

Detroit sees surge in minority demo contracts after Freep investigation

Kat Stafford, Detroit Free Press Published 6:00 a.m. ET Oct. 31, 2018 | Updated 10:32 p.m. ET Oct. 31, 2018

Detroit has seen a surge in city-funded demolition contracts awarded to minority firms, four months after a Free Press investigation showed that the Detroit Land Bank's federally funded demolition program lacked diversity among its pool of bidders.

Within the past 90 days, \$4.8 million, or more than half, of the \$8.7 million awarded in those contracts have gone to minority firms. About \$2.4 million went specifically to black-owned companies.

Those numbers are a significant improvement in comparison to the first 90 days of 2018, where just 18 percent, or slightly more than \$1 million, of the \$5.6 million in city-funded contracts went to minority firms. Just 11 percent went to black-owned firms.

From April 1 to June 30, about 43 percent, or \$1.6 million, of the total \$3.6 million awarded went to minority firms, and of that, 20 percent went to black-owned companies.

To date, about 32 percent, or \$26.4 million, of the more than \$81.7 million spent on city-funded demolitions across Detroit have been performed by minority firms since 2014. About 19 percent of the work has been done by black-owned companies.

The totals paint a slightly improved picture in comparison to the Detroit Land Bank demolition program, which has struggled to increase diversity among its contractors since Mayor Mike Duggan began his aggressive effort to tackle blight across the city.

The Free Press' June investigation specifically examined demolitions performed via the Land Bank from the start of 2014, when it first began to receive federal Hardest Hit Fund dollars. But a significant amount of demolitions in Detroit are also performed using city dollars.

The investigation of the Land Bank program revealed that while its demolition efforts had been fueled by more than \$148 million at the time, only 26 percent of that work had gone toward minority-owned companies.

Of that number, just 16 percent of the federal Hardest Hit Fund money disbursed for the program went to black-owned firms, raising concerns among some city leaders who have argued more minorities and Detroiters who own qualified firms should have access to the lucrative contracts.

While officials still contend it is hard to increase diversity on the federal side of the program because of state and federal regulations, the city has been able to create more opportunities on

city-funded contracts by using a geographic preference rule that gives local companies additional points during the bidding process.

"The city side, we have less rules and it's an opportunity we can create within the program," said Detroit Building Authority Special Projects Director Brian Farkas.

According to a Free Press analysis of city demolition records as of Oct. 26:

- Minority companies have torn down more than 1,799 properties across Detroit using city dollars, or about 40 percent of 4,240 structures since 2014. The June Free Press investigation found about 26 percent — or roughly 2,800 Land Bank demolitions — were awarded through June to minority-owned companies.
- As of Oct. 26, more than \$18.7 million has been spent on city demolitions this year. Nearly 36 percent, or \$6.7 million, has gone to minority-owned firms. About 18 percent, or \$3.3 million, of that figure has been awarded to African-American owned companies.
- The two companies to receive the most contracts within the past 90 days were minority-owned: The Asian-owned DMC Consultants which was awarded \$2.3 million in contracts, and Gayanga, which is black-owned, has been awarded more than \$2.1 million in contracts.
- In comparison, in 2017, only one firm within the top five performers was a minority owned firm — Rickman, which received \$2.2 million. Neither DMC or Gayanga ranked in the top five last year.

Despite an uptick in minority participation being seen only in recent months, Farkas attributed it to measures put in place over the years by the administration. But he also noted a recent effort to push companies to become certified with the city's civil rights office.

Farkas said the city is also looking at additional ways to further increase participation.

"This goes back to we've got two relatively new minority business enterprises," Farkas said, mentioning the black-owned Gayanga and Leadhead. "...These two are driving a lot of the success we're seeing today. ... What you're seeing, that doesn't happen over a couple months or years."

When Brian McKinney launched his construction engineering firm Gayanga Co. two years ago, a clear goal emerged: He wanted the company to be a jobs generator for Detroiters.

"The blight, it's in the neighborhoods," McKinney said, recalling when a child ran up to his truck, eager to learn about the company. "When there are kids on the block in the summer, they see us, someone who looks like them, in the community and they see Detroiters. It pushes back on what they see at times in terms of imagery. Often, in the neighborhoods we work, the only example of success is the fleeting version of what the 'streets' offer. The look on their faces makes the challenges and work all worth it."

The 2-year old Detroit-headquartered company, whose workforce is heavily comprised of Detroiters, has grown rapidly since 2016. It has become one of the top firms performing demolition work for the City of Detroit — jumping from \$450,000 in revenue in 2017 to being awarded nearly \$7.9 million in city-funded work so far this year.

