

The truth about Cincinnati's minority hiring: Out-of-towners get the contracts

Dan Horn and Sharon Coolidge, Cincinnati Enquirer

Published 6:19 a.m. ET Oct. 31, 2017 | Updated 12:38 p.m. ET Oct. 31, 2017

Companies owned by minorities and women are doing more business with the city of Cincinnati this year because of a new program that gives them a better shot at contracts.

But there's a catch: Most of those companies aren't based in Cincinnati.

Firms from Mason, Blue Ash, Middletown, West Chester Township, Lockland and other suburbs have collected more than \$13 million so far this year from contracts signed under Cincinnati's small business inclusion program, an Enquirer analysis found. That's almost 80 percent of the \$16.7 million spent under the inclusion program this year.

City leaders, most notably Mayor John Cranley, have touted the program as a means to bolster Cincinnati's economy and open city business to firms that have been shut out for decades.

It's a powerful election-year issue in a city where minority- and women-owned businesses have complained for years about a city contracting system dominated by a "good old boy network."

The inclusion program appears to be changing that system. City payments to minority- and women-owned firms this year already are \$5 million higher than in all of 2016 – an increase of more than 40 percent.

"It's a tremendous success," Cranley said. "The goal of significantly increasing contracts for African-American and women-owned companies has eluded previous administrations for decades. We promised we'd do something about it and we did."

But some question the value of a program that sends city taxpayer dollars primarily to companies outside the city, where they don't pay Cincinnati taxes and may be less likely to hire city residents.

Hiring outside firms through the program is legal as long as they have an office somewhere in Hamilton County, but city taxpayers are covering all the costs.

They paid \$1 million for a study that formed the basis of the inclusion program and they pay another \$1.4 million a year to run it with a full-time staff of 12 employees.

"I don't believe it's working here the way it could or should," said City Councilman Wendell Young, a frequent critic of Cranley's oversight of the inclusion program. "In the city of Cincinnati, minority firms get so little work. That is a real failure of outreach."

Going outside the city to find contractors, minority or otherwise, isn't unusual. Big construction companies, especially, often require more space than they can find in the city for warehouses and equipment.

City officials, however, can't say whether contracting for the inclusion program has a greater percentage of companies from outside Cincinnati than city contracts overall.

The city also has not provided numbers that would show how the increase in inclusion program contracts compares to overall contracting. The Enquirer and some members of council have asked for the numbers, but city officials have said they are not available.

Without those numbers, it's impossible to determine whether minority contracts actually make up a greater share of total contracts.

This year, for example, the city is spending almost \$10 million on a street reconstruction program that has bumped up spending for many construction contractors. At the same time, the big increase in inclusion spending this year is tied almost exclusively to construction.

C.A. Threatts, a minority-owned company in St. Bernard, added about \$1 million in city contracts to its bottom line this year. Gridstone, a Montgomery-based minority firm, went from zero to \$800,000.

"There are some good minority contractors out there that just never get the chance," said Carlton Threatts, owner of C.A. Threatts. "Mayor Cranley gave me a chance through this program."

He said work on the city's street repaving program helped him buy new equipment and hire nine new employees, almost tripling his work force. Threatts said most of those new hires are Cincinnati residents.

But is the inclusion program's good year part of a long-term trend, or is the program the beneficiary of one-time spending on street repairs that's a boon to all contractors?

Cranley and City Manager Harry Black are confident the program is built to last. "We have leveled the playing field," Black said. "This administration has been able to do what no other administration has been able to do."

The effectiveness of the program has become a major point of contention in the mayor's race, which pits Cranley against Councilwoman Yvette Simpson.

One of Cranley's talking points is that the program is part of his fight for "fairness and inclusion in our city." As proof, he points to a 17 percent increase last year in the value of contracts awarded to minority firms.

Simpson, though, said those contract awards don't always result in spending because projects can change and budgets can be cut.

The Enquirer's analysis of 2016 and 2017 contract numbers – received in response to public records requests – focused on actual spending, rather than awards. It found most of the contract dollars paid to minority- and women-owned firms are concentrated at the top: The five biggest contracts account for 40 percent of the money paid this year to companies in the inclusion program.

About one-third of the 105 participating companies received less than \$10,000.

"That's not true inclusion," Simpson said. "For me, it's about more people getting more opportunity and not that you have a few favorites."

She questions whether the program is impacting the minority community the way the administration says it is. The number of African-American firms receiving contracts increased by six over the past year, while companies owned by white women increased by 19.

About 60 percent of those contracts and 80 percent of total dollars went to companies outside the city.

One of those companies, Diversified Supply Inc., is based in Alabama but sells electrical supplies to the city out of a warehouse in Symmes Township. The company has been paid \$345,000 through city contracts this year.

Dan Anderson, Diversified Supply's owner, said his company employs five local workers and is as much a part of the community as other businesses, even if the home office is more than 500 miles away.

"This program helped open a door when it was shut to us," Anderson said. "You need something like this to break through the good old boy network."

Councilman Chris Seelbach supports an inclusion program, but said he's disappointed city companies aren't doing more work. "John Cranley needs to explain how contracts to companies in Alabama ... help improve the lives of Bond Hill and Westwood families," said Seelbach, who backs Simpson for mayor.

Cranley and Black say the number of Cincinnati companies should go up in time. "The ongoing challenge is to certify as many certifiable firms as possible," Black said of the inclusion program. "The more the better."

The inclusion program is open to any business certified by the city as owned by an African-American, another minority or a woman. Although the city does not impose quotas, it does set an inclusion goal before putting contracts out to bid.

The goal is based on the availability of certified minority firms, and contractors who bid for the contract are expected to explain how they intend to meet the goal.

Sometimes, minority- or women-owned firms win the contract outright. And sometimes, non-minority firms get the job but hire minority firms to do some of the work.

One of the largest of the contractors that hires minority companies is Prus Construction. The Cincinnati-based firm has worked with several companies from inside and outside the city to win city contracts for projects such as the Wasson Way recreational trail.

Joe Prus, the company's president, said the inclusion program has expanded opportunities for minority firms by requiring companies like his to reach out. He said Prus helped a small asphalt company grow by hiring it to haul gravel for Wasson Way, the kind of commercial work it hadn't done before.

In some cases, Prus said, the benefit of diversifying city contracts comes with a cost.

“We’ll turn a bid in with lower inclusion, but the cost is substantially lower,” Prus said. “(City officials) say, ‘We don’t care about the price. We want inclusion.’”

City officials say the cost of the program is worth it, even if the companies aren’t based in Cincinnati. Over time, Black said, the addition of so many minority- and women-owned firms to the pool of potential contractors will lower costs for taxpayers.

The idea is simple: If more companies are competing for contracts, the city is likely to get a better deal.

Steve Love, a businessman and early advocate for the city’s inclusion program, said the growth of the program also will benefit minority businesses and their workers. He said doing business with companies based in the city helps, but it’s not essential.

“I personally believe in the regional approach,” Love said. “As African-Americans, Latinos and Asian Americans benefit, the city will benefit.”

Regardless of the benefits, Councilman Young said the city needs to try harder with Cincinnati-based companies. The taxpayers who are investing in the program would expect nothing less, he said.

“I don’t know if the city of Cincinnati can build a middle class,” Young said. “But the city of Cincinnati can help a significant amount of people move a rung up on the ladder.”

James Pilcher contributed to this report