

City of Seattle 2025 Disparity Study

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Disparity Study Objectives

- Develop quantitative and qualitative evidence to meet strict constitutional scrutiny
- Meet USDOT regulatory requirements for the FTA DBE program
- Provide new data for FTA DBE triennial and contract goal setting
- Provide policy and program recommendations
- Educate policy makers and interested parties about the legal and economic issues to build consensus

Disparity Study Data and Methods

■ Quantitative Data Sources

- City of Seattle construction, construction-related services and goods & services contract and vendor records for FY 2016-2020, \$50,000 and above
- Contract information from prime vendors
- M/W/DBE Directories
- Hoovers/Dun & Bradstreet
- U.S. Census Bureau databases
- Scholarly research

Disparity Study Data and Methods

■ Qualitative Data Sources

- Interviews with 91 individual business owners and stakeholders
- 163 electronic survey responses from business owners
- Interviews with City of Seattle staff
- Washington State disparity studies

Disparity Study Elements

- Legal Review and Analysis
- Review of the City's WMBE and FTA DBE programs
- Utilization, Availability and Disparity Analysis of City of Seattle Prime Contracts and Subcontracts
- Economy-Wide Disparity Analysis
- Anecdotal Evidence
- Recommendations

Review of Contracting Equity Programs

- Experiences with the City's WMBE and FTA DBE Programs
 - Most W/M/DBEs supported the City's programs
 - Business for some firms dropped dramatically once they were no longer certified
 - Firms in specialized subindustries found the programs less useful due to the lack of trade-by-trade contract goals
 - On Call or Job Order Contracts sometimes did not lead to work for listed WMBEs
 - Some consultants reported inadequate time to obtain information about upcoming contracts to put together a diverse team
 - Inadequate or inconsistent monitoring or application of program and contract commitments led to confusion

Review of Contracting Equity Programs

- While the City provides technical assistance and supportive services, firms requested more support
 - Training on contracts, especially master contracts
 - Help establishing joint ventures
 - A formal mentor-protégé program
- Most large prime vendors were able to provide sufficient WMBE participation to be awarded the project
 - Some found complying with the WMBE program onerous because of unreasonable contract goals
 - Small prime firms were sometimes burdened by the programs
 - Firms in specialized lines of work found it difficult to utilize WMBEs

Review of Contracting Equity Programs

- Prime vendors noted the City was reasonable in allowing substitutions for non-performing certified firms during contract performance
- The size of City projects was often an impediment to small firms obtaining work
- Reports on the timeliness of City payments were mixed
 - Some firms praised the payment process, while others reported issues
 - Change orders during contract performance often caused payment delays

Quantitative Findings

- Final Contract Data File for City-funded contracts
 - 1,705 contracts totaling \$1,043,364,286
 - 524 prime contracts totaling \$852,453,860
 - 1,181 subcontracts totaling \$190,910,426
- Geographic market
 - Seattle MSA – King, Pierce and Snohomish Counties – captured 71.7% of the Final Contract Data File
- Constrained Product market
 - 99 6-digit NAICS codes

Quantitative Findings

- Utilization on City-funded contracts
 - WMBEs: 29.2%
 - Blacks: 8.3%
 - Hispanics: 1.9%
 - Asians: 7.8%
 - Native Americans: 2.5%
 - White women: 8.6%
 - Non-WMBEs: 70.8%

Quantitative Findings

- W/M//DBE availability
 - Unweighted availability is the headcount of firms in the City's geographic and industry markets based on:
 - Public agency and private entity certification lists
 - Agency contract and vendor records
 - Hoovers/Dun & Bradstreet
 - “Weighted” availability adjusts unweighted availability by the City's spending patterns
- Disparity ratios
 - City WMBE utilization ÷ weighted W/M/DBE availability
 - Analyzed for substantive significance (ratio <80%) and statistical significance

Quantitative Findings

- Weighted availability for City funded contracts
 - WMBEs: 10.6%
 - Blacks: 1.5%
 - Hispanics: 1.0%
 - Asians: 2.1%
 - Native Americans: 1.1%
 - White women: 5.0%
 - Non-WMBEs: 89.4%

Quantitative Findings

- Disparity ratios for City funded contracts
 - WMBEs: 274.2%***
 - Blacks: 573.1%†***
 - Hispanics: 191.2%***
 - Asians: 369.2%***
 - Native Americans: 226.2%***
 - White women: 173.4 %***
 - Non-WMBEs: 79.3 %***

*** Statistically significant at the 0.001 level

Quantitative Findings

- Final Contract Data File for FTA funded contracts
 - 43 contracts totaling \$38,675,069
 - 14 prime contracts totaling \$30,674,312
 - 29 subcontracts totaling \$8,000,758
- Geographic market
 - King County captured 99.1% of the Final Contract Data File
- Constrained Product market
 - 13 6-digit NAICS codes

Quantitative Findings

- Utilization on FTA funded contracts
 - DBEs: 12.9%
 - Blacks: 0.2%
 - Hispanics: 2.8%
 - Asians: 2.1%
 - Native Americans: 0.9%
 - White women: 6.9%
 - Non-DBEs: 87.1%

Quantitative Findings

- Weighted availability for FTA funded contracts
 - DBEs: 10.1%
 - Blacks: 1.2%
 - Hispanics: 0.7%
 - Asians: 2.7%
 - Native Americans: 0.6%
 - White women: 4.9%
 - Non-DBEs: 89.9%

