

Nashville firms owned by minorities, women far less likely to get Metro contracts: new study

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Firms owned by minorities or women are significantly underutilized in Metro Nashville government, according to a new disparity study that sheds fresh light on a contracting problem that has existed in the city for years.

City consultants found that companies owned by minorities or women receive vastly fewer prime contracts in Nashville than how many minority- or women-owned companies are available in a particular field.

African-American-owned firms, Latino-owned firms and those owned by Caucasian women each meet statistical definitions for "significant under-utilization" in all prime contracting categories reviewed: construction, architectural and engineering, other professional services and non-professional services.

Companies owned by Asian-Americans and Native-Americans face disparity in most of these same fields for prime contracts.

Numbers 'unacceptable,' mayor says

The Metro-commissioned study, performed by the Atlanta-based consulting firm Griffin & Strong, was released Monday before a special council Budget and Finance Committee meeting. It's the first disparity study the city has undertaken since 2005.

"We've determined that race and gender neutral programs alone will not resolve the disparities," said Michele Clark Jenkins, project manager for the study.

She said that disparities have persisted even after Metro's 2008 adoption of the procurement nondiscrimination program, which encouraged city officials to use more inclusive purchasing procedures.

Minority- or women-owned companies in Nashville cumulatively receive 16.54 percent of all dollars spent on prime city contracts in Nashville, the study says, with women-owned firms, accounting for nearly half of that figure, 8.1 percent overall.

In addition to the prime contract disparities, the study also found significant underutilization among subcontractors. But because the city does not fully track the availability of minority-owned and non-minority owned subcontractors, the study relied on a questionnaire to prime vendors to track subcontracts.

Before the study had even been released, Mayor David Briley issued a statement saying the numbers confirm disparities within Metro's procurement process.

"These results, while not surprising, are unacceptable," Briley said.

The findings, which are similar to figures from a preliminary procurement review conducted last year, comes as minority contracting is under the microscope as the city prepares to construct a \$275 million Major League Soccer stadium at the fairgrounds.

African-American-owned firms receive just 3.5 percent of all city contracts

Some of the largest disparities exist with companies owned by African-American firms — many of whom have for years said they don't receive their fair share of city contracts.

The study found only 3.49 percent of city funding spent on prime contracts go to African-American-owned firms, far less than how many are available.

The review considered firms being available for construction or architecture and engineering contracts if they are in the Nashville area. The definition widened for other contracting areas to include firms in other states.

Firms owned by African-American receive 5.54 percent of Metro funding spent on construction-related contracts, when 10.10 percent of available construction firms are owned by African-Americans.

The disparity is more severe in other categories: Only 0.30 percent of dollars spent in architecture or engineering went to African-American firms even though 10.19 percent of firms in that field are owned by African-Americans.

For other professional services, African-Americans-owned firms received 0.49 percent of city dollars spent on contracts, even though 20.61 percent of the available firms are owned by African-Americans. In non-professional services, 8.1 percent of money for contracts went to African-American-owned firms despite 19.3 percent of all available firms in that category being owned by African-Americans.

African-American-owned firms received only 0.62 percent of contracts for goods even though they account for 7.14 percent of all firms for goods.

Minority- or women-owned status reduces chances at subcontracts

The report made several observations on the city's disparity:

- Minority-owned businesses were more likely to have never served as a prime contractor in Metro than non-minority-owned businesses. But the same is not true for firms owned by women.
- Status as a minority- or women-owned business reduces the number of subcontracting opportunities available in Metro Nashville.
- If not for their status as a minority- or women-owned business, many of these firms would secure more prime contracts in the Metro Nashville market area.

Anecdotally, the study found small firms have difficulty competing for contracts and are "unfairly stereotyped" as unable to do the work and lacking capacity. Minority- or women-owned businesses are often contacted for fulfill "good faith efforts" but not actually contracted or even considered.

In addition, the study heard reports about Metro's bidding process being too lengthy and expensive with excessive amounts of paperwork, dissuading some firms from placing proposals.

Mayor to release disparity 'action plan' in October

Council members, including African-American members Scott Davis, Erica Gilmore and Jonathan Hall, each took turns Monday pressing the administration on how the city intends to fix the problem.

Ashford Hughes, the mayor's chief diversity officer, said the disparity study will help the city look at best practices for contracting. He said it's important the city begin reviewing the issue more frequently, perhaps every five years, moving forward.

In terms of outreach to minority-owned companies, Hughes said the administration has been working with the city's minority local chambers of commerce and the mayor's Minority Business Advisory Council.

The report includes 10 recommendations, all of which Briley said he's ready to move forward on. They range from increased resources and training and better communication to creating subcontracting goals. He said he's directed his administration to work with community, business and city stakeholders to take these steps.

Briley also said his administration intends to release an "action plan" to reduce procurement disparity next month.

"As I talk about often, my administration is committed to ensuring all Nashvillians can equitably participate in our city's success and growth," Briley said. "To this end, we must focus on addressing long-standing systemic issues. Our procurement process should — and will — reflect this commitment."

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