



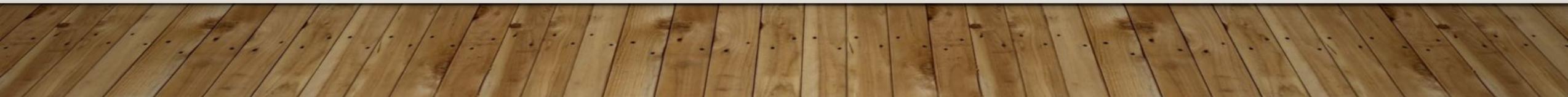
CREATING ACCESS AND OPPORTUNITY FOR MINORITY-OWNED BUSINESSES AND PEOPLE OF COLOR ON CONSTRUCTION PROJECTS

May 29, 2019 9:00am – 4:00pm
Urban Edge
1542 Columbus Ave
Roxbury, MA 02119



WELCOME

“You could've been anywhere in the world but you're here with me, I appreciate that.” – Jay Z





AccessAndOpportunity.org

Introductions

- Name.
- Organization / affiliation.
- Briefly describe your role in creating access and opportunity for MBEs and people of color on construction projects and/or why you decided to be here today.
- One of your favorite places to eat in Greater Boston and why?
- One book recommendation.



Objectives

- Understanding how to distinguish between reasons and excuses for construction projects not meeting MBE or people of color worker hour goals.
- Understanding the system in which you are operating.

Objectives continued

- Understanding how to set ambitious yet achievable goals for MBEs and people of color workers.
- Understanding the key stakeholders involved in a construction project and how they can affect MBE and people of color worker hour goals being met.



Objectives continued

- Understanding the difference between union and non-union construction as it relates to MBE and people of color participation.
- Understanding the use of best-practices for meeting MBE and people of color worker hour goals.

Process

- More of a conversation than a traditional training.
- Ask questions whenever they come up → if not directly related to the current topic or if it will be covered later, we will “parking lot” the item.

Outcomes

I hope that everybody here leaves today with:

- A clear understanding of why this work is important.
- A better understanding of the work.
- Some strategies to implement on your projects.
- Resources to help you get there.

Expectations

- Be present.
- Be honest.
- Ask the tough questions.

Expectations

What are your expectations
for today?



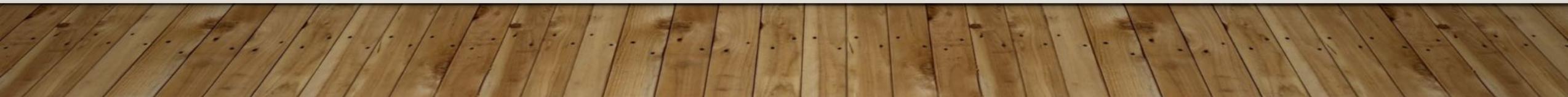
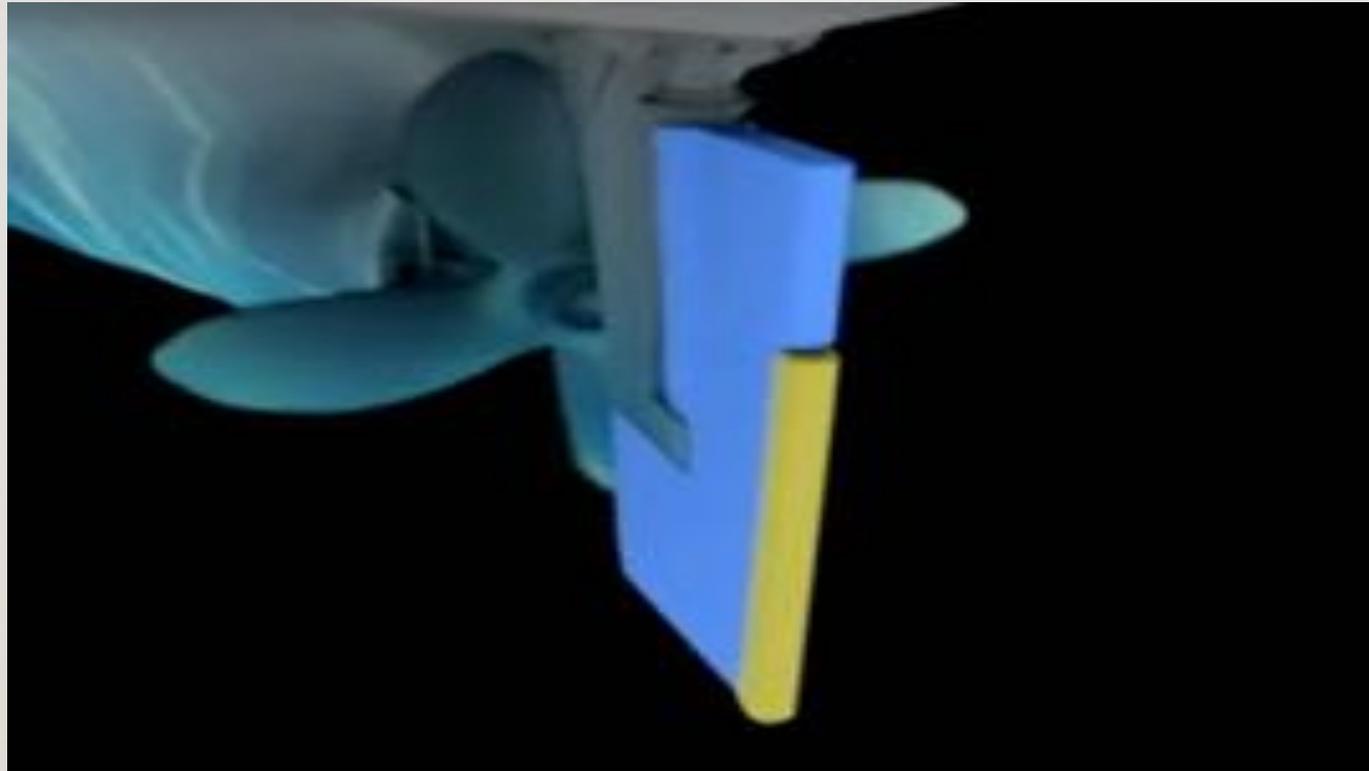
Trimtab Principle