"I think Gayanga, they've done very well and if you look at their performance over time we expect them to be a very large producer in the city," Farkas said. "They're an example of Detroiters taking advantage of the opportunities we're trying to create. It's the kind of culture the mayor wants us to have — Detroit being built by Detroiters."

More than 95 percent of the company — which has performed more than 170 demolitions in Detroit — is comprised of minorities and about 85 percent of its total employees are Detroit residents, a goal that McKinney and co-founder Jerry Sowell set early on.

"It's really about the city, helping it grow and taking it to new levels," Sowell said. "We want to be a part of that."

McKinney said he believes it's an "urban myth" that it's hard to find or get Detroiters prepared for skilled trades jobs, which he says is evidenced by his own workforce.

The company is also the only firm within the demolition program to be certified as a Detroit resident business, which means at least 51 percent of its employees are "bona fide Detroiters." McKinney, who said his company also operates as a tech startup, has used internal data and software to be more competitive within the demolition program.

The company also recently established a joint venture with Emerging Industries Training Institute, which is located on the city's east side at the Samaritan Center, to expand workforce training opportunities for city residents. The joint venture will open a new training location on the city's west side early next year.

"We have Detroiters across the board from our engineering team to estimating team and our field team," McKinney said. "Detroit's a predominantly African-American city ... and historically as African-Americans, we've had challenges obtaining employment and advancement in a number of job sectors."

But while the number of minorities obtaining contracts has increased on the city side, concern remains over whether local companies are actually receiving an equitable amount of the contract dollars.

Despite the surge in contract awards among minorities, more than \$55 million of the total \$81.7 million in city contracts have gone to nonminority companies.

In 2017, more than \$19 million was spent on city-funded demolitions. Of that amount, 24 percent, or \$4.5 million, went to minority-owned companies. Just 14 percent, or \$2.7 million, went to African- American companies.

"Demolitions contracted directly with the City of Detroit may, in fact, have a more diverse pool of contractors but there are not enough measures in place to ensure that an equitable amount of the funds available for demolition are going to Detroit-headquartered and -based businesses," said Council President Pro Tem Mary Sheffield, whose district has had the most city-funded demolitions occur since 2014.

And on the Land Bank side, it remains hard for minority and newer companies to break into the program.

While Gayanga has found much success and was initially awarded more than \$441,000 in Land Bank work, it's still unable to bid in the federal program because of a clarification from the Michigan State Housing Development Authority that requires companies to have five years of experience in order to participate.

In a statement earlier this year, the Michigan Homeowner Assistance Nonprofit Housing Corporation, which administers Hardest Hit funds from the U.S. Department of the Treasury, said it implemented the five-year rule "to ensure we have experienced and financially stable contractors (organizations) working the program and need this due to the volume of work that they could be managing."

Detroit City Council members Janeé Ayers and Roy McCalister questioned earlier this summer what type of impact the rule has had on minority and smaller companies that are trying to break into the program.

"Gayanga is here and they're at the table and we see them quite often winning the bids but it took a whole lot for them to get here," Ayers said during a July Public Health and Safety Committee meeting discussion spurred by the Free Press report. "Let's not forget the road they traveled to get here. We don't want anyone to be on that road still. Let's pave the road."

Gayanga was the only company within the demolition program directly impacted by the rule change.

But McKinney credited Duggan and his procurement team for working to get the company qualified on the city side.

"Being provided the opportunity to participate and bid like everyone else opened the door for us to win bid openings and hire Detroiters," McKinney said. "The DLBA process was extremely challenging for us. It's a sore spot, of course. But I've heard nothing but good things about (DLBA Executive Director) Saskia Thompson and her decision to outsource qualifications and bid openings seems promising. So I'm optimistic that things are going to improve."

In September, Sheffield announced an aggressive plan that would require city-funded contracts, including demolitions that meet a certain threshold, to have a workforce comprised of at least 51 percent Detroiters.

Duggan already has an executive order on the books outlining workforce requirements, but Sheffield's proposal seeks to "significantly lower" the \$3-million threshold for those requirements to kick in; it explicitly includes demolition work and adds more oversight. The workforce ordinance was created partially in response to the Free Press investigation. The ordinance is under discussion in committee.

"It's particularly troubling that most of the (demolition) contracts individually do not trigger the executive order related to the requirement of 51 percent of the jobs going to Detroiters, although the aggregate amount of contracts for most contractors exceeds the \$3-million threshold," Sheffield said.