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Innovation, Entrepreneurship, and the Law: The “Real World” Effects of Law on Mississippi Business and Entrepreneurial Endeavors

Article

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THE FUTURE OF ECONOMIC DEVELOPMENT: USING HEALTH CARE AS AN ECONOMIC DRIVER, PUBLIC-PRIVATE PARTNERSHIPS AS A PLATFORM TO FURTHER DEVELOPMENT, AND MINORITY PARTICIPATION AS A PATH FORWARD IN A MORE DIVERSE MISSISSIPPI

I. INTRODUCTION

The role of government as it pertains to economic development is not to create jobs. It is to create an environment where the private sector is encouraged to create jobs and investment. To that end, one of the most recognized adaptations of economic development is the use of incentives.¹ Nevertheless, the direction of economic development has drastically changed in the last 50 years. Economic development is no longer the sole or centralized function of local government. Rather, it has morphed into a full-fledged industry, replete with several professional organizations,² public non-profit financing entities,³ site location firms,⁴ beviies of lawyers who practice within economic- *371 development practice groups at law firms dedicated to structuring incentives⁵ and countless economic development practitioners.⁶ The promotion of economic development, not only in Mississippi (the “State” or “Mississippi”) but also throughout the United States, is a traditional and long-accepted government practice.⁷ Definitions of the term “economic development” are exhaustive, but perhaps one of the most important legal definitions of economic development emanates from a landmark Supreme Court decision.

In *Kelo v. City of New London*, the United States Supreme Court noted that the city of New London had “carefully formulated a development plan that [] [would] provide appreciable benefits to the community, including--but by no means limited to--new jobs and increased tax revenue.”⁸ Even more telling is the posture of the Court with respect to the overall goal of the city’s economic vision; here the Court noted, “[T]he city is trying to coordinate a variety of commercial, residential, and recreational land uses, with the hope that they will form a whole greater than the sum of its parts.”⁹

The International Economic Development Council, a non-profit membership organization dedicated to raising the profile of the profession and helping economic developers perform their jobs more effectively, pursues the aim that economic development “seeks to improve the economic well-being and quality of life for a community by creating and/or retaining jobs that facilitate growth and provide a stable tax base.”¹⁰ To achieve this goal, communities in today’s economy must not only be able to compete but also tailor their missions towards aggressive, multi-pronged approaches that utilize incentives and other *372 traditional non-economic resources of the state.¹¹ With the well-documented uncertainty of the market from decade to decade, the reduction of corporate income tax rates by competitive Southern states, the regulation of essentially every business entity, and increased global competition, economic development--*vis-á-vis* the industry that it has developed into--has become the subject of regulation itself.¹²

In the mid-90s, the South began to see a boom in automobile manufacturing. Alabama was one of the first states to lure a large multi-million dollar auto-manufacturing project to a megasite.¹³ For Alabama, Mercedes-Benz represents, to date, approximately \$2 billion in investment and 5,000 jobs.¹⁴ After Mercedes-Benz came Honda, Hyundai and Toyota.¹⁵

For other Southern states, the highly coveted economic development prize is more or less the same. Tennessee has attracted three auto manufacturing plants: Nissan, Volkswagen, and General Motors.¹⁶ South Carolina lured auto manufacturing groups BMW and Honda. Georgia has Honda, Porsche, and Kia. Mississippi has a Nissan auto manufacturing plant in Canton as well as a Toyota auto manufacturing plant in Blue Springs. Between 2013 and 2016, Mississippi has also seen investments from tire manufacturers Yokohama and Continental Tire.¹⁷ During this time of growth in the South, not only did states and communities engage in a hearty competition with each other to entice auto manufacturers and suppliers from afar, but keen economic development professionals made sure their communities were considered for the next big project by certifying and investing in large-scale megasites. For Mississippi, its targeted recruitment of the auto manufacturing industry, acquisition of human talent to aid in that recruitment, and investment in the philosophy have paid great dividends.

The principal questions here are: (1) What other sustainable target industries could provide a Return On Investment (“ROI”) similar to that which the auto manufacturing industry has provided in Mississippi? (2) What types of incentives or investment-sharing mechanisms could provide significant ROI in an era where budget cuts loom at both the local and state levels? and (3) How *373 can thought and political leaders make the State more competitive by creating meaningful approaches to minority participation when announcing large economic development projects as a path forward to an increasingly more diverse¹⁸ society?

A. Health Care as an Economic Driver: The Health Care and Life Science Approach

Viewing the health care and life science industry through the lens of the rise of the auto manufacturing industry in the South during the early 90s could be tantamount for Mississippi just as it has been in other Southern states. In 2002, for example, then-Governor Jeb Bush approached British billionaire trader Joe Lewis, owner of the Tavistock Group,¹⁹ seeking his assistance in hopes of improving the economy of Central Florida. Bush’s goal was to create better-paying jobs. Thanks to Tavistock and developing the Lake Nona Medical City, Governor Bush’s appeal has elicited approximately \$3 billion in healthcare-based investment, 5,000 permanent higher-paying jobs (with 25,000 more expected by 2019), and an expected overall economic impact of \$7.6 billion over the next 10 years.²⁰

For years, municipalities and counties in Mississippi, through their elected leaders and stakeholders, have been arduously seeking creative ways to enhance local citizens’ quality of life and improve economic development opportunities for their communities. Simultaneously, the entire State, from its *Balance Agriculture with Industry Plan* in 1935 to its aggressive recruitment of the automotive and aerospace industry, has also sought to promote economic development; the State’s efforts, however, have been challenged by authorities like Moody’s Investor Services, Inc. (“Moody’s”) and Fitch Ratings Inc. (“Fitch”), two nationally recognized credit rating agencies. Fitch revised the State’s 2013 and 2016 outlook to negative and noted the following regarding the State’s manufacturing-based economy: “The economy continues to diversify and some successful economic development initiatives should bolster employment in the coming years; however, the manufacturing concentration well exceeds national levels.”²¹ In 2016, Fitch downgraded the State and opined as to Mississippi’s overall credit profile: “Mississippi’s employment base, when compared nationally, is overweight in the more volatile manufacturing sector.”²²

