

This paper reviews the best practices for economic inclusion in civic asset redevelopment, with particular focus on workforce development programs and benefit agreements that can create a sustainable and equitable labor pipeline. Civic asset redevelopment can be used as a strategic tool to increase equality of opportunity and reduce economic disparities, adopting an agenda of economic inclusion through executive leadership, coalition-building, and effective governance. Economic inclusion refers to the programs and policy tools that are designed to counteract the income and wealth inequality related to present and historical discrimination against minorities, women, and other disadvantaged groups. With respect to civic asset redevelopment for older parks and libraries in particular, economic inclusion is a rare example of a “triple bottom line” in sustainable development, generating positive ecological, social, and economic benefits.

Although many governments and institutions use economic inclusion tools to address income and employment inequality, few are doing it well and few (if any) claim to be creating transformational change. When cities and institutions build capital projects in areas with disadvantaged populations, the value added by project construction seldom accrues to low-income populations. Minorities are historically and currently underrepresented in the building trades and in membership of trade unions.

Economic inclusion is a programmatically and politically complex challenge, and presents a classic space for government intervention given that the private sector has little incentive to increase workforce diversity. Governments and institutions often attempt to address the issue of economic inclusion by mandating or encouraging greater economic participation by Minority, Disabled, and Women-Owned Business Enterprises (MDWBE), and by promoting the development and inclusion of disadvantaged workers. Many municipalities stimulate demand for MDWBE labor by mandating that any government-subsidized project set aside contracts to utilize MDWBEs, which tend to hire a more diverse workforce. (By one estimate, a 10% nationwide increase in firms owned by people of color would be associated with a nationwide employment increase of 1 million people of color.)

However, this type of inclusive labor procurement practice is only one piece of the economic inclusion puzzle. Firms need qualified *and available* labor in order to actualize the benefits of these workforce diversity programs. Thus, where there is a shortage of labor to take advantage of these MDWBE programs, governments and other actors may need to stimulate the labor supply by investing in workforce development programs. These programs can supply “pipelines” of trained and certified workers to be available when demand exists. The role of government agencies, then, is to cultivate an inclusion agenda with firms and unions to ensure an inclusive future labor force. An inclusion agenda encourages the use of community benefits agreements (CBAs), project labor agreements (PLAs), community workforce agreements (CWAs), and employment opportunity plans (EOPs). These project-specific agreements can drive inclusion goals on large private projects that are subject to government review and/or subsidy, and in turn, these individual agreements can have a systemic effect in the long term.

Effective MDWBE and small business set-aside programs combine trustworthy governance with credible community outreach. Some cities, including Cincinnati and Philadelphia, have departments dedicated to economic inclusion, with effective programs that run continuous outreach and certification drives to bring more MDWBEs into their marketplaces and databases. These departments involve themselves at numerous points in the **procurement process**, including breaking up larger contracts into smaller pieces in order to allow small firms to enter the economic marketplace. These departments earn trust through good faith, enforcing credible sanctions to

ensure that sub-contracting set-aside requirements are met. Certification drives and community outreach efforts broaden the base of eligible firms. For example, Cincinnati launched its economic inclusion program by certifying over 200 MBEs after a 2016 outreach drive. With a single department in charge of certification, monitoring and reporting on MDWBE utilization minimizes confusion and redundancy.

The procurement process is an opportunity to build the capacity of existing firms and increase availability, since MDWBE capacity is often too low to take up a meaningful percentage of large-scale projects. MDWBEs tend to lag behind in capacity, but perform similar to their peer firms when controlling for age and size of firm. Public contracts are likely to be more complex than private ones, with more stringent bonding requirements and qualifications. This presents a safeguard for public interest, but is an impediment for uninitiated firms.

Bonding and financial assistance allow MDWBE firms to build and repair credit. For example, San Antonio's Economic Development Department piloted a program to buy down \$140,000 in interest on high-interest loans to MDWBEs, driving down the rate to zero on \$900,000 worth of qualifying loans. Only 1 of 40 firms defaulted, and 70 full-time jobs were created. In New York, the city's M/WBE office has set aside \$30 million for an emerging developer loan fund designed to provide affordable gap financing, a revolving low-interest loan fund, and a fund from which firms can draw collateral to meet the city's strict bonding requirements. Many other cities pair firms with consultants, colleges, or local financial institutions that provide financial training or advice.