Quantitative Findings

- Disparity ratios for FTA funded contracts
 - DBEs: 128.2%
 - Blacks: 19.2%‡
 - Hispanics: 388.8%
 - Asians: 77.5 %‡
 - Native Americans: 167.6%
 - White women: 139.9 %
 - Non-DBEs: 96.9%

‡ Indicates substantive significance

Quantitative Findings

- WMBE program and to a lesser extent the DBE program have been very successful in increasing opportunities for W/M/DBEs
 - W/M/DBEs, however, receive contracting opportunities that starkly differ from non-W/M/DBEs
 - The NAICS codes that provide most of the W/M/DBE contract dollars are different from the codes where the City spends a large portion of its funds
 - The codes that generate the most funds for non-W/M/DBEs generate few funds for W/M/DBEs

Quantitative Findings

- Economy-Wide Disparity Analysis
 - Examined outcomes for M/WBEs in construction, construction related services and goods and services in the Seattle Metropolitan Area
 - Census Bureau's 2018-2022 American Community Survey
 - State of Washington Industry Data from Census Bureau's 2018 Annual Business Survey
 - Government and scholarly research and literature on credit discrimination
 - Taken as a whole, the results show:
 - Systemic and endemic inequalities outside of the City's programs
 - Firms owned by M/WBEs do not have full and fair access to contracts and associated subcontracts in the Seattle Metropolitan Area

Qualitative Findings

- Qualitative evidence of discrimination
 - WMBEs, especially those owned by woman, suffered from negative stereotypes and demeaning attitudes and behaviors
 - MBEs found it difficult to hire good staff because there can be a stigma to being associated with a minority firm.
 - Preexisting networks and information channels often excluded WMBEs
 - Some small firms and WMBEs found it difficult to receive fair treatment
 - Many WBEs felt that prime contractors only use them to meet inclusion requirements

Qualitative Findings

- The impact of COVID-19 on WMBEs was mixed, with some firms reporting major issues such as employee loss and the lack of networking opportunities
- Interview recommendations
 - Establishing consistent opportunities for smaller firms to engage with prime contractors and City staff before solicitations are issued would help them compete more effectively
 - Working with local WMBE contracting groups was helpful to some owners in navigating City contracting opportunities

Qualitative Findings

- Requiring interested bidders to provide their information as a condition of being able to submit a bid or proposal would increase opportunities for subs
- Community Workforce and Project Labor Agreements created major challenges for WMBEs; a common proposal included exempting WMBEs or setting thresholds for their application

Disparity Study Recommendations

A. Enhance electronic contract data collection and program management

- Capture spending for all formally procured contracts issued by all departments
- Require all departments to report into the system and facilitate interdepartmental connectivity

B. Centralize WMBE program administration in the Purchasing and Contracting Division

- Centralization will ensure consistent application of program elements and reduce duplication and confusion

Disparity Study Recommendations

- D. Focus on increasing prime contract awards to W/M/DBEs and small firms
- Develop a protocol to consider whether to unbundle projects into less complex scopes and lower dollar values
 - Review experience requirements with the goal of reducing them to the lowest level necessary to ensure that the bidder or proposer has adequate experience
 - Adopt “quick pay” schedules and permit mobilization payments to all subcontractors for construction contracts on a race- and gender-neutral basis
 - Consider paying for offsite materials in hand at the time the contractor is required to buy them

Disparity Study Recommendations

- Review and possibly revise the standards for setting overhead rates for design contracts
- Provide additional points in best value or negotiated contracts for prime proposers using a firm that is new to City work
- Consider a fixed markup percentage for subcontractors to encourage large firms to use certified and small firms as much as possible

Disparity Study Recommendations

E. Consider partnering with other agencies and local organizations to provide a bonding and financing program and enhance technical assistance

- Implement a bonding and working capital program for construction contractors that includes a surety and a lender that agree to bond and finance graduates of the training program
- Expand support to include marketing, legal and accounting services, assistance with regulatory compliance and business management

Disparity Study Recommendations

- C. Increase communication and outreach to W/M/DBEs and small firms
- Develop an annual contracting forecast of larger contracts
 - Conduct special outreach in sectors where W/M/DBEs are receiving few opportunities
 - Develop a targeted marketing campaign to educate W/M/DBEs about the City's numerous technical assistance and supportive services offerings

Disparity Study Recommendations

F. Narrowly tailor the WMBE program

- Revise certification eligibility for the WMBE program
 - Revise WMBE Inclusion Plan requirements
 - Consider implementing the Utilization Plan module from B2Gnow®
- Use the Study to set a narrowly tailored, overall annual aspirational WMBE goal
 - Use the Study to set narrowly tailored WMBE contract goals

Disparity Study Recommendations

G. Ensure the FTA DBE program remains narrowly tailored

- Use the Study to set the triennial DBE Goal for FTA funded contracts
- Continue to employ race-neutral approaches, including Small Business elements, to ensure equal opportunities for FTA funded contracts

H. Develop performance measures for program success

- Progress towards meeting the overall, annual WMBE and DBE goals
- The number of bids or proposals, industry and dollar amount of awards and the goal shortfall when good faith efforts are submitted
- The number, dollar amount and the industry code of bids or proposals rejected as non-responsive for failure to make good faith efforts to meet the goal

Disparity Study Recommendations

- The number, industry and dollar amount of W/M/DBE substitutions during contract performance
 - Increased bidding by certified firms as prime vendors.
 - Increased prime contract awards to certified firms
 - Increased “capacity” of certified firms
 - Increased variety in the subindustries in which W/M/DBEs are awarded prime contracts and subcontracts
- I. Conduct regular program reviews



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