*374 To thwart findings like Fitch’s, the State should diversify its economy and adopt health care or life science economic development initiatives like the Mississippi Health Care Industry Zone Master Plan Act (the “Health Care Zone Master Plan legislation”).²³ In adopting such a measure, municipalities or counties could potentially issue health care zone municipal bonds. In addition, municipalities could lease the facilities of the project back to a private industry in a revenue-generating capacity or use a special allocation of new market tax credits specific to health care zones for gap financing. Such an endeavor will not only require additional economic development incentives such as the Health Care Zone Master Plan legislation but will also require a strong partnership with the Mississippi Development Authority (“MDA”) that genuinely

looks at this target-rich industry the same way it would the automotive boom from circa 1993-2011.

B. Public-Private Partnership Approach

With limited government funding to build or maintain the critical infrastructure needed to support economic development, Mississippi might also adopt public-private partnership (“P3s”) legislation in 2017 to encourage private sector investment in infrastructure and development. P3s could serve as a catalyst for economic development by allowing the state and private sector to better allocate risks. Moreover, under P3 approaches to investment, economic development projects could be less bound by political and legal limitations. P3s could reduce government debt, provide for budget relief, increase cost savings, reduce the amount of time to bring projects to fruition, incentivize more prudent infrastructure due to private industry’s desire for ROI, allow government to allocate resources more efficiently, create more jobs, and allow for revenue sharing.²⁴

C. Minority Participation Approach

In an increasingly more diverse society, many states have urged contractors to implement minority participation strategies for state- or government-awarded contracts and large economic development projects like Nissan, Toyota, and Yokohama, where state investment is significant. Minority participation strategies that put goals in place are to be distinguished from minority set-asides. Minority set-asides require a certain percentage of public contracts to be awarded to minority or women-owned business enterprises (“MBEs” or “WBEs”). Many courts have considered the notion that, in some circumstances, requiring contractors to award a designated percentage of contracts to MBEs may not be feasible.²⁵ This ultimately led to the emergence of minority *375 participation goals. Minority participation goals require contractors to make “good faith efforts” to award contracts to a certain percentage of MBEs and WBEs. Contractors must document their good faith efforts to the satisfaction of their respective government agencies to seek bids from MBEs/WBEs. Such efforts could also be incentivized through tax credits and facilitated by joint ventures. In Mississippi, there is a great demand to establish minority participation goals and in doing so, to clearly define what constitutes “good faith efforts.”

II. HEALTH CARE AS AN ECONOMIC DRIVER

In 2012, the Mississippi Legislature passed the Mississippi Health Care Industry Zone Act (the “Act”), codified at Miss. Code Ann. § 57-117-1 *et seq.* The Act incentivizes the following types of companies to create 25 jobs or make a \$10,000,000 investment in health care industry zones (“Health Care Zones”) within the State: medical supply companies, biologic companies, laboratory testing companies, medical-product distribution companies, diagnostic imaging companies, biotechnology companies, medical service providers, nursing and assisted living facilities, medical equipment companies, medicine production companies, and related manufacturing or processing companies. Health Care Zones are characterized by a five-mile radius surrounding a hospital or hospitals in a county with either at least 375 acute care hospital beds or a county that is contiguous²⁶ to three counties, which in the aggregate account for up to 375 acute care hospital beds. If a certified health care facility or company locates in one of these Health Care Zones and creates the requisite amount of jobs or makes the requisite investment, then it can be eligible for certain tax incentives.²⁷

****376 A. Targeting Health Care and Life Sciences***

With the creation of the Act, Mississippi began to recognize that companies can connect to industry leaders, venture capitalists, ground-breaking technologies, nationally-ranked universities, diverse populations for clinical research, and experienced pools of scientists. The same can measurably be said for Massachusetts as a result of a report entitled *Life Sciences Innovation as a Catalyst for Economic Development: The Role of the Massachusetts Life Sciences Center*, wherein Massachusetts sought to create a “collaborative ‘ecosystem’ encompassing all aspects of the state’s life sciences.”²⁸ One of the most significant projects in Mississippi, wherein the State is seeking to incentivize the creation of a collaborative cluster for health care and life science innovation, is the Medical City Project (“Tradition”) located in Tradition, Mississippi. Tradition is the largest master-planned community under development in Mississippi and is located in central Harrison

County on the Mississippi Gulf Coast at the intersection of State Highways 67 and 605/Tradition Parkway. Once completed, the 4,800-acre development (650 acre medical city town center) will have more than 15,000 residential units, 2,000,000 square feet of commercial development, and 35,000 residents. Unlike traditional economic development projects, Tradition is a health care cluster with multiple economic engines and is distinguishable from Mississippi's typical approach to economic development where all employees might be singularly located within one manufacturing or industrial facility.

The projects proposed or begun at Tradition have an educational and research component. As a result, the development has continuously sought to leverage these anchor components to recruit or create spin-off medical device and drug manufacturing companies and life science or biotechnology companies. In 2009, William Carey University ("WCU") opened a Tradition campus where 1,000 students attend classes. Recently, WCU announced its plan to build a pharmacy school at Tradition. In 2015, Mississippi Gulf Coast Community College broke ground on a Nursing and Simulation Center located at Tradition.

