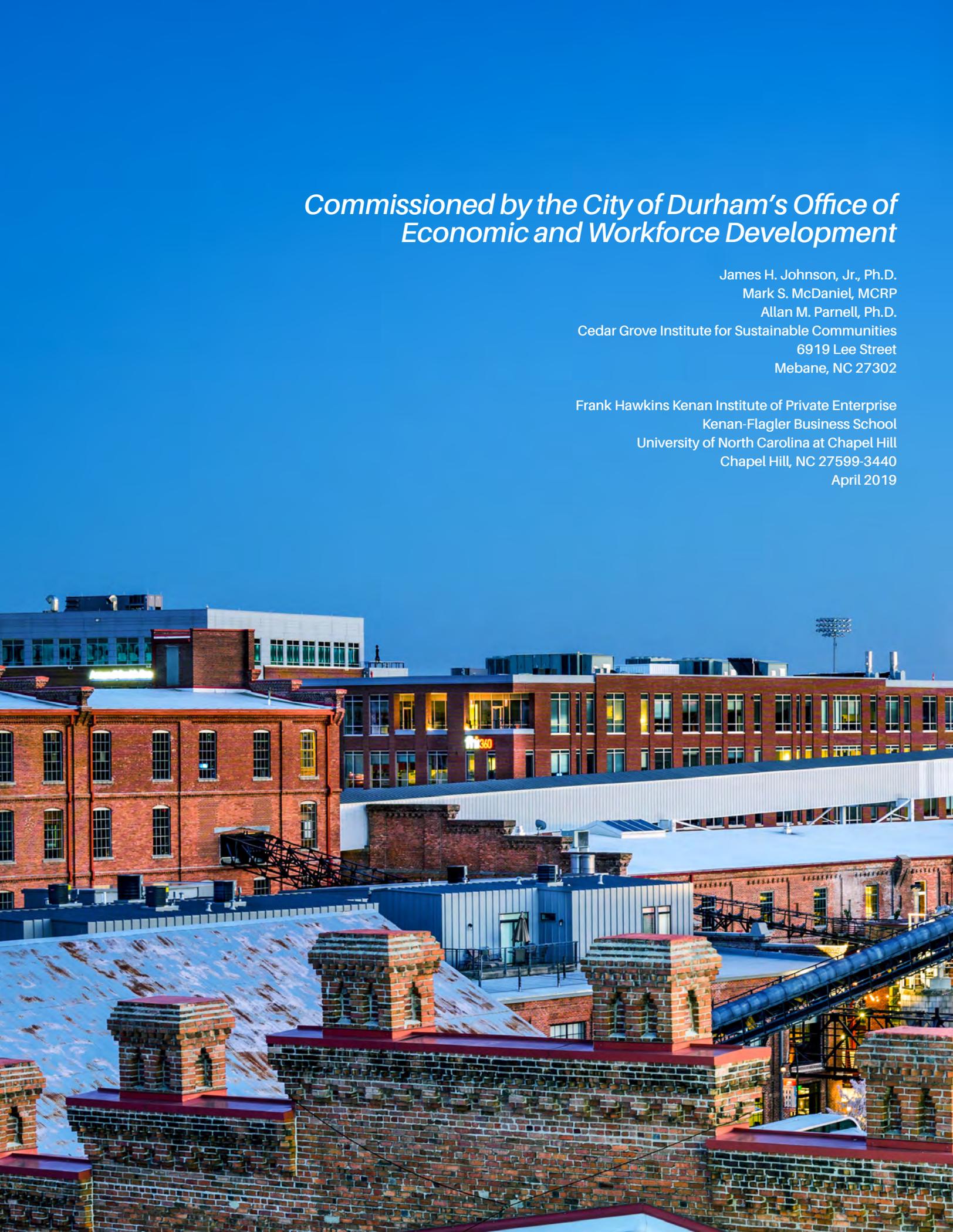


BUILT2LAST: A ROADMAP FOR INCLUSIVE AND EQUITABLE DEVELOPMENT IN DURHAM



URBAN INVESTMENT
STRATEGIES CENTER

KENAN INSTITUTE OF PRIVATE ENTERPRISE
UNC KENAN-FLAGLER BUSINESS SCHOOL



*Commissioned by the City of Durham's Office of
Economic and Workforce Development*

James H. Johnson, Jr., Ph.D.

Mark S. McDaniel, MCRP

Allan M. Parnell, Ph.D.

Cedar Grove Institute for Sustainable Communities

6919 Lee Street

Mebane, NC 27302

Frank Hawkins Kenan Institute of Private Enterprise

Kenan-Flagler Business School

University of North Carolina at Chapel Hill

Chapel Hill, NC 27599-3440

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EXECUTIVE SUMMARY

A roadmap for inclusive and equitable development is proposed which has four core elements that will lead to greater shared prosperity in Durham: a sustainability scorecard; a collective ambition community mobilization strategy; a more inclusive entrepreneurial/business ecosystem; and an equitable community economic development innovations fund. These activities aim to support historically underutilized businesses and invest in workforce development partnerships that support working poor civil servants at-risk of being priced out of and displaced from Durham's housing market. Utilizing these tools and leveraging the four corners of intellectual assets that exist at Duke University, University of North Carolina at Chapel Hill, North Carolina State University, and North Carolina Central University should strategically position Durham to be one of the most inclusive, equitable, and sustainable cities in America.

1.0 INTRODUCTION AND PURPOSE

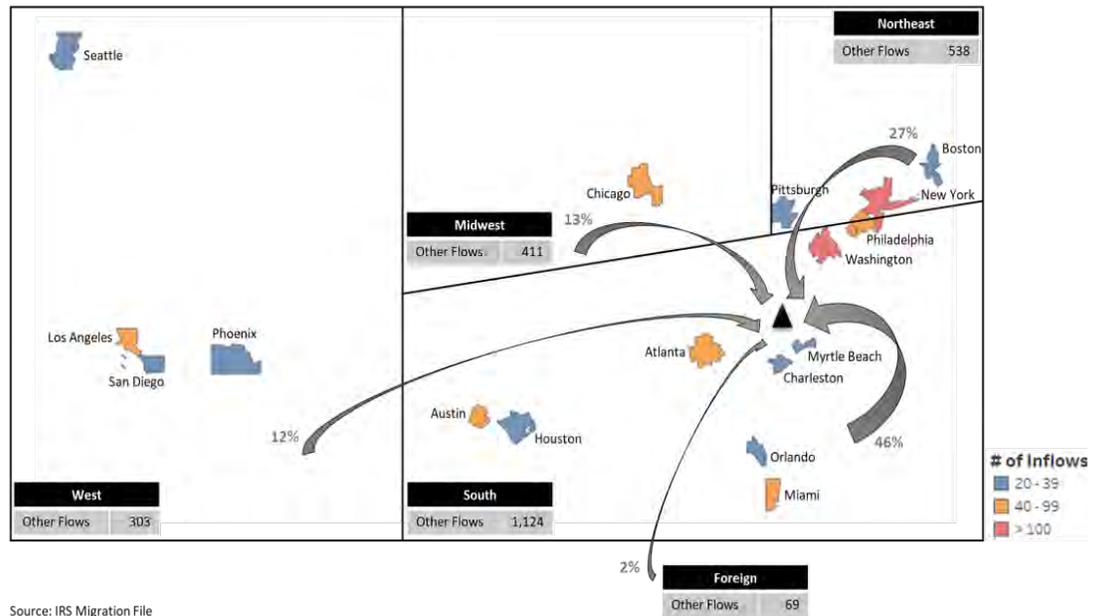
Over the past decade or so, the city of Durham has emerged as one of the nation's most attractive places to live (Greater Durham Chamber of Commerce, 2016; Yeoman, 2018). A strategic anchor of the world-renowned Research Triangle Park, the pace of demographic and economic growth has been nothing short of phenomenal, propelled by strategic investments by the city and county governments, major employers, local financial institutions, and real estate developers committed to reimagining and rebuilding the City. These investments have paid off handsomely, leading to Durham's emergence as one of the nation's top innovation hubs, spearheaded by a creative class of young entrepreneurial talent and snowbird encore entrepreneurs (U.S. Chamber of Commerce Foundation, 2016; Johnson and Parnell, 2018).

Heightened migration is emblematic of the growing appeal of Durham as an ideal place to live, work, and play (Johnson and Parnell, 2018). According to Internal Revenue Service (IRS) data that tracks the annual migration of U.S. income tax filers, there were 785 more tax filers moving in (8,563) than leaving (7,778) Durham in 2014-15. Even more tax-filers (1,214) moved in (12,801) than moved out (11,587) in 2015-2016.

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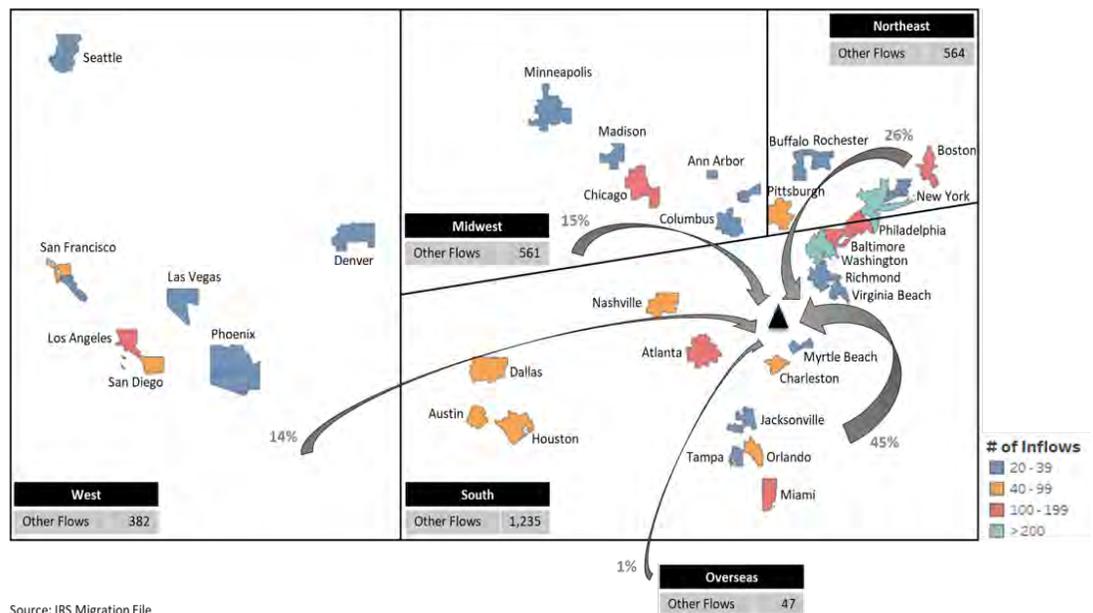
Moreover, the out-of-state migrants are coming to Durham from an increasingly diverse set of communities. In 2014-15, they mainly came from metro areas in the Northeast and Florida. A few came from metro areas in Texas, California, and Washington. By 2015-16, the migration flows expanded beyond these areas and included a significant number of metro areas in the Midwest and West regions (Figure 1).