Connections between local business and regional opportunities can support capacity-building and firm development. In Atlanta, the Mayor's Office of Contract Compliance maintains an active internet bulletin board of RFPs from other governmental entities (airport, stadiums, school districts, etc.). Similarly, mentorship programs build connections and capacity. Cincinnati's Minority Business Accelerator provides its members with management consultation, networking opportunities, and access to corporate and financial relationships. The San Antonio Small Business Office facilitates a mentorship program that pairs large companies with small businesses in a two-year program that is facilitated by a local college. The program's 50+ graduates have seen a combined \$15 million increase in revenues over the course of the program.

For these programs and other economic inclusion initiatives, consistent measurement is key to fine-tuning a program and tracking its outcomes. Regular disparity studies allow for ongoing assessment of market utilization rates and the rates of MDWBE business formation. Regular, random audits prevent fraud.

Although these programs exist to support existing and growing MDWBEs, other initiatives must address the pipeline issue of economic inclusion. Apprenticeships, pre-apprenticeships and **workforce development programs** can train and credential minority, women, and disadvantaged individuals so that they are prepared to participate in the labor force. Even then, linking a worker to an employer and other resources is important, and programs with connections to employers have shown success in raising employment levels and earnings. The success of these programs also increases when they include some of the "wrap-around services" that many disadvantaged individuals need while undergoing training, including stipends and/or transportation.

Economic inclusion programs can deliver qualified minority laborers to the job site by encouraging targeted hiring of individuals from specific geographies or demographics, or by introducing "first

source” hiring practices from specific workforce development agencies. These strategies can be voluntary or mandatory, based on project-specific agreements or statutes. Hiring ordinances give governments more authority to enforce economic inclusion prerogatives, as in San Francisco, where the city’s Local Hire program replaced “good faith” hiring goals with a mandatory 30% requirement of local hiring within specified census tracts. Because of this program, locals now make up 40% of the public project workforce. For this type of geographic mandate, Regional Housing Legal Services recommends an ad-hoc (rather than a universal) approach, in order to deal with the unique political considerations of individual neighborhoods and projects.

Lack of diversity in trade unions can be an impediment to workforce diversity. Addressing this lack is all the more important in light of the fact that the white/minority wage gap is lower in unions. Union participation in inclusion coalitions therefore has a unique benefit. There is a precedent for union action on diversity: in the New York City area, participation in minority construction apprenticeship programs rose from 36% in 1994 to 61% in 2014. These gains were subsequently reflected in union membership.

The Los Angeles and Long Beach-chartered Alameda Rail Corridor project is a gold standard for workforce inclusion. The \$2.4 billion project utilized wrap-around services, community outreach, union participation, and project linkages to great effect in the early 2000s, creating a workforce program that put 800 of 1000 trainees through union apprenticeship programs. The process involved community outreach to 10,000 people, and the project achieved high levels of union participation by leveraging the prime contractor’s relationships with local unions.

In terms of **labor and benefit agreements**, municipalities can mandate MDWBE set-asides and hiring targets when they have financial or regulatory leverage over a private project. Community benefits agreements (CBAs), project labor agreements (PLAs), and community workforce agreements (CWAs) create opportunities for workforce development and MDWBE capacity-building on large private projects. Private projects provide ongoing opportunities to hire minority labor and sub-contractors.

CBAs allow for neighborhood priorities to influence the design of workforce development, hiring, and procurement programs. The Alameda Rail Corridor’s “wrap-around services,” including stipends and transportation support, were a response to community needs. However, CBAs can be difficult to negotiate with coalition politics, and many CBAs set only voluntary targets.

CWAs are a compact between the government, unions, developers, and the community regarding the explicit labor terms for public projects. The Clean Energy Works Portland CWA called for 30% minority participation in implementing a wide-scale alternative energy installation program. Ultimately, the project achieved a 55% participation rate. Meanwhile, a PLA is a variant of the CWA and involves negotiations between unions and project leaders to set goals. PLAs clarify labor agreements and set rules for dealing with disputes in order to maintain cooperation among the participating parties.

A civic agenda of inclusion relies on **executive leadership** to curate an ecosystem of firms, unions, institutions, and nonprofits committed to emphasizing equity. It involves setting goals and enforcing practices of good governance. Setting mandatory goals incurs political risks, but voluntary goals are sometimes ignored or treated less seriously. Leaders set goals that reflect stakeholder and community needs; these goals should take into account realistic targets while also

projecting ambition. Strong leadership on this issue is necessary to encourage buy-in for inclusive practices on both public and private projects, perpetuating themes of inclusion throughout the economy.