Because Mississippi has statistically been at the center of the diabetes and obesity epidemic in the United States, the first major development component Tradition pursued was the creation of a world-class research center to find a diabetes cure. Hence, Tradition created The National Diabetes & Obesity Research Institute ("NDORI") and recruited the Cleveland Clinic Endocrinology & Metabolism Institute, a nationally ranked research juggernaut in academic and clinical research, to partner with NDORI in Mississippi.²⁹ During this time, two major local healthcare partners were also identified as sources of diabetes-related patient data, education, and care. Memorial Hospital at Gulfport ("Memorial Hospital"), the largest hospital system on the Mississippi Gulf Coast, was *377 selected for its size (a hospital and 80+ clinics) and top healthcare rankings. In addition, Coastal Family Health Center ("CFHC"), with 12 locations throughout the region, was selected since 52% of its patients are uninsured and represent a large part of the "health disparity," or underserved, population on the Gulf Coast. Both Memorial Hospital and CFHC announced plans to build facilities at Tradition, and NDORI currently performs outreach and educational classes at CFHC's D'Iberville clinic while its first building is under construction.

B. The Creation of Health Care Zone Master Plans in Mississippi

In 2013, Mississippi facilitated more affordable housing in Mississippi for workers associated with the health care industry by tying the five-mile Health Care Zone concept to a document called the Qualified Allocation Plan (the "QAP").³⁰ The QAP is a federally mandated planning requirement that states use annually to explain the basis upon which they distribute their Low-Income Housing Tax Credit Program ("LIHTC" or "LIHTCs") allocations.³¹ The Mississippi Home Corporation (the "MHC") is the Housing Finance Agency ("HFA" or "HFAs") created by the Mississippi Legislature pursuant to Miss. Code Ann. § 43-33-701 to administer the State's QAP and raise funds from private investors to finance the acquisition, construction, and rehabilitation of residential housing for persons of low to moderate income in the State.³²

To qualify for these very lucrative LIHTCs under the Health Care Zone section of the 2013 QAP, developments must be located within a county that has certificates of need for more than 375 acute care hospital beds and is within five miles of a hospital with acute care hospital beds in that county.³³ The 2013 QAP provided that counties "currently hav[ing] more than 375 acute care beds [were] Lee, Lauderdale, Rankin, Hinds, Forrest, Jackson, and Harrison."³⁴ DeSoto County is also eligible for this scoring category in the Health Care Zone section of the 2013 QAP.³⁵

The 2013 QAP also provided that developments could locate in a county with fewer "than 375 acute care hospital beds so long as the county's health care zone [i.e., its five-mile radius zone,] ha[d] a master plan from an AICP certified planner (American Institute of Certified Planners) with experience working in Mississippi."³⁶ On March 8, 2013, the Governor's Office issued a memo entitled "Official Health Care Zone Master Plan Requirements for 2013 QAP," explaining the rules and requirements for Health Care Zone Master Plans.³⁷ The memo provided that the goal of master planning was to provide Mississippi *378 communities with a plan that could be used as an asset for communities to make sizable economic impacts.³⁸ With a Health Care Zone Master plan, the intent was to give communities the blueprint for successfully growing their health care economy.³⁹ In order for a county with fewer than 375 acute care beds to qualify for LIHTCs, the private housing developer was required to finance the county's Health Care Zone Master Plan.⁴⁰ In addition, the AICP planner and developer were required to work closely with their community's economic developers and leadership to create the final product. This requirement has resulted in a true public-private partnership. These plans, similar to those used at the Research

Valley Biocorridor in Texas, are blueprints by which local economic development directors can inevitably create jobs.

Twelve Mississippi communities currently have Health Care Zone Master Plans.⁴¹ As a result of the MHC program, the policies put in place by the Governor's Office, and the funds of private housing developers, the communities that have Health Care Zone Master plans are Clarke County (Quitman, MS), Clay County (West Point, MS), Copiah County (Hazelhurst, MS), Hancock County (Bay St. Louis/Waveland, MS), Humphreys County (Belzoni, MS), Madison County (Canton, MS), Marshall County (Holly Springs, MS), Montgomery County (Winona, MS), Noxubee County (Macon, MS), Panola County (Batesville, MS), Scott County (Morton, MS), and Yazoo County (Yazoo, MS).⁴² In addition, MDA designated these twelve communities as certified Health Care Zone Master Plan communities, and each was given a certificate reflecting the title.

With respect to affordable housing tax credit developers, the MHC program put in place within the 2013 QAP could be repealed by the 2015 QAP when new LIHTCs are allocated and a new QAP is adopted. The program was meant to be a one-time jumpstart to the health care based housing industry.

C. The Health Care Zone Master Plan Legislation and the Certification of Health Care Zone Master Plan Communities

The Health Care Zone Master Plan legislation introduced during the 2014 Mississippi Legislative Session would have codified MDA's process for certifying Health Care Zone Master Plan communities. The twelve communities given certificates by MDA met the nine requirements below.⁴³ The certification requirements are as follows:

- *379 1. An "[e]nvironmental scan & asset mapping of existing resources" of the five-mile radius that the health care zone master plan contemplates as further defined by MDA regulation;

2. A "[m]arket demand analysis[,] target industry study[, and] center of excellence determination" as further defined by MDA regulation;

3. "Benchmarking and best practice models" of similar communities or developments that serve as a model example or approach to generating successful and positive target development as further defined by MDA regulation;

4. "Zone or district parameter identification" as further defined by MDA regulation;

5. "Healthcare district [and] zone site master planning" as further defined by MDA regulation;

6. "Overlay district regulatory outline" as further defined by MDA regulation;

7. "Incentive opportunity identification" as further defined by MDA regulation;

8. "Economic impact analysis" as further defined by MDA regulation; and

9. “Public relations/marketing and recruitment strategy” as further defined by MDA regulation.⁴⁴