Figure 1
Durham County, NC In Migration Fields, 2014-2015



Source: IRS Migration File

Durham County, NC In Migration Fields, 2015-2016

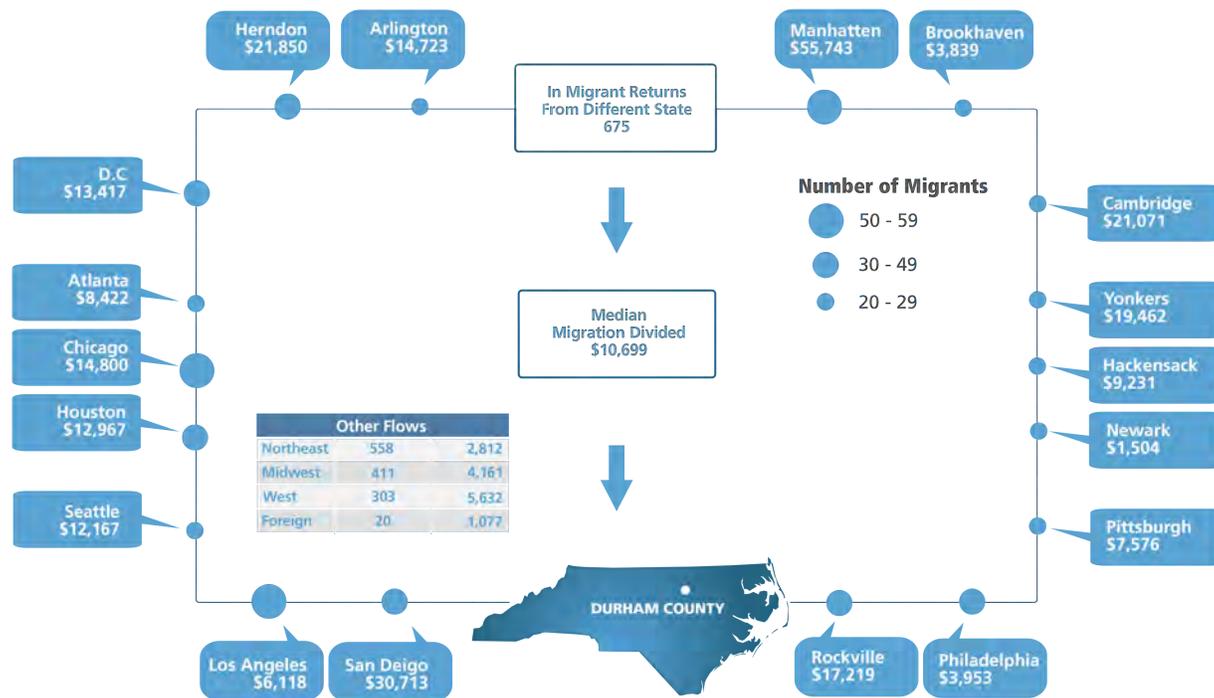


Source: IRS Migration File

Durham gets a substantial dividend from households leaving most of these out-of-state migrant origin communities. A migration dividend accrues when the household income of in-migrants from a specific community of origin is greater than the household income of the typical Durham resident. That was the case for newcomers arriving from 18 communities in 2014-15 and from 32 communities in 2015-16.

In the 2014-15 tax filing year, the per-capita adjusted gross income of newcomers was about \$11,000 higher than the per-capita adjusted gross income of the typical Durham household. Notably, the migrants moving to Durham from Manhattan (NY), Cambridge (MA), Herndon (VA), and San Diego (CA) metro areas had per-capita adjusted gross incomes ranging between \$21,000 and \$56,000 higher than the typical Durham household (Figure 2). In 2015-16, the per-capita income of the typical newcomer to Durham was even higher (\$16,000) than it was for the typical newcomer in 2014-15 (\$11,000).

Figure 2: Geographic Origins of Migration Dividends
Durham County, NC, 2014-2015*



With their higher household incomes, these recent migrants have been a boon to the Durham economy. They have added substantial value through spending on housing and other consumer goods and services, including healthcare and entertainment. Their presence is most evident in the adaptive re-use of old warehouses, renovated commercial spaces, and newly constructed apartments and condominiums downtown.

Unfortunately, the benefits of Durham’s economic growth and newly found prosperity are not evenly distributed—racially, socio-economically, or geographically (Willets, 2017). Some segments of the population—mainly low- but also some high-skilled and minority workers—have been left out of the employment boom (especially the “good” jobs that pay a family supporting wage) (see Appendix A). And escalating housing costs have displaced some of the minority and older adult residents from downtown area neighborhoods who have been replaced by a well-educated, predominantly white class of residents—a process popularly referred to as gentrification (De Marco and Hunt, 2018; Vaughan and Brosseau, 2018).

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(Willets, 2017)

To minimize these growth-induced racial, socio-economic, and geographical disparities and achieve greater shared prosperity across race and class lines, the City recently has embraced inclusive and equitable community economic development as a strategic priority. In practical terms, inclusive and equitable development ensures that all marginalized and excluded groups are stakeholders in community economic development processes. More pointedly, according to PolicyLink (2017), it

...unlocks the full potential of the local economy by dismantling barriers and expanding opportunities for low-income people and communities of color. Through accountable public action and investment, it grows quality jobs and increases entrepreneurship, ownership, and wealth. The result is a stronger, more competitive city.

Inclusive and equitable development reportedly generates shared prosperity by improving the living standards of the less well off (Pacetti, 2016; Parilla, 2017; Pratt Center for Community Economic Development, 2016; Government Alliance on Race & Equity, 2015; Baux, 2018). Successfully achieving this strategic priority in Durham will depend, in large measure, on the City’s ability to create the local conditions for equitable and inclusive development to materialize and flourish (Lui, 2016; Donahue, McDearman, and Barker, 2017).

Leveraging emergent research literature on evidenced-based best practices (Coffin, 2018; Government Alliance on Race and Equity, 2015; Delgado, 2014; Florida, 2017; Turner, et. al., 2013; Lohrentz, 2016), we have developed a conceptual roadmap for equitable/inclusive community economic development and shared prosperity in Durham. Using the roadmap as a guide, we propose to work with Durham’s key community stakeholders to institute regulatory and policy changes as well as specific programs and initiatives that will facilitate inclusive and equitable development in the City (Donahue, McDearman, & Barker, 2017; Pratt Center for Community Economic Development, 2016; Baux, 2018; Morgan, 2016; McFarland, 2016; Lui, 2016; Truehaft and Rubin, n.d.; Parilla, 2017)

Against this backdrop, the remainder of this report is organized as follows. Section 2 summarizes the best practices literature by discussing the key drivers of inclusive and equitable development. Section 3 leverages the findings of the best practices literature to create both a conceptual roadmap and an implementation logic model for *doing* inclusive and equitable development in Durham, NC. Section 4 describes the new institutional structures that need to be established to ensure successful plan implementation. Finally, Section 5 discusses the anticipated outcomes of successfully implementing the proposed roadmap of sustainable community economic development. Supporting demographic and economic data, as well as other pertinent information, appear in Appendices A and B.

2.0 KEY DRIVERS OF INCLUSIVE & EQUITABLE DEVELOPMENT

Based on our review of the existing literature, there are five key drivers of inclusive and equitable development.

KEY DRIVER # 1: THE CITY LEADS AS AN ENGINE OF OPPORTUNITY.

Cities that strive to succeed at inclusive and equitable development lead by example as a model employer in the local and regional economy; enact policies, procedures and practices that promote equity, inclusion, and shared prosperity; dismantle barriers to economic participation; and expand services that support both workers and job seekers (Baux, 2018; Coffin, 2018; Delgado, 2014; Florida, 2017; Government Alliance on Race & equity, 2015; Lui, 2016; McFarland, 2016; Morgan, 2016; Parill, 2017). Cities that do these things well have created their own inclusive and equitable development tool kits.

The kits typically include *economic inclusion tools* which are designed to create jobs by leveraging the economic power of anchor institutions and new infrastructure investments, growing “high opportunity” industry sectors, and repairing existing infrastructure. The kits also typically include a set of *inclusive and equitable workforce development tools* that are specifically designed to ensure that local residents benefit from employment opportunities generated through local economic and infrastructure development/redevelopment projects. They do so by stipulating that a specified percentage of the jobs on economic development projects must be filled with local talent, which is achieved through various policy levers, including local hiring ordinances, community workforce agreements, project labor agreements, target area hiring policies, and community benefit agreements, among others.

Further, cities striving to be more equitable and inclusive enact a range of *community stabilization policies* to minimize the adverse effects of skyrocketing housing costs (e.g.,

rent stabilization policies, affordable housing preservation strategies, and just cause evictions policies) and *commercial stabilization policies* to minimize the adverse effects of infrastructure improvement projects and skyrocketing rents on diverse businesses (e.g., public mitigation funding for small businesses). In addition, they work closely with local education institutions to implement “hard” and “soft” skills training programs that align with growth sectors of the local economy. They enact recruitment and hiring policies (e.g., ban the box), education programs (e.g., financial literacy and credit counseling), and personnel policies and procedures (e.g., flex-time and family leave) that address known barriers to both securing and maintaining employment for local citizens (Delgado, 2014).

KEY DRIVER #2: THE CITY CREATES A MORE INCLUSIVE ENTREPRENEURIAL/BUSINESS ECOSYSTEM.

Cities that embrace the inclusive/equitable development and shared prosperity paradigm also typically recognize the need to make their entrepreneurial/business ecosystems more inclusive (McKoy and Johnson, 2018). At present, most efforts to improve the success of minority entrepreneurship/small business development in cities, whether publicly- or privately-initiated, focus on the individual as the primary target for intervention(s). This results in an abundance of technical assistance programs to “right” or “fix” the individual minority entrepreneur of whatever ails him or her. Less attention is devoted to understanding the deficiencies in the overall business or entrepreneurial ecosystem that might suppress the potential success of minorities in business, in ways different from white entrepreneurs. This is a seriously flawed practice, as it always puts the burden on the individual or the group, and never on the overall ecosystem.