via Greg Watson

Buckminster Fuller used the image of a large oceangoing ship traveling at high speed through the water to explain the trimtab principle. Imagine the ship is a large system you are trying to reform. The mass and momentum of the vessel are enormous. It's analogous to the power and influence of the existing system has built up over the years.



Significant force (energy) is required to turn its rudder and change the ship's direction. Similarly it can take a lot of political and financial capital to change the policies and/or direction of big government or big business.



Most community-based groups don't have access to that kind of capital or influence. Back to our ship: In the past some large ships had, at the trailing edge of the main rudder, another tiny rudder – the trimtab. By exerting a small amount of pressure, one person could easily turn the trimtab. The trimtab then turns the rudder, and the rudder turns the ship.



Every system (including governments, businesses, construction projects, etc.) has one or more places where trimtabs can leverage significant systemic change without the need for large expenditures of capital or energy.



Why is this work so important?

(question for the whole group)

Access to Capital

(via DCAMM Disparity Study)

- **The loan denial rate for African American-owned businesses is 44.3 percentage points higher** than that for nonminority male-owned firms.
- **African American-owned firms are 24 percentage points more likely than nonminority male-owned firms to have their loan application denied** even after controlling for the multitude of factors we have taken into consideration. (*176 variables.)

Access to Capital

- Estimates indicated that **African American-owned firms pay rates of interest that are roughly one percent (100 basis points) higher than similarly situated nonminority-owned firms**, while Hispanic-owned firms pay roughly 50 basis points more than similarly situated nonminority-owned firms.

There is little evidence in the 1993 national data, however, that denial rates for firms owned by Native American or Hispanics were significantly different from the denial rates of firms owned by non-minorities.



The availability of MBEs in MA

- Availability of Minority-owned businesses as a group is between 3.99 and 4.00 percent.
- Availability of African American-owned businesses is between 1.66 and 1.67 percent.
- Availability of Hispanic-owned businesses is between 1.26 and 1.28 percent.
- Availability of Asian/Pacific Islander-owned businesses is between 0.69 and 0.72 percent.



Disparity Study of MBE usage in MA

The disparity ratio is derived by dividing utilization by availability and then multiplying that result by 100.

A disparity ratio below 100 indicates that M/WBEs did not participate in Division of Capital Asset Management and Maintenance (DCAMM) contracting and subcontracting at a level that is consistent with their estimated availability in a given area.



A disparity ratio is said to be substantively significant, or large, if its value is approximately 80 or less.

*A disparity ratio is said to be statistically significant if it is unlikely to be caused by chance alone.

In construction, adverse disparities are observed for firms owned by African Americans, Asian/Pacific Islanders, and Native Americans. These disparities are all large.



Again, a disparity ratio is said to substantively significant, or large, if its value is approximately 80 or less.

