



CITY OF TACOMA 2024 ECONOMIC DISPARITY STUDY Final Report

Prepared for:

City of Tacoma
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Final Report
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SUMMARY REPORT — Executive Summary

The City of Tacoma seeks to ensure equitable opportunities for minority- and woman-owned businesses competing for its construction, professional services, goods and other services contracts.

Keen Independent Research LLC (Keen Independent) conducted this disparity study to analyze whether there are disparities in the utilization of minority- and woman-owned businesses (MBE/WBEs) in City of Tacoma contracts and subcontracts.

Utilization, Availability and Disparity Analyses

Keen Independent examined the City's non-federally funded contracts and subcontracts awarded from January 2017 through December 2022.

MBE/WBE utilization. About 11 percent of City contract dollars went to MBE/WBEs.

MBE/WBE availability. The City spends most of its procurement dollars with businesses in the Western Washington region.¹ Keen Independent analyzed the availability of MBE/WBEs and other firms to perform City contracts and subcontracts based on a survey of companies in Western Washington. MBE/WBEs were 29 percent of firms indicating qualifications and interest in City contracts and subcontracts.

There was not equal availability of MBE/WBEs for each type and size of City contract. Through a contract-by-contract analysis of firms available to perform specific types and sizes of City contracts and subcontracts, Keen Independent determined that 21 percent of City dollars might go to MBE/WBEs if there were a level playing field for those companies.

Disparity analysis. MBE/WBE utilization in City contracts (11%) was less than expected based on the availability analysis (21%). There were substantial disparities for African American-, Asian American- and Hispanic American-owned firms and a large disparity for white woman-owned firms on City contracts. There was no disparity for Native American-owned firms on the City's contracts overall.

In 2020, the City established the Equity in Contracting (EIC) Program to remedy previously observed disparities in utilization of MBE/WBEs in City contracts. As part of the remedial EIC Program, the City sets MBE, WBE and SBE goals (the City's language states "requirements") on City construction contracts. Prior to the EIC Program, the City operated a race- and gender-neutral Small Business Enterprise (SBE) Program to promote participation of SBEs on City contracts. Keen Independent analyzed results of the SBE Program for contracts for 2017–2020.

- When applied to City construction contracts, the EIC Program increased MBE/WBE utilization to about 15 percent, close to the availability benchmark for those contracts. The Program reduced disparities for African American- and Asian American-owned businesses and eliminated disparities for Hispanic American- and white woman-owned businesses.
- Keen Independent examined contracts (a) before the EIC Program and (b) after 2020 where the Program did not apply. There were disparities between MBE/WBE utilization and availability for both sets of contracts. Keen Independent also determined that the SBE Program did not appear to be effective in remedying disparities in MBE/WBE participation.

¹ For construction, professional services and other services industries, the Western Washington area included Snohomish County, King County, Pierce County, Lewis County,

Thurston County, Mason County and Kitsap County in Washington. For the goods industry, the Western Washington area also included Cowlitz County.

SUMMARY REPORT — Executive Summary

Conclusions

Keen Independent conclusions include:

- But for introduction of the remedial EIC Program in 2020, there is strong evidence that disparities in utilization of MBE/WBEs in City construction contracts would have continued. There appears to be a continued need for the EIC Program for these contracts.
- Continued disparities for African American- and Asian American-owned firms on contracts with EIC Program application indicate a need for further program development.
- The pattern of disparities for City contracts without the EIC Program indicates a need for the City to expand this program to additional types of City contracts and to add additional tools to this program.

This report contains much more information concerning results of the disparity analyses. Keen Independent performed disparity analyses for each MBE/WBE group by industry, role and application of City's contract equity programs. There was a pattern of substantial disparities for many MBE/WBE groups for construction (without the EIC Program), professional services, goods and other services procurements, prime contracts and subcontracts.

Keen Independent also examined quantitative and qualitative information about marketplace conditions. The City should review all of the results in the disparity study to evaluate the continued need to level the playing field for minority- and woman-owned businesses and other disadvantaged businesses to compete for its contracts and subcontracts.

Remedial Actions for City of Tacoma Consideration

In the final pages of the Summary Report, Keen Independent discusses additional remedial actions for City of Tacoma consideration. The City of Tacoma might consider the following:

1. Refine overall aspirational MBE/WBE goals.
2. Continue contract goals and expand to professional services (incorporating a rigorous good faith efforts review process).
3. Implement SBE evaluation and price preferences.
4. Further develop a small contracts program.
5. Perform additional outreach and relationship-building.
6. Participate in MBE/WBE/SBE capacity-building.
7. Consider other steps to encourage small business utilization.
8. Allocate sufficient resources for program success.

SUMMARY REPORT — Introduction

Background

The City of Tacoma (“City”) seeks to level the playing field for minority- and woman-owned businesses competing for its contracts.

This research examines whether there are any barriers to minority- and woman-owned businesses seeking work with the City. The study identifies how the City can develop and implement new and existing program elements to address observed disparities in City procurements.

2024 Disparity Study

Keen Independent conducted this disparity study to analyze whether there are disparities in the utilization of minority- and woman-owned businesses (MBE/WBEs) in City contracts and subcontracts.

Government programs that provide preferences or requirements regarding use of minority- or woman-owned businesses can be challenged in court. The disparity study is based on relevant case law, including legal decisions in the Ninth Circuit Court of Appeals.

The 2024 Disparity Study helps the City identify the types of assistance minority- and woman-owned businesses might need to fully participate in its contracts and subcontracts and in the broader local economy.

Research methods. The study included:

- A survey of businesses in Western Washington available to perform public sector work related to construction, professional services, goods and other services (referred to as “study industries”);
- Identification of the ownership of prime contractors, subcontractors and other vendors on past City contracts;
- Disparity analyses that compare participation of minority- and woman-owned firms on City contracts with what would be expected from the availability analysis;
- Interviews with business owners and representatives; and
- Other research about the local marketplace.

Appendix A provides definitions of terms used in this study.

Study team. Keen Independent Research is a national economic consulting firm. David Keen, Principal, has led about 200 disparity studies for similar agencies and has served as an expert witness successfully defending contract equity programs in court. The study team also included local subconsultant Donaldson Consulting LLC, survey firm Customer Research International (CRI) and law firm Rosales Law Partners LLP.

Public input. The 2024 Disparity Study started in October 2023 with submission of a draft report in July 2024. The City provided opportunities for public input from the outset. Keen Independent reached out to thousands of businesses, trade association representatives and others through surveys, in-depth interviews and other research. More than 325 businesses, trade association representatives and other interested individuals provided qualitative comments and other input through these methods.

SUMMARY REPORT — Legal framework

Across the country, state and local governments have enacted minority- and woman-owned business enterprise programs to:

- a. Ensure that they are not engaged in discrimination in their contracting;
- b. Remedy specific identified past discrimination or its present effects in their marketplace;
- c. Remove and address barriers to participation in contracting by minority- and woman-owned business enterprises; and
- d. Take affirmative steps to dismantle a system in which they were passive participants in private marketplace discrimination.

As described in the following pages, different standards of legal review apply when defending minority-owned business, woman-owned business and small business enterprise (SBE) programs in court. The different standards of legal review are:

- Equal protection and strict scrutiny (for MBE programs);
- Intermediate scrutiny (for WBE programs); and
- Rational basis (for programs based on, business size or other non-racial or non-gender factors).

Disparity studies, based on the court decisions and legal framework summarized in the following pages, are an accepted and recognized method to analyze information regarding participation of minority- and woman-owned businesses in government contracting and the marketplace. Disparity studies examine the types of evidence approved by the U.S. Supreme Court and lower courts that have reviewed public programs involving minority- and woman-owned businesses.

Appendix L of this report discusses this legal framework in detail.

1. United States Supreme Court



SUMMARY REPORT — Legal framework

Equal Protection and Strict Scrutiny Standard

Strict scrutiny applies to a city’s voluntary race-conscious programs.² The U.S. Supreme Court has held that classifications based on race “are constitutional only if they are narrowly tailored measures that further compelling governmental interests.”³ “For a racial classification to survive strict scrutiny [...] it must be a narrowly tailored remedy for past discrimination, active or passive, by the governmental entity making the classification.”⁴ The discrimination could also be committed by private parties within the city’s jurisdiction, as long as the city in some manner perpetuated the discrimination to be remedied by the program.⁵ In June 2023, the U.S. Supreme Court reaffirmed that strict scrutiny is the correct judicial review for racial classifications.⁶

Compelling governmental interest. A government interest is compelling to justify racial classifications “only if actual, identifiable discrimination has occurred.”⁷ There must be a “strong basis in the evidence” to show that that race-based remedial action is necessary,⁸ and there must be a strong basis in evidence within the relevant local industry and for each racial

group included in the plan.⁹ A general assertion of past discrimination in a particular industry or an effort to alleviate the effects of societal discrimination is insufficient.¹⁰

Narrowly tailored. Even with a “strong basis in evidence” to support race-based remedial measures, a race-conscious program must be narrowly tailored to that evidence.¹¹ This hinges on several factors:

- Program necessity and efficacy of alternative remedies;
- Flexibility of the program;
- Duration of the relief;
- Relationship of numerical goals to the relevant labor market;
- Waiver provisions; and
- Impact of relief on third parties.¹²

Further, the program must be limited to those business groups that have actually suffered discrimination.¹³

² *Rudebusch v. Hughes*, 313 F.3d 506, 514 (9th Cir. 2002) (citing *City of Richmond v. Croson*, 488 U.S. at 493–94).

³ *Adarand Constructors v. Peña*, 515 U.S. 200, 227 (1995) (The court in *Adarand* extended the judicial standard of strict scrutiny established in *Croson* for the state and local race-conscious programs to the Federal DBE Program and racial classifications used by the federal government).

⁴ *Monterey Mech. Co. v. Wilson*, 125 F.3d 702, 713 (9th Cir. 1997) (citing *City of Richmond v. Croson*, 488 U.S. at 484-485).

⁵ *Associated Gen. Contractors, Inc. v. Coal. for Econ. Equity*, 950 F.2d 1401, 1413 (9th Cir. 1991) cert. denied, 503 U.S. 985 (1992).

⁶ *Students for Fair Admissions, Inc. v. President & Fellows of Harv. Coll.*, 600 U.S. 181, 143 S. Ct. 2141, 2166 (2023).

⁷ *Rudebusch v. Hughes*, 313 F.3d at 514 (quoting *Coral Constr. Co. v. King Cnty.*, 941 F.2d 910, 916 (9th Cir. 1991)).

⁸ *Officers for Justice v. Civil Serv. Comm’n*, 979 F.2d 721, 726 (9th Cir. 1992); *Davis v. City & Cnty. of San Francisco*, 890 F.2d 1438, 1446 (9th Cir. 1989).

⁹ *City of Richmond v. Croson*, 488 U.S. at 506.

¹⁰ *Shaw v. Hunt*, 517 U.S. 899, 909-10 (1996).

¹¹ *City of Richmond v. Croson*, 488 U.S. at 492 (Under the strict scrutiny test “the means chosen [must] ‘fit’ [the] compelling goal so closely that there is little or no possibility that the motive for the classification was illegitimate racial prejudice or stereotype”); see also, *Engineering Contrs. Ass’n v. Metro. Dade Cnty.*, 122 F.3d at 906.

¹² *Davis v. City & Cnty. of San Francisco*, 890 F.2d at 1447 (citing *United States v. Paradise*, 480 U.S. 149, 171 (1987)); see also *Associated Gen. Contractors, Inc. v. Coal. for Econ. Equity*, 950 F.2d at 1416 (addressing MBE programs) (citing *Coral Constr. Co. v. King Cnty.* and *City of Richmond v. Croson*).

¹³ *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d at 1198.

SUMMARY REPORT — Legal framework

Intermediate Scrutiny Standard of Review

Intermediate scrutiny applies to gender-conscious programs operated by government entities within the jurisdiction of the Ninth Circuit Court of Appeals.¹⁴ Under this standard, the government must show that the gender-based program is “supported by an ‘exceedingly persuasive justification’ and substantially related to the achievement of that underlying objective.”¹⁵

Because the measure of evidence required to satisfy intermediate scrutiny is less than that necessary to satisfy strict scrutiny, courts applying the intermediate standard to gender-based programs have all reasoned that gender conscious measures may be upheld even absent proof that the government entity adopting the program necessarily discriminated against women.¹⁶ Under intermediate scrutiny, the “inquiry turns on whether there is evidence of past discrimination in the economic sphere at which the affirmative action program is directed.”¹⁷

In addition, under intermediate scrutiny, the program need only be “substantially related” to the goal of redressing the effects of prior discrimination, and, contrary to strict scrutiny, this does not require that the numerical goals be closely tied to the proportion of qualified women in the market.¹⁸ Further, because there is no requirement that gender classifications be “narrowly tailored,” the preference may extend to some

fields where women were not disadvantaged, provided that, overall, the women benefitted actually suffered a disadvantage.¹⁹

While there is a difference between the evidentiary foundation necessary to support a race- or ethnicity-conscious remedial program and the evidentiary foundation necessary to support a gender preference, that difference is one of degree, not of kind. In both circumstances, the test of the program is the adequacy of evidence of discrimination, but in the gender context less evidence is required.

In the Ninth Circuit, a disparity study supporting a gender-conscious program should isolate the effects of gender. Gender-conscious programs have been upheld by the court when the disparity report “correctly isolate[d] the effect of gender by limiting its data pool to white women, ensuring that statistical results for gender-based discrimination are not skewed by discrimination against minority women on account their race.”²⁰

¹⁴ *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d at 1195 (citing, inter alia, *United States v. Virginia*, 518 U.S. at 524).

¹⁵ *Id.*

¹⁶ *Coral Constr. Co. v. King Cnty.*, 941 F.2d at 931-932; See *Engineering Contrs. Ass'n v. Metro. Dade Cnty.*, 122 F.3d 895, 910 (11th Cir. 1997).

¹⁷ *Engineering Contrs. Ass'n v. Metro. Dade Cnty.*, 122 F.3d at 910, quoting *Ensley Branch, NAACP v. Seibels*, 31 F.3d 1548, 1581 (11th Cir. 1994).

¹⁸ *Id.* at 929 (citations omitted).

¹⁹ *Coral Constr. Co. v. King Cnty.*, 941 F.2d at 932 (holding that King County’s preference for women was justified even if it included women in all industries contracting with the county); *Associated Gen. Contractors of Cal. v. City & Cnty. of S. F.*, 813 F.2d 922, 941–42 (9th Cir. 1987) (holding that although broad preferences can reinforce harmful stereotypes, they may still be upheld because, unlike racial preferences, there is no requirement that they be “narrowly” tailored to the government’s objective).

²⁰ *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d at 1198.

SUMMARY REPORT — Legal framework

Rational Basis Standard of Review

When a governmental program uses a classification that does not involve a fundamental right or suspect class — such as minorities or women — a court must analyze whether the classification is supported by a legitimate state interest and is rationally connected to the program’s laws or goals.²¹ Examples of classifications that do not involve a fundamental right or suspect class include military service and disabilities.²²

Legitimate government interest. The first prong of the rational basis test requires the governmental program to serve a legitimate government interest. Courts generally uphold a challenged classification if there “is any reasonably conceivable state of facts that could provide a rational basis for the classification” underlying the enacted law.²³ That is, “the law in question is rationally related to a legitimate government purpose.”²⁴ In contrast to intermediate scrutiny and strict scrutiny, “[t]he burden is on the one attacking the legislative arrangement to negat[e] every conceivable basis which might support it, whether or not the basis has a foundation in the record.”²⁵ In applying a rational basis analysis, courts are “free to consider any legitimate governmental interest the [agency] has...” in classifying non-suspect groups as part of contracting programs.²⁶

Rational connection. The second prong of the rational basis test requires the governmental program to be rationally related to the legitimate government interest. The Supreme Court held that “courts are compelled under rational basis review to accept a legislature’s generalizations even when there is an imperfect fit between means and ends.”²⁷

A classification does not fail a rational basis analysis because “it is not made with mathematical nicety or because in practice it results in some inequality.”²⁸ Under the rational basis standard, a legislative classification will be upheld “if there is a rational relationship between the disparity of treatment and some legitimate governmental purpose.”²⁹

²¹ *Heller v. Doe*, 509 U.S. at 319-320.

²² *City of Cleburne v. Cleburne Living Ctr.*, 473 U.S. 432, 441-442 (1985) (Both mental and physical disabilities are subject to rational basis); *Disabled American Veterans v. United States Dep’t of Veterans Affairs*, 962 F.2d 136, 142 (2nd Cir. 1992) (Military status is subject to rational basis review).

²³ *Heller v. Doe*, 509 U.S. at 320 (internal quotations omitted).

²⁴ *Kadrmas v. Dickinson Public Schools*, 487 U.S. 450, 457-58 (1998).

²⁵ *Heller v. Doe*, 509 U.S. at 320-21.

²⁶ *Gallinger v. Becerra*, 898 F.3d 1012, 1018 (9th Cir. 2018).

²⁷ *Heller v. Doe*, 509 U.S. at 321.

²⁸ *Id.*

²⁹ *Id.* at 320.

SUMMARY REPORT — Legal framework

Initiative 200

In 1998, Washington voters passed Initiative 200, which has been codified in Revised Code of Washington (RCW) 49.60.400.³⁰

Initiative 200 states in part:

1. The state shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting.
2. This section applies only to action taken after December 3, 1998.
3. This section does not affect any law or governmental action that does not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin.³¹

In *Parents Involved in Cmty. Schs. v. Seattle Sch. Dist. No. 1*, the Washington Supreme Court decided a case in which Seattle School District No. 1 was sued for its open choice plan.³² The Washington Supreme Court was asked by the Ninth Circuit to interpret RCW 49.60.400 and whether it “prohibits all race-cognizant state action.”³³ The Washington Supreme Court explained that the language in subsection (3) “strongly implies that RCW 49.60.400 does not ban all government action that is cognizant of

race as it would be surplusage” because of subsection (1).³⁴ The court stated that the subsection (3) “carves out from the prohibition of the statute government action cognizant of race, sex, color, ethnicity, or national origin that does not discriminate against or grant preferential treatment based on the enumerated characteristics.”³⁵ The court held that “RCW 49.60.400 prohibits reverse discrimination where race or gender is used by government to select a less qualified applicant over a more qualified applicant.”³⁶

In 2017, the Washington State Attorney General issued an opinion on the question of whether Initiative 200 prohibits Washington from “implementing race-or sex-conscious measures to address significant disparities in the public contracting sector that are documented in a disparity study if it is first determined that race- and sex-neutral measures will be insufficient to address those disparities.”³⁷ The Attorney General identified some possible measures, including “aspirational goals for minorities or women, solicitation of women and minority businesses to participate in public contracting, training and outreach targeted to women-and minority-owned firms, or other measures designed to increase participation in public contracting by underrepresented groups.”³⁸ These race- and gender conscious measures “do not elevate a less qualified applicant over a more qualified applicant, they do not fall within the prohibition of RCW 49.60.400(1) as limited by RCW 49.60.400(3)” and are not considered “preferences.”³⁹

³⁰ *Parents Involved in Cmty. Schs. v. Seattle Sch. Dist. No. 1*, 149 Wn.2d 660, 678 (Wash. 2003); see also RCW 49.60.400.

³¹ RCW 49.60.400(1)-(3).

³² *Parents Involved in Cmty. Schs. v. Seattle Sch. Dist. No. 1*, 149 Wn.2d at 663.

³³ *Id.* at 662.

³⁴ *Id.* at 684-685.

³⁵ *Id.* at 685.

³⁶ *Id.* at 690. (Examples of impermissible “reverse discrimination” given by the court included “college quotas and minority set asides.” *Id.* at 688).

³⁷ 2017 Wash. AG Lexis 4, *2.

³⁸ *Id.* at 14.

³⁹ *Id.* at 14-15.

SUMMARY REPORT — City procurement policies and equity programs

Procurement Policies

The City follows guidelines outlined in Washington statutes and City policies when procuring construction, goods and services. Appendix M gives more detail on City procurement procedures.

Bidding thresholds. The City sets different bidding requirements based on the size and type of procurement.

- **Direct award.** Used for procurements that are \$10,000 or below, with the exception of procurements for construction and A&E services as well as cases where the City is purchasing goods/services worth \$200,000 or less from certified minority/woman-owned or small businesses (see “Small Contracts” section in page 12 of Appendix M).⁴⁰
- **Request for written quotes.** Used for goods, construction, professional services and other services procurements (not including A&E services) that are more than \$10,000 up to \$50,000.
- **Informal request for bids.** Used for construction, goods and other services procurements (not including professional services or A&E services) that are more than \$50,000 up to \$500,000.
- **Requests for qualifications.** Used for A&E services procurements of all sizes.
- **Competitive sealed bids/proposals.** Used for procurements that are more than \$500,000.

Method for award. The City bases awards of contracts on different methods depending on the category of the procurement:

- **Direct award.** Does not require competitive bids or written quotes to make a procurement. Directly awarded to a vendor based on their quote.
- **Request for written quotes.** Requires a minimum of three written quotes. Awarded to the responsible vendor with the lowest quotation.
- **Competitive bids/proposals, requests for qualifications and informal requests for bid.** Must publicly advertise. Awarded based on qualifications, price and other factors.

Advertising requirements. For competitive bids and proposals, the City of Tacoma publicly advertises in local newspapers and electronically, including on the City’s website.

Bonding requirements. The City may request a 5 percent bid bond from a vendor bidding on a construction contract to guarantee that they will enter into the contract if it is awarded to them.

In addition, the City may also request payment and performance bonds equal to 100 percent of the contract value to guarantee that the bidder will compensate the subcontractors and suppliers it utilizes for the contract, as well as guarantee that the bidder will complete the work stipulated in the contract.

⁴⁰ Starting in 2024, the City was able to directly award non-construction and non-A&E contracts of up to \$200,000 to certified small, minority- or woman-owned businesses.

SUMMARY REPORT — City procurement policies and equity programs

2. Summary of City of Tacoma procurement practices

	Construction, maintenance and demolition	Supplies
Bidding thresholds		
Formal request for sealed proposals/bids	More than \$500,000	More than \$500,000
Request for qualifications	N/A	N/A
Informal request for bids	More than \$50,000 up to \$500,000	More than \$50,000 up to \$500,000
Request for written quotes	\$50,000 or below	More than \$10,000 up to \$50,000
Direct award	N/A	\$10,000 or below (for contracts with non-OMWBE certified firms) \$200,000 or below (for contracts with OMWBE certified firms)
Bidding requirements		
Formal request for sealed proposals/bids/qualifications	Public advertising	Public advertising
Informal request for bids	Public advertising (optional)	Public advertising (optional)
Request for written quotes	N/A	Minimum of 3 written quotes
Direct award	None	None
Means of public advertising	Official newspapers, online platforms	Official newspapers, online platforms
Basis for award		
Formal request for sealed proposals/bids	Qualifications and price	Qualifications, price and other factors
Request for qualifications	N/A	N/A
Informal request for bids	Lowest and best responsible bidder	Lowest and best responsible bidder
Request for written quotes	N/A	Lowest and best responsible quoter
Direct award	Direct award	Direct award
Other		
Provision for emergency purchases where bidding requirements waived	Yes	Yes
Bonding requirements	Bid bond of 5% for contracts \$500,000+ Payment bond (100% of contract value) Performance bond (100% of contract value)	Optional

SUMMARY REPORT — City procurement policies and equity programs

2. Summary of City of Tacoma procurement practices (continued)

	Professional services	Purchased services	A&E and A&E related services
Bidding thresholds			
Formal request for sealed proposals/bids	More than \$50,000	More than \$500,000	All amounts
Request for qualifications	N/A	N/A	All amounts
Informal request for bids	N/A	More than \$50,000 up to \$500,000	N/A
Request for written quotes	All amounts	More than \$10,000 up to \$50,000	N/A
Direct award	All amounts	\$10,000 or below (for contracts with non-OMWBE certified firms) \$200,000 or below (for contracts with OMWBE certified firms)	N/A
Bidding requirements			
Formal request for sealed proposals/bids/qualifications	Public advertising	Public advertising	Public advertising
Informal request for bids	N/A	Public advertising (optional)	N/A
Request for written quotes	Minimum of 3 written quotes	Minimum of 3 written quotes	N/A
Direct award	None	None	N/A
Means of public advertising	Official newspapers, online platforms	Official newspapers, online platforms	Official newspapers, online platforms
Basis for award			
Formal request for sealed proposals/bids	Qualifications, price and other factors	Qualifications, price and other factors	Qualifications, price and other factors
Request for qualifications	N/A	N/A	Qualifications and other factors
Informal request for bids	N/A	Lowest and best responsible bidder	N/A
Request for written quotes	Lowest and best responsible quoter	Lowest and best responsible quoter	N/A
Direct award	Direct award	Direct award	Direct award
Other			
Provision for emergency purchases where bidding requirements waived	Yes	Yes	Yes
Bonding requirements	Optional	Optional	Optional

SUMMARY REPORT — City procurement policies and equity programs

Equity Programs

The City of Tacoma has implemented equity programs to increase participation of MBEs, WBEs and SBEs.

Small Business Enterprise Program. In 2000, the City of Tacoma passed City Ordinance 26726, establishing a race- and gender-neutral Historically Underutilized Business (HUB) program. In 2013, the City renamed the HUB program the Small Business Enterprise (SBE) Program.

Overall goal and contract goals. As part of the SBE Program, the City set an overall annual aspirational goal of 22 percent.⁴¹ The City also set contract-specific goals on a project-by-project basis. The SBE program applied to all contracts above \$25,000.

SBE Program eligibility. Prior to 2020, the City certified firms as small business enterprises.

Equity in Contracting. In 2020, the City passed Ordinance 28625, establishing the Equity in Contracting (EIC) Program. Ordinance 28625 asks for setting annual goals for the utilization of MBEs, WBEs and SBEs in the provision of supplies, services and public works.

Public works contract goals. The City established contract goals on certain public works contracts to encourage prime contractor consideration of MBEs, WBEs and SBEs as subcontractors.⁴² The contract goal is set based on type of work and availability of eligible businesses to perform work in the relevant project location.

Note that the City uses the term “requirements” instead of contract “goals.” The difference in wording is not critical to understanding the actual operation of the program, however. As these programs are typically understood as “contract goals programs,” and such programs have been successfully defended in court, Keen Independent uses that term throughout the report.

EIC Program eligibility. The following rules applied for eligibility during the study period (and have since been removed from Tacoma Municipal Code). A firm to be counted towards an EIC Program contract goal, the City’s Community and Economic Development Department must establish that the firm:

- Is certified by Washington’s Office of Minority and Women Business Enterprises (OMWBE) as an MBE, SBE, WBE or DBE.
- Meets at least one of the following additional criteria:
 - The owner of the firm is a resident of Tacoma or resides within the Tacoma Public Utilities Service Area;
 - The firm’s office is located in the Tacoma Public Utilities Service Area or one of the counties adjacent to Pierce County; or
 - The firm’s office is located in a county adjacent to the county where work will be performed.⁴³

⁴¹ City of Tacoma Equity in Contracting: Timeline.

⁴² City of Tacoma Municipal Code Section 1.07.060.

⁴³ City of Tacoma Municipal Code Section 1.07.050.

SUMMARY REPORT — City of Tacoma contracts examined

Keen Independent obtained data on City construction, professional services, goods and other services contracts to determine utilization of MBE/WBEs in City contracts and subcontracts.

Contract and Subcontract Data

The City provided procurement data for contracts awarded from January 1, 2017, through December 31, 2022.

The City provided Keen Independent with access to the Washington State Department of Labor and Industries public works project database to obtain subcontract data on City construction contracts. The City also provided subcontract data from its B2Gnow system and assisted Keen Independent in requesting subcontract data from prime contractors that were awarded construction and professional services contracts during the study period.

In total, Keen Independent examined 1,527 procurements (\$681 million) and 1,637 subcontracts (\$103 million). Appendix B describes methods used to analyze these data.

Types of Work in City of Tacoma Contracts

Based on information in the contract and subcontract records, Keen Independent coded the primary type of work involved in each prime contract and subcontract using North American Industry Classification System (NAICS) and Standard Industrial Classification (SIC) codes. NAICS and SIC codes are standardized federal systems for classifying firms into a subindustry according to the detailed type of work they perform.

Figures 3 through 6 on the following pages show dollars of prime contracts and subcontracts for City procurements according to the primary type of work performed. There were 41 different types of work that accounted for about 91 percent of the total contract dollars. The largest single category of City spending was water and sewer lines, pumping stations or treatment facilities construction.

The availability analysis discussed later in this report focused on these subindustries.

SUMMARY REPORT — City of Tacoma contracts examined

Construction

Figure 3 includes a summary of City dollars going to construction prime contracts and their subcontracts by type of work performed. In total, about \$462 million City dollars went to construction contracts and subcontracts.

- More than one-half of City construction dollars went to water and sewer lines, pumping stations or treatment facilities construction, highway street and bridge construction and other heavy construction combined.
- Commercial and institutional building construction, electrical works, power and communication line construction and site prep work combined made up about 27 percent of City construction dollars.
- Other construction subindustries such as plumbing, accounted for about 5 percent of construction contract and subcontract dollars.
- Other subindustries (non-construction) such as architecture and engineering and trucking and hauling accounted for about 6 percent of construction contract and subcontract dollars.

In total, these 15 types of work listed in Figure 3 accounted for about 91 percent of all City construction contract dollars. Keen Independent’s availability survey for construction focused on firms performing these 15 types of work.

3. Spending by type of work on City construction contracts, 2017–2022

	Dollars (\$1,000s)	Share of industry
Water and sewer lines, pumping stations or treatment facilities construction	\$ 90,274	19.5 %
Highway, street and bridge construction	83,425	18.1
Other heavy construction	75,491	16.3
Electrical work	40,838	8.8
Commercial and institutional building construction	34,072	7.4
Power and communication line construction	24,702	5.3
Site prep	23,531	5.1
Plumbing and HVAC	11,238	2.4
Concrete work	7,407	1.6
Roofing	3,377	0.7
Construction subindustries	\$ 394,354	85.4 %
Architecture and engineering	8,429	1.8
Trucking and hauling	8,082	1.8
Temporary traffic control	3,168	0.7
Industrial machinery and equipment	3,154	0.7
Construction materials	3,210	0.7
All relevant subindustries	\$ 420,398	91.0 %
Other construction	\$ 34,098	7.4 %
Other non-construction	7,311	1.6
Total	\$ 461,808	100.0 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — City of Tacoma contracts examined

Professional Services

Figure 4 examines the subindustries accounting for about 93 percent of City professional services contract dollars (including subcontracts on professional services contracts).

About two-thirds of City professional services dollars was for architecture and engineering.

The availability survey included the major types of professional services shown in Figure 4.

4. Spending by type of work on City professional services contracts, 2017–2022

	Dollars (\$1,000s)	Share of industry
Architecture and engineering	\$ 67,951	67.4 %
Environmental consulting services	13,786	13.7
Legal services	7,149	7.1
Human resources consulting	1,876	1.9
Auditing	1,345	1.3
Advertising and marketing	1,153	1.1
All relevant subindustries	\$ 93,259	92.5 %
Other professional services	\$ 7,272	7.2 %
Other purchases	315	0.3
Total	\$ 100,846	100.0 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — City of Tacoma contracts examined

Goods

Figure 5 examines major areas of City spending on goods.

One-half of City goods spending was for vehicles and construction materials combined.

The availability survey included the major types of goods spending shown in Figure 5. (As with other industries, the study team excluded types of goods purchases primarily made from a national market. See Appendix B for additional information.)

5. Spending by type of work on City of Tacoma goods contracts, 2017–2022

	Dollars (\$1,000s)	Share of industry
Vehicles	\$ 27,507	29.3 %
Construction materials	20,514	21.8
Bulk fuel and oil	9,279	9.9
Uniforms and apparel	7,806	8.3
Industrial machinery and equipment	6,911	7.4
Auto parts	5,546	5.9
Furniture	2,601	2.8
Tires	2,344	2.5
Janitorial equipment and supplies	1,809	1.9
Firefighting equipment	1,422	1.5
All relevant subindustries	\$ 85,738	91.2 %
Other goods	\$ 8,247	8.8 %
Total	\$ 93,985	100.0 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — City of Tacoma contracts examined

Other Services

Figure 6 examines major areas of City spending on other services.

Security guard or armored car services, landscape maintenance, remediation services and parking facility management services combined accounted for about one-half of other services contract dollars.

The availability survey included the major types of other services spending shown in Figure 6.

6. Spending by type of work on City of Tacoma other services contracts, 2017–2022

	Dollars (\$1,000s)	Share of industry
Security guard or armored car services	\$ 23,689	18.5 %
Landscape maintenance	14,174	11.1
Remediation	13,350	10.5
Parking facility management	13,322	10.4
Elevator repair and maintenance	12,532	9.8
Waste collection and materials recovery	10,439	8.2
Property management	8,384	6.6
Locomotive and rolling stock repair	4,815	3.8
Janitorial services	4,546	3.6
Local temporary staffing	3,122	2.4
Vehicle repair and customization	3,073	2.4
Temporary traffic control	2,934	2.3
Electronic equipment repair	2,005	1.6
Equipment repair and maintenance	1,400	1.1
All relevant subindustries	\$ 117,784	92.2 %
Other services	\$ 8,252	6.5 %
Other purchases	1,697	1.3
Total	\$ 127,733	100.0 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — City of Tacoma contracts examined

Geographic Market Area

Keen Independent determined the relevant geographic market area for each of the study industries. The geographic market area for an industry reflects location of firms receiving most of the City’s contract dollars for that industry. The availability survey and other analyses of the local marketplace focused on this geographic area.

Construction, professional services and other services industries.

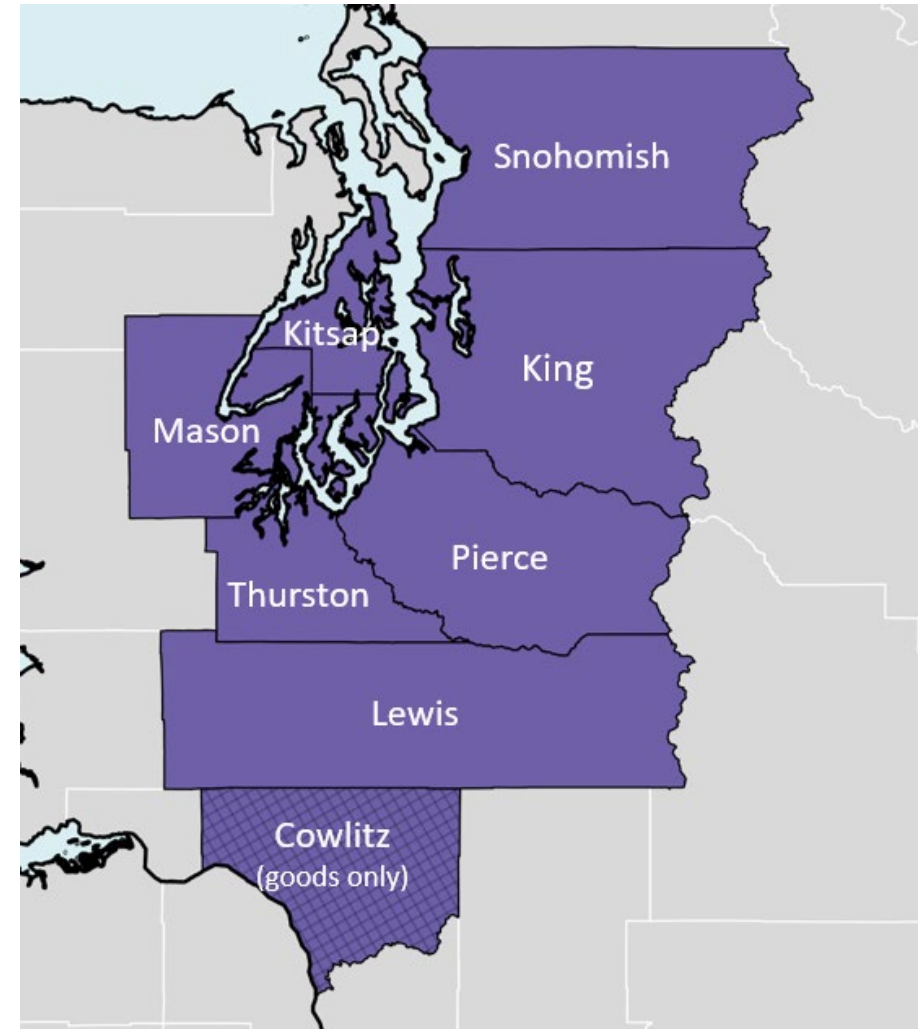
Firms in Western Washington received most of the dollars of contracts and subcontracts for City of Tacoma construction, professional services and other services contracts, after excluding the types of purchases typically made from national markets.

Firms in this area accounted for 85 percent of City construction, professional services and other services contract dollars (see Figure 7), including the local offices of firms that are headquartered elsewhere. Therefore, the availability analysis for the construction, professional services and other services industries focused on firms in this area. This area consists of the following Washington counties:

- Snohomish County;
- King County;
- Pierce County;
- Lewis County;
- Thurston County;
- Mason County; and
- Kitsap County.

Goods industry. Keen Independent added Cowlitz County to the definition of the market area for goods purchases, which is also called “Western Washington” in this report. Firms with locations in these counties received 84 percent of City goods contract dollars.

7. Geographic market area for City of Tacoma construction, professional services, goods and other services contracts



Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Information about marketplace conditions

Keen Independent examined U.S. Census Bureau data, results from the availability survey conducted for this study, and other data sources on conditions for minority- and woman-owned firms in the local marketplace.⁴⁴ As summarized in the following five pages, the combined information indicates that people of color and women face barriers entering study industries as employees and business owners. Once formed, there is evidence of greater barriers for minority- and woman-owned firms in the marketplace, including when competing for work.

Entry and Advancement as Employees in Study Industries

Employment and advancement are preconditions to business ownership in study industries. Barriers for people of color and women entering and advancing within the local construction industry, for example, could depress the number of businesses owned by minorities and women.

People of color were about 38 percent of the Western Washington workforce between 2018 and 2022. Women accounted for about 45 percent of all workers. Veterans were about 6 percent of all workers. Analysis of the workforce in the Western Washington study industries indicates that there could be barriers to employment for some minority groups and for women in certain industries.

Construction. Among construction workers, African Americans, Asian Americans and women were underrepresented. These differences were statistically significant. There was underrepresentation of people of color in construction trades such as highway maintenance workers, plumbers, pipelayers and HVAC mechanics when compared to

representation in the construction industry as a whole. There was also low representation of women in construction trades. Relatively few African Americans, Hispanic Americans and women working in the construction industry were managers.

Professional services. After controlling for educational attainment, African Americans, Asian Americans, Hispanic Americans, Native Americans and women constituted a smaller than expected portion of the local professional services workforce. These differences were statistically significant.

Goods. In the goods industry, African Americans, Asian Americans and women represented a smaller portion of workers than would be expected. These differences were statistically significant.

Other services. Asian Americans and women were a smaller portion of workers in the other services industry than would be expected. These differences were statistically significant.

These disparities in employment in certain industries in Western Washington are consistent with evidence that some courts have found sufficient to raise an inference of racial and gender discrimination. Appendix E provides detailed results regarding entry and advancement of workers in industries in the local marketplace.

⁴⁴ Keen Independent considers the relevant geographic market area for this study to be the Western Washington region for construction, professional services, goods and other services contracts as defined in the previous geographic market area section.

SUMMARY REPORT — Information about marketplace conditions

Business Ownership

Keen Independent examined whether there were differences in business ownership rates for workers in the local area construction, professional services, goods and other services industries related to race, ethnicity, gender and veteran status.

- **Construction.** African Americans, Hispanic Americans and women working in the local construction industry were less likely than non-Hispanic whites and men, respectively, to own a business.

After statistically controlling for personal factors, statistically significant differences in business ownership rates persisted for African Americans, Hispanic Americans and white women working in the local construction industry. These disparities were substantial.

- **Professional services.** In the local professional services industry, Asian Americans were less likely than non-Hispanic whites to own a business. However, this difference was not statistically significant after controlling for personal characteristics.

- **Goods.** In the goods industry, African Americans, Asian Americans and Native Americans working in the local goods industry were less likely than non-Hispanic whites to own a business.

After controlling for personal characteristics, a statistically significant difference in the business ownership rate in the local goods industry persisted for Native Americans working in the industry. This disparity was substantial.

- **Other services.** In the Western Washington area other services industry, women were less likely to own a business (statistically significant difference). A disparity for white women persisted after controlling for personal characteristics. This disparity was substantial.

These substantial and statistically significant disparities in business ownership for certain minority groups and women in the study industries in the local market area are consistent with evidence that some courts have found sufficient to raise an inference of discrimination.

These disparities also suggest that there are minority- and woman-owned firms in the study industries in Western Washington than might be expected if there were a level playing field for workers of color and women in these industries to start and sustain their own companies

There were no statistically significant disparities in business ownership for veterans compared with non-veterans working in the study industries, except for professional services, where there were more veterans who were business owners than expected.

Appendix F presents detailed results of the business ownership analyses conducted for this study.

SUMMARY REPORT — Information about marketplace conditions

Analysis of Access to Capital

Start-up and long-term business success depend on access to capital. Race or gender discrimination at any link in that chain may result in disparities in business formation and success. The information presented here indicates that people of color and women continue to face disadvantages in accessing capital that is necessary to start, operate and expand businesses as of 2022.

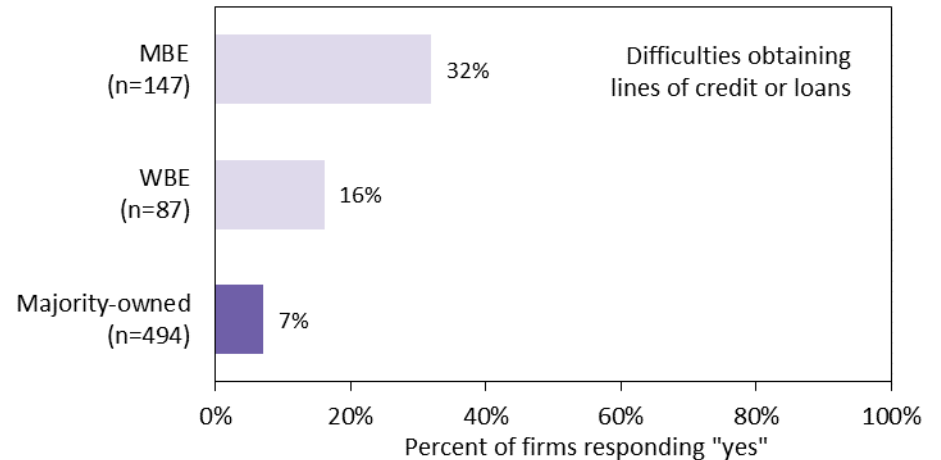
National results. Capital is required to start companies, so barriers to accessing capital can affect the number of people of color and women who are able to start businesses. In addition, minority and female entrepreneurs start their businesses with less capital (based on national data). Several studies have demonstrated that lower start-up capital adversely affects prospects for those businesses. Key results include:

- Personal and family savings of the owner was the main source of capital for startups among many U.S. businesses, but African American and Hispanic American households had lower wealth than non-Hispanic white households.
- Nationally, minority- and woman-owned businesses (except Asian American-owned businesses) were more likely to use personal credit cards as a source of start-up capital, which is a more expensive form of debt than business loans.
- Female- and minority-owned companies were less likely than other firms to secure business loans from a bank or financial institution as a source of start-up capital.
- Nationally, minority- and woman-owned firms were more likely to not apply for additional financing because firm owners believed that they would not be approved by a lender.

Appendix G discusses this information in more detail.

Quantitative information about access to capital for businesses available for City work. In the availability survey of firms available for City work, the Keen Independent study team asked respondents questions about different types of potential difficulties in the local marketplace. The share of MBEs (32%) and WBEs (16%) reporting difficulties obtaining lines of credit or loans was much higher than share of majority-owned firms reporting such difficulties (7%), as shown in Figure 8. (Note that “majority-owned firms” in this study are businesses not owned by people of color or women.)

8. Responses to availability survey question concerning loans



Source: Keen Independent Research from 2024 availability surveys.

Bonding. Among firms indicating in the availability survey that they had tried to obtain a bond, MBEs and WBEs were more likely to report difficulties obtaining bonding than majority-owned firms.

SUMMARY REPORT — Information about marketplace conditions

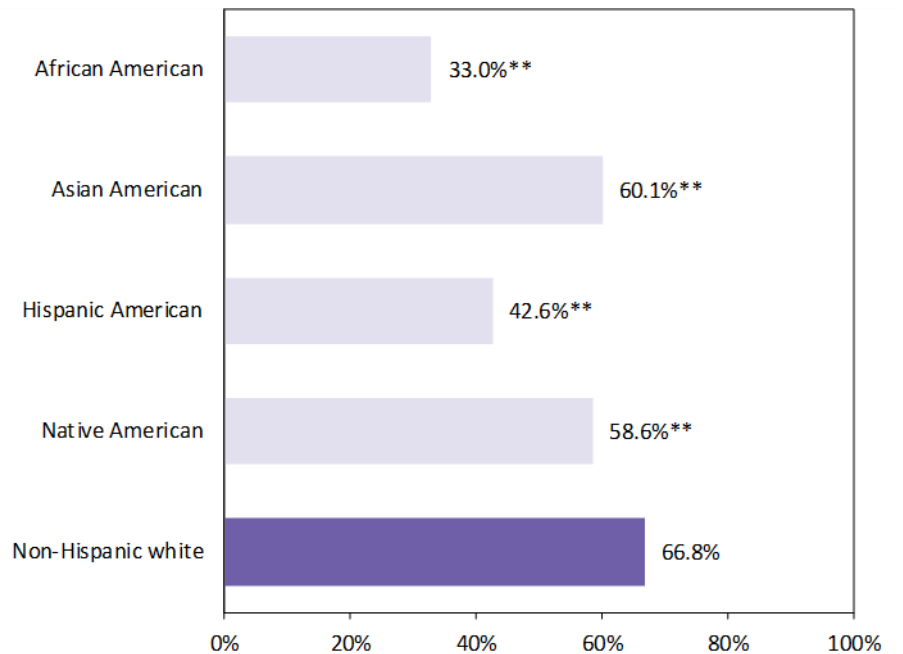
Quantitative information about homeownership and mortgage lending. Wealth created through homeownership can be an important source of funds to start or expand a business. Any discrimination in the home purchase and home mortgage markets can negatively affect the formation of firms by people of color in the local area and the success and growth of those companies.

- Home equity is an important source of funds for business start-up and growth. Relatively fewer people of color in Western Washington own homes compared with non-Hispanic whites (see Figure 9). People of color who own homes tend to have lower home values than non-Hispanic white homeowners.
- High-income people of color applying for conventional home mortgages in Western Washington were more likely to have their applications denied than high-income non-Hispanic whites (except for Native Hawaiian and other Pacific Islanders). This may indicate racial discrimination in mortgage lending and may affect access to capital for people of color to start and expand businesses.
- Some minority groups were also more likely to have subprime loans than non-Hispanic whites. This may be evidence of predatory lending practices affecting people of color in the Western Washington.

The results concerning the local housing and financial industries presented in this report may be consistent with evidence that some courts have found sufficient to raise an inference of racial discrimination. This could affect opportunities for people of color to start and successfully operate companies in the local market area.

See Appendix G for additional analyses relating to homeownership and mortgage lending.

9. Percentage of Western Washington area households that are homeowners, 2018–2022



Note: ** Denotes that the difference in proportions between the minority group and non-Hispanic whites for the given Census/ACS year is statistically significant at the 95% confidence level.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata sample. The 2018–2022 ACS raw data extracts were obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

SUMMARY REPORT — Information about marketplace conditions

Business Success

Keen Independent explored many different types of business outcomes in the Western Washington marketplace for minority- and woman-owned firms compared with majority-owned companies. In summary, many different data sources and measures indicate disparities in marketplace outcomes for minority- and woman-owned businesses and evidence of greater barriers for people of color and women to start and operate businesses in the Western Washington construction, professional services and goods and other services industries.

The pattern of disparities regarding business success of minority- and woman-owned firms in certain studies industries in the Western Washington marketplace may be consistent with evidence that some courts have found sufficient to raise an inference of discrimination. These factors might place minority- and woman-owned companies at a disadvantage compared with majority-owned firms when competing for City work.

Business closure, expansion and contraction. The study team used the most recent SBA study of minority business dynamics to examine business closures, expansions and contractions for privately held businesses between 2002 and 2006. The SBA study reported results for each state including Washington state. Compared with majority-owned firms in Washington state, that study found that:

- African American- and Asian American-owned firms were less likely to expand; and
- African American-, Asian American- and Hispanic American-owned businesses were more likely to close.

Data for the COVID-19 pandemic also indicate that MBEs and WBEs were more likely to close than other firms.

Business revenue and earnings. The study team used data from several different sources to analyze business receipts and earnings for businesses owned by people of color and women.

- In general, analysis of U.S. Census Bureau data from the 2017 Annual Business Survey showed lower average receipts for businesses owned by people of color and women in Washington.
- National data indicated that these general patterns persist across the study industries.

Data from 2018–2022 American Community Survey for the Western Washington marketplace indicated that:

- For the study industries combined, people of color had lower earnings than non-Hispanic white business owners, women had lower business earnings than men who owned businesses and veteran business owners had lower earnings than nonveterans.
- Data from the availability survey showed lower revenue for MBEs/WBEs compared with majority-owned firms.

Bid capacity. From Keen Independent’s availability survey, there was no evidence that minority- or woman-owned firms had lower bid capacity than majority-owned firms in the Western Washington area marketplace study industries.

SUMMARY REPORT — Information about marketplace conditions

Difficulties with prequalification, insurance and project size.

Answers to availability survey questions concerning marketplace barriers indicated that relatively more MBEs and WBEs than majority-owned firms face difficulties related to:

- Being prequalified;
- Insurance requirements; and
- Large project size.

For additional information about the types of difficulties companies experience in the local marketplace, see the qualitative information from in-depth interviews in Appendix J.

Payment and approvals. Responses to questions concerning difficulty obtaining payment and approvals indicated that:

- MBEs were more likely than other firms to report difficulties receiving payment from the City of Tacoma.
- MBEs and WBEs were more likely than other firms to report difficulties receiving payment from prime contractors and other customers.

Difficulties learning about bid opportunities. Availability survey results also indicate that:

- A higher percentage of MBEs and WBEs firms reported difficulties learning about bid opportunities in the private sector in the marketplace relative to majority-owned firms.
- MBEs were also more likely than other firms to report difficulties learning about bid opportunities with the City of Tacoma and subcontracting opportunities with prime contractors in the local area.

Bid restrictions. Key results from bid restriction questions were that:

- MBEs and WBEs more frequently indicated difficulties obtaining supply or distributor relationships and competitive disadvantages due to the pricing they receive from suppliers.
- WBEs were also more likely than other firms to report difficulties with brand name specifications

SUMMARY REPORT — Information about marketplace conditions

Qualitative Information about Marketplace Conditions

The Keen Independent study team collected qualitative information from business owners and managers, representatives from trade organizations and other groups. The study team conducted in-depth interviews and facilitated other group meetings with business owners, trade organization representatives and others and incorporated the results into this Appendix.

For anonymity, Keen Independent analyzed and coded comments without identifying any of the participants.

Keen Independent provided opportunities for public comments via mail and the designated study telephone hotline, website and email address.⁴⁵ Keen Independent also reviewed relevant qualitative information from other local studies.

The following four pages summarize some of these results. The 48-page Appendix J provides a much richer analysis of the qualitative input received. Appendix J is based on input from more than 325 businesses, trade association representatives and others.

Note that the comments in Appendix J and the following pages identify individuals by number, not by name. (Appendix J explains the numbering system in further detail.)

Working with the City of Tacoma. Many businesses providing input to the study team expressed interest in working with the City of Tacoma. Some businesses indicated positive experiences working with City, including the following comment.

Having worked with other jurisdictions ... Tacoma does a really good job both in trying to make sure that there's predictability, and certainty within the contracting process, and within the payment process.

TO-2. White female representative of a trade association

Issues with procedures. Some interviewees expressed challenges related to doing business with the City of Tacoma due to a perceived lack of transparency in the procurement process. For example:

Trying to understand how the [the City's] bidding system works, it's convoluted and confusing, there is no clear instruction on it...I've been trying to talk to purchasing about, but I can't get a response. What [does] your bid process look like? How do you acquire that stuff? No one will even answer a question from me.

I-25. African American male representative of a goods firm

⁴⁵ The study phone hotline number was (602) 704-0125; email address was tacomawadisparity2024@keenindependent.com; and the website was <https://www.keenindependent.com/studies/tacomadisparitystudy2024>.

SUMMARY REPORT — Information about marketplace conditions

Access to capital. Business owners and others reported that access to capital is critical to success and difficult for companies to secure.

When we're talking about access to capital and opportunity, it's not a level playing field The City of Tacoma has done some good work with some loans and some grants But when we're talking about commercial affordability, we're talking about access to capital, it remains a challenge.

TO-2. White female representative of a trade association

The challenge is certainly financial, there's no doubt about that, I would say that would be the case for every business. If you don't have a good backing to begin with, then you could be in a lot of trouble.

I-21. White female owner of a professional services firm

How access to capital is related to the size of contracts a firm bids. Interviewees described ways access to capital can impact the size of contracts firms can bid.

The City required some kind of insurance bond, and that was the difficult part. That required capital and money and we didn't know what we were doing, we didn't know how to do it and [the owner] lost that bid because of the financial capital that we needed to even bid on the job.

I-2. White female representative of a veteran-owned construction-related firm

All the big companies ... get all the good contracts. Since I can't get funding of any form, we don't ever qualify for large projects.

I-10. White male owner of a construction-related firm

Relationship between business access to capital and personal finances. Some interviewees explained the connection between business lending and one's personal finances.

Issues regarding access to capital [is] a big issue, especially with a smaller firm just starting out Particularly in [my] field there's no hard asset to loan capital against so it's very hard to get any kind of a loan to start a business. Almost all firms that I know, when they started [their firm, it] was 'friends-and-family' money.

I-14. White male owner of a professional services firm

Barriers to access to business capital for people of color and women. Some business owners and representatives described barriers to access to capital that are specific to people of color and women.

We're still facing a lot of systemic, historical challenges. If you are a Black family living in Tacoma, you are 50 percent less likely to own your home than a white family. [If] you are a Black family that wants to start a business There's already a stacked deck because of the historical inequities in place.