Cities that strive to be more inclusive and equitable rectify this problem by establishing a contracting equity program (Lohrentz, 2016). The core elements of such a program are highlighted in Table 1.

Table 1: Characteristics of Contracting Equity Programs

Embraces multi-jurisdictional certification	Establishes clearly defined repercussions for non-compliance
Creates clarity & collaboration on goal setting	Engages in capacity building
Commits to subcontractors at bid time	Assists city departments with solicitation requirements & program participation
Monitors contracts to the end	Redefines master contracts
Institutes extra prompt payment to subcontractors	Proactively helps with teaming of contractors and subcontractors process

Source: Lohrentz, 2016.

Cities that embrace the inclusive/equitable development and shared prosperity paradigm also typically recognize the need to make their entrepreneurial/business ecosystems more inclusive.

(McKoy and Johnson, 2018)

KEY DRIVER #3: THE CITY ESTABLISHES AN EQUITABLE DEVELOPMENT VENTURE FUND.

Difficulty accessing capital to launch, maintain, and grow their businesses is a major hurdle for most minority and other traditionally under-represented entrepreneurs and business owners. To address this problem and other manifestations of inequity, cities aspiring to be more inclusive and equitable have leveraged financial support from strategic partnerships forged with majority- and minority-owned banks, credit unions, community development financial institutions, and philanthropic organizations to create impact investment funds. Such funds have been established in St. Louis, Baltimore, Chicago, Atlanta, New Orleans, Washington, DC, and San Francisco (Table 2). They make investments in companies, organizations, and funds with the intention of generating a measurable, beneficial social or environmental impact alongside a financial return (Stammers, 2016; Gilbert, 2017; Global Impact Investing Network, 2019; Rockefeller Philanthropy Advisors, 2017; Pandit and Tamhane, 2018).

Table 2: Impact Investment Innovations

Name of Fund	Web Address
Invest STL	investl.org
Reinvestment Baltimore	www.reinvestment.com/about
Chicago Community Loan Fund	cclfchicago.org
Invest Atlanta	www.investatlanta.com
Invest Detroit	investdetroit.com
Propeller Fund—New Orleans	gopropeller.org
Inclusive Innovations Incubator—Washington, Dc	www.in3dc.com
Bay Area Investing	baiii.org
Southern Impact Investing Alliance	www.thesiia.org

Source: Auhors..

KEY DRIVER #4: CITIES BUILD “COLLECTIVE AMBITION” TO EXECUTE ON THEIR INCLUSIVE/EQUITABLE DEVELOPMENT STRATEGY.

Cities that aspire to the inclusive/equitable development and shared prosperity paradigm make a concerted effort to build *collective ambition* within and across all city departments around their community mobilization strategies and implementation plans (Liu, 2016; McFarland, 2016; Morgan, 2016). A strategy embraced by some private sector companies to sustain value and generate profits during the Great Recession, collective ambition is defined as (Ready and Truelove, 2011),

A summary of how leaders and employees think about why they exist, what they hope to accomplish, how they will collaborate to achieve their ambition, and how their brand promise aligns with their core values.

In organizations that embrace collective ambition, “their employees collaborate to shape a collective ambition that supersedes individual goals and takes into account the key elements required to achieve and sustain excellence” (Ready and Truelove, 2011). As Table 3 shows, there are seven elements of collective ambition which, properly defined, “can help leaders to spot areas of misalignment and launch initiatives to address them” (Ready and Truelove, 2011).

Table 3: Elements of Collective Ambition

Element	Description
Purpose	Your organization’s reason for being—your core mission.
Vision	The position or status your organizations aspires to achieve within a reasonable time frame.
Targets & milestones	The metrics you use to assess progress
Strategic & operational priorities	The actions you do or do not take in pursuit of your vision
Brand promise	The commitments you make to stakeholders concerning the experience you will provide.
Core values	Guiding principles that dictate what you stand for as an organization, in good times & bad.
Leader behaviors	How leaders act on a daily basis as they seek to implement the organization’s vision and strategic priorities, strive to fulfill the brand promise, and live up to the values.

Adapted from Ready & Truelove, 2011.

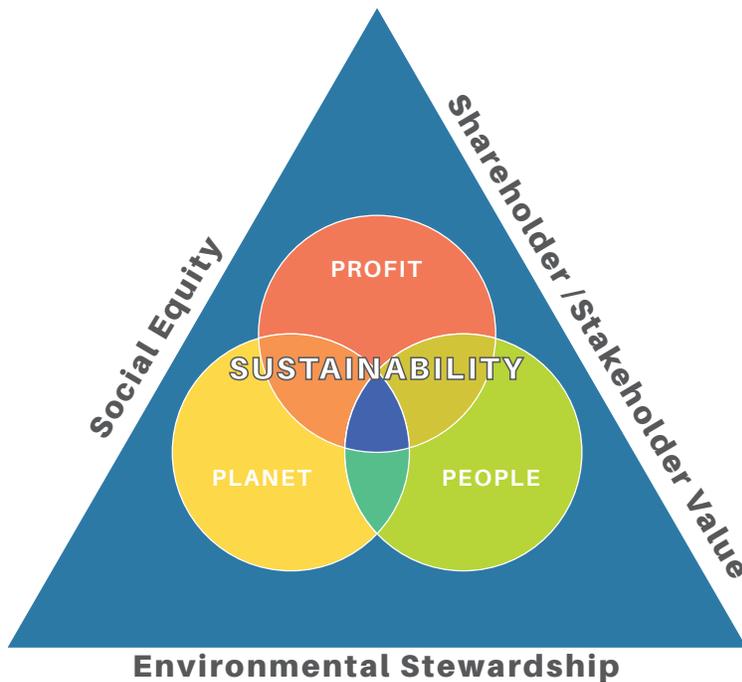
Collective ambition is about building engagement “as a means to an end . . . an opportunity to build or strengthen the organizational glue” (Ready and Truelove, 2011). It also is the mechanism through which organizations are afforded the opportunity “to launch enterprise-wide change initiatives [that] require disciplined execution.” This is the grease required to deliver on the organization’s purpose and vision.

KEY DRIVER #5: INCLUSIVE AND EQUITABLE CITIES CREATE SUSTAINABILITY SCORECARDS.

Cities that strive to promote inclusive/equitable development and shared prosperity create a set of performance metrics—a sustainability scorecard—to ensure that community economic development policies, procedures, and practices pass the triple bottom

line principles of sustainability litmus test (Figure 3). Passing the litmus test means that community economic development initiatives must, to the maximum extent possible, do no harm to the environment and natural resources (planet), adhere to principles of social justice and equity (people), and return great shareholder/stakeholder value (profit) (Mathew, 2017).

Figure 3: The Triple Bottom Line Sustainability Model

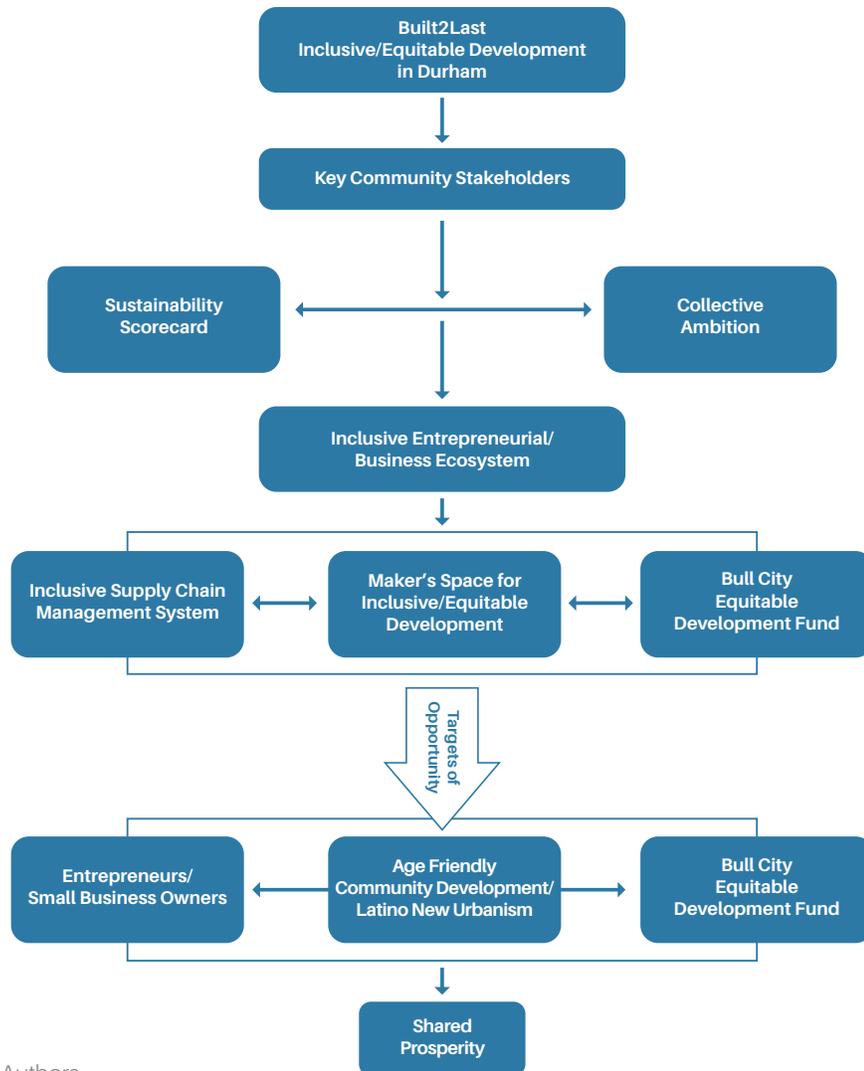


3.0 DOING INCLUSIVE & EQUITABLE DEVELOPMENT IN DURHAM: THE BUILT2LAST ROADMAP

Our proposed roadmap for inclusive/equitable development and shared prosperity in Durham appears in Figure 4. The core elements were derived from the evidence base undergirding the previously discussed five key drivers of inclusive and equitable development. A logic model for executing on the plan is outlined in Figure 5.

