

Disrupting the Drivers of Inequity in Biloxi: Assessing Federal Opportunity Zones

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EAST BILOXI COMMUNITY
COLLABORATIVE

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This research brief draws from data in the National Equity Atlas—an online resource for data to track, measure, and make the case for inclusive growth in America’s cities, regions, states, and nationwide.

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Introduction

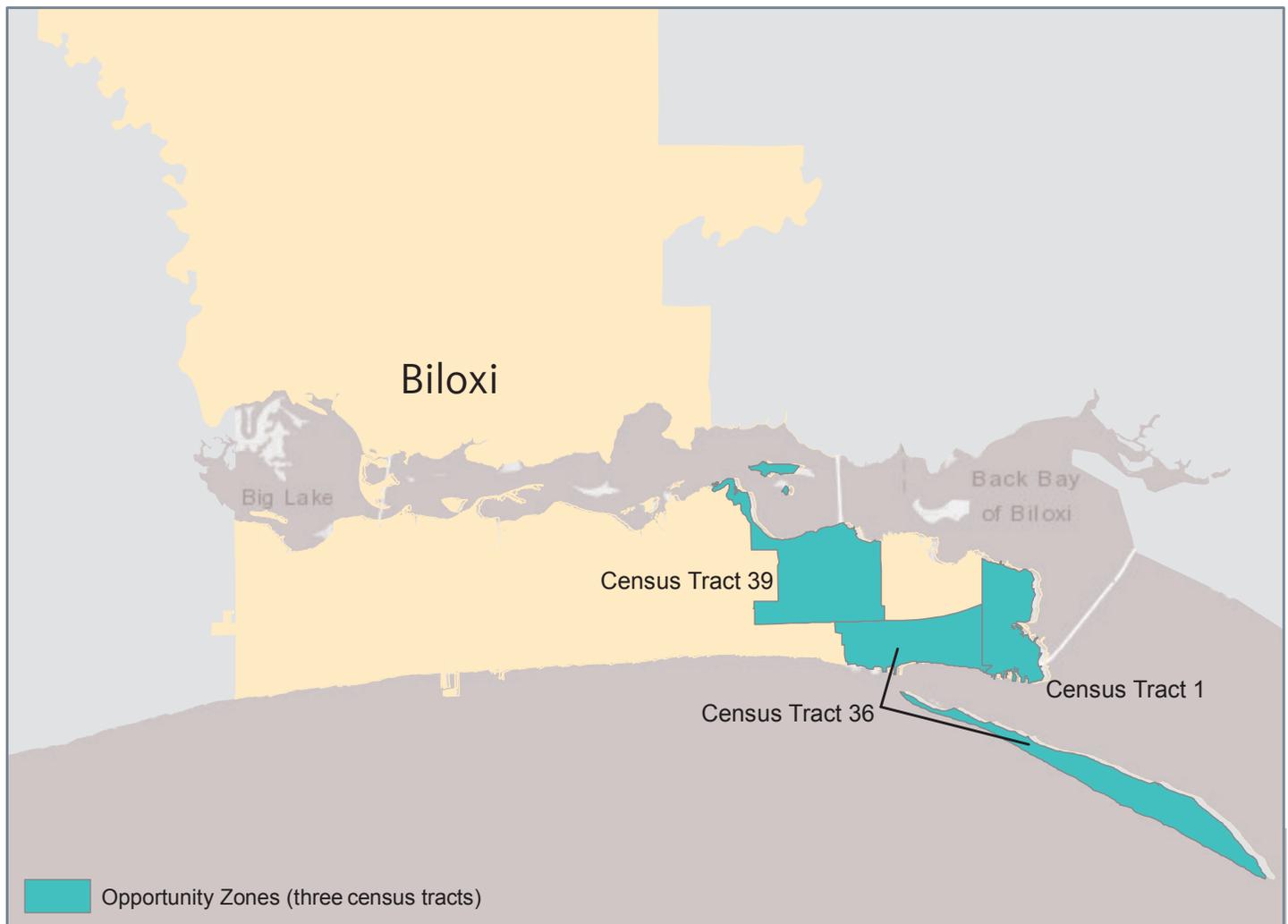
As wages have stagnated for the majority of workers in the U.S. and inequality has skyrocketed, racial inequity has grown. Since the late 1970s, the racial wealth gap has reached critical levels. In Biloxi, Mississippi, the inequities are deep, leaving many Black and Latinx households facing racial and geographic barriers to economic opportunity. Yet, communities of color have been driving the city’s population growth and spurring change and will continue to do so for the foreseeable future. This diversity can be a tremendous economic asset for the city if people of color are fully included as workers, entrepreneurs, and innovators. Knowing where the city stands in terms of equity—just and fair inclusion into a society in which all can participate, prosper, and reach their full potential—is the first

