



## **Why “Entrepreneur Zones” are as important as Opportunity Zones in Atlanta**

By Dr. Dale Caldwell and Jennifer Demetrius

Small businesses are the largest employers in Atlanta. These enterprises are the heart of the middle class because they provide the income that residents need to survive. Increasing the number of successful entrepreneurial businesses in Atlanta is the only sustainable way to generate the tax revenue and employment necessary to reduce taxes and grow the city’s economy. This is especially true in the poorest neighborhoods. Unfortunately, in spite of the growth of the economy in some sections of Atlanta there is still significant poverty.

The federal Bureau of Labor Statistics indicates that the 2019 unemployment rate in Atlanta is 3.4%. This suggests that 13,106 people are without a job. Some experts believe that this percentage underestimates real unemployment because it does not include people who are not formally looking for a job. The unemployment number does not include the “working poor” households that have a job but do not earn sufficient income to pay their bills. Using the MIT Living Wage Calculator and the U.S. Census, Dr. Caldwell developed a measure of poverty called the “Living Wage Index” or “LWI.” This measure indicates the percentage and number of households in any municipality that earn sufficient income to pay their basic bills. The data suggests that the LWI in Atlanta is 51.6% or 99,569 households. This means that 48.4% or 93,378 households are in “living wage crisis” (they do not earn sufficient income to pay their bills). Individuals in these households may have a job but the combined income of the household is not sufficient to make ends meet.

We believe that the best social programs create jobs. The quickest way to turn around low-income communities is to create new jobs that provide previously poor households with the income they need to pay their monthly bills on time. The most effective way to create the jobs these individuals need is for the city to provide the tax incentives, regulation relief and financial support that entrepreneurs need to help them increase profitability and employment in the local



community. We believe that public officials should focus on creating “Entrepreneur Zones” where investors receive significant tax credits for investing in businesses that hire unemployed residents of Atlanta. These incentives have the potential to attract millions of dollars in private investments into businesses that create jobs for residents from neighborhoods with the highest unemployment.

The Tax Cuts and Jobs Act passed by Congress in 2017 contains a unique economic development and tax incentive program called Opportunity Zones. This program was designed to encourage long-term private capital investment in low-income communities in the United States. The purpose of this tax incentive is to spur economic development and job creation in distressed communities by providing tax incentives to investors. However, Opportunity Zones encourage investment in real estate assets, not risky entrepreneurial businesses hiring residents of poor communities.

We recommend that an “Atlanta Entrepreneur Zone” program be created to ensure that a significant amount of the money invested in Opportunity Zones is focused on supporting businesses in these Zones that work with local nonprofits to train, hire and retain employees from the poorest sections of the city. Many of the “Empowerment Zones” created in the 1990s were not successful because of the weak investment incentives, program complexity and lack of focus on creating and supporting jobs for the poorest residents of the community. The establishment of Entrepreneur Zones should ensure that investments in Opportunity Zone locations are more impactful than they were in the Empowerment Zones.

The only sustainable way to increase jobs and the LWI is for Atlanta public officials to create Entrepreneur Zones and provide the incentives necessary to help the businesses in these Zones succeed and create local jobs paying the income that households need to survive.



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