That the Durham City Council has established inclusive and equitable development and shared prosperity as a strategic priority is commendable. However, our interactions with key stakeholders in various units of Durham City government over the past six months suggest that there are several impediments that must be overcome before successful execution of the proposed Built2Last plan can be achieved (Figure 4). Among city departments and employees that will have to execute the plan, there is very little knowledge and understanding of the core concepts, a lack of appreciation of the value of the strategic

Figure 4: Built2Last Inclusive/Equitable Development in Durham

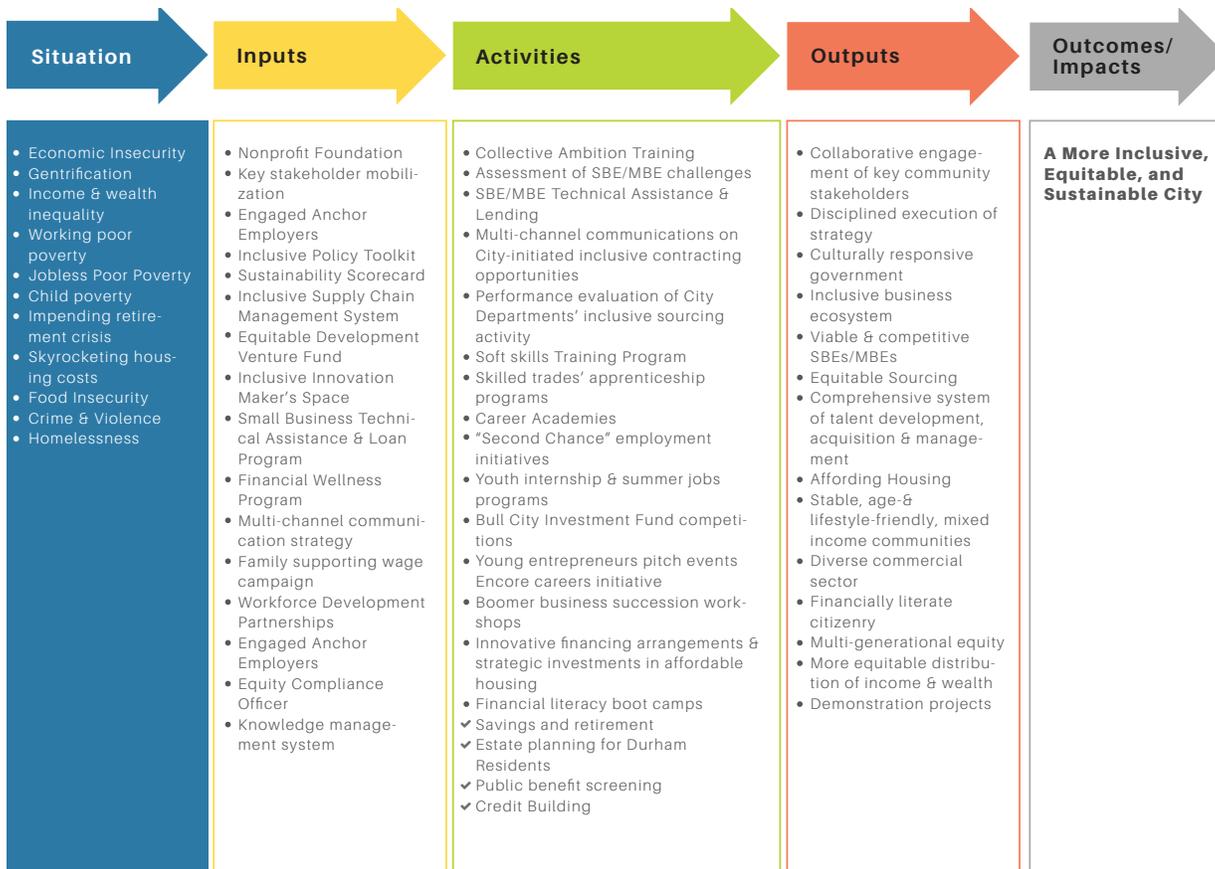


Source: Authors.

priority, and an absence of a shared vision on how to achieve inclusive and equitable development and greater shared prosperity in Durham. Moreover, the organizational culture and climate will have to change to overcome silo thinking, territorial conflicts, and trust issues within and between the various city departments (Goran, LaBerge, & Srinivasan, 2017).

To successfully execute the proposed plan, city officials will have to unlearn old ways of “thinking and doing”; develop a glass that is half full even when it is half empty entrepreneurial mindset; demonstrate an unwavering commitment to innovation; and engage in collaboration across city departments. Several components of the roadmap are designed to help city officials make this transition. Below we outline the necessary steps to ensure successful implementation of the roadmap (Figure 5).

Figure 5: Durham’s Built2Last Logic Model



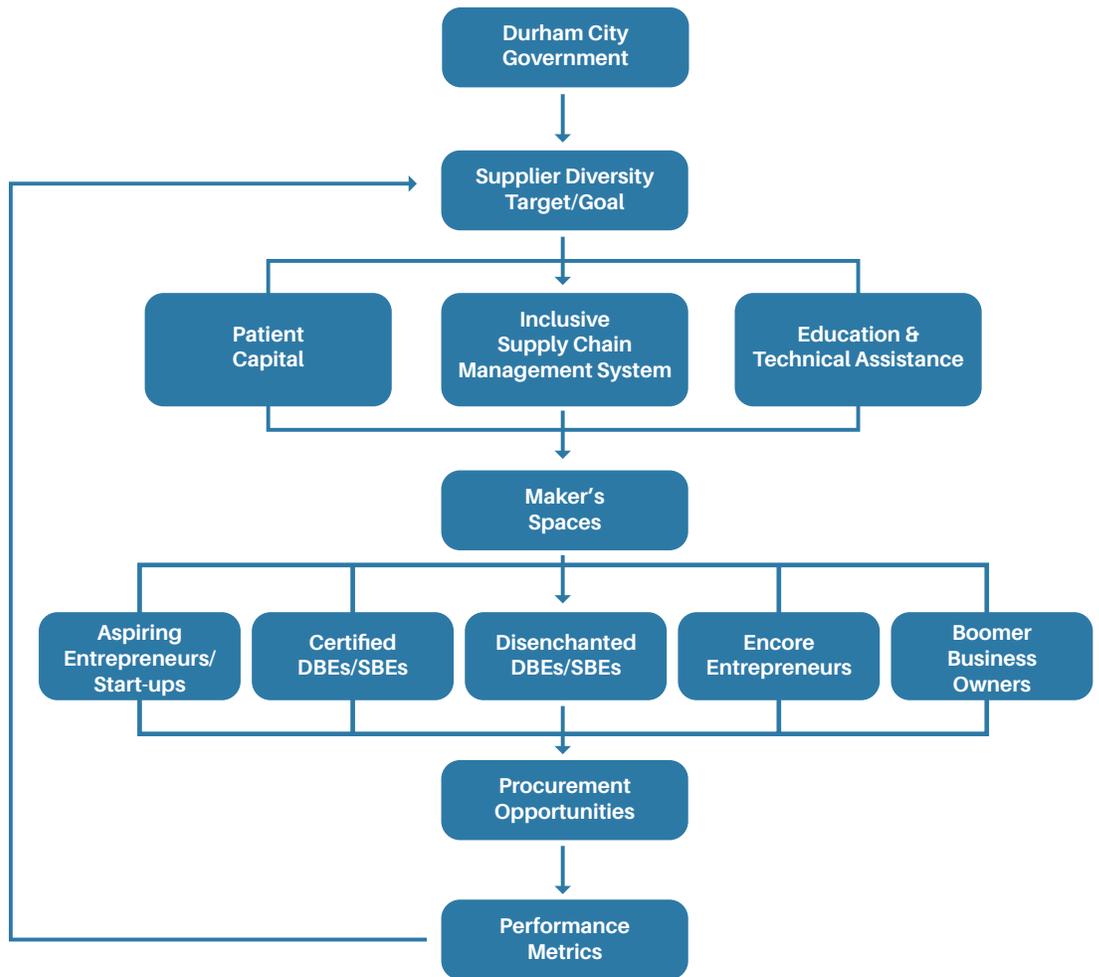
Source: Authors.

First, the City Council and the City’s legal department must provide direction by creating a Durham specific inclusive and equitable development policy toolkit. That toolkit must provide guidance with regard to how to: stem the tide of gentrification-induced displacement and stabilize communities and commercial districts; leverage city procurement to grow historically underutilized businesses; and dismantle barriers to employment and upward mobility in the city.

Second, the City must build collective ambition around the core principles of inclusive and equitable development. This will require training of municipal employees in economic, workforce, housing and community development, as well key community stakeholders in two broad camps: growth-oriented actors and inclusion-oriented actors (Parilla, 2017). Collective ambition training, which teaches diverse stakeholders how engage collaboratively to execute in a disciplined way on a roadmap for change (Ready and Truelove, 2011), will ensure, in the words of *Good to Great* author Jim Collins (2001), all the City’s key community stakeholders are on the proverbial bus, in the right seat, headed in the right direction with this proposed initiative (Pratt Center for Community Economic Development, 2016).

Third, the City must leverage its contracting and procurement dollars to create a more inclusive and equitable entrepreneurial/business ecosystem (Edelman and Azemati, 2017; Robinson, 2017), . Figure 6 outlines the major components of what essentially is a Durham-specific contracting equity program (Lohrentz, 2016), which is designed to promote greater supplier diversity in public sector sourcing (Edelman and Azemati, 2017; Fairchild and Rose, 2018; Clarke, 2016; Robinson, 2017; Webb, 2015). With regard to the City’s existing entrepreneurial/business ecosystem, our proposed augmentation strengthens some of the existing components and introduces new value—added components.¹

Figure 6: Core Elements of an Inclusive Supplier Diversity Program



Source: Authors.

¹ For a recent inventory and assessment of the available resources in the Durham entrepreneurial/business ecosystem, see Brian Smith, 2018, *Existing Financing Options for Durham Small Businesses*, November, available upon request from OEWD.

As Figure 6 shows, a more inclusive entrepreneurial/business ecosystem in the City of Durham must:

- Establish quantifiable goals or targets for utilization of historically underutilized businesses and hold the various departments within city government accountable for demonstrating progress.
- Transform the existing procurement system into a fully automated supply chain management system (Birchi, 2004; Lui, et al, 2017; Webb, 2016).² A number of technology-enabled platforms exist, including SupplierGateway,³ ConnXUS,⁴ and WEConnect International,⁵ to facilitate the process of identifying certified vendors or suppliers and tracking diversity spend.⁶ To successfully identify, nurture, and grow diverse suppliers (Birchi, 2004; Fulkerson, 2016; Lui, et al., 2017; Webb, 2016), the system must be Durham-specific as opposed to relying solely on the Statewide Uniform Certification (SWUC) system.⁷
- Offer education, training, and technical assistance that is robust enough to serve a “pipeline” of potential vendors, including aspiring entrepreneurs and start-ups (including freelancers) originating in community colleges, four year colleges (PWIs and MSIs), incubators, accelerators, and other community based institutions (including churches and correctional facilities); certified DBE/SBEs; disenfranchised

² In today's hyper-competitive world of business, the general consensus in business strategy is that firms do not compete, but their supply chains do. A supply chain is “a network of entities and people that work directly and indirectly to move a good or service from production to the final consumer” (<https://www.investopedia.com/terms/s/supplychain.asp>). Consider, for example, Fed Ex and UPS, two multinational courier delivery services. The source of the competition between these two firms is their systems of logistics, packaging, order fulfillment, warehousing, transportation management (ground, air, and ocean), and labor management—the essential elements of their supply chains. Similar supply chain systems exist in all sectors of the economy and therefore should be leveraged to re-invent Durham's sourcing model for the provision of goods and services.