step in planning for a brighter future for all Biloxians. To that end, the East Biloxi Community Collaborative (EBCC) partnered with the National Equity Atlas, a partnership between PolicyLink and the University of Southern California Program for Environmental and Regional Equity (PERE), to better understand the landscape for inclusive growth in the city, particularly given the new Opportunity Zone program which has the potential to bring a significant amount of private investment into the city. This brief describes Opportunity Zones and how they can be leveraged to promote equitable development in East Biloxi.

Leveraging Opportunity Zones for Equitable Development in East Biloxi

East Biloxi is poised for change. The coastal community once ravaged by Hurricane Katrina is now slated to receive significant new investment. In 2018, three census tracts in East Biloxi containing the Point Cadet Waterfront Enterprise development were designated as Opportunity Zones, thereby making the neighborhoods in those areas eligible for subsidized private investment. Opportunity Zones have the potential to catalyze much-needed new development in the city and offer a vehicle to address lingering racial inequities. With the right guiding policies, these investments could deliver good jobs, business opportunities, and other community benefits to low-income communities and communities of color. But without strong policies in place, Opportunity Zone investments in Biloxi could lead to greater economic insecurity and displacement of low-income people of color.

Opportunity Zones in East Biloxi



Source: University of Southern California Program for Environmental and Regional Equity.

What Are Opportunity Zones?

The Tax Cuts and Jobs Act of 2017 established Opportunity Zones as a place-based federal tax policy initiative that provides tax incentives for individuals who reinvest their capital gains (i.e., income received from the sale of assets such as stocks, properties, or businesses) into Qualified Opportunity Funds (QOFs). Opportunity Zones are expected to bring roughly six trillion dollars in investment capital in the coming years to a select number of the nation's neighborhoods.¹ As municipal and state leaders across the country seek to attract Opportunity Zone investors, community-based organizations such as EBCC are working to ensure that residents in these low-income neighborhoods are able to benefit from this new investment.

Opportunity Zones consist of four elements:

- **Places:** Governor Phil Bryant, the U.S. Department of Treasury, and the Internal Revenue Service have designated 100 census tracts in Mississippi to receive an Opportunity Zone designation. In order to be an eligible census tract, at least 20 percent of families must either be living in poverty or have a household income of less than 80 percent of the area median income or be adjacent to a census tract that meets those criteria. Three of Mississippi's Opportunity Zones are located in East Biloxi.
- **Funds:** Individuals can invest capital gains into QOFs that will invest money in projects within Opportunity Zones. Investors are incentivized to make long-term investments of up to 10 years in order to maximize the tax benefit.
- **Projects:** QOFs can invest in business, commercial, residential, or multipurpose projects in Opportunity Zones.
- **Investors:** Individuals and institutions can invest capital gains into QOFs.

Opportunity Zones represent an opportunity for neighborhood development in that they are expected to attract new investors that may have previously been hesitant to invest in a distressed community. In addition, the flexible nature of QOFs allows investors to contribute to multiple projects at scale rather than one individual development. However, this same flexibility that makes QOFs so attractive for investors puts low-income people and people of color at risk. The Opportunity Zone program currently lacks any protections or "guardrails" to ensure that development (1) meaningfully engages existing residents in these communities in both planning and implementation; (2) tracks results to ensure that existing residents are able to benefit; or (3) anticipates and prevents any potential displacement of existing residents, small businesses, or local cultural institutions.