Essentially, Health Care Zone Master Plans take detailed snapshots of existing assets and economic-demographic conditions, create a physical framework master plan for health care industry development, and provide detailed recommendations and strategies for implementing the plan and growing the local health care industry. Principles such as these can result in economically appreciable P3s. Inevitably, the Health Care Zone Master Plans used in Mississippi, similar to the master plan created for the One Health Plus™ Biocorridor in College Station, Texas, facilitated the region’s center for education, research, development, and commercialization, and ultimately led to the production of pharmaceuticals and vaccines.⁴⁵ Such plans could be *380 blueprints for local economic development and job creation. “As the world’s first large scale, integrated program dedicated to interdisciplinary collaborations and research in health care for humans, animals and the environment, the One Health Plus™ Biocorridor is driving innovation in the biopharmaceutical and biotherapeutic industries by enhancing collaboration among scientists, researchers, clinicians and industry.”⁴⁶

With respect to the master plan concept, the same model and approach applies to the Lake Nona Medical City (the “Medical City”) near Orlando, Florida. The Medical City is not only a residential development but also encompasses a 650-acre health and life sciences park that was put together with robust incentives and an ambitious vision.⁴⁷ Located near the Orlando International Airport and within the master-planned community of Lake Nona, the Medical City is home to the University of Central Florida’s (“UCF”) Health Sciences Campus.⁴⁸ In addition, the Medical City currently serves as a home to the UCF College of Medicine, UCF Burnett Biomedical Sciences Building, Sanford-Burnham Medical Research Institute, Nemours Children’s Hospital, M.D. Anderson Orlando Cancer Research Institute, a University of Florida Academic and Research Center, and Valencia College at Lake Nona.⁴⁹ In the future, the campus will house the UCF College of Nursing, UCF College of Dental Medicine, a teaching hospital, and the Orlando Veterans Affairs Medical Center.⁵⁰

In addition to the education facilities described above, the Medical City has five million square feet of commercial and retail space and a mix of residential living options.⁵¹ Upon completion of the various development projects, the UCF Health Science Campus will accommodate as many as 5,000 professional and graduate students and faculty members in the health-related programs and will include up to two million square feet of research and instruction space.⁵² Forty percent of the Medical City has been reserved for open green space and lakes, and amenities include a planned 334-acre city park, 44 miles of planned trails, a number of community parks, and 1,000-acre of lakes and waterways.⁵³

D. Incentives for a Certified Health Care Zone Master Plan Community

If the Health Care Zone Master Plan legislation were to become law in Mississippi, the legislation would create additional incentives for communities with certified Health Care Zone Master Plans and allow other communities to create certified Health Care Zone Master Plans. The requirements for the Health Care Zone Master Plans would be codified. In addition, the legislation would require an experienced AICP Certified Planner to create the Health Care Zone *381 Master Plans for Mississippi.⁵⁴ The AICP designation brings additional value and expertise to a project and attempts to create a sense of identity with the community’s current health care assets, while at the same time creating a strategic framework to determine the community’s direction with respect to recruiting new health care or life sciences industry.

The additional incentives that a community would qualify for as a result of having a certified Health Care Zone Master plan are as follows:

1. Health Care Zone Grant Fund (“HCZ Fund”)

Proceeds from the HCZ Fund could be used for soft costs for public, private, for-profit and non-profit entities to initiate new ventures, institutions, and educational anchors.⁵⁵ The HCZ Fund would be allocated an initial \$5 million by the Mississippi

Legislature with the understanding that health care and life science industries and companies do not simply begin overnight but are the by-product of planning (albeit the required Health Care Zone Master plans *surpa*), vision, and strategic investments in both the public and private sector.⁵⁶ With the HCZ Fund, the State has the opportunity to not only keep its best and brightest but recruit the best scientists and researchers while at the same time creating valuable jobs and help start up enterprises.⁵⁷

2. Revolving Loan Fund (“HCZ Loan”)

Like the HCZ Fund, proceeds from the HCZ Loan could be used for soft costs for public, private, for-profit and non-profit entities to initiate new ventures, institutions, and educational anchors.⁵⁸ The HCZ Loan would also be allocated an initial \$5 million by the Legislature and MDA would designate the projects wherein loan funds could be utilized.⁵⁹

3. Health Care Zone Master Plan Job Training Grant Fund (“HCZ Training Fund”)

The HCZ Training Fund could be used to help Mississippi workers remain competitive in an increasingly global marketplace by incentivizing training in any health care field at community colleges and other State institutions of higher learning.⁶⁰

*382 4. Health Care Zone Master Plan Advantage Jobs (“HCZ Advantage”)

Under the HCZ Advantage program, a rebated percentage of the new health care facility’s Mississippi payroll could be paid to that health care related business for a period up to 10 years as a result of locating in one of the certified health care zone master plan communities.⁶¹ The threshold capital investment or requirement would be \$10,000,000 and/or 25 jobs.⁶²

5. Health Care Zone Master Plan State New Market Tax Credit Allocation (“HCZ Credits”)

For certified health care zone master plan communities, HCZ Credits could be used as gap financing for projects with more flexible terms than conventional financing.⁶³ Health care related enterprises located within a Health Care Zone Master Plan community would benefit from below-market interest rates and underwriting terms on HCZ Credits.⁶⁴ HCZ Credits could be ideal for rural hospitals seeking funds for upgrading its facilities.⁶⁵

6. Health Care Zone Municipal Bonds (“HCZ Bonds”)

The funds derived from issuing HCZ Bonds would only be issued to those communities that have had their Health Care Zone Master Plans certified by MDA.⁶⁶ The HCZ Bonds would have a maximum term of 30 years and not be subject to any statutory debt limits.⁶⁷ Similar to Urban Renewal Bonds, HCZ Bonds could be secured by city income, revenues, and funds derived from the health care zone project itself.⁶⁸

III. P3 APPROACHES TO DEVELOPMENT

P3s have successfully been used in Western Europe and Canada for many years but have only recently taken root in the United States. P3s are transactions that include “(i) various levels of use and control of a project by a public agency or quasi-public institution, (ii) with project development, ownership, financing, operation[,] and/or management undertaken on the part of the private developer or consortium.”⁶⁹ More specifically, P3s enable the government to minimize financial risk and obligations while accomplishing its goals in an effective and efficient way.⁷⁰ A P3 can also be defined as an arrangement between a governmental entity and a private entity that allows for greater private-sector *383 investment and participation in public projects through private capital relied upon to pay the high price of assembling and preparing sites for development or redevelopment.

