

# Purchase Power

*Lots of cities say they want to improve contracting opportunities for businesses owned by people of color. Here's how five cities did it.*

**M**emphis Mayor Jim Strickland faced a dilemma shortly after taking office in 2016. In the nation's poorest large city, government contracting had actually widened the gap between minority- and women-owned businesses and firms operated by white men, according to a disparity study commissioned by the city.

Strickland, the first white man elected to the mayor's office in 24 years in a city that's 63 percent black, knew he needed to act. Closing the gap between white and black wealth, between firms owned by women and people of color and those owned by white men, was a role city government needed to play.

He set about reorganizing and growing the minority contracting office, and he hired Joann Massey, a business consultant who had previously worked in economic development for the state of Tennessee, to

run it. Massey developed a multiprong approach to increase the city's annual spend with minority- and women-owned business enterprises (MWBEs) while also connecting those businesses with other opportunities for growth and development. Under her leadership, the city has made great strides: In less than two years, Memphis has doubled the amount of business it does with MWBEs.

But much work remains, Massey says. Despite the recent gains, MWBEs still only represent 24 percent of Memphis' contracts. "We must meet cultural change with policy changes in order to address the systemic conscious and unconscious discrimination that exists in our country," she says.

The challenges facing Memphis are not unique. Across the country, cities have long struggled to balance their contracting needs with a broader goal of supporting

those local companies that had long been marginalized. In 2017, the nonprofit Living Cities and the Citi Foundation challenged five cities to develop strategies for using public purchasing power to help develop firms owned by people of color. The five cities—Charlotte, N.C., Chicago, Los Angeles, Memphis and Milwaukee—spent 18 months as part of the City Accelerator, a joint initiative of Living Cities, the Citi Foundation and *Governing* that provides financial support and other resources in an effort to identify and disseminate policy innovations that address income inequality in cities. In previous years, City Accelerator participants have focused on issues like infrastructure financing or resident engagement.

What these latest five cities found was that the road to more inclusive contracting is paved with obstacles, some new and some decades old. Nonetheless, each of the cities was able to make important inroads:

- Memphis, in addition to its other efforts, launched the 800 Initiative, focused on African-American-owned startups that are trying to scale up. The goal is to increase their collective revenue by \$50 million within five years.

- Los Angeles hired its first-ever chief procurement officer, Michael Owh, and held a series of matchmaking events to pair small businesses with the city.

- Charlotte conducted a disparity study that guided the city on how to address structural barriers for minority business growth. It formed a Procurement Advisory and Inclusion Council and launched a new program offering training to minority

In just two years, Joann Massey helped the city of Memphis double its business with minority- and women-owned firms.



JIM WEBER

business owners on how to grow their firms.

- Milwaukee launched its own disparity study and conducted a survey of city businesses to learn how those firms viewed the contracting and procurement process. The city held information and strategy sessions with prospective firms and worked to certify more MWBEs.

- Chicago explored new joint procurement opportunities that allow smaller firms to work together to build enough scale to bid on larger projects, and it began streamlining its procurement process.

Cities generally face significant hurdles in trying to improve their contracting practices with minorities and women. When Maynard Jackson became Atlanta's first African-American mayor in 1974, he was outspoken about how he wanted to leverage city contracting to help grow black businesses. By the time he left office in 1982, he'd made tremendous progress, and his reforms helped make Atlanta a mecca of black entrepreneurship. Other cities adopted similar race-conscious contracting policies. But in 1989, the Supreme Court ruled that specifically targeting racial minorities for contracts was unconstitutional, making it difficult—but not impossible—to use race as a factor in handing out contracts. Going forward, the only way a city could explicitly acknowledge race was if it first proved a history of discrimination.

Milwaukee faced its own court challenges to its race-based procurement strategy. A 2012 lawsuit forced the city to shelve its short-lived minority contracting program. Prior to that program, Milwaukee had conducted a disparity study, but the lawsuit alleged that study was “methodologically flawed.” The city has now commissioned another study.

Disparity studies can be an effective tool for cities that want to adopt race-conscious procurement policies. The research often proves that people of color are still discriminated against in city contracting. “If you do a disparity study,” says Rodney Strong, the CEO of Griffin & Strong, a public policy consulting group and a partner with City Accelerator, “you can have a race- and gender-informed program if you see evidence of past and current discrimination.”

That's precisely what happened in Charlotte. “When I first joined the city 10 years ago,” says Nancy Rosado, the head of

the city's minority contracting programs, “we had a race-neutral program, and we weren't intentionally talking about race.” In 2013, Charlotte revamped its small business opportunity program. And in 2017, the city conducted a disparity study that showed that race-conscious goals do indeed make a difference. When targets had been used in the past, minority businesses benefited.

But “when the City does not use such measures,” the report concluded, “relevant business groups suffer from substantial underutilization in City contracting.”

As part of its involvement in City Accelerator, Charlotte developed AMP UP (which stands for “Accelerate, Motivate, Propel”), a 13-week program that prepares minority business owners to grow their firms through mentoring, business development planning and access to contracting with large corporations and the city. The first class of 20 participants finished last month. “Owning a small business can be extremely isolating,” Dee Dixon, the CEO of Charlotte-based Pride Communications and a participant in the program, told *Governing* last fall. “AMP UP has allowed me to develop new relationships with other small business owners.”

Los Angeles is similarly working to reform and refine its minority contracting efforts. It's in the midst of revamping its various procurement platforms, and Owh, the new procurement chief, is focused on reaching out specifically to historically marginalized firms. Through its involvement with City Accelerator, L.A. last year conducted a series of several matchmaking events akin to speed-dating sessions that introduce diverse small contractors to prime contractors and public agencies within the city of L.A. And the city is developing a comprehensive new website where prospective contractors can

better understand upcoming opportunities with the city.

Back in Memphis, the city expanded the minority focus of its “We Mean Business” Symposium, a twice-annual meeting that connects vendors with city agencies. The city also spearheaded the creation of a countywide 12-month forecast for government procurement, alerting vendors to all opportunities throughout Shelby County.

Memphis has trained many of its efforts on the city's 800 Initiative to boost revenues among minority firms by providing business coaching and technical assistance, along with access to loans, grants and education. The city spent \$500,000 to kickstart the program; FedEx committed an additional \$1 million over four years. Three other local entities—Christian Brothers University, Start Co., and Epicenter—also serve as lead partners. As part of the effort to boost revenue among the targeted businesses, the 800 Initiative will identify 50 minority firms and work to double their revenue. For another 200 companies that don't currently have any paid employees, the initiative will seek to increase their revenues by \$100,000 and encourage them to hire an employee. Christian Brothers is launching the Center for Innovation and Entrepreneurship, where MWBE owners can take courses in leadership and business development.

Memphis' work, capped off by its participation in City Accelerator, is already paying off, says Massey. “The investments in resources by Mayor Strickland, along with the execution of bold and innovative strategies, has reaped benefits for our city,” she says. One of those benefits? *Fast Company* last year named Memphis the top city in the nation for black-owned businesses.

—J. Brian Charles

Want a plan for implementing these strategies in your city? Go to [governing.com/cityaccelerator](http://governing.com/cityaccelerator)

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The City Accelerator, an initiative of the Citi Foundation and Living Cities, works within and across cities to advance and promote the spread of promising innovations that will have a significant impact in the lives of residents.



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