**A disparity ratio is said to be statistically significant if it is unlikely to be caused by chance alone.*

Disparity Ratio (dollars paid):

African American firms = **75.3**

Asian/Pacific Islander firms = **76.1**

Native American firms = **5.3**



By contrast Hispanic firms disparity ratio = **186.0**

What does this tell us?

Construction projects are **relying exceptionally heavily on Hispanic-owned firms to meet MBE goals** and are not giving African-American, Asian/Pacific Islander, or Native American firms an equal opportunity.



Statewide between 2010 – 2015

(via DCAMM Disparity Study)

- **MBEs totaled 4.33%** of construction dollars paid.
- Non-M/WBE aka **white male owned firms totaled 85.52%** of dollars paid.

Boston FY18

(via Hearing Regarding Equity In City Of Boston Contracts, May 2019)

- **MBEs totaled .65%** of total dollars expended on procurement contracts. (includes professional services)
- Non-M/WBE aka **white male owned firms totaled 98.61%** of dollars expended on procurement contracts. (includes professional services)

Boston FY19 Q1

(via Hearing Regarding Equity In City Of Boston Contracts, May 2019)

- FY19 1st Quarter **MBEs totaled .91%** of total dollars expended on procurement contracts. (includes professional services)
- Non-M/WBE aka **white male owned firms totaled 98.21%** of dollars expended on procurement contracts. (includes professional services)

**Challenges MBEs face in the industry /
areas of opportunity for us to help**

What challenges do you think MBEs face?

What have you experienced?

What do you think?

(small groups time permitting)



- A lack of strong back offices.
- Cash flow – MHIC factoring program, prompt-pay by contractors like NEI.
- Access to capital – touched upon earlier.
- “I can’t find MBEs” – coming up + database.



- Bonding – do you have some ideas?
- MBES cost more → Estimating and scope – do you have some ideas?
- Discrimination – (anecdotal) a majority contractor makes a mistake and is often given another shot, an MBE makes same mistake, they are often not given another shot.
- Late notice on opportunity to bid – MHIC/MMCA MOU + database.





The lay of the land

Understanding the system in which you are operating



What are some factors that can contribute to MBE and people of color participation on a construction project?

(small groups time permitting)



- Be mindful of how many MBEs are within a reasonable distance of your project / have the capacity for the scope.
- Where are you entering the conversation? Has the GC been selected? How many sub-contractors bought out?



What is outside your control?

- Project location.
- Goals/expectations from someone on project team.
- Prior relationships w/MBEs.
- The industry (example – we are in a construction boom in Boston).
- What else?

Trimtab = know the lay of the land so that you can maximize MBE and people of color participation while being reasonable and data informed.



The Players, their role/s, and their influence on a project



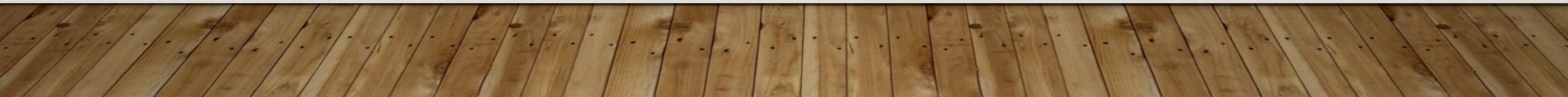
- Know your construction team.
- Understand your GC's prior history with MBE and people of color worker goals/expectations and their relationships with MBEs.
 - A) How do they go about the bid process? Do they only email bid invitations?
 - B) What MBE database are they using, if any? The State's?



Who are the players and how can they help you achieve your MBE and people of color goals/expectations?

(small groups time permitting)

Finance team	Community activists
Developer	Residents
Owner	Non-profits
General Contractor	City ordinances / elected officials
Sub-contractors	Others?



Trimtab = knowing who can help you achieve
you MBE and people of color worker
goals/expectations and how they can help you.

Reasons and Excuses

Distinguishing between reasons for not meeting MBE and people of color goals and **excuses for** not meeting MBE and people of color goals is key to knowing when to push and, when to pull back a bit and compromise.



Reasons and Excuses

What are some reasons or excuses that you have heard from contractor's not being able to meet your MBE or worker hour goals/expectations?

(small groups time permitting)



Examples of reasons and excuses

- MBEs cost more.
 - We can't find MBEs.
 - Low MBE response to our bid invitation.
 - They (MBEs) are too busy.
 - But they (MBEs) have never done a project this large.
- *You can't grow unless you do more than you've done before. – Dan Cruz*

Union and non-union construction

A very brief, and incomplete, 60,000ft overview

**But first, What have you heard about
the two?**



Union

- **Not many MBE firms**
- Some of, if not the best, pay, benefits, and retirement.
- A long history of being “an old boys club” for white men and not welcoming to people of color and MBEs.
- But...