People of Color in East Biloxi's Opportunity Zones Are Facing Racial and Economic Inequities

Residents of color throughout Mississippi face poor economic outcomes across a number of indicators. For example, 43 percent of Black children across the state live in high-poverty neighborhoods.² This concentration of vulnerable households is no accident. Rather, it largely reflects the cumulative impact of racially discriminatory lending patterns that limited where families of color could live,³ the effects of rampant and documented racism and vigilantism,⁴ and the calculated theft of land⁵ that created a racial wealth gap that persists to this day. An analysis of data reveals that people of color in Biloxi are more than twice as likely to live in poverty as White residents. For example, African Americans comprise 39 percent of those living in poverty and Latinx residents make up 30 percent of those living in poverty, compared with 14 percent of White residents.⁶ Without an intentional focus on advancing equity, any investments in East Biloxi's Opportunity Zones have the potential to recreate these same racialized inequities by enriching developers and higher income households, without improving economic conditions for low-income people of color. Below are just a few of the disparities facing low-income people and people of color in East Biloxi's Opportunity Zones.

Black and Latinx residents are disproportionately more likely to live in Biloxi's Opportunity Zones

While African Americans are only 22 percent of the overall population in Biloxi, they represent 32 percent of the residents in Biloxi's Opportunity Zones. Similarly, Latinx residents are 8 percent of the city's population, but comprise 12 percent of those residing in Opportunity Zones. This data confirms that Opportunity Zone investments will disproportionately impact residents of color in East Biloxi. Whether that impact is positive or negative depends on how those investments are shaped.

Racial Breakdown of Biloxi Residents, 2017

| | Biloxi Opportunity Zones | | City of Biloxi overall | | Percent of Biloxi population living in Opportunity Zones |
|---------------------------|--------------------------|-------------|------------------------|-------------|--|
| | Number | Percent | Number | Percent | |
| White | 2,132 | 46% | 27,371 | 60% | 8% |
| Black | 1,502 | 32% | 9,935 | 22% | 15% |
| Latinx | 553 | 12% | 3,640 | 8% | 15% |
| Asian or Pacific Islander | 293 | 6% | 2,171 | 5% | 13% |
| Native American | 18 | 0.4% | 69 | 0.2% | 26% |
| Mixed/other | 169 | 4% | 2,142 | 5% | 8% |
| Total | 4,667 | 100% | 45,328 | 100% | 10% |

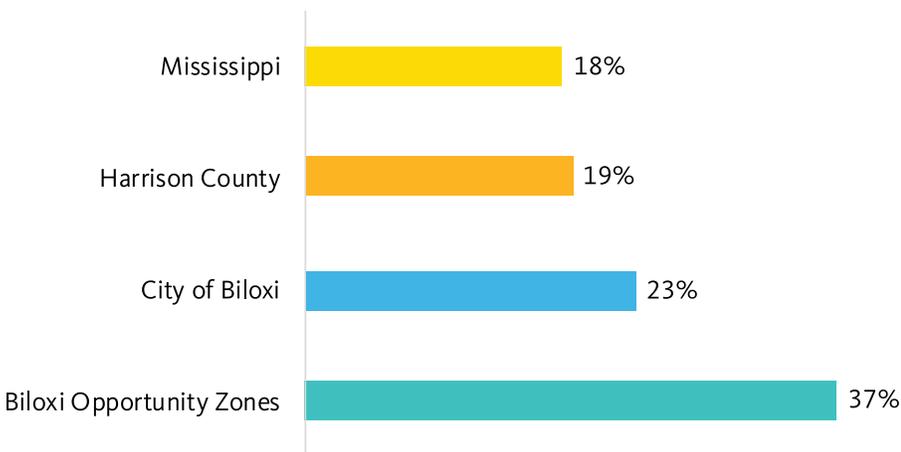
Source: PolicyLink/PERE analysis of the 2017 5-year American Community Survey summary file.

Note: Data represent a 2013 through 2017 average.