Sectors where P3s have been used include transportation, energy (including municipal electric and gas generation and distribution facilities, as well as renewable energy projects), telecommunications, water and wastewater, governmental buildings, healthcare, education, housing (affordable, senior, student, and military), and hospitality. While federal tax requirements often force governmental entities to choose between low-cost tax-exempt financing and P3s, there are a number of approaches to P3s that would expand the ability of governmental entities to use both together.⁷¹

In order to successfully utilize P3 approaches to development, the Mississippi Legislature should consider the adoption of P3 legislation that would allow for all types of infrastructure or development projects at all levels of government. Such an approach would give all government entities access to P3 authority for a broad range of projects. While the health care sector has attracted the most P3 development activity, the U.S. Agency for International Development has made observable progress in the economic growth, trade and entrepreneurship sector, which tops the list in terms of both the total number and value of active partnerships.⁷²

IV. NEED FOR MORE MINORITY PARTICIPATION

In response to the notion that more minority participation is needed in Mississippi, MDA created the Minority & Small Business Development Division (“MSBDD”). Moreover, MSBDD implemented the Mississippi Procurement Technical Assistance Program (“MPTAP”) to remedy disparities in minority participation. For example, for fiscal years 2005 to 2010, Mississippi awarded less than one percent (1%) of its average annual public contracts to minority-owned businesses.⁷³ One probable explanation for this disparity is that Mississippi state agencies are not required to identify MBEs and WBEs who can provide contracting services.

In regard to large economic development projects where Mississippi exercises its broad powers under the Mississippi Major Economic Impact Authority (the “Authority”),⁷⁴ MDA generally enters into a Memorandum of Understanding (“MOU”) with the companies it is seeking to incentivize. Usually, the MOUs contain language evincing MSBDD’s willingness to provide assistance to the company. Although such language invariably has the right “feel good” tone, it has little to no effect upon minority participation in §384 Authority projects. The only exception has been when (1) the company has a corporate vision that recognizes the appreciable economic benefits of diversity through minority participation and (2) the State, through the arm-length negotiating powers found in the Authority, chooses to make minority participation a priority. An example of both those attributes can be found in the MOU between the State and Nissan.

Nissan promised in its MOU that it would use its best efforts to *influence* its general contractor to utilize Mississippi-based companies and Mississippi-based disadvantaged business enterprises (“DBE’s”).⁷⁵ DBEs compete for work related to the construction of the project.⁷⁶ Nissan also provided that it would require its general contractor to provide MDA with quarterly reports throughout construction of the project and require these reports to identify all Mississippi companies and DBE’s by name, contract type, and contract value.⁷⁷ Since the construction of the Nissan plant, there have been several other projects, but none have reached the appreciable benefits of the Nissan plant. Policymakers may view the Nissan project as a benchmark for creating joint venture DBE’s and opportunities for contractors. While one avenue toward more minority participation is to identify eligible minority companies ready to do business, below is a survey of examples from other states that policymakers might analyze as models for potential legislation.

A. Minnesota

The State of Minnesota is among those states that have taken significant steps toward increasing minority participation in public contracting by developing guidelines to determine whether the state has made “good faith efforts” to solicit bids from MBEs/WBEs.⁷⁸ Such determinations hinge upon whether “prompt corrective action” is taken once state officials discover certain conditions within its public sector, conditions such as discriminatory selection processes, inadequate descriptions of jobs when soliciting bids, “underrepresentation of women or minorities in training or career improvement programs,” or lack of advertisement for equal employment opportunities.⁷⁹ Once these issues have been identified, contractors’ “good faith

efforts” are observed in light of factors like whether the contractor “submitted timely compliance review reports as required” or allowed on-site compliance reviews to be conducted.⁸⁰

***385 B. Washington**

Washington developed a comprehensive plan ensuring that women-owned business and qualified minority are provided an opportunity to participate in public contracts for public works as well as goods and services.⁸¹ Washington’s plan “[i]dentif[ies] barriers to equal participation by qualified minority and women-owned and controlled businesses in all state agency and educational institution contracts[and] [e]stablish[es] annual overall goals for participation by qualified minority and women-owned controlled businesses”⁸² The plan also “[d]evelop[s] and maintain[s] a central minority and women’s business enterprise certification list for all state agencies and educational institutions[,]” “implements[] and operates a system of monitoring compliance ...” process, and “[i]nvestigate[s] complaints of violations of [RCWA 39.19.030] with the assistance of the involved agency or educational institution”⁸³

C. North Carolina

In North Carolina, state law gives deference to contractors that (1) “[c]ontact [] minority businesses that reasonably could have been expected to submit a quote and were known to the contractor or available on lists maintained by State or local governments[;]” (2) “[m]ak[e] construction plans, specifications [,] and requirements available for review by prospective minority businesses [;]” (3) “[b]reak[] down or combin[e] elements of work into economically feasible units to facilitate minority participation[;]” (4) “[w]ork[] with minority trade, community[,], or contractor organizations identified by [North Carolina’s] Office for Historically Underutilized Businesses[;] ...” (5) “[p]rovide[] assistance in getting required bonding or insurance ... for subcontractors [;] ...” (6) “waive[] credit that is ordinarily required [; and] ... (7) [p]rovid[e] quick pay agreements and policies to enable minority contractors and suppliers to meet cash-flow demands.”⁸⁴