“The building trades for a long time has not provided the intentional efforts to make sure that equity is met in our industry. The building trades unions are committed to access to wages and benefits but for a hundred years it was for very few people, it wasn’t for everyone. The past is shameful and over the past few years we are doing our best to change the history because we have a team in place that is committed to making things better for every person. So, we are here today to say we own our history. I think we have an incredible team in this room today and a much larger team outside this room who are still working that are focused on creating greater equity for everyone.”

- Brian Doherty, general agent of Boston’s union building trades

November 30th, 2018, Boston City Council hearing on the establishment of a commission for economic justice in the City of Boston



- General Agent Brian Doherty and many of his union leaders are actively working to increase the diversity of their ranks. People of color and women are beginning to be appointed to leadership positions within some locals.
- The International Union of Painters and Allied Trades District Council 35 and the Painters and Glaziers Employers Association of New England have partnered with Madison Park Technical Vocational High School to create a program that allows students to earn college credits and reach 2nd- or 3rd-year apprenticeship status while completing their high school degree.



- Programs like *Operation Exit* are working with young people returning from incarceration and exposing them to careers in areas like the building trades; *Building Pathways* helps low-income Boston residents, particularly those in underserved communities, access union construction careers.
- Outkast Electrical Contractors, one of Boston's premier minority business enterprises (MBE), recently joined IBEW Local 103. An MBE joining the union might not seem like a big deal, but in Boston it is. Historically, unions have not prioritized the recruitment of MBE members.



Non-union construction

- The vast majority of Greater Boston MBEs are non-union.
- Historically welcoming to MBEs.
- Inconsistent pay, benefits, and retirement packages (some amazing, others not so much).
- Less protection for workers → wage theft.

NEI General Contracting

NEI was founded in 1998 on the principles of **integrity**, **experience** and **diligence**. Honest, principled dedication to our clients and our work is what both defines us and separates us from our competitors. Our clients come first; and our unmatched industry experience influences NEI's clear efficient path to success.



Suffolk

Our vision is to “transform the construction experience by building smart.” Because we believe if there’s a better way, we’ll find it. We’re always challenging the norm and pushing the boundaries of what is possible. At Suffolk, to constantly innovate is a pledge and promise we make to our clients, partners and communities. And ourselves. Building smart is in our soul. It’s who we are and how we work. And it’s an approach that is transforming the construction experience. One project at a time. We’re talking about a revolution here. Join us.

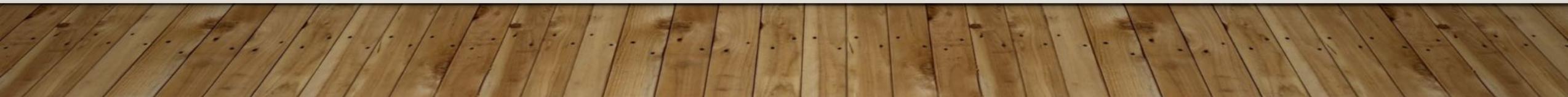


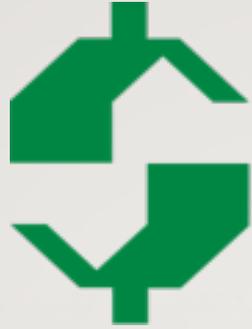
***The best, best-practice for maximizing
MBE and people of color participation on
construction projects is **selecting the right
general contractor.*****



**What are some best-practices that
you have utilized or heard about?**

(small groups time permitting)





Massachusetts
Housing
Investment
Corporation

**MHIC recommends the following best practices to help
achieve the highest level of MBE participation:**

- Communicate bid deadline to MHIC.
- Provide MHIC with a project outline that details the total value of each subcontract.
- Communicate to MHIC trades where there might be difficulty identifying qualified MBEs.



- Work jointly with MHIC to outreach to and solicit bids from MBEs using MHIC's MBE database.

A) We ask that the GC send out the bid invitation to the entire MHIC MBE database (cast a wide-net and let MBEs decide whether they want to bid) and;

B) MHIC will also send the bid invitation to the entire MHIC database.

- Provide MHIC with a breakdown detailing subcontractors response to bid opportunity, indicating which of those subcontractors are MBEs.
- Provide MHIC drafts of the bid list as it is updated.
- Once finalized, provide MHIC with the final bid list for review before contracts are awarded.



*Not on MHIC's list but worth mentioning –

- Breaking up contracts into smaller parts, particularly on large scopes/contracts

Other items

- Prevailing Wage
- Wage Theft
- The Compliance Mentor Group



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