³ <https://www.suppliergateway.com/>

⁴ <https://connxus.com/supplier-programs/>

⁵ <https://weconnectinternational.org/en/>

⁶ Such platforms are capable of:

- Creating reliable Tier 1 vendor (prime contractors) and Tier 2 vendor (subcontractors) reporting programs that demonstrate the integrity of inclusive sourcing policies, practices, and procedures.
- Sharing information in a timely and highly efficient manner with individuals and firms in the diverse supplier pipeline on best practices as well as unanticipated challenges and opportunities in procurement/contracting out—literally as they arise—in real time.
- Connecting unemployed and underemployed residents with employment opportunities with diverse suppliers that benefit from Tier 1 and Tier 2 business opportunities.
- Generating reports on spending with diverse suppliers as well as on the broader economic impact of such spending which is necessary for demonstrating greater entrepreneurial equity.

⁷ See <https://ncadmin.nc.gov/businesses/hub>.

DBEs/SBEs;⁸ encore entrepreneurs;⁹ and boomer businesses contemplating retirement.¹⁰

- Create maker's spaces in traditionally under-represented communities that provide DBEs/SBEs with ease of access to education, training, and technical assistance as well as networking opportunities. Staff spaces with expertise in business law and the core functional areas of operating a successful enterprise (especially project-based finance).
- Devise a multi-channel communication strategy to spread the word about: (a) procurement and contracting opportunities; (b) available education, training, and technical assistance to help DBEs/SBEs access those opportunities; and (c) diversity spend across all units of government and with diverse suppliers disaggregated by race, gender, geographic location, etc.

Research confirms that communities that have diverse supply chain management systems such as the one proposed here for Durham are more attractive places to live and do business (Webb, 2015, 2016; Florida, 2017). Firms that embrace supplier diversity reportedly are more competitive with financial returns above their national industry medians. Consistent with Durham's desire to promote shared prosperity, diverse suppliers

⁸ These are firms that were successfully certified by the state of North Carolina as minority suppliers but for various reasons elected not to continue participation in the statewide uniform certification program when it was time to recertify as a diverse supplier.

⁹ The nation is on the cusp of a major retirement crisis among its age 55+ workers, especially those who fill blue- and pink-collar positions. These workers will be retiring in ever-increasing numbers over the next decade or so. Research and anecdotal evidence suggest that, for various reasons including for some a historical legacy of discrimination in education, housing, and employment, many of these individuals will need to continue to work in some capacity to survive following their retirement. This population is starting businesses at a faster rate than the twenty-somethings, and the five-year survival rate of their businesses is higher than for any other group of entrepreneurs (see <http://www.startupsafter50.com/>; Hu, 2018; Guidant Financial, 2018; Miller, Madland, & Weller, 2015). Therefore, a propitious opportunity exist to reach out, train, and connect interested individuals in this age demographic with City of Durham procurement opportunities. The core elements of such a training program are outlined in Appendix B.

¹⁰ An estimated 2.3 million U.S. businesses are owned by Baby Boomers (Lingane, 2015). These firms employ over 24 million individuals and generate annual sales of more than \$5 trillion. As this population of business owners' age out of the desire or ability to run their firms, they will encounter major obstacles if they attempt to sell their businesses. Research shows that about 60% of these business engage in some type of "sale" process, but only 20% of all the businesses listed for sale ever sell (O'Donnell, 2015). Not much is known about this segment of the NC business community. As part of the City of Durham's strategy to develop a broad-based supplier diversity program, it would be prudent to create a data base of such firms that are certified to do business with the City, and survey a representative sample to determine if they: understand the time required to prepare their businesses for sale; their level of "business sale" knowledge; possess crucial information about the health and viability of the business; and know the types of intermediaries that can help execute the sale of their businesses. Based on this information, a "best practices" training program to ensure successful "boomer business sales" transactions should be developed along with a multi-channel communications plan, including the strategic use of social media, for effective outreach to the new owners as a strategy to retain those businesses and the associated jobs in the city.

create jobs and generate tax revenue that redound to the benefit of the local community (Webb, 2015; Robinson, 2017; Clarke, 2016, Fairchild and Rose, 2018). And notably a propitious opportunity exists to leverage City OEWD dollars to connect unemployed and underemployed residents of Durham with employment opportunities with minority suppliers that benefit from Tier 1 and Tier 2 business opportunities with the City.¹¹

Fourth, given the difficulty most minority and other traditionally under-represented entrepreneurs and business owners face in trying to access capital to launch, maintain, and grow their businesses,¹² Durham officials must take a leadership role in forging strategic partnerships with majority- and minority-owned banks, credit unions, community development financial institutions, and philanthropic organizations to create what might be marketed as The Bull City Equitable Development Fund (hereinafter referred to as The Fund).¹³

The Fund, as currently envisioned, will serve, first and foremost, as the primary investment vehicle—as a much needed source of patient capital (see Figure 6)—to support the growth and expansion of “home grown” historically underutilized businesses, especially those certified as Tier 1 and Tier 2 vendors in the City’s newly proposed supply chain management system. Some of the firms will likely have the potential to grow and add jobs in some of the City’s most distressed areas, especially if The Fund’s investments are aligned with OEWD’s job placement program.¹⁴

In addition to supporting DBE/SBE growth and development, The Fund also could potentially invest in ventures that align with triple bottom line sustainability principles

¹¹ In addition to the City of Durham, we also will work other key stakeholders in the City, including the Self Help Credit Union, the Latino Community Credit Union, and other public, private, and non-profit entities (e.g., Continuing Care Retirement Communities/Life Plans Communities) with known diversity challenges to implement and enforce inclusive sourcing policies and practices.

¹² Durham’s entrepreneurial ecosystem contains several sources of small business development capital. However, one-on-one and focus group interviews with historically under-represented businesses suggest that there is a low level of awareness of these potential funding sources and firms that are aware of their existence have encountered major difficulties accessing financial assistance through these capital sources. Moreover, none of the existing sources of capital focus explicitly on inclusive and equitable business development.

¹³ And consistent with the major tenets of a highly effective supply chain diversity management program, prime contractors and subcontractors who do business with the City also should be encouraged to invest in The Fund. A number of these types of funds existing throughout the U.S., including <http://investl.org/> and <https://www.fftc.org/HOIF>. In addition, there is a neighborhood funders groups that provides support for the creation of such funds (see <https://www.nfg.org/>).

¹⁴ Assuming that the City agrees to establish the proposed Bull City Equitable Development Fund, the next step, congruent with the notion of shared economic prosperity, will be to select by way of a competitive request for proposals process a minority-owned financial services firm to manage The Fund. Once such a firm is selected, the next step will be to create a diverse board of investment advisors to screen investment opportunities.

and that are specifically designed to retain population and economic diversity in Durham (Baux, 2018; Liu, 2016). A range of potential targets of opportunity exist to create shared prosperity, but we think Durham’s working poor (i.e., those whose earnings/income from gainful employment do not allow them to live an above poverty level existence) should be the primary target—at least initially (BLS Reports, 2018; Coulman, 2018; Desmond, 2018).

A profile of Durham’s working poor population appears in Appendix A. We have a threefold rationale for targeting this population.

First, the working poor usually are perceived to be more worthy of government assistance and other types of support than the abled-bodied, non-working poor who typically are perceived as undeserving of such supports. Moreover, we believe leveraging political and financial capital to create greater prosperity for the working poor will ultimately redound to the benefit of the non-working poor. That’s because any additional earnings/income the working poor receives will likely be spent on housing and other basic needs which, in turn, will create additional jobs for those who are unattached or weakly attached to the local labor market.

Second, in addition to many service sector workers, the working poor also includes some government civil servants and other public sector employees who are responsible for community health, safety, and wellbeing (e.g., police, fire, and EMS workers) as well as the education of our youth (public school administrators and teachers). Due to relatively low earnings (Coulman, 2018; Harnish, 2016; Desmond, 2018), many public sector employees cannot afford to live in the city where they are employed to protect and serve (Hughes, 2018; Goldstein, 2019). In fact, some are members of the sheltered homeless population—living in hotels on week-to-week contracts or constantly moving from one to another acquaintance’s house as “couch surfers” (Hooper, Sandler, & Boado, 2012; Help, 2018; Lopez, 2015; National Coalition for the Homeless, n.d.). Others whose housing situation is a bit more stable at present will likely struggle to maintain residence in the city as rents and the price of housing continue to escalate rapidly (Goldstein, 2019).

Third, initially targeting the working poor also can potentially address the impending retirement crisis among the age 55 and older Boomer population (Guidant Financial, 2018; Miller, Madland, & Weller, 2015). As previously noted (see footnote 10), a substantial number of these individuals simply do not have an accumulated retirement nest egg that will allow them to quit working. They will have to either continue to work in their current jobs for as long as allowable or launch encore careers (Hu, 2018).¹⁵

¹⁵ The broad parameters of a training program to help these individuals prepare to become encore entrepreneurs is attached as Appendix B.

Given the demographics of Durham’s working poor (see Appendix A), the Fund also could possibly invest in ventures that create affordable housing for sheltered homeless, couch surfing teachers and other public sector workers with highly unstable living arrangements (WRAL, 2017). The City and the Durham Housing Authority could work together to “land bank” City-owned vacant properties to support these types of developments. Also, as a supplemental income generating strategy for existing Durham homeowners whose houses sit on lots of sufficient size that will accommodate an additional dwelling unit, The Fund could potentially invest in ventures that construct tandem housing and accessory dwelling units on such properties. Ventures designed to construct affordable housing along the transit corridors of the proposed light rail system and the Beltway project also could constitute potentially viable Fund investment opportunities. In addition, Latino New Urbanism¹⁶ community development projects for the Hispanic population and age friendly affordable housing and senior fitness parks for older adults could be worthwhile investments for The Fund to consider as ventures that will promote shared prosperity (Johnson, Parnell, & Lian, 2018).