D. Florida

The State of Florida should also be commended for its minority participation goals. F.S.A. § 255.102 focuses on “presolicitation or prebid meetings[,]” “advertis[ing] in general circulation, trade association, or minority-focused media concerning the subcontracting opportunities.”⁸⁵ Florida’s minority participation laws also consider whether contractor[s] followed up initial solicitations of interest by contacting minority business enterprises, the [Florida] Office of Supplier Diversity, or minority persons who responded and provided detailed information *386 about prebid meetings, access to plans, specifications, [the] contractor’s project manager, subcontractor bonding, ... payment schedule, bid addenda, and other assistance provided by the contractor to enhance minority business enterprise participation.⁸⁶

In addition, Florida focuses on “[w]hether the contractor diligently sought to replace a minority business enterprise subcontractor that [was] unable to successfully [perform] with another minority business enterprise.”⁸⁷

V. CONCLUSION

Not only could health care and life sciences be sustainable target industries for MDA to pursue, they could also provide target-rich environments that MDA could foster to encourage private sector investment. Focusing on these industries will become particularly important as Mississippi yearns to remain competitive while other traditional target industries begin to wane per predictive economic indicators from ratings agencies. In addition, P3s could also provide Mississippi with financial alternatives to traditional infrastructure investment by allowing for cost sharing mechanisms with ROI for both the government and private sector. In an era where state and local governments are cash-strapped, the P3 approach may be the State’s only path forward. Finally, by creating more meaningful approaches to minority participation through joint ventures

and policies that would increase the amount of minority firms in the market, Mississippi may find itself on better footing with race relations as the State celebrates its bicentennial in 2017.

Footnotes

- ^{a1} Tray Hairston is a partner at Butler Snow LLP and member of the firm's Public Finance, Tax Incentives and Credit Markets Group. Prior to joining Butler Snow, Mr. Hairston was Counsel and Policy Advisor to the Office of the Governor, where he advised the Governor on economic development and public finance matters. He also served as a Project Manager at the Mississippi Development Authority. Mr. Hairston holds a J.D. from Mississippi College School of Law, a M.B.A. from Belhaven College, and a B.A. from Tougaloo College. He served as a panelist at the Mississippi College Law Review's 2016 Symposium, entitled "Innovation, Entrepreneurship and the Law: The 'Real World' Effects of Mississippi Law on Business and Entrepreneurial Endeavors."
- ¹ See e.g., Dan Gorin, *Economic Development Incentives: Research Approaches and Current Views*, FEDERAL RESERVE BULLETIN, Vol. 93, 2007 (Feb. 5, 2009), <http://www.federalreserve.gov/Pubs/Bulletin/2008/articles/econdevelopment/default.htm> (providing that "[e]conomic development incentives--state and local government efforts to encourage economic development--are one of a limited number of tools local policymakers have for stimulating local economies. Some broad measures--investments in infrastructure (such as transportation), human capital (education, for example), and social infrastructure (such as recreational facilities)--may produce significant results over the long term. Targeted measures crafted to attract or retain businesses--usually a tax preference or financial assistance--offer the possibility of a quick payoff").
- ² See, e.g., INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL, <http://www.iedconline.org/>, THE SITE SELECTORS GUILD, <http://www.siteselectorsguild.com/>, SOUTHERN ECONOMIC DEVELOPMENT COUNCIL, <http://www.sedc.org/>, and MISSISSIPPI ECONOMIC DEVELOPMENT COUNCIL, <http://medc.ms/>.
- ³ See, e.g., Kimberly E. Smith, *The Go Zone Act: An Innovative Mechanism for Promoting Economic Recovery for the Gulf Coast*, 77 MISS. L.J. 807, 835 (2008) (noting that "[the Mississippi Business Finance Corporation's] MBFC's Industrial Development Bond (IDB) Program is designed to create jobs and promote economic development in Mississippi").
- ⁴ Site Selection firms like McCallum Sweeney, Deloitte, and The Austin Group offer their corporate clients the complete one-stop shop. Firms like those serve as consultants to corporations in the site selection process, incentive negotiation and economic analysis. For large multi-million dollar projects, confidentiality is of paramount interest to corporations to prevent incidents of industrial or corporate espionage. Site selection firms are often times chosen for their ability to protect the confidentiality of a corporation's plans for expansion or relocation. For instance, those within the economic development industry commonly refer to economic development projects by code name.
- ⁵ Each year, Southern Business & Development Magazine publishes an article entitled the "Top Ten Law Firms that Understand Economic Development." The magazine takes the perspective that, over the past decade, law firms have become increasingly aware of the reality that companies need assistance finding the best locations, identifying the best tax structures, maximizing their incentives, and constructing the most cost-effective buildings.
- ⁶ An entire industry has been created around economic development. In fact, college- and graduate-level degree programs have been created to teach students and professionals the skills necessary to help their respective communities compete in a global economy. See, e.g., UNIVERSITY OF OKLAHOMA'S ECONOMIC DEVELOPMENT INSTITUTE, <http://edi.ou.edu/> (providing more detail on the number of courses and programs offered). Law firms too have become a driving force for economic development. In the Southeast, firms have begun to provide counsel to municipalities and states for negotiations that bring large economic development projects to various regions throughout the country. The state of Mississippi spends millions of dollars to keep the Mississippi Development Authority (MDA) running. The MDA is Mississippi's lead economic and community development agency. More than 250 employees are engaged in providing services to businesses, communities and workers in the state. See

MISSISSIPPI WORKS, <http://mississippi.org/locate-here/the-mississippi-advantage/>.