TO-2. White female representative of a trade association

[I've] not only experienced it, but I've heard and read ... studies [that] say the same thing, [that] particularly [for] minority businesses, access to capital is difficult and when you do get money, you never get enough [For] my line of credit, I got \$25,000, but I asked for \$50,000. Because that would have been a better situation.

I-4. African American male owner of a professional services firm

SUMMARY REPORT — Information about marketplace conditions

Issues with prompt payment. Slow payment can be especially damaging for groups of firms that do not have the same access to capital as others.

Traditionally government agencies take a lot longer to pay and there's a lot more paperwork involved usually. Government work comes with cash flow challenges, it always has. We invoice Net-15 days to private industry, and it's usually Net-60 and Net-90 for government. Definitely a big difference there.

I-14. White male owner of a professional services firm

That first two years of building a business [are] challenging because if the minute you're done with something and you go to bill it, it's still a minimum of 90 days before you see any kind of money. For most people, it can be two years before you get to a place where you're actually paying yourself in a responsible way.

I-21. White female owner of a professional services firm

Bonding and insurance. Bonding and insurance requirements can present difficulties for businesses in the marketplace.

[The current marketplace conditions are] not good. It's really expensive for us to operate and do all the insurance and permitting fees. The time that's dragged out for all that doesn't help.

I-23. White male representative of a construction-related firm

These last three years have been a challenge Business is nothing like where I started, it's a lot easier to maintain just mom-and-pop style, working with [individuals as my clients]. It's a little bit different when you get into the contracting pieces and your insurance is a lot more than it was ... and those other costs that you must take on.

I-22. African American male owner of an other services firm

Contractor-subcontractor relationships. Business owners and representatives reported on relationships between prime and subcontractors in the local marketplace. Some interviewees reported that certain prime contractors or customers are reluctant to work with newer or smaller businesses.

Locating [subcontractor] businesses that can provide the quality of work [is a challenge]. There's a certain number of businesses out there that either haven't matured enough to be able to meet the quality requirements, or maybe aren't really in business for the right reasons. They're just trying to take advantage of the situation.

I-14. White male owner of a professional services firm

Most of what we see is that these small, minority- [and] woman-owned businesses are small operations ... sometimes they're available. You never know exactly what you're going to get. You never know the quality level sometimes. That's one of the issues that causes us concern when we think about trying to bring somebody on to meet some requirements.

I-17. White male representative a construction-related firm

We have challenges with ... the community work[force] agreements that [certain entities] have It's been really hard to find qualified people and it does feel like you pay a lot for the service [that the subcontractor provides]. It doesn't feel like you get a lot out of it, trying to pay for the minority contractors to work.

I-6. White male representative of a goods firm

SUMMARY REPORT — Information about marketplace conditions

Other challenges for small and diverse businesses. Interviewees discussed several other challenges that small and diverse businesses face doing business in the local marketplace, including denial of opportunity to bid, unfair rejection of bids, bid shopping and lack of feedback on bids.

There's no recourse when it comes to finding out [about City of Tacoma bids]. I could pull up emails right now with team members from the procurement team of Tacoma who I'll send them a message and it's been months.

I-25. African American male representative of a goods firm

I'd rather ... lose a proposal by 20 points or 10 points then barely lose it. Because then when they make lame excuses, I do wonder what was the real reason I know there's a little bit of preference to [the previous firm who won the bid] but if you're really dedicated to diversity ... 'How was your vote? Did you give a few extra points for somebody because they look like you?'

I-4. African American male owner of a professional services firm

It was clear that the RFP was designed for this organization to hire a singular group and it was the group that had been there before, and it was incredibly apparent. We as well as others asked for debrief and those never happened. It's a major public agency but they're known now for just keeping the status quo.

I-21. White female owner of a professional services firm

Stereotyping and double standards. Many interviewees discussed challenges experienced by minority- and woman-owned firms or other small businesses that are not typically faced by other businesses.

Gender-based stereotyping and discrimination. Some business owners and representatives reported negative stereotyping of women as “less fit” than men, as well as other gender-based discrimination.

This is the construction industry. As much as everybody wants [discrimination] to go away that stuff's all present here and they'll doubt her ability if it's a woman, especially as an owner [or a] contractor and tell [her that] they have to prove it. Everyone else assumes that they're good [at performing the work].

I-23. White male representative of a construction-related firm

Racial stereotyping. Some business owners of color and others described incidents of stereotyping people of color as less capable.

When we meet [potential clients] ... speaking with them on the phone, everything goes great. We get there to show up to do the walkthrough and then you can see the energy change ... when they realize that we are not who they thought we were over the phone.

I-5. African American female representative of an other services firm

There have been higher expectations, put on [minority- and woman-owned firms] than on a business that a company would have maybe more traditionally hired for work for that role. There are double standards out there, it feels like it's getting better but they still exist.

I-14. White male owner of a professional services firm

SUMMARY REPORT — Information about marketplace conditions

“Good ol’ boy” and other closed networks. Many business representatives reported that the “good ol’ boy” network or other closed networks persist in the marketplace. Some indicated that they once existed but are less pervasive now.

The ‘good ol’ boy’ network is not as strong as it used to be, but the upper levels of firms [in my line of work] are still dominated more [by] men than not. There’s still the ‘mommy-track glass ceiling.’

I-15. White female owner of a professional services firm

[It] is very much [a] family oriented, privileged-oriented insiders club, exclusive. If you don’t know anybody, you don’t get the job.

AS-166. White male owner of an other services firm

It just seems like [Tacoma] is small town and it’s got a small mindset in a sense where everybody works within themselves and then [you] can’t crack one of those silos or especially in [my] industry I don’t look a lot like the people in [my] industry, it’s been a barrier.

I-22. African American male owner of an other services firm

There’s older, established, mature companies who know everybody in the City and when you go into a bid meeting, they’re greeting everybody by name and shaking hands and then there’s ... businesses just starting out that don’t know anybody, they don’t have any resources and they’re trying to go in and land their first project either as a sub or a prime and it never really is a level playing field.

I-14. White male owner of a professional services firm

SUMMARY REPORT — Utilization analysis

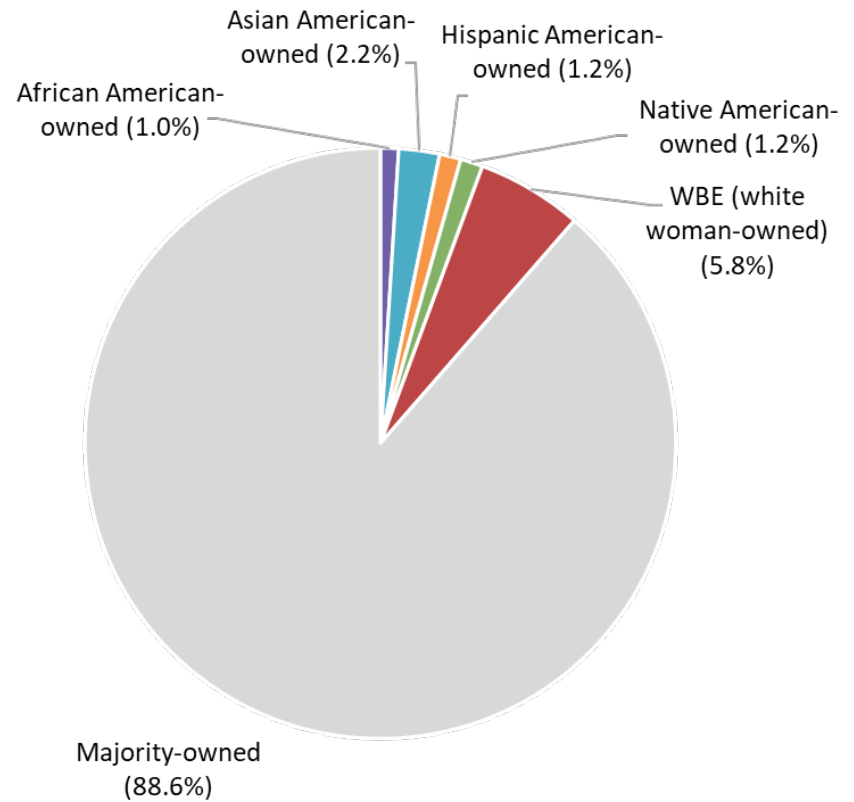
Keen Independent examined the share of City contract dollars going to minority- and woman-owned firms (including those that are not certified). Each page in the following pages examines a different set of City contracts.

City of Tacoma Utilization of Minority- and Woman-owned Firms and Other Businesses

Keen Independent examined the ownership of firms performing City contracts and subcontracts during the January 1, 2017, through December 31, 2022, study period.

Of the \$784 million in City contract dollars going to businesses during this period, about \$89 million (11%) went to minority- and woman-owned companies. Figure 10 presents these results.

10. Share of City of Tacoma contract dollars going to MBEs and WBEs, 2017–2022



Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Utilization analysis

Utilization Analysis by Group

Participation of MBE/WBEs on City contracts and subcontracts (2017–2022) included:

- About \$46 million going to 148 different white woman-owned businesses (332 contracts or subcontracts);
- About \$18 million going to 37 different Asian American-owned businesses (93 contracts or subcontracts);
- About \$10 million going to 15 different Native American-owned businesses (39 contracts or subcontracts);
- 83 contracts or subcontracts totaling \$9 million to 43 different Hispanic American-owned businesses; and
- 109 procurements totaling \$8 million to 37 different African American-owned businesses.

The bottom portion of Figure 11 examines utilization based on firm certification. Of the \$89 million of contract dollars awarded to MBE/WBEs, \$39 million went to firms certified as MBEs or WBEs by the Washington Office of Minority and Women’s Business Enterprises (OMWBE) and with a location in Pierce, King, Lewis, Mason, Grays Harbor and Thurston per City of Tacoma 1.07.050, with the balance going to majority-owned SBEs and non-certified MBEs, WBEs and majority-owned firms.

Note that “certified MBE/WBE firms” include DBEs certified by OMWBE.

11. City of Tacoma contract dollars going to MBEs and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	109	\$ 7,754	0.99 %
Asian American-owned	93	17,520	2.23
Hispanic American-owned	83	9,150	1.17
Native American-owned	39	9,614	1.23
Total MBE	324	\$ 44,038	5.61 %
WBE (white woman-owned)	332	45,416	5.79
Total MBE/WBE	656	\$ 89,454	11.40 %
Majority-owned	2,508	694,918	88.60
Total	3,164	\$ 784,372	100.00 %
OMWBE certification (MBEs, WBEs, DBEs and SBEs)			
African American-owned	86	\$ 6,207	0.79 %
Asian American-owned	30	5,674	0.72
Hispanic American-owned	43	4,861	0.62
Native American-owned	24	3,875	0.49
Total MBE	183	\$ 20,618	2.63 %
WBE (white woman-owned)	107	18,863	2.40
Total MBE/WBE	290	\$ 39,481	5.03 %
Majority-owned (SBEs)	48	11,151	1.42
Total certified	338	\$ 50,632	6.46 %
Not certified	2,826	733,740	93.54
Total	3,164	\$ 784,372	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Utilization analysis

Utilization Analysis by Industry

Keen Independent also analyzed MBE/WBE utilization for each study industry.

Construction. Keen Independent examined MBE/WBE participation in 2,057 City construction contracts and subcontracts in the study period. Of the \$462 million in City construction contract dollars, about 10 percent went to minority- and woman-owned companies. The share of dollars going to different groups was as follows:

- About \$23 million went to 85 different white woman-owned companies (227 contracts or subcontracts);
- About \$8 million went to 19 different Asian American-owned businesses (60 contracts or subcontracts);
- 31 different Hispanic American-owned businesses received about \$7 million in construction contract dollars (61 contracts or subcontracts);
- About \$5 million went to 11 different Native American-owned businesses (31 contracts or subcontracts); and
- 92 contracts or subcontracts totaling about \$4 million were awarded to 27 African American-owned businesses.

The bottom of Figure 12 shows utilization for OMWBE MBE/WBE/DBE and SBE-certified firms. About \$22 million went to 80 different OMWBE-certified MBE/WBE/DBEs (238 contracts or subcontracts). See Appendix D for additional utilization analyses.

12. City of Tacoma construction contracts dollars going to MBEs and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	92	\$ 3,628	0.79 %
Asian American-owned	60	8,225	1.78
Hispanic American-owned	61	7,218	1.56
Native American-owned	31	4,794	1.04
Total MBE	244	\$ 23,865	5.17 %
WBE (white woman-owned)	227	22,568	4.89
Total MBE/WBE	471	\$ 46,434	10.05 %
Majority-owned	1,586	415,374	89.95
Total	2,057	\$ 461,808	100.00 %
Certified MBEs, WBEs, DBEs and SBEs			
African American-owned	74	\$ 2,903	0.63 %
Asian American-owned	19	4,580	0.99
Hispanic American-owned	40	4,660	1.01
Native American-owned	23	3,858	0.84
Total MBE	156	\$ 16,001	3.46 %
WBE (white woman-owned)	82	6,336	1.37
Total MBE/WBE	238	\$ 22,337	4.84 %
Majority-owned (SBEs)	43	10,377	2.25
Total certified	281	\$ 32,714	7.08 %
Not certified	1,776	429,093	92.92
Total	2,057	\$ 461,808	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Utilization analysis

Professional services. Keen Independent examined MBE/WBE participation in 638 professional services contracts and subcontracts in the study period. Of the \$101 million in City professional services contract dollars, about 15 percent went to minority- and woman-owned companies. (See Figure 13.)

- About \$9 million went to 44 different white woman-owned companies (67 contracts or subcontracts);
- About \$3 million went to 12 different Asian American-owned businesses (17 contracts or subcontracts);
- Seven different African American-owned businesses received about \$2 million in professional services contract dollars (10 contracts or subcontracts);
- Seven different Hispanic American-owned business received about \$900,000 in professional services contracts (12 contracts or subcontracts); and
- Four contracts and subcontracts totaling about \$136,000 went to two different Native American-owned businesses.

As shown in the bottom section of Figure 13, \$3 million went to 20 different OMWBE-certified MBE/WBEs (32 contracts or subcontracts). See Appendix D for additional utilization analyses for the professional services industry.

13. City of Tacoma professional services contracts dollars going to MBE and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	10	\$ 1,593	1.58 %
Asian American-owned	17	3,246	3.22
Hispanic American-owned	12	900	0.89
Native American-owned	4	136	0.13
Total MBE	43	\$ 5,875	5.83 %
WBE (white woman-owned)	67	8,886	8.81
Total MBE/WBE	110	\$ 14,761	14.64 %
Majority-owned	528	86,085	85.36
Total	638	\$ 100,846	100.00 %
Certified MBEs, WBEs, DBEs and SBEs			
African American-owned	6	\$ 949	0.94 %
Asian American-owned	6	695	0.69
Hispanic American-owned	1	20	0.02
Native American-owned	0	0	0.00
Total MBE	13	\$ 1,664	1.65 %
WBE (white woman-owned)	19	1,460	1.45
Total MBE/WBE	32	\$ 3,124	3.10 %
Majority-owned (SBEs)	5	774	0.77
Total certified	37	\$ 3,898	3.87 %
Not certified	601	96,948	96.13
Total	638	\$ 100,846	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Utilization analysis

Goods. MBEs and WBEs were awarded about 8 percent of the City’s goods contract dollars. Figure 14 presents these results.

- One Native American-owned business received about \$5 million in City goods contract dollars (3 procurements);
- Three different Asian American-owned businesses received about \$2 million in goods contract dollars (6 procurements);
- Five different white woman-owned businesses received about \$1 million in goods contract dollars (9 procurements); and
- About \$178,000 went to one Hispanic American-owned company (3 procurements).

Of this MBE/WBE utilization, \$107,000 went to one OMWBE-certified MBE (4 goods procurements).

Note that the analysis of City goods procurements does not include purchases typically made from national markets.

14. City of Tacoma goods contracts dollars going to MBEs and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	0	\$ 0	0.00 %
Asian American-owned	6	1,854	1.97
Hispanic American-owned	3	178	0.19
Native American-owned	3	4,666	4.96
Total MBE	12	\$ 6,698	7.13 %
WBE (white woman-owned)	9	1,108	1.18
Total MBE/WBE	21	\$ 7,806	8.31 %
Majority-owned	196	86,179	91.69
Total	217	\$ 93,985	100.00 %
Certified MBEs, WBEs, DBEs and SBEs			
African American-owned	0	\$ 0	0.00 %
Asian American-owned	4	107	0.11
Hispanic American-owned	0	0	0.00
Native American-owned	0	0	0.00
Total MBE	4	\$ 107	0.11 %
WBE (white woman-owned)	0	0	0.00
Total MBE/WBE	4	\$ 107	0.11 %
Majority-owned (SBEs)	0	0	0.00
Total certified	4	\$ 107	0.11 %
Not certified	213	93,879	99.89
Total	217	\$ 93,985	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Utilization analysis

Other services. MBEs and WBEs were awarded 16 percent of City other services contract dollars. Figure 15 presents these results.

- About \$13 million went to 20 different white woman-owned companies (29 procurements);
- Six Asian American-owned businesses received \$4 million in other services contract dollars (10 procurements);
- Five African American-owned businesses received about \$2.5 million in other services contract dollars (7 procurements);
- About \$854,000 went to six different Hispanic American-owned businesses (7 procurements); and
- One procurement went to a Native American-owned business for about \$18,000.

About \$14 million went to ten different OMWBE-certified MBE/WBEs (16 procurements).

15. City of Tacoma other services contracts dollars going to MBEs and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	7	\$ 2,534	1.98 %
Asian American-owned	10	4,195	3.28
Hispanic American-owned	7	854	0.67
Native American-owned	1	18	0.01
Total MBE	25	\$ 7,600	5.95 %
WBE (white woman-owned)	29	12,853	10.06
Total MBE/WBE	54	\$ 20,453	16.01 %
Majority-owned	198	107,280	83.99
Total	252	\$ 127,733	100.00 %
Certified MBEs, WBEs, DBEs and SBEs			
African American-owned	6	\$ 2,355	1.84 %
Asian American-owned	1	292	0.23
Hispanic American-owned	2	181	0.14
Native American-owned	1	18	0.01
Total MBE	10	\$ 2,846	2.23 %
WBE (white woman-owned)	6	11,067	8.66
Total MBE/WBE	16	\$ 13,913	10.89 %
Majority-owned (SBEs)	0	0	0.00
Total certified	16	\$ 13,913	10.89 %
Not certified	236	113,820	89.11
Total	252	\$ 127,733	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Utilization analysis

Utilization with and without SBE and EIC Program Application

The City of Tacoma currently operates the EIC Program on non-federally funded construction contracts. As part of the EIC Program, the City sets contract-specific MBE/WBE/SBE participation goals on public works and improvement contracts. (See note on previous page about the City’s actual use of the word “requirements” rather than “goals.” The discussion that follows is more easily understood if the commonly used term “contract goals” is used.)

Prior to 2020, the City operated the SBE Program. Through the SBE Program, the City set contract-specific SBE goals on City contracts above \$25,000.

Keen Independent analyzed City utilization of MBE/WBEs and other firms with and without an SBE or EIC goal. This section presents utilization results by application of City contract equity programs, including contracts:

- With SBE goals;
- Without SBE goals;
- With EIC goals;
- Without EIC goals;
- With either SBE or EIC goals; and
- With neither SBE nor EIC goals.

See Appendix D for additional utilization and disparity analyses.

SUMMARY REPORT — Utilization analysis

Contracts with SBE goals. Keen Independent analyzed 758 City contracts and subcontracts with SBE Program goals. These contracts accounted for \$106 million (23%) of the City’s \$467 million contract dollars that did or did not have SBE goals applied from January 2017–April 2020.

- About \$8 million went to 42 different white woman-owned companies (97 procurements);
- 14 different Hispanic American-owned businesses received about \$1 million in contract dollars (19 procurements);
- 14 African American-owned businesses received about \$1 million in contract dollars (35 procurements);
- About \$772,000 went to six different Asian American-owned businesses (17 procurements); and
- 10 procurements went to three different Native American-owned businesses for about \$558,000.

Overall, about 11 percent of dollars from contracts with SBE goals went to MBEs and WBEs.

The lower portion of Figure 16 shows results for OMWBE-certified firms.

Of the 3.7 percent of contract dollars going to firms certified as SBEs or were otherwise had a size limit in their certification (MBEs, WBEs and DBEs), 2.5 percentage points went to MBE/WBEs and 1.2 percentage points went to majority-owned SBEs. (See Figure 16.)

16. Utilization analysis for contracts with SBE goals, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	35	\$ 1,211	1.15 %
Asian American-owned	17	772	0.73
Hispanic American-owned	19	1,448	1.37
Native American-owned	10	558	0.53
Total MBE	81	\$ 3,989	3.78 %
WBE (white woman-owned)	97	7,796	7.38
Total MBE/WBE	178	\$ 11,784	11.16 %
Majority-owned	580	93,835	88.84
Total	758	\$ 105,619	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	27	\$ 627	0.59 %
Asian American-owned	4	315	0.30
Hispanic American-owned	9	280	0.27
Native American-owned	7	540	0.51
Total MBE	47	\$ 1,763	1.67 %
WBE (white woman-owned)	36	895	0.85
Total MBE/WBE	83	\$ 2,657	2.52 %
Majority-owned (SBEs)	15	1,270	1.20
Total certified	98	\$ 3,927	3.72 %
Not certified	660	101,692	96.28
Total	758	\$ 105,619	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Contracts without SBE goals. Keen Independent also analyzed about 1,400 City procurements for 2017–2020 without SBE goals. These procurements accounted for \$361 million (77%) of the City’s \$467 million total contract dollars examined in the January 2017–April 2020 study period that did or did not have SBE goals applied.

- About \$20 million went to 78 different white woman-owned companies (121 procurements);
- 22 different Asian American-owned businesses received about \$10 million in contract dollars (39 procurements);
- 19 Hispanic American-owned businesses received about \$4 million in contract dollars (25 procurements);
- About \$4 million went to 18 different African American-owned businesses (26 procurements); and
- 9 procurements went to four different Native American-owned businesses for about \$2 million.

Of non-SBE goals contract dollars, 11.3 percent went to MBEs and WBEs. About 7 percent went to OMWBE-certified MBE/WBEs. (See Figure 17.)

Overall, utilization of MBEs/WBEs on non-goals contracts was about the same as contracts with SBE goals (11.1%). In the Disparity Analysis section, Keen Independent compares MBE/WBE utilization to what would be expected from the availability of MBEs, WBEs and majority-owned firms to perform work on these contracts.

17. Utilization analysis for procurements without SBE goals, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	26	\$ 4,379	1.21 %
Asian American-owned	39	10,222	2.83
Hispanic American-owned	25	4,387	1.21
Native American-owned	9	1,695	0.47
Total MBE	99	\$ 20,683	5.72 %
WBE (white woman-owned)	121	20,178	5.58
Total MBE/WBE	220	\$ 40,861	11.30 %
Majority-owned	1,173	320,624	88.70
Total	1,393	\$ 361,485	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	15	\$ 3,736	1.03 %
Asian American-owned	14	4,931	1.36 %
Hispanic American-owned	6	2,742	0.76
Native American-owned	6	1,605	0.44
Total MBE	41	\$ 13,014	3.60 %
WBE (white woman-owned)	27	11,615	3.21
Total MBE/WBE	68	\$ 24,629	6.81 %
Majority-owned (SBES)	12	3,107	0.86
Total certified	80	\$ 27,736	7.67 %
Not certified	1,313	333,749	92.33
Total	1,393	\$ 361,485	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Contracts with EIC goals. Keen Independent analyzed 392 City contracts and subcontracts under the EIC Program. These contracts accounted for \$117 million (37%) of the City’s \$317 million contract dollars that went to contracts with or without EIC contract goals from May 2020–December 2022 .

- About \$9 million went to 29 different white woman-owned companies (51 procurements);
- Seven different Asian American-owned businesses received about \$2.5 million in contract dollars (22 procurements);
- 12 Hispanic American-owned businesses received about \$2 million in contract dollars (24 procurements);
- About \$2 million went to six different Native American-owned businesses (10 procurements); and
- 34 procurements went to 15 different African American-owned businesses for about \$1 million.

Overall, about 15 percent of dollars from contracts with EIC goals went to MBEs and WBEs. About 7 percent went to OMWBE-certified MBE/WBEs. (See Figure 18.)

18. Utilization analysis for procurements with EIC goals, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	34	\$ 1,335	1.14 %
Asian American-owned	22	2,566	2.20
Hispanic American-owned	24	2,164	1.85
Native American-owned	10	1,686	1.44
Total MBE	90	\$ 7,751	6.64 %
WBE (white woman-owned)	51	9,274	7.94
Total MBE/WBE	141	\$ 17,025	14.58 %
Majority-owned	251	99,717	85.42
Total	392	\$ 116,742	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	32	\$ 1,290	1.11 %
Asian American-owned	6	102	0.09
Hispanic American-owned	20	1,263	1.08
Native American-owned	9	1,685	1.44
Total MBE	67	\$ 4,341	3.72 %
WBE (white woman-owned)	29	4,347	3.72
Total MBE/WBE	96	\$ 8,688	7.44 %
Majority-owned (SBES)	9	1,786	1.53
Total certified	105	\$ 10,474	8.97 %
Not certified	287	106,268	91.03
Total	392	\$ 116,742	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Contracts without EIC goals. Keen Independent also analyzed about 621 City procurements without EIC goals. These procurements accounted for \$201 million (63%) of the City’s \$317 million of total contract dollars examined that went to contracts with or without EIC Program goals from May 2020–December 2022.

- About \$8 million went to 55 different white woman-owned companies (63 procurements);
- Eight different Native American-owned businesses received about \$6 million in contract dollars (10 procurements);
- 13 Asian American-owned businesses received about \$4 million in contract dollars (15 procurements);
- About \$1 million went to nine different Hispanic American-owned businesses (15 procurements); and
- 14 procurements went to 10 different African American-owned businesses for about \$829,000.

About 10 percent of dollars for contracts without SBE goals went to MBEs and WBEs. About 2 percent went to OMWBE-certified MBE/WBEs. (See Figure 19.)

Overall, utilization of MBEs/WBEs was lower on non-goals contracts compared with contracts with EIC goals.

19. Utilization analysis for procurements without EIC goals, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	14	\$ 829	0.41 %
Asian American-owned	15	3,961	1.98
Hispanic American-owned	15	1,151	0.57
Native American-owned	10	5,675	2.83
Total MBE	54	\$ 11,616	5.79 %
WBE (white woman-owned)	63	8,167	4.07
Total MBE/WBE	117	\$ 19,783	9.87 %
Majority-owned	504	180,742	90.13
Total	621	\$ 200,526	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	12	\$ 553	0.28 %
Asian American-owned	6	327	0.16
Hispanic American-owned	8	576	0.29
Native American-owned	2	45	0.02
Total MBE	28	\$ 1,500	0.75 %
WBE (white woman-owned)	15	2,006	1.00
Total MBE/WBE	43	\$ 3,507	1.75 %
Majority-owned (SBES)	12	4,988	2.49
Total certified	55	\$ 8,495	4.24 %
Not certified	566	192,031	95.76
Total	621	\$ 200,526	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Contracts with either SBE or EIC goals. Keen Independent analyzed 1,150 City contracts and subcontracts either with an SBE or EIC contract goal. These contracts accounted for \$222 million (28%) of the City’s \$784 million contract dollars over the 2017–2022 study period.

- About \$17 million went to 55 different white woman-owned companies (148 procurements);
- 23 Hispanic American-owned businesses received about \$4 million in contract dollars (43 procurements);
- Nine different Asian American-owned businesses received about \$3 million in contract dollars (39 procurements);
- About \$3 million went to 22 different African American-owned businesses (69 procurements); and
- 20 procurements went to seven different Native American-owned businesses for about \$2 million.

Overall, about 13 percent of dollars from contracts that had either SBE or EIC goals went to MBEs and WBEs. About 5 percent went to OMWBE-certified MBE/WBEs. (See Figure 20.)

20. Utilization analysis for procurements with either SBE or EIC goals, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	69	\$ 2,546	1.14 %
Asian American-owned	39	3,338	1.50
Hispanic American-owned	43	3,612	1.62
Native American-owned	20	2,244	1.01
Total MBE	171	\$ 11,740	5.28 %
WBE (white woman-owned)	148	17,070	7.68
Total MBE/WBE	319	\$ 28,810	12.96 %
Majority-owned	831	193,552	87.04
Total	1,150	\$ 222,362	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	59	\$ 1,918	0.86 %
Asian American-owned	10	417	0.19
Hispanic American-owned	29	1,543	0.69
Native American-owned	16	2,226	1.00
Total MBE	114	\$ 6,103	2.74 %
WBE (white woman-owned)	65	5,242	2.36
Total MBE/WBE	179	\$ 11,345	5.10 %
Majority-owned (SBES)	24	3,056	1.37
Total certified	203	\$ 14,401	6.48 %
Not certified	947	207,960	93.52
Total	1,150	\$ 222,362	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Contracts without SBE or EIC goals. Keen Independent also analyzed about 2,000 City procurements without SBE or EIC goals. These procurements accounted for \$562 million of the City’s \$784 million of total contract dollars examined in the 2017–2022 study period.

- About \$28 million went to 117 different white woman-owned companies (184 procurements);
- 31 different Asian American-owned businesses received about \$14 million in contract dollars (54 procurements);
- Nine Native American-owned businesses received about \$7 million in contract dollars (19 procurements);
- About \$6 million went to 24 different Hispanic American-owned businesses (40 procurements); and
- 40 procurements went to 24 different African American-owned businesses for about \$5 million.

Of non-goals contract dollars, about 11 percent went to MBEs and WBEs. About 5 percent went to OMWBE certified firms. (See Figure 21.)

Overall, utilization of MBEs/WBEs was lower on non-goals contracts compared with contracts with either SBE or EIC goals (13%).

In the Disparity Analysis section, Keen Independent compares MBE/WBE utilization to what would be expected from the availability of MBEs, WBEs and majority-owned firms to perform work on these contracts.

21. Utilization analysis for procurements without either SBE or EIC goals, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	40	\$ 5,208	0.93 %
Asian American-owned	54	14,182	2.52
Hispanic American-owned	40	5,538	0.99
Native American-owned	19	7,370	1.31
Total MBE	153	\$ 32,299	5.75 %
WBE (white woman-owned)	184	28,346	5.04
Total MBE/WBE	337	\$ 60,645	10.79 %
Majority-owned	1,677	501,366	89.21
Total	2,014	\$ 562,011	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	27	\$ 4,289	0.76 %
Asian American-owned	20	5,258	0.94
Hispanic American-owned	14	3,318	0.59
Native American-owned	8	1,650	0.29
Total MBE	69	\$ 14,515	2.58 %
WBE (white woman-owned)	42	13,621	2.42
Total MBE/WBE	111	\$ 28,136	5.01 %
Majority-owned (SBES)	24	8,095	1.44
Total certified	135	\$ 36,231	6.45 %
Not certified	1,879	525,780	93.55
Total	2,014	\$ 562,011	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Construction contracts with SBE goals. Keen Independent analyzed 740 City construction contracts and subcontracts with SBE Program goals. These contracts accounted for \$102 million (97%) of the City’s \$106 million contract dollars that had SBE goals applied from January 2017–April 2020.

- About \$8 million went to 41 different white woman-owned companies (94 procurements);
- 14 different Hispanic American-owned businesses received about \$1 million in contract dollars (18 procurements);
- 14 African American-owned businesses received about \$1 million in contract dollars (35 procurements);
- About \$558,000 went to three different Native American-owned businesses (10 procurements); and
- 16 procurements went to five different Asian American-owned businesses for about \$480,000.

Overall, about 11 percent of dollars from construction contracts with SBE goals went to MBEs and WBEs.

The lower portion of Figure 22 shows results for OMWBE-certified firms.

Of the 3.5 percent of contract dollars going to firms certified as SBEs or were otherwise had a size limit in their certification (MBEs, WBEs and DBEs), 2.3 percentage points went to MBE/WBEs and 1.2 percentage points went to majority-owned SBEs. (See Figure 22.)

22. Utilization analysis for construction contracts with SBE goals, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	35	\$ 1,211	1.18 %
Asian American-owned	16	480	0.47
Hispanic American-owned	18	1,441	1.41
Native American-owned	10	558	0.55
Total MBE	79	\$ 3,689	3.61 %
WBE (white woman-owned)	94	7,558	7.39
Total MBE/WBE	173	\$ 11,248	11.00 %
Majority-owned	567	91,010	89.00
Total	740	\$ 102,258	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	27	\$ 627	0.61 %
Asian American-owned	3	23	0.02
Hispanic American-owned	9	280	0.27
Native American-owned	7	540	0.53
Total MBE	46	\$ 1,470	1.44 %
WBE (white woman-owned)	35	894	0.87
Total MBE/WBE	81	\$ 2,364	2.31 %
Majority-owned	15	1,270	1.24
Total certified	96	\$ 3,634	3.55 %
Not certified	644	98,624	96.45
Total	740	\$ 102,258	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Construction contracts without SBE goals. Keen Independent also analyzed about 663 City construction procurements from January 2017–April 2020 without SBE goals. These procurements accounted for \$136 million (38%) of the City’s \$361 million total contract dollars examined in the January 2017–April 2020 study period that did not have SBE goals applied.

- About \$5 million went to 10 different Asian American-owned companies (16 procurements);
- 10 different Hispanic American-owned businesses received about \$3 million in contract dollars (10 procurements);
- 39 white woman-owned businesses received about \$2 million in contract dollars (53 procurements);
- About \$2 million went to three different Native American-owned businesses (seven procurements); and
- 14 procurements went to 11 different African American-owned businesses for about \$1 million.

Of construction non-SBE goals contract dollars, 9 percent went to MBEs and WBEs. About 7 percent went to OMWBE-certified MBE/WBEs. (See Figure 23.)

Overall, utilization of MBEs/WBEs on construction non-goals contracts was lower than construction contracts with SBE goals (11%). In the Disparity Analysis section, Keen Independent compares MBE/WBE utilization to what would be expected from the availability of MBEs, WBEs and majority-owned firms to perform work on these contracts.

23. Utilization analysis for construction contracts without SBE goals, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	14	\$ 959	0.70 %
Asian American-owned	16	4,879	3.58
Hispanic American-owned	10	2,839	2.08
Native American-owned	7	1,619	1.19
Total MBE	47	\$ 10,296	7.55 %
WBE (white woman-owned)	53	1,773	1.30
Total MBE/WBE	100	\$ 12,070	8.85 %
Majority-owned	563	124,378	91.15
Total	663	\$ 136,448	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	7	\$ 872	0.64 %
Asian American-owned	7	4,421	3.24 %
Hispanic American-owned	4	2,561	1.88
Native American-owned	6	1,605	1.18
Total MBE	24	\$ 9,458	6.93 %
WBE (white woman-owned)	11	222	0.16
Total MBE/WBE	35	\$ 9,680	7.09 %
Majority-owned	9	2,562	1.88
Total certified	44	\$ 12,242	8.97 %
Not certified	619	124,206	91.03
Total	663	\$ 136,448	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Construction contracts with EIC goals. Keen Independent analyzed 392 City construction contracts and subcontracts under the EIC Program. These contracts accounted for 100 percent of the City’s \$117 million contract dollars that went to contracts with EIC contract goals from May 2020–December 2022. As a result, the distribution of contract dollars by group is the same as when analyzing results by EIC Program application overall.

As shown in previous results, about 15 percent of dollars from construction contracts with EIC goals went to MBEs and WBEs. About 7 percent went to OMWBE-certified MBE/WBEs. (See Figure 24.)

24. Utilization analysis for construction contracts with EIC goals, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	34	\$ 1,335	1.14 %
Asian American-owned	22	2,566	2.20
Hispanic American-owned	24	2,164	1.85
Native American-owned	10	1,686	1.44
Total MBE	90	\$ 7,751	6.64 %
WBE (white woman-owned)	51	9,274	7.94
Total MBE/WBE	141	\$ 17,025	14.58 %
Majority-owned	251	99,717	85.42
Total	392	\$ 116,742	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	32	\$ 1,290	1.11 %
Asian American-owned	6	102	0.09
Hispanic American-owned	20	1,263	1.08
Native American-owned	9	1,685	1.44
Total MBE	67	\$ 4,341	3.72 %
WBE (white woman-owned)	29	4,347	3.72
Total MBE/WBE	96	\$ 8,688	7.44 %
Majority-owned	9	1,786	1.53
Total certified	105	\$ 10,474	8.97 %
Not certified	287	106,268	91.03
Total	392	\$ 116,742	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Construction contracts without EIC goals. Keen Independent also analyzed 262 City construction procurements without EIC goals. These procurements accounted for \$106 million (33%) of the City’s \$201 million of construction contract dollars examined that went to contracts without EIC Program goals from May 2020–December 2022.

- About \$4 million went to 26 different white woman-owned companies (29 procurements);
- Four different Native American-owned businesses received about \$1 million in contract dollars (four procurements);
- Four Hispanic American-owned businesses received about \$1 million in contract dollars (nine procurements);
- About \$301,000 went to six different Asian American-owned businesses (six procurements); and
- Nine procurements went to six different African American-owned businesses for about \$123,000.

About 6 percent of dollars for construction contracts without EIC goals went to MBEs and WBEs. About 2 percent went to OMWBE-certified MBE/WBEs. (See Figure 25.)

Overall, utilization of MBEs/WBEs was lower on non-EIC goal construction contracts compared with construction contracts with EIC goals.

25. Utilization analysis for construction contracts without EIC goals, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	9	\$ 123	0.12 %
Asian American-owned	6	301	0.28
Hispanic American-owned	9	774	0.73
Native American-owned	4	931	0.88
Total MBE	28	\$ 2,129	2.00 %
WBE (white woman-owned)	29	3,962	3.73
Total MBE/WBE	57	\$ 6,091	5.73 %
Majority-owned	205	100,268	94.27
Total	262	\$ 106,359	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	8	\$ 113	0.11 %
Asian American-owned	3	35	0.03
Hispanic American-owned	7	556	0.52
Native American-owned	1	28	0.03
Total MBE	19	\$ 731	0.69 %
WBE (white woman-owned)	7	873	0.82
Total MBE/WBE	26	\$ 1,605	1.51 %
Majority-owned	10	4,759	4.47
Total certified	36	\$ 6,364	5.98 %
Not certified	226	99,995	94.02
Total	262	\$ 106,359	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Construction contracts with either SBE or EIC goals.

Keen Independent analyzed 1,132 City construction contracts and subcontracts either with an SBE or EIC contract goal. These contracts accounted for \$219 million (98%) of the City’s \$222 million contract dollars with either SBE or EIC goals over the 2017–2022 study period.

- About \$17 million went to 54 different white woman-owned companies (145 procurements);
- 23 Hispanic American-owned businesses received about \$4 million in contract dollars (42 procurements);
- Eight different Asian American-owned businesses received about \$3 million in contract dollars (38 procurements);
- About \$3 million went to 22 different African American-owned businesses (69 procurements); and
- 20 procurements went to seven different Native American-owned businesses for about \$2 million.

Overall, about 13 percent of dollars from construction contracts that had either SBE or EIC goals went to MBEs and WBEs. About 5 percent went to OMWBE-certified MBE/WBEs. (See Figure 26.)

26. Utilization analysis for construction contracts with either SBE or EIC goals, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	69	\$ 2,546	1.16 %
Asian American-owned	38	3,046	1.39
Hispanic American-owned	42	3,605	1.65
Native American-owned	20	2,244	1.02
Total MBE	169	\$ 11,440	5.22 %
WBE (white woman-owned)	145	16,833	7.69
Total MBE/WBE	314	\$ 28,273	12.91 %
Majority-owned	818	190,727	87.09
Total	1,132	\$ 219,000	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	59	\$ 1,918	0.88 %
Asian American-owned	9	124	0.06
Hispanic American-owned	29	1,543	0.70
Native American-owned	16	2,226	1.02
Total MBE	113	\$ 5,811	2.65 %
WBE (white woman-owned)	64	5,241	2.39
Total MBE/WBE	177	\$ 11,052	5.05 %
Majority-owned	24	3,056	1.40
Total certified	201	\$ 14,108	6.44 %
Not certified	931	204,892	93.56
Total	1,132	\$ 219,000	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Construction contracts without SBE or EIC goals. Keen Independent also analyzed 925 City construction procurements without SBE or EIC goals. These procurements accounted for \$243 million (43%) of the City’s \$562 million of total contract dollars without EIC or SBE goals examined in the 2017–2022 study period.

- About \$6 million went to 56 different white woman-owned companies (82 procurements);
- 14 different Asian American-owned businesses received about \$5 million in contract dollars (22 procurements);
- 13 Hispanic American-owned businesses received about \$4 million in contract dollars (19 procurements);
- About \$3 million went to five different Native American-owned businesses (11 procurements); and
- 23 procurements went to 13 different African American-owned businesses for about \$1 million.

Of non-goals contract dollars, about 7 percent went to MBEs and WBEs. About 5 percent went to OMWBE certified firms. (See Figure 27.)

Overall, utilization of MBEs/WBEs was lower on non-goals construction contracts compared with construction contracts with either SBE or EIC goals (13%).

In the Disparity Analysis section, Keen Independent compares MBE/WBE utilization to what would be expected from the availability of MBEs, WBEs and majority-owned firms to perform work on these contracts.

27. Utilization analysis for construction contracts without SBE or EIC goals, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	23	\$ 1,082	0.45 %
Asian American-owned	22	5,179	2.13
Hispanic American-owned	19	3,613	1.49
Native American-owned	11	2,550	1.05
Total MBE	75	\$ 12,425	5.12 %
WBE (white woman-owned)	82	5,736	2.36
Total MBE/WBE	157	\$ 18,161	7.48 %
Majority-owned	768	224,646	92.52
Total	925	\$ 242,807	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	15	\$ 985	0.41 %
Asian American-owned	10	4,456	1.84
Hispanic American-owned	11	3,117	1.28
Native American-owned	7	1,632	0.67
Total MBE	43	\$ 10,190	4.20 %
WBE (white woman-owned)	18	1,095	0.45
Total MBE/WBE	61	\$ 11,285	4.65 %
Majority-owned	19	7,321	3.02
Total certified	80	\$ 18,606	7.66 %
Not certified	845	224,201	92.34
Total	925	\$ 242,807	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

SUMMARY REPORT — Utilization analysis

Small Business Utilization

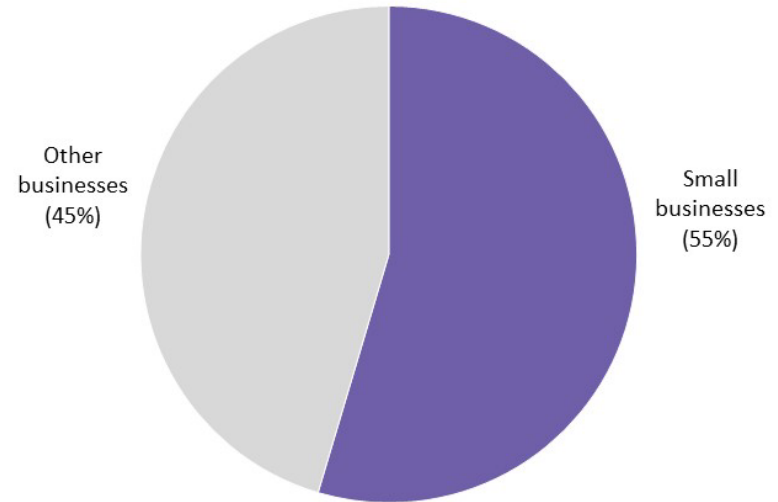
Keen Independent also evaluated small business participation in City contracts and subcontracts. The study team classified businesses as small according to the U.S. Small Business Administration’s size standards using revenue data available from Dun & Bradstreet and responses to the 2024 availability survey, as well as certification data from directories and ownership sources detailed in Appendix B.

As shown in Figure 28, 55 percent of City contract dollars went to small businesses.

Keen Independent also researched the share of dollars going to small businesses by industry:

- About 60 percent of City construction dollars overall went to small businesses (72 percent of construction subcontract dollars went to small businesses).
- For professional services, about 41 percent of contract dollars went to small businesses (76 percent of professional services subcontract dollars went to small businesses).
- About 50 percent of City dollars for good purchases went to small businesses (after excluding types of purchases typically made from national markets).
- About 51 percent of contract dollars for other services purchases went to small businesses.

28. City of Tacoma contract dollars going to small businesses, 2017–2022



Source: Keen Independent analysis of City of Tacoma procurement data (2017-2022).

SUMMARY REPORT — Utilization analysis

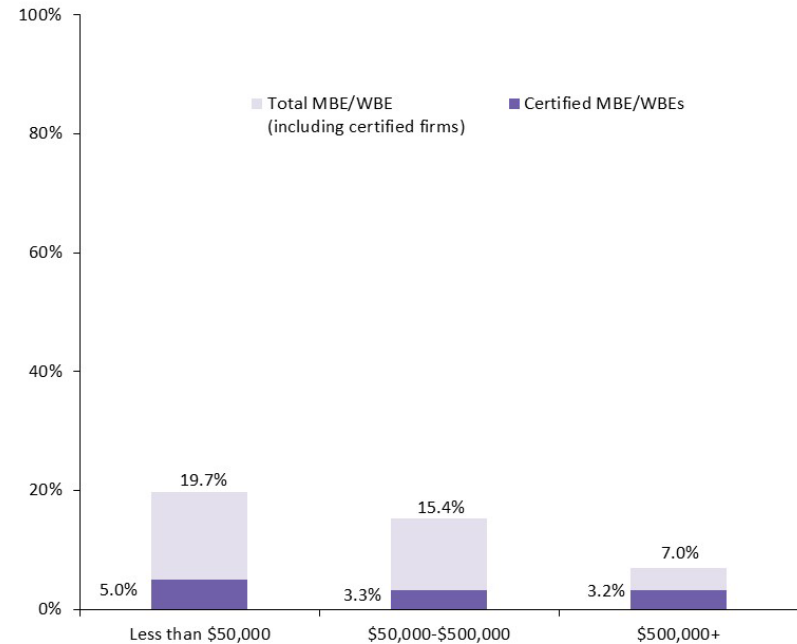
Prime Contracts by Size of Procurement

Keen Independent examined overall MBE/WBE as well as certified firm participation as prime contractors and consultants in different sizes of City of Tacoma contracts. The study team reviewed the share of City contract dollars going to MBE/WBEs for the following contract size ranges: those less than \$50,000, between \$50,000 and \$500,000, and \$500,000 and above. (These data do not include subcontracts.)

All City procurements. Figure 29 shows MBE/WBE participation on all City procurements:

- MBE/WBE utilization was highest for contracts less than \$50,000. Certified firms accounted for 5 percentage points of that 20 percent overall MBE/WBE participation.
- MBE/WBE participation as prime contractors and vendors was 15 percent for contracts between \$50,000 and \$500,000. Certified firms accounted for about one-fifth of total MBE/WBE utilization on these contracts.
- For purchases of \$500,000 or more, MBE/WBE utilization was about 7 percent. Certified firms accounted for about one-half of that participation.

29. MBE/WBE and certified MBE/WBE share of City of Tacoma contract dollars by contract size, 2017–2022 (not including subcontracts)



Note: Number of procurements analyzed is 570 for prime contracts under \$50,000, 694 for contracts between \$50,000 and \$500,000, and 263 for procurements over \$500,000.

Source: Keen Independent analysis of City of Tacoma procurement data (2017-2022).

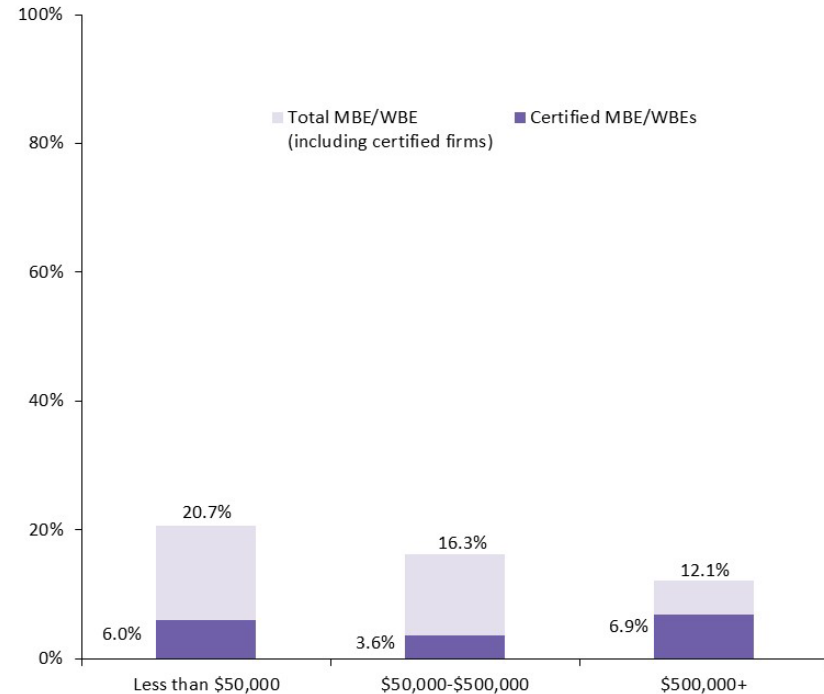
SUMMARY REPORT — Utilization analysis

Goods and other services contracts. In 2021, as part of the EIC Program, City staff may purchase directly from firms listed in the OMWBE directory (MBE/WBE/SBEs) on procurements below \$50,000. This policy does not apply to construction and architectural and engineering contracts.⁴⁶

Figure 30 shows results for prime goods and other services contracts by size of contract:

- MBE/WBE utilization was highest for contracts less than \$50,000 (21%). Certified firms accounted for 6 percentage points of that 21 percent overall MBE/WBE participation.
- MBE/WBE participation as prime contractors and vendors was 16 percent for contracts between \$50,000 and \$500,000. Certified firms accounted for about one-fifth of total MBE/WBE utilization on these contracts.
- For purchases of \$500,000 or more, MBE/WBE utilization was about 12 percent. Certified firms accounted for 7 percentage points of that participation.

30. MBE/WBE and certified MBE/WBE share of City of Tacoma goods and other services procurement dollars by contract size, 2017–2022 (not including subcontracts)



Note: Number of procurements analyzed is 164 for prime contracts under \$50,000, 213 for contracts between \$50,000 and \$500,000, and 76 for procurements over \$500,000.

Source: Keen Independent analysis of City of Tacoma procurement data (2017-2022).

⁴⁶ City of Tacoma 2021 Purchasing Policy
https://cms.cityoftacoma.org/Purchasing/COT_Purchasing_Policy_FIN_2.0-2021.pdf

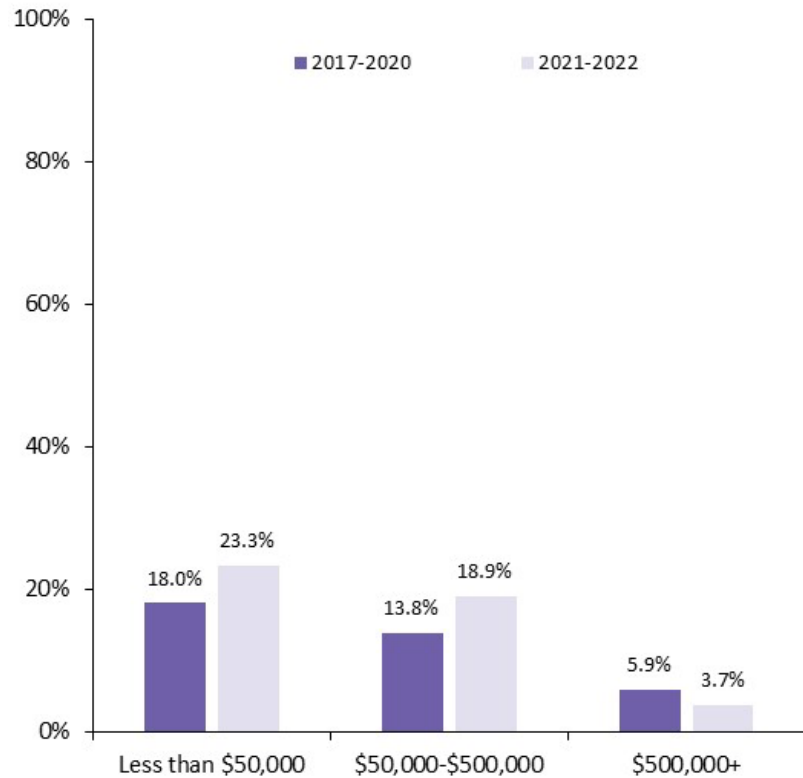
SUMMARY REPORT — Utilization analysis

Keen Independent analyzed the participation of MBE/WBE firms in goods and other services contracts before and after the establishment of the EIC procurement policy.

Participation of MBE/WBEs in goods and other services contracts below \$50,000 was 23 percent from 2017 through 2020, dropping to 13 percent for 2021–2022. This decline occurred even though the City implemented the ability to directly procure from certified firms up to \$50,000 for 2021–2022.

Participation of MBE/WBEs increased between 2017–2020 and 2021–2022 for contracts more than \$500,000.

31. MBE/WBE and certified MBE/WBE share of City of Tacoma goods and other services procurement dollars by contract size and time period, 2017–2022 (not including subcontracts)



Note: Number of procurements analyzed is 164 for prime contracts under \$50,000, 213 for contracts between \$50,000 and \$500,000, and 76 for procurements over \$500,000.

Source: Keen Independent analysis of City of Tacoma procurement data (2017-2022).

SUMMARY REPORT — Availability analysis

Disparity studies compare the actual utilization of MBE/WBEs to what would be expected based on the availability of firms to perform that work. Keen Independent conducted a survey of businesses in the regional market areas to identify companies indicating that they were qualified and interested (ready, willing and able) to work on City of Tacoma contracts and subcontracts. The survey asked about the types of work performed, sizes of contracts they bid and the ownership of the firm. Figure 32 outlines the steps to completing the survey.