Workers in Biloxi's Opportunity Zones are most likely to be economically insecure

Almost one in every four workers in Biloxi are struggling to make ends meet. With a working-poverty rate of 23 percent, roughly one of every four workers in Biloxi are living below 150 percent of the federal poverty level (or \$32,580 for a parent with two children). This figure is even higher for workers living in the three Opportunity Zone census tracts in East Biloxi. Thirty-seven percent of workers in Biloxi's Opportunity Zones are among the working poor, roughly twice the share for the state as a whole. Economic insecurity often forces workers and their families to choose between essential household expenses such as food, housing, health care, and transportation. Biloxi city leaders can help to reduce working poverty by improving the quality of existing jobs (e.g., requiring employers to offer paid sick and/or family leave), and by ensuring that new jobs pay a living wage.

Share of Workers Ages 16 or Older with Family Income Below 150 Percent of the Poverty Level, 2017



Source: PolicyLink/PERE analysis of the 2017 5-year American Community Survey summary file.
Note: Universe includes workers ages 16 or older. Data represent a 2013 through 2017 average.

Racial and Economic Inequities Persist Throughout Biloxi

As city leaders develop recruitment strategies to entice Opportunity Zone investors, they should note that not every Biloxian is equally prepared to take advantage of the workforce and procurement opportunities in this new development. Data indicates that youth of color and people-of-color-owned businesses in particular may need additional education, training, or capacity building in order to fully participate in new development opportunities.

Businesses owned by people of color in Biloxi have the lowest revenues

Entrepreneurs of color are disproportionately disadvantaged. The average annual revenues of White-owned businesses in Biloxi (\$638k) is more than six times higher than that of businesses owned by people of color (\$96k). This disparity is particularly troubling given the pathways to opportunity that businesses can often provide. Businesses owned by people of color have been shown to generate increased economic activity in low-income communities and communities of color and have a stronger record of hiring employees of color than other firms.⁷ EBCC recently held focus groups with small business owners and has confirmed that these disparities are also challenges for entrepreneurs of color in Biloxi. Lack of access to growth capital, limited networks, and the need for additional technical assistance and training are some of the challenges EBCC members indicated are the root causes of these inequities.

Average Annual Revenue Per Firm by Race (in thousands), City of Biloxi, 2007 and 2012



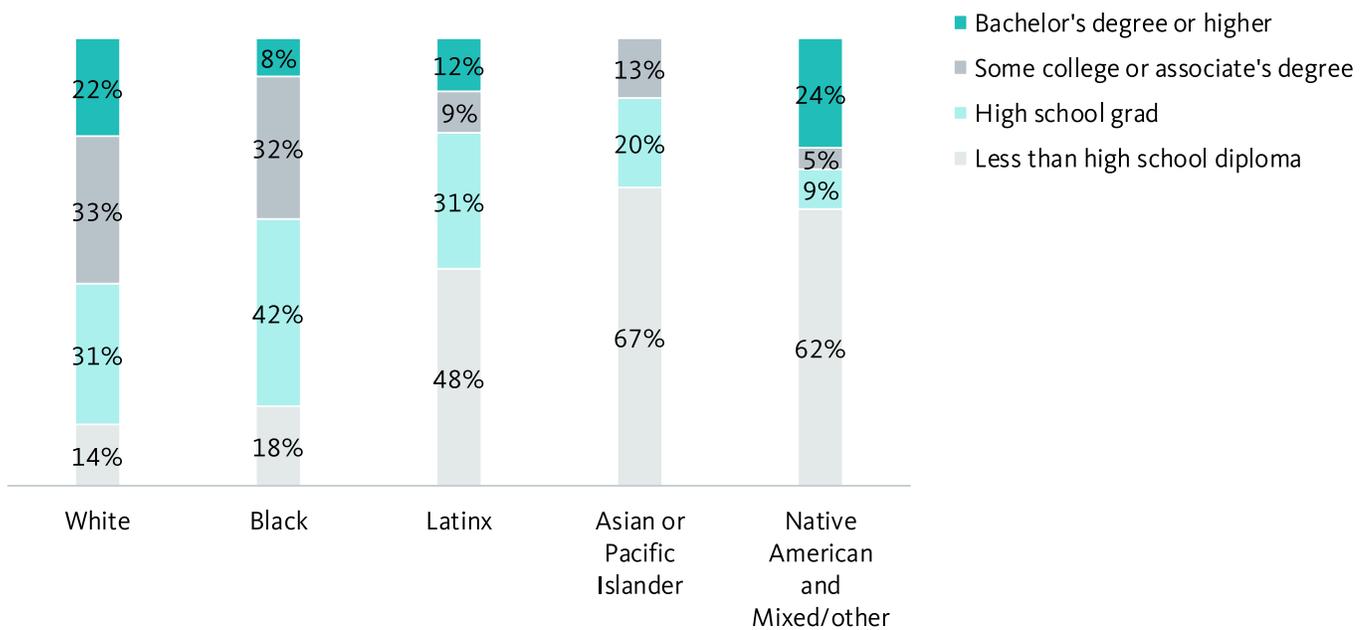
Source: PolicyLink/PERE analysis of data from the U.S. Survey of Business Owners.
Note: Values are in thousands of 2012 dollars. Universe includes all firms classifiable by gender, ethnicity, race, and veteran status. No data is reported for Black-owned firms due to insufficient sample sizes.
Note: The Census Bureau discontinued the Survey of Business Owners after 2012 so there is no more recent data on average annual revenues per firm by race for the city of Biloxi.