⁷ Berman v. Parker, 348 U.S. 26, 33 (1954).

⁸ 545 U.S. 469, 483 (2005).

⁹ *Id.* at 470.

¹⁰ *See, e.g.*, INTERNATIONAL ECONOMIC DEVELOPMENT COUNCIL (Nov. 19, 2013), <http://www.iedconline.org/web-pages/inside-iedc/iedc-at-a-glance/> (A study of nearly 5,000 economic development professionals was conducted by IEDC, the International Economic Development Council, the world's largest organization for economic developers. IEDC worked closely with Development Counselors International (DCI), a leader in the field of marketing cities, regions, states and countries, to conduct the survey. The survey attempts to tie the issues of Main Street to Wall Street.).

¹¹ *See, e.g.*, Jere Nash & Andy Taggart, MISSISSIPPI POLITICS: THE STRUGGLE FOR POWER, 1976-2006 69 (University Press of Mississippi 2006) (providing that the non-economic resources of the state are vast. Although one of the smallest economies when compared to other states in the union, Mississippi wields a great deal of political clout.).

¹² *See, e.g.*, Brian Gongol, *The Self-Delusion of Contemporary Economic Development*, GONGOL.COM (Feb. 18, 2005), <http://www.gongol.com/research/economics/economicdevelopment/>.

¹³ *See Daimler executive: Alabama plant is 'proud story of success for Mercedes-Benz'*, MADE IN ALABAMA, (Oct. 4, 2013) <http://www.madeinalabama.com/2013/10/proud-story-of-success-for-mercedes-benz/>.

¹⁴ Dawn Kent Azok, *Alabama's Mercedes-Benz plant announces \$1.3 billion, 300-job expansion*, AL.COM (Sept.17, 2015), http://www.al.com/business/index.ssf/2015/09/alabamas_mercedes-benz_plant_a.html.

¹⁵ *Automotive*, MADE IN AMERICA, <http://www.madeinalabama.com/industries/industry/automotive/>

¹⁶ *Masters of Automotive Manufacturing. The Southeast Has Emerged As The Driving Force In Automotive Manufacturing In The United States, And Tennessee Is Its Engine*, TENNESSEE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT, <http://www.tnecd.com/industries/automotive/>.

¹⁷ *See, e.g.*, Jeff Bennett, *Continental AG To Open New Tire Plant in Mississippi*, WALL ST. J., (Feb. 4, 2016), <http://www.wsj.com/articles/continental-ag-to-open-new-tire-plant-in-mississippi-1454620330>.

¹⁸ *See, e.g.*, Larry D. Harris & Carol J. Patterson, *The Diversity Survey*, 31-SUM Construction Law 5, 45 (2011) (noting “[a]s the new national census data confirms, America is becoming more diverse.”).

¹⁹ Tavistock Group is an international private investment organization that provides capital structured for investment opportunities in a variety of sectors throughout the world. The company was founded by Joe Lewis more than 35 years ago. Tavistock has investments in more than 200 companies across 15 countries. The company's investment sectors include sports, restaurants, real estate including resort properties and private clubs, master planned communities, life sciences, finance, energy, consumer products and retail.

- ²⁰ See, e.g., Jennifer Reingold, *How To Build a Great American City*, FORTUNE Vol. 169, No. 9 (June 30, 2014), <http://fortune.com/2014/06/12/lake-nona-florida/>.
- ²¹ See, e.g., Press Release, Fitch Ratings Inc., Fitch Rates \$338MM Mississippi GO Bonds “AA+”; Outlook Revised to Negative, (November 5, 2013).
- ²² Fitch Ratings, *Fitch Rates Mississippi Dev Bank’s \$118MM Special Obs Bonds ‘AA-’; Downgrades Outstanding Debt* (July 15, 2015), <http://www.fitchratings.com/site/pr/1009029>.
- ²³ H.B. 1582 (2014) passed the Mississippi House of Representatives on February 25, 2014 with a vote of 117 to 0. The bill died in the Mississippi Senate, specifically in the Senate Finance Committee, on March 18, 2014.
- ²⁴ Robert A. Thompson, PUBLIC PRIVATE PARTNERSHIPS IN THE AGE OF ECONOMIC DISTRESS: LESSONS FOR THOSE DEALING WITH PUBLIC AGENCY AND INSTITUTIONAL PROJECTS PRESENTED WITH THE AMERICAN COLLEGE OF REAL ESTATE LAWYERS 1-3 (AM. LAW INST. 2012).
- ²⁵ See, e.g., *City of Richmond v. J.A. Croson Co.*, 488 U.S. 469 (1989).
- ²⁶ Before the Act reached the Governor’s desk, the goal was to focus only on communities/counties that had over 375 acute care hospital beds. Those communities are Lauderdale, Rankin, Hinds, Lee, Forrest, Desoto, Jackson, and Harrison. An amendment was offered at the end of the 2012 Mississippi Legislative Session that increased the number of Health Care Zones in Mississippi [Video and audio of the amendment can be viewed and heard here - <http://www.youtube.com/watch?v=6tkLFGdeB9g&feature=youtu.be>] and found at MISS. CODE ANN. § 57-117-5(1)(a)(i). The amendment provides that a county can also participate as a Health Care Zone enabling it to reach up to 375 beds by using 3 contiguous county language. For example, Hinds County and Rankin County have well over 375 acute care hospital beds. Madison County which borders those two counties does not. As a result of the amendment which is a part of the Act, Madison County and many other similarly situated counties can qualify to be Health Care Zones as well.
- ²⁷ MISS. CODE ANN. § 17-29-7 (“[t]he accelerated depreciation deduction shall be computed by accelerating [the] depreciation period required by Title 35, Part III, Subpart 5, Chapter 4, Mississippi Administrative Code, to a five-year depreciation period[.] ...” Chapter 4 on depreciation cites Mississippi Code § 27-7-17(1)(f); MISS. CODE ANN. § 27-7-17(1)(f) (“[a] reasonable allowance for [the] exhaustion, wear and tear [and obsolescence] of property ...” of income shall be allowed as a depreciation deduction). The allowance is that amount which should be set aside for the taxable year in accordance with a consistent plan, so that the aggregate of the amounts set aside will equal the cost or other basis of the property. The allowance shall not reflect amounts representing a mere reduction in market value. Mississippi will follow Federal depreciation guidelines as are not deemed contrary to the context and intent of Mississippi Law. MISS. CODE ANN. § 27-65-101(pp) (sales tax exemption for equipment and materials purchased from the date of the project’s certification until three months after the facility is completed); MISS. CODE ANN. § 27-31-104 (fee-in-lieu of property taxes); MISS. CODE ANN. § 27-31-101(j) (ad valorem tax exemption - not state ad valorem taxation, school district - for 10 years for any certified project with an investment of more than \$10,000,000 or 25 jobs at the city or county’s discretion).
- ²⁸ Barry Bluestone & Alan Clayton-Matthews, *Life Sciences Innovation as a Catalyst for Economic Development: The Role of the Massachusetts Life Sciences Center* 5 (March 2013), https://www.tbf.org/~media/TBFOrg/Files/Reports/LifeSciences_%C6%92.pdf.
- ²⁹ See Justin Vicory, *Coast ‘medical city’ at Tradition one step closer*, SUN HERALD, Aug. 4, 2016, <http://sunherald.com/news/local/article93856187.html>.