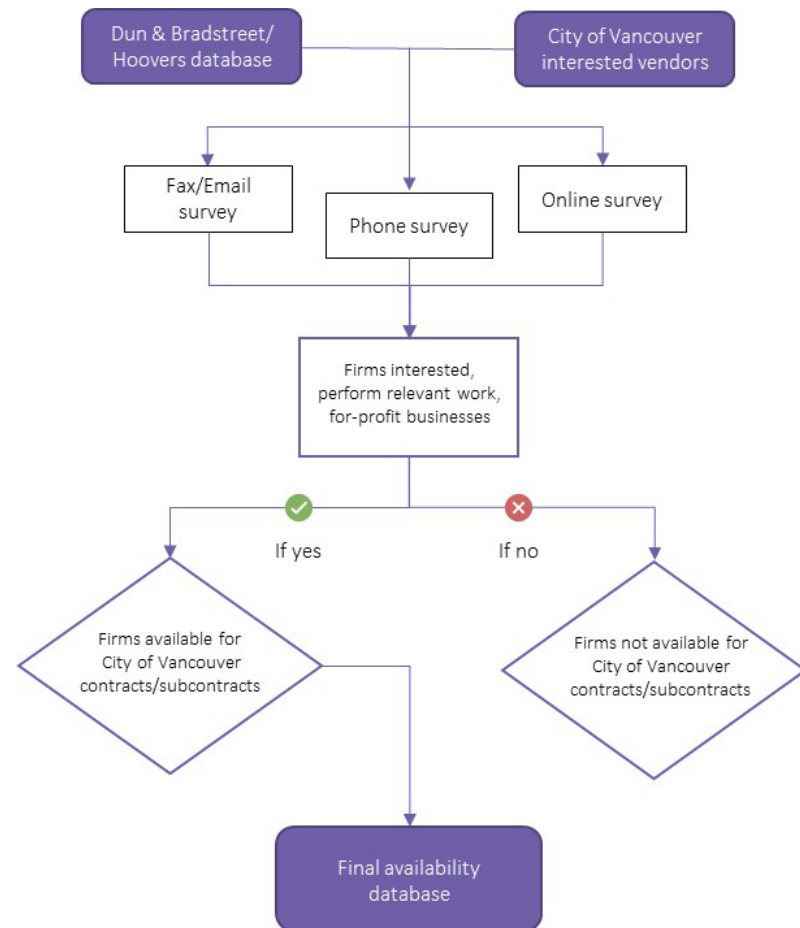
Methodology

List of firms to be surveyed. To supplement a City of Tacoma list of firms that had previously expressed interest in bidding on its contracts, Keen Independent identified firms performing relevant work in the Dun & Bradstreet (D&B) Hoover’s business establishment database. The study team obtained listings for companies that D&B identified as having a location in Western Washington and performing construction, professional services, goods and other services or that the study team determined were potentially related to work frequently purchased by the City.

Use of D&B information has been accepted and approved by federal courts in connection with disparity study methodology.

About 32,000 business establishments were on this initial list. Only some of these businesses were successfully contacted and expressed qualifications and interest in City contracts or subcontracts, as described in the following pages.

32. Availability survey process



SUMMARY REPORT — Availability analysis

Availability surveys. The study team conducted telephone surveys with business owners and managers of businesses on the combined City of Tacoma interested firms list and D&B list. Customer Research International (CRI) performed the surveys under Keen Independent’s direction. Surveys were completed in May 2024.

Survey execution. CRI used the following steps to complete telephone surveys with business establishments.

- CRI contacted firms by telephone.⁴⁷
- Interviewers indicated that the calls were made on behalf of the City of Tacoma to gather information about companies interested in performing work for the City.
- Some firms indicated in the phone calls that they did not perform relevant work or had no interest in City of Tacoma work, so no further survey questions were necessary. (Such surveys were treated as complete at that point.)
- When a business was unable to conduct the interview in English, the study team called back with a bilingual interviewer (English/Spanish) to collect basic information. Keen Independent followed up with these firms with a bilingual interviewer (English/Spanish) to offer the option of filling out a written version of the full survey (in English).
- Up to seven phone calls were made at different times of day and days of the week to attempt to reach each company.

Information collected. Survey questions covered topics including:

- Types of work performed or goods supplied;
- Qualifications and interest in performing work or supplying goods for the City of Tacoma;
- Qualifications and interest in performing work as a prime contractor and/or as a subcontractor;
- Largest prime contract or subcontract bid on or performed in the Western Washington area in the past seven years;
- Year of establishment; and
- Race/ethnicity and gender of firm owners.

Screening firms for the availability database. Keen Independent considered businesses to be potentially available for certain types of City of Tacoma contracts or subcontracts if they reported possessing all of the following characteristics:

- Were a private business;
- Performed work relevant to public sector contracts; and
- Reported qualifications and interest in work with the City of Tacoma and indicated whether they were qualified and interested in prime contracts or subcontracts or both.

⁴⁷ The study team offered business representatives the option of completing surveys via fax or email if they preferred not to complete surveys via telephone.

SUMMARY REPORT — Availability analysis

Availability Survey Results

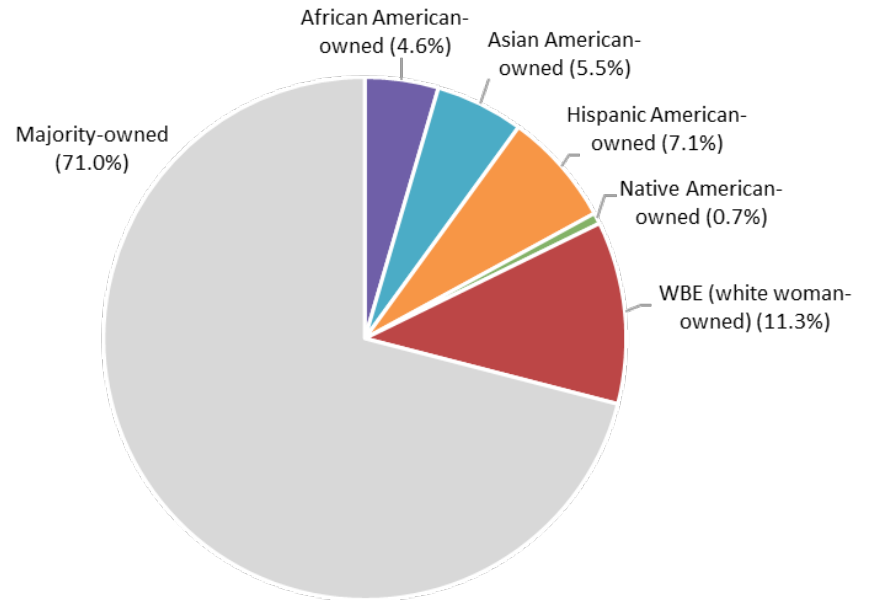
The study team successfully contacted 8,381 businesses in this survey, or 31 percent of the 26,882 firms that were called which had working phone numbers. Most of those businesses did not indicate interest or qualifications in performing work for City of Tacoma. The following results are for those firms that did indicate qualifications and interest.

- In total, about 18 percent of Western Washington firms available for City of Tacoma contracts were owned by people of color; and
- About 11 percent of qualified and interested businesses were white woman-owned.

Figure 33 provides additional information about the race and ethnicity of MBEs in the availability databases.

Appendix C presents information about survey response rates, confidence intervals and analysis of any differences in response rates between groups. It also provides a copy of the survey instrument.

33. Number of businesses included in the availability database, 2024



Note: Percentages may not add to totals due to rounding.
Source: Keen Independent Research 2024 availability survey.

SUMMARY REPORT — Availability analysis

Methodology for Developing Dollar-Weighted Availability Benchmarks

Although MBE/WBEs comprise a large share of total firms available for City work, there are industry specializations in which there are relatively few minority- and woman-owned firms. Also, the study team found that minority- and woman-owned firms are less likely than other companies to be available for the largest City contracts.

Keen Independent conducted a contract-by-contract availability analysis based on the specific types and sizes of City contracts and subcontracts for January 2017 through December 2022 and dollar-weighted those results.

- The study team used the availability database developed in this study, including information about the type of work a firm performed, the size of contracts or subcontracts it bid, and the race, ethnicity and gender of its ownership.
- To determine availability for a contract or subcontract, Keen Independent first identified and counted the firms indicating that they performed that type of work of that size.
- The study team then calculated the MBE and WBE share of firms available for that contract (by race/ethnic group).
- Once availability had been determined for every City contract and subcontract, Keen Independent weighted the availability results based on the share of total City contract dollars that each contract represented.

Figure 34 provides an example of this dollar-weighted analysis. Appendix C further discusses these methods.

34. Example of an availability calculation for a City contract

One of the subcontracts examined was for plumbing and HVAC work (\$65,200) on a 2022 contract. To determine the number of MBE/WBEs and majority-owned firms available for that subcontract, the study team identified businesses in the availability database that:

- a. Were in business in 2022;
- b. Indicated that they performed commercial plumbing and HVAC work;
- c. Indicated qualifications and interest in such subcontracts; and
- d. Reported bidding on work of similar or greater size in the past seven years in the market area.

There were 135 businesses in the availability database that met those criteria. Of those businesses, 31 were MBE/WBEs. Therefore, MBE/WBE availability for the subcontract was about 23.0 percent ($31/135 = 23.0\%$).

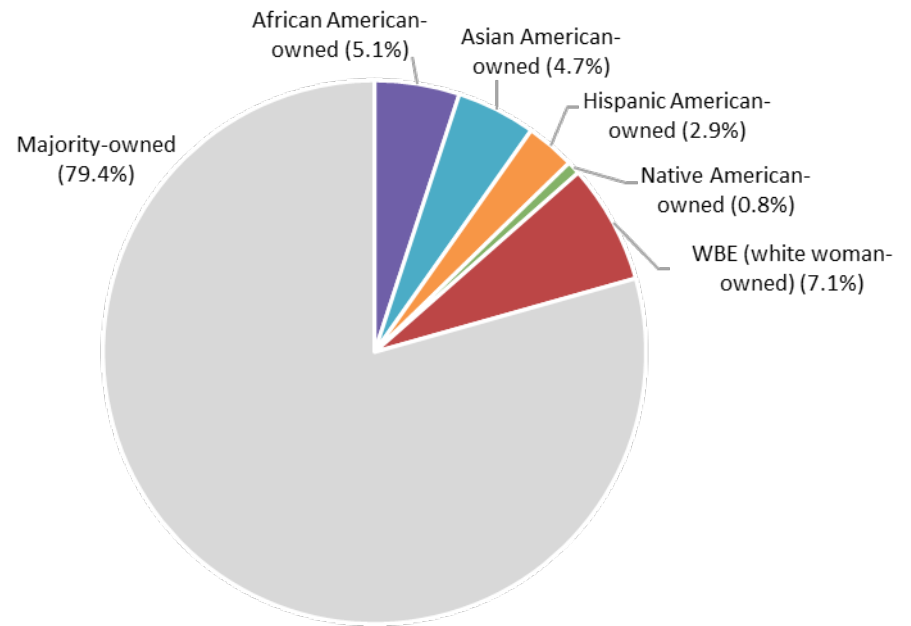
The contract weight was $\$65,200 \div 784 \text{ million} = 0.01\%$ (equal to its share of total procurement dollars). Keen Independent made this calculation for each prime contract and subcontract and then summed the results.

SUMMARY REPORT — Availability analysis

Dollar-Weighted Availability Results

After performing the availability analysis described on the previous page, Keen Independent determined that about 21 percent of City contract dollars might be expected to have gone to MBEs and WBEs during the 2017–2022 study period if there were a level playing field for those companies. (See Figure 35.)

35. Dollar-weighted availability for City of Tacoma contracts, 2017–2022



Note: Percentages may not add to totals due to rounding.

Source: Keen Independent Research 2024 availability survey and analysis of City of Tacoma contracts (2017–2022).

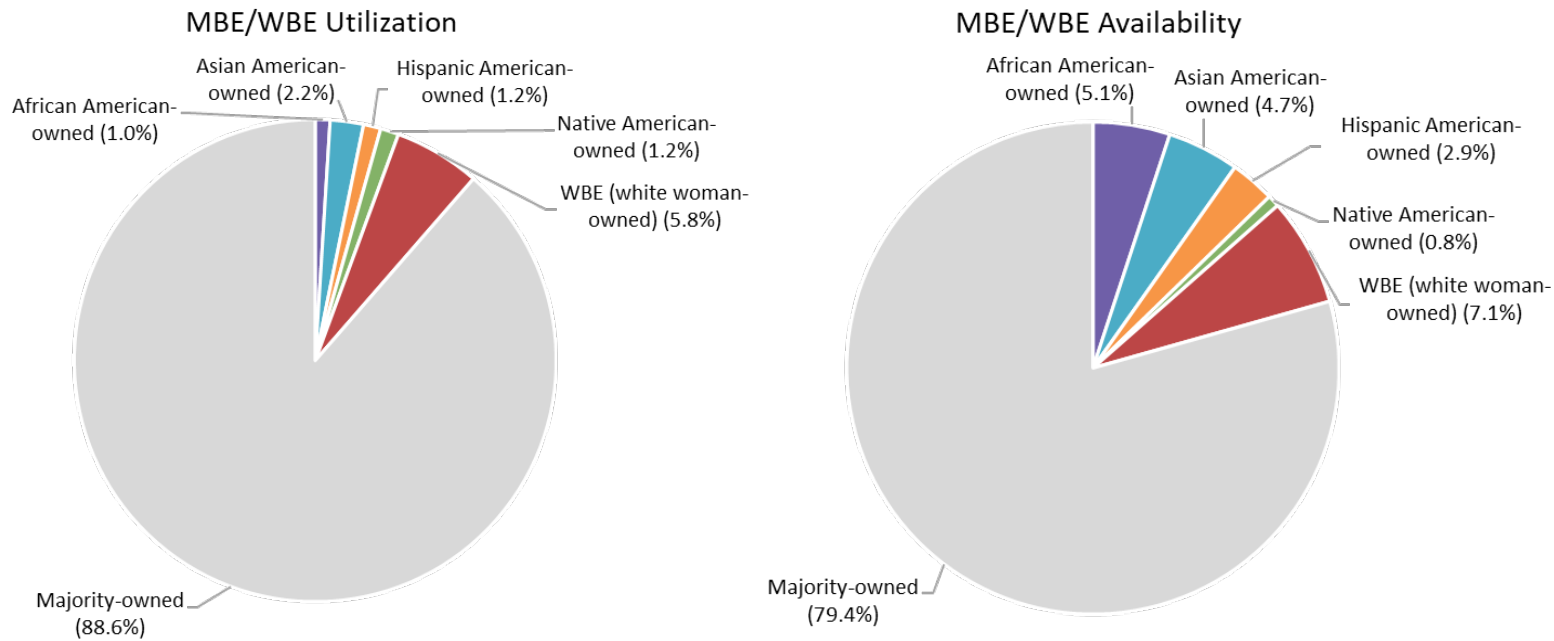
SUMMARY REPORT — Disparity analysis

Comparing Overall MBE/WBE Utilization and Availability

Disparity analyses compare the share of contract dollars going to MBE/WBEs with the dollar-weighted availability benchmarks described in previous pages.

As shown in Figure 36 below, the share of City of Tacoma contract dollars going to minority- and woman-owned firms (11.4%) was 9 percentage points below what might be expected based on the analysis of firms available to perform specific types and sizes of City contracts and subcontracts (20.6%).

36. Utilization and availability of MBE/WBEs for City of Tacoma contracts, 2017–2022



Source: Keen Independent Research 2024 availability survey and analysis of City of Tacoma contracts (2017–2022).

SUMMARY REPORT — Disparity analysis

Disparity Analysis by Group

Figure 37 compares utilization and availability for each MBE group and for white woman-owned firms for City contracts and subcontracts from January 1, 2017, through December 31, 2022. Utilization was below availability benchmarks for African American-, Asian American-, Hispanic American- and woman-owned businesses. For example, about 1 percent of City contract dollars went to African American-owned firms compared to the 5 percent expected based on the availability of African American-owned firms to perform these contracts.

Following direction from court decisions, Keen Independent calculated disparity indices to compare utilization and availability.

- A disparity index is calculated by dividing utilization by availability and multiplying by 100, where a value of “100” equals parity.
- An index of less than 80 is described as “substantial.”

For African American-, Asian American-, and Hispanic American-owned businesses, the disparity index was below 80, and therefore substantial. The disparity index for white woman-owned companies (81) indicates a large disparity (but did not fall below 80).

The following pages show a pattern of substantial disparities firms owned by people of color and white women for each industry, particularly when the EIC Program did not apply.

There were substantial disparities for Native American-owned firms for some industries and not for others, as explained in the following pages.

37. Utilization and availability of MBE/WBEs for City of Tacoma contracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	0.99 %	5.06 %	20
Asian American-owned	2.23	4.73	47
Hispanic American-owned	1.17	2.93	40
Native American-owned	<u>1.23</u>	<u>0.79</u>	156
Total MBE	5.61 %	13.51 %	42
WBE (white woman-owned)	<u>5.79</u>	<u>7.11</u>	81
Total MBE/WBE	11.40 %	20.62 %	55
Majority-owned	<u>88.60</u>	<u>79.38</u>	112
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization/Availability}$.

Source: Keen Independent Research 2024 availability survey and analysis of City of Tacoma procurements (2017–2022).

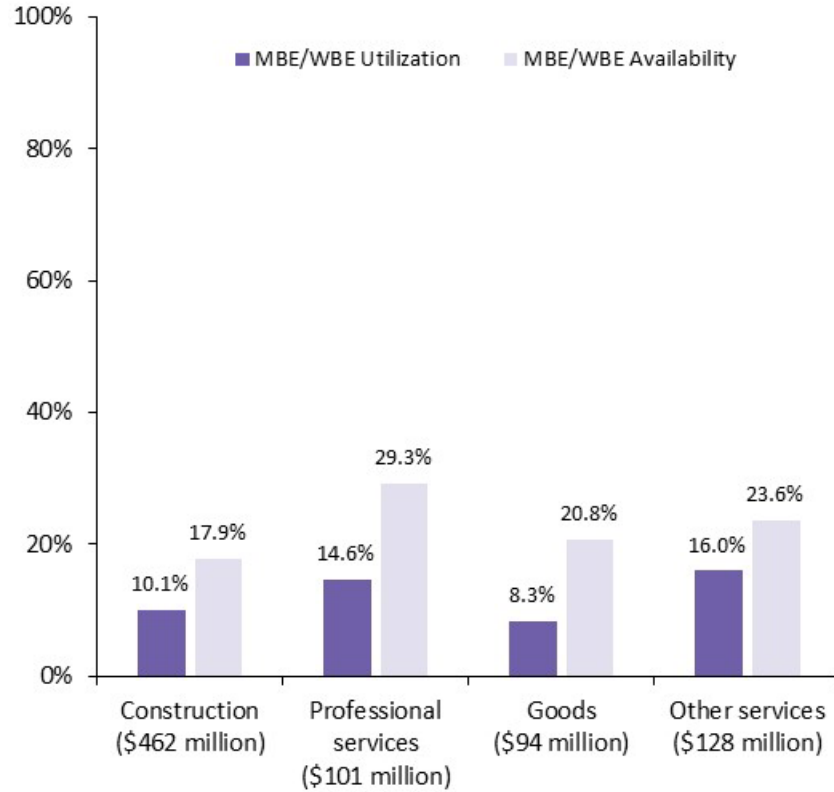
SUMMARY REPORT — Disparity analysis

Disparity Analysis by Industry

Keen Independent calculated the utilization, weighted availability and disparity indices for City procurements by study industry.

Figure 38 compares overall MBE/WBE utilization and weighted availability for each industry. In every case, the utilization of MBE/WBEs was substantially lower than the respective weighted availability.

38. Comparison of MBE/WBE utilization and weighted availability for City contracts by industry, 2017–2022



Note: Percentages may not add to totals due to rounding.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Construction disparity analysis. Figure 39 compares utilization and availability for each MBE group and for white woman-owned firms for City construction contracts:

- Utilization of MBE/WBEs on City construction contracts overall was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 56 (a substantial disparity).
- The disparity indices for African American- and Asian American-owned businesses were 11 and 67, respectively, indicating substantial disparities for these businesses.

Note that the City’s EIC Program applied to some of these contracts. See Appendix D for additional disparity analyses for the construction industry.

39. Disparity analysis for City of Tacoma construction contracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	0.79 %	7.14 %	11
Asian American-owned	1.78	2.67	67
Hispanic American-owned	1.56	1.76	89
Native American-owned	1.04	1.14	91
Total MBE	5.17 %	12.71 %	41
WBE (white woman-owned)	4.89	5.17	94
Total MBE/WBE	10.05 %	17.88 %	56
Majority-owned	89.95	82.12	110
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Professional services disparity analysis. Keen Independent compared the utilization and availability of MBEs and WBEs for City professional services contracts.

- Utilization of MBE/WBEs for City professional services contracts was about 15 percent. Availability of MBE/WBEs was higher, at about 29 percent. The disparity index for MBE/WBEs together was 50 (a substantial disparity).
- Utilization was less than availability for African American-, Asian American-, Hispanic American-, Native American- and white woman-owned businesses. These disparities were substantial for each of these groups.

Figure 40 shows these results.

See Appendix D for additional disparity analyses for City professional services prime contracts and subcontracts.

40. Disparity analysis for City of Tacoma professional services contracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	1.58 %	2.07 %	76
Asian American-owned	3.22	6.50	50
Hispanic American-owned	0.89	5.83	15
Native American-owned	0.13	0.80	17
Total MBE	5.83 %	15.20 %	38
WBE (white woman-owned)	8.81	14.10	62
Total MBE/WBE	14.64 %	29.31 %	50
Majority-owned	85.36	70.69	121
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization/Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Goods disparity analysis. Figure 41 presents disparity results for City goods contracts for the 2017–2022 study period.

- Utilization was below availability for African American-, Asian American-, Hispanic American- and white woman-owned businesses. Each disparity was substantial.
- Utilization exceeded availability for Native American-owned businesses on City goods purchases.

41. Disparity analysis for City of Tacoma goods contracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	0.00 %	1.86 %	0
Asian American-owned	1.97	8.03	25
Hispanic American-owned	0.19	2.33	8
Native American-owned	4.96	0.07	200+
Total MBE	7.13 %	12.28 %	58
WBE (white woman-owned)	1.18	8.49	14
Total MBE/WBE	8.31 %	20.77 %	40
Majority-owned	91.69	79.23	116
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Other services disparity analysis. Figure 42 compares utilization and availability for each MBE group and for white woman-owned firms. City procurements for other services:

- Utilization was below availability for Asian American-, Hispanic American- and Native American-owned firms. Each of these disparities was substantial.
- Utilization was below availability for African American-owned firms. This disparity was not substantial (disparity index of 88).
- Utilization exceeded availability for white woman-owned businesses on City other services procurements.

42. Disparity analysis for City of Tacoma other services contracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	1.98 %	2.25 %	88
Asian American-owned	3.28	8.38	39
Hispanic American-owned	0.67	5.33	13
Native American-owned	0.01	0.02	57
Total MBE	5.95 %	15.98 %	37
WBE (white woman-owned)	10.06	7.58	133
Total MBE/WBE	16.01 %	23.57 %	68
Majority-owned	83.99	76.43	110
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

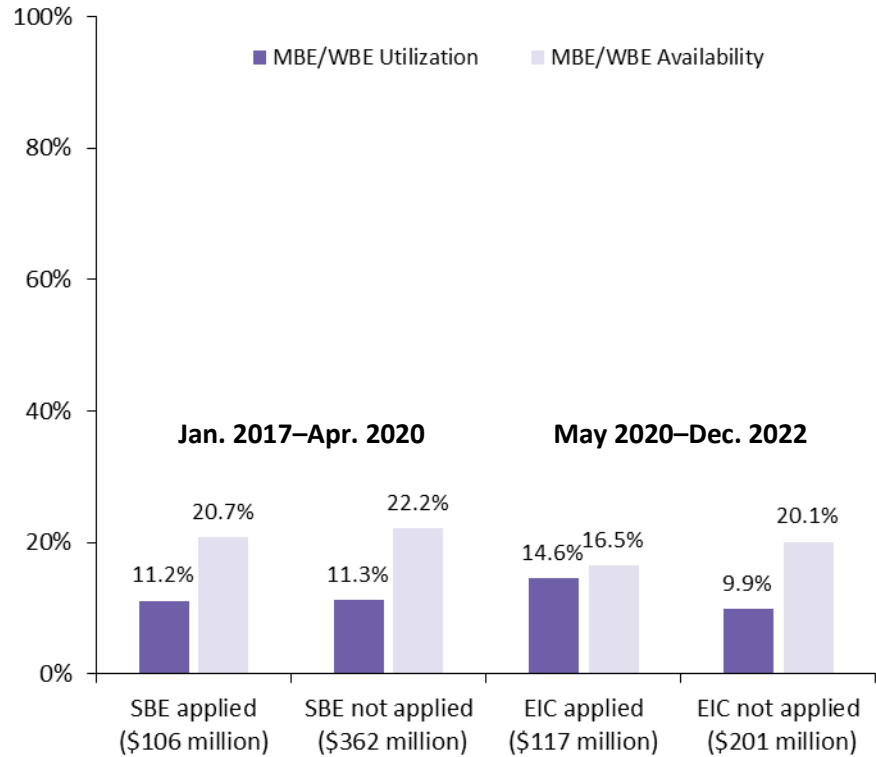
Disparity Analysis by Program Application

Keen Independent calculated the utilization, weighted availability and disparity indices for City procurements by SBE or EIC Program application.

Figure 43 provides a comparison of MBE/WBE utilization and weighted availability for groups of contracts.

- The first two sets of results on the left side of Figure 43 compare MBE/WBE utilization and availability for contracts from January 2017 through April 2020 (contracts under the SBE Program and without the SBE Program applied). Utilization was substantially below availability for both sets of contracts.
- The set of results on the right side compare MBE/WBE utilization with availability for those contracts for May 2020 through December 2022. There remained a large disparity when the EIC Program was not applied, but utilization (14.6%) was close to the availability benchmark for those contracts (16.5%) when the EIC Program applied.

43. Comparison of MBE/WBE utilization and weighted availability on City contracts by program application, 2017–2022



Note: Percentages may not add to totals due to rounding.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Disparity analysis with SBE goals. Figure 44 compares utilization and availability for each MBE group and for white woman-owned firms for City contracts with SBE goals:

- Overall utilization of MBE/WBEs was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 54 (a substantial disparity).
- Utilization was lower than availability for each MBE group. Each of these disparities was substantial.

Keen Independent examined results for the SBE Program by industry (not disaggregated in Figure 44).

- When the SBE Program applied to construction contracts, there were substantial disparities for MBE/WBEs overall (disparity index of 53). The SBE Program only eliminated disparities in City construction contracts for white woman-owned companies.
- Keen Independent also examined results for professional services contracts where the City’s SBE Program applied. Results are not definitive since there were only 11 such contracts. There were substantial disparities for MBEs (disparity index of 15) and for each MBE group, but not for WBEs.

44. Disparity analysis for City of Tacoma contracts with SBE goals, Jan. 2017–Apr. 2020

	Utilization	Availability	Disparity index
African American-owned	1.15 %	8.38 %	14
Asian American-owned	0.73	3.45	21
Hispanic American-owned	1.37	1.75	78
Native American-owned	0.53	1.65	32
Total MBE	3.78 %	15.23 %	25
WBE (white woman-owned)	7.38	5.49	134
Total MBE/WBE	11.16 %	20.72 %	54
Majority-owned	88.84	79.28	112
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Disparity analysis without SBE goals. Keen Independent compared utilization and availability for each MBE group and for white woman-owned firms for City contracts without SBE goals from January 2017 through April 2020:

- Overall utilization of MBE/WBEs was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 51 (a substantial disparity).
- Utilization was lower than availability for businesses owned by each MBE group and white woman-owned businesses. Each disparity was substantial.

45. Disparity analysis for City of Tacoma contracts without SBE goals, Jan. 2017–Apr. 2020

	Utilization	Availability	Disparity index
African American-owned	1.21 %	4.22 %	29
Asian American-owned	2.83	5.66	50
Hispanic American-owned	1.21	3.40	36
Native American-owned	0.47	0.63	75
Total MBE	5.72 %	13.92 %	41
WBE (white woman-owned)	5.58	8.30	67
Total MBE/WBE	11.30 %	22.22 %	51
Majority-owned	88.70	77.78	114
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Disparity analysis with EIC goals. Figure 46 examines utilization and availability for each MBE group and for white woman-owned firms for City contracts with EIC goals (May 2020 through December 2022). The EIC Program only applied to construction contracts during this time.

- Overall utilization of MBE/WBEs was closer to what might be expected from the availability analysis. The disparity index for MBE/WBEs was 88. This was not a substantial disparity.
- Utilization was higher than on contracts without the Program but remained lower than availability for African American- and Asian American-owned businesses. These disparities were substantial.
- Utilization exceeded availability for Hispanic American-, Native American- and white woman-owned firms for contracts under the EIC Program.

Appendix D provides additional analyses of construction prime contracts and subcontracts with and without application of City programs.

46. Disparity analysis for City of Tacoma contracts with EIC goals, May 2020–Dec. 2022

	Utilization	Availability	Disparity index
African American-owned	1.14 %	6.50 %	18
Asian American-owned	2.20	3.04	72
Hispanic American-owned	1.85	1.52	122
Native American-owned	1.44	1.11	130
Total MBE	6.64 %	12.18 %	55
WBE (white woman-owned)	7.94	4.35	183
Total MBE/WBE	14.58 %	16.52 %	88
Majority-owned	85.42	83.48	102
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization/Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Disparity analysis without EIC goals. Figure 47 compares utilization and availability for each MBE group and for white woman-owned firms for City contracts without EIC goals from May 2020 through December 2022:

- Overall utilization of MBE/WBEs was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 49 (a substantial disparity).
- Utilization was substantially lower than availability for African American-, Asian American-, Hispanic American- and white woman-owned businesses.
- Utilization exceeded availability for Native American-owned firms on these procurements.

For the same time period, Keen Independent examined MBE/WBE utilization and availability for City construction contracts without EIC contract goals. There were substantial disparities for each group except for Native American-owned companies. Disparity indices ranged from 2 for African American-owned firms to 49 for Hispanic American-owned firms.

47. Disparity analysis for City of Tacoma contracts without EIC goals, May 2020–Dec. 2022

	Utilization	Availability	Disparity index
African American-owned	0.41 %	3.98 %	10
Asian American-owned	1.98	4.72	42
Hispanic American-owned	0.57	3.52	16
Native American-owned	<u>2.83</u>	<u>0.43</u>	200+
Total MBE	5.79 %	12.66 %	46
WBE (white woman-owned)	<u>4.07</u>	<u>7.43</u>	55
Total MBE/WBE	9.87 %	20.09 %	49
Majority-owned	<u>90.13</u>	<u>79.91</u>	113
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Disparity analysis with either SBE or EIC goals. Figure 48 compares utilization and availability for each MBE group and for white woman-owned firms for City contracts with either SBE or EIC goals:

- Overall utilization of MBE/WBEs was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 70 (a substantial disparity).
- Utilization was substantially lower than availability for African American-, Asian American- and Native American-owned businesses.

48. Disparity analysis for City of Tacoma contracts with either SBE or EIC goals, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	1.14 %	7.39 %	15
Asian American-owned	1.50	3.23	46
Hispanic American-owned	1.62	1.63	100
Native American-owned	1.01	1.37	74
Total MBE	5.28 %	13.63 %	39
WBE (white woman-owned)	7.68	4.89	157
Total MBE/WBE	12.96 %	18.51 %	70
Majority-owned	87.04	81.49	107
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization/Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Disparity analysis without SBE or EIC goals. Figure 49 compares utilization and availability for each MBE group and for white woman-owned firms for City contracts without either SBE or EIC goals:

- Overall utilization of MBE/WBEs was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 50 (a substantial disparity).
- Utilization was substantially lower than availability for African American-, Asian American-, Hispanic American- and white woman-owned businesses.

49. Disparity analysis for City of Tacoma contracts without either SBE or EIC goals, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	0.93 %	4.14 %	22
Asian American-owned	2.52	5.32	47
Hispanic American-owned	0.99	3.45	29
Native American-owned	1.31	0.56	200+
Total MBE	5.75 %	13.47 %	43
WBE (white woman-owned)	5.04	7.99	63
Total MBE/WBE	10.79 %	21.46 %	50
Majority-owned	89.21	78.54	114
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

SUMMARY REPORT — Disparity analysis

Statistical Confidence in Results

Keen Independent conducted additional analyses to assess whether the disparities for MBEs and WBEs could have occurred by chance (whether results are “statistically significant”).

Examination of whether chance in sampling could explain any disparities. Keen Independent can reject sampling in the collection of utilization and availability information as a cause for any disparities.

- Keen Independent attempted to compile a complete “population” of City contracts for the study. There was no sampling of City contracts or subcontracts. Using a population of contracts provides statistical confidence in utilization results. Not all subcontracts could be collected as submission of these data was voluntary. However, subcontract data were substantially complete; additional subcontract data would have little-to-no impact on overall study results.
- Keen Independent’s availability survey attempted to obtain a population of firms within Western Washington available for City contracts. (There was no sampling of firms to be included in the survey).
- The overall response rate to the availability survey was high (31%) and the confidence interval for MBE/WBE availability is within +/- 2.0 percentage points.

Monte Carlo simulation to examine chance in contract awards.

One can be more confident in making certain interpretations from the disparity results if they are not easily replicated by chance in contract awards. Keen Independent performed Monte Carlo simulation to determine whether chance could explain the disparities observed for minority- and woman-owned firms on City contracts.

All City contracts. None of the 10,000 Monte Carlo simulations produced utilization equal to or less than the observed utilization for minority-owned firms. Therefore, one can be confident that the disparity observed for MBEs in City procurements is not due to chance in contract awards.

City contracts without SBE or EIC contract goals. None of the 10,000 Monte Carlo simulations produced utilization equal to or less than the observed utilization for minority-owned firms (5.8%). Just 374 of the simulations produced utilization equal to or less than the utilization of white woman-owned firms (5.0%). Therefore, one can be confident that the disparities observed for MBEs and WBEs in City procurements without SBE or EIC contract goals are not due to chance in contract awards.

It is important to note that this test may not be necessary to establish statistical significance of results. It also may not be appropriate for very small populations of firms. Appendix D provides further discussion.⁴⁸

⁴⁸ Even if there were zero utilization of a group, Monte Carlo simulation might not reject chance in contract awards as an explanation for that result if there were a small number

of firms in that group or a small number of contracts and subcontracts in the analysis. Results can also be affected by the size distribution of contracts and subcontracts.

SUMMARY REPORT — Summary of study conclusions

Conclusions

The totality of quantitative and qualitative information for City contracts and the local marketplace indicates a need for the City to continue remedial measures to level the playing field for minority- and woman-owned firms and to promote full opportunities for all MBE/WBEs to do business with the City. The evidence may be consistent with raising an inference of discrimination affecting certain racial and ethnic groups of minority-owned businesses as well as woman-owned businesses in certain industries.

The evidence suggests that the City's EIC Program is somewhat effective in addressing disparities in utilization of MBE/WBEs when the previous SBE Program was not.

- For City construction contracts from May 2020 through December 2022 where the EIC Program did not apply, there were substantial disparities for African American-, Asian American-, Hispanic American- and white woman-owned firms. Even with application of the EIC Program, there were still substantial disparities for African American- and Asian American-owned firms.

Review of City construction contracts for 2017 through April 2020 when the SBE Program applied showed disparities for all groups except for WBEs (substantial for all groups other than Hispanic American-owned businesses). During the same time period, there were substantial disparities for MBEs overall and for WBEs when SBE contract goals were not applied.

- For City professional services contracts for 2017 through 2022, there were substantial disparities for African American-, Asian American-, Hispanic American-, Native American- and white woman-owned firms. Data for professional services contracts for which the SBE Program applied indicated substantial disparities for all MBE groups but not for white woman-owned firms.
- For City goods contracts, there were substantial disparities for African American-, Asian American-, Hispanic American- and white woman-owned firms. For City other services contracts, there were disparities for African American- Asian American-, Hispanic American- and Native American-owned firms (substantial disparities for each group other than African American-owned companies). There was no disparity for white woman-owned firms.
- Information for the broader marketplace shows a pattern of disparities for MBEs and WBEs in Washington state and Western Washington. There is qualitative evidence indicating unequal treatment of firms based on the race and gender of the firm owner.

SUMMARY REPORT — Summary of study conclusions

The City should review all of the results in the disparity study and other information it may have to determine remedial actions to remove barriers for minority- and woman-owned businesses to compete for its contracts.

Need for Action

Keen Independent presents remedial actions for City consideration in the following pages. Figure 50 summarizes those actions.

50. Summary of remedial actions for City of Tacoma consideration

Remedial actions for City of Tacoma consideration

1. Refine overall aspirational MBE/WBE goal
2. Continue contract goals and expand to professional services
3. Implement SBE evaluation and price preferences
4. Further develop a small contracts program
5. Perform additional outreach and relationship-building
6. Participate in MBE/WBE/SBE capacity-building
7. Consider other steps to encourage small business utilization
8. Allocate sufficient resources for program success

SUMMARY REPORT — Conclusions and remedial actions for City of Tacoma consideration

1. Refine Overall Aspirational MBE/WBE Goal

The City of Tacoma currently has an overall annual goal of 20 percent for combined participation of MBEs, WBEs and SBEs through its EIC Program.⁴⁹ Success in meeting this goal is calculated based on MBE/WBE/SBE utilization on City public works contracts.

The City might consider refining its annual aspirational goal to focus on MBE/WBEs using the availability results in this study. (The overall MBE/WBE goal should be for all MBE/WBEs, including MBE/WBEs that have not been certified as such.)

Approach to determining an overall aspirational MBE/WBE goal. As discussed previously in this report, the MBE/WBE availability benchmark for City contracts was about 21 percent. This availability metric was based on the availability of firms to perform the types and sizes of City prime contracts and subcontracts during the 2017–2022 study period (based on dollar-weighted availability analysis). The metric includes MBEs and WBEs that are certified and non-certified. (This benchmark pertains to contracts included in the study after exclusions, including national market purchases.)

The above discussion of an overall aspirational goal includes both certified and non-certified minority- and woman-owned companies. The City would track progress toward achieving the overall aspirational MBE/WBE goal by counting OMWBE certified as well as self-identified minority- and woman-owned firms (those identifying themselves to the City as minority- or woman-owned in their vendor registration).

⁴⁹ City of Tacoma Equity in Contracting (EIC) Program Regulations.
https://www.cityoftacoma.org/UserFiles/Servers/Server_6/File/cms/CBCFiles/EIC/Equity%20in%20Contracting%20Program%20Regulations%20-%202002.2024.pdf

SUMMARY REPORT — Conclusions and remedial actions for City of Tacoma consideration

2. Continue Contract Goals and Expand to Professional Services

The City should review the results of this disparity study and other information it may have available to consider renewing authorization of its EIC Program and extending that program to professional services contracts and any other contracts that might have meaningful subcontract opportunities. Keen Independent recommends certain refinements to the program, as discussed below.

Terminology. Keen Independent recommends that the City utilized the term “contract goals” rather than “requirements” in its program language to avoid any misinterpretation that the program is a “quota.”

Program focus. For City construction contracts and for City contracts without EIC goal requirements, there were substantial disparities for African American-, Asian American-, Hispanic American- and white woman-owned firms but not for Native American-owned companies.

There is also evidence for extending the contract goals component of the EIC Program goals program to professional services contracts. For City professional services contracts there were substantial disparities for African American-, Asian American-, Hispanic American-, Native American- and white woman-owned firms. The past SBE Program did not appear to be effective in opening opportunities for MBEs in City professional services contracts.

Good faith efforts evaluation. Prime contractors bidding on City-awarded contracts meet the requirements of a contract goals program by documenting that they made efforts to reach out to certified MBE/WBE firms for subcontract opportunities. Documentation that the bidder has met the aspirational MBE/WBE goal might qualify as satisfying the documentation requirements, with no other information needed.

A bidder might have made good faith efforts to reach out to certified MBE/WBEs and did not meet the aspirational goal for the contract. (The program should require outreach to MBEs and WBEs but not a specific outcome from that outreach.) Therefore, the City needs a strong process for evaluating whether a bidder has made sufficient good faith efforts to comply with the program. This would include written guidelines for evaluating good faith efforts.

Federal regulations in Appendix A to 49 CFR Part 26 describe how good faith efforts can be used to comply with goals set for USDOT-funded contracts under the Federal DBE Program. The City might consider adopting a set of criteria for appropriate good faith efforts based on these regulations, as well as a standard process if a bidder wishes to appeal any decision that it has failed to meet or show good faith efforts to meet a goal. Other public agencies in Washington state have also established methods for evaluating good faith efforts that could be instructive to the City of Tacoma.

Contract compliance. The City of Tacoma currently uses its B2Gnow system to track subcontract awards and payments made for those construction contracts with EIC Program requirements. This allows the City to ensure compliance with MBE/WBE commitments.

The City might consider enforcing the existing mechanism and expanding data tracking requirements to cover subcontractors in professional service contracts as well (should the EIC Program be expanded to include this industry).

For contracts for which the City might set no MBE/WBE goals, the City should still request information about the use of subcontractors from the prime contractors on those projects (including identifying MBE/WBE status of those subcontractors).

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MBE/WBE program eligibility. There is evidence supporting continued eligibility for participation in a City construction contract goals program for African American-, Asian American-, Hispanic American- and white woman-owned businesses.

For professional services contracts, there is evidence that supports the inclusion of all MBE/WBE groups in a City professional services contract goals program. Disparity study results show substantial disparities for African American-, Asian American-, Hispanic American-, Native American- and white woman-owned businesses (overall).

There was evidence of disparities in the marketplace and qualitative evidence of discrimination that the City should consider as well.

The City should review all results of this report and other information available to the City when determining future program eligibility. The City currently only considers a firm as eligible if it has a DBE/WBE/MBE certification from the Washington State Office of Minority and Women’s Business Enterprise. Many in-depth interview participants reported issues or difficulties with the current certification process with the City of Tacoma.

As OMWBE is a primary certifying agency in Washington state, the City should continue to rely on it to determine MBE/WBE and SBE eligibility. To expand the pool of firms eligible for EIC Program goal participation, the City might provide technical assistance to local MBE/WBEs regarding certification from OMWBE.

Potential expansion of geographic area of eligibility.

Keen Independent identified the geographic market area for construction and professional services contracts as the seven-county area shown in Figure 7, which slightly differs from the current “contiguous county” eligibility for participation in the EIC Program.

- Most City spending is with firms in the counties in Figure 7.
- Disparities for construction and professional services contracts were based on availability of MBE/ WBEs in that area.
- Much of the other evidence of discrimination identified in this report also is for this geographic area.

Therefore, the City might consider expanding program eligibility to firms or firm owners in any of following counties:

- Snohomish County;
- King County;
- Pierce County;
- Lewis County;
- Thurston County;
- Mason County; and
- Kitsap County.

Program sunset. With the results of this disparity study, the City should consider updating its program sunset date. It should retain language that requires periodic review of results from a new disparity study. A typical sunset date could be about five years after program authorization or reauthorization.

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3. Implement SBE Evaluation and Price Preferences

The City might consider evaluation and price preferences for certified small businesses to the extent allowable under state and local law.

Evaluation preferences. For all contracts that are awarded on evaluation criteria other than price alone, the City may consider implementing evaluation preferences to small business bidders and proposers.

The City might assign a preference for a specific number of percentage points (perhaps 10 percentage points) to prime consultants with SBE-certification status. A single value preference would be consistent across bids and proposals for certified firms. Disparities between the utilization and availability of certain MBE/WBE groups in City professional services contracts, particularly for professional services prime contracts, and anecdotal information from in-depth interviews, indicates that there may not be a level playing field for MBE/WBE prime consultants competing for City professional services contracts. Implementing this initiative could help to alleviate that disparity.

An SBE Program might better respond to legal constraints in Washington state than providing preferences to MBE/WBEs.

The City might consider stronger measures once it can evaluate the success of an SBE evaluation preference.

Price preference. Again, to the extent allowable under state and local law, the City might consider an SBE price preference program. This might be most successful for goods and other services contracts often awarded based solely on lowest price.

The City might consider the following methods to implement the price preference.

Cost discount. The City might consider structuring the price preference as a bid discount, where certified bidders' bid price is discounted by a specified percentage when calculating this evaluation score (5–10%).

Preference cap. The larger the contract, the more expensive the preference program may be to operate. Thus, to prevent extensive discounts on prices for the largest procurements, the City might set a cap on the amount of preference.

For example, the City might apply the evaluation preference program to contracts with expected values up to \$1 million, placing an effective cap on the program of \$100,000 (if the City applies a cost discount of 10 percent for certified firms).

Eligibility. Firms located in the market area that are certified as SBEs by OMWBE or another public certifying agency would be eligible for the evaluation or price preference. The City might consider restricting the preference to firms within the counties in Figure 7, or not geographically limit the preference.

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4. Further Develop a Small Contracts Program

As part of the EIC Program, City staff may purchase directly from firms listed in the OMWBE directory for goods and other services contracts under \$50,000.⁵⁰ The City increased this to \$200,000 shortly before publication of this report (Keen Independent was unable to gauge impacts of this recent increase).

Keen Independent reviewed City purchases for goods and services under \$50,000 from 2017 through 2022 and found that MBE/WBEs received 21 percent of small purchase contracts. However, analysis of small procurements before and after the 2021 EIC Purchasing policy was enacted and found that MBE/WBE participation declined from 23 percent before the change to 13 percent after that change.

The City might consider creating a full Small Contracts Program that would better utilize the direct contracting tool.

Unbundling contracts. Some businesses reported that large contract sizes presented a barrier to doing business with the City. To the extent possible, the City might attempt to unbundle contracts to a size that would promote bidding by small and disadvantaged businesses.

Expanding the list to self-reported small MBE/WBEs and other small businesses. The City might consider changing the policy to allow firms to self-report small or minority- or woman-status for participation in the small contracts program to avoid the burden on the firm from requiring formal SBE or MBE/WBE certification.

Creating a bench of MBE/WBEs and other small firms available for small City procurements. Each year, Purchasing might create or update a list of MBE/WBE firms and other small businesses available for the types of small procurements it plans to make in the following year. This might take the form of a user-friendly subset of its bidders list.

As part of this effort, the City would need market this opportunity and directly reach out to minority- and women-owned businesses and other small business that have not traditionally been involved in City procurement. Purchasing could identify those MBE/WBEs and other small businesses that might be best aligned to projected needs, possibly including some initial screening of those firms. This Small Contracts Program “bench” of firms would be readily available to departments making small purchases (as well as for Purchasing’s use).

Introduction of MBE/WBE/SBEs to end-user departments.

Purchasing could hold annual vendor fairs where representatives of firms on the Small Contracts roster would be introduced to representatives of City departments who routinely make small purchases.

Requesting quotes from MBE/WBEs and small vendors. The City might consider continuing and further promoting its policy of allowing direct purchase from an MBE/WBE/SBE for procurements less than \$200,000. To strengthen its current program, Purchasing might require departments to verify that they have reviewed the list of firms available for the Program if they decline to use this option and provide a reason why. Purchasing could also prepare annual reports detailing MBE, WBE and SBE utilization for procurements under \$200,000 by department.

⁵⁰ https://cms.cityoftacoma.org/Purchasing/COT_Purchasing_Policy_FIN_2.0-2021.pdf

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5. Perform Additional Outreach and Relationship-Building

The City currently engages in outreach efforts and provides some business education materials on its procurement website. The City might take additional steps to assist prime contractors and subcontractors in bidding and performing City contracts.

Training materials. Some of the interviewees in this study recommended that City additional training materials and opportunities for firms new to bidding on City contracts.

- The City currently has some training materials on its Purchasing website but might devote additional resources producing online materials that more comprehensively cover how businesses can navigate the City bidding process.
- Prime contractors in the region might benefit from materials on how to reach MBE/WBEs for contracts with MBE/WBE goals (if continued) and small businesses could benefit from training on how to formulate a bid or proposal meeting City standards of quality.

Additional outreach. The City might engage in additional outreach efforts for MBE/WBEs and other small businesses to inform firms about upcoming large projects that might have MBE/WBE contract goals and encourage them to participate in City bids and subcontract opportunities. Outreach for the largest City design and construction projects can be effective.

Partnership with the Washington Department of Labor and Industries. The Washington Department of L&I is responsible for regulating and enforcing labor standards in the State of Washington. To do this, the Department tracks information related to construction procurements awarded throughout Washington. This includes those awarded by municipalities like the City of Tacoma. The types of data tracked within the Department's systems for construction projects includes, but is not limited to:

- Prime contractor name and contract award;
- Subcontractor names and contract awards;
- Prime and subcontractor payment amounts;
- Vendor general background information; and
- Vendor certifications (if any).

Developing a closer relationship with the Department may help the City to gain easier access to this information for its own records, facilitate the data compilation process for future disparity studies and reach out to MBE/WBE and SBE prime contractors and subcontractors that have not done work with the City of Tacoma.

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6. Participate in MBE/WBE/SBE Capacity-Building

Information about the local marketplace indicates that access to capital is a barrier to small businesses in the region, especially MBE/WBEs. The City might also consider directing MBE/WBEs and other small businesses to financial resources that can compete for City contracts.

The City might consider promoting, participating in or helping to create regional programs related to:

- Working capital and other loans for small firms working on City projects; and
- A bond guarantee program for small construction firms seeking public sector work.

Examples of working capital and other loan programs. There are several examples of regional or statewide working capital programs across the country that focus on capital needs for business development or construction contractors.

For example, StartUp Washington provides microloans and other loans to small local businesses that might otherwise have difficulty applying for conventional loans in the state.

The Washington State Office of Minority and Women's Business Enterprise (OMWBE) operates the Linked Deposit Program, which allows certified MBE/WBEs to receive an interest rate reduction of up to 2 percentage points when obtaining a loan from a participating lender. The program is not a loan guarantee program, and MBE/WBEs still need to meet the lenders' requirements.

Examples of bonding programs. Bonding is often a significant hurdle for small contractors to compete for public agency work, even relatively small projects. There may be a need for assistance in obtaining bonds for City construction projects. A partnership that includes the City and other regional agencies might be the best way to approach this barrier for some small contractors.

As an example of a bond guarantee program, the Colorado Department of Transportation partnered with Lockton Companies to launch the Bond Assistance Program in July 2019, for construction contracts of \$3 million or less. CDOT provides a guarantee of 50 percent.

Firms certified as emerging small businesses, including DBEs, are eligible to participate. A potential participant starts the process by undergoing an assessment of whether it is bondable. A firm can participate in the program on one contract only. The surety fee is 2 percent of the contract, and the ESB must participate in a funds control program with the management company (0.75% fee).

Obtaining bonding through the program also helps a contractor meet CDOT's prequalification requirements to bid on a construction contract. For firms not yet prequalified, it provides proof of bonding. For firms that are prequalified, it can be used to increase the size of contracts on which the firm can bid as a prime. Florida DOT has a similar Bond Guarantee Program. There are other examples around the country as well.

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7. Consider Other Steps to Encourage Small Business Utilization

The City might consider other initiatives to assist MBE/WBEs and other small businesses in its contracts, such as removing bonding requirements on certain contracts or increasing the time available to respond to bid opportunities

Bonding requirements. Many businesses that participated in the availability survey and in-depth interviews indicated that getting bonded for City projects was a challenge. MBE/WBEs were more likely than majority-owned firms to report this type of issue. The City might consider waiving bonding requirements for smaller, more straightforward construction contracts to the extent possible, as long as doing so does not present a significant risk to the City.

Bidding timeframe. The City of Tacoma currently requires contracts being placed out for bid to be advertised for at least five business days before the submittal date. Typical City practice is to advertise for longer. Because several businesses reported in in-depth interviews that they have had difficulties finding City bid opportunities, including on the City's website, the City should examine whether it can further increase the amount of time a contract is advertised for bids.

Prompt payment requirements. The City verifies that subcontractors are paid no later than 10 days after prime contractors receive payment.⁵¹ The City should perform this verification for all subcontractors on City construction and professional services contracts.

⁵¹ City of Tacoma Equity in Contracting (EIC) Program Regulations.
https://www.cityoftacoma.org/UserFiles/Servers/Server_6/File/cms/CBCFiles/EIC/Equity%20in%20Contracting%20Program%20Regulations%20-%202002.2024.pdf

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8. Allocate Sufficient Resources for Program Success

The remedial actions for City consideration outlined here will require time, resources and staff training to implement and operate. The City will need to make those resources available and plan a multi-year effort for successful implementation. Some of the needs for additional resources are reviewed below.

Program elements development. Keen Independent has provided a list of recommendations that the City might consider. Refining and enacting authorizing policy may require several months, as will development of new program components (including staff training, modification of existing contract tracking systems and preparing bidders and proposers for updated procedures).

Communications and outreach. To ensure the success of the current EIC Program and other proposed program elements, the City should devote additional resources to marketing, communications, direct business outreach and training materials. Some of the business lists Keen Independent developed in this study can help marketing and communications efforts.

Contract compliance. If the City extends the EIC Program contract goals to professional services contracts, there will be a need for more staff time to operate that program, including for contract compliance.

Comprehensive reporting of utilization. The City should annually report (overall and by industry) the utilization of (a) certified firms and (b) minority- and woman-owned firms regardless of certification.

This should include disaggregating results by the specific contracting program, if any, applied to contracts and then monitoring the success of each program. The reporting should be for MBE/WBEs overall and by specific racial, ethnic and gender group (as well as for small contracts).

Formal evaluation prior to program sunset/reauthorization. About every five years, the City should review the effectiveness of the EIC Program and whether it continues to be needed or should be improved.

APPENDIX A. Definition of Terms

Appendix A provides explanations and definitions useful to understanding the City of Tacoma 2024 Economic Disparity Study. The following definitions are only relevant in the context of this report.

A&E. “A&E” refers to architecture and engineering (i.e., “A&E contracts”).

Anecdotal evidence. Anecdotal or “qualitative” evidence includes personal accounts and perceptions of incidents, including any incidents of discrimination, told from each individual interviewee’s or participant’s perspective.

Availability analysis. The availability analysis examines the number of minority-, woman- and majority-owned businesses ready, willing and able to perform the specific types of construction, architecture and engineering, professional services, goods or other services purchased in City contracts.

“Availability” is often expressed as the percentage of contract dollars that might be expected to go to minority- or woman-owned firms based on analysis of the specific type, size and timing of each participating entity prime contract and subcontract and the relative number of minority- and woman-owned firms available for that work.

Bid. A competitive proposal to complete a contract or project.

Bid capacity. A business enterprise’s capacity to bid for a certain size of contract or subcontract.