To create deal flow, The Fund can work with OEWD to develop a series of “pitch” events to screen or evaluate venture ideas. Existing key community stakeholders who already are involved in efforts to maintain racial and socio-economic diversity in Durham, including The Durham Community Land Trust and Durham Habitat, should be strongly encouraged to prepare business plans and elevator pitches for investments from The Fund. For ventures that make it to the final round of the pitch competition, The Fund’s Board of Directors should be the ultimate arbiter of what types of ventures get funded.

4.0 ESTABLISHING A FOUR CORNERS PLAYBOOK FOR TALENT & BUSINESS DEVELOPMENT

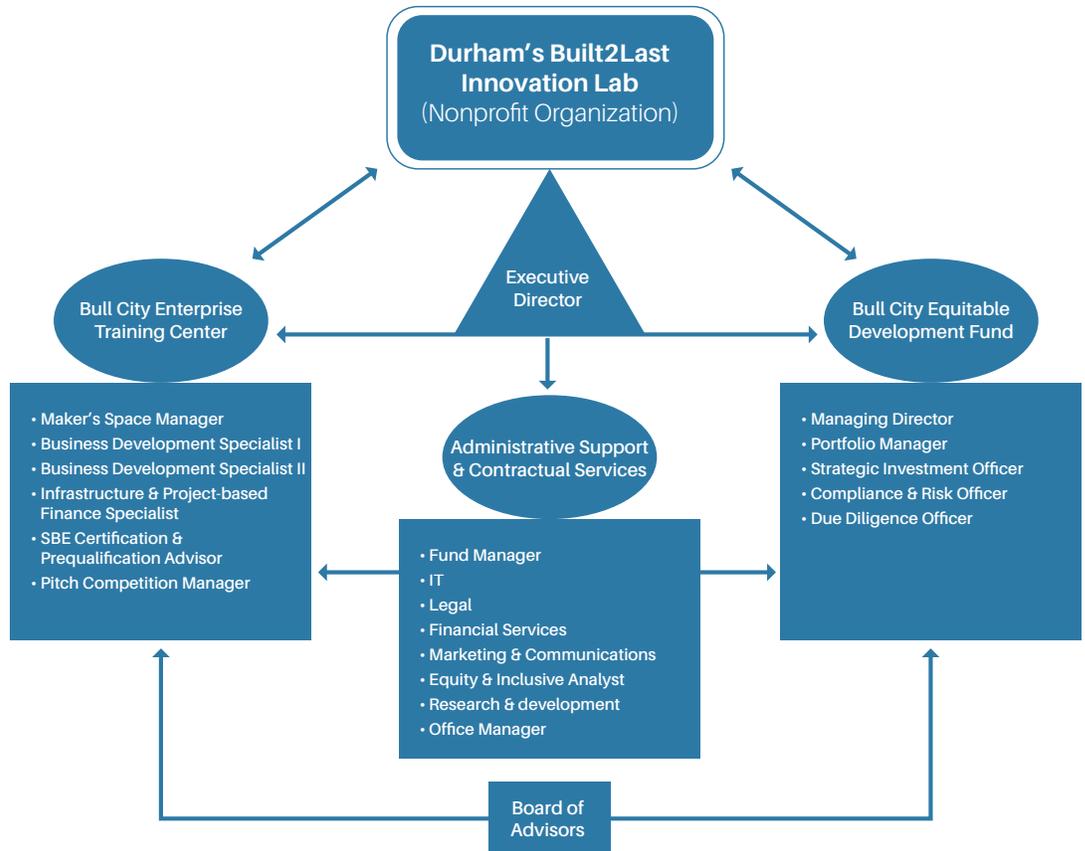
To demonstrate its commitment to equitable and inclusive development that leads to greater shared prosperity, we recommend that the City of Durham create an independent, 501 (c) 3 nonprofit organization—the Built2Last Innovations Lab—to house the core elements of the Built2Last roadmap (see Figure 4). Specifically, this entity should host the Bull City Equitable Development Fund and the proposed Bull City Enterprise Training Center, which will host the maker’s space for inclusive and equitable innovations as well as the proposed “pipeline” training and technical assistance programs for diverse small business development, growth, and expansion (Figure 7).

The City should hire an executive director of the proposed Built2Last innovations Lab who has a demonstrated track record of forging successful multi-sector strategic alliances

¹⁶ Latino New Urbanism is a construct used define how the Latinos “utilize and envision public space, use public transit, and design neighborhoods.”

Figure 7: Durham’s Built2Last Innovation Lab

To demonstrate its commitment to equitable and inclusive development that leads to greater shared prosperity, we recommend that the City of Durham create an independent, 501 (c) 3 nonprofit organization—the Built2Last Innovations Lab—to house the core elements of the Built2Last roadmap.



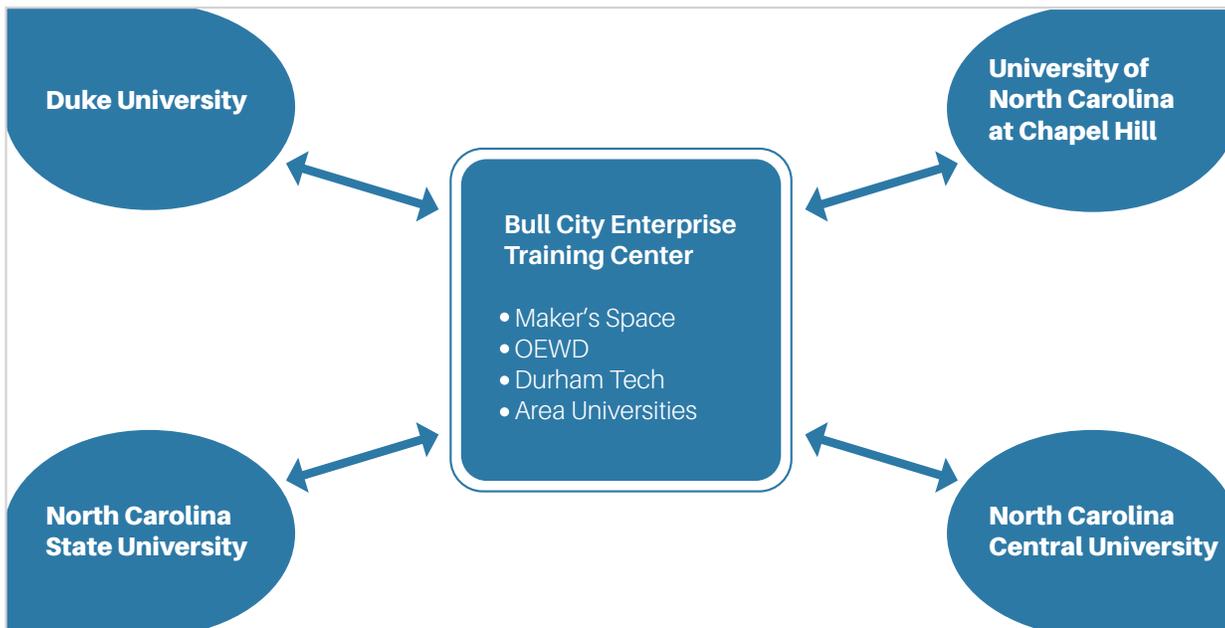
Source: Authors.

that advance sustainable community economic development policies, procedures, and practices (Donahue, McDearman, and Barker, 2017; Parilla, 2017). Currently, the City’s OEWD and Durham Technical Community College work together to facilitate both economic and workforce development in Durham. But there also are other local assets that can be leveraged more effectively to ensure that economic and small business development is more inclusive and equitable in the future (Liu, 2016).

Most notably, four major higher education institutions—three of the nation’s premier predominantly white institutions (Duke University, University of North Carolina at Chapel Hill, and North Carolina State University) and one of the country’s most prestigious minority serving institutions (North Carolina Central University)—are strategically located within Durham’s sphere of influence. The executive director of the proposed Built2Last Innovations Lab must be able to augment the OEWD/Durham Tech collaboration by leveraging the enormous intellectual capital assets that exist in the faculty, staff, and students of these four institutions (Figure 8).

In some instances, this will involve leveraging expertise in professional schools (business, law, government, and public policy as well as public health and social work), basic and applied organized research units, and community outreach initiatives with a proven track record of evidenced-based community interventions. In other instances, it will involve recruiting university-based human capital or talent as interns, mentors, coaches, consultants, and full-time employees to support the successful launch, development, growth, and expansion of the core elements of the inclusive/equitable development roadmap. Building on the successful joint venture launched by the Kenan-Flagler Business School and the North Carolina Institute for Minority Economic Development in the mid-to-late 1990s (i.e., the Urban Enterprise Corps), for example, a cadre of newly minted MBAs with expressed interest and training in sustainable enterprise development can be recruited from area business schools to staff the proposed Bull City Enterprise Training Center and to manage the proposed “pipeline” of managerial and technical assistance programs.

Figure 8: Four Corners Playbook for Business & Talent Development



Source: Authors.

We recommend that the City engage an outside firm with expertise in social impact investing to manage the proposed Bull City Equitable Development Fund (Pandit & Tamhane, 2018; Azevedo, 2018; Global Impact Investing Network, 2019). The firm should have demonstrated core competencies in venture fund management, a track record of successful investments in sustainable business development, and practical experience in working with entrepreneurs from diverse backgrounds, especially historically under-represented minorities.

By combining both the Bull City Venture Fund and the Bull City Enterprise Training Center, under the umbrella of the Built2Last innovations Lab, affords the two entities the opportunity to share some services, including information technology, marketing and communications, finance and accounting, which can be accessed on a more cost-effective contractual basis.

Finally, the City should hire an outside consultant—an equity and inclusion analyst—to work with Durham’s key stakeholders to develop a City-specific sustainability scorecard for inclusive/equitable development and shared prosperity. To guide the development of performance metrics, the consultant should use the Arcadis Sustainability Index 2016, which explores the performance of 100 cities on the three pillars of sustainability (people, planet, and profits) (Delgado, 2014; Government Alliance on Race & Equity, 2015; Baux, 2018; Pratt Center for Community Economic Development, 2016).¹⁷ The equity and inclusion analyst should be charged with monitoring and evaluating the performance of the City’s proposed inclusive supply chain management system and other equitable community economic development activities, including working closely with OEWD and Durham Tech to ensure that local unemployed and under-employed residents are properly trained and strategically positioned for employment opportunities with any and all infrastructure development/redevelopment projects. The Equity and Inclusion analyst should have office space in the Built2Last Innovations Lab and should be charged to annually address the City Council and the broader community on the state of inclusive and equitable community economic development in Durham.