30 *Housing Tax Credit Program 2013 Qualified Allocation Plan*, STATE OF MISSISSIPPI MISSISSIPPI HOME CORPORATION, (Feb. 7, 2013) [hereinafter *Housing*].

31 U.S. CODE ANN. § 1400I(e)(2) (2000).

32 *See* MISS. CODE ANN. § 43-33-701 (1989); MISS. CODE ANN. § 43-33-702 (1991).

33 *Housing*, *supra* note 30, at 18.

34 *Id.*

35 *Id.*

36 *Id.*

37 Memorandum from Tray Hairston, Associate Counsel & Policy Advisor to Governor Phil Bryant to Official Health Care Zone Master Plan Requirements for 2013 QAP (Mar. 8, 2013) (on file with author).

38 *Id.*

39 *Id.*

40 *Id.*

41 *Healthcare Zones*, MHSI BLUEPRINT MISSISSIPPI HEALTH CARE <http://www.msmec.com/mississippi-healthcare-solutions-institute/healthcare-zones>.

42 *Id.*

43 Mississippi Health Care Zone Master Plans are public-private partnerships similar to those used at the Research Valley Biocorridor in Texas and Texas Medical Center. Ultimately, Health Care Zone Master Plans are blueprints for local economic development directors to create jobs and will require participation from both the public and private sectors.

44 HAIRSTON, *supra* note 37 (emphasis omitted).

45 *See, e.g.*, RVPadmin, *One Health Plus Biocorridor Open for Business*, RESEARCH VALLEY PARTNERSHIP (July 1, 2011), <http://researchvalley.org/in-the-news/one-health-plus-biocorridor-open-for-business/>.

46 *Id.*

47 *See, e.g.*, REINGOLD, *supra* note 20.

48 *Id.*

49 *See generally id.*

50 *See generally id.*

51 *See generally id.*

52 *See generally id.*

53 *See generally id.*

54 AICP, the American Planning Association's professional institute, provides recognized leadership nationwide in the certification of professional planners, ethics, professional development, planning education, and the standards of planning practice.

55 *See supra* note 23.

56 *Id.*

57 *Id.*

58 *Id.*

59 *Id.*

60 *Id.*

61 *Id.*

62 *Id.*

63 *Id.*

64 *Id.*

65 *Id.*

66 *Id.*

67 *Id.*

68 *Id.*

69 THOMPSON, *supra* note 24, at 1.

70 Mary Beth Corrigan, Jack Hambene, et. al., *Ten Principles for Successful Public/Private Partnerships* (2005), <http://uli.org/wp-content/uploads/2005/01/TP/Partnerships.pdf>.

71 Michael Bradshaw, *P3s Tax Exempt Bonds*, BUTLER SNOW PFI BLOG, <http://www.butlersnow.com/2016/06/p3s-tax-exempt-bonds/>.

72 Pete Trolio, *Economic Development PPPs Gain Steam*, TWITTER, (Oct. 2, 2015), <https://devex.com/news/economic-development-pps-gain-steam-87037#.V9YK4WOPF6Q.twitter>.

73 *See, e.g., Report shows state lags in contracting with minorities*, Jackson Advocate, <http://www.jacksonadvocateonline.com/report-shows-state-lags-in-contracting-with-minorities/>.

74 Miss. CODE ANN. § 57-75-1 *et. seq.* (1989).

75 Memorandum of Understanding Among Nissan North America, Inc., the State of Mississippi, and Certain State and Local Supporting Governmental Entities. Dec. 5, 2000, at 4.

76 *Id.*

77 *Id.* at 7.

78 MINN. R. 5000.3570 (2016).

79 *Id.*

80 *Id.*; *See generally* MINN. R. 5000.3580 (2016).

81 Wash. Rev. Code. Ann. § 39.19.030 (1996).

82 *Id.*

83 *Id.*

84 NORTH CAROLINA CONSTRUCTION LAW § 2:56.

85 FLA. STAT. § 255.102 (2007).

⁸⁶ *Id.*

⁸⁷ *Id.*

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