Bid shopping and manipulation. Bid shopping and manipulation is the unfair practice of coercing or changing bids.

Bond. A bond is a financial assurance that all aspects of the contract will be satisfied. Construction companies are commonly required to present a certain bond amount when bidding for a contract.

Business. A business is a for-profit enterprise, including all its establishments (synonymous with “firm” and “company”).

Business establishment. A business establishment (or simply, “establishment”) is a place of business with an address and working phone number. One business can have many business establishments in different locations.

Business listing. A business listing is a record in the Dun & Bradstreet (D&B) database (or other database) of business information. A D&B record is a “listing” until the study team determines it to be an actual business establishment with a working phone number.

Certified MBE or WBE. A firm certified as a minority- or woman-owned business. Without the word “certified” in front of “MBE” or “WBE,” Keen Independent is referring to a minority- or woman-owned firm that might or might not be certified as such.

Closed network. Closed networks, such as “good ol’ boy” networks, are formal or informal associations that exclude certain firms from participating in bids or contracts.

Consultant. A consultant is a business performing professional services contracts.

Contract. A contract is a legally binding agreement between the purchaser and seller of goods or services.

Contract element. As used in this report, a contract element is either a prime contract or subcontract.

A. Definition of Terms

Contractor. A contractor is a business performing construction contracts.

Control. Control means exercising management and executive authority for a business.

Crosby decision. The U.S. Supreme Court decision that established the new standard of strict scrutiny that race-conscious contracting programs must satisfy in order to be constitutional (under the Equal Protection Clause). *City of Richmond v. J.A. Crosby Co.*, 488 U.S. 469 (1989). See Appendix L.

Disparity. A disparity is an inequality, difference or gap between an actual outcome and a reference point or benchmark. For example, a difference between an outcome for one racial or ethnic group and an outcome for non-minorities may constitute a disparity.

Disparity analysis. Disparity analysis compares actual outcomes with what might be expected based on other data. Analysis of whether there is a “disparity” between the utilization and availability of minority- and woman-owned businesses is one tool used to examine whether there is evidence consistent with discrimination or inferences of discrimination against such businesses.

Disparity index. A disparity index in the context of this study is a measure of the relative difference between an outcome, such as percentage of contract dollars received by a group, and a corresponding benchmark, such as the percentage of contract dollars that might be expected given the relative availability of that group for those contracts. For purposes of this study, it is calculated by dividing percent utilization (numerator) by percent availability (denominator) and then multiplying the result by 100.

A disparity index of 100 indicates “parity” or utilization “on par” with availability. Disparity index figures closer to 0 indicate larger disparities between utilization and availability. For example, the disparity index would be “50” if the utilization of a particular group was 5 percent of contract dollars and its availability was 10 percent.

Dun & Bradstreet (D&B). D&B is the leading global provider of lists of business establishments and other business information (see <https://www.dnb.com>). Hoovers is the D&B company that provides these lists. Companies are not required to pay to be listed in its database.

Employer firms. Employer firms are firms with paid employees other than the business owner and family members.

Enterprise. An enterprise is an economic unit that is a for-profit business or business establishment, not-for-profit organization or public sector organization.

Equity in Contracting (EIC) Program. Tacoma’s Equity in Contracting Program provides public works, supplies and services contracting opportunities to minority-owned firms, woman-owned firms and other businesses owned by socially and economically disadvantaged individuals to increase the participation of these groups within the City’s procurement process. The program also offers various forms of technical assistance to businesses, as well as guidance on how to do business with the City.

Establishment. See business establishment.

Firm. See business.

Fiscal year. The City’s fiscal year is the time period from January 1 through December 31. For example, FY 2024 is the twelve-month period ending on December 31, 2024.

A. Definition of Terms

Geographic market area. The geographic market area is the area in which the businesses receiving most of a local government’s contracting dollars are located. Counties or functional economic areas (such as metropolitan statistical areas) that group multiple counties are the geographic units used to define these areas. The geographic market area is also referred to as the “local marketplace.” The court decisions related to race- and gender-conscious programs discuss disparity analyses in connection with the relevant “geographic market area.”

The geographic market area is calculated by examining the share of dollars going to firms in different locations, and often separately determined by industry (such as construction, professional services, goods and other services contracts).

Goals program. A program in which a public agency sets a percentage goal for participation of MBE/WBEs, small businesses or another group on a contract-by-contract basis. These programs typically require that a bidder either meet the participation percentage goal provided for that contract or show good faith efforts to do so as part of its bid or proposal. Sometimes also called a participation goal or contract goal. Goals set within the City’s SBE program are aspirational, while goals set by the EIC program are requirements.

Good faith efforts. Those efforts undertaken by a bidder or proposer that show reasonable steps to achieve a contract goal or other program requirement provided in solicitation documents even if the bidder was not fully successful. See 49 CFR Part 26, Appendix A, Guidance on Good Faith Efforts.

“Good ol’ boy” network. See closed networks.

Industry. For the purpose of this study, an industry is a broad classification for businesses providing construction, professional services or general services and commodities.

Legal framework. Legal framework is the review of relevant case law used as the basis for study methodology.

Local agency. A local agency is any public sector entity that is a political subdivision of the state government.

Local Employment and Apprenticeship Training Program (LEAP). The Local Employment and Apprenticeship Program provides residents of the City of Tacoma with apprenticeship opportunities and training and support resources that can lead to stable, family-wage jobs in the construction industry. The mandatory program requires contractors or service providers to employ City of Tacoma Residents, residents from Economically Distressed Areas of the Tacoma Public Utilities Service Area, or Registered Apprentices approved by the Washington State Apprenticeship Council (SAC) that reside in Pierce County for 15% of a project’s total labor hours on qualifying public works contracts. The 15% LEAP-hour requirement is based on work performed.

Locally funded contract. A locally funded contract uses City funds but no state or federal funds.

Majority-owned business. A majority-owned business is a for-profit business that is not owned and controlled by minorities or women (see definition of “minorities” below).

Market area. See geographic market area.

MBE. Minority-owned business enterprise. See minority-owned business.

Metropolitan Statistical Area (MSA). Metropolitan statistical areas (MSAs) are geographic areas designated by the U.S. Office of Management and Budget. These areas mark population centers that are economically and socially integrated based on U.S. Census Bureau data.

A. Definition of Terms

See <https://www.census.gov/programs-surveys/metro-micro/about.html>

Minorities. Under the Federal law, minorities are individuals who belong to one or more of the racial/ethnic groups identified in the federal regulations in 49 CFR Section 26.5.

- Black Americans (or African Americans), which include persons having origins in any of the black racial groups of Africa.
- Hispanic Americans (Latinos), which include persons of Mexican, Puerto Rican, Cuban, Dominican, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race.
- Native Americans, which include persons who are enrolled members of a federally or State recognized Indian tribe, Alaska Natives, or Native Hawaiians.
- Asian Americans, which include persons whose origins are from Japan, China, Taiwan, Korea, Burma (Myanmar), Vietnam, Laos, Cambodia (Kampuchea), Thailand, Malaysia, Indonesia, the Philippines, Brunei, Samoa, Guam, the U.S. Trust Territories of the Pacific Islands (Republic of Palau), Republic of the Northern Marianas Islands, Macao, Fiji, Tonga, Kiribati, Tuvalu, Nauru, Federated States of Micronesia or Hong Kong as well as persons whose origins are from India, Pakistan, Bangladesh, Bhutan, the Maldives Islands, Nepal or Sri Lanka.

Minority-owned business (MBE). An MBE, sometimes referred to as a minority-owned business, is a business that is at least 51 percent owned and controlled by one or more individuals who belong to a minority group. Minority groups in this study include those listed under the definition of minorities above. For purposes of this study, a business need not be certified as such to be counted as a minority-owned business.

Businesses owned by minority women are also counted as MBEs in this study (where that information is available). In this study, “MBE-certified businesses” are those that have been certified by a government agency as a minority-owned company.

Monte Carlo analysis. A statistical simulation of the probability that the results of a group of events can be explained by random chance in the outcomes of individual events. Keen Independent uses Monte Carlo analysis to examine whether any disparities in utilization of a particular group in an agency’s contracts might have occurred by chance in contract and subcontract awards.

Neutral remedy. See race- and gender-neutral measures.

Non-response bias. Non-response bias occurs when the observed responses to a survey question differ (in a non-random way) from what would have been obtained if all individuals in a population, including non-respondents, had answered the question.

North American Industry Classification System (NAICS) codes. NAICS codes are the detailed industry sector codes adopted by the U.S. Census Bureau. They provide one way to define industries (such as “construction”) when reporting an agency’s utilization of firms and the availability of firms. Codes are established at various levels of detail. (See <https://www.census.gov/naics/>)

A. Definition of Terms

Owned. Owned indicates at least 51 percent ownership of a company. For example, a “minority-owned” business is at least 51 percent owned by one or more minorities.

People of color. See definitions under minorities.

Prime consultant. A prime consultant is a professional services firm that performs a prime contract for a client.

Prime contract. A prime contract is a contract between a prime contractor or a prime consultant and a client.

Prime contractor. A prime contractor is a construction firm that performs a prime contract for a client.

Private sector. Economies of private business enterprises doing work for non-government clients.

Procurement. A direct purchase, consulting agreement, prime contract or other acquisition of construction, professional services or general services and commodities. This term is intended to encompass all types of government purchasing and contracting.

Professional services. Professional services are fields in the service sector requiring special training. Some professional services require holding professional licenses such as architects and accountants.

Project. A project refers to a construction and/or professional services endeavor. A project could include one or multiple prime contracts and corresponding subcontracts.

Race- and gender-conscious measures. Race- and gender-conscious measures are remedial efforts directed towards MBEs and/or WBEs. An MBE/WBE contract goal is one example of a race- and gender-conscious measure.

Note that the term is a shortened version of “race-, ethnicity-, and gender-conscious measures.” For ease of communication, the study team has truncated the term to “race- and gender-conscious measures.”

Race- and gender-neutral measures. Race- and gender-neutral measures apply to businesses regardless of the race/ethnicity or gender of firm ownership. Race- and gender-neutral measures may include assistance in overcoming bonding and financing obstacles, simplifying bidding procedures, providing technical assistance, establishing programs to assist start-up firms, and other methods open to all businesses or any disadvantaged business regardless of race or gender of ownership. A broader list of examples can be found in 49 CFR Section 26.51(b). See Appendix L.

Note that the term is more accurately “race-, ethnicity-, and gender-neutral” measures. For ease of communication, the study team has shortened the term to “race- and gender-neutral measures.”

Racial or ethnic minority group. See minorities.

Relevant geographic market area. See geographic market area.

A. Definition of Terms

Remedial measure. A remedial measure, sometimes shortened to “remedy,” includes a program to address barriers to full participation of minorities or women, or minority- or woman-owned firms or to remedy identified discrimination or disparities in a marketplace, which may be race-, ethnic- or gender-neutral or race, ethnic- or gender-based.

Remedy. See remedial measure.

SBA 8(a). SBA 8(a) is a U.S. Small Business Administration business assistance program for small, disadvantaged businesses owned and controlled by at least 51 percent socially and economically disadvantaged individuals.

Small business. A small business is a business with low revenues or size (based on revenue or number of employees) relative to other businesses in the industry. “Small business” does not necessarily mean that the business is certified as such.

Small Business Administration (SBA). The SBA refers to the United States Small Business Administration, which is an agency of the United States government that assists small businesses.

Small Business Enterprise (SBE). A firm certified as a small business according to the size criteria of the certifying agency.

Stakeholders. Internal and external individuals and groups who have an interest in a topic.

Standard Industrial Classification (SIC Code). A SIC code is a four-digit numerical code system developed by the U.S. Government to identify the primary line of business of a business establishment.

Statistically significant difference. A statistically significant difference refers to a quantitative difference for which there is a high probability

that random chance can be rejected as an explanation for the difference. This has applications when analyzing differences based on sample data such as most U.S. Census datasets (could chance in the sampling process for the data explain the difference?), or when simulating an outcome to determine if it can be replicated through chance. Often a 95 percent confidence level is applied as a standard for when chance can reasonably be rejected as a cause for a difference.

Subconsultant. A subconsultant is a professional services firm that performs services for a prime consultant as part of the prime consultant’s contract for a client.

Subcontract. A subcontract is a contract between a prime contractor or prime consultant and another business selling goods or services to the prime contractor or prime consultant as part of the prime contractor’s contract for a client.

Subcontract goals program. See goals program.

Subcontractor. A subcontractor is a firm that performs services for a prime contractor as part of a larger project.

Subindustry. For this study, a specialized component within a broader economic sector such as construction. Highway, street and bridge construction is a subindustry within the construction industry, for example.

Substantial disparity. Several courts have held that a “substantial disparity” is one where the disparity index is less than “80,” which indicates evidence or inferences of discrimination affecting the outcome being examined.

Supplier. A supplier is a firm that sells supplies to a prime contractor as part of a larger project or supplies directly to the customer).

A. Definition of Terms

Trade associations. Organizations that provide business assistance or representation for businesses and workers. Chambers of commerce and professional associations are examples of organizations grouped as “trade associations” in this study.

Utilization. Utilization refers to the percentage of total contract dollars of a particular type of work going to a specific group of businesses (for example, MBEs).

Vendor. A vendor is a business that provides goods or services to a customer.

WBE. Woman-owned business enterprise. See woman-owned business.

Woman-owned business (WBE). A WBE is a business that is at least 51 percent owned and controlled by one or more individuals who are non-minority women. A business need not be certified as such to be included as a WBE in this study. For this study, businesses owned and controlled by minority women are counted as minority-owned businesses.

APPENDIX B. City of Tacoma Contract Data — Contract data sources

Keen Independent collected data about City of Tacoma procurements and the firms that were used the prime contractors and subcontractors on those contracts. The utilization analysis focused on non-federally funded construction, professional services, goods and other services contracts during the January 1, 2017, through December 31, 2022, study period.¹

From these data, Keen Independent calculated the percentage of contract dollars that went to minority-, woman- and majority-owned businesses. The study team counted certified as well as non-certified minority- and woman-owned businesses when calculating MBE/WBE utilization.

Keen Independent obtained data on City of Tacoma contracts and subcontracts from the following sources:

- **City of Tacoma procurement data from SAP, Ariba and B2Gnow.** The City maintains prime contract data within its SAP and Ariba procurement systems. In addition to prime contract data, the City maintains subcontract data for contracts with Equity in Contracting (EIC) goals within its B2Gnow system, including information detailed on the following pages.

- **Washington State Department of Labor and Industries public works project database.** Keen Independent obtained information about subcontracts on City construction contracts from the Washington State Department of Labor and Industries (L&I). L&I collects this information from prime contractors.
- **Prime contractors awarded contracts during the study period.** Keen Independent also obtained data directly from certain prime contractors for City construction and professional services contracts that potentially included subcontracting opportunities.

Keen Independent examined prime contracts and other purchases of \$10,000 or more and all available subcontract data, regardless of size.

The study team examined about \$784 million of procurements from January 1, 2017, through December 31, 2022.

¹ For professional services, goods and other services, Keen Independent analyzed relevant procurements awarded during that study period, plus contracts awarded from 2014 to 2016 with payments over \$200,000 or more and were amended or renewed

after 2017. This was done to capture additional payments made to prime and subcontractors during the study period.

B. City of Tacoma Contract Data — Contract data sources

SAP Procurement Data

The City of Tacoma provided data on procurements awarded through SAP from January 2017 through December 2022. Data fields included:

- SAP contract ID;
- SAP PO/Invoice number;
- Vendor name;
- Description of the contract industry;
- Description of work;
- Contract amount;
- Payment amount;
- Federal funds indicator;
- Start date;
- End date; and
- Vendor address, phone number and email address.

Ariba Procurement Data

The City of Tacoma also provided Keen Independent with data on procurements awarded through its Ariba procurement system from 2017 to the end of 2022. Data fields included:

- Ariba contract ID;
- Ariba invoice number;
- Vendor name;
- Description of the contract industry;
- Description of work;
- Contract amount;
- Payment amount;
- Federal funds indicator;
- Start date;
- End date; and
- Vendor address, phone number and email address.

B. City of Tacoma Contract Data — Contract data sources

B2Gnow Database

The City of Tacoma also provided prime contract and subcontract data for procurements awarded from 2020 to 2022 and subject to the City's Equity in Contracting Program. Data included:

- Procurement ID;
- Procurement date;
- Prime contractor name;
- Prime contractor address;
- Subcontractor name;
- Subcontractor address;
- Subcontractor scope of work; and
- Subcontractor amount.

Prime Contractor Data Requests

The City of Tacoma collected subcontract data from prime contractors performing construction contracts over \$1 million and professional services contracts over \$500,000. Prime contractors provided the following information:

- Purchase identification (contract number, title, date);
- Description of work performed;
- Subcontractor name, address and phone number;
- Subcontractor description of work;
- Subcontractor contract amount.

Washington State Department of Labor and Industries Public Works Database

The City gave Keen Independent access to the Washington State Department of Labor and Industries Public Works Database. Keen Independent obtained subcontract information, including:

- Procurement ID;
- Award date;
- Contract amount;
- Prime contractor name;
- Prime contractor address;
- Subcontractor name;
- Subcontractor address;
- Subcontractor amount intent and amount affidavit; and
- Subcontractor tier1 or tier2.

B. City of Tacoma Contract Data — Types of work performed and firm locations

Identification of Types of Work Performed

The study team identified the type of work involved in each contract and subcontract through review of contract work descriptions.

Keen Independent also researched firms' websites for information about the types of services those vendors typically provide.

Keen Independent used codes from the federal North American Industry Classification System (NAICS) as well as Standard Industrial Classification System (SIC) for specialized types of work to identify the appropriate subindustry for each type of work.

The study team assigned NAICS and SIC codes to prime contracts and subcontracts based on the following actions:

- Identified the type of work performed using company name and contract description;
- Examined the primary type of work performed by the firm, as determined through online research and as reported by Dun & Bradstreet (D&B);
- Further analyzed the description of work performed for each large prime contract (above \$500,000) and for all subcontracts;
- Performed further review, especially when the NAICS code information for individual firms obtained through D&B did not appear to match the types of purchases that the City routinely makes (e.g., residential building construction, for example).

Identification of Most Local Firm Locations

As part of the identification of types of contracts and subcontracts, the study team collected the locations of utilized businesses where local address information was missing in City procurement files.

For all firms, the study team also attempted to identify the company location nearest to Tacoma.

B. City of Tacoma Contract Data — Purchases excluded from the analysis

Exclusions

The study team made certain exclusions of contracts from the data received before preparing a final contract database for the study.

Examples include payments to non-businesses and for certain types of work typically purchased from a national market. (This is a standard step in a disparity study.)

Entities that are not businesses were excluded because they do not have “ownership.” Such organizations include public sector agencies and not-for-profit entities. Utilities were excluded because they are typically a publicly regulated monopoly with availability limited to one organization for each type of utility service.

Non-business, utilities and other types of exclusions. Exclusions for non-businesses, regulated utilities, travel and other highly specialized procurements included:

- Governments;
- Not-for-profits;
- Educational institutions;
- Utilities;
- Educational services and training;
- Arts, entertainment and recreation;
- Health care services;
- Computer software;
- Finance and insurance;
- Newspapers and other subscriptions; and
- Telecommunications.

Products related to national markets. Keen Independent excluded products typically purchased from national markets.

For this study, these exclusions were:

- Computer and computer peripheral equipment;
- Computer programming and design services;
- National employment placement services;
- Administrative services;
- Electrical equipment;
- Public safety and traffic cameras;
- Water meters;
- Books, periodical and newspapers;
- Medical, dental and hospital equipment; and
- Chemical and allied products.

Exclusions totaled about \$449 million for the six-year period.

B. City of Tacoma Contract Data — Ownership of utilized firms

Characteristics of Utilized Firms

For each firm identified as working on a City contract, the study team attempted to collect characteristics of the business and the business owner, including:

- Race/ethnicity; and
- Gender.

The list to the right provides examples of sources of information on ownership and whether firms were certified as a minority- or woman-owned businesses.

Ownership data sources included:

- Washington State Office of Minority and Women’s Business Enterprises directory;
- State of Oregon Certification Office for Business Inclusion and Diversity directory;
- Seattle Online Business Directory;
- Port of Seattle Business Directory;
- Small Business Administration;
- Study team availability survey with firm owners and managers;
- Information from previous Keen Independent disparity studies in the region;
- Other review of firm information (e.g., information about ownership on firms’ websites);
- Information from Dun & Bradstreet; and
- City of Tacoma staff review.

B. City of Tacoma Contract Data — City of Tacoma review and data limitations

City of Tacoma Review

City staff met with Keen Independent to discuss the approach to data collection, information the study team gathered and preliminary ownership information. Keen Independent reviewed and incorporated feedback throughout the study.

Data Limitations

Limitations concerning procurement data collection include:

- City information on the principal type of work involved in contracts and subcontracts was sometimes imprecise, and company-level data about work performed could span multiple subindustries. This could result in some inaccuracy in the NAICS code assigned to describe the primary work performed or goods supplied in a City contract or subcontract.
- Keen Independent determined race, ethnicity, gender and other ownership information based on many different sources and methods, some of which could be inaccurate.

Based on Keen Independent's experience using these methods in other disparity studies, it does not appear that these limitations would materially affect overall results for the City disparity analyses.

APPENDIX C. Availability Data Collection — Survey methods

Keen Independent collected information from firms about their availability for contracts with the City of Tacoma through telephone surveys and other methods. Appendix C further explains this process, including:

- Survey methods;
- Business listings;
- Standard Industry Codes (SIC) and North American Industry Classification System (NAICS) codes included in the survey;
- Development of the survey instrument;
- Establishments successfully contacted;
- Establishments in the availability database;
- Analysis of potential non-response bias;
- Response reliability;
- Analysis of potential limitations; and
- Survey instrument.

Telephone Surveys

Keen Independent retained Customer Research International (CRI) to conduct surveys with listed businesses.

- **Firms were contacted by telephone.** Up to six phone calls were made at different times of day and different days of the week to attempt to reach each company.
- **Survey sponsorship.** CRI began by saying that the call was made on behalf of the City of Tacoma to firms interested in working on a wide range of construction, professional services, goods and other services contract opportunities. The interviewer asked the person answering the phone, “Can you give me any information about the firm?” If the respondent could not give or refused to give up information the survey was terminated.
- **Survey period.** Surveys began on March 20, 2024, and CRI completed the survey effort on May 20, 2024.

Other Avenues to Complete a Survey

If a company was not able to complete a survey on the telephone, business owners could request a link to complete the survey online or receive a downloadable version of the survey and return it to CRI.

Business owners could also complete the survey online at the study website.

C. Availability Data Collection — Business listings

Firms contacted in the availability surveys came from two sources:

- Firms that had previously expressed interest in learning about future City work.
- Businesses that Dun & Bradstreet (D&B) identified in certain study-related subindustries in the study area.

Interested Firms Lists

The City provided a list of businesses interested in competing for construction contracts, professional services and other work. The individuals and businesses on these lists identified that they are interested in bidding on contracting opportunities with the City.

Keen Independent proceeded to use the list from the City as one source of firms to contact as survey respondents could indicate whether they were qualified and interested in working with the City of Tacoma.

Dun & Bradstreet

The study team obtained a list of firms from Dun & Bradstreet Hoover's database within relevant types of work that had locations in the study area. D&B provided phone numbers for these businesses.

D&B's Hoover's affiliate maintains the largest commercially available database of U.S. businesses. The study team used D&B listings to identify firms that might be qualified and interested in doing work for the City. The study team excluded any listings that were government agencies or not-for-profit organizations (either before the survey or based on a question in the survey).

The subindustries to be included in the survey were determined after reviewing City prime contract and subcontract dollars for different types of work. D&B classifies types of work by North American Industry Classification System (NAICS) code¹ (See the Contract and Subcontract Data section of the Summary Report for more information.)

Combining Lists Prior to Survey

Keen Independent attempted to consolidate information when a firm had multiple listings across these data sources. After consolidation, the data sources provided 32,288 unique listings.

Keen Independent did not draw a sample of those firms for the availability analysis; rather, the study team attempted to contact each business identified through telephone surveys and other methods. Some courts have referred to similar approaches to gathering availability data as a "custom census."

Figures C-1 through C-3 on the following pages identify the six-digit NAICS codes and eight-digit SIC codes the study team determined were the most related to contracts and subcontracts examined in the study.

¹ The study team used 8-digit Standard Industrial Classification codes for specialized types of work.

C. Availability Data Collection — NAICS/SIC codes included in the survey

C-1. Construction and professional services NAICS and SIC codes for D&B survey availability list

NAICS/SIC	NAICS/SIC label	NAICS/SIC	NAICS/SIC label
Construction			
Site prep		Other heavy construction	
238910	Site preparation contractors	237990	Other heavy and civil engineering construction
16299902	Earthmoving contractor	87419902	Construction management
Commercial and institutional building construction		Concrete work	
236220	Commercial and institutional building construction	238110	Poured concrete foundation and structure contractors
Electrical work		Plumbing and HVAC	
238210	Electrical contractors and other wiring installation contractors	238220	Plumbing, heating and air-conditioning contractors
Roofing		Power and communication line construction	
238160	Roofing contractors	237130	Power and communication line and related structures construction
Highway, street and bridge construction		Water and sewer lines, pumping stations or treatment facilities construction	
237310	Highway, street, and bridge construction	237110	Water and sewer line and related structures construction
17210303	Pavement marking contractor		
17710301	Blacktop (asphalt) work		
Professional services			
Auditing		Environmental consulting services	
87210000	Accounting, auditing, and bookkeeping	541620	Environmental consulting services
Legal services		Human resources consulting	
81110000	Legal services	541612	Human resources consulting services
81110201	Administrative and government law	Advertising and marketing	
81110208	Environmental law	541613	Marketing consulting services
81110210	Labor and employment law	541810	Advertising agencies
81119901	General practice attorney, lawyer	541820	Public relations agencies
81119902	General practice law office		
Architecture and engineering			
541310	Architectural services		
541330	Engineering services		

C. Availability Data Collection — NAICS/SIC codes included in the survey

C-2. Goods NAICS and SIC codes for the D&B survey availability list

NAICS/SIC	NAICS/SIC label	NAICS/SIC	NAICS/SIC label
Auto parts		Furniture	
423120	Motor vehicle supplies and new parts merchant wholesalers	423210	Furniture merchant wholesalers
Bulk fuel and oil		Firefighting equipment	
424710	Petroleum bulk stations and terminals	423990	Other miscellaneous durable goods merchant wholesalers
457210	Fuel dealers	50870500	Firefighting equipment
Tires		Uniforms and apparel	
423130	Tire and tube merchant wholesalers	424310	Piece goods, notions, and other dry goods merchant wholesalers
441340	Tire dealers	424340	Footwear merchant wholesalers
50149901	Automobile tires and tubes	424350	Clothing and clothing accessories merchant wholesalers
55319901	Automotive tires	56990102	Uniforms
Construction materials		Industrial machinery and equipment	
212321	Construction sand and gravel mining	423830	Industrial machinery and equipment merchant wholesalers
423310	Lumber, plywood, millwork and wood panel wholesalers	Vehicles	
423320	Brick, stone and related construction material wholesalers	423110	Office equipment wholesalers
423390	Other construction material wholesalers	441110	Other commercial equipment wholesalers
423510	Metal service centers and other metal wholesalers	37130102	Stationery and office supplies wholesalers
423720	Plumbing and heating equipment and supplies	55119903	Office supplies and stationery retailers
423730	Warm air heating and air-conditioning equipment and supplies	Chemical and allied products	
24991300	Mulch or sawdust products, wood	212390	Other nonmetallic mineral mining and quarrying
29510201	Asphalt and asphaltic paving mixtures (not from refineries)	424610	Plastics materials and basic forms and shapes wholesalers
32730000	Ready-mixed concrete	424690	Other chemical and allied products wholesalers
35310401	Asphalt plant, including gravel-mix type		

C. Availability Data Collection — NAICS/SIC codes included in the survey

C-3. Other services NAICS and SIC codes for D&B survey availability list

NAICS/SIC	NAICS/SIC label	NAICS/SIC	NAICS/SIC label
Trucking and hauling		Waste collection and materials recovery	
42129905	Dump truck haulage	562111	Solid waste collection
42129908	Heavy machinery transport	562112	Hazardous waste collection
42129912	Steel hauling, local	562920	Materials recovery facilities
42129913	Truck rental, with drivers	49530000	Refuse systems
Electronic equipment repair		Equipment repair and maintenance	
811210	Electronic and precision equipment repair and maintenance	811310	Commercial and industrial machinery and equipment repair
Landscape maintenance		Janitorial services	
561730	Landscaping services	561720	Janitorial services
Property management		Security guard or armored car services	
65120100	Commercial and industrial building operation	561612	Security guards and patrol services
65120300	Property operation, auditoriums and theaters	561613	Armored car services
Local temporary staffing		Locomotive and rolling stock repair	
561320	Temporary help services	488210	Support activities for rail transportation
Parking facility management		Temporary traffic control	
812930	Parking lots and garages	73899921	Flagging service (traffic control)
Vehicle repair and customization		Elevator repair and maintenance	
811111	General automotive repair	17969901	Elevator installation and conversion
811114	Specialized automotive repair	76992501	Elevators: inspection, service and repair
811121	Hazardous waste treatment and disposal	Remediation	
811122	Automotive body, paint and interior repair and maintenance	562910	Remediation services
811191	Automotive oil change and lubrication shops	49590301	Oil spill cleanup
811198	All other automotive repair and maintenance	49590302	Environmental cleanup services

C. Availability Data Collection — Development of survey instrument

After developing the survey instrument, Keen Independent reviewed it with the City of Tacoma. The survey instrument is provided at the end of Appendix C.

The study team did not know the race, ethnicity or gender of the business owner when contacting a business establishment. Obtaining that information was a key component of the survey.

Areas of survey questions included:

- **Identification of purpose.** CRI acknowledged the City of Tacoma as the survey sponsor and described its purpose as identifying companies interested in working on a wide range of construction, professional services, goods and other services contract opportunities.
- **Verification of correct business name.** CRI confirmed that the business reached was the business sought out.
- **Contact information.** CRI compiled contact information for the establishment and the individual who completed the survey.
- **Identification of main lines of business.** CRI asked businesses to describe their main line of business. Respondents then selected from a list of the multiple types of work that their firm performed. “Main line of business” corresponded to the 41 specific types of work that accounted for most of the dollars for City contracts.
- **Sole location or multiple locations.** CRI asked respondents if their companies had other locations and whether their establishments were affiliates or subsidiaries of other firms. (Keen Independent then merged responses from multiple locations.)
- **Qualifications and interest in future City work.** CRI asked about businesses’ qualifications and interest in work with the City, and for construction and professional services firms, asked whether they were interested in prime contracts and/or subcontracts.
- **Largest contracts.** CRI asked businesses to identify the dollar range of the largest contract or subcontract on which they had bid or had been awarded during the past seven years.
- **Ownership.** Businesses were asked if 51 percent or more of the firm was owned and controlled by women and/or minorities. If businesses indicated that they were minority-owned, they were also asked about the race and ethnicity of owners. For companies which identified race/ethnicity as “other,” Keen Independent reviewed and assigned the correct classification.
- **Business background.** CRI asked about the year the firm started, revenue and number of employees.
- **Potential barriers in the marketplace.** CRI asked questions about potential barriers to starting and expanding a business or achieving success in their industry in Western Washington. CRI then asked whether interviewees would be willing to participate in an in-depth interview, a business advisory group or both.

C. Availability Data Collection — Establishments successfully contacted

Keen Independent provided CRI a database of 32,288 individual firms for availability surveys (after removing duplicate listings from the data). CRI made up to seven attempts to reach each firm (different times and different days of the week).

CRI attempted to interview a company representative such as the owner, manager or other key official who could provide accurate and detailed responses to the questions included in the survey. Figure C-4 presents the dispositions of the businesses CRI attempted to contact.

- Some listings were non-working or wrong numbers.
- Among the 26,882 firms with working phone numbers, CRI was unable to contact some of them:
 - Some businesses could not be reached after at least seven attempts (see “no answer” in Figure C-4).
 - An appropriate staff person could not be reached for the survey after repeated attempts.
 - The study team sent email or fax invitations to those who requested to do the survey via fillable PDF or online survey. Some businesses did not complete and return them.

After taking those unsuccessful attempts into account, the study team was able to successfully contact 8,381 businesses or 31 percent of those with working phone numbers.

C-4. Disposition of attempts to survey business establishments.

	Number of firms	Percent of business listings
Beginning list	32,288	
Less non-working phone numbers	4,671	
Less wrong number	735	
Firms with working phone numbers	26,882	100 %
Less no answer	16,950	
Less could not reach appropriate staff member	1,208	
Less unreturned fax/email	314	
Less could not continue in English or Spanish	29	
Firms successfully contacted	8,381	31 %

Note: Study team made up to seven attempts to complete an interview with each establishment.

Source: Keen Independent Research from 2024 Availability Surveys.

C. Availability Data Collection — Establishments in the availability database

Figure C-5 presents the disposition of the 8,381 businesses that CRI successfully contacted and how that number resulted in the 1,319 businesses that Keen Independent included in the availability database.

- **Establishments not interested in discussing availability for City work.** Of the businesses that the study team successfully contacted, 6,458 were not interested in discussing their availability for City work, or reported they were not qualified or interested in City work. In Keen Independent’s experience, those types of responses are often firms that do not perform relevant types of work.
- **No longer in business.** Some of the survey respondents said that their companies were no longer in business and were not counted as available.
- **Do not perform related work.** Among the companies indicating that they were qualified and interested, Keen Independent reviewed whether they performed relevant work to City contracts. The study team attempted to remove all of these firms from the final database of interested and qualified firms.
- **Non-businesses and firms with no local location.** Companies indicating that they were not a for-profit business (including non-profits, residences and government agencies) or did not have a firm location in the study area were excluded from the final database.

After the screening steps described to the left, the survey effort produced a database of 1,319 businesses potentially available for work with the City.

Note that, when there were multiple responses from a single company, Keen Independent combined those responses into a single, summary data record. Each unique business only appears once in the final availability database.

C-5. Disposition of successfully contacted businesses.

	Number of firms
Firms successfully contacted	8,381
Less business not interested	6,458
Firms that completed interviews about business characteristics	
Less no longer in business	450
Less don't do related work	72
Less not for-profit businesses	58
No location in market area	24
Firms included in the availability database	1,319

Note: Study team made up to seven attempts to complete an interview with each establishment.

Source: Keen Independent Research from 2024 Availability Surveys.

C. Availability Data Collection — Statistical confidence in availability results

Keen Independent did not draw a sample of companies to research in the availability analysis. The study team attempted to reach each firm in the relevant geographic market area identified by Dun & Bradstreet as possibly doing business within relevant subindustries.

Keen Independent examined the accuracy of the initial list of potentially available firms and the number of firms successfully reached from that list in the availability survey effort. Figure C-6 explains the high level of statistical confidence in the availability results due to the number of responses and the response rate.

C-6. Confidence intervals for availability results

Keen Independent successfully reached 8,381 business establishments in the availability telephone survey — a number of completed surveys that might be considered large enough to be treated as a “population,” not a sample.

However, if the results are treated as a sample, the reported 29 percent representation of MBE/WBEs among available firms is accurate within about +/- 2 percentage points. (This was MBE/WBE availability before dollar-weighting.) By comparison, many survey results for proportions reported in the popular press are accurate within +/- 5 percentage points. (Keen Independent applied a 95 percent confidence level and the finite population correction factor when determining these confidence intervals.)

C. Availability Data Collection — Analysis of potential non-response bias

Analysis of non-response bias considers whether businesses that were not successfully surveyed are systematically different from those that were successfully surveyed and included in the final data set. There are opportunities for non-response bias in any survey effort.

The study team considered the potential for non-response bias due to:

- Research sponsorship;
- Calling from a phone number outside Washington;
- Language barriers; and
- Industry differences in reaching respondents.

On the next page of this appendix, Keen Independent compares overall response rates of MBE/WBEs and majority-owned companies.

Research Sponsorship

CRI survey staff introduced themselves by identifying the City as the survey sponsors as businesses may be less likely to answer somewhat sensitive business questions if the interviewer was unable to identify the sponsor.

This sponsorship represents a strength of the survey (and CRI could also forward a letter from the sponsors explaining the survey if asked).

Calling from Outside Washington

Telephone calls made by CRI interviewers originated from outside Washington. It might have been obvious to people in Washington that the phone calls were placed from outside the state and the interviewers were not from Washington. This might have reduced the overall response rate. However, there was no indication that minority- and woman-owned firms were less likely to respond to the calls than white male-owned businesses.

C. Availability Data Collection — Analysis of potential non-response bias

Potential Language Barriers

Businesses that only had a Spanish-speaking respondent during an initial call were re-contacted by a Spanish-speaking CRI interviewer. The interviewee was asked if there was anyone available to perform the survey in English. If not, CRI completed a shortened version of the survey with the interviewee. If it appeared that the firm performed work related to City contracts, Keen Independent asked the company if they would like to complete an email or faxed questionnaire (in English). No respondents requested a fax or email survey. (These additional efforts focused on Spanish-speaking respondents as this was the most common language barrier.)

This approach appeared to eliminate some of the potential language barriers to participating in the availability surveys. Language barriers presented a difficulty in conducting the survey for 29 companies, or about 0.11 percent of the businesses with working phone numbers.

Industry Differences in Reaching Respondents

There might be differences in the success reaching firms in different types of work. However, Keen Independent concludes that any such differences would not lead to lower or higher availability estimates for MBEs and WBEs than if the study team had been able to successfully reach all firms.

Work specialization as a potential source of non-response bias is minimized because the dollar-weighted availability analysis examines businesses within particular work fields before determining an availability figure. In other words, the potential for landscaping firms to be less likely to complete a survey is encompassed in the availability calculations account because the number of MBE/WBE landscape firms, for example, is compared with the total number of landscape firms when calculating availability for landscaping work. Landscape firms are not compared with engineering firms in Keen Independent's contract-by-contract availability analysis.

C. Availability Data Collection — Analysis of potential non-response bias

Comparison of Overall Response Rates for MBE/WBEs and Majority-owned Firms

Keen Independent examined whether minority- and woman-owned firms were more difficult to reach in the telephone survey and found no indication that interviewers were less likely to complete telephone surveys with MBE/WBEs than with majority-owned firms. The study team examined response rates based on MBE/WBE versus non-MBE/WBE business ownership data that D&B had for firms in the list purchased from this source.

- MBE/WBEs were successfully contacted at slightly higher rates than majority-owned firms. D&B-identified MBE/WBE firms were 5.8 percent of the initial list and 6.0 percent of successfully surveyed firms.
- Note that D&B records under-identify MBE/WBEs and are not the basis for the availability analysis. (This is also the reason the MBE/WBE percentages shown above are so much lower than found in the availability survey.)

Therefore, there is no indication that any potential non-response bias materially reduced the estimates of MBE/WBE availability in this study.

Business owners and managers were asked questions that may be difficult to answer, including questions about revenues and employment.

Keen Independent explored the reliability of survey responses in several ways. For example:

- Keen Independent reviewed data from the availability surveys in light of information from other sources. This includes data on the race/ethnicity and gender of the owners of DBE-certified businesses that was compared with survey responses concerning business ownership.
- Keen Independent compared survey responses about the largest contracts that businesses won during the past six years with actual City procurement data.
- Keen Independent reviewed all firms indicating a relatively large bid capacity (indicating contracts bid or awarded of more than \$5 million).

C. Availability Data Collection — Analysis of other potential limitations

There are limitations to this approach to collecting availability data.

Using D&B Lists

Keen Independent purchased Dun & Bradstreet business listings for Western Washington as the starting point for the availability surveys. D&B provides the most comprehensive private database of business listings in the United States. D&B does not require firms to pay a fee to be included — it is completely free (and is separate from its credit rating services). Even so, the database does not include all establishments:

- There can be a lag between the formation of a new business and inclusion in D&B listings.
- Because one way for D&B to identify firms is legal filings concerning an entity (such as registering with a Secretary of State or obtaining a business license), any businesses that people operate without being legally registered might not be in D&B's lists.
- Some businesses providing work related to City projects might not be classified in those industries in the D&B data and might not be included in the survey list.

However, there is no other data source available to Keen Independent that is more comprehensive than D&B. There were also other ways firms could complete a survey, including obtaining one from the study website.

Selection of Specific Subindustries

Keen Independent identified specific subindustries primarily using NAICS and SIC codes for specialized types of work to compile business listings from D&B.

Also, Keen Independent focused on the subindustries that represented the largest subindustries of City spending, including subcontracts. Firms with primary NAICS or SIC codes that represent little City spending were not included in the D&B listings.

Companies Reporting That They Were Not Interested in Discussing City Work

Many firms contacted in the availability survey indicated that they were not interested in City work. This reflects the fact that the study team was necessarily broad when developing the initial list.

For example, one cannot know based on the D&B data which electrical firms perform public works projects and which are focused on residential work. Therefore, Keen Independent acquired a broad list of electrical firms, and through surveys identified which firms expressed qualifications and interest in performing electrical work on City projects. Some did not.

There were a few companies that had performed work on City contracts but responded in the availability survey that they were not interested in discussing their availability for work with the City. However, these firms accounted for just 8 percent of contacted firms. These firms were not included in the availability calculations.

C. Availability Data Collection — Analysis of other potential limitations

Not a Count of All Businesses Available for Entity Work

The purpose of the availability surveys was to provide precise, unbiased estimates of the percentage of *all* firms available for City work that were MBEs or WBEs. Keen Independent did not attempt to develop a list of *every* firm potentially available for *every* type of City procurement. The research appropriately focused on firms in Western Washington in subindustries relevant to City work.

- Firms in subindustries that comprised a small portion of City work were not included in the availability surveys. Because Keen Independent calculates availability benchmarks on a dollar-weighted basis, inclusion of these firms is not important in developing overall availability results.
- The study team only purchased D&B data for firms in Western Washington as the study focused on types of purchases primarily made from within the relevant market area, following the court decisions that have considered this issue.
- Not all firms on the list of businesses completed surveys, even after repeated attempts to contact them.

Therefore, the availability analysis did not provide a comprehensive listing of every business that could be available for all types of City work and should not be used in that way.

Federal courts have approved similar approaches to measuring availability that Keen Independent used in this study. The United States Department of Transportation’s (USDOT’s) “Tips for Goal-Setting in the Disadvantaged Business Enterprise (DBE) Program” also recommends a similar approach to measuring for agencies implementing the Federal DBE Program.

A copy of the survey instrument for construction follows:

C. Availability Data Collection — Availability survey instrument

Availability Survey for PDF/FAX

The City of Tacoma is reaching out to companies interested in working on a wide range of construction, professional services, goods and other services contract opportunities. The information developed in these surveys will add to its existing data on companies interested in working with the City.

Survey Instructions

When you have finished the survey, please:

- 1) Scan completed survey and email to surveys@cri-research.com; or**
- 2) Fax completed survey to 512-353-3696.**

If you have any questions, please contact:

Kacee Woods
Equity in Contracting and Workforce Programs Manager
Email: kwoods@cityoftacoma.org

**(Do not return completed surveys to Kacee Woods.
See instructions above.)**

C. Availability Data Collection — Availability survey instrument

Background Questions

Z5. What is the name of your business?

X5. What would you say is the main line of your company?

Public Sector Work

A1. Is your company qualified and interested in working with the City of Tacoma?

1=Yes

2=No

98=Don't know

A2. Is your company qualified and interested in working as a prime, as a subcontractor or both?

1=Yes

2=No

3=Both

98=Don't know

C. Availability Data Collection — Availability survey instrument

Types of Work

C1 [VERSION: Construction]. Which of the following types of work does your firm perform related to construction? — Select all that apply.

- 1= Highway, street and bridge construction
- 2= Water and sewer lines, pumping stations or treatment facilities construction
- 3= Other heavy construction
- 4 = Commercial and institutional building construction
- 5 = Electrical work
- 6 = Power and communication line construction
- 7= Site prep
- 8= Plumbing and HVAC
- 9= Concrete work
- 10= Roofing
- 11= Trucking and hauling
- 31= Architecture and engineering
- 52= Construction materials
- 55= Industrial machinery and equipment
- 82= Temporary traffic control
- 88=Other [Please specify]
- 98=(Don't know)

C. Availability Data Collection — Availability survey instrument

Contract History

E1. In rough dollar terms, in the past seven years what was the largest contract or subcontract your company was awarded, bid on, or submitted quotes for?

1=\$100,000 or less

2=More than \$100,000 up to \$500,000

3=More than \$500,000 up to \$1 million

4=More than \$1 million up to \$5 million

5=More than \$5 million up to \$10 million

6=More than \$10 million

97=(Not applicable)

98=(Don't know)

Business Ownership

F1. A business is defined as woman-owned if more than half—that is, 51 percent or more—of the ownership and control is by women. By this definition, is your firm a woman-owned business?

1=Yes

2=No

98=(Don't know)

F2. A business is defined as minority-owned if more than half—that is, 51 percent or more—of the ownership and control is African American, Asian American, Hispanic American, Native American or another minority group. By this definition, is your firm a minority-owned business?

1=Yes

2=No [SKIP TO G1]

98=(Don't know) [SKIP TO G1]

C. Availability Data Collection — Availability survey instrument

F3. Would you say that the minority group ownership is mostly African American, Asian American, Hispanic American or Native American?

1=African American

(This includes persons having origins in any of the Black racial groups of Africa.)

2=Asian American

(This includes persons whose origins are from Japan, China, Taiwan, Korea, Burma (Myanmar), Vietnam, Laos, Cambodia (Kampuchea), Thailand, Malaysia, Indonesia, the Philippines, Brunei, Samoa, Guam, the U.S. Trust Territories of the Pacific Islands (Republic of Palau), Republic of the Northern Marianas Islands, Macao, Fiji, Tonga, Kiribati, Tuvalu, Nauru, Federated States of Micronesia or Hong Kong as well as persons whose origins are from India, Pakistan, Bangladesh, Bhutan, the Maldives Islands, Nepal or Sri Lanka.)

3=Hispanic American

(This includes persons of Mexican, Puerto Rican, Cuban, Dominican, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race.)

4=Native American

(This includes persons who are enrolled members of a federally or State recognized Indian tribe, Alaska Natives, or Native Hawaiians.)

5=Other group (Please specify): _____

98=(Don't know)

C. Availability Data Collection — Availability survey instrument

Business Background

The next questions are about the background of the business.

G1. About what year was your firm established?

98=(Don't know)

G2. Is this the sole location for your business, or do you have offices in other locations?

1=Sole location

2=Have other locations

3=Don't know

G3. Is your company a subsidiary or affiliate of another firm?

1=Independent [SKIP TO G6]

2=Subsidiary or affiliate of another firm

98=Don't know [SKIP TO G6]

G4. What is the name of your parent company?

98=(Don't know)

G6. About how many employees did you have working out of just your location, on average, over the past two years? (This includes employees who work at your location and those who work from your location.)

98=(Don't know)

G8. Think about the annual gross revenue of your company, considering just your location. Please estimate the annual average for the past five years.

1=Up to \$1 million

2=More than \$1 million up to \$2.25 million

3=More than \$2.25 million up to \$5 million

4=More than \$5 million up to \$9.5 million

5=More than \$9.5 million up to \$19 million

6=More than \$19 million up to \$25.5 million

7=More than \$25.5 million up to \$34 million

8=More than \$34 million up to \$47 million

9=More than \$47 million

98=(Don't know)

C. Availability Data Collection — Availability survey instrument

G9. [SKIP IF YOUR FIRM DOES NOT HAVE OTHER LOCATIONS] About how many employees did you have, on average, for all of your locations over the past two years?

(Number of employees at all locations should not be fewer than at just your location.)

98=(Don't know)

G10. [SKIP IF YOUR FIRM DOES NOT HAVE OTHER LOCATIONS] Think about the annual gross revenue of your company, for all your locations. Please estimate the annual average for the past five years.

(Revenue at all locations should not be less than at just your location.)

1=Up to \$1 million

2=More than \$1 million up to \$2.25 million

3=More than \$2.25 million up to \$5 million

4=More than \$5 million up to \$9.5 million

5=More than \$9.5 million up to \$19 million

6=More than \$19 million up to \$25.5 million

7=More than \$25.5 million up to \$34 million

8=More than \$34 million up to \$47 million

9=More than \$47 million

98=(Don't know)

C. Availability Data Collection — Availability survey instrument

Market Barriers or Difficulties

Finally, we're interested in whether your company has experienced barriers or difficulties associated with business start-up or expansion, or with obtaining work. Think about your experiences in the past seven years in Western Washington as you answer these questions.

H1a. Has your company experienced any difficulties in obtaining lines of credit or loans?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1b. Has your company obtained or tried to obtain a bond for a project or contract?

1=Yes

2=No [SKIP TO H1d]

97=(Does not apply) [SKIP TO H1d]

98=(Don't know) [SKIP TO H1d]

H1c. Has your company had any difficulties obtaining bonds needed for a project or contract?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1d. Have you had any difficulty in being prequalified for work?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1e. Have any insurance requirements on contracts presented a barrier to bidding?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

C. Availability Data Collection — Availability survey instrument

H1f. Has the large size of projects or contracts presented a barrier to bidding?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1g. Has your company experienced any difficulties learning about bid opportunities with the City of Tacoma?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1h. Has your company experienced any difficulties learning about bid opportunities in the private sector?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1i. Has your company experienced any difficulties learning about subcontracting opportunities with prime contractors?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1j. Has your company experienced any difficulties obtaining final approval on your work from inspectors or prime contractors?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

C. Availability Data Collection — Availability survey instrument

H1k. Has your company experienced any difficulties receiving payment from the City of Tacoma in a timely manner?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1l. Has your company experienced any difficulties receiving payment from prime contractors in a timely manner?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1m. Has your company experienced any difficulties receiving payment from other customers in a timely manner?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1n. Has your company experienced any difficulties with brand name specifications or other restrictions on bidding?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1o. Has your company experienced any difficulties obtaining supply or distributorship relationships?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

H1p. Has your company experienced any competitive disadvantages due to the pricing you get from your suppliers?

1=Yes

2=No

97=(Does not apply)

98=(Don't know)

C. Availability Data Collection — Availability survey instrument

H2. This is an opportunity for the City of Tacoma to hear directly from members of the business community, like you. What other comments about contracting and procurement or local marketplace conditions would you like them to hear?

1=Yes [Please provide your thoughts in the box below.]

97=Does not apply

98=(Don't know)

H3. We would like to hear more from you about the local marketplace. Can we mark you as interested in a follow-up interview, participating in a virtual Business Advisory Group session with other business representatives or both?

1=Follow-up interview

2=BAG discussion

3=Both

4=Neither

97=(Does not apply)

98=(Don't know)

C. Availability Data Collection — Availability survey instrument

Interviewee and other Contact Information

I1. Just a few last questions. What is your full name?

I2. What is your position at the firm?

1=President

2=Owner

3=Manager

4=CFO

5=CEO

6=Assistant to Owner/CEO

7=Sales manager

8=Office manager

9=Receptionist

88=Other (Please specify): _____

I4. What mailing address could the City of Tacoma use to contact you?

I5P. What phone number could they use to contact you?

I6. What e-mail address could the City of Tacoma use to contact you?

Survey instructions

When you have finished the survey, please: 1) Scan completed survey and email to surveys@cri-research.com; or 2) Fax completed survey to 512-353-3696.

Thank you for your time. This is very helpful for the City of Tacoma.

APPENDIX D. Utilization and Disparity Analyses for City Contracts

Appendix D provides supporting information to the utilization and disparity analyses presented in the Summary Report.

It includes results for:

- Utilization on construction contracts overall and by role and application of SBE and EIC program contract goals;
- Utilization on professional services prime contracts and subcontracts;
- Disparity analyses on construction contracts overall and by role and application of SBE Program and EIC Program contract goals;
- Disparity analyses on professional services prime contracts and subcontracts (including with the SBE Program);
- Background on calculating disparity indices; and
- Statistical significance of disparities in City contracts.

D. Utilization and Disparity Analyses — Further utilization analyses

Keen Independent separately examined the utilization of MBEs and WBEs in City construction overall and by role (prime contracts and subcontracts) and with or without application of SBE and EIC contract goals.

Construction Industry Overall

Keen Independent examined MBE/WBE participation in 2,057 City construction contracts and subcontracts in the study period. Of the \$462 million in City construction contract dollars, about 10 percent went to minority- and woman-owned companies. The share of dollars going to different groups was as follows:

- About \$23 million went to 85 different white woman-owned companies (227 contracts or subcontracts);
- About \$8 million went to 19 different Asian American-owned businesses (60 contracts or subcontracts);
- 31 different Hispanic American-owned businesses received about \$7 million in construction contract dollars (61 contracts or subcontracts);
- About \$5 million went to 11 different Native American-owned businesses (31 contracts or subcontracts); and
- 92 contracts or subcontracts totaling about \$4 million were awarded to 27 African American-owned businesses.

The bottom of Figure D-1 shows utilization for OMWBE MBE/WBE/DBE and SBE-certified firms. About \$22 million went to 80 different OMWBE-certified MBE/WBE/DBEs (238 contracts or subcontracts). See Appendix D for additional utilization analyses.

D-1. City of Tacoma construction contracts dollars going to MBEs and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	92	\$ 3,628	0.79 %
Asian American-owned	60	8,225	1.78
Hispanic American-owned	61	7,218	1.56
Native American-owned	31	4,794	1.04
Total MBE	244	\$ 23,865	5.17 %
WBE (white woman-owned)	227	22,568	4.89
Total MBE/WBE	471	\$ 46,434	10.05 %
Majority-owned	1,586	415,374	89.95
Total	2,057	\$ 461,808	100.00 %
Certified MBEs, WBEs, DBEs and SBEs			
African American-owned	74	\$ 2,903	0.63 %
Asian American-owned	19	4,580	0.99
Hispanic American-owned	40	4,660	1.01
Native American-owned	23	3,858	0.84
Total MBE	156	\$ 16,001	3.46 %
WBE (white woman-owned)	82	6,336	1.37
Total MBE/WBE	238	\$ 22,337	4.84 %
Majority-owned (SBEs)	43	10,377	2.25
Total certified	281	\$ 32,714	7.08 %
Not certified	1,776	429,093	92.92
Total	2,057	\$ 461,808	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction contracts with SBE goals. Keen Independent analyzed 740 City construction contracts and subcontracts with SBE Program goals. These contracts accounted for \$102 million (97%) of the City’s \$106 million contract dollars that had SBE goals applied from January 2017–April 2020.