5.0 ANTICIPATED OUTCOMES

We believe the proposed Built2Last roadmap, properly executed, will strategically position Durham to be one of the most inclusive, equitable, and sustainable cities in America. The City will have core values and performance metrics that demonstrate its commitment to inclusive and equitable development; an effective supply chain management system that supports the growth and development of traditionally under-represented business enterprises—a major value add since minority businesses are more likely than white-owned businesses to hire minority workers, especially those from poverty-stricken inner city neighborhoods; and a major investment tool that promotes shared prosperity by investing in ventures that improve the living arrangements and overall quality of life of Durham’s working poor as well as other vulnerable populations.

We believe the proposed Built2Last roadmap, properly executed, will strategically position Durham to be one of the most inclusive, equitable, and sustainable cities in America.

¹⁷ See <https://www.arcadis.com/en/global/our-perspectives/sustainable-cities-index-2016/>. The Arcadis sustainability index is more robust and has stronger and more reliable performance metrics than the one the City currently uses.

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APPENDIX A: PROFILE OF DURHAM'S WORKING POOR POPULATION

In 2016, according to American Community Survey data, roughly 21% (40,971) of Durham County's nearly 197,237 people who were over age 18 lived a below poverty level existence. And close to one-third of those living below the poverty line (32% or 13,030) were classified by the Census Bureau as the working poor.¹⁸ Working poor adults constituted 7% of the over 18 population and 9.4% of all workers in Durham County in 2016.

This working poor population was 47% black, 24% Hispanic, 21% non-Hispanic white, 4.7% some other race, and 3.1% Asian. It was 45% male and 55% female. The working poor was a relatively young population: 62% were between the ages of 16 and 34, a little over a third were between the ages of 35 and 64, and 1.5% were 65 or older in 2016. Consistent with a relatively young age structure, more than two-thirds of the working poor had never been married (68%), only 17% were married, and the balance were widowed, divorced, or separated (4%). Most possessed low levels of educational attainment: one-third had less than a high school education, one quarter were high school graduates, one quarter had completed some college, and 15% had completed four or more years of college (Table A-1).

Table A-1: Demographic Profile of All Workers and Poor Workers in Durham County, 2016

Demographic	All Workers (%)	Poor Workers (%)
Race		
Hispanic	11.8	24.2
White	46.9	20.6
Black	34.8	47.3
Asian	3.9	3.1
Other Race	2.1	4.7
Sex		
Male	49.1	45.4
Female	50.9	54.6
Age		
18-34	38.0	62.1
35-64	57.7	36.4
65+	4.3	1.5

¹⁸ The Census Bureau defines as working poor anyone who spent at least half of the preceding year (27 weeks) working or looking for work but whose earnings were not sufficient to lift them out of poverty.

Marital Status		
Married	48.2	16.7
Widowed	1.5	1.2
Divorced	10.8	10.2
Separated	2.5	4.0
Never Married	37.0	68.0
Educational Attainment		
Less than HS	9.7	33.3
HS Grad	13.5	24.7
Some College	24.2	26.6
Bachelor’s Degree or Higher	52.5	15.4

Source: American Community Survey

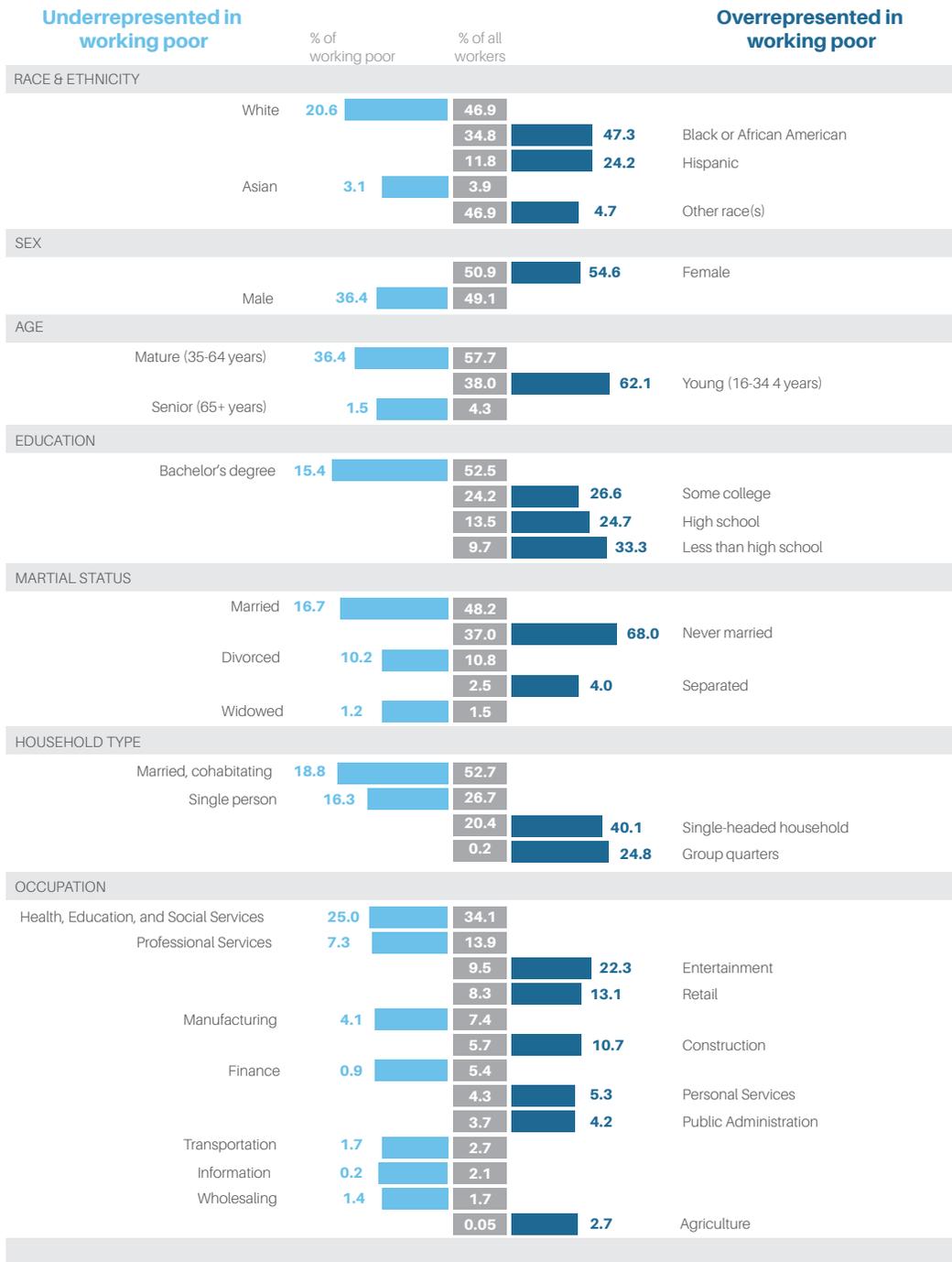
Table A-2: Profile of All Working and Working Poor Households

Household Type	All Working Households	Working Poor Households
Absolute Number	98,502	10,239
Groups Quarters	0.2%	24.8%
Single Person	26.7%	16.3%
Single-Headed	20.4%	40.1%
Married or Cohabiting	52.7%	18.8%

Source: American Community Survey.

Using all working adults as the reference group, Figure A-1 reveals who demographically was *over-represented* and who was *under-represented* in the City’s working poor population in 2016. Individuals or persons who were over age 35, non-Hispanic White, Asian, male, college educated, or married were *under-represented* in the working poor in 2016. By contrast, persons who were under age 35, Hispanic, Black, a member of some other race, female, less than college-educated, never married or separated were *over-represented* in the working poor population in 2016. With regards to industry sector, individuals who were employed in health, education, and social services, professional services, manufacturing, and finance were *under-represented* while individuals employed in entertainment, retail, construction, personal services, public administration, and agriculture were *over-represented* in the working poor in 2016.

Figure A-1: Basic Demographics of Over- and Under-Represented Working Poor Populations

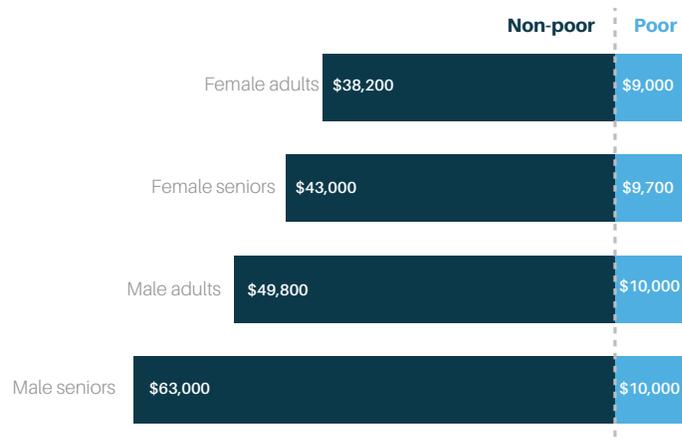


At the household level, single persons living alone and married or cohabitating couples were *under-represented* while persons living in group quarters and single-headed households were *over-represented* in the working poor population in 2016 (see Table A-2). Mature (35-64) and older (65+) adults were under-represented while young adults (16-34) were over-represented among the working poor living in group quarters and single headed households.¹⁹ While under-represented, it should be noted that working poor mature older adults (35-64) and older adult seniors (65+) were far more likely than all workers to be the primary breadwinner in a multi-generational household (i.e., taking care of biological children, grandchildren, and/or other family members) in 2016.

Emblematic of their plight, the working poor’s median personal earnings (\$9,500 annually or \$792 per month) were roughly one fifth of the median personal earnings of non-poor workers in Durham (\$44,000 annually or \$3,667 per month) in 2016. Similarly, the median personal earnings of working poor seniors (\$9,850 annually or \$820 per month) were roughly one-fifth (19%) of the median personal earnings of non-poor working seniors (\$53,000 or \$4,417 per month) (Figure A-4).

Figure A-2

The median income of working poor populations is **less than a quarter** of the median income of non-poor working populations.



¹⁹ Although the data are not shown here, working poor mature older adult (age 35-64) and working poor older adult worker (65 or older) were far more likely than all workers to be the primary breadwinner in a multi-generational household, that is, taking care of biological children, grandchildren, and/or other family members.