Biloxi's youth face a potential education and skills gap

Increasingly, securing a job that pays a family-sustaining wage requires some additional education beyond high school. According to the Georgetown Center for Education and the Workforce, 22 percent of jobs in Mississippi in 2020 will require at least a bachelor's degree.⁸ There is also a growing number of jobs that don't require a bachelor's degree but do

require some type of industry-recognized training or certification. In fact, over half of all jobs in the South are middle-skill jobs which require some education or training beyond high school but not a four-year college degree.⁹ Current education levels of adults in Biloxi's Opportunity Zones suggest that these trends present a challenge, particularly for people of color, who are less likely to have completed education beyond high school. If education levels do not improve among youth of color, their challenges are likely to be even greater.

Educational Attainment by Race/Ethnicity, Biloxi Opportunity Zones, 2017

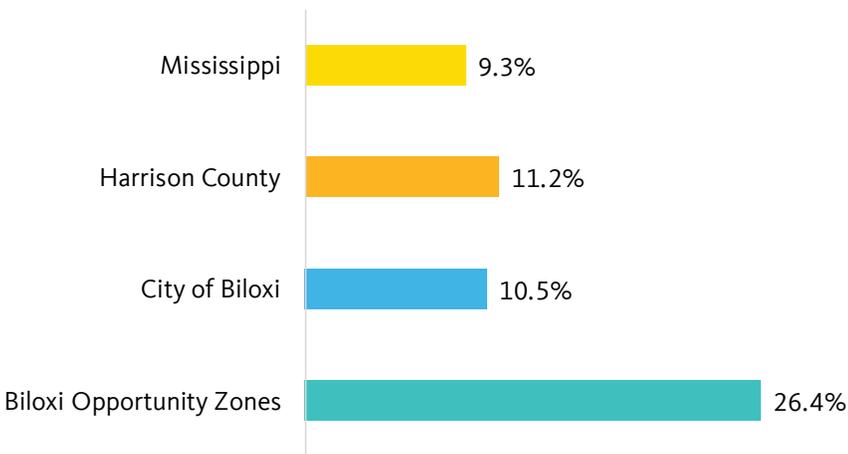


Source: PolicyLink/PERE analysis of the 2017 5-year American Community Survey summary file.

Note: Universe includes all people ages 25 or older. Data represent a 2013 through 2017 average.

Young people in Biloxi's Opportunity Zones are not staying in school and are more likely to be disconnected, as in neither working nor in school, than youth elsewhere in the state. Opportunity Zone youth in Biloxi are well over twice as likely to be disconnected as youth in the city as a whole, and almost three times as likely to be disconnected as youth in the state as a whole.

Percent of 16 to 19 Year Olds Not Working or in School, 2017



Source: PolicyLink/PERE analysis of the 2017 5-year American Community Survey summary file.
Note: Universe includes all youth ages 16 through 19. Data represent a 2013 through 2017 average.

Optimizing Opportunity Zones Requires Dismantling Barriers Faced by People of Color

If implemented with an equity lens, Opportunity Zones offer a chance to address some of the challenges outlined above. EBCC wants to ensure that any new development that comes to the city embraces racial equity and draws upon the equitable development principles set out below.