- About \$8 million went to 41 different white woman-owned companies (94 procurements);
- 14 different Hispanic American-owned businesses received about \$1 million in contract dollars (18 procurements);
- 14 African American-owned businesses received about \$1 million in contract dollars (35 procurements);
- About \$558,000 went to three different Native American-owned businesses (10 procurements); and
- 16 procurements went to five different Asian American-owned businesses for about \$480,000.

Overall, about 11 percent of dollars from construction contracts with SBE goals went to MBEs and WBEs.

The lower portion of Figure D-2 shows results for OMWBE-certified firms.

Of the 3.5 percent of contract dollars going to firms certified as SBEs or were otherwise had a size limit in their certification (MBEs, WBEs and DBEs), 2.3 percentage points went to MBE/WBEs and 1.2 percentage points went to majority-owned SBEs. (See Figure D-2.)

D-2. Utilization analysis for construction contracts with SBE goals, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	35	\$ 1,211	1.18 %
Asian American-owned	16	480	0.47
Hispanic American-owned	18	1,441	1.41
Native American-owned	10	558	0.55
Total MBE	79	\$ 3,689	3.61 %
WBE (white woman-owned)	94	7,558	7.39
Total MBE/WBE	173	\$ 11,248	11.00 %
Majority-owned	567	91,010	89.00
Total	740	\$ 102,258	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	27	\$ 627	0.61 %
Asian American-owned	3	23	0.02
Hispanic American-owned	9	280	0.27
Native American-owned	7	540	0.53
Total MBE	46	\$ 1,470	1.44 %
WBE (white woman-owned)	35	894	0.87
Total MBE/WBE	81	\$ 2,364	2.31 %
Majority-owned	15	1,270	1.24
Total certified	96	\$ 3,634	3.55 %
Not certified	644	98,624	96.45
Total	740	\$ 102,258	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction contracts without SBE goals. Keen Independent also analyzed about 663 City construction procurements from January 2017–April 2020 without SBE goals. These procurements accounted for \$136 million (38%) of the City’s \$361 million total contract dollars examined in the January 2017–April 2020 study period that did not have SBE goals applied.

- About \$5 million went to 10 different Asian American-owned companies (16 procurements);
- 10 different Hispanic American-owned businesses received about \$3 million in contract dollars (10 procurements);
- 39 white woman-owned businesses received about \$2 million in contract dollars (53 procurements);
- About \$2 million went to three different Native American-owned businesses (seven procurements); and
- 14 procurements went to 11 different African American-owned businesses for about \$1 million.

Of construction non-SBE goals contract dollars, 9 percent went to MBEs and WBEs. About 7 percent went to OMWBE-certified MBE/WBEs. (See Figure D-3.)

Overall, utilization of MBEs/WBEs on construction non-goals contracts was lower than construction contracts with SBE goals (11%). In the Disparity Analysis section, Keen Independent compares MBE/WBE utilization to what would be expected from the availability of MBEs, WBEs and majority-owned firms to perform work on these contracts.

D-3. Utilization analysis for construction contracts without SBE goals, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	14	\$ 959	0.70 %
Asian American-owned	16	4,879	3.58
Hispanic American-owned	10	2,839	2.08
Native American-owned	7	1,619	1.19
Total MBE	47	\$ 10,296	7.55 %
WBE (white woman-owned)	53	1,773	1.30
Total MBE/WBE	100	\$ 12,070	8.85 %
Majority-owned	563	124,378	91.15
Total	663	\$ 136,448	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	7	\$ 872	0.64 %
Asian American-owned	7	4,421	3.24 %
Hispanic American-owned	4	2,561	1.88
Native American-owned	6	1,605	1.18
Total MBE	24	\$ 9,458	6.93 %
WBE (white woman-owned)	11	222	0.16
Total MBE/WBE	35	\$ 9,680	7.09 %
Majority-owned	9	2,562	1.88
Total certified	44	\$ 12,242	8.97 %
Not certified	619	124,206	91.03
Total	663	\$ 136,448	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction contracts with EIC goals. Keen Independent analyzed 392 City construction contracts and subcontracts under the EIC Program. These contracts accounted for 100 percent of the City’s \$117 million contract dollars that went to contracts with EIC contract goals from May 2020–December 2022. As a result, the distribution of contract dollars by group is the same as when analyzing results by EIC Program application overall.

As shown in previous results, about 15 percent of dollars from construction contracts with EIC goals went to MBEs and WBEs. About 7 percent went to OMWBE-certified MBE/WBEs. (See Figure D-4.)

D-4. Utilization analysis for construction contracts with EIC goals, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	34	\$ 1,335	1.14 %
Asian American-owned	22	2,566	2.20
Hispanic American-owned	24	2,164	1.85
Native American-owned	10	1,686	1.44
Total MBE	90	\$ 7,751	6.64 %
WBE (white woman-owned)	51	9,274	7.94
Total MBE/WBE	141	\$ 17,025	14.58 %
Majority-owned	251	99,717	85.42
Total	392	\$ 116,742	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	32	\$ 1,290	1.11 %
Asian American-owned	6	102	0.09
Hispanic American-owned	20	1,263	1.08
Native American-owned	9	1,685	1.44
Total MBE	67	\$ 4,341	3.72 %
WBE (white woman-owned)	29	4,347	3.72
Total MBE/WBE	96	\$ 8,688	7.44 %
Majority-owned	9	1,786	1.53
Total certified	105	\$ 10,474	8.97 %
Not certified	287	106,268	91.03
Total	392	\$ 116,742	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction contracts without EIC goals. Keen Independent also analyzed 262 City construction procurements without EIC goals. These procurements accounted for \$106 million (33%) of the City’s \$201 million of construction contract dollars examined that went to contracts without EIC Program goals from May 2020–December 2022.

- About \$4 million went to 26 different white woman-owned companies (29 procurements);
- Four different Native American-owned businesses received about \$1 million in contract dollars (four procurements);
- Four Hispanic American-owned businesses received about \$1 million in contract dollars (nine procurements);
- About \$301,000 went to six different Asian American-owned businesses (six procurements); and
- Nine procurements went to six different African American-owned businesses for about \$123,000.

About 6 percent of dollars for construction contracts without EIC goals went to MBEs and WBEs. About 2 percent went to OMWBE-certified MBE/WBEs. (See Figure D-5.)

Overall, utilization of MBEs/WBEs was lower on non-EIC goal construction contracts compared with construction contracts with EIC goals.

D-5. Utilization analysis for construction contracts without EIC goals, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	9	\$ 123	0.12 %
Asian American-owned	6	301	0.28
Hispanic American-owned	9	774	0.73
Native American-owned	4	931	0.88
Total MBE	28	\$ 2,129	2.00 %
WBE (white woman-owned)	29	3,962	3.73
Total MBE/WBE	57	\$ 6,091	5.73 %
Majority-owned	205	100,268	94.27
Total	262	\$ 106,359	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	8	\$ 113	0.11 %
Asian American-owned	3	35	0.03
Hispanic American-owned	7	556	0.52
Native American-owned	1	28	0.03
Total MBE	19	\$ 731	0.69 %
WBE (white woman-owned)	7	873	0.82
Total MBE/WBE	26	\$ 1,605	1.51 %
Majority-owned	10	4,759	4.47
Total certified	36	\$ 6,364	5.98 %
Not certified	226	99,995	94.02
Total	262	\$ 106,359	100.00 %

Note: Number of procurements includes contracts and subcontracts.

Source: Keen Independent analysis of City of Tacoma contract data (2017-2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction Prime Contracts

Of the \$363 million in construction contract dollars that went to prime contractors, 6 percent went to minority- and woman-owned businesses. (These dollars exclude the contract amounts that were subcontracted out.) Figure D-6 presents these results.

- 25 different white woman-owned businesses received about \$12 million in City construction prime contract dollars (35 prime contracts);
- About \$5 million went to seven different Asian American-owned businesses (7 prime contracts);
- Eight different Hispanic American-owned businesses received about \$4 million (8 prime contracts);
- About \$902,000 went to two different Native American-owned businesses (2 prime contracts); and
- About \$108,000 went to three different African American-owned businesses (3 prime contracts).

As shown in the bottom section of Figure D-6, OMWBE-certified MBE/WBEs received about 2 percent of prime contract dollars for City construction contracts.

D-6. City of Tacoma construction prime contracts dollars going to MBEs and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	3	\$ 108	0.03 %
Asian American-owned	7	4,846	1.34
Hispanic American-owned	8	3,567	0.98
Native American-owned	2	902	0.25
Total MBE	20	\$ 9,423	2.60 %
WBE (white woman-owned)	35	12,286	3.38
Total MBE/WBE	55	\$ 21,709	5.98 %
Majority-owned	412	341,270	94.02
Total	467	\$ 362,978	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	1	\$ 11	0.00 %
Asian American-owned	3	4,329	1.19
Hispanic American-owned	3	2,861	0.79
Native American-owned	0	-	0.00
Total MBE	7	\$ 7,201	1.98 %
WBE (white woman-owned)	6	573	0.16
Total MBE/WBE	13	\$ 7,774	2.14 %
Majority-owned (SBEs)	11	7,214	1.99
Total certified	24	\$ 14,988	4.13 %
Not certified	443	347,990	95.87
Total	467	\$ 362,978	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction prime contracts with SBE goals. Figure D-7 shows MBE/WBE utilization on construction prime contracts with application of race- and gender-neutral SBE subcontract participation goals.

- Just one construction prime contract with SBE goals went to an MBE (an African American-owned firm) for about \$87,000.
- Three construction prime contracts went to WBEs for about \$4 million (5% of dollars for construction contracts with SBE participation goals).

D-7. City of Tacoma construction prime contracts with SBE goals going to MBEs and WBEs, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	1	\$ 87	0.12 %
Asian American-owned	0	0	0.00
Hispanic American-owned	0	0	0.00
Native American-owned	0	0	0.00
Total MBE	1	\$ 87	0.12 %
WBE (white woman-owned)	3	3,588	5.13
Total MBE/WBE	4	\$ 3,675	5.25 %
Majority-owned	60	66,297	94.75
Total	64	\$ 69,971	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	0	\$ 0	0.00 %
Asian American-owned	0	0	0.00
Hispanic American-owned	0	0	0.00
Native American-owned	0	0	0.00
Total MBE	0	\$ 0	0.00 %
WBE (white woman-owned)	0	0	0.00
Total MBE/WBE	0	\$ 0	0.00 %
Majority-owned	1	407	0.58
Total certified	1	\$ 407	0.58 %
Not certified	63	69,564	99.42
Total	64	\$ 69,971	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction prime contracts without SBE goals. Figure D-8 shows MBE/WBE utilization on construction prime contracts without application of SBE contract goals.

- No construction prime contracts without SBE goals went to African American- or Native American-owned contractors.
- About \$4 million went to Asian American-owned contractors.
- About \$3 million went to Hispanic American-owned contractors.
- There were 12 construction prime contracts without SBE goals going to white woman-owned firms (\$1 million).

D-8. City of Tacoma construction prime contracts without SBE goals dollars going to MBEs and WBEs, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	0	\$ 0	0.00 %
Asian American-owned	4	4,419	3.75
Hispanic American-owned	5	2,740	2.32
Native American-owned	0	0	0.00
Total MBE	9	\$ 7,159	6.07 %
WBE (white woman-owned)	12	1,102	0.93
Total MBE/WBE	21	\$ 8,260	7.01 %
Majority-owned	213	109,657	92.99
Total	234	\$ 117,917	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	0	\$ 0	0.00 %
Asian American-owned	3	4,329	3.67 %
Hispanic American-owned	2	2,476	2.10
Native American-owned	0	0	0.00
Total MBE	5	\$ 6,806	5.77 %
WBE (white woman-owned)	2	41	0.04
Total MBE/WBE	7	\$ 6,847	5.81 %
Majority-owned	4	2,231	1.89
Total certified	11	\$ 9,078	7.70 %
Not certified	223	108,839	92.30
Total	234	\$ 117,917	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction prime contracts with EIC goals. Figure D-9 shows MBE/WBE utilization on construction prime contracts with application of race- and gender-conscious EIC subcontract participation goals.

- No construction prime contracts with EIC goals went to African American- or Native American-owned firms.
- Two construction prime contracts with EIC goals went to minority-owned businesses:
 - One contract went to an Asian American-owned firm (\$194,000); and
 - One contract (\$239,000) went to a Hispanic American-owned firm.
- Seven construction prime contracts went to WBEs for about \$5 million (6% of dollars for construction contracts with EIC contract goals).

D-9. City of Tacoma construction prime contracts with EIC goals going to MBEs and WBEs, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	0	\$ 0	0.00 %
Asian American-owned	1	194	0.26
Hispanic American-owned	1	239	0.32
Native American-owned	0	0	0.00
Total MBE	2	\$ 433	0.57 %
WBE (white woman-owned)	7	5,107	6.77
Total MBE/WBE	9	\$ 5,540	7.34 %
Majority-owned	38	69,896	92.66
Total	47	\$ 75,436	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	0	\$ 0	0.00 %
Asian American-owned	0	0	0.00
Hispanic American-owned	0	0	0.00
Native American-owned	0	0	0.00
Total MBE	0	\$ 0	0.00 %
WBE (white woman-owned)	2	418	0.55
Total MBE/WBE	2	\$ 418	0.55 %
Majority-owned	0	0	0.00
Total certified	2	\$ 418	0.55 %
Not certified	45	75,017	99.45
Total	47	\$ 75,436	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction prime contracts without EIC goals. Figure D-10 shows MBE/WBE utilization on construction prime contracts without application of EIC contract goals.

- Less than 2 percent of these dollars went to minority-owned contractors (less than one percent went to each group, separately).
- About 3 percent of these contract dollars went to white woman-owned contractors.

D-10. City of Tacoma construction prime contracts without EIC goals going to MBEs and WBEs, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	2	\$ 21	0.02 %
Asian American-owned	2	234	0.23
Hispanic American-owned	2	588	0.59
Native American-owned	2	902	0.90
Total MBE	8	\$ 1,744	1.75 %
WBE (white woman-owned)	13	2,489	2.50
Total MBE/WBE	21	\$ 4,234	4.25 %
Majority-owned	101	95,420	95.75
Total	122	\$ 99,654	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	1	\$ 11	0.01 %
Asian American-owned	0	0	0.00
Hispanic American-owned	1	384	0.39
Native American-owned	0	0	0.00
Total MBE	2	\$ 395	0.40 %
WBE (white woman-owned)	2	113	0.11
Total MBE/WBE	4	\$ 508	0.51 %
Majority-owned	6	4,576	4.59
Total certified	10	\$ 5,085	5.10 %
Not certified	112	94,569	94.90
Total	122	\$ 99,654	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction Subcontracts

About \$99 million in construction dollars went to subcontractors, one-quarter of which went to minority- and woman-owned businesses. Figure D-11 presents these results.

- About \$10 million in subcontract dollars went to 66 different white woman-owned businesses (192 subcontracts);
- About \$4 million in subcontract dollars went to 24 different Hispanic American-owned businesses (53 subcontracts).
- Nine different Native American-owned businesses received about \$4 million in City construction subcontract dollars (29 subcontracts);
- 24 different African American-owned businesses received about \$3 million in City construction subcontract dollars (89 subcontracts); and
- 12 different Asian American-owned businesses received about \$3 million in subcontract dollars (53 subcontracts).

As shown in the bottom section of Figure D-11, OMWBE-certified MBE/WBEs received 15 percent of City construction subcontract dollars.

D-11. City of Tacoma construction subcontract dollars going to MBEs and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	89	\$ 3,520	3.56 %
Asian American-owned	53	3,379	3.42
Hispanic American-owned	53	3,651	3.69
Native American-owned	29	3,893	3.94
Total MBE	224	\$ 14,442	14.61 %
WBE (white woman-owned)	192	10,282	10.40
Total MBE/WBE	416	\$ 24,725	25.02 %
Majority-owned	1,174	74,104	74.98
Total	1,590	\$ 98,829	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	73	\$ 2,892	2.93 %
Asian American-owned	16	251	0.25
Hispanic American-owned	37	1,800	1.82
Native American-owned	23	3,858	3.90
Total MBE	149	\$ 8,800	8.90 %
WBE (white woman-owned)	76	5,763	5.83
Total MBE/WBE	225	\$ 14,563	14.74 %
Majority-owned (SBES)	32	3,163	3.20
Total certified	257	\$ 17,726	17.94 %
Not certified	1,333	81,103	82.06
Total	1,590	\$ 98,829	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction subcontracts with SBE goals. Figure D-12 shows MBE/WBE utilization on construction subcontracts where SBE subcontract participation goals applied.

- About 3 percent of these construction subcontract dollars went to African American-owned firms.
- About 1 percent went to Asian American-owned firms.
- About 4 percent went to Hispanic American-owned firms.
- About 2 percent went to Native American-owned firms.
- About 12 percent went to white woman-owned firms.

Of the 23 percent of subcontract dollars going to MBE/WBEs, about 7 percentage points went to firms certified as MBEs or WBEs.

D-12. City of Tacoma construction subcontract dollars on contracts with SBE goals going to MBEs and WBEs, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	34	\$ 1,124	3.48 %
Asian American-owned	16	480	1.49
Hispanic American-owned	18	1,441	4.46
Native American-owned	10	558	1.73
Total MBE	78	\$ 3,603	11.16 %
WBE (white woman-owned)	91	3,970	12.30
Total MBE/WBE	169	\$ 7,573	23.46 %
Majority-owned	507	24,714	76.54
Total	676	\$ 32,287	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	27	\$ 627	1.94 %
Asian American-owned	3	23	0.07
Hispanic American-owned	9	280	0.87
Native American-owned	7	540	1.67
Total MBE	46	\$ 1,470	4.55 %
WBE (white woman-owned)	35	894	2.77
Total MBE/WBE	81	\$ 2,364	7.32 %
Majority-owned	14	862	2.67
Total certified	95	\$ 3,227	9.99 %
Not certified	581	29,060	90.01
Total	676	\$ 32,287	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction subcontracts without SBE goals. Figure D-13 shows MBE/WBE utilization on construction subcontracts without application of SBE subcontract participation goals.

- About 5 percent went to African American-owned firms.
- About 2 percent went to Asian American-owned firms.
- About 1 percent went to Hispanic American-owned firms.
- About 9 percent went to Native American-owned firms.
- About 4 percent went to white woman-owned firms.

Of the 21 percent of subcontract dollars going to MBE/WBEs, about 15 percentage points went to firms certified as MBEs or WBEs.

D-13. City of Tacoma construction subcontract dollars on contracts without SBE goals going to MBEs and WBEs, Jan. 2017–Apr. 2020

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	14	\$ 959	5.18 %
Asian American-owned	12	460	2.48
Hispanic American-owned	5	100	0.54
Native American-owned	7	1,619	8.74
Total MBE	38	\$ 3,138	16.93 %
WBE (white woman-owned)	41	672	3.62
Total MBE/WBE	79	\$ 3,809	20.56 %
Majority-owned	350	14,721	79.44
Total	429	\$ 18,531	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	7	\$ 872	4.71 %
Asian American-owned	4	91	0.49 %
Hispanic American-owned	2	85	0.46
Native American-owned	6	1,605	8.66
Total MBE	19	\$ 2,653	14.32 %
WBE (white woman-owned)	9	180	0.97
Total MBE/WBE	28	\$ 2,833	15.29 %
Majority-owned	5	331	1.79
Total certified	33	\$ 3,164	17.08 %
Not certified	396	15,366	82.92
Total	429	\$ 18,531	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction subcontracts with EIC goals. Figure D-14 shows MBE/WBE utilization on construction subcontracts with application of EIC subcontract participation goals.

- About 3 percent went to African American-owned firms.
- About 6 percent went to Asian American-owned firms.
- About 5 percent went to Hispanic American-owned firms.
- About 4 percent went to Native American-owned firms.
- About 10 percent went to white woman-owned firms.

Of the 28 percent of subcontract dollars going to MBE/WBEs, about 20 percentage points went to firms certified as MBEs or WBEs.

D-14. City of Tacoma construction subcontract dollars on contracts with EIC goals going to MBEs and WBEs, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	34	\$ 1,335	3.23 %
Asian American-owned	21	2,372	5.74
Hispanic American-owned	23	1,925	4.66
Native American-owned	10	1,686	4.08
Total MBE	88	\$ 7,318	17.72 %
WBE (white woman-owned)	44	4,167	10.09
Total MBE/WBE	132	\$ 11,485	27.81 %
Majority-owned	213	29,821	72.19
Total	345	\$ 41,307	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	32	\$ 1,290	3.12 %
Asian American-owned	6	102	0.25
Hispanic American-owned	20	1,263	3.06
Native American-owned	9	1,685	4.08
Total MBE	67	\$ 4,341	10.51 %
WBE (white woman-owned)	27	3,929	9.51
Total MBE/WBE	94	\$ 8,270	20.02 %
Majority-owned	9	1,786	4.32
Total certified	103	\$ 10,056	24.34 %
Not certified	242	31,251	75.66
Total	345	\$ 41,307	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Construction subcontracts without EIC goals. Figure D-15 shows MBE/WBE utilization on construction subcontracts without application of EIC subcontract participation goals.

- About 2 percent went to African American-owned firms.
- About 1 percent went to Asian American-owned firms.
- About 3 percent went to Hispanic American-owned firms.
- Less than one half of a percentage point went to Native American-owned firms.
- About 22 percent went to white woman-owned firms.

Of the 28 percent of subcontract dollars going to MBE/WBEs, about 16 percentage points went to firms certified as MBEs or WBEs.

D-15. City of Tacoma construction subcontract dollars on contracts without EIC goals going to MBEs and WBEs, May 2020–Dec. 2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	7	\$ 102	1.52 %
Asian American-owned	4	67	1.00
Hispanic American-owned	7	185	2.77
Native American-owned	2	30	0.44
Total MBE	20	\$ 384	5.73 %
WBE (white woman-owned)	16	1,473	21.97
Total MBE/WBE	36	\$ 1,857	27.70 %
Majority-owned	104	4,848	72.30
Total	140	\$ 6,705	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	7	\$ 102	1.52 %
Asian American-owned	3	35	0.52
Hispanic American-owned	6	171	2.55
Native American-owned	1	28	0.41
Total MBE	17	\$ 336	5.01 %
WBE (white woman-owned)	5	760	11.34
Total MBE/WBE	22	\$ 1,096	16.35 %
Majority-owned	4	183	2.73
Total certified	26	\$ 1,279	19.08 %
Not certified	114	5,426	80.92
Total	140	\$ 6,705	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Similar to construction contracts, Keen Independent examined the utilization of MBEs and WBEs in professional services prime contracts and subcontracts. As the SBE and EIC program did not apply to professional services contracts, the study team did not perform separate utilization analyses with and without subcontracting goals.

Professional Services Prime Contracts

About \$100 million in professional services contract dollars went to prime consultants (not including dollars subcontracted out). About 15 percent of this total went to minority- and woman-owned businesses. Figure D-16 presents these results.

- About \$9 million went to 41 different white woman-owned businesses (64 prime contracts);
- Nine different Asian American-owned businesses received about \$3 million in City professional services prime contract dollars (14 prime contracts);
- Five different African American-owned businesses received about \$1.6 million (8 prime contracts);
- About \$893,000 went to six different Hispanic American-owned businesses (11 prime contracts); and
- Two Native American-owned businesses received about \$136,000 (4 prime contracts).

As shown in the bottom section of Figure D-16, OMWBE-certified MBE/WBEs received 3 percent of City professional services prime contract dollars.

D-16. City of Tacoma professional services prime contracts dollars going to MBE and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	8	\$ 1,558	1.56 %
Asian American-owned	14	3,107	3.12
Hispanic American-owned	11	893	0.90
Native American-owned	4	136	0.14
Total MBE	37	\$ 5,694	5.71 %
WBE (white woman-owned)	64	8,875	8.90
Total MBE/WBE	101	\$ 14,568	14.61 %
Majority-owned	506	85,131	85.39
Total	607	\$ 99,699	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	5	\$ 940	0.94 %
Asian American-owned	5	610	0.61
Hispanic American-owned	1	20	0.02
Native American-owned	0	0	0.00
Total MBE	11	\$ 1,571	1.58 %
WBE (white woman-owned)	18	1,459	1.46
Total MBE/WBE	29	\$ 3,030	3.04 %
Majority-owned (SBES)	5	774	0.78
Total certified	34	\$ 3,803	3.81 %
Not certified	573	95,896	96.19
Total	607	\$ 99,699	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further utilization analyses

Professional Services Subcontracts

Keen Independent examined the utilization of MBEs and WBEs in professional service subcontracts. About \$1 million in professional contract dollars went to subconsultants, with 17 percent of those dollars going to minority- and woman-owned businesses. Figure D-17 presents these results.

- Three different Asian American-owned businesses received about \$139,000 in City professional services subcontract dollars (3 subcontracts);
- Two different African American-owned businesses received about \$35,000 in City professional services subcontract dollars (2 subcontracts); and
- About \$12,000 in subcontract dollars went to three different white woman-owned businesses (3 subcontracts); and
- One Hispanic American-owned businesses received about \$7,000 in subcontract dollars (1 subcontract).

As shown in the bottom section of Figure D-17, OMWBE-certified firms received about 8 percent of City professional subcontract dollars.

D-17. City of Tacoma professional services subcontract dollars going to MBEs and WBEs, 2017–2022

	Number of procurements	Dollars (1,000s)	Percent of dollars
Business ownership			
African American-owned	2	\$ 35	3.01 %
Asian American-owned	3	139	12.14
Hispanic American-owned	1	7	0.64
Native American-owned	0	0	0.00
Total MBE	6	\$ 181	15.79 %
WBE (white woman-owned)	3	12	1.01
Total MBE/WBE	9	\$ 193	16.80 %
Majority-owned	22	954	83.20
Total	31	\$ 1,147	100.00 %
Certified MBEs, WBEs, DBEs and SBES			
African American-owned	1	\$ 9	0.75 %
Asian American-owned	1	85	7.41
Hispanic American-owned	0	0	0.00
Native American-owned	0	0	0.00
Total MBE	2	\$ 94	8.16 %
WBE (white woman-owned)	1	1	0.08
Total MBE/WBE	3	\$ 95	8.25 %
Majority-owned (SBEs)	0	-	0.00
Total certified	3	\$ 95	8.25 %
Not certified	28	1,052	91.75
Total	31	\$ 1,147	100.00 %

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Keen Independent calculated the utilization, weighted availability and disparity indices for City procurements by study industry and by role. This section presents the comparison of utilization and availability for the construction industry overall as well as prime contracts and subcontracts in the construction and professional services industries.

Construction Industry Overall

Figure D-18 compares utilization and availability for each MBE group and for white woman-owned firms for City construction contracts:

- Utilization of MBE/WBEs on City construction contracts overall was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 56 (a substantial disparity).
- The disparity indices for African American- and Asian American-owned businesses were 11 and 67, respectively, indicating substantial disparities for these businesses.

Note that the City’s EIC Program applied to construction contracts starting in May 2020.

D-18. Disparity analysis for City of Tacoma construction contracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	0.79 %	7.14 %	11
Asian American-owned	1.78	2.67	67
Hispanic American-owned	1.56	1.76	89
Native American-owned	1.04	1.14	91
Total MBE	5.17 %	12.71 %	41
WBE (white woman-owned)	4.89	5.17	94
Total MBE/WBE	10.05 %	17.88 %	56
Majority-owned	89.95	82.12	110
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction with SBE goals. Figure D-19 compares utilization and availability for each MBE group and for white woman-owned firms for City construction contracts with SBE goals:

- Utilization of MBE/WBEs on City construction contracts with SBE goals was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 53 (a substantial disparity).
- Utilization was substantially below availability for African American-, Asian American- and Native American-owned businesses on these contracts.
- Utilization was below availability for Hispanic American-owned businesses, but the disparity was not substantial (disparity index of 82).

D-19. Disparity analysis for City of Tacoma construction contracts with SBE goals, Jan. 2017–Apr. 2020

	Utilization	Availability	Disparity index
African American-owned	1.18 %	8.56 %	14
Asian American-owned	0.47	3.43	14
Hispanic American-owned	1.41	1.72	82
Native American-owned	0.55	1.70	32
Total MBE	3.61 %	15.42 %	23
WBE (white woman-owned)	7.39	5.43	136
Total MBE/WBE	11.00 %	20.85 %	53
Majority-owned	89.00	79.15	112
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction without SBE goals. Figure D-20 compares utilization and availability for each MBE group and for white woman-owned firms for City construction contracts without SBE goals from January 2017 through April 2020:

- Utilization of MBE/WBEs on City construction contracts without SBE goals was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 46 (a substantial disparity).
- Utilization was below availability for African American- and white woman-owned businesses on these contracts (both substantial disparities).
- Utilization exceeded availability for Asian American- and Native American-owned businesses.

D-20. Disparity analysis for City of Tacoma construction contracts without SBE goals, Jan. 2017–Apr. 2020

	Utilization	Availability	Disparity index
African American-owned	0.70 %	8.11 %	9
Asian American-owned	3.58	2.54	141
Hispanic American-owned	2.08	2.19	95
Native American-owned	1.19	1.16	102
Total MBE	7.55 %	14.01 %	54
WBE (white woman-owned)	1.30	5.05	26
Total MBE/WBE	8.85 %	19.06 %	46
Majority-owned	91.15	80.94	113
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction with EIC goals. Figure D-21 compares utilization and availability for each MBE group and for white woman-owned firms for City construction contracts with EIC goals:

- Utilization of MBE/WBEs on City construction contracts with EIC goals was slightly below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 88 (not a substantial disparity).
- Utilization was below availability for African American- and Asian American-owned businesses on these contracts (both substantial disparities).
- The EIC Program eliminated the disparities in the utilization of Hispanic American-, Native American- and white woman-owned businesses.

D-21. Disparity analysis for City of Tacoma construction contracts with EIC goals, May 2020–Dec. 2022

	Utilization	Availability	Disparity index
African American-owned	1.14 %	6.50 %	18
Asian American-owned	2.20	3.04	72
Hispanic American-owned	1.85	1.52	122
Native American-owned	1.44	1.11	130
Total MBE	6.64 %	12.18 %	55
WBE (white woman-owned)	7.94	4.35	183
Total MBE/WBE	14.58 %	16.52 %	88
Majority-owned	85.42	83.48	102
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction without EIC goals. Figure D-22 compares utilization and availability for each MBE group and for white woman-owned firms for City construction contracts without EIC goals:

- Utilization of MBE/WBEs on City construction contracts without EIC goals was below what might be expected from the availability analysis. The disparity index for MBE/WBEs was 38 (a substantial disparity).
- Utilization was below availability for African American-, Asian American-, Hispanic American- and white woman-owned businesses on these contracts (all substantial disparities).
- Utilization exceeded availability for Native American-owned businesses.

D-22. Disparity analysis for City of Tacoma construction contracts without EIC goals, May 2020–Dec. 2022

	Utilization	Availability	Disparity index
African American-owned	0.12 %	5.23 %	2
Asian American-owned	0.28	1.69	17
Hispanic American-owned	0.73	1.50	49
Native American-owned	0.88	0.61	143
Total MBE	2.00 %	9.03 %	22
WBE (white woman-owned)	3.73	5.99	62
Total MBE/WBE	5.73 %	15.02 %	38
Majority-owned	94.27	84.98	111
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction Prime Contracts

Figure D-23 examines utilization and availability for City construction prime contracts.

- Prime contract utilization was below availability for businesses owned by African Americans, Asian Americans, Hispanic Americans and Native Americans. Each of these disparities was substantial (disparity indices less than 80).
- Availability was greater than utilization for white woman-owned firms. This disparity was not substantial.

D-23. Disparity analysis for City of Tacoma construction prime contracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	0.03 %	7.13 %	0
Asian American-owned	1.34	2.37	56
Hispanic American-owned	0.98	1.32	74
Native American-owned	0.25	1.18	21
Total MBE	2.60 %	12.01 %	22
WBE (white woman-owned)	3.38	3.77	90
Total MBE/WBE	5.98 %	15.78 %	38
Majority-owned	94.02	84.22	112
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization}/\text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction prime contracts with SBE goals. Figure D-24 compares the utilization and availability of MBEs, WBEs and other firms for construction prime contracts with SBE contract goals.

- Utilization was below availability for African American-, Asian American-, Hispanic American- and Native American-owned businesses on these contracts (all substantial disparities).
- Utilization exceeded availability for white woman-owned businesses on these contracts.

D-24. City of Tacoma construction prime contract dollars going to MBEs and WBEs where SBE contract goals applied, Jan. 2017–Apr. 2020

	Utilization	Availability	Disparity index
African American-owned	0.12 %	9.39 %	1
Asian American-owned	0.00	3.09	0
Hispanic American-owned	0.00	0.86	0
Native American-owned	0.00	1.98	0
Total MBE	0.12 %	15.31 %	1
WBE (white woman-owned)	5.13	2.45	200+
Total MBE/WBE	5.25 %	17.77 %	30
Majority-owned	94.75	82.23	115
Total	100.00 %	100.00 %	

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction prime contracts without SBE goals. Figure D-25 compares the utilization and availability of MBEs, WBEs and other firms for construction prime contracts without SBE contract goals.

- Utilization was below availability for African American-, Native American- and white woman-owned businesses for these contracts. Each disparity was substantial.
- Utilization exceeded availability for Asian American- and Hispanic American-owned businesses.

D-25. City of Tacoma construction prime contract dollars going to MBEs and WBEs where SBE contract goals did not apply, Jan. 2017–Apr. 2020

	Utilization	Availability	Disparity index
African American-owned	0.00 %	8.27 %	0
Asian American-owned	3.75	2.33	161
Hispanic American-owned	2.32	2.13	109
Native American-owned	0.00	1.16	0
Total MBE	6.07 %	13.88 %	44
WBE (white woman-owned)	0.93	4.27	22
Total MBE/WBE	7.01 %	18.15 %	39
Majority-owned	92.99	81.85	114
Total	100.00 %	100.00 %	

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction prime contracts with EIC goals. Figure D-26 compares the utilization and availability of MBEs, WBEs and other firms for construction prime contracts with EIC contract goals.

- Utilization was below availability for African American-, Asian American-, Hispanic American- and Native American-owned businesses. Each disparity was substantial.
- Utilization exceeded availability for white woman-owned businesses.

D-26. City of Tacoma construction prime contracts dollars going to MBEs and WBEs where EIC contract goals applied, May 2020–Dec. 2022

	Utilization	Availability	Disparity index
African American-owned	0.00 %	5.76 %	0
Asian American-owned	0.26	2.96	9
Hispanic American-owned	0.32	0.56	56
Native American-owned	0.00	1.27	0
Total MBE	0.57 %	10.56 %	5
WBE (white woman-owned)	6.77	1.83	200+
Total MBE/WBE	7.34 %	12.39 %	59
Majority-owned	92.66	87.61	106
Total	100.00 %	100.00 %	

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction prime contracts without EIC goals. Figure D-27 compares the utilization and availability of MBEs, WBEs and other firms for construction prime contracts without EIC contract goals.

- Utilization was below availability for African American-, Asian American-, Hispanic American- and white woman-owned businesses. Each disparity was substantial.
- Utilization exceeded availability for Native American-owned businesses.

D-27. City of Tacoma construction prime contracts dollars going to MBEs and WBEs where EIC contract goals did not apply, May 2020–Dec. 2022

	Utilization	Availability	Disparity index
African American-owned	0.02 %	5.24 %	0
Asian American-owned	0.23	1.48	16
Hispanic American-owned	0.59	1.28	46
Native American-owned	0.90	0.59	154
Total MBE	1.75 %	8.58 %	20
WBE (white woman-owned)	2.50	5.57	45
Total MBE/WBE	4.25 %	14.15 %	30
Majority-owned	95.75	85.85	112
Total	100.00 %	100.00 %	

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction Subcontracts

Figure D-28 examines utilization and availability for City construction subcontracts.

- For City construction subcontracts, there was a substantial disparity between the utilization and availability of businesses owned by African Americans (disparity index of 50).
- Utilization was less than availability for Asian American-owned businesses as subcontractors on City construction contracts, but the disparities were not substantial.
- Utilization was greater than availability for Hispanic American-, Native American- and white woman-owned firms.

D-28. Disparity analysis for City of Tacoma construction subcontracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	3.56 %	7.18 %	50
Asian American-owned	3.42	3.75	91
Hispanic American-owned	3.69	3.36	110
Native American-owned	3.94	1.00	200+
Total MBE	14.61 %	15.28 %	96
WBE (white woman-owned)	10.40	10.32	101
Total MBE/WBE	25.02 %	25.60 %	98
Majority-owned	74.98	74.40	101
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization/Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction subcontracts with SBE goals. Figure D-29 compares the utilization and availability of MBEs, WBEs and other firms for construction subcontracts on contracts with SBE subcontract participation goals.

- Utilization was below availability for African American- and Asian American-owned firms. Each disparity was substantial.
- Utilization exceeded availability for Hispanic American-, Native American- and white woman-owned businesses.

D-29. Disparity analysis for City of Tacoma construction subcontracts on contracts with SBE goals, Jan. 2017–Apr. 2020

	Utilization	Availability	Disparity index
African American-owned	3.48 %	6.77 %	51
Asian American-owned	1.49	4.17	36
Hispanic American-owned	4.46	3.59	124
Native American-owned	<u>1.73</u>	<u>1.11</u>	156
Total MBE	11.16 %	15.64 %	71
WBE (white woman-owned)	<u>12.30</u>	<u>11.89</u>	103
Total MBE/WBE	23.46 %	27.53 %	85
Majority-owned	<u>76.54</u>	<u>72.47</u>	106
Total	100.00 %	100.00 %	

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction subcontracts without SBE goals. Figure D-30 compares the utilization and availability of MBEs, WBEs and other firms for construction subcontracts on contracts without SBE subcontract participation goals.

- Utilization was below availability for African American-, Asian American-, Hispanic American- and white woman-owned firms. Each disparity was substantial.
- Utilization exceeded availability for Native American-owned businesses.

D-30. Disparity analysis for City of Tacoma construction subcontracts on contracts without SBE goals, Jan. 2017–Apr. 2020

	Utilization	Availability	Disparity index
African American-owned	5.18 %	7.11 %	73
Asian American-owned	2.48	3.89	64
Hispanic American-owned	0.54	2.63	21
Native American-owned	8.74	1.19	200+
Total MBE	16.93 %	14.81 %	114
WBE (white woman-owned)	3.62	9.99	36
Total MBE/WBE	20.56 %	24.81 %	83
Majority-owned	79.44	75.19	106
Total	100.00 %	100.00 %	

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction subcontracts with EIC goals. Figure D-31 compares the utilization and availability of MBEs, WBEs and other firms for construction subcontracts on contracts with EIC subcontract participation goals.

- Utilization was below availability for African American-owned firms. This disparity was substantial.
- Utilization exceeded availability for Asian American-, Hispanic American-, Native American- and white woman-owned businesses.

D-31. Disparity analysis for City of Tacoma construction subcontracts on contracts with EIC goals, May 2020–Dec. 2022

	Utilization	Availability	Disparity index
African American-owned	3.23 %	7.85 %	41
Asian American-owned	5.74	3.19	180
Hispanic American-owned	4.66	3.27	143
Native American-owned	4.08	0.83	200+
Total MBE	17.72 %	15.13 %	117
WBE (white woman-owned)	10.09	8.95	113
Total MBE/WBE	27.81 %	24.08 %	115
Majority-owned	72.19	75.92	95
Total	100.00 %	100.00 %	

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Construction subcontracts without EIC goals. Figure D-32 compares the utilization and availability of MBEs, WBEs and other firms for construction subcontracts on contracts without EIC subcontract participation goals.

- Utilization was below availability for African American-, Asian American-, Hispanic American- and Native American-owned firms. Each disparity was substantial.
- Utilization exceeded availability for white woman-owned businesses.

D-32. Disparity analysis for City of Tacoma construction subcontracts on contracts without EIC goals, May 2020–Dec. 2022

	Utilization	Availability	Disparity index
African American-owned	1.52 %	5.19 %	29
Asian American-owned	1.00	4.82	21
Hispanic American-owned	2.77	4.76	58
Native American-owned	0.44	0.96	46
Total MBE	5.73 %	15.73 %	36
WBE (white woman-owned)	21.97	12.18	180
Total MBE/WBE	27.70 %	27.92 %	99
Majority-owned	72.30	72.08	100
Total	100.00 %	100.00 %	

Source: Keen Independent analysis of City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Professional Services Prime Contracts

Figure D-33 examines utilization and availability for City professional services prime contracts.

For City professional services, prime contract utilization was below availability for businesses owned by people of color and white women. Each of these disparities was substantial.

D-33. Disparity analysis for City of Tacoma professional services prime contracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	1.56 %	2.07 %	76
Asian American-owned	3.12	6.52	48
Hispanic American-owned	0.90	5.85	15
Native American-owned	0.14	0.80	17
Total MBE	5.71 %	15.23 %	37
WBE (white woman-owned)	8.90	14.09	63
Total MBE/WBE	14.61 %	29.32 %	50
Majority-owned	85.39	70.68	121
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization} / \text{Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Further disparity analyses

Professional Services Subcontracts

Figure D-34 examines utilization and availability as subconsultants on City professional services contracts.

- Subcontract utilization was below availability for Hispanic American-, Native American- and white woman-owned firms. The disparities were substantial.
- Utilization was higher than availability for African American-, and Asian American-owned businesses.

D-34. Disparity analysis for City of Tacoma professional services subcontracts, 2017–2022

	Utilization	Availability	Disparity index
African American-owned	3.01 %	2.41 %	125
Asian American-owned	12.14	5.27	200+
Hispanic American-owned	0.64	4.00	16
Native American-owned	0.00	0.85	0
Total MBE	15.79 %	12.53 %	126
WBE (white woman-owned)	1.01	15.20	7
Total MBE/WBE	16.80 %	27.73 %	61
Majority-owned	83.20	72.27	115
Total	100.00 %	100.00 %	

Note: Percentages may not add to totals due to rounding.

Disparity index = $100 \times \text{Utilization/Availability}$.

Source: Keen Independent 2024 availability survey and City of Tacoma procurement data (2017–2022).

D. Utilization and Disparity Analyses — Disparity index

To conduct the disparity analysis, Keen Independent compared the actual utilization of minority-owned businesses (MBEs) and woman-owned businesses (WBEs) on City prime contracts and subcontracts with the percentage of contract dollars that MBE/WBEs might be expected to receive based on their availability for that work.

Keen Independent made those comparisons for MBEs and for WBEs. The Summary Report explains how the study team developed benchmarks from the availability data.

To make utilization and availability directly comparable, results are expressed as percentages of the total dollars associated with a particular set of contracts. Keen Independent then calculated a “disparity index” to easily compare utilization and availability results among MBE/WBE groups and across different sets of contracts.

- A disparity index of “100” indicates an exact match between actual utilization and what might be expected based on MBE/WBE availability for a specific set of contracts (often referred to as “parity”).
- A disparity index of less than 100 may indicate a disparity between utilization and availability, and disparities of less than 80 in this report are described as “substantial.”¹

Figure D-35 describes how disparity indices are calculated.

D-35. Calculation of disparity indices

The disparity index provides a straightforward way of assessing how closely actual utilization of an MBE/WBE group matches what might be expected based on its availability for a specific set of contracts. With the disparity index, one can directly compare results for one group to that of another group, and across different sets of contracts. Disparity indices are calculated using the following formula:

$$\frac{\% \text{ actual utilization} \times 100}{\% \text{ availability}}$$

For example, if actual utilization of WBEs on a set of procurements was 1 percent and the availability of WBEs for those procurements was 2 percent, then the disparity index would be 1 percent divided by 2 percent, which would then be multiplied by 100 to equal 50. In this example, WBEs would have received 50 cents of every dollar that they might be expected to receive based on their availability for the work.

¹ Some courts deem a disparity index below 80 as being “substantial” and have accepted it as evidence of adverse impacts against MBE/WBEs. *See, e.g., Ricci v. DeStefano*, 557 U.S. 557, 129 S.Ct. 2658, 2678 (2009); *Midwest Fence*, 840 F.3d 932, 950 (7th Cir. 2016); *AGC, SDC v. Caltrans*, 713 F.3d at 1191; *H.B. Rowe Co.*, 615 F.3d 233, 243-245; *Rothe*,

545 F.3d at 1041; *Eng’g Contractors Ass’n*, 122 F.3d at 914, 923; *Concrete Works I*, 36 F.3d at 1524.

D. Disparity Analysis for City Contracts — Sampling

Testing for statistical significance relates to testing the degree to which a researcher can reject “random chance” as an explanation for any observed differences. Random chance in data sampling is the factor that researchers consider most in determining the statistical significance of results.

The study team attempted to reach each firm in the relevant geographic market area identified as possibly doing business within relevant subindustries, mitigating many of the concerns associated with random chance in data sampling as they may relate to Keen Independent’s availability analysis.

The utilization analysis attempted to represent a complete “population” of contracts. (The study team attempted to obtain data for every contract above a minimum size, not just a sample of those contracts.)

Therefore, one might consider any disparity identified when comparing overall utilization with availability to be “statistically significant.”

Figure D-36 explains the high level of statistical confidence in the utilization and availability results. As outlined on the next page, the study team also used a sophisticated statistical simulation tool to further examine statistical significance of disparity results.

D-36. Confidence intervals for availability and utilization measures

As discussed in Appendix C, Keen Independent successfully reached 8,381 business establishments in the availability telephone survey — a number of completed surveys that might be considered large enough to be treated as a “population,” not a sample.

However, if the results are treated as a sample, the reported 29 percent representation of MBE/WBEs among available firms is accurate within about +/- 2 percentage points (overall MBE/WBE availability before dollar-weighting). By comparison, many survey results for proportions reported in the popular press are accurate within +/- 5 percentage points. (Note that Keen Independent applied a 95 percent confidence level and the finite population correction factor when determining these confidence intervals.)

Keen Independent attempted to collect data for all City procurements during the study period and no confidence interval calculation applies for the utilization results.

D. Disparity Analysis for City Contracts — Monte Carlo analysis

There were many opportunities in the sets of prime contracts and subcontracts for MBE/WBEs to be awarded work. Some contract elements involved large dollar amounts and others involved only a few thousand dollars.

Approach

Monte Carlo analysis was a useful tool for the study team to use for statistical significance testing in the disparity study because there were many individual chances at winning City prime contracts and subcontracts during the study period, each with a different payoff.

Keen Independent used the Monte Carlo simulation to determine whether chance in contract and subcontract awards could explain the disparities observed for minority-owned firms when examining City procurements.

Figure D-37 describes Keen Independent's use of Monte Carlo analysis.

D-37. Monte Carlo analysis

The study team conducted the Monte Carlo analysis by examining individual contract elements. For each element, Keen Independent's availability database provided information about businesses available to perform that contract element, based on type of work, contractor role and contract size.

The study team assumed that each available firm had an equal chance of "receiving" that contract element. The Monte Carlo simulation then randomly chose a business from the pool of available businesses to "receive" that contract element.

The Monte Carlo simulation repeated the above process for all other elements in a particular set of contracts. The output of a single Monte Carlo simulation for all contract elements in the set represented simulated utilization of MBEs for that set of contract elements.

The entire Monte Carlo simulation was then repeated 10,000 times. The combined output from all 10,000 simulations represented a probability distribution of the overall utilization of MBEs if contracts were awarded randomly based on the availability of businesses working in Western Washington study industries.

The output of the Monte Carlo simulations represents the number of runs out of 10,000 that produced a simulated utilization result that was equal or below the observed utilization in the actual data for each MBE group and for each set of contracts. If that number was less than or equal to 250 (i.e., 2.5% of the total number of runs), then the disparity index is considered statistically significant at the 95 percent confidence level (using a two-tailed test).

D. Disparity Analysis for City Contracts — Monte Carlos analysis

Results

Keen Independent performed Monte Carlo simulations where substantial disparities were observed on all City contracts and subcontracts. Figure D-38 presents the results from the Monte Carlo analysis as they relate to the statistical significance of disparity analysis results for minority-owned businesses on all City contracts.

None of the 10,000 Monte Carlo simulations produced utilization equal to or less than the observed utilization for minority-owned firms. Therefore, one can be confident that the disparity observed for MBEs in City procurements is not due to chance in contract awards.

The utilization of white woman-owned firms was replicated in 1,892 Monte Carlo simulations (18.9%). Therefore, chance cannot be rejected as an explanation for the disparity index of 81 for white woman-owned firms in City procurements during the study period.

It is important to note that this test may not be necessary to establish statistical significance of results (see discussion in Figure D-36), and it may not be appropriate for very small populations of firms.²

D-38. Monte Carlo simulation results for MBEs and WBEs for City procurements, 2017–2022

	MBE	WBE
Disparity index	42	81
Utilization	5.61 %	5.79 %
Number of simulations out of 10,000 less than or equal to observed	0	1,892
Probability of observed disparity due to "chance"	0.00 %	18.92 %
Reject chance as an explanation	Yes	No

Source: Keen Independent Research from availability survey data and data on City of Tacoma procurements.

² Even if there were zero utilization of a particular group, Monte Carlo simulation might not reject chance in contract awards as an explanation for that result if there were a

small number of firms in that group, a small number of contracts and subcontracts included in the analysis, or an unusual size distribution of contracts and subcontracts.

D. Disparity Analysis for City Contracts — Monte Carlos analysis

Keen Independent separately performed Monte Carlo simulations where substantial disparities were observed on all City contracts where contract goals did not applied. Figure D-39 shows these results.

None of the 10,000 Monte Carlo simulations produced utilization equal to or less than the observed utilization for minority-owned firms (5.8%). Just 374 of the simulations produced utilization equal to or less than the utilization of white woman-owned firms (5.0%). Therefore, one can be confident that the disparities observed for MBEs and WBEs in City procurements without SBE or EIC program goals are not due to chance in contract awards.

D-39. Monte Carlo simulation results for MBEs and WBEs for City procurements without SBE or EIC program application, 2017–2022

	MBE	WBE
Disparity index	43	63
Utilization	5.75 %	5.04 %
Number of simulations out of 10,000 less than or equal to observed	0	374
Probability of observed disparity due to "chance"	0.00 %	3.74 %
Reject chance as an explanation	Yes	Yes

Source: Keen Independent Research from availability survey data and data on City of Tacoma procurements.

APPENDIX E. Entry and Advancement — Introduction

Federal courts have found that Congress “spent decades compiling evidence of race discrimination in government highway contracting, of barriers to the formation of minority-owned construction businesses and of barriers to entry.”¹ Congress found that discrimination had impeded the formation of qualified minority-owned businesses.

In the marketplace analyses for the City of Tacoma 2024 Economic Disparity Study (described in Appendix E through Appendix I), Keen Independent examines whether some of the barriers to business formation that Congress found for minority- and woman-owned businesses also appear to occur in the Western Washington area marketplace.

Based on research about where firms obtaining contracts are located, Keen Independent considers the relevant geographic market area for this study be the Seattle-Tacoma-Bellevue metropolitan statistical area (MSA) as well as Lewis, Kitsap, Mason and Thurston counties. (See additional detail in Appendix B.) The marketplace appendices refer to this area as the “local marketplace” or “Western Washington area” in Appendices E through H. The “study industries” are the construction, architecture and engineering (A&E), goods and services industries. (Note that the goods marketplace also includes Cowlitz County.)

Potential barriers to business formation include barriers associated with entering and advancing as employees in the study industries. Appendix E examines recent data on employment and workplace advancement that may ultimately influence business formation within City study industries.^{2, 3}

¹ *Sherbrooke Turf, Inc. v. Minnesota DOT*, 345 F.3d 964 (8th Cir. 2003), citing *Adarand Constructors, Inc. v. Slater*, 228 F.3d (10th Cir. 2000); *Western States Paving Co., Inc. v. Washington State DOT*, 345 F.3d 964 (8th Cir. 2003).

² In Appendix E and other appendices that present information about local marketplace conditions, information for “professional services” refers to professional, scientific and

technical services. References to “goods and other services” pertains to wholesale and retail trade, as well as other services.

³ Several other report appendices analyze other quantitative aspects of conditions in the Tacoma marketplace. Appendix F explores business ownership. Appendix G presents an examination of access to capital. Appendix H considers the success of businesses. Appendix I presents the data sources that Keen Independent used in those appendices.

E. Entry and Advancement — Introduction

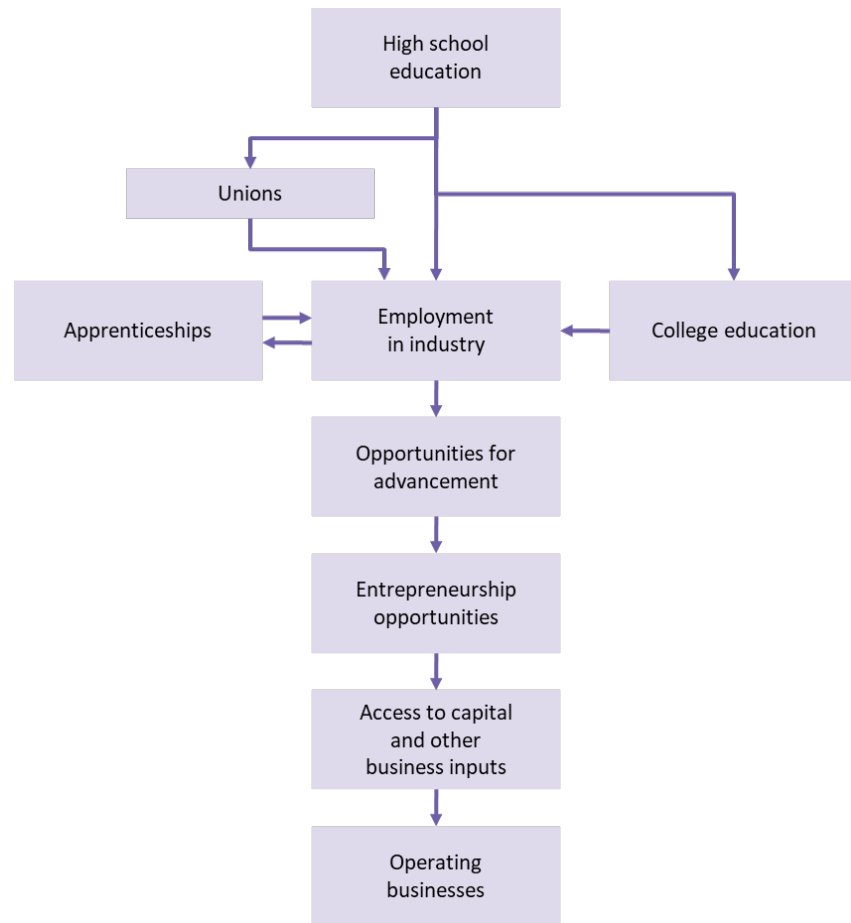
Appendix E begins by presenting overall demographic characteristics for workers in the study industries as a whole. Keen Independent then separately examines results for each industry as the pathways into jobs in those sectors and career ladders for employees differ between industries.