From the foregoing demographic profile, among other factors, level of educational attainment was clearly a crucial determinant of whether a person was a non-poor or working-poor adult in 2016. A bachelor's degree or higher level of education was unquestionably extremely beneficial, but having this level of education was not a guaranteed pathway to prosperity. Though under-represented as a group, as Table A-1 and Figure A-1 show, 15% of Durham County's working poor population held a bachelor's degree or higher in 2016. Essentially, this group of highly educated workers did not earn enough income to cover basic necessities, that is, to be self-sufficient in the Durham County.

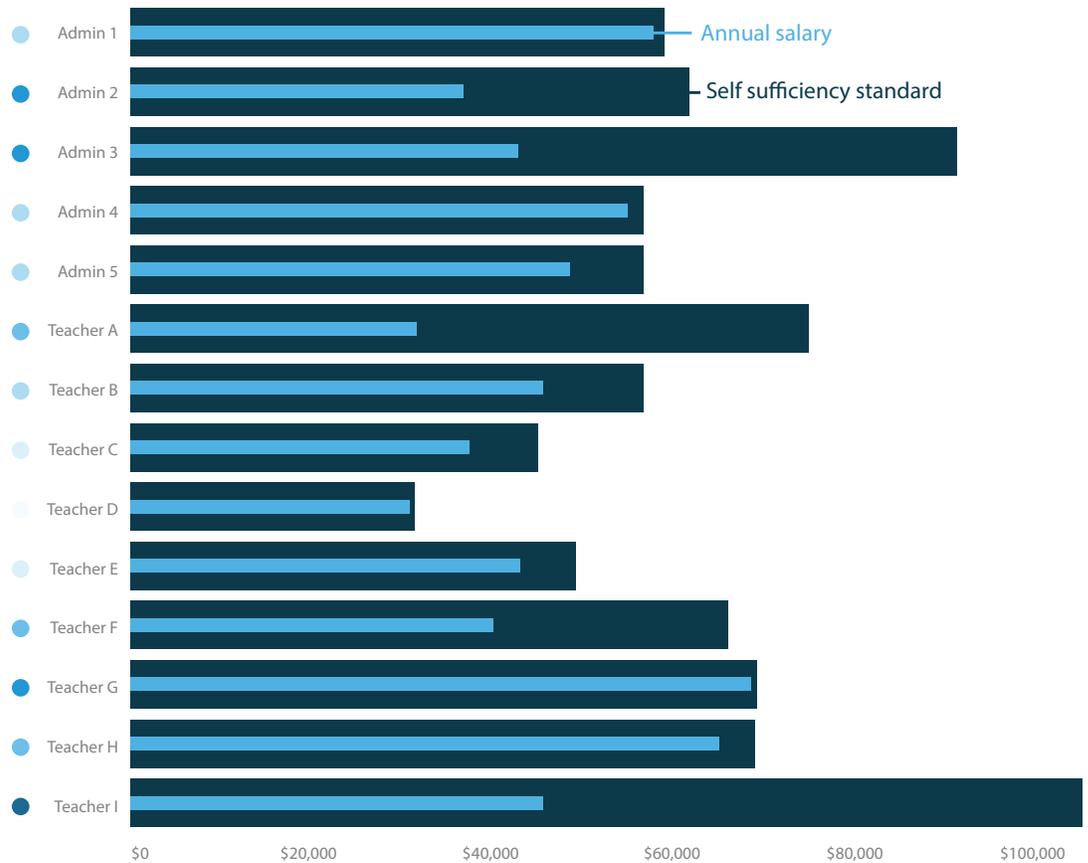
Perhaps nowhere is this more apparent than in the case of public school administrators, teachers, and support staff. To illustrate, we highlight the economic circumstances of employees in a local public charter school in Durham.

For each of the school's 14 full time employees, we compiled data on their household composition and the employment status of every adult in the household, the school employee's current salary, and the corresponding self-sufficiency wage—as defined by the United Way²⁰—for each employee's household given their current living arrangements.

As Figure A-5 shows, no one on the school's staff earns enough to cover basic necessities given their household composition, although two of the administrators (numbers 1 & 4) and two of the teachers (G and H) are fairly close. The income deficits at the school—that is, the difference between current salaries and corresponding self-sufficiency wages—range from a low of -\$505 to a high of -\$59,509. The median deficit was -\$7,817, which means that the typical employee at the school earns nearly \$8,000 less than what is required to cover basic living necessities in Durham County.

²⁰ United Way of North Carolina, 2017, Self Sufficiency Standard for North Carolina 2017, available at <http://www.unitedwaync.org/selfsufficiencystandard?q=selfsufficiencystandard>.

Figure A-5: Annual Salary and Self Sufficiency Income for a Local School Staff



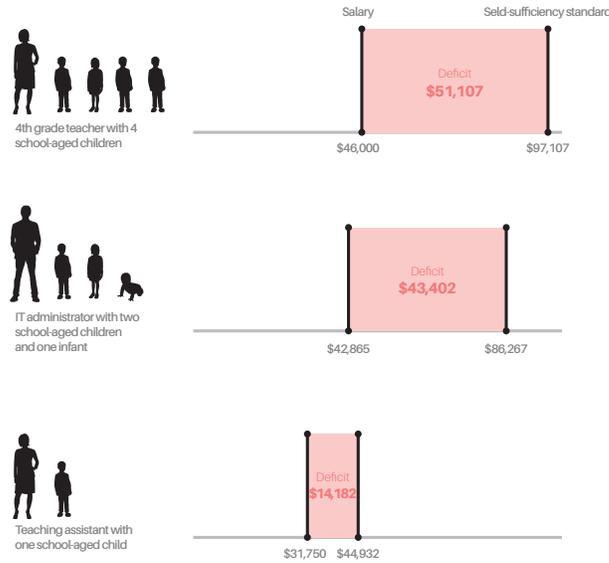
Consider the specific situation of the school’s fourth grade teacher. She has four school age kids of her own and earns an annual salary of \$46,000 (Figure A-6). For her family size and living arrangement, according to the United Way’s Self Sufficiency Standard, a salary of \$97,107 is required to cover basic necessities in Durham. This teacher is trying to live on earnings that are -\$51,000 below what is required to be self-sufficient given her family composition.

Consider also the school’s IT administrator who is paid an annual salary of \$42,865. As a single parent with two school aged children and a new born infant, he needs to earn \$86,267 annually--according to the United Way’s Self-Sufficiency Standard for his living situation. He is trying to take care of his family with an income deficit that totals -\$43,402.

Finally, a teaching assistant at the school earns an annual salary of \$30,750. She also is a single parent with a school age child. Her earnings deficit is -\$14,182. Given her family/ living situation, she needs to earn \$44,932 annually to cover basic necessities or to be self-sufficient.

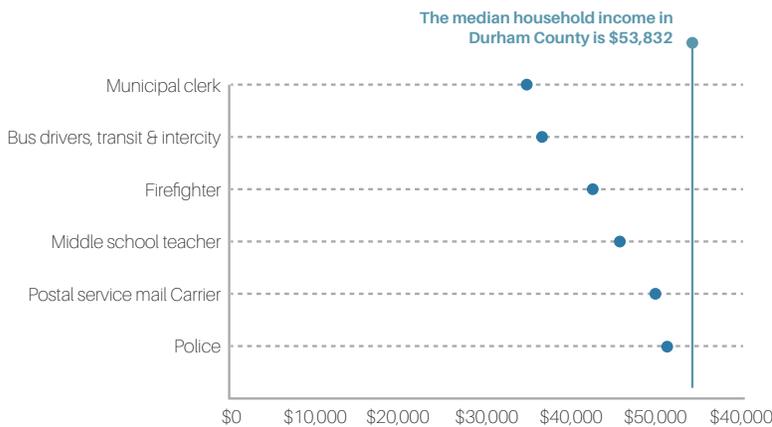
Figure A-6: Profile of Three Working Poor School Personnel

Profiles of three working poor school staff in Durham



This state of affairs is not unique to school teachers in Durham. Many civil servants are in a similar situation (see Figure A-7). Municipal clerks, bus drivers, firefighters, postal workers, and police officers—all earn wages that are well below the household median in Durham County. In fact, a beginning police officer earns \$37,000 annually—a wage or salary that only covers basic necessities if you lived alone or either with another adult or one or two teenagers, according to the United Way Self Sufficiency Standard.

Figure A-7: Median Incomes of Selected Types of Civil Servants in Durham



Helping the working poor is not only the right thing—morally and ethically—to do; it also makes good business sense as a workforce retention, new job creation, and community economic development strategy, which ultimately will create opportunities for the able-bodied, nonworking poor.

APPENDIX B: ENCORE ENTREPRENEURSHIP BOOT CAMP

Building on the tenets of a highly successful minority and immigrant entrepreneurship boot camp administered at Carolina, we propose to launch an “encore” Entrepreneurship training program for these soon-to-be retiring City workers. The proposed program, as currently envisioned, will focus on business fundamentals—managing money, managing information, and managing people—and will assist program participants with formulating “encore entrepreneurial careers” in areas of opportunity that they have identified. For those who do not have business ideas, we will share critical business intelligence on where unique opportunities in the new world of work will exist for self-employment in the years ahead.

The core structure of the proposed program and the human resources required to implement it appear in Table B-1.

Table B1: Encore Entrepreneurship Boot Camp

MOD I: The Competitive Landscape, Entrepreneurship Principles, & Business Fundamentals

Core Themes: Managing Money, Managing People, Managing Information

Workshops Topics

- The “Encore Entrepreneur:” Thriving & Prospering in an Unsparing Global Economy
- Got the Juice? (The Entrepreneur’s Litmus Test)
- Know Thyself and Others (Principles of Management)
- Seizing & Maintaining Opportunity (Marketing & Communications)
- Getting Paid (Negotiations)
- Keeping the Benjamins! (Financial Management & Record Keeping)

MOD II: Strategy & Business Planning

Core Theme: Building a Successful/Sustainable Enterprise

Workshop Activities & Topics

- Characteristics of a Sustainable Enterprise
- Ideation/White Paper/Feasibility Plan or The Lean Canvas
- Incorporation/Certification(s)/Building Strategic Alliances

MOD III: Business Plan Presentations & Elevator Pitches

Core Theme: Built to Last: Strutting Your Stuff!

Workshop Activities

- Individual Plan presentations & peer group feedback
- Pitch Competition with Judges

Personnel Required to Execute

- Instructors
- Business Plan Coaches
- Mentors/Sponsors
- Judges





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