Cities have variously embraced or rejected economic inclusion efforts over the years. New York's current mayor, Bill de Blasio, has taken an aggressive tone on inclusion, in part as a reaction to lapses since the years of David Dinkins. In Atlanta, the leadership of Mayor Maynard Jackson in the 1970s was seen as transformative, but community leaders see a recent backslide into a corporate-driven "growth machine" model of governance.

Executive leadership is important to usher economic inclusion forward in the private and nonprofit sectors as well. Inclusion's prominence in planning for Washington, DC's 11<sup>th</sup> Street Bridge Park was largely the result of the persistent engagement efforts by Scott Kratz, the director of the park's associated nonprofit, Building Bridges Across the River. Kratz' responsiveness to community demands for inclusion stands in contrast to the status quo in DC real estate and capital development, which has often de-emphasized or disregarded community input.

There are also examples of leadership in the private sector. In Cincinnati, where executives at Procter & Gamble supported the city's creation of a Department of Economic Inclusion, the company's endorsement of the new agency was seen as invaluable. Similarly, the "Billion Dollar Roundtable" (comprised of leaders from Comcast-NBCUniversal, IMB, Johnson & Johnson, and other corporations) was created in 2001 to promote and share best practices in supply-chain diversity. The Roundtable's leadership demonstrates the depth to which some of the nation's largest companies consider inclusion to be a good business practice.

Leaders should be willing to acknowledge the root causes of economic disparities and emphasize the core policy issue at the heart of economic inclusion: the structural discrimination against disadvantaged citizens. The conditions that perpetuate structural discrimination continue to be documented in the construction sector and elsewhere, and are empirically evident. In mitigating these disparities, leaders give partners and communities agency through credible community engagement and shared credit for success. For example, the Alameda Rail Corridor is regarded as one of the most historically successful cases of economic inclusion at scale, and all parties feel responsible for this success.

The issue of economic inclusion is particularly significant for civic asset redevelopment, since the structural disparities that exist in the workforce often correspond with the systemic disinvestment that allows a city's parks, recreation centers, and libraries to fall into disrepair. In order to address these economic and civic inequities, then, cities can adopt the following best practices for economic inclusion:

*Procurement and Capacity-Building*

- Set goals using MDWBE set-aside programs and target benchmarks, substituting small business set-asides if regulations dictate.
- Consolidate measurement, monitoring, certification, and other functions of a set-aside program into one department.
- Subdivide larger contracts into smaller scopes suitable for small firms.
- Conduct MDWBE certification drives and outreach.
- Connect local firms to regional project and mentoring opportunities.

- Build firm capacity by facilitating access to financial assistance and education.
- Encourage local firms and institutions to diversity their contracting and supply chain practices.
- Regularly measure utilization rates, capacity, and rates of business formation.
- Regularly audit programs to deter fraud and issue sanctions to violators.

*Workforce Development and Hiring*

- Use targeted hiring from specific groups and/or geographies, and adopt “first source” hiring from specific training and development partners.
- Connect pipelines of job training/apprenticeships with employer and union opportunities.
- Invest in programs that provide wrap-around services, credentialing and soft skills specific to local labor demand and local conditions.
- Stimulate labor demand even in the absence of public projects to ensure availability for private-sector projects.
- Negotiate project-specific Community Benefits Agreements, Employment Opportunity Plans, Project Labor Agreements, and/or Community Workforce Agreements.
- Create the necessary coalitions to bring unions, developers, and institutions on board to understand and meet community goals.

*Executive Leadership and Governance*

- Create a coalition dedicated to inclusion with governmental, community, institutional, and private partners.
- Set transparent economic inclusion policies and goals to give private partners confidence to procure, hire, and develop diverse subcontractors or workers.
- Conduct a credible community engagement campaign and set goals based on public and community input.
- Encourage or mandate the use of labor and procurement agreements by large institutions and private firms.
- Behave predictably and consistently to minimize risks to businesses and workforce development programs.
- Leverage the power of anchor institutions and the corporate community by understanding their needs and soliciting their support for community and governmental inclusion goals.
- Acknowledge and openly address the root causes of economic disparities.