Keen Independent examined whether there were barriers to the formation of businesses owned by people of color and women in the local marketplace. Business ownership typically results from an individual entering an industry as an employee and then advancing within that industry before starting a business in that sector. Within the entry and advancement process, there may be barriers that limit opportunities for some individuals. Figure E-1 presents a model of entry and advancement in the study industries.

Appendix E uses data for 2018–2022 from the U.S. Census Bureau American Community Survey (ACS) to analyze education, employment and workplace advancement — all factors that may influence whether individuals gain the work experience and qualifications to start businesses in the study industries.

Keen Independent began the analysis by examining the representation of people of color and women among business owners and workers in the Western Washington area marketplace.

E-1. Model for studying entry into study industries in the Western Washington area marketplace



Source: Keen Independent Research.

E. Entry and Advancement — Introduction

People of Color Among Workers and Business Owners

Figure E-2 shows the demographic distribution of business owners in the study industries, business owners in other industries (excluding the study industries) and workers in the labor force, based on 2018–2022 ACS data for the Western Washington area marketplace. (Demographics of the workforce in individual study industries are presented later in Appendix E.)

Analysis of the local marketplace in 2018–2022 indicated that certain groups were underrepresented based on the percentage of business owners within the study industries and the representation of groups in the overall workforce. These included:

- African Americans; and
- Asian Americans.

Keen Independent analyzed whether differences between the representation of each group among business owners and the representation of that group in the workforce were statistically significant, which means that sampling in the Census data can be rejected as a cause of the observed differences (noted with asterisks in Figure E-2). Each of the differences described above were statistically significant.

Women Workers and Business Owners

Figure E-2 also examines the percentage of local marketplace business owners and workers who are women. In 2018–2022, women accounted for about 25 percent of business owners in the study industries, about 20 percentage points below women’s representation in the overall workforce (45%).

Veteran Workers and Business Owners

Figure E-2 also examines the percentage of local marketplace business owners and workers who are veterans. In 2018–2022, veterans accounted for about 7 percent of business owners in the study industries, about 1 percentage point below veteran representation in the overall workforce.

E-2. Demographic distribution of business owners and the workforce in the Western Washington area, 2018–2022

	Workforce in all industries	Business owners in study industries	Business owners in all other industries
Race/ethnicity			
African American	7.0 %	4.4 % **	5.9 % **
Asian American	17.3	9.6 **	17.8
Hispanic American	10.4	10.5	8.1 **
Native American	3.1	2.6	2.7 *
Total minority	37.7 %	27.1 %	34.5 %
Non-Hispanic white	62.3	72.9 **	65.5 **
Total	100.0 %	100.0 %	100.0 %
Gender			
Female	45.2 %	25.1 % **	52.8 % **
Male	54.8	74.9 **	47.2 **
Total	100.0 %	100.0 %	100.0 %
Veteran status			
Veteran	5.9 %	6.9 % *	4.5 % **
Not a veteran	94.1	93.1 *	95.5 **
Total	100.0 %	100.0 %	100.0 %

Notes: *, ** Denote that the difference in proportions between workforce in all industries and business owners in the specified industries for the given race/ethnicity/gender group is statistically significant at the 90% or 95% confidence level, respectively.

"All other industries" includes all industries other than the construction, professional services and other services sectors that were the focus of this study.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples. The 2018–2022 ACS raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

E. Entry and Advancement — Introduction

Conditions During COVID-19 Pandemic

Keen Independent examined recent research focused on the effects of the COVID-19 pandemic on workers in the Western Washington area marketplace. Businesses closed and employment rates fell after the first COVID-19 case was confirmed in the United States on January 20, 2020. By late April 2020, the unemployment rate in the Seattle-Tacoma-Bellevue metro area had increased to about 17 percent compared to just three percent in April 2019.⁴

Employment rates have since improved in the region. In April 2024, the U.S. Bureau of Labor Statistics (BLS) recorded the state of Washington as having an unemployment rate of 5 percent,⁵ which is lower than April 2020 at the beginning of the pandemic. The unemployment rate in the Seattle-Tacoma-Bellevue metro area has also fallen to 4 percent as of April 2024.⁶

Nationally, researchers have found that the economic effects of the COVID-19 pandemic have disproportionately affected women and people of color. For example, the U.S. economy lost 140,000 jobs in the month of December 2020 according to BLS data. The same analysis by

gender, however, revealed that women lost 156,000 jobs while men gained 16,000 jobs. The COVID-19 pandemic has caused more women to drop out of the labor force than men, which some researchers largely attribute to gendered caretaking responsibilities.⁷ Analysis found that nationally, nearly 90 percent of the women who dropped out of the labor force were mothers with young children.⁸

A different BLS survey found that in December 2020, African American women and Hispanic American women lost jobs while the number of jobs held by non-Hispanic white women increased.⁹ Contributing to this disparity in job losses were differences in whether people could work from home. Prior to the pandemic, less than 20 percent of African Americans and Hispanic Americans in the United States held jobs that allowed a work-from-home option, while 30 percent of white and Asian American workers had that option.¹⁰

Research also suggests that the national labor force contracted due to the COVID-19 pandemic. This contraction has been attributed to the enhanced federal and state unemployment benefits (which extended to September 2021), workers' deaths from COVID-19 and the lack of

⁴ U.S. Bureau of Labor Statistics. (2024). Local area unemployment statistics: Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area. *U.S. Department of Labor*. Retrieved from <https://data.bls.gov/timeseries/LAUMT5342660000000006>

⁵ U.S. Bureau of Labor Statistics. (2024). Local area unemployment statistics: Washington. *U.S. Department of Labor*. Retrieved from <https://data.bls.gov/timeseries/LASST5300000000000006>

⁶ U.S. Bureau of Labor Statistics. (2024). Local area unemployment statistics: Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area. *U.S. Department of Labor*. Retrieved from <https://data.bls.gov/timeseries/LAUMT5342660000000006>

⁷ Edwards, K. (2020, November 24). Women are leaving the labor force in record numbers. Retrieved January 15, 2021, from

<https://www.rand.org/blog/2020/11/woman-are-leaving-the-labor-force-in-record-numbers.html>

⁸ Amuedo-Dorantes, C., et. al. (October 2020). COVID-19 School Closures and Parental Labor Supply in the United States. IZA Institute of Labor Economics. Retrieved from <https://www.iza.org/publications/dp/13827/covid-19-school-closures-and-parental-labor-supply-in-the-united-states>

⁹ Kurtz, A. (2021, January 8). The US economy lost 140,000 jobs in December. All of them were held by women. *CNN Business*. Retrieved from <https://www.cnn.com/2021/01/08/economy/woman-job-losses-pandemic/index.html>

¹⁰ Enemark, D. (2020, March 24). Potential impact of COVID-19 on employment in San Diego County. *San Diego Workforce Partnership*. Retrieved from <https://workforce.org/reports/>

E. Entry and Advancement — Introduction

consistent childcare and schooling for working parents and caregiving services for working caretakers until the end of 2021.¹¹

Economic recovery has varied across industries. Since the most critical period of the pandemic in April 2020, the Western Washington area marketplace has gained approximately 380,000 jobs and the numbers remain above pre-pandemic employment.¹²

Employment in construction jobs in the Western Washington area marketplace fell by 18 percent at the height of the pandemic in April 2020. By spring 2022, the Western Washington area construction industry employment was still recovering from these losses. The Western Washington area construction employment was about the same at the beginning of 2022 as the beginning of 2020.¹³

Nationally, employment in the construction industry fell by 10 percent at the height of the pandemic in April 2020 but has since rebounded and was 4 percentage points higher in 2022 than at the start of 2020.¹⁴

Research shows that COVID-19 impacted people of color more than their white counterparts and that certain industries and groups of workers have recovered quicker than others. Focusing on the construction industry, construction workers who were under the age of 35 or Hispanic were hit hardest at the start of the pandemic.¹⁵

¹¹ As of February 2024, the Centers for Disease Control and Prevention recorded 1,176,639 deaths in the United States due to COVID-19. CDC. (2024, February 14). COVID data tracker weekly review. *Centers for Disease Control and Prevention*. Retrieved from <https://covid.cdc.gov/covid-data-tracker/#datatracker-home>

¹² U.S. Bureau of Labor Statistics. (2024). Local area unemployment statistics: Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area. U.S. Department of Labor. Retrieved from <https://data.bls.gov/timeseries/LAUMT53426600000006>

¹³ U.S. Bureau of Labor Statistics. (2024). State and area employment, hours, and earnings, construction: Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area. *U.S. Department of Labor*. Retrieved from <https://data.bls.gov/timeseries/SMU53426602000000001>

¹⁴ Harris, W., et. al. Impact of COVID-19 on the Construction Industry: 2 Years in Review. (Data Bulletin July 2022) CPWR - The Center for Construction Research and Training. Retrieved from <https://www.cpw.com/wp-content/uploads/DataBulletin-July2022.pdf>

¹⁵ Ibid.

E. Entry and Advancement — Construction industry employment

The following pages describe employment conditions in each study industry, beginning with construction. Keen Independent examined how education, training, employment and advancement may affect the number of businesses that people of color and women own in the Western Washington area marketplace construction industry (referred to as the “local construction industry”).

Education of People Working in the Industry

Formal education beyond high school is not a prerequisite for most construction jobs,¹⁶ and construction often attracts individuals who have relatively less formal education than in other industries.¹⁷ These workers often receive on-the-job training after they are hired by construction companies to compensate for their initial lack of knowledge.¹⁸ Based on 2018–2022 ACS data, just 14 percent of Western Washington area market area construction workers had a four-year college degree or more compared to 36 percent in all other industries combined.

Race/ethnicity. Due to the educational requirements of entry-level jobs and the limited education beyond high school for many minority groups in the marketplace, one would expect a relatively high representation of people of color in the local construction industry, especially in entry-level positions. African Americans, Hispanic Americans and Native Americans or other minority groups represented a large population of workers without a post-secondary education.

However, in 2018–2022, Asian American workers age 25 and older in the local marketplace were more likely to have at least a four-year college degree than non-Hispanic whites. One might expect representation of these groups in the construction industry to be lower than in other industries.

¹⁶ Bureau of Labor Statistics, U.S. Department of Labor. (2021, October 19). Construction and extraction occupations. *Occupational Outlook Handbook*. Retrieved from <https://www.bls.gov/ooh/construction-and-extraction/home.htm>

¹⁷ CPWR - The Center for Construction Research and Training. (2013). Educational attainment and internet usage in construction and other industries. In *The construction chart book: The U.S. construction industry and its workers* (5th ed.). Retrieved from <https://www.cpwr.com/sites/default/files/publications/5th%20Edition%20Chart%20Book%20Final.pdf>;

CPWR - The Center for Construction Research and Training. (2007). Educational attainment and internet usage in construction and other industries. In *The construction chart book: The U.S. construction industry and its workers* (3rd ed.). Retrieved from https://www.cpwr.com/sites/default/files/research/CB3_FINAL.pdf

¹⁸ Bureau of Labor Statistics, U.S. Department of Labor. (2021, October 19). Construction laborers and helpers. *Occupational Outlook Handbook*. Retrieved from <https://www.bls.gov/ooh/construction-and-extraction/construction-laborers-and-helpers.htm#tab-4>

E. Entry and Advancement — Construction industry employment

Gender. In 2023 women made up only 11 percent of the national construction workforce (roughly 1.3 million women). Women largely operate in administrative roles in this industry, holding a larger portion of the jobs in sales and office (66%), service (25%) and management and professional roles (18%). Only four percent of natural resources, construction and maintenance positions and 4 percent of production, transportation and materials moving positions were held by women.¹⁹ Low representation of women, and especially women of color, is also found in apprenticeships.²⁰

Among people with a college degree, women have been less likely to enroll in construction-related degree programs. Nationally, women have low levels of enrollment in Construction Management programs, and this may be due to (a) the prevailing notion that construction is an industry dominated by males and is unkind to females and families, and (b) secondary school career counselors' lack of discussion of women's career opportunities in the construction fields, and female students' consequent lack of knowledge of these professions.²¹

According to a 2021 report by the Institute for Women's Policy Research that surveyed 2,635 tradeswomen in the construction industry, 18 percent identified as Latina, 16 percent identified as African American, 5 percent identified as Asian American and Pacific Islander, 4 percent identified as Native American, and 54 percent identified as white.²² Of those surveyed, one-half have children younger than 18, and more than one in five have children younger than six. Single mothers make up one in four of those with kids under 18. As already discussed, childcare duties rose dramatically for mothers during the pandemic, often causing women to miss out on promotion opportunities due to caregiving obligations.²³

¹⁹ Bureau of Labor Statistics. (2023). 2022 Current Population Survey: Employed persons by industry, sex, race, and occupation. [Data file]. Retrieved from <https://www.bls.gov/cps/tables.htm>

²⁰ Jackson, Sarah. (2019, November 29). 'Not the boys' club anymore': Eight women take a swing at the construction industry. NBC News. Retrieved from <https://www.nbcnews.com/news/us-news/not-boys-club-anymore-eight-women-take-swing-construction-industry-n1091376>; Graves, F. G., et al. (2014). *Women in construction: Still breaking ground* (Rep.). Retrieved from National Women's Law Center website: https://www.nwlc.org/sites/default/files/pdfs/final_nwlc_womeninconstruction_report.pdf

²¹ Regis, M.F., Alberte, E.P.V., Lima, D.S., & Freitas, R. (2019). Women in construction: shortcomings, difficulties, and good practices. *Engineering, Construction and*

Architectural Management 26(11) 2535-2549; Sewalk, S., & Nietfeld, K. (2013). Barriers preventing women from enrolling in construction management programs. *International Journal of Construction Education and Research*, 9(4), 239-255. doi:10.1080/15578771.2013.764362

²² Hegewisch, H. & Mefferd, E. (2021) A Future Worth Building: What Tradeswomen Say about the Change They Need in the Construction Industry. *Institute for Women's Policy Research*. Retrieved from https://iwpr.org/wp-content/uploads/2022/02/A-Future-Worth-Building_What-Tradeswomen-Say_FINAL.pdf

²³ Golding, C. (April 2022). Understanding the Economic Impact of COVID-19 on Women. *National Bureau of Economic Research*. Retrieved from <https://www.nber.org/papers/w29974>

E. Entry and Advancement — Construction industry employment

Trade schools and apprenticeship programs. Training in the construction industry is largely on-the-job and through trade schools and apprenticeship programs.²⁴ Entry-level jobs for workers out of high school are often as laborers, helpers or apprentices. More skilled positions may require additional training through a technical or trade school, or through an apprenticeship or other training program. Apprenticeship programs can be developed by employers, trade associations, trade unions or other groups.

Workers can enter apprenticeship programs from high school or trade school. Apprenticeships have traditionally been three- to five-year programs that combine on-the-job training with classroom instruction.²⁵

However, the availability of these programs fluctuates with demand. For example, due to public health concerns, halted construction projects and the need for social distancing, many apprenticeships throughout the nation were ended or scaled back during the COVID-19 pandemic.²⁶

This also occurred during the Great Recession. In response to limited construction employment opportunities during the recession, apprenticeship programs limited the number of new apprenticeships²⁷ as well as access to knowing when and where apprenticeships occur.²⁸ Apprenticeship programs often refer to an “out-of-work list” when contacting apprentices; those who have been on the list the longest are given preference.

Furthermore, some research indicates that apprentices are often hired and laid off several times during their apprenticeship program. Apprentices were more successful if they were able to maintain steady employment, either by remaining with one company and moving to various work sites, or by finding work quickly after being laid off. Apprentices identified mentoring from senior coworkers, such as journey workers, foremen or supervisors, and being assigned tasks that furthered their training as important to their success.²⁹

²⁴ Bureau of Labor Statistics, U.S. Department of Labor. (2021, October 19). Construction laborers and helpers. *Occupational Outlook Handbook*. Retrieved from <https://www.bls.gov/ooh/construction-and-extraction/construction-laborers-and-helpers.htm#tab-4>

²⁵ Apprenticeship.gov, U.S. Department of Labor. (2021, October 19). Construction. Retrieved from <https://www.apprenticeship.gov/apprenticeship-industries/construction>

²⁶ Buckley, B., & Rubin, D.K. (2020). Construction apprentice programs face new COVID-19 learning curve. *Engineering News-Record*. Retrieved from

<https://www.enr.com/articles/49417-construction-apprentice-programs-face-new-covid-19-learning-curve>

²⁷ Kelly, M., Pisciotto, M., Wilkinson, L., & Williams, L. S. (2015). When working hard is not enough for female and racial/ethnic minority apprentices in the highway trades. *Sociological Forum*, 30(2), 415-438. doi:10.1111/socf.12169

²⁸ Graves, F. G., et al. (2014). *Women in construction: Still breaking ground* (Rep.). Retrieved from https://www.nwlc.org/sites/default/files/pdfs/final_nwlc_womeninconstruction_report.pdf

²⁹ Ibid.

E. Entry and Advancement — Construction industry employment

Employment in the Construction Industry

The study team examined employment in the Western Washington area marketplace construction industry. Figure E-3 compares the demographic composition of construction industry workers with the total workforce.

Race/ethnicity. Based on 2018–2022 ACS data, people of color were about 32 percent of those working in the local construction industry. Hispanic Americans represent a large share of construction employees. There was a statistically significant underrepresentation of workers in this industry for African Americans and Asian Americans. The average educational attainment of African Americans is consistent with requirements for construction jobs, so education does not explain the low number of African Americans employed in the local construction industry relative to other industries.

Historically, racial discrimination by construction unions in the United States has contributed to the low employment of African Americans in construction trades.³⁰ The role of unions is discussed more thoroughly later in Appendix E (including research that suggests discrimination has been reduced to a degree in unions).

Gender. There is a large difference between the representation of women in the construction workforce (13% of employees) and representation in all other industries (48% of employees).

Veteran status. Veterans made up about 7 percent of workers in the local construction workforce, about 1 percentage point higher than representation of veterans in all other industries.

E-3. Demographic characteristics of workers in construction industry and all other industries in the Western Washington area, 2018–2022

	Construction	All other industries
Race/ethnicity		
African American	3.7 % **	7.2 %
Asian American	6.1 % **	18.1
Hispanic American	18.3 % **	9.8
Native American	3.4	3.1
Total minority	31.6 %	38.2 %
Non-Hispanic white	68.4 % **	61.8
Total	100.0 %	100.0 %
Gender		
Female	13.4 % **	47.5 %
Male	86.6 % **	52.5
Total	100.0 %	100.0 %
Veteran status		
Veteran	7.4 % **	5.8 %
Not a veteran	92.6 % **	94.2
Total	100.0 %	100.0 %

Notes: ** Denotes that the difference in proportions between workers in the specified industry and all other industries for the given race definition and Census/ACS year is statistically significant at the 95% confidence level.

"All other industries" includes all industries other than the construction industry.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

³⁰ Watson, T. (2021). Union construction's racial equity and inclusion charade. *Stanford Social Innovation Review*. Retrieved from

https://ssir.org/articles/entry/union_constructions_racial_equity_and_inclusion_charade

E. Entry and Advancement — Academic research on construction employment

There is substantial academic literature indicating that race- and gender-based discrimination affects opportunities for minorities and women in the construction industry.

For example, literature concerning women in construction trades has identified substantial barriers to entry and advancement due to gender discrimination and sexual harassment.³¹ One study found that when African American women in construction advance into leadership roles, they often find that others unduly challenge their authority. Participants of this study also reported incidents of harassment, bullying and the assumption that they are inferior to their male peers; these instances are believed to hinder African American females' career development and overall success in the construction industry.³² Such treatment has been found to lead to stress, decreased psychological health and early exit from the industry.³³

In a separate study, white men were least likely to report challenges related to being assigned low-skill or repetitive tasks that did not enable them to learn new skills. Women and people of color felt that they were disproportionately performing low-skill tasks that negatively impacted the quality of their training experience.³⁴

Additionally, women encounter practical issues such as difficulty in accessing personal protective equipment that fits them properly (they frequently find such employer-provided equipment to be too large). This sometimes poses a safety hazard, and even more often hinders female workers' productivity, which can impact their relationships with supervisors as well as their opportunities for growth in the industry.³⁵ Lack of flexible work options, childcare programs, paid pregnancy and maternity leave, and breastfeeding support create additional — often invisible — challenges that narrow women's professional opportunities in the construction industry.³⁶

³¹ Bridges, Donna, Elizabeth Wulff, Larissa Bamberry, Branka Krivokapic-Skoko and Stacey Jenkins (2020). Negotiating gender in the male-dominated skilled trades: a systemic literature review. *Construction Management and Economics*, 38 (10), 38:10, 894-916, DOI: [10.1080/01446193.2020.1762906](https://doi.org/10.1080/01446193.2020.1762906)

³² Hunte, R. (2016). Black women and race and gender tensions in the trades. *Peace Review*, 28(4), 436-443. doi:10.1080/10402659.2016.1237087

³³ Sunindijo, R.Y., & Kamardeen, I. (2017). Work stress is a threat to gender diversity in the construction industry. *Journal of Construction Engineering and Management*, 143(10).

³⁴ Kelly, M., et al. (2015). When working hard is not enough for female and racial/ethnic minority apprentices in the highway trades. *Sociological Forum*, 30(2), 415-438. doi:10.1111/socf.12169

³⁵ Onyebeke, L. C., et al. (2016). Access to properly fitting personal protective equipment for female construction workers. *American Journal of Industrial Medicine*, 59(11), 1032-1040. doi:10.1002/ajim.22624

³⁶ Pamidimukkala, A, et. al. (2022). Occupational Health and Safety Challenges in Construction Industry: A Gender-Based Analysis. Retrieved from https://www.researchgate.net/profile/Sharareh-Kermanshachi/publication/354820545_Occupational_Health_and_Safety_Challenges_in_Construction_Industry_A_Gender-Based_Analysis/links/614e1067f8c9c51a8aeed740/Occupational-Health-and-Safety-Challenges-in-Construction-Industry-A-Gender-Based-Analysis.pdf; Hegewisch, A. & Mefferd, E. (2021). A Future Worth Building: What Tradeswomen Say about the Change They Need in the Construction Industry. Institute for Women's Policy Research. Retrieved from https://iwpr.org/wp-content/uploads/2022/02/A-Future-Worth-Building-What-Tradeswomen-Say_FINAL.pdf

E. Entry and Advancement — Academic research on construction employment

Research suggests that race and gender inequalities in a workplace are often evidenced through the acceptance of the “good old boys’ club” culture.³⁷ There may also be an attachment to the idea that “working hard” will bring success. However, the quantitative and qualitative evidence indicates that “hard work” alone does not ensure success for women and people of color.³⁸

The temporary nature of construction work results in uncertain job prospects, and the relatively high turnover of laborers presents a disincentive for construction firms to invest in training. Some researchers have concluded that constant turnover has lent itself to informal recruitment practices and nepotism, compelling laborers to tap social networks for training and work. They credit the importance of social networks with the high degree of ethnic segmentation in the construction industry.³⁹ Unable to integrate themselves into traditionally white social networks, African Americans and other minorities faced long-standing historical barriers to entering the construction industry.⁴⁰

³⁷ Jackson, Sarah. (2019, Nov. 29). ‘Not the boys’ club anymore’: Eight women take a swing at the construction industry. NBC News. Retrieved from <https://www.nbcnews.com/news/us-news/not-boys-club-anymore-eight-women-take-swing-construction-industry-n1091376>

³⁸ Kelly, M., et al. (2015). When working hard is not enough for female and racial/ethnic minority apprentices in the highway trades. *Sociological Forum*, 30(2), 415-438. doi:10.1111/socf.12169.

³⁹ Watson, T. (2021). Union construction’s racial equity and inclusion charade. *Stanford Social Innovation Review*. Retrieved from https://ssir.org/articles/entry/union_constructions_racial_equity_and_inclusion_charade; Waldinger, R., & Bailey, T. (1991). The continuing significance of race: Racial conflict and racial discrimination in construction. *Politics & Society*, 19(3), 291-323. doi:10.1177/003232929101900302

⁴⁰ Caplan, A., Aujla, A., Prosser, S., & Jackson, J. (2009). Race discrimination in the construction industry: a thematic review. *Equality and Human Rights Commission*, Research Report 23.

E. Entry and Advancement — Unions in the construction industry

Labor researchers characterize construction as a historically volatile industry that is sensitive to business cycles, making the presence of labor unions important for stability and job security within the industry.⁴¹ According to the Bureau of Labor Statistics, in 2023 union membership among people employed in construction occupations was about 11 percent.⁴² Union members comprise a greater share of the construction workforce than found in other industries, as national union membership within all occupations during 2023 was about 10 percent.⁴³ The difference in union membership rates demonstrates the importance of unions within the construction industry. In Washington State, union representation for all occupations in 2023 was about 18 percent.⁴⁴ (There were no BLS data published for the construction industry.)

Construction unions aim to provide a reliable source of labor for employers and preserve job opportunities for workers by formalizing the recruitment process, coordinating training and apprenticeships, enforcing standards of work and mitigating wage competition. The unionized sector of construction would seemingly be a path for African Americans and other underrepresented groups into the industry.

However, some researchers have identified racial discrimination by trade unions that has historically prevented minorities from obtaining employment in skilled trades.⁴⁵ Some researchers have argued that union discrimination has taken place in a variety of forms, including the following examples:

- Unions have used admissions criteria that adversely affect minorities. In the 1970s, federal courts ruled that standardized testing requirements for unions unfairly disadvantaged minority applicants who had less exposure to testing. In addition, the policies that required new union members to have relatives who were already in the union perpetuated the effects of past discrimination.⁴⁶
- Of those people of color who are admitted to unions, a disproportionately low number are admitted into union-coordinated apprenticeship programs. Apprenticeship programs are an important means of producing skilled construction laborers, and the reported exclusion of African Americans from those programs has severely limited their access to skilled occupations in the construction industry.⁴⁷

⁴¹ Applebaum, H. A. (1999). *Construction workers, U.S.A.* Westport, CT: Greenwood Press.

⁴² Bureau of Labor Statistics, U.S. Department of Labor. (2024, January 23). *Union Members – 2023* [Press release]. Retrieved from <https://www.bls.gov/news.release/pdf/union2.pdf>

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Watson, T. (2021). Union construction's racial equity and inclusion charade. *Stanford Social Innovation Review*. Retrieved from

https://ssir.org/articles/entry/union_constructions_racial_equity_and_inclusion_charade

⁴⁶ Ibid.; U.S. v. Iron Workers Local 86, 443 F.2d 544 (9th Cir. 1971); Sims v. Sheet Metal Workers International Association, 489 F. 2d 1023 (6th Cir. 1973); U.S. v. International Association of Bridge, Structural and Ornamental Iron Workers, 438 F.2d 679 (7th Cir. 1971).

⁴⁷ Goldberg, D.A. & Griffey, T. (2010). *Black power at work: Community control, affirmative action, and the construction industry*. Ithaca, NY: Cornell University Press.

E. Entry and Advancement — Unions in the construction industry

- Although formal training and apprenticeship programs exist within unions, most training of union members takes place informally through social networking. Nepotism characterizes the unionized sector of construction as it does the non-unionized sector, and that practice favors a white-dominated status quo.⁴⁸
- Traditionally, unions have been successful in resisting policies designed to increase African American participation in training programs. The political strength of unions in resisting affirmative action in construction has hindered the advancement of African Americans in the industry.⁴⁹
- Discriminatory practices in employee referral procedures, including apportioning work based on seniority, have precluded union members of color from having the same access to construction work as their white counterparts.⁵⁰
- According to testimony from African American union members, even when unions implement meritocratic mechanisms of apportioning employment to laborers, white workers are often allowed to circumvent procedures and receive preference for construction jobs.⁵¹
- Some workers of color face overt, aggressive violence that is racialized with the goal of pushing them out of the workplace. Tactics include racial slurs, physical intimidation, placement in dangerous work situations and intentional “accidents.”⁵²

⁴⁸ Amoah, C. & Steyn, D. (2022). “Barriers to unethical and corrupt practices avoidance in the construction industry”. *International Journal of Building Pathology and Adaptation*. 2398-4708. Retrieved from <https://www.emerald.com/insight/content/doi/10.1108/IJBPA-01-2022-0021/full/html>

⁴⁹ Goldberg, D.A. & Griffey, T. (2010). *Black power at work: community control, affirmative action, and the construction industry*. Ithaca, NY: Cornell University Press.

⁵⁰ Watson, T. (2021). Union construction’s racial equity and inclusion charade. *Stanford Social Innovation Review*. Retrieved from

https://ssir.org/articles/entry/union_constructions_racial_equity_and_inclusion_charade

⁵¹ Goldberg, D.A. & Griffey, T. (2010). *Black power at work: community control, affirmative action, and the construction industry*. Ithaca, NY: Cornell University Press.

⁵² Watson, T. (2021). Union construction’s racial equity and inclusion charade. *Stanford Social Innovation Review*. Retrieved from https://ssir.org/articles/entry/union_constructions_racial_equity_and_inclusion_charade

E. Entry and Advancement — Unions in the construction industry

Research suggests that the relationship between people of color and unions has been changing. As a result, historical observations may not be indicative of current dynamics in construction unions. Recent studies focusing on the role of unions in apprenticeship programs have compared minority and female participation and graduation rates for apprenticeships in joint programs (that unions and employers organize together) with rates in employer-only programs.

Many of those studies conclude that the impact of union involvement is generally positive or neutral for minorities and women, compared to non-Hispanic white males, as summarized below.

- Researchers analyzing apprenticeship programs in the U.S. construction industry found that joint programs had “much higher enrollments and participation of women and ethnic/racial minorities” and exhibited “markedly better performance for all groups on rates of attrition and completion” compared to employer-run programs.⁵³

- In a similar analysis focusing on female apprentices, Bilginsoy and Berik found that women were most likely to work in highly skilled construction professions as a result of enrollment in joint programs as opposed to employer-run programs. Moreover, the effect of union involvement in apprenticeship training was higher for African American women than for white women.⁵⁴
- Additional research on the presence of African Americans and Hispanic Americans in apprenticeship programs found that African Americans were 8 percent more likely to be enrolled in a joint program than in an employer-run program. However, Hispanic Americans were less likely to be in a joint program than in an employer-run program.⁵⁵ Those data suggest that Hispanic Americans may be more likely than African Americans to enter the construction industry without the support of a union.
- More recent analysis shows that shorter apprenticeship programs that are operated by single employers working jointly with a union are consistent with higher completion rates for all participants.⁵⁶

⁵³ Glover, R. W., & Bilginsoy, C. (2005). Registered apprenticeship training in the U.S. construction industry. *Education + Training*, 47(4/5), 337-349. doi:10.1108/00400910510601913

⁵⁴ Berik, G., & Bilginsoy, C. (2006). Still a wedge in the door: Women training for the construction trades in the USA. *International Journal of Manpower*, 27(4), 321-341. doi:10.1108/01437720610679197

⁵⁵ Bilginsoy, C. (2005). How unions affect minority representation in building trades apprenticeship programs. *Journal of Labor Research*, 26(3), 451-463. doi:10.1007/s12122-005-1014-4

⁵⁶ Kuehn, D. Registered Apprenticeship and Career Advancement for Low-Wage Service Workers. (2019) *Economic Development Quarterly*, 33(2), 134–150. <https://doi.org/10.1177/0891242419838605>

E. Entry and Advancement — Unions in the construction industry

Union membership data support those findings as well. For example, BLS data for 2023 showed that union membership was highest among African Americans, with African American men participating at about 13 percent and African American women at about 11 percent.⁵⁷

In 2023, 10 percent of white workers participated in unions, while about 9 percent of Hispanic American workers and 8 percent of Asian American workers were in a union.⁵⁸ African American participation in unions was higher when focusing on specific industries: Recent research utilizing ACS data puts African American union membership in the construction industry at about 17 percent.⁵⁹

According to recent research, union apprenticeships appear to have drawn more African Americans into the construction trades in some markets,⁶⁰ and studies have found a high percentage of minority construction apprentices.

In 2010 in New York City, for example, approximately 69 percent of first-year local construction apprentices were African American, Hispanic American, Asian American, or members of other minority groups. About 11 percent of local New York City construction apprentices were women.

However, this increase in apprenticeships may not necessarily be indicative of improved prospects for workers of color. A study in Oregon found that, though minority men’s participation in construction apprenticeships was roughly proportional to their representation in the state’s workforce, their representation in skilled trades apprenticeships was lower than what might be expected.⁶¹

⁵⁷ Bureau of Labor Statistics, U.S. Department of Labor. (2024, January 23). *Union Members – 2023* [Press release]. Retrieved from <https://www.bls.gov/news.release/pdf/union2.pdf>

⁵⁸ Ibid.

⁵⁹ Bucknor, C. (2016). *Black workers, unions, and inequality*. Washington D.C.: Center for Economic and Policy Research.

⁶⁰ Mishel, L. (2017). *Diversity in the New York City union and nonunion construction sectors* (Rep.). Retrieved from Economic Policy Institute website: <http://www.epi.org/publication/diversity-in-the-nyc-construction-union-and-nonunion-sectors/>

⁶¹ Berik, G., Bilginsoy, C., & Williams, L. S. (2011). Gender and racial training gaps in Oregon apprenticeship programs. *Labor Studies Journal*, 36(2), 221-244. doi:10.1177/0160449x10396377

E. Entry and Advancement — Unions in the construction industry

Although union membership and union program participation vary based on race and ethnicity, there is no clear picture from the research about the causes of those differences and their effects on construction industry employment. Research is especially limited concerning the impact of unions on African American employment. It is unclear from past studies whether unions presently help or hinder equal opportunity in construction and whether effects in the local marketplace are different from other parts of the country. In addition, current research indicates that the effects of unions on entry into the construction industry may differ by minority group. Some unions are actively trying to provide a more inclusive environment for racial minorities and women through “insourcing” and active recruitment into apprenticeship programs.^{62, 63}

To research opportunities for advancement in the local marketplace construction industry, Keen Independent examined the representation of people of color and women in construction occupations (defined by the U.S. Bureau of Labor Statistics⁶⁴). Appendix E describes trades with large enough sample sizes in the 2018–2022 ACS for analysis.

⁶² Judd, R. (2016, November 30). Seattle’s building boom is good news for a new generation of workers. *The Seattle Times, Pacific NW Magazine*. Retrieved from <https://www.seattletimes.com/pacific-nw-magazine/seattles-building-boom-is-good-news-for-a-new-generation-of-workers/>

⁶³ For example, Boston’s “Building Pathways” apprenticeship program is designed to recruit workers from low-income underserved communities. <https://buildingpathwaysboston.org/>

⁶⁴ Bureau of Labor Statistics, U.S. Department of Labor. (2001). Standard occupational classification major groups. Retrieved from http://www.bls.gov/soc/major_groups.htm

E. Entry and Advancement — Advancement in the construction industry

Race/Ethnicity

Figure E-4 shows workers of color as a share of all workers in select construction occupations in the local marketplace for 2018–2022, including lower-skill occupations (e.g., construction laborers), higher-skill construction trades (e.g., electricians) and supervisory roles.

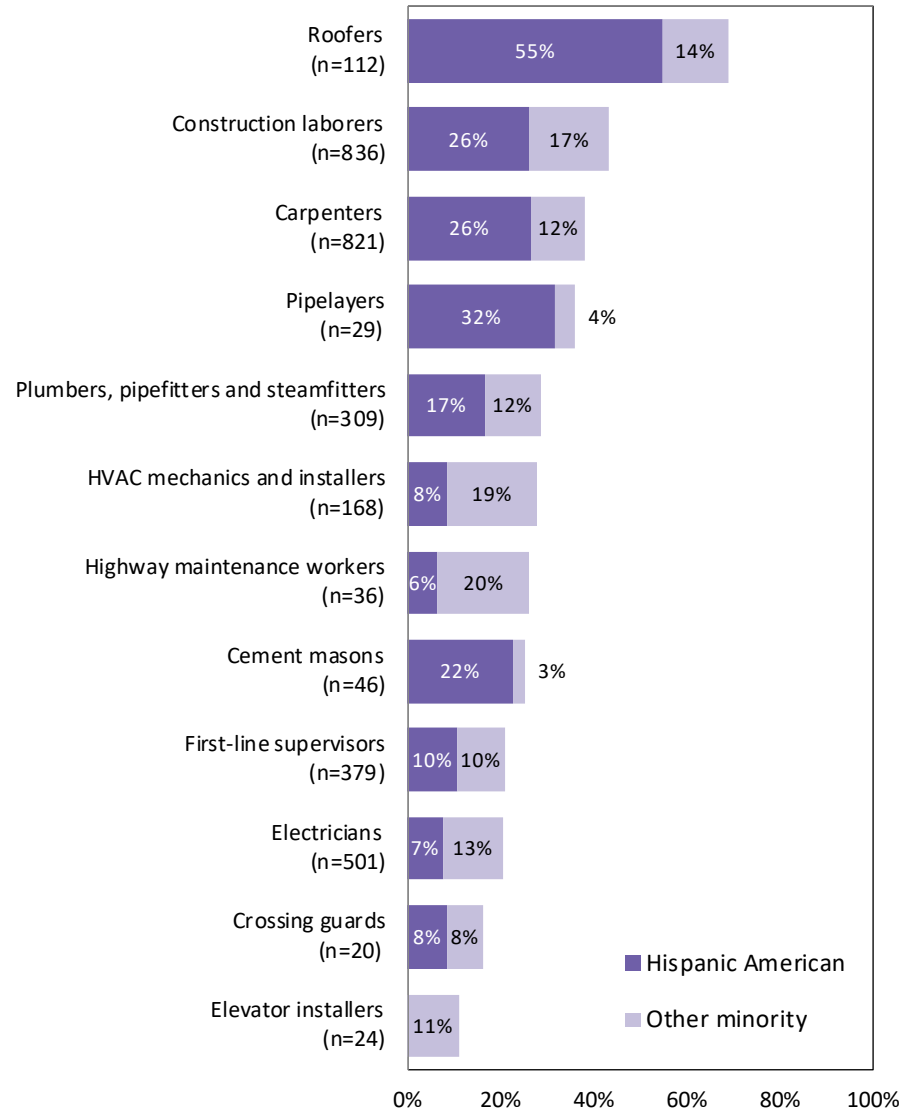
Based on 2018–2022 ACS data, there are large differences in the racial and ethnic makeup of workers in various construction trades in the local marketplace. The representation of workers of color was greater among certain trades such as:

- Roofers;
- Construction laborers;
- Carpenters; and
- Pipelayers.

However, representation of people of color in the following occupations was relatively low:

- First-line supervisors;
- Electricians;
- Crossing guards; and
- Elevator installers.

E-4. People of color as a percentage of selected construction occupations in the Western Washington area, 2018–2022



Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

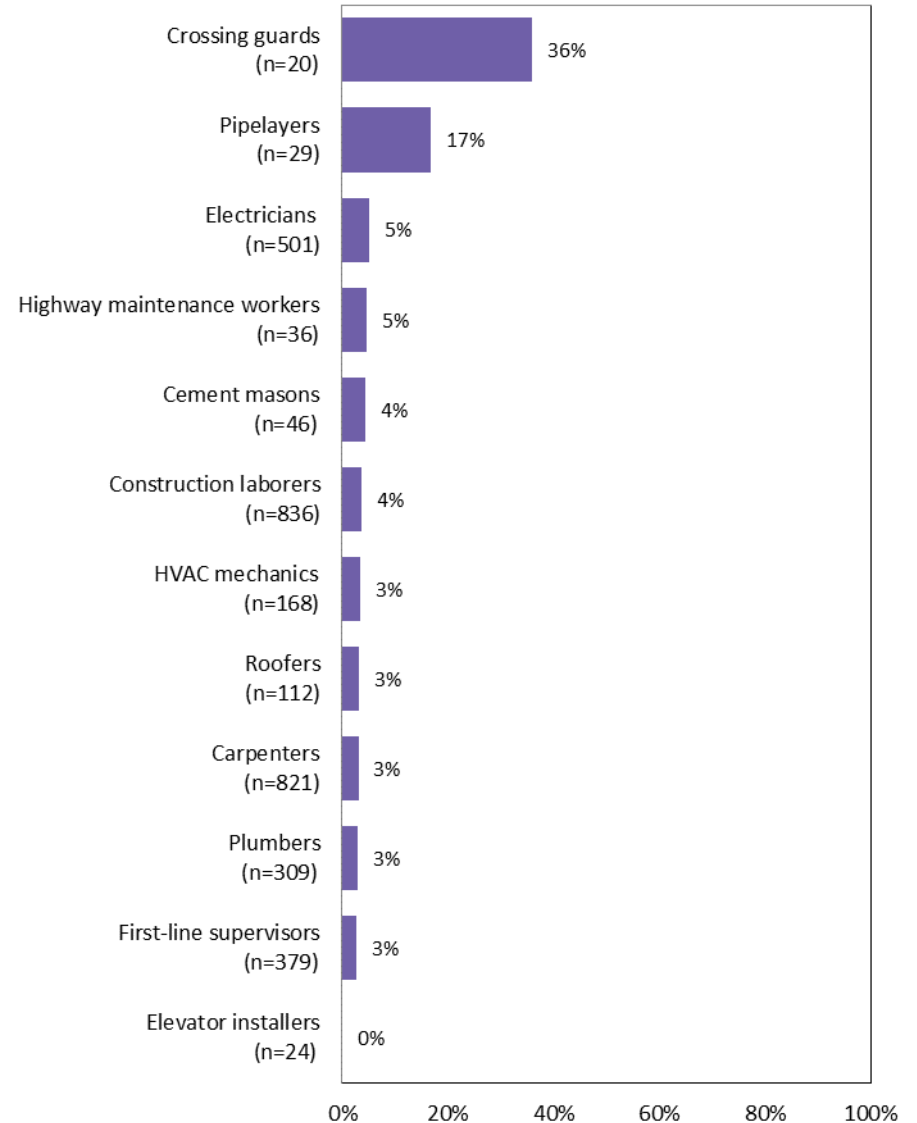
E. Entry and Advancement — Advancement in the construction industry

Gender

Keen Independent also analyzed the proportion of workers who are women in construction-related occupations. Figure E-5 summarizes the representation of women in select construction-related occupations in the local marketplace for 2018–2022. (Overall, women made up just 13 percent of workers in the industry in 2018–2022.)

In the local marketplace from 2018–2022, women accounted for 5 percent or fewer of those working in most of the large construction trades. There were no women elevator installers in the ACS sample data.

E-5. Women as a percentage of selected construction occupations in the Western Washington area, 2018–2022



Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

E. Entry and Advancement — Advancement in the construction industry

Percentage of People of Color Who are Managers

To further assess advancement opportunities in the Western Washington area construction industry, Keen Independent examined the proportion of construction workers who reported being managers. Figure E-6 presents the percentage of construction employees who reported working as managers in 2018–2022 within the local marketplace by racial/ethnic and gender group.

In 2018–2022, there was underrepresentation of people of color among construction workers who worked as managers. The likelihood of working as a manager was lower for:

- African Americans;
- Asian Americans
- Hispanic Americans; and
- Native Americans.

These differences were statistically significant for African Americans and Hispanic Americans (see Figure E-6).

Percentage Women Who are Managers

In the Western Washington area construction industry, about 8 percent of women construction workers were managers, lower than the 12 percent of male workers who were managers in 2018–2022. This difference was statistically significant.

Percentage of Veterans Who are Managers

In the Western Washington area construction industry, about 13 percent of workers who were veterans were managers, compared with about 11 percent of nonveterans who were managers between 2018–2022. This difference was not statistically significant.

E-6. Percentage of construction workers who worked as a manager in the Western Washington area, 2018–2022

	2018-2022
Race/ethnicity	
African American	7.4 % **
Asian American	11.6
Hispanic American	4.6 **
Native American	10.7
Non-Hispanic white	12.9
Gender	
Female	7.8 % **
Male	11.5
Veteran status	
Veteran	13.2 %
Not a veteran	10.9
All individuals	11.0 %

Note: ** Denotes that the difference in proportions between the minority and non-Hispanic white groups (or between females and males) for the given Census/ACS year is statistically significant at the 95% confidence level.

Asian-Pacific Americans and Subcontinent Asian Americans were combined under “Asian American” due to low a low sample size.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

E. Entry and Advancement — Educational requirements for professional services jobs

As in construction, any underrepresentation in employment in the professional services industry can affect the number of businesses owned by people of color and women.

Education of People Working in the Professional Services Industry

Many professional services occupations require at least a four-year college degree and some require licensure. According to the 2018–2022 ACS, 69 percent of individuals working in the Western Washington area professional services industry had at least a four-year college degree and 9 percent had a two-year degree.

Barriers to college education can restrict employment opportunities, advancement opportunities and, consequently, business ownership in the professional services industries. Low numbers of business owners in professional services may in part reflect the lack of higher education for particular racial and ethnic groups.⁶⁵ Keen Independent explores this issue below.

Race/ethnicity. Figure E-7 presents the percentage of workers age 25 and older with at least a four-year college degree in the local marketplace (across all industries). Relatively fewer African Americans, Hispanic Americans and Native Americans or other people of color (except Asian Americans) had college degrees than non-Hispanic whites. This gap in educational achievement affects employment opportunities for those groups in the professional services industry.

Gender. Figure E-7 also presents the results by gender group. According to 2018–2022 data for workers in the local marketplace, about 51 percent of women age 25 and older had at least a four-year college degree, higher than the 46 percent found for men.

E-7. Percentage of all workers 25 and older with at least a four-year degree in the Western Washington area, 2018–2022

	2018-2022
Race/ethnicity	
African American	32.2 % **
Asian American	62.2 **
Hispanic American	28.8 **
Native American	38.7 **
Non-Hispanic white	49.2
Gender	
Female	50.6 % **
Male	46.0
All individuals	48.1 %

Note: ** Denotes that the difference in proportions between the minority and non-Hispanic white groups (or between females and males) for the given Census/ACS year is statistically significant at the 95% confidence level.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

⁶⁵ Dickson, P. H., Solomon, G. T., & Weaver, K. M. (2008). Entrepreneurial selection and success: Does education matter? *Journal of Small Business and Enterprise Development*, 15(2), 239-258. doi:10.1108/14626000810871655; Bates, T., Bradford, W., & Seamans,

R. (2018). Minority entrepreneurship in twenty-first century America. *Small Business Economics* 50 415-427; Macionis, J. J. (2018). *Sociology* (16th ed.). Harlow, England: Pearson.

E. Entry and Advancement — Professional services industry employment

Employment in the Professional Services Industry

Figure E-8 compares the demographic composition of professional services workers (in subindustries related to the study) to that of workers in all other industries who are 25 years or older and have a college degree.

In 2018–2022, the representation of African Americans, Asian Americans, Hispanic Americans and Native Americans in the Western Washington area professional services industry was lower than their representation among workers of similar education across all other industries (statistically significant differences). Figure E-8 provides these results.

Women were also underrepresented in the local professional services industry (among people with a college degree). This difference was statistically significant.

The representation of veterans in the professional services industry was slightly less than veteran representation in all other industries among people with a four-year college degree. This difference was not statistically significant.

E-8. Demographic distribution of workers in professional services industry with college degree and age 25 and older with a four-year college degree in all other industries in the Western Washington area, 2018–2022

	Professional services	All other industries
Race/ethnicity		
African American	2.9 % **	4.6 %
Asian American	16.4 **	23.1
Hispanic American	4.6 **	5.8
Native American	1.9 **	2.5
Total minority	25.8 %	36.0 %
Non-Hispanic white	74.2 **	64.0
Total	100.0 %	100.0 %
Gender		
Female	45.4 % **	47.4 %
Male	54.6 **	52.6
Total	100.0 %	100.0 %
Veteran status		
Veteran	4.5 %	5.0 %
Not a veteran	95.5	95.0
Total	100.0 %	100.0 %

Notes: ** Denotes that the difference in proportions between workers in the specified industry and all other industries for the given race definition and Census/ACS year is statistically significant at the 95% confidence level.

“All other industries” includes all industries other than the professional services industries.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

E. Entry and Advancement — Academic research on professional services employment

Many studies have examined the factors that contribute to low minority and female participation in the STEM fields.⁶⁶ Some factors that may play a role include isolation within work environments,⁶⁷ negative bias toward females in the engineering fields,⁶⁸ the perception that STEM fields are non-communal,⁶⁹ low anticipated power in male-dominated domains such as the STEM fields⁷⁰ and inadequate secondary-school preparation for college-level STEM courses.⁷¹

Researchers have also found that some minority groups, including African Americans, Hispanic Americans and Native Americans, continue to have disproportionately low representation among recipients of science and engineering bachelor's and doctorate degrees. The study

found that those same groups were also underrepresented among employees in science and engineering occupations.⁷²

Organizations in the Western Washington area marketplace have been created to address and combat this disparate representation in STEM fields. Examples include FabLab Education,⁷³ iUrban Teen⁷⁴ and YWCA Seattle King Snohomish's Femme2STEM program.⁷⁵

⁶⁶ See, e.g., Rice, D. (2017). Diversity in STEM? Challenges influencing the experiences of African American female engineers. In J. Ballenger, B. Polnick, & B. J. Irby (Eds.), *Women of color in STEM: Navigating the workforce* (pp. 157-180). Charlotte, NC: Information Age Publishing; Moss-Racusin, C. A., Dovidio, J. F., Brescoll, V. L., & Graham, M. J. (2012). Science faculty's subtle gender biases favor male students. *Proceedings of the National Academy of Sciences*, 109(41), 16474-16479. doi:10.1073/pnas.1211286109

⁶⁷ Rice, D. (2017). Diversity in STEM? Challenges influencing the experiences of African American female engineers. In J. Ballenger, B. Polnick, & B. J. Irby (Eds.), *Women of color in STEM: Navigating the workforce* (pp. 157-180). Charlotte, NC: Information Age Publishing; Strayhorn, T. L. (2015). Factors influencing black males' preparation for college and success in STEM majors: A mixed methods study. *Western Journal of Black Studies*, 39(1), 45-63. Retrieved from http://link.galegroup.com.ezp3.lib.umn.edu/apps/doc/A419267248/EAIM?u=umn_wilson&sid=EAIM&xid=dd369039; Wagner, S. H. (2017). Perceptions of support for diversity and turnover intentions of managers with solo-minority status. *Journal of Organizational Psychology*, 17(5), 28-36. Retrieved from http://www.na-businesspress.com/JOP/WagnerSH_17_5_.pdf

⁶⁸ Banchevsky, S., Westfall, J., Park, B., & Judd, C. M. (2016). But you don't look like a scientist! Women scientists with feminine appearance are deemed less likely to be scientists. *Sex Roles*, 75(3/4), 95-109. doi:10.1007/s11199-016-0586-1; Colwell, R., Bear, A., & Helman, A. (2020). *Promising practices for addressing the underrepresentation of women in science, engineering, and medicine: opening doors*. Washington D.C.: The National Academies Press.

⁶⁹ Stout, J. G., Grunberg, V. A., & Ito, T. A. (2016). Gender roles and stereotypes about science careers help explain women and men's science pursuits. *Sex Roles*, 75(9/10), 490-499. doi:10.1007/s11199-016-0647-5

⁷⁰ Smith, K., & Gayles, J. (2018). "Girl power": gendered academic and workplace experiences of college women in engineering. *Social Sciences*, 7(1); Chen, J. M., & Moons, W. G. (2014). They won't listen to me: Anticipated power and women's disinterest in male-dominated domains. *Group Processes & Intergroup Relations*, 18(1), 116-128. doi:10.1177/1368430214550340

⁷¹ Strayhorn, T. L. (2015). Factors influencing black males' preparation for college and success in STEM majors: A mixed methods study. *Western Journal of Black Studies*, 39(1), 45-63. Retrieved from http://link.galegroup.com.ezp3.lib.umn.edu/apps/doc/A419267248/EAIM?u=umn_wilson&sid=EAIM&xid=dd369039

⁷² National Center for Science and Engineering Statistics. (2017, January 31). NCSES publishes latest Women, Minorities, and Persons with Disabilities in Science and Engineering report. *National Science Foundation: Where Discoveries Begin*. Retrieved from https://www.nsf.gov/news/news_summ.jsp?cntn_id=190946

⁷³ FabLab Education (2024). <https://www.fablabeducation.org/>

⁷⁴ iUrban Teen (2024). <https://iurbanteen.org/locations/seattle/>

⁷⁵ YWCA Seattle King Snohomish Femme2STEM (2024). <https://www.ywcaworks.org/programs/femme2stem>

E. Entry and Advancement — Employment in the goods industry

Keen Independent also examined the demographic composition of the segments of the local goods industry workforce. Figure E-9 presents these results.

In 2018–2022, people of color represented about 30 percent of the workforce in the Western Washington and Cowlitz County area goods industry. African Americans and Asian Americans were underrepresented as employees in that industry. These differences were statistically significant.

About 26 percent of workers in the goods sector were women in 2018–2022, which is less than the representation of women in other industries (46%). This difference was statistically significant.

In 2018–2022, 7 percent of workers in the goods sector were veterans, compared to 6 percent of workers in all other industries. This difference was statistically significant.

E-9. Demographic distribution of workers in goods and all other industries in the Western Washington and Cowlitz County area, 2018–2022

	Goods		All other industries
Race/ethnicity			
African American	5.2 %	**	6.9 %
Asian American	11.0	**	17.1
Hispanic American	11.2		10.3
Native American	3.1		3.1
Total minority	30.4 %		37.5 %
Non-Hispanic white	69.6	**	62.5
Total	100.0 %		100.0 %
Gender			
Female	26.4 %	**	45.8 %
Male	73.6	**	54.2
Total	100.0 %		100.0 %
Veteran status			
Veteran	7.2 %	**	5.9 %
Not a veteran	92.8	**	94.1
Total	100.0 %		100.0 %

Notes: ** Denotes that the difference in proportions between workers in the specified industry and all other industries for the given race definition and Census/ACS year is statistically significant at the 95% confidence level.