Equitable development principles

- Investments in Biloxi's three Opportunity Zones should "Do No Harm" to low-income residents, people of color, and existing small businesses.
- Residents deserve a voice in how Opportunity Zone investments are prioritized and codified through local zoning and city policies.
- Opportunity Zone investments should incentivize projects that will bring about equitable growth, development without displacement, and healthy communities of opportunity.

This broad set of principles includes a range of activities that collectively work to ensure that existing residents benefit from Opportunity Zone development. Some examples of equitable development efforts include:

Use racially disaggregated data to assess both economic benefits and risk of displacement. In order to hold investors and elected officials accountable, there must be mechanisms to assess the impact of Opportunity Zone investments. This requires the availability of racially disaggregated baseline data, and the collection of performance measures throughout the life of the investment. Examples of equitable performance measures include the number of living-wage jobs created, the number of local residents hired, or the number of housing units developed accessible to low-income families.

Increase employment and training opportunities through apprenticeships. Given the need for additional post-secondary education and training, Opportunity Zone stakeholders in Biloxi should ensure that new development brings about as many training and apprenticeship opportunities as possible.

Apprenticeships are a win-win for workers who gain valuable skills on the job and employers seeking a steady source of employees. Apprenticeships allow low-income residents and people of color to acquire workforce skills while expanding their professional network. Mississippi state leaders can leverage Opportunity Zones as a vehicle to supplement existing education and training efforts. For example, construction and rehabilitation efforts created by QOF investment are an opportunity to create or expand an existing apprenticeship program. Investing in the education and training of young people of color is particularly important in Biloxi as a growing share of the youth in the city are of color.

Increase affordable housing opportunities by leveraging other funding streams. The working-poverty rate for Biloxi means that almost one in four workers are struggling to make ends meet. Opportunity Zones have the potential to bring relief to these low-wage workers in several ways. For example, the largest expense for most Mississippians is housing. Any residential development in Biloxi's Opportunity Zones should include a number of housing units set aside for economically insecure families. State leaders can encourage affordable housing development by offering competitive points for Low-Income Housing Tax Credit or New Market Tax Credit projects located within Opportunity Zones.

Support business owners of color through inclusive contracting and procurement. The QOF-supported residential, commercial, and retail development slated to come to Biloxi present an opportunity to expand small businesses owned by people of color. People-of-color-owned businesses are critical to increasing economic inclusion. City leaders should explore a Minority Business Accelerator (MBA) similar to the one operating in Cincinnati. Since its founding, there are three times as many Black-owned companies with revenues greater than \$10 million in the Cincinnati region. The MBA's member companies employ more than 3,500 individuals, and the average portfolio revenue of an MBA business is \$34 million.¹⁰

In conclusion, the Opportunity Zone designation in East Biloxi has the potential to bring new capital to the neighborhood. However, the structure of the Opportunity Zone program was designed with the interests of investors, not communities, in mind. It will take intentionality and a focus on uplifting low-income families and people of color to ensure that the residents that need it the most are able to benefit. By advancing policy strategies that grow good jobs, provide communities of opportunity, and prevent displacement city and state leaders can put East Biloxi residents on the path toward reaching their full potential, and securing a bright future.

Notes

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- 5 Vann R. Newkirk II, "The Great Land Robbery," *The Atlantic*, September 2019, <https://www.theatlantic.com/magazine/archive/2019/09/this-land-was-our-land/594742/>.
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- 7 Greenlining Institute, "Diverse Businesses: Capital, Contracts and Supplier Diversity," accessed January 16, 2020, <https://greenlining.org/our-work/economic-equity/diversity-inclusion/diverse-businesses-capital-contracts-supplier-diversity/>.
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- 9 National Skills Coalition, *Building a Skilled Workforce for a Stronger Southern Economy*, 2018, pg. 7.
- 10 Fatima Hussein, "Minority Business Accelerator Continues to Succeed," *Cincinnati Enquirer*, July 2, 2015, <https://www.cincinnati.com/story/money/2015/07/02/minority-business-accelerator-continues-succeed/29626361/>.

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