

Weathersbee: Inclusion goal is only fair after tax breaks

Tonyaa Weathersbee , USA TODAY NETWORK – Tennessee 3:46 p.m. CT March 7, 2017

It's only fair.

The city of Memphis and Shelby County are giving more than \$3 million in grants and tax breaks to ServiceMaster to build its head office inside the old Peabody Place shopping mall.

In return the company, which provides services such as inspections, mold removal, pest control and restoration to businesses and residents, plans to give minority firms 20 percent of the value of construction contracts.

It also estimates that, by the time the project is finished, around 390 of the 800 construction workers on the site will be women or minorities.

As I said, it's only fair.

Fair because the property tax abatement package, PILOT (Payment in Lieu of Tax) that ServiceMaster, as well as many other companies, are receiving continue to gobble up a chunk of the city's property tax base.

Fair because the taxes that are being lost could be used to bolster the schools and other services in the distressed, predominantly African-American communities that many of those construction workers will likely come from.

"That's the problem for a very revenue constrained place like Memphis," Greg LeRoy, executive director of Good Jobs First, told me. "We looked at the PILOTs in Memphis...we found that 14 percent of the property tax base is lost to PILOTs..."

"To make up for that, you have to raise (property tax) rates on everyone else, or you have to cut services..."

And as far as struggling places go, a lot of people are living in them.

According to Economic Innovation Group – an organization that examines ways to improve the economic and social fortunes in communities – 66 percent of Memphians live in distressed neighborhoods.

What that means is that in those neighborhoods, around a quarter of the adults have no high school diploma and are poor, while more than half are jobless.

So yes, some construction jobs can help. Shifting 20 percent of the value of its construction contracts to firms owned by minorities can help. Which is perhaps one of the biggest contributions it can make – because many African-American-owned firms are in a better position to create jobs and enhance the economics in many of those needy neighborhoods.

Yet even that has been a challenge.

In 2015, the city of Memphis spent 61.2 percent of its contract dollars with firms owned by white men, even though the city is 61.4 percent black.

“It’s been a long, difficult path (toward improving minority participation in contracting),” David Ciscel, former dean and professor emeritus of economics at the University of Memphis, said.

“We’ve had black mayors and we’ve had white mayors, and we haven’t solved the problem...I think the system has made it tough for black and minority contractors to get themselves established. It’s a very tough problem...it’s like the racial bias of the past is plaguing us in the future.”

But Joann Massey, director of the city’s Office of Business Diversity and Compliance, said that situation is changing – and that the ServiceMaster agreement is part of that.

“We firmly believe that those kinds of wins, although they are small, they can be done with parties on all sides working together,” she said.

Massey also said that under Mayor Jim Strickland, the city has had a 30 percent increase in minority spending in city contracts, and that they are working to strengthen the resources of minority businesses to compete.

“For many years, there hasn’t been a holistic, strategic approach to fixing the problem, and we haven’t been able to move the needle,” she said. “But under this mayor, we have been able to move the needle.”

Maybe ServiceMaster’s agreement to hire minorities and to shift business to minority firms is a start in breaking that stranglehold. If it indeed tops its minority contractor goal, it could set the stage for change.

But what shouldn’t be forgotten is that the communities that are being mostly affected by the loss of property taxes are paying a price here too.

So again, it’s only fair that the minority businesses that have the potential to clear the path to escape the economic and social distress dogging these communities be given a shot at contracts with companies like ServiceMaster, as well as with the city that their taxes support.

Because if they continue to be shut out, then they’re merely paying for their own oppression.

And that shouldn’t be.