"All other industries" includes all industries other than the goods industry.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

E. Entry and Advancement — Employment in the other services industry

Keen Independent also examined the demographic composition of workers in the “other services” industry (services other than professional services). Keen Independent defined the other services industry in this study as a wide range of sectors, such as landscaping services and waste collection. Figure E-10 presents results.

People of color represented about 40 percent of the workforce in the local other services industry in 2018–2022, about 2 percentage points higher than in all other industries in the local area (38%). Asian Americans were underrepresented as employees in that industry. This difference was statistically significant.

About 22 percent of workers in the industry were women in 2018–2022, which is less than the representation of women in other industries (46%). This difference was statistically significant.

In 2018–2022, 9 percent of workers in the local other services industry were veterans, which is more than the percentage of workers in all other industries who are veterans (6%). This difference was statistically significant.

E-10. Demographic distribution of workers in other services and all other industries in the Western Washington area, 2018–2022

	Other services	All other industries
Race/ethnicity		
African American	9.8 % **	6.9 %
Asian American	10.8 **	17.5
Hispanic American	16.3 **	10.2
Native American	3.0	3.1
Total minority	39.8 %	37.6 %
Non-Hispanic white	60.2 **	62.4
Total	100.0 %	100.0 %
Gender		
Female	21.9 % **	46.0 %
Male	78.1 **	54.0
Total	100.0 %	100.0 %
Veteran status		
Veteran	9.1 % **	5.8 %
Not a veteran	90.9 **	94.2
Total	100.0 %	100.0 %

Notes: ** Denotes that the difference in proportions between workers in the specified industry and all other industries for the given race definition and Census/ACS year is statistically significant at the 95% confidence level.

"All other industries" includes all industries other than the other services industry.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

E. Entry and Advancement — Summary of results

People of color were about 38 percent of the Western Washington area marketplace workforce between 2018 and 2022. Women accounted for about 45 percent of all workers. Veterans were about 6 percent of all workers.

Analysis of the workforce in the Western Washington area study industries indicates that there could be barriers to employment for some minority groups and for women in certain industries, as summarized below.

- Among construction workers, African Americans, Asian Americans and women were underrepresented compared to representation among workers in all other industries. These differences were statistically significant.

In the Western Washington area marketplace, representation of people of color in construction trades such as highway maintenance workers, plumbers, pipelayers and HVAC mechanics was low when compared to representation in the construction industry as a whole. There was also low representation for construction trades for women. There was one construction trade examined in which there were no women in the Census Bureau sample data for the Western Washington area marketplace (elevator installers).

- After controlling for educational attainment, African Americans, Asian Americans, Hispanic Americans, Native Americans and women constituted a smaller portion of the local professional services workforce when compared to representation among workers in all other industries. These differences were all statistically significant.

- In the Western Washington and Cowlitz County area goods industry, African Americans, Asian Americans and women represented a smaller portion of workers than would be expected based on representation among workers in all other industries. These differences were statistically significant.
- In the other services industry, a relatively large share of workers were people of color. However, Asian Americans and women represented a smaller portion of workers than would be expected based on representation among workers in all other industries. These differences were statistically significant.

Any barriers to entry or advancement in the study industries might affect the relative number of businesses owned by people of color and women in these industries in the local area. Appendix F, which follows, examines rates of business ownership among individuals working in the study industries.

Except for professional services, representation of veterans as employees was higher in the study industries than in other industries.

APPENDIX F. Business Ownership — Introduction

As demonstrated in Appendix E, many of the people working in local study industries are business owners. Further analysis shows that:

- About 16 percent of those working in construction in the Western Washington area marketplace were self-employed business owners in 2018–2022.
- Approximately 25 percent of those working in the local professional services industry were self-employed business owners.
- About 5 percent of those working in the local goods industry in the Western Washington and Cowlitz County area marketplace were self-employed.
- About 17 percent of those working in the local other services industry were self-employed.

Focusing on these study industries, Keen Independent examined business ownership for different groups of workers in the Western Washington area marketplace using Public Use Microdata Samples (PUMS) from the 2018–2022 American Community Survey (ACS).

Keen Independent assessed whether the rates of business ownership within each industry differed for people of color and women compared with other workers in those industries. The study team also compared business ownership rates for veterans and non-veterans.

Appendix F also provides information on how the COVID-19 pandemic, the Great Recession and other major events have impacted business ownership at the national and regional level.

Many studies have explored differences between minority and non-minority business ownership at the national level.¹ Although self-employment rates have increased for people of color and women over time, several studies indicate that race, ethnicity and gender continue to affect opportunities for business ownership. The extent to which such individual characteristics may limit business ownership opportunities differs across industries and regions.^{2,3,4}

Keen Independent classified workers as self-employed if they reported that they worked in their own unincorporated or incorporated business in the ACS data.

¹ See, e.g., Bates, T., & Robb, A.M. (2016). Impacts of owner race and geographic context on access to small-business financing. *Economic Development Quarterly*, 30(2), 159-170; Fairlie, R. (2018). Racial inequality in business ownership and income. *Oxford Review of Economic Policy*, 34(4) 597-614; Fairlie, R. W., Robb, A. M., & Robinson, D.T. (2020). Black and white: Access to capital among minority-owned startups. *National Bureau of Economic Research, Working Paper (28154)*; Vallejo, J.A., & Canizales, S. (2016). Latino/a professionals as entrepreneurs. *Ethnic and Racial Studies*, 39 (9) 1637-1656; Chatterji, A. K., Chay, K. Y., & Fairlie, R. W. (2013). The impact of city contracting set-asides on black self-employment and employment. *Journal of Labor Economics*, 32(3), 507-561.

² Lofstrom, M., Bates, T., & Parker, S. C. (2014). Why are some people more likely to become small-business owners than others: Entrepreneurship entry and industry-specific barriers. *Journal of Business Venturing*, 29(2), 232-251.

³ Bento, A., & Brown, T. (2020). Belief in systemic racism and self-employment among working Blacks. *Ethnic and Racial Studies* 44(1), 21-38.

⁴ Struckell, E.M., Patel, P.C., Ojha, D., Oghazi, P. (2022). Financial literacy and self employment—The moderating effect of gender and race. *Journal of Business Research* 139, 639-653.

F. Business Ownership — Business ownership rates in construction industry

In 2018–2022, about 16 percent of workers in the Western Washington area marketplace construction industry were self-employed.

Figure F-1 shows that the business ownership rates for African Americans and Hispanic Americans working in the industry (6% and 12%, respectively) were lower than non-Hispanic white workers (18%). These differences were statistically significant.

The business ownership rate for women working in the industry (11%) was about 6 percentage points below the business ownership rate among men (17%). This difference was statistically significant.

The business ownership rate for veterans in the local construction industry was slightly lower than non-veterans but this difference was not statistically significant.

F-1. Percentage of workers in the Western Washington marketplace construction industry who were self-employed, 2018–2022

Demographic group	2018-2022
Race/ethnicity	
African American	6.4 % **
Asian American	17.4
Hispanic American	11.7 **
Native American	15.2
Non-Hispanic white	18.1
Gender	
Female	11.4 % **
Male	17.1
Veteran status	
Veteran	14.4 %
Not a veteran	16.5
All individuals	16.4 %

Note: ** Denotes that the difference in proportions between the minority and non-Hispanic white groups (or female and male groups) for the given Census/ACS year is statistically significant at the 95% confidence level.

“Asian American” includes Asian-Pacific Americans and Subcontinent Asian Americans and “Native American” includes Native Americans and other minorities.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples. The 2018–2022 ACS raw data extracts were obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

F. Business Ownership — Business ownership rates in professional services industry

Figure F-2 presents the percentage of workers in the Western Washington area marketplace professional services industry who were self-employed based on ACS data for 2018–2022.

According to these data, Asian Americans working in this industry had a lower business ownership rate than non-Hispanic whites. This difference was statistically significant.

About 25 percent of women and a similar percentage of men working in this industry were business owners.

Veterans working in the professional services industry were more likely than nonveterans to own a business (a statistically significant difference).

F-2. Percentage of workers in the Western Washington professional services industry who were self-employed, 2018–2022

Demographic group	2018-2022
Race/ethnicity	
African American	25.5 %
Asian American	17.1 **
Hispanic American	26.6
Native American	31.4
Non-Hispanic white	25.9
Gender	
Female	24.9 %
Male	24.5
Veteran status	
Veteran	35.3 % **
Not a veteran	24.1
All individuals	24.7 %

Note: ** Denotes that the difference in proportions between the minority and non-Hispanic white groups (or female and male groups) for the given Census/ACS year is statistically significant at the 95% confidence level.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

F. Business Ownership — Business ownership rates in goods industry

Figure F-3 presents the percentage of workers in the local goods industry who were self-employed based on ACS data for 2018–2022.

According to these data, people of color had lower business ownership rates than non-Hispanic whites working in the Western Washington and Cowlitz County area goods industry. These differences in business ownership rates were statistically significant for African Americans, Asian Americans and Native Americans.

Women working in the local goods industry about as likely as men to own a business.

The business ownership rate for veterans is about the same as nonveterans.

F-3. Percentage of workers in the Western Washington and Cowlitz County area goods industry who were self-employed, 2018–2022

Demographic group	2018-2022
Race/ethnicity	
African American	2.0 % **
Asian American	3.4 **
Hispanic American	4.6
Native American	1.7 **
Non-Hispanic white	6.1
Gender	
Female	5.7 %
Male	5.1
Veteran status	
Veteran	5.5 %
Not a veteran	5.2
All individuals	5.3 %

Note: ** Denotes that the difference in proportions between the minority and non-Hispanic white groups (or female and male groups) for the given Census/ACS year is statistically significant at the 95% confidence level.

“Asian American” refers to Asian-Pacific Americans and Subcontinent Asian Americans and “Native American” includes Native Americans and other minorities.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

F. Business Ownership — Business ownership rates in other services industry

Figure F-4 presents the percentage of workers in the other services industry who were self-employed based on ACS data for 2018–2022.

There were no statistically significant differences between business ownership rates of workers of color and non-Hispanic white workers in the local other services industry except for Asian Americans, who had a higher business ownership rate.

Among workers in this industry, the business ownership rate among women (8%) was about 12 percentage points below the rate among men (20%). This difference was statistically significant.

Of veterans working in the local other services industry, about 14 percent were business owners, compared with 17 percent of nonveterans. This difference was not statistically significant.

F-4. Percentage of workers in the Western Washington other services industry who were self-employed, 2018–2022

Demographic group	2018-2022
Race/ethnicity	
African American	21.1 %
Asian American	21.3 *
Hispanic American	15.5
Native American	16.4
Non-Hispanic white	15.9
Gender	
Female	7.5 % **
Male	19.6
Veteran status	
Veteran	13.8 %
Not a veteran	17.2
All individuals	17.0 %

Note: *, ** Denote that the difference in proportions between the minority and non-Hispanic white groups (or female and male groups) for the given Census/ACS year is statistically significant at the 90% and 95% confidence levels, respectively.
 “Native American” includes Native Americans and people who identified as other races or ethnicities not listed in the table.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

F. Business Ownership — Research on potential causes of differences in ownership rates

National Context

Nationally, researchers have examined whether racial and gender differences in business ownership rates persist after considering personal characteristics such as education and age. Several studies have found that disparities in business ownership still exist even after accounting for such factors.

- **Financial capital.** Some studies have concluded that access to financial capital is a strong determinant of business ownership. Researchers have consistently found correlation between startup capital and business formation, expansion and survival.⁵ Additionally, studies suggest that housing appreciation has a positive effect on small business formation and employment.⁶

⁵ See, e.g., Fairlie, R. W., Robb, A. M., & Robinson, D.T. (2020). Black and white: Access to capital among minority-owned startups. *National Bureau of Economic Research, Working Paper (28154)*; Chatterji, A. K., Chay, K. Y., & Fairlie, R. W. (2013). The impact of city contracting set-asides on black self-employment and employment. *Journal of Labor Economics*, 32(3), 507-561; Vallejo, J.A., & Canizales, S. (2016). Latino/a professionals as entrepreneurs. *Ethnic and Racial Studies*, 39 (9) 1637-1656.

⁶ Kerr, S.P., Kerr, W.R., & Nanda, R. (2022). House prices, home equity and entrepreneurship: Evidence from U.S. Census micro data. *Journal of Monetary Economics* 130, 103-119. Retrieved from <https://doi.org/10.1016/j.jmoneco.2022.06.002>; Fairlie, R. W., & Krashinsky, H. A. (2012). Liquidity constraints, household wealth, and entrepreneurship revisited. *Review of Income and Wealth*, 58, 279-306. Retrieved from <https://doi.org/10.1111/j.1475-4991.2011.00491>.

⁷ Lofstrom, M., & Chunbei, W. (2006). Hispanic self-employment: A dynamic analysis of business ownership. *Forschungsinstitut zur Zukunft der Arbeit (Institute for the Study of Labor)*; Fairlie, R. W., Robb, A. M., & Robinson, D.T. (2020). Black and white: Access to capital among minority-owned startups. *National Bureau of Economic Research, Working Paper (28154)*

However, unexplained racial and ethnic differences in financial capital remain after statistically controlling for those factors.⁷ Studies have found that minorities (particularly African Americans and Hispanic Americans) experience greater barriers to accessing credit and face further credit constraints at business startup and throughout business ownership than non-Hispanic whites.⁸ Access to capital is discussed in more detail in Appendix F.

- **Education.** Education has a positive effect on the probability of business ownership in most industries. Research confirms a significant relationship between education and ability to obtain startup capital.⁹ However, results of multiple studies indicate that minorities are still less likely to own a business than non-minorities with similar levels of education.¹⁰

⁸ Kim, M.J., Lee, K.M., Brown, J.D., & Earle, J.S. (2021). Black Entrepreneurs, Job Creation, and Financial Constraints. *IZA Discussion Paper No. 14403*. Retrieved from <http://dx.doi.org/10.2139/ssrn.3855967>; Lee, A., Mitchell, B., & Lederer, A. (2019). *Disinvestment, discouragement and inequity in small business lending* (Rep.). Retrieved from National Community Reinvestment Coalition website: <https://ncrc.org/disinvestment/>; Dua, A., Mahajan, D., Millan, I., & Stewart, S. (2020). COVID-19's effect on minority-owned small businesses in the United States. *McKinsey & Company*.

⁹ Bates, T., Bradford, W.D., & Seamans, R. (2018). Minority entrepreneurship in the twenty-first century America. *Small Business Economics*, 50, 415-427; Robb, A. M., Fairlie, R. W., & Robinson, D. T. (2009). *Financial capital injections among new black and white business ventures: Evidence from the Kauffman firm survey*. Retrieved from [https://researchbank.swinburne.edu.au/file/aada046e-13eb-46e1-9b85-14bded636232/1/PDF%20\(Published%20version\).pdf](https://researchbank.swinburne.edu.au/file/aada046e-13eb-46e1-9b85-14bded636232/1/PDF%20(Published%20version).pdf)

¹⁰ See, e.g., Bates, T., Bradford, W.D., & Seamans, R. (2018). Minority entrepreneurship in the twenty-first century America. *Small Business Economics*, 50 415-427; Fairlie, R. W., & Meyer, B. D. (1996). Ethnic and racial self-employment differences and possible explanations. *The Journal of Human Resources*, 31(4), 757-793.

F. Business Ownership — Research on potential causes of differences in ownership rates

- **Experience.** Managerial experience and prior-self-employment are important indicators of re-entering or entering business ownership, respectively.¹¹ However, people of color and women have been found to be less likely than white men to hold managerial positions.¹² Additionally, unexplained differences in self-employment between minorities and non-minorities still exist after accounting for business experience.¹³
- **Intergenerational links.** Intergenerational links affect one's likelihood of self-employment.¹⁴ In fact, having an entrepreneurial parent can increase the likelihood of their offspring choosing to be self-employed by up to 200 percent.¹⁵ One study found that experience working for a self-employed family member increases the likelihood of business ownership for minorities.¹⁶

Additionally, business owners with personal experience and/or family with managerial experience have been found to accumulate resources that result in greater business success, and thus continuation in the chosen industry.¹⁷ However, research has found that on average, minorities have fewer intergenerational links to business ownership, which can impact the ability to start and operate a firm.¹⁸

¹¹ Staniewski, M.W., (2016). The contribution of business experience and knowledge to successful entrepreneurship. *Journal of Business Research*, 69(11) 5147-5152; Kim, P., Aldrich, H., & Keister, H. (2006). Access (not) denied: The impact of financial, human, and cultural capital on entrepreneurial entry in the United States. *Small Business Economics*, 27(1), 5-22.

¹² Bloch, K.R., Taylor, T., Church, J., & Buck, A. (2021). An intersectional approach to the glass ceiling: Gender, race and share of middle and senior management in U.S. workplaces. *Sex Roles* 84, 312-325. Retrieved from <https://doi.org/10.1007/s11199-020-01168-4>

¹³ Fairlie, R., & Meyer, B. (2000). Trends in self-employment among white and black men during the twentieth century. *The Journal of Human Resources*, 35(4), 643-669. doi:10.2307/146366

¹⁴ Andersson, L., & Hammarstedt, M. (2010). Intergenerational transmissions in immigrant self-employment: Evidence from three generations. *Small Business Economics*, 34(3), 261–276.

¹⁵ Lindquist, M. J., Sol, J., & Van Praag, M. (2015). Why do entrepreneurial parents have entrepreneurial children? *Journal of Labor Economics*, 33(2), 269-296.

¹⁶ Fairlie, R. W., & Robb, A. M. (2006). Race, families and success in small business: A comparison of African-American-, Asian-, and white-owned businesses. *Russell Sage Foundation*; Fairlie, R. W., & Robb, A. M. (2007). Why are black-owned businesses less successful than white-owned businesses? The role of families, inheritances and business human capital. *Journal of Labor Economics*, 25(2), 289-323.

¹⁷ Staniewski, M.W., (2016). The contribution of business experience and knowledge to successful entrepreneurship. *Journal of Business Research*, 69(11) 5147-5152.

¹⁸ Hout, M. & Rosen, H. (2000). Self-employment, family background, and race. *Journal of Human Resources*, 35(4) 670-692.

F. Business Ownership — Research on potential causes of differences in ownership rates

Impact of COVID-19 on Business Ownership

Major societal events, such as the COVID-19 pandemic and the Great Recession, have impacted business ownership across the country. Research has found that COVID-19 resulted in a loss of 3.3 million active business owners (a 22% decrease from 15 million owners) at the height of the pandemic. This was far greater than what occurred during the Great Recession, where 5 percent of businesses closed.¹⁹ Recovery has been inconsistent across industries, with some business owners rebounding and others continuing to feel the economic effects of the pandemic.

Research shows that COVID-19-induced losses to business earnings were disproportionately felt by minority-owned businesses.²⁰ Based on representative Current Population (CPS) microdata, average business earnings decreased as follows:

- 15 percent for Asian business owners;
- 11 percent for African American business owners;
- 7 percent for Hispanic business owners; and
- 2 percent for white business owners.²¹

In addition to race, factors including industry, geographic region, education level and gender impacted how business owners experienced the economic effects of COVID-19. The largest losses in business earnings in the pandemic were in leisure and hospitality, wholesale and retail trade.²² Regions including the West and the South, as well as central cities areas, saw the greatest impact.²³ Business owners with a bachelor's degree were more immune to economic losses.²⁴

An estimated 25 percent of woman-owned businesses had closed during the height of the pandemic.²⁵ Business closure rates were higher for women of color and higher still for women of color who did not have a bachelor's degree.²⁶

¹⁹ Fairlie, R. (2020). *COVID-19, small business owners, and racial inequality*. Retrieved from https://www.nber.org/reporter/2020number4/covid-19-small-business-owners-and-racial-inequality?force_isolation=true

²⁰ Fairlie, R. (2022). *The Impacts of COVID-19 on Racial Disparities in Small Business Earnings*. U.S. Small Business Administration Office of Advocacy. Retrieved from https://cdn.advocacy.sba.gov/wp-content/uploads/2022/08/16104005/Report_COVID-and-Racial-Disparities_508c.pdf

²¹ Ibid.

²² Ibid.

²³ Ibid.

²⁴ Ibid.

²⁵ Mills, C., & Battisto, J. (2020). *Double jeopardy: COVID-19's concentrated health and wealth effects in black communities*. *Federal Reserve Bank of New York*; Fairlie, R. (2020). *COVID-19, small business owners, and racial inequality*. Retrieved from https://www.nber.org/reporter/2020number4/covid-19-small-business-owners-and-racial-inequality?force_isolation=true

²⁶ Mills, C., & Battisto, J. (2020). *Double jeopardy: COVID-19's concentrated health and wealth effects in black communities*. *Federal Reserve Bank of New York*

F. Business Ownership — Research on potential causes of differences in ownership rates

Major reasons behind such a disproportionate impact on minority-owned businesses include the following:

- Minority-owned businesses were facing structural and social issues prior to the pandemic that negatively affected ownership and success, such as discrimination and lack of access to capital. Consequently, these firms were more likely to be at risk during and after the pandemic, particularly African American- and Hispanic American-owned businesses.²⁷
- Minority-owned businesses were concentrated in fields hit heavily by COVID-19, such as leisure and hospitality, wholesale and retail trade.²⁸
- Minority-owned businesses had limited access to funding during the pandemic, such as the Paycheck Protection Program (PPP), due primarily to a lack of existing relationships with financial intermediaries (e.g., Small Business Administration lenders).

Findings from the Small Business Credit Survey indicate that minority business owners were less likely than their white counterparts to receive PPP funding. White business owners received some or all of the funding requested 91 percent of the time, compared to 76 percent of Hispanic American business owners and 66 percent of African American business owners.²⁹ Challenges accessing PPP loans included disparities in encouragement to apply, lack of information about the program, lack of information regarding alternatives and differences in access to guidelines and outcomes of the program.³⁰

An additional factor that impacted all business ownership, regardless of race, gender or business size, were supply chain disruptions experienced by most industries, which limited access to goods and limited productivity.³¹

Intergenerational small businesses were challenged by the COVID-19 pandemic as well. Deaths of older family members (as well as the fear of death) hastened succession, led some to reevaluate business ownership and led others to consider business sale or closure.³²

²⁷ Dua, A., Mahajan, D., Millan, I., & Stewart, S. (2020). COVID-19's effect on minority-owned small businesses in the United States. *McKinsey & Company*.

²⁸ Fairlie, R. (2022). The Impacts of COVID-19 on Racial Disparities in Small Business Earnings. *U.S. Small Business Administration Office of Advocacy*. Retrieved from https://cdn.advocacy.sba.gov/wp-content/uploads/2022/08/16104005/Report_COVID-and-Racial-Disparities_508c.pdf

²⁹ The Federal Reserve Bank. (2022). Small business credit survey: 2022 report on firms owned by people of color. *Federal Reserve Bank*. Retrieved from <https://www.fedsmallbusiness.org/survey/2022/2022-report-on-firms-owned-by-people-of-color>.

³⁰ Lederer, A., Oros, S., Bone, S., Christensen, G., & Williams, J. (15 July 2020). Lending discrimination within the Paycheck Protection Program. *National Community Reinvestment Coalition*. Retrieved from <https://www.ncrc.org/lending-discrimination-within-the-paycheck-protection-program/>.

³¹ Van Hoek, R. (2020). Responding to COVID-19 supply chain risks—insights from supply chain change management, total cost of ownership and supplier segmentation theory. *Logistics, 4(4)* 23.

³² De Massis, A. & Rondi, E. (2020). COVID-19 and the future of family business research. *Journal of Management Studies*. Retrieved from https://bia.unibz.it/view/delivery/39UBZ_INST/12236541630001241/13236541620001241

F. Business Ownership — Construction industry regression analyses

Regression Analyses

As discussed above, race, ethnicity and gender can affect opportunities for business ownership, even when accounting for personal characteristics such as education, age and family status.

To further examine business ownership, Keen Independent developed multivariate regression models for each study industry. Those models estimate the effect of race, ethnicity and gender on the probability of business ownership while statistically controlling for certain personal and family characteristics of the worker.

An extensive body of literature examines whether personal factors such as access to financial capital, education, age and family characteristics (e.g., marital status) explain differences in business ownership. That subject has also been examined in other disparity studies that have been favorably reviewed in court.³³ For example, studies in Minnesota and Illinois have used econometric analyses to investigate whether disparities in business ownership for minorities and women working in the construction and A&E industries persist after statistically controlling for race- and gender-neutral personal characteristics.^{34,35}

Those studies developed probit econometric models (a particular type of regression model) based on Census data, which were included in the materials that agencies submitted to courts in subsequent litigation concerning implementation of the Federal DBE Program.

Keen Independent used similar probit regression models to predict business ownership from multiple independent or “explanatory” variables, such as:

- Personal characteristics that are potentially linked to the likelihood of business ownership — age, age-squared, marital status, disability, number of children in the household and number of elderly people in the household;
- Educational attainment;
- Measures and indicators related to personal financial resources and constraints — home ownership, home value, monthly mortgage payment, dividend and interest income, and additional household income from a spouse or unmarried partner; and
- Race, ethnicity and gender.³⁶

³³ For example, National Economic Research Associates, Inc. (2012). *The state of minority- and woman-owned business enterprise in construction: Evidence from Houston* (Rep.). Retrieved from City of Houston website: <http://www.houstontx.gov/obo/disparitystudyfinalreport.pdf>; Mason Tillman Associates. (2011). *Illinois Department of Transportation/Illinois Tollway disadvantaged business enterprises disparity study (Vols. 2)* (Rep.). Retrieved from Illinois Department of Transportation website: <http://www.idot.illinois.gov/Assets/uploads/files/Doing-Business/Reports/OBWD/DBE/DBEDisparityStudy.pdf>.

³⁴ National Economic Research Associates, Inc. (2000). *Disadvantaged Business Enterprise availability study* (Rep.). Prepared for the Minnesota Department of Transportation.

³⁵ National Economic Research Associates, Inc. (2004). *Disadvantaged Business Enterprise availability study* (Rep.). Prepared for the Illinois Department of Transportation.

³⁶ Probit models estimate the effects of multiple independent or “predictor” variables in terms of a single, dichotomous dependent or “outcome” variable — in this case, business ownership. The dependent variable is binary, coded as “1” for individuals in a particular industry who are self-employed and “0” for individuals who are not self-employed. The model enables estimation of the probability that workers in each sample are self-employed, based on their individual characteristics. Keen Independent excluded observations where the Census Bureau had imputed values for the dependent variable (business ownership).

F. Business Ownership — Construction industry regression analyses

The effect of an explanatory variable such as race or gender on business ownership can be determined based on the “coefficient” for that variable determined through the multivariate regression analysis.

Figure F-5 presents the coefficients for the probit model for individuals working in the local construction industry in 2018–2022.

The following variables were positively associated with the likelihood of owning a construction business:

- Being married;
- Number of people over 65 in the household; and
- Interest and dividend income.

These estimates were statistically significant.

Having a four-year degree was negatively associated with the likelihood of owning a construction business. This variable was statistically significant.

After statistically controlling for race- and gender-neutral factors, there remained a statistically significant disparity in business ownership rates for African Americans, Hispanic Americans and white women working in the local construction industry. Compared with non-Hispanic white men, African Americans, Hispanic Americans and white women working in the construction industry were less likely to own businesses.

This result suggests that there are fewer African American-, Hispanic American- and white women-owned construction businesses in the Tacoma marketplace than expected if there were a level playing field for all groups to start and sustain businesses.

F-5. Western Washington area construction industry business ownership model, 2018–2022

Variable	Coefficient
Constant	-0.0169
Age	0.0028
Age-squared	0.0000
Married	0.0409 **
Speaks English well	0.0063
Number of people over 65 in household	0.0380 **
Owens home	-0.0059
Monthly mortgage payment (\$1,000s)	0.0047
Interest and dividend income (\$1,000s)	0.0009 **
Income of spouse or partner (\$1,000s)	0.0002
Four-year degree	-0.0266 **
Advanced degree	0.0143
African American	-0.0966 **
Asian American	-0.0035
Hispanic American	-0.0355 **
Native American	-0.0231
White woman	-0.0663 **

Note: ** Denotes statistical significance at the 95% confidence level.

The variable “Veteran” was dropped due to zero or near-zero variation in its values. This variable is standard in business ownership regression models; however, including constant or nearly constant variables can lead to inaccurate results.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

F. Business Ownership — Construction industry regression analyses

Actual and Projected Business Ownership Rates

Probit regression modeling allows for further analysis of the disparities identified in business ownership rates for people of color and white women. Keen Independent modeled business ownership rates for these groups as if they had the same probability of business ownership as similarly situated non-Hispanic white males and compared those results with what was observed.

We begin by examining business ownership rates in the construction industry.

1. Keen Independent performed a probit regression analysis predicting business ownership using only non-Hispanic white male construction workers in the dataset.³⁷
2. After obtaining the results from the non-Hispanic white male regression model, the study team used coefficients from that model along with the mean personal, financial and educational characteristics of African Americans, Asian Americans, Hispanic Americans, Native Americans or other minorities, and non-Hispanic white women working in the local construction industry (i.e., indicators of educational attainment as well as indicators of financial resources and constraints) to estimate the probability of business ownership of each group if they were treated the same as non-Hispanic white men. Similar simulation approaches have been used in other disparity studies that courts have reviewed.

Figure F-6 presents the simulated business ownership rate (i.e., “benchmark” rate) for African Americans, Hispanic Americans and white women, and compares them to the actual, observed mean probabilities of business ownership for that group.

The disparity index was calculated by dividing the actual business ownership rate for each group (the first column of results in Figure F-6) by that group’s benchmark rate (the second column), and then multiplying the result by 100.³⁸ The third column of results in Figure F-6 provides the disparity index for business ownership for white women working in the local construction industry. An index of “100” indicates parity between actual and simulated rates and an index less than 100 indicates a disparity.

³⁷ That version of the model excluded the race, ethnicity and gender indicator variables, because the value of all those variables would be the same (i.e., 0).

³⁸ Note that the “actual” self-employment rates are derived from the dataset used for these regression analyses and do not always exactly match results from the entire 2018–2022 data.

F. Business Ownership — Construction industry regression analyses

As shown in Figure F-6, there was a substantial disparity between actual and expected business ownership rates for African Americans, Hispanic Americans and white women working in the local construction industry (disparity indices of 40, 76 and 67, respectively).

F-6. Comparison of actual business ownership rates to simulated rates for construction workers in Western Washington area, 2018–2022

Demographic group	Self-employment rate		Disparity index (100 = parity)
	Actual	Benchmark	
African American	6.5 %	16.2 %	40
Hispanic American	11.7	15.3	76
White woman	13.2	19.6	67

Note: As the benchmark figure can only be estimated for records with an observed (rather than imputed) dependent variable, comparison is made with only this subset of the sample. For this reason, actual self-employment rates may differ slightly from those in Figure F-1.

Disparity index calculated as actual/benchmark rate, multiplied by 100.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

F. Business Ownership — Professional services industry regression analyses

Keen Independent also developed a business ownership regression model for people working in the local professional services industry. Figure F-7 presents the coefficients for that probit model.

For this industry, factors associated with a higher probability of owning a business included:

- Number of people over 65 in household;
- Monthly mortgage payment;
- Interest and dividend income; and
- Having an advanced degree.

These estimates were all statistically significant.

After controlling for race- and gender-neutral factors, Hispanic Americans were more likely to own a business than non-Hispanic whites working in the local professional services industry.

Although Figure F-2 showed a statistically significant disparity in the business ownership rate for Asian Americans working in this industry, that disparity was no longer statistically significant after controlling for other factors.

F-7. Western Washington area professional services industry business ownership model, 2018–2022

Variable	Coefficient
Constant	-0.0826
Age	0.0041
Age-squared	0.0000
Married	0.0156
Speaks English well	-0.0394
Number of people over 65 in household	0.0388 **
Owens home	-0.0100
Monthly mortgage payment (\$1,000s)	0.0106 **
Interest and dividend income (\$1,000s)	0.0005 **
Income of spouse or partner (\$1,000s)	0.0001
Four-year degree	0.0208
Advanced degree	0.0656 **
African American	0.0401
Asian American	-0.0224
Hispanic American	0.0671 **
Native American	0.0260
White woman	0.0106

Note: ** Denote statistical significance at the 95% confidence level.

The variable “Veteran” was dropped due to zero or near-zero variation in its values.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

E. Business Ownership — Goods industry regression analyses

Previously in this appendix, Figure F-3 showed statistically significant disparities for African Americans, Asian Americans and Native Americans working in the local goods industry.

Figure F-8 presents the coefficients for the business ownership probit model for the local goods industry. The following variables were associated with a higher probability of owning a business:

- Being married; and
- Interest and dividend income.

These estimates were statistically significant.

After controlling for race- and gender-neutral factors, the statistically significant difference in the rate of business ownership remained for Native Americans compared with non-Hispanic whites working in this industry. This indicates that Native Americans working in the industry were less likely to own a business after controlling for certain other factors. The differences in business ownership rates for African Americans and Asian Americans were no longer statistically significant.

F-8. Western Washington and Cowlitz County area goods industry business ownership model, 2018–2022

Variable	Coefficient
Constant	-0.0487
Age	0.0018
Age-squared	0.0000
Married	0.0261 **
Speaks English well	0.0097
Number of people over 65 in household	0.0044
Owens home	-0.0114
Monthly mortgage payment (\$1,000s)	0.0101
Interest and dividend income (\$1,000s)	0.0011 **
Income of spouse or partner (\$1,000s)	0.0000
Four-year degree	0.0197
Advanced degree	-0.0169
African American	-0.0207
Asian American	-0.0190
Hispanic American	0.0056
Native American	-0.0366 **
White woman	0.0029

Note: ** Denotes statistical significance at the 95% confidence level.

The variable “Veteran” was dropped due to zero or near-zero variation in its values.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

F. Business Ownership — Goods industry regression analyses

Actual and Projected Business Ownership Rates

Figure F-9 compares the actual and simulated (“benchmark”) business ownership rates for Native Americans working in the local goods industry.

The actual business ownership rate for Native Americans in the goods industry was less than the benchmark rate for the group. The disparity index was below 80, indicating substantial disparity.

F-9. Comparison of actual business ownership rates to simulated rates for workers in the goods industry in Western Washington and Cowlitz County area, 2018–2022

Demographic group	Self-employment rate		Disparity index (100 = parity)
	Actual	Benchmark	
Native American	1.7 %	5.3 %	32

Note: As the benchmark figure can only be estimated for records with an observed (rather than imputed) dependent variable, comparison is made with only this subset of the sample. For this reason, actual self-employment rates may differ slightly from those in Figure F-3.

Disparity index calculated as actual/benchmark rate, multiplied by 100.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

F. Business Ownership — Other services industry regression analyses

Analyses presented in Figure F-4 earlier in this appendix showed higher rates of business ownership for Asian Americans and lower rates of business ownership for white woman. Figure F-10 presents the coefficients for the business ownership probit model for people working in the Western Washington area other services industry.

Age was positively associated with business ownership in the local other services industry. Speaking English well and having an advanced degree were negatively associated with business ownership in the local other services industry. These estimates were statistically significant.

After controlling for race- and gender-neutral factors, white women working in the other services industry were less likely to own a business when compared with non-Hispanic white men. These results were statistically significant for white women.

F-10. Western Washington area other services industry business ownership model, 2018–2022

Variable	Coefficient
Constant	0.0108
Age	0.0075 **
Age-squared	0.0000
Married	0.0223
Speaks English well	-0.1078 **
Number of people over 65 in household	0.0207
Owens home	0.0329
Monthly mortgage payment (\$1,000s)	0.0089
Interest and dividend income (\$1,000s)	0.0006
Income of spouse or partner (\$1,000s)	-0.0002
Four-year degree	-0.0172
Advanced degree	-0.0812 **
African American	0.0572
Asian American	0.0479
Hispanic American	-0.0169
Native American	-0.0113
White woman	-0.0665 **

Notes: ** Denotes statistical significance at the 95% confidence level.

The variable “Veteran” was dropped due to zero or near-zero variation in its values.

“Native American” includes Native Americans and people who identified as other races or ethnicities not listed in the table.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

F. Business Ownership — Other services industry regression analyses

Actual and Projected Business Ownership Rates

Figure F-11 compares the actual and simulated (“benchmark”) business ownership rates for white women working in the Western Washington area other services industry.

The actual business ownership rate for white women in the other services industry was less than the benchmark rate. The disparity index was 55, indicating a substantial disparity.

This results suggests that there are about one-half as many white women-owned other services firms in the Western Washington marketplace than would be expected if there were a level playing field for women to start and sustain businesses in this industry.

F-11. Comparison of actual business ownership rates to simulated rates for workers in the other services industry in the Western Washington area, 2018–2022

Demographic group	Self-employment rate		Disparity index (100 = parity)
	Actual	Benchmark	
White woman	9.8 %	17.7 %	55

Note: As the benchmark figure can only be estimated for records with an observed (rather than imputed) dependent variable, comparison is made with only these subsets of the sample. For this reason, actual self-employment rates may differ from those in Figure F-4.

Disparity index calculated as actual/benchmark rate, multiplied by 100.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

F. Business Ownership — Summary of results

Summary of Results

Keen Independent examined whether there were differences in business ownership rates for workers in the Western Washington area marketplace construction, professional services and other services industries and the Western Washington and Cowlitz County area marketplace goods industry related to race, ethnicity and gender.

- **Construction.** African Americans, Hispanic Americans and women working in the local construction industry were less likely than non-Hispanic whites and men, respectively, to own a business. These differences were statistically significant.

After statistically controlling for personal factors, statistically significant differences in business ownership rates persisted for African Americans, Hispanic Americans and white women working in the local construction industry. These disparities were substantial.

If there were a level playing field for African Americans, Hispanic Americans and white women working in this industry, there would be more construction firms owned by these groups in the Tacoma marketplace.

- **Professional services.** In the local professional services industry, Asian Americans were less likely than non-Hispanic whites to own a business. However, this difference was not statistically significant after controlling for personal characteristics.

- **Goods.** African Americans, Asian Americans and Native Americans working in the local goods industry were less likely than non-Hispanic whites to own a business. These differences were statistically significant.

After controlling for personal characteristics, a statistically significant difference in the business ownership rate in the local goods industry persisted for Native Americans working in the industry. This disparity was substantial.

Other services. In the Western Washington area other services industry, women were less likely to own a business (statistically significant difference). A disparity for white women persisted after controlling for personal characteristics. This disparity was substantial.

These disparities suggest that there are minority- and woman-owned firms in the study industries in Western Washington than might be expected if there were a level playing field for workers of color and women in these industries to start and sustain their own companies. ,

There were no statistically significant disparities in business ownership for veterans compared with non-veterans working in the study industries, except for professional services, where there were more veterans who were business owners than expected.

APPENDIX G. Access to Capital — Introduction

Access to capital is key to formation and long-term success of businesses. Discrimination in capital markets hinders people of color and women from acquiring the capital necessary to start, operate or expand businesses.¹ Courts have applied such evidence when approving programs to assist minority- and woman-owned businesses.²

The amount of start-up capital can affect business success. MBE/WBEs have, on average, less start-up capital than other businesses.³ According to a 2012 national U.S. Census Bureau survey:

- About 25 percent of white-owned firms indicated that they had start-up capital of \$25,000 or more compared with only 12 percent of African American-owned businesses. There were disparities for other minority groups except Asian Americans.
- About 15 percent of woman-owned businesses reported start-up capital of \$25,000 or more compared with 27 percent of male-owned businesses (not including businesses that were equally owned by men and women).⁴

¹ Fairlie, R. (2018). Racial inequality in business ownership and income. *Oxford Review of Economic Policy*, 34(4) 597-614; Fairlie, R. W., Robb, A. M., & Robinson, D.T. (2020). Black and white: Access to capital among minority-owned startups. *National Bureau of Economic Research, Working Paper (28154)*; Federal Reserve Bank of Atlanta. (2019, December). Report on minority-owned firms: small business credit survey. Retrieved from <https://www.fedsmallbusiness.org/survey/2019/report-on-minority-owned-firms>

² In *Concrete Works v. City and County of Denver*, Denver presented evidence of lending discrimination to support its position that MBE/WBEs in the Denver MSA construction industry face discriminatory barriers to business formation. Denver introduced a disparity study. The study ultimately concluded that “despite the fact that loan applicants of three different racial/ethnic backgrounds in this sample were not appreciably different as businesspeople, they were ultimately treated differently by the lenders on the crucial issue of loan approval or denial.” *Concrete Works*, 321 F.3d at 976, at 977-78. In *Adarand VII*, the Court concluded that this study, among other evidence, “strongly support[ed] an initial showing of discrimination in lending.” *Id.* at 978, quoting, *Adarand VII*, 228 F.3d at 1170, n. 13. The Tenth Circuit in *Concrete Works* concluded that discriminatory motive can be

Racial or gender discrimination affecting the availability of start-up capital can have long-term consequences, as can discrimination in access to business loans after businesses have been formed.⁵

Discrimination in the traditional means of obtaining start-up capital (e.g., the ability to obtain a business loan and having equity in a home and the ability to borrow against that equity) also impacts business survival and success. Lack of access to business credit, housing market discrimination and discrimination in mortgage lending have lasting effects for current or potential business owners.

Appendix G presents information about start-up capital and business credit markets nationally and in the region. It also examines the relationship between business success and mortgage lending, as home equity is often a vital source of capital to start and expand businesses.

inferred from the results shown in disparity studies. The Court noted that in *Adarand VII* it took “judicial notice of the obvious causal connection between access to capital and ability to implement public works construction projects.” *Id.* at 978, quoting *Adarand VII*, 228 F.3d at 1170.

³ Fairlie, R. W., & Robb, A. (2010). *Race and entrepreneurial success: Black-, Asian-, and white-owned businesses in the United States*. Cambridge, MA: The MIT Press.

⁴ United States Census Bureau. (2012). *2012 Survey of Business Owners* [Data file]. Retrieved from: <https://www.census.gov/library/publications/2012/econ/2012-sbo.html>

⁵ Fairlie, R. W., Robb, A. M., & Robinson, D.T. (2020). Black and white: Access to capital among minority-owned startups. *National Bureau of Economic Research, Working Paper (28154)*; Fairlie, R. W., & Robb, A. (2010). *Race and entrepreneurial success: Black-, Asian-, and white-owned businesses in the United States*. Cambridge, MA: The MIT Press.

G. Access to Capital — Sources of start-up capital

The study team analyzed financing patterns, with a focus on sources of start-up capital, to explore any differences in access to capital for people of color and women.

The most common sources of capital used to start or acquire a business according to the U.S. Census Bureau are:

- Personal or family savings of owner(s);
- Personal or family assets other than savings of owner(s);
- Personal or family home equity loan;
- Personal credit card(s) carrying balances;
- Business credit card(s) carrying balances;
- Business loan from federal, state or local government;
- Government-guaranteed business loan from a bank or financial institution;
- Business loan from a bank or financial institution;
- Business loan or investment from family or friends;
- Investment by venture capitalist(s); and
- Grants.

According to the U.S. Census Bureau’s Annual Business Survey (ABS) and the Federal Reserve Bank’s 2023 Small Business Credit Survey (SBCS), the primary source of capital used to start or acquire a business in 2017 was personal and/or family savings.⁶ Research finds that the amount of personal savings a business owner has accrued is influenced by race, ethnicity and gender.

A 2023 Survey of Consumer Finances by the Federal Reserve System found that the median net worth of African American households was 16 percent of white households and that the median net worth of Hispanic American households was 22 percent of white households.⁷

The gap between the median net worth of male- and female-headed households is also substantial. A 2021 study found, on average, a woman-headed household’s net worth is 71 percent that of her male counterpart.⁸ Research shows that while the gender income gap has narrowed, the gender wealth gap has widened steadily since the mid-1990s.⁹

⁶ Federal Reserve Bank (2023, March). Report on minority-owned firms: small business credit survey. Retrieved from <https://www.fedsmallbusiness.org/survey/2023/report-on-employer-firms>; The Annual Business Survey provides economic and demographic data for nonfarm employer businesses that file the 941, 944 or 1120 tax forms by ethnicity, race and gender. This differs from the U.S. Census Bureau’s Survey of Business Owners which collects data on employer businesses and non-employer businesses with receipts of \$1,000 or more. ABS data released in 2018 and referencing 2017 are the most recent data available.

⁷ Federal Reserve Bank. Survey of Consumer Finances. Retrieved from: https://www.federalreserve.gov/econres/scf/dataviz/scf/table/#series:Net_Worth;demographic:racecl4;population:all;units:median

⁸ Kent, A.H., & Ricketts, L. (2021, January 12). Gender wealth gap: families headed by women have lower wealth. *Federal Reserve Bank of St. Louis*. Retrieved from <https://www.stlouisfed.org/en/publications/in-the-balance/2021/gender-wealth-gap-families-women-lower-wealth>

⁹ Lee, A. (2022) The gender wealth gap in the United States. *Social Science Research* (107). Retrieved from <https://www.sciencedirect.com/science/article/abs/pii/S0049089X22000515> Women’s median wealth as a percentage of men’s median wealth dropped from 90% in the mid-1990s to 60% in the mid-2010s. The widening of the gender wealth gap has occurred across the wealth distribution and in almost every subgroup by marital status, race, education, and age.

G. Access to Capital — Sources of start-up capital

Use of Personal Savings

ABS has also found that the degree to which personal savings are used differs by race, ethnicity and gender. Employer businesses (those with paid employees other than the owner) included in the 2017 ABS data revealed the following national patterns:

- African American-, Asian American- and Hispanic American-owned businesses were most likely to use personal/family savings as a source of start-up capital (72%). American Indian- and Alaska Native-owned businesses (69%) were also likely to rely on personal or family savings for start-up capital.
- Non-Hispanic white-owned businesses were less likely to use personal/family savings for start-up capital (66%).
- Woman-owned firms were slightly more likely than male-owned businesses to report using personal and family savings for start-up capital (67% and 65%, respectively).

Use of Personal Credit Cards

Some business owners also use personal credit scores to obtain capital. Similar to personal funds, SBCS findings show that reliance on this method differs by race and ethnicity. African American- (52%) and Hispanic American-owned (51%) businesses were more likely to utilize personal credit scores compared to majority- (45%) and Asian American-owned (43%) firms. This finding is confounded by the fact that African Americans and Hispanic Americans, on average, have lower credit scores than their white and Asian American counterparts. This may increase the difficulty and limit the actual acquirement of capital for African American and Hispanic American business owners.¹⁰

The Federal Reserve found that African Americans and Hispanic Americans accessed credit at different rates. In 2022, 87 percent of non-Hispanic whites had credit cards, while 73 percent of Hispanic Americans and 71 percent of African Americans did.

Hispanic Americans and African Americans were also less likely to be approved for credit or an approval for less than credit requested than non-Hispanic whites. Of those that had credit cards, just 42 percent of non-Hispanic whites carried a balance, whereas 62 percent of Hispanic Americans and 78 percent of African Americans carried a balance, indicating fewer resources to pay off credit cards in a timely manner.¹¹

¹⁰ Federal Reserve Bank of Atlanta. (2019, December). Report on minority-owned firms: small business credit survey. Retrieved from <https://www.fedsmallbusiness.org/survey/2019/report-on-minority-owned-firms>

¹¹ The Federal Reserve. (27 May 2023). Economic Well-Being of U.S. Households (SHED). Retrieved from: <https://www.federalreserve.gov/publications/files/2022-report-economic-well-being-us-households-202305.pdf>

G. Access to Capital — Sources of start-up capital

Nationally, businesses owned by non-Hispanic whites, Asian Americans and men in general reported lower reliance on the use of credit cards as a source of start-up capital than other people of color and women. The following ABS results pertain to employer businesses in 2017:

- About 15 percent of African American-owned businesses used personal credit cards as a source of start-up capital, followed by Native Hawaiians and other Pacific Islander-owned firms (14%), American Indian and Alaska Native-owned business (13%) and Hispanic American-owned firms (12%).
- Only 9 percent of Asian American- and non-Hispanic white-owned businesses reported using personal credit cards as a source of start-up capital.
- Female-owned businesses (10%) were somewhat more likely to use personal credit cards as a source of start-up capital compared with male-owned businesses (8%).

Credit card financing of debt is more expensive than business loans through financial institutions.¹² Reliance on this more expensive method of financing presents additional challenges to business success, which disproportionately affects women and most minority groups.

¹² Robb, A. (2018). *Financing patterns and credit market experiences: A comparison by race and ethnicity for U.S. employer firms* (Rep. No. SBAHQ-16-M-0175). Retrieved from U.S. Small Business Administration, Office of Advocacy website:

https://www.sba.gov/sites/default/files/Financing_Patterns_and_Credit_Market_Experiences_report.pdf

G. Access to Capital — Start-up capital

Wealth

Since personal and family savings were the most common source of start-up capital used to start or acquire a business, the study team examined data on wealth-holding to further explore implications for people of color and women.

As mentioned earlier, in 2022, white households had, on average, greater income and net worth than minority households, more specifically, more than 6 times as much wealth as African American families and five times as much as Hispanic American households.¹³ White households were less likely to have zero or negative net worth and had more assets than African American and Hispanic American households.¹⁴ White households also had greater mean net housing wealth than African American and Hispanic American households.¹⁵ And, white householders were more likely to participate in retirement accounts and plans, behavior that has been found to build wealth and financial security.¹⁶

Figure G-1 provides household financial data by race and ethnicity for 2022, gathered by the Survey of Consumer Finances.

Given the heavy dependence upon personal and family savings of the owner as the main source of start-up capital, lower levels of wealth among African Americans, Hispanic Americans and other people of color may result in greater difficulty acquiring the capital necessary to start, operate or expand businesses.

¹³ 2022 Survey of Consumer Finances. Retrieved from <https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/>

¹⁴ Ibid.

G-1. U.S. household financial data by race/ethnicity, 2022

	White	African American	Hispanic American	Other minority
Income				
Median	\$ 81,070	\$ 46,480	\$ 46,480	\$ 68,100
Mean	164,550	70,950	71,550	134,680
Net worth				
Median	\$ 284,310	\$ 44,100	\$ 62,120	\$ 132,200
Mean	1,361,810	211,600	227,540	844,130
Assets (percent of families with ...)				
Homeownership	73 %	46 %	51 %	57 %
Retirement accounts	62	35	28	53
Business equity	16	11	10	14

Note: "Other minority" includes Asian Americans, Native Americans and individuals of multiple races.

Source: Survey of Consumer Finances, 2022.

¹⁵ Ibid.

¹⁶ Ibid.

G. Access to Capital — Business credit

Many businesses rely on banks for start-up and expansion capital.¹⁷ The study team analyzed data on business loans to identify any differences in business lending to minority-, female- and white male-owned companies.

Successful Acquisition of Business Loans

Keen Independent’s analysis began by examining success in receiving business loans.

Small business credit survey on loan approval. Data for employer businesses that secured business loans and other financing are found in the Small Business Credit Survey (SBCS).

Although data by race, ethnicity and gender are not reported for individual states, results by race and gender are available at the national level. These data give insight into the larger socio-economic context for firms owned by people of color in the local marketplace.

Nationally, 40 percent of employer firms applied for a business loan in 2022. Of those that applied, minority-owned businesses were less likely than non-Hispanic white-owned firms to report securing a business loan. For example, 45 percent of African American-owned businesses (that had employees) applied for loans in 2022. Of those applications, 37 percent were approved. A smaller percent of non-Hispanic white-owned businesses applied for loans in that year (33%). More than two-thirds of applications from white-owned businesses were approved (69%).

¹⁷ Robb, A. & Robinson, D. T. (2017). Testing for racial bias in business credit scores. *Small Business Economics*, 50(3), 429-443.

¹⁸ Schweitzer, Mark E. and Brent Meyer. (2022). Access to Credit for Small and Minority-Owned Businesses. *Federal Reserve Bank of Cleveland*. Retrieved from

Figure G-2 displays the national approval rate for business loans by race and ethnicity, according to 2022 SBCS data. These results are consistent with recent research indicating that minority-owned businesses were less likely than white-owned businesses to receive the amount of requested credit from lending institutions.¹⁸

The figure indicates that among applicants, minority-owned businesses were considerably less likely than majority-owned businesses to obtain business loans.

G-2. Business loan application and approval rate, U.S. employer firms, 2022

Race/ethnicity	Applied	Approval rate
African American	45 %	37 %
Asian American	30	53
Hispanic American	42	62
Non-Hispanic white	33	69

Note: The sample size for Native Americans was too small for publication. “Approval rate” includes businesses that received some or all financing.

Source: Federal Reserve Bank. (2023). 2022 Small Business Credit Survey [Data file]. Retrieved from <https://www.fedsmallbusiness.org/survey>.

<https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2022-economic-commentaries/ec-202204-access-to-credit-for-small-and-minority-owned-businesses.aspx>

G. Access to Capital — Business credit

Annual Survey of Entrepreneurs data. Lack of access to capital affects business profitability and long-term success. The 2016 Annual Survey of Entrepreneurs (ASE) indicates that business owners of color were far more likely than non-Hispanic whites and men to cite access to capital as an issue negatively affecting the profitability of their company. Figure G-3 provides national results by race, ethnicity and gender of the owners of employer firms.

In sum, minority- and woman-owned employer businesses were less likely to secure business loans from a bank or financial institution, less likely to apply for additional financing due to fear of denial and more likely to cite the issue of access to financial capital as having a negative impact on profitability. These indicators of credit market conditions demonstrate that some barriers to business success disproportionately affect women and people of color.

National Community Reinvestment Coalition analyses. The ASE data related to business lending are consistent with the findings of other research. In 2019, the National Community Reinvestment Coalition studied lending practices in seven U.S. cities and found that more significant barriers to accessing capital through the traditional banking market exist for African American and Hispanic American small business owners.

For example, African American and Hispanic American applicants for small business loans are asked to provide more documentation and are given less information about the loans than their non-Hispanic white counterparts.¹⁹

¹⁹ Lee, A., Mitchell, B., & Lederer, A. (2019). *Disinvestment, discouragement and inequity in small business lending* (Rep.). Retrieved from National Community Reinvestment Coalition website: <https://ncrc.org/disinvestment/>

G-3. Percentage of U.S. employer businesses that cited access to financial capital as negatively impacting the profitability of their business, 2016

Demographic group	Percent of respondents
Race	
African American	22.3 %
American Indian and Alaska Native	17.0
Asian American	13.3
Native Hawaiian and other Pacific Islander	19.6
White	8.9
Ethnicity	
Hispanic American	15.1 %
Non-Hispanic	9.3
Gender	
Female	10.0 %
Male	9.6
All individuals	9.5 %

Source: U.S. Census Bureau Annual Survey of Entrepreneurs, 2016.

G. Access to Capital — Business credit

Trends in Access to Credit

Overall trends in small business lending are also important when considering credit market conditions.

Pre-COVID-19 trends. Even before the COVID-19 pandemic, small business lending was slow to recover from the Great Recession.²⁰ Among large banks, lending disproportionately went to large businesses, with bank lending to small businesses decreasing by nearly \$100 billion from 2008 to 2016.²¹

Impact of COVID-19. Financial conditions of small businesses were negatively impacted by the COVID-19 pandemic. The 2022 SBCS by the Federal Reserve Bank found that in fall 2022, 57 percent of surveyed firms with employees (“employer firms”) reported a “fair” or “poor” financial condition. An even larger share of firms without employees reported “fair” or “poor” status.²²

As shown in Figure G-4, relatively more firms owned by people of color reported poor or fair financial conditions than companies with white owners. This was evident for all firms and nonemployer firms.

²⁰ Cole, R. (2018). *How did bank lending to small business in the United States fare after the financial crisis?* (Rep. No. SBAHQ-15-M-0144). Retrieved from U.S. Small Business Administration, Office of Advocacy website: <https://www.sba.gov/sites/default/files/439-How-Did-Bank-Lending-to-Small-Business-Fare.pdf>

G-4. Financial condition of U.S. firms, fall 2022

Race/ethnicity	Poor/fair	Good/very good	Excellent	Total
All firms				
African American	75 %	25 %	1 %	101 %
Asian American	83	17	1	101
Hispanic American	67	31	2	100
Native American	72	24	4	100
Non-Hispanic white	52	41	7	100
Nonemployer firms				
African American	86 %	13 %	1 %	100 %
Asian American	86	13	1	100
Hispanic American	83	17	1	101
Native American	80	19	1	100
Non-Hispanic white	67	30	3	100

Note: Totals may not sum to 100 due to rounding.

Source: Federal Reserve Bank. (2022). 2022 Small Business Credit Survey [Data file]. Retrieved from <https://www.fedsmallbusiness.org/survey>.

²¹ Ibid.

²² The Federal Reserve Bank. (2023). Small business credit survey: 2022 report on employer firms. *Federal Reserve Bank*. Retrieved from <https://www.fedsmallbusiness.org/survey/2022/report-on-employer-firms>

G. Access to Capital — Business credit

Paycheck Protection Program. The SBCS also asked firms about financial challenges they experienced in the previous 12 months. Among employer firms, relatively few businesses owned by non-Hispanic whites reported difficulties accessing credit (27%) compared to African American (50%), Hispanic Americans (37%) and Native Americans (54%).²³ Similar patterns were seen among nonemployer firms.²⁴

As a result, over 90 percent of SBCS respondents in 2020 and 77 percent of respondents in 2021 sought out emergency funding, primarily from the Paycheck Protection Program (PPP).²⁵ Influx of federal funding for the PPP led to an increase in the number of lenders providing SBA business loans (from 1,810 in 2018 to 5,460 in 2020). Despite this growing access to loans, however, the pandemic substantially limited small business access to credit.²⁶

²³ Federal Reserve Bank. (2022). 2022 Small Business Credit Survey [Data file]. Retrieved from <https://www.fedsmallbusiness.org/survey>

²⁴ The Federal Reserve Bank. (2022). Small business credit survey: 2022 report on employer firms. *Federal Reserve Bank*. Retrieved from <https://www.fedsmallbusiness.org/survey/2022/report-on-employer-firms>

²⁵ Ibid.

²⁶ Misera, L. (2020). An uphill battle: COVID-19's outsized toll on minority-owned firms. *Federal Reserve Bank of Cleveland*. Retrieved from https://www.clevelandfed.org/en/newsroom-and-events/publications/community-development-briefs/db-20201008-misera-report.aspx?utm_source=cfd&utm_medium=email&utm_campaign=ClevelandFedDigest

²⁷ Cowley, S. (2021, April 4). Minority entrepreneurs struggled to get small-business relief loans. *The New York Times*. Retrieved from <https://www.nytimes.com/2021/04/04/business/ppp-loans-minority-businesses.html>

One study in spring 2021 found that only 29 percent of the 3.6 million federal PPP loans were granted to minority-owned businesses, nationally.²⁷ The Center for Responsible Lending evaluated the lending criteria of the PPP and found that about 95 percent of African American-owned businesses and 91 percent of Hispanic American-owned businesses would not qualify for federal assistance from this program due to the lack of a prior relationship with a mainstream lending institution.²⁸ By 2021 majority Black neighborhoods were less likely to have a bank branch than non-majority Black neighborhoods. This lack of banking relationships in Black communities may explain the disparity in PPP loan coverage.²⁹

Of employer firms that were approved for PPP loans, business owners located in majority African American zip codes received loans an average of seven days later than business owners located in majority white zip codes.³⁰ Businesses owned by African Americans also received loans that were approximately 50 percent less than loans to white owned businesses with similar characteristics.³¹

²⁸ Center for Responsible Lending. (2020, April 6). The Paycheck Protection Program continues to be disadvantageous to smaller businesses, especially businesses owned by people of color and the self-employed. Retrieved July 7, 2020, from https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-cares-act2-smallbusiness-apr2020.pdf?mod=article_inline

²⁹ Broady, et. al, (2021, November 2). Brookings Institute. An Analysis of financial institutions in Black-majority communities. *Brookings*, Retrieved from: <https://www.brookings.edu/articles/an-analysis-of-financial-institutions-in-black-majority-communities-black-borrowers-and-depositors-face-considerable-challenges-in-accessing-banking-services/>.

³⁰ Liu, S. & Parilla, J. (17 September 2020). New data shows small businesses in communities of color had unequal access to federal COVID-19 relief. *Brookings*. Retrieved from <https://www.brookings.edu/research/new-data-shows-small-businesses-in-communities-of-color-had-unequal-access-to-federal-covid-19-relief/>.

³¹ Atkins, R., Cook, L., & Seamans, R. (2021). Discrimination in lending? Evidence from the Paycheck Protection Program. *Small Business Economics* 58: 843-865.

G. Access to Capital — Business credit

A consequence of limited access to financial help during the COVID-19 pandemic is that pre-COVID-19 economic distress has been exacerbated. A 2020 survey of minority businesses by the JPMorgan Chase Institute found almost 80 percent of African American- and Asian American-owned small businesses reported being in “weak” financial shape, compared to 54 percent of white-owned small businesses.³² Supply chain issues further weakened the financial state of these firms.³³

Additionally, research has found that more restricted access to PPP loans affected the ability for firms to hire (or rehire) employees to regain financial footing.³⁴

³² Cowley, S. (2021, April 4). Minority entrepreneurs struggled to get small-business relief loans. *The New York Times*. Retrieved from <https://www.nytimes.com/2021/04/04/business/ppp-loans-minority-businesses.html>

³³ Sorkin, A.D. (2021, September 26). The supply chain mystery. *New Yorker*. Retrieved from <https://www.newyorker.com/magazine/2021/10/04/the-supply-chain-mystery>

³⁴ The Federal Reserve Bank. (2021). Small business credit survey: 2021 report on employer firms. *Federal Reserve Bank*. Retrieved from <https://www.fedsmallbusiness.org/medialibrary/FedSmallBusiness/files/2021/2021-sbcs-employer-firms-report>

G. Access to Capital — Business credit

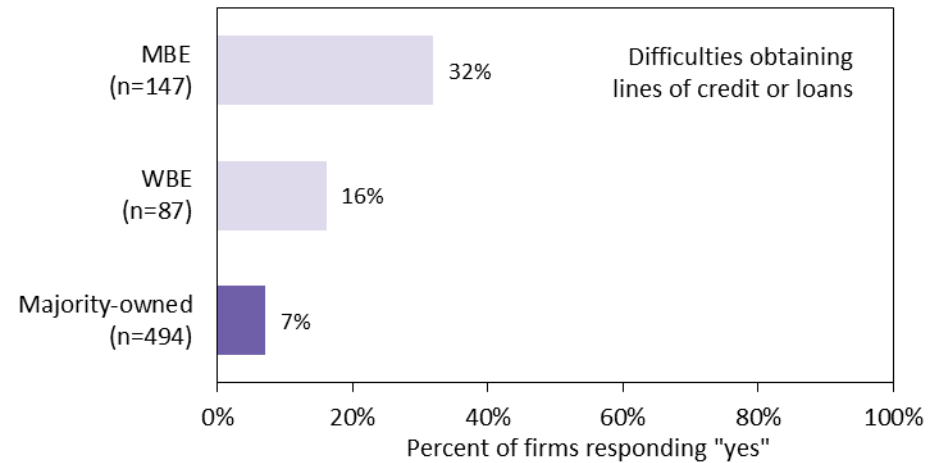
Results from 2024 Availability Surveys

In the Keen Independent 2024 availability surveys in the Western Washington area marketplace, the study team asked respondents a battery of questions regarding potential barriers or difficulties firms might have experienced in the local marketplace.

The series of questions was introduced with the following statement: “Finally, we’re interested in whether your company has experienced barriers or difficulties associated with business start-up or expansion, or with obtaining work. Think about your experiences within the past seven years in the Western Washington region as you answer these questions.” Respondents were then asked about specific potential barriers or difficulties. Responses to questions about access to capital were combined for all industries.

Figure G-5 presents results for questions related to access to capital and bonding. The first question asks, “Has your company experienced any difficulties in obtaining lines of credit or loans?” As shown in Figure G-6, a much higher percentage of MBEs (32%) and WBEs (16%) reported having difficulties obtaining lines of credit or loans when compared to majority-owned firms (7%).

G-5. Responses to availability survey question concerning loans



Source: Keen Independent Research from 2024 availability survey.

G. Access to Capital — Bonding

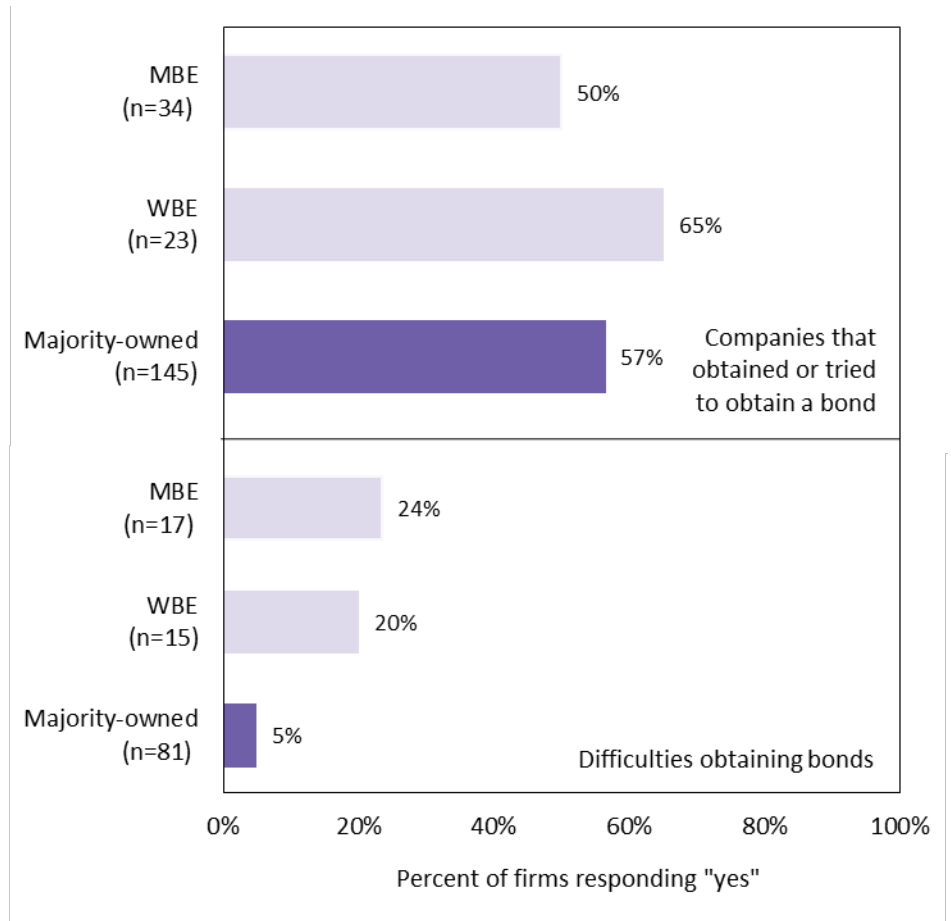
Obtaining bonds needed to bid on public sector construction contracts is related to access to capital.

The 2024 availability survey asked construction firms if they had tried to obtain bonding for a project or contract. About 50 percent of MBEs, 65 percent of WBEs and 57 percent of majority-owned construction firms indicated that they had tried to obtain bonding.

Firms that indicated that they had tried to obtain a bond were then asked, “Has your company had any difficulties obtaining bonds needed for a project or contract?” Of those that had tried to obtain a bond, 24 percent of MBEs and 20 percent of WBEs reported difficulties obtaining a bond, compared to just 5 percent of majority-owned firms.

Figure G-6 presents these results.

G-6. Responses to availability interview questions concerning bonding



Source: Keen Independent Research from 2024 availability survey.

G. Access to Capital — Homeownership

The study team also analyzed homeownership and the mortgage lending market to explore differences across race/ethnicity and gender that may lead to disparities in access to capital.

Relationship of Home Equity to Business Ownership

There is a strong relationship between the likelihood of starting a new business and the potential entrepreneur’s home equity.³⁵ Wealth created through homeownership can be an important source of capital to start or expand a business.³⁶ Research has shown:

- Homeownership is a tool for building wealth;³⁷
- More personal wealth provides additional options for financing because higher wealth enables both self-financing and wealth leveraging via borrowing from the equity in one’s home;³⁸
- Business owners tend to use home equity to finance business investments, confirming that home equity is an efficient means of business financing;^{39,40}

³⁵ Corradin, S., & Popov, A. (2015). House prices, home equity borrowing, and entrepreneurship. *The Review of Financial Studies*, 28(8), 2399-2428.

³⁶ The housing and mortgage crisis beginning in late 2006 has substantially impacted the ability of small businesses to secure loans through home equity. Later in Appendix G, Keen Independent discusses the consequences of the housing and mortgage crisis on small businesses and MBE/WBEs.

³⁷ McCabe, B. J. (2018). Why buy a home? Race, ethnicity, and homeownership preferences in the United States. *Sociology of Race and Ethnicity*, 4(4), 452-472.

³⁸ Bates, T., Bradford, W., & Jackson, W. E. (2018). Are minority-owned businesses underserved by financial markets? Evidence from the private-equity industry. *Small Business Economics*, (50)3, 445-461.

- Homeownership is associated with an estimated 30 percent reduction in the probability of loan denial for small businesses;⁴¹
- Race and gender wealth inequality contributes to lower rates of homeownership among women and minorities; and
- The United States has a history of restrictive real estate covenants and property laws that affect the ownership rights of minorities and women.⁴²

³⁹ Corradin, S., & Popov, A. (2015). House prices, home equity borrowing, and entrepreneurship. *The Review of Financial Studies*, 28(8), 2399-2428.

⁴⁰ Goodman, L. (2021). Housing finance at a glance: A monthly chartbook: August 2021 *Urban Institute*.

⁴¹ Brown, G., Kenyon, S., & Robinson, D. (2020, February). Filling the U.S. small business funding gap. *Frank Hawkins Kenan Institute of Private Enterprise Report*.

⁴² Baradaran, M. (2017). *The color of money: Black banks and the racial wealth gap*. London, England: The Belknap Press of Harvard University Press.

G. Access to Capital — Homeownership

Low interest rates during the COVID-19 pandemic resulted in a near-record increase in homebuying. From 2020 to 2021, Pew Research found the number of homeowners nationally increased by 2.1 million (2.5%), the largest growth since the 2003-2004 housing boom.⁴³ Relatedly, housing prices jumped 45 percent from the beginning of 2020 to the end of 2022.⁴⁴ This can be seen in Tacoma, where the median sales price of a home in Pierce County grew from \$375,300 at the end of 2019⁴⁵ to \$521,700 at the end of 2022,⁴⁶ an increase of about 39 percent.

Partly due to rising costs, certain socioeconomic groups have not seen increases in homeownership. Nationally, homeownership among white households increased 0.8 percent, while that of minority households remained the same.⁴⁷

Barriers to homeownership and creation of home equity for certain groups can impact business opportunities. Similarly, barriers to accessing home equity through home mortgages can also affect available capital for new or expanding businesses. People of color tend to be held back from homeownership by several barriers, including being adequately informed on homeownership and available home

stock, as well as other issues, such as redlining and mortgage discrimination, which will be discussed in this section.⁴⁸

Research confirms the influence that homeownership has on the likelihood of starting a business, even when examined separately from recent work history. A study focusing on people of color and women found a strong relationship between increases in home equity and entry into self-employment for both groups.⁴⁹

The study team analyzed homeownership rates, home values and the home mortgage market in Western Washington from 2018–2022.

⁴³ Fry, R. (2021). Amid a pandemic and a recession, Americans go on a near-record homebuying spree. *Pew Research Center*. Retrieved from <https://www.pewresearch.org/fact-tank/2021/03/08/amid-a-pandemic-and-a-recession-americans-go-on-a-near-record-homebuying-spreed/>

⁴⁴ St. Louis Federal Reserve Bank. (2023). Median sales price of houses sold for the United States. *Federal Reserve Bank*. Retrieved from <https://fred.stlouisfed.org/series/MSPUS>.

⁴⁵ Washington Center for Real estate Research. (2024). Housing Market Snapshot: State of Washington and Counties, Fourth Quarter 2019. *University of Washington*. Retrieved from <https://re.be.uw.edu/wp-content/uploads/sites/9/2020/03/2019Q4WSHMRSnapshot.pdf>

⁴⁶ Washington Center for Real estate Research. (2024). Housing Market Snapshot: State of Washington and Counties, Fourth Quarter 2022. *University of Washington*. Retrieved from <https://wcrer.be.uw.edu/wp-content/uploads/sites/60/2023/02/HMR-4Q2022-snapshot.pdf>

⁴⁷ Fry, R. (2021). Amid a pandemic and a recession, Americans go on a near-record homebuying spree. *Pew Research Center*. Retrieved from <https://www.pewresearch.org/fact-tank/2021/03/08/amid-a-pandemic-and-a-recession-americans-go-on-a-near-record-homebuying-spreed/>

⁴⁸ Turner, M. A., Santos, R., Levy, D.K., Wissoker, D., Aranda, C., & Pitingolo, R., (2013, June). Housing discrimination against racial and ethnic minorities 2012. *U.S. Department of Housing and Urban Development*. Retrieved from https://www.huduser.gov/portal/publications/fairhsg/hsg_discrimination_2012.html

⁴⁹ Fairlie, R. W., & Krashinsky, H. A. (2012). Liquidity constraints, household wealth and entrepreneurship revisited. *Review of Income and Wealth*, 58(2), 279-306. Retrieved from <https://doi.org/10.1111/j.1475-4991.2011.00491.x>

G. Access to Capital — Homeownership

Homeownership Rates

The study team used 2018–2022 American Community Survey (ACS) data to examine homeownership rates in the Western Washington area marketplace.

In this area, 67 percent of non-minority heads of households owned homes. As shown in Figure G-7, homeownership rates for all minority groups are lower than for non-Hispanic whites. For example, just 33 percent of African American heads of households in the Western Washington area marketplace were homeowners during that time period. Differences were found for each minority group compared with non-Hispanic whites (statistically significant for each group).

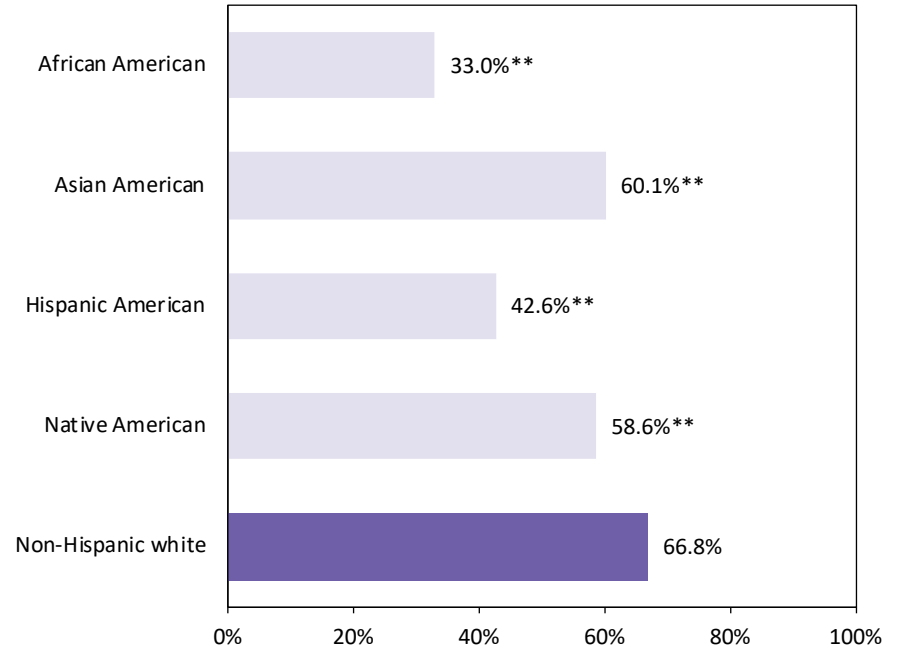
Lower rates of homeownership may reflect lower incomes and wealth for people of color, as well as lower educational attainment.⁵⁰ That relationship may be self-reinforcing, as low wealth puts individuals at a disadvantage in becoming homeowners, which has historically been a path to building wealth. For example, the probability of homeownership is considerably lower for African Americans than it is for comparable non-Hispanic whites throughout the United States.⁵¹

While African Americans narrowed the homeownership gap in the 1990s, the first half of the following decade brought little change and the second half of the decade brought significant losses (which included the Great Recession), resulting in a widening of the gap between African Americans and non-Hispanic whites.⁵²

⁵⁰ Choi, J.H., McCargo, A., Neal, M., Goodman, L., & Young, C. (2019, November). Explaining the Black-White Homeownership Gap. *Housing Finance Policy Center*.

⁵¹ Board of Governors of the Federal Reserve System. (2017). Residential mortgage lending in 2016: Evidence from the Home Mortgage Disclosure Act. *Federal Reserve Bulletin*, 103(6).

G-7. Percentage of Western Washington area households that are homeowners, 2018–2022



Note: ** Denotes that the difference in proportions between the minority and non-Hispanic white groups for the given Census/ACS year is statistically significant at the 95% confidence level.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata sample. The 2018–2022 ACS raw data extracts were obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

⁵² Choi, J.H., McCargo, A., Neal, M., Goodman, L., & Young, C. (2019, November). Explaining the Black-White Homeownership Gap. *Housing Finance Policy Center*; Rosenbaum, E. (2012). *Home ownership's wild ride, 2001-2011* (Rep.). New York, NY: Russell Sage Foundation.

G. Access to Capital — Homeownership

Home Values

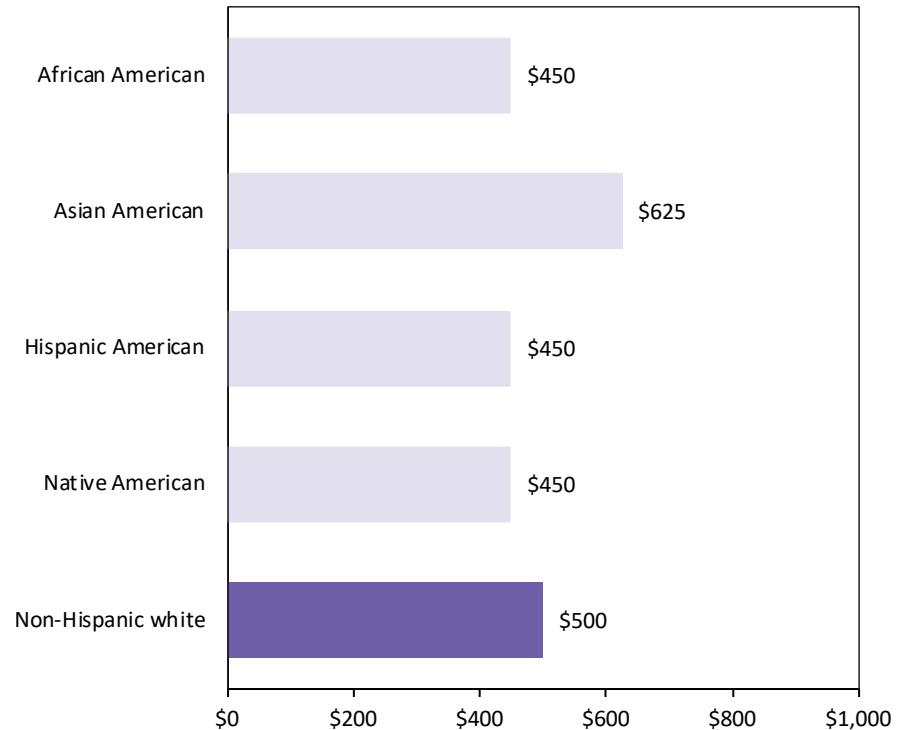
Research has shown that increases in home equity encourage business ownership.⁵³ Using 2018 through 2022 ACS data, the study team compared median home values by race/ethnicity group.

Figure G-8 presents median home values by group in the Western Washington area marketplace for 2018 to 2022. African Americans, Hispanic Americans and Native Americans who owned homes had lower median home values than non-Hispanic whites.

The median value of Asian American homeowners' homes exceeded that of non-Hispanic whites.

It is important to note that these data regarding homeownership are for 2018 through 2022. Home values have grown since then.⁵⁴

G-8. Median home values in the Western Washington area, 2018–2022, thousands



Note: The sample universe is all owner-occupied housing units.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata sample.

⁵³ Harding, J., & Rosenthal, S. S. (2017). Homeownership, housing capital gains and self-employment. *Journal of Urban Economics*, 99, 120-135.

⁵⁴ Harvard University. Joint Center For Housing Studies. (2023) *The State of the nation's housing*. [Cambridge, Mass.: Joint Center for Housing Studies of Harvard University]. Retrieved from <https://www.jchs.harvard.edu/state-nations-housing-2023>

G. Access to Capital — Review of additional research on mortgage lending

People of color may be denied opportunities to own homes, to purchase more expensive homes or to access equity in their homes if they are discriminated against when applying for home mortgages.

Research shows this happens frequently. For example, a study has found persistent racial discrimination in national rates of loan acceptance/denial and mortgage costs from late 1970s to 2016, which have impacted the ability of minority groups to purchase homes.⁵⁵

The best available source of information concerning mortgage lending by region is Home Mortgage Disclosure Act (HMDA) data, which contain information on mortgage loan applications that financial institutions, savings banks, credit unions and some mortgage companies receive.⁵⁶ Those data include information about loans and the race/ethnicity, income and credit characteristics of loan applicants. Data are available for home purchases, loan refinances and home improvement loans. The most recent year of HMDA data available are from 2022.

The study team examined annual HMDA statistics provided by the Federal Financial Institutions Examination Council (FFIEC) for 2018 through 2022. See Appendix I for more information on HMDA data.

⁵⁵ Quillian, L., Lee, J.J., & Honore, B. (2020). Racial discrimination in the U.S. housing and mortgage lending markets: a quantitative review of trends, 1976-2016. *Race and Social Problems* 12 13-18.

⁵⁶ Depository institutions were required to report 2017 HMDA data if they had assets of more than \$44 million on the preceding December 31 (\$42 million for 2013), had a home or branch office in a metropolitan area, and originated at least one home purchase or refinance loan in the reporting calendar year. Non-depository mortgage

companies were required to report HMDA if they are for-profit institutions, had home purchase loan originations (including refinancing) either a.) exceeding 10 percent of all loan obligations originations in the past year or b.) exceeding \$25 million, had a home or branch office located in an MSA (or receive applications for, purchase or originated five or more home purchase loans mortgages in an MSA), and either had more than \$10 million in assets or made at least 100 home purchase or refinance loans in the preceding calendar year.

G. Access to Capital — Review of additional research on mortgage lending

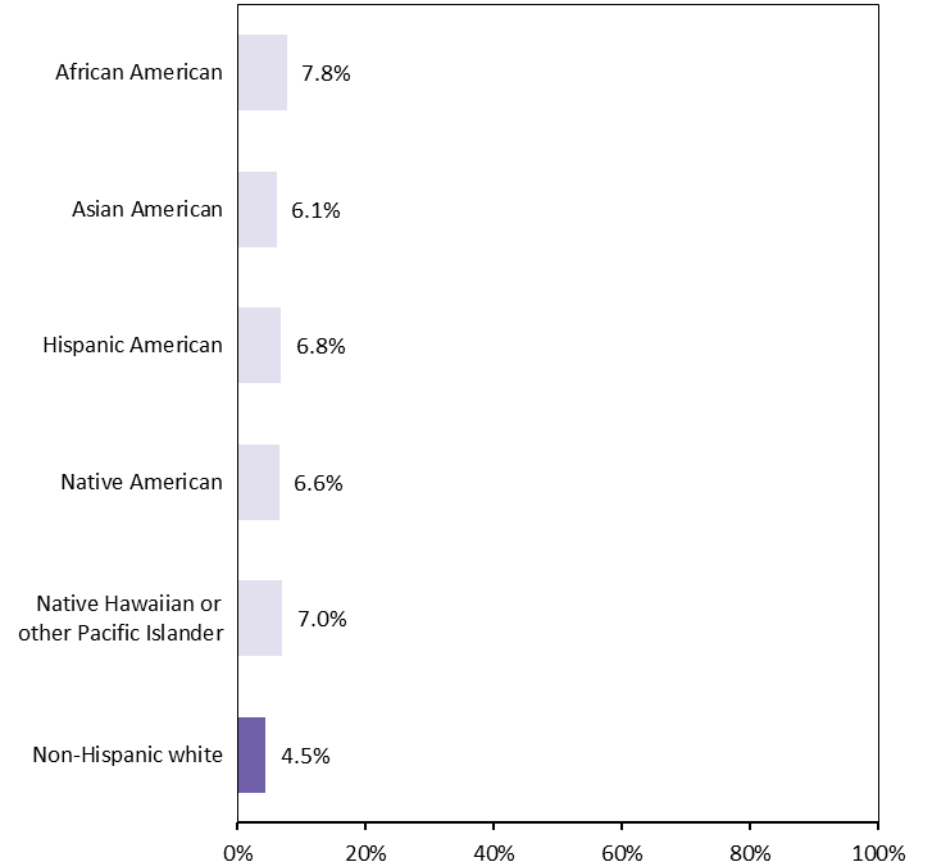
Mortgage Denials

The study team examined mortgage denial rates on conventional loan applications made by high-income households. Conventional loans are loans that are not insured by a government program. High-income applicants are those households with 120 percent or more of the U.S. Department of Housing and Urban Development (HUD) area median family income.⁵⁷ Loan denial rates are calculated as the percentage of mortgage loan applications that were denied, excluding applications that the potential borrowers terminated and applications that were closed due to incompleteness.⁵⁸

Figure G-9 presents loan denial rates for high-income households in the Western Washington area marketplace from 2018 through 2022.

For people with high incomes, the loan denial rate was higher for people of color than for non-Hispanic white applicants. For example, about 8 percent of African American applicants had their loans denied compared with about 5 percent of non-Hispanic white applicants.

G-9. Denial rates of conventional purchase loans to high-income households in the Western Washington area, 2018 through 2022



Note: High-income borrowers are those households with 120% or more than the HUD area median family income (MFI).

Source: FFIEC HMDA 2018 through 2022.

⁵⁷ For example, median family income for Clark County was about \$91,149 in 2022. Retrieved from <https://fred.stlouisfed.org/series/MHIMO29189A052NCEN>

⁵⁸ For this analysis, loan applications are considered to be applications for which a specific property was identified, thus excluding preapproval requests.

G. Access to Capital — Review of additional research on mortgage lending

Subprime Lending

Mortgage lending discrimination can also occur through higher fees and interest rates. Subprime lending provides a unique example of such types of discrimination through fees associated with various loan types.

Subprime lending grew rapidly in the late 1990s and early 2000s and accounted for large growth in the home mortgage industry. From 1994 through 2003, subprime mortgage activity grew by 25 percent per year and accounted for \$330 billion of U.S. mortgages in 2003, up from \$35 billion a decade earlier.⁵⁹ In 2007, subprime loans represented about 28 percent of all mortgages in the United States.⁶⁰ However, due in large part to regulations implemented following the Great Recession, by 2020 subprime mortgages made up only 19 percent of all loans.⁶¹

With interest rates higher than prime loans, subprime loans were historically marketed to customers with blemished or limited credit histories who would not typically qualify for prime loans. Over time, subprime loans were made available to home buyers without requirements for such as a down payment or proof of income and assets; subprime loans were also made available for home buyers purchasing property at a cost above that for which they would qualify from a prime lender.⁶²

Because of higher interest rates and additional costs, subprime loans affected homeowners' ability to grow home equity and increased their risks of foreclosure. Fair-lending enforcement mechanisms have historically tended to overlook disparate impact and treatment and shielded some lenders with discriminating practices from investigations.⁶³

The COVID-19 pandemic has further complicated the subprime lending world, as heightened unemployment and financial distress made it difficult for lenders to collect on loans and for lenders to denote who should and should not be deemed "creditworthy."⁶⁴

Although there is no standard definition of a subprime loan, there are several commonly used approaches to examining rates of subprime lending. The study team used a "rate-spread method" — in which subprime loans are identified as those loans with substantially above-average interest rates — to measure rates of subprime lending in 2017 through 2021.⁶⁵ Because lending patterns and borrower motivations differ depending on the type of loan being sought, the study team separately considered home purchase loans and refinance loans.

⁵⁹ Avery, B., Brevoort, K. P., & Canner, G. B. (2007). The 2006 HMDA data. *Federal Reserve Bulletin*, 93, A73–A109.

⁶⁰ Rosen, S. (2020). What is a subprime mortgage and who should get one? *Time.com*. Retrieved from <https://time.com/nextadvisor/mortgages/what-is-a-subprime-mortgage/>

⁶¹ Ibid.

⁶² Gerardi, K., Shapiro, A. H., & Willen, P. S. (2007). *Subprime outcomes: Risky mortgages, homeownership experiences, and foreclosures* (Working Paper No. 07–15). Boston, MA: Federal Reserve Bank of Boston. Retrieved from Federal Reserve Bank of Boston website: [https://www.bostonfed.org/publications/research-department-](https://www.bostonfed.org/publications/research-department-working-paper/2007/subprime-outcomes-risky-mortgages-homeownership-experiences-and-foreclosures.aspx)

[working-paper/2007/subprime-outcomes-risky-mortgages-homeownership-experiences-and-foreclosures.aspx](https://www.bostonfed.org/publications/research-department-working-paper/2007/subprime-outcomes-risky-mortgages-homeownership-experiences-and-foreclosures.aspx)

⁶³ Quillian, L. et. al. (2020). Racial Discrimination in the U.S. Housing and Mortgage Lending Markets: A Quantitative Review of Trends, 1976-2016. *Race and Social Problems*(12). 13-28. Retrieved from <https://doi.org/10.1007/s12552-019-09276-x>

⁶⁴ Li, H. (2021). The influence of COVID-19 on subprime in the U.S. *E3S Web Conferences*, 235.

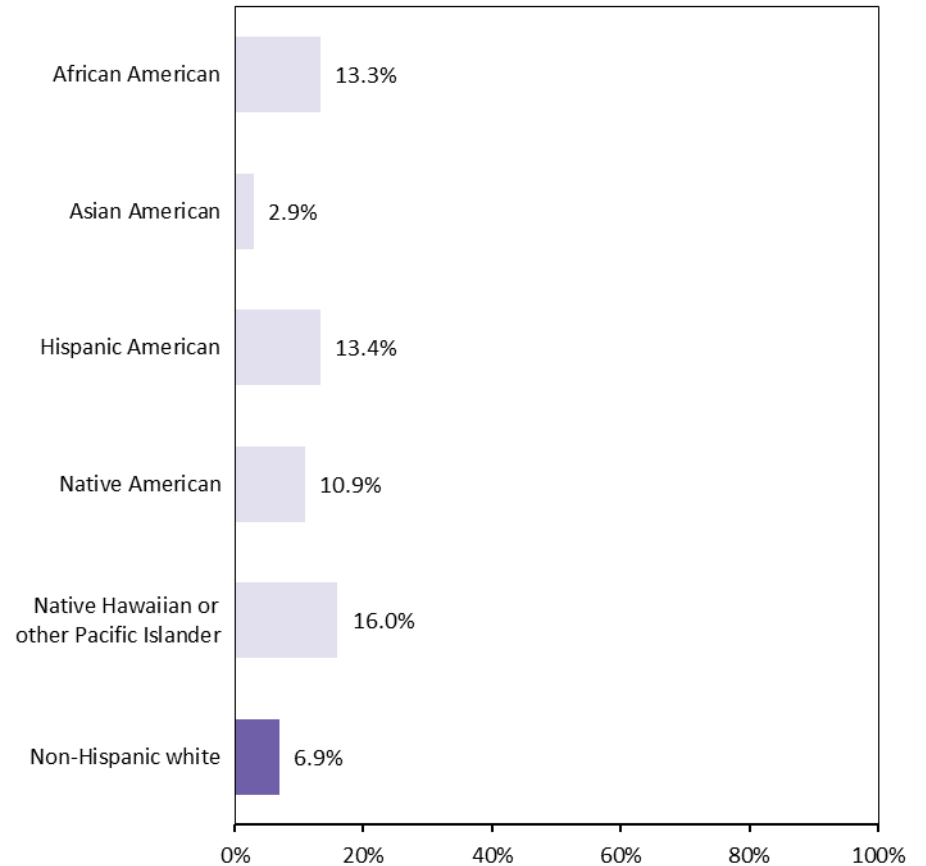
⁶⁵ Prior to October 2009, first lien loans were identified as subprime if they had an annual percentage rate (APR) that was 3.0 percentage points or greater than the federal treasury

G. Access to Capital — Review of additional research on mortgage lending

Subprime conventional home purchase loans. Figure G-10 shows the percent of conventional home purchase loans that were subprime in the Western Washington area marketplace based on HMDA data from 2017 through 2021. A higher percentage of borrowers receiving subprime loans may indicate predatory lending.

- Native Hawaiian or other Pacific Islander borrowers in this period (16%) were more than twice as likely to receive subprime home purchase loans when compared to non-Hispanic white borrowers (7%).
- African Americans, Hispanic Americans and Native Americans receiving home purchase loans were also more likely to be issued subprime loans than non-Hispanic whites.

G-10. Percent of conventional home purchase loans in the Western Washington area that were subprime, 2018 through 2022



Note: Subprime rates are calculated as the percentage of originated loans that were subprime.

Source: FFIEC HMDA data 2018 through 2022.

security rate of like maturity. As of October 2009, rate spreads in HMDA data were calculated as the difference between APR and Average Prime Offer Rate, with subprime

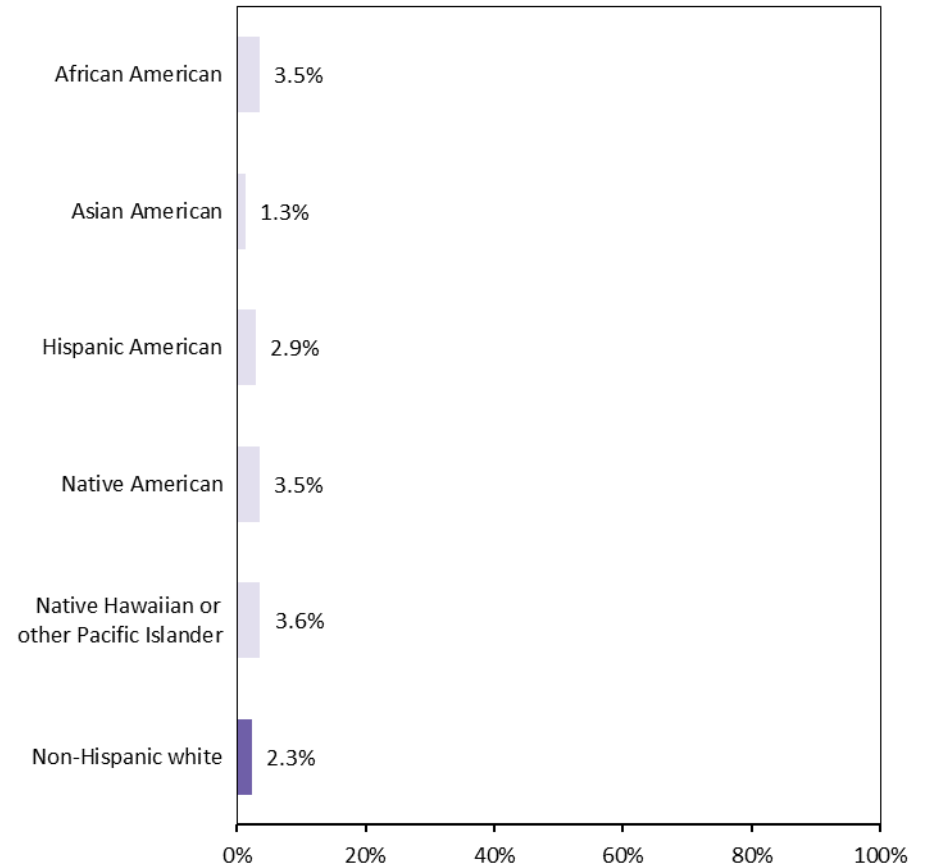
loans defined as 1.5 percentage points of rate spread or more. The study team identified subprime loans according to those measures in the corresponding time periods.

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Subprime conventional home refinance loans. Figure G-11 examines the percentage of conventional home refinance loans that were subprime in the local marketplace between 2018 and 2022.

Very few conventional refinance loans were subprime for any group. Even so, people of color (except for Asian Americans) were more likely than non-Hispanic whites to receive those loans.

G-11. Percent of conventional refinance loans in the Western Washington area that were subprime, 2018 through 2022



Note: Subprime rates are calculated as the percentage of originated loans that were subprime.

Source: FFIEC HMDA data 2018 through 2022.

G. Access to Capital — Review of additional research on mortgage lending

Other research. Studies across the country have examined barriers to homeownership for people of color. For example:

- A study of more than two million home sale transactions over the course of 18 years in four major metropolitan areas — Chicago, Baltimore/Maryland, Los Angeles and San Francisco — showed that African American and Hispanic American buyers pay more for the price of their house than their white counterparts in almost every purchase scenario.⁶⁶
- Between 1999 and 2011, socioeconomic and demographic factors could only partially explain the homeownership gap for African Americans homeowners, and that discrimination in the mortgage process was a likely explanation.⁶⁷
- Results of a mystery-shopping field study conducted at several national banks in a major metropolitan U.S. city showed that minority loan applicants were provided less comprehensive information about financing options, required to provide more information to apply for a loan and received less encouragement and assistance compared to white potential loan applicants.⁶⁸

⁶⁶ Bayer, C., Casey, M., Ferreira, F., & McMillan F. (2017). Racial and ethnic price differentials in the housing market. *Journal of Urban Economics*, 102, 91–105.

⁶⁷ Fuller, C. (2015). *Race and homeownership: How much of the differences are explainable by economics alone?* Retrieved from Zillow Research website: <https://www.zillow.com/research/racial-homeownership-differences-10155/>

⁶⁸ Bone, S. A., Christensen, G. L., & Williams, J. D. (2014). Rejected, shackled, and alone: The impact of systemic restricted choice on minority consumers' construction of self. *Journal of Consumer Research*, 41(2), 451-474.

⁶⁹ Cheng, P., Lin, Z., & Liu, Y. (2015). Racial discrepancy in mortgage interest rates. *Journal of Real Estate Finance and Economics*, 51(1), 101-120.

- An analysis of U.S. Survey of Consumer Finance data shows that African American borrowers on average pay about 29 basis points more in interest on mortgage loans than comparable white borrowers.⁶⁹

There is evidence that some lenders seek out and offer subprime loans to individuals who often are not be able to pay off the loan, a form of “predatory lending.”⁷⁰ Other research has found that many recipients of subprime loans could have qualified for prime loans.⁷¹

Studies of subprime lending suggest that predatory lenders have targeted minorities.⁷² A 2018 study of seven metropolitan areas across the country and found that African American borrowers were 103 percent more likely and Hispanic American borrowers were 78 percent more likely than white borrowers to receive a high-cost loan for home purchases. Disparities were found for both low- and high-risk borrowers, regardless of age.⁷³

⁷⁰ See, e.g., Hull, N.R. (2017). Crossing the line: Prime, subprime, and predatory lending. *Maine Law Review*, 61(1), 288-318; Morgan, D. P. (2007). *Defining and detecting predatory lending* (Staff rep. No. 273). New York, NY: Federal Reserve Bank of New York.

⁷¹ Faber, J. W. (2013). Racial dynamics of subprime mortgage lending at the peak. *Housing Policy Debate*, 23(2), 328-349.

⁷² Ibid; Steil, J.P., Albright, L., Rugh, J., & Massey, D. (2018). The social structure of mortgage discrimination. *Housing Studies*, 33(5) 759-776.

⁷³ Bayer, P., Ferreira, F., & Ross, S. (2018). What drives racial and ethnic differences in high-cost mortgages? The role of high-risk lenders. *Review of Financial Studies*, 31(1), 175-205.

G. Access to Capital — Review of additional research on mortgage lending

Lasting Implications of the Mortgage Lending Crisis During the Great Recession

The ramifications of the mortgage lending crisis in the Great Recession not only continued to substantially impact the ability of homeowners to secure capital through home mortgages to start or expand small businesses but also created a nationwide retreat in dynamism in nearly every measurable respect.⁷⁴ (Dynamism is the rate and scale at which the economy's resources are reallocated across firms and industries according to their most productive use.)

- On July 19, 2017, Karen Kerrigan, President and CEO of the Small Business and Entrepreneurship (SBE) Council, testified before the U.S. House of Representatives Committee on Small Business that there has been a continuing dearth of entrepreneurial activity and substantial decline over the past ten years due to the financial crises, Great Recession and a weak economic recovery that continued to negatively influence the American psyche.⁷⁵

⁷⁴ Economic Innovation Group. (2017). *Dynamism in retreat: Consequences for regions, markets, and workers*. Retrieved from the Economic Innovation Group website: <http://eig.org/wp-content/uploads/2017/07/Dynamism-in-Retreat-A.pdf>

⁷⁵ *Reversing the Entrepreneurship Decline: Hearing before the Committee on Small Business*, House of Representatives, 115th cong. Page 3 (2017) (testimony of Ms. Karen Kerrigan).

⁷⁶ Dore, T., & Mach, T. (2018). *Recent trends in small business lending and the Community Reinvestment Act*. Retrieved from the Board of Governors of the Federal Reserve System website: <https://www.federalreserve.gov/econres/notes/feds-notes/recent-trends-in-small-business-lending-and-the-community-reinvestment-act-20180102.htm>

- According to research conducted by economists for the U.S. Federal Reserve System, loan origination activity remained well below pre-Great Recession levels.⁷⁶
- Because of the Great Recession, firm deaths exceeded births for the first time in more than 40 years.⁷⁷
- Small firms suffer more during financial crises due to dependence on bank capital to fund growth.⁷⁸
- Major surveys identified access to credit as a problem and top growth concern for small firms during the recovery, including surveys conducted by the National Federation of Independent Businesses (NFIB) and the Federal Reserve.⁷⁹
- Commercial and residential real estate — which represents two-thirds of the assets of small business owners and are frequently used as collateral for loans — were hit hard during the financial crisis, making small business borrowers less creditworthy for many years.⁸⁰

⁷⁷ Economic Innovation Group. (2017). *Dynamism in retreat: Consequences for regions, markets, and workers*. Retrieved from the Economic Innovation Group website: <http://eig.org/wp-content/uploads/2017/07/Dynamism-in-Retreat-A.pdf>

⁷⁸ Mills, K.G., & McCarthy, B. (2016). *The state of small business lending: Innovation and technology and the implications for regulation* (Working Paper 17-042). Cambridge, MA. Retrieved from Harvard Business School website: http://www.hbs.edu/faculty/Publication%20Files/17-042_30393d52-3c61-41cb-a78a-ebbe3e040e55.pdf

⁷⁹ Ibid.

⁸⁰ Ibid.

G. Access to Capital — Review of additional research on mortgage lending

The mortgage-lending crisis and the Great Recession have had lasting effects as they limited opportunities for homeowners with little home equity to obtain business capital through home mortgages. Furthermore, the historically higher rates of default and foreclosure for homeowners with subprime loans impacted the ability of those individuals to access capital. Those consequences have disproportionately impacted people of color.

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Impact of COVID-19

It is still unclear if the COVID-19 pandemic will widen these disparities. Immediate data show that homeowners facing financial pressures were given relief from making mortgage payments through federal and state suspensions of foreclosures, payment deferral programs and lowered interest rates (which could be accessed through loan refinance).⁸¹

However at the time of the writing of this report, it remains too soon to understand the scope of which homeowners sought out these options, as well as the race, ethnicity and gender of said owners on a national level.

In March 2023, about 0.6 percent of Western Washington area households were between 30-89 days past due on mortgage payments, down from the high in March 2020 (0.8%).⁸² About 0.2 percent of Western Washington area households were over 90 days past due on mortgage payment, also down from the high in March 2020 (0.3%).⁸³ Nationally, 1.3 percent of households were 30-89 days past due on their mortgage payments and 0.5 percent of households were over 90 days past due in March 2023, down from March 2020 (1.8% and 0.8%, respectively).⁸⁴⁸⁵ There was no information available by race, ethnicity or gender.

⁸¹ Smith, K.A., & Henricks, M. (2020). Mortgage payments interrupted by COVID-19? The federal and state response. *Forbes.com*. Retrieved from <https://www.forbes.com/sites/advisor/2020/04/20/mortgage-payments-interrupted-by-covid-19-the-federal-and-state-response/?sh=1485259b4a08>

⁸² Consumer Financial Protection Bureau. (2024). Mortgages 30-89 days delinquent, Seattle-Tacoma-Bellevue, WA. <https://www.consumerfinance.gov/data-research/mortgage-performance-trends/mortgages-30-89-days-delinquent/>

⁸³ Consumer Financial Protection Bureau. (2024). Mortgages 90 or more days delinquent, Seattle-Tacoma-Bellevue, WA. Consumer Financial Protection Bureau.

<https://www.consumerfinance.gov/data-research/mortgage-performance-trends/mortgages-90-or-more-days-delinquent/>

⁸⁴ Consumer Financial Protection Bureau. (2022). Mortgages 30-89 days delinquent, National. Consumer Financial Protection Bureau. <https://www.consumerfinance.gov/data-research/mortgage-performance-trends/mortgages-30-89-days-delinquent/>

⁸⁵ Consumer Financial Protection Bureau. (2022). Mortgages 90 or more days delinquent, National. Consumer Financial Protection Bureau. <https://www.consumerfinance.gov/data-research/mortgage-performance-trends/mortgages-90-or-more-days-delinquent/>

G. Access to Capital — Review of additional research on mortgage lending

Redlining

Historically, redlining referred to mortgage lending discrimination against geographic areas based on racial or ethnic characteristics of a neighborhood.⁸⁶ Presently, the concept of redlining includes an examination of the availability of and access to credit in predominantly minority neighborhoods, and the credit terms offered within a lender’s assessment area.⁸⁷

Studies have found clear evidence of redlining throughout the history of Tacoma. For example, one area of Tacoma might have been classified as lower financial risk for development and loans were it not for, according to the Home Owners’ Loan Corporation, “the presence of the number of Negroes and low class Foreign families who reside in the area.”⁸⁸ The effects of historical redlining are still felt today. As a result of redlining in Tacoma, people of color primarily reside in areas that were deemed “hazardous”; many of these areas overlap with Census Blocks scoring “Low” or “Very Low” on several Tacoma Equity Index indicators related to economic opportunity.⁸⁹

The practice of reverse redlining consists of extending high-cost credit. This discriminatory practice involves charging minority borrowers higher mortgage fee costs compared to white borrowers and was the subject of multiple lawsuits brought by the U.S. Department of Justice from the late 1990s through the early 2000s.⁹⁰ As a result of reverse redlining, some researchers argue that mortgage discrimination has shifted from being an access to credit issue to being a discretionary pricing issue.⁹¹

As evidenced by settlements in court cases in the past 10 years, redlining continues against minority mortgage applicants.

- In 2015, New York Attorney General Eric Schneiderman settled with Evans Bank for \$0.8 million after learning that Evans Bank erased African American neighborhoods from maps used to determine mortgage lending.⁹²
- In 2015, the U.S. Department of Housing and Urban Development reached a \$200 million settlement with Associated Bank for denying mortgage loans to African American and Hispanic American applicants in Chicago and Milwaukee.⁹³

⁸⁶Burnison, T. R., & Boccia, B. (2017). Redlining everything old is new again. *ABA Banking Journal*, 109(2).

⁸⁷ Ibid.

⁸⁸ Aaronson, D., Hartley, D., & Mazumder, B. (2021). The effects of the 1930s HOLC “redlining” maps. *American Economic Journal: Economic Policy*, 13(4), 355-392.

⁸⁹ *Tacoma Equity Index*. (n.d.) <https://www.cityoftacoma.org/cms/One.aspx?portalId=169&pageId=175030>

⁹⁰ Brescia, R. H. (2009). Subprime communities: Reverse redlining, the Fair Housing Act and emerging issues in litigation regarding the subprime mortgage crisis. *Albany Government Law Review*, 2(1), 164-216.

⁹¹ Ibid.

⁹² Mock, B. (2015, September 28). Redlining is alive and well—and evolving. *City Lab*. Retrieved from <https://www.citylab.com/equity/2015/09/redlining-is-alive-and-welland-evolving/407497/>

⁹³ Ibid.

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- In 2015, Eagle Bank and Trust Company settled a lawsuit with the DOJ over allegations of redlining in predominantly African American neighborhoods in and around St. Louis.⁹⁴
- In a reverse redlining case tried in federal court in 2016, a federal jury found that Emigrant Savings Bank and Emigrant Mortgage Company violated the Fair Housing Act, Equal Credit Opportunity Act, and New York City Human Rights Law by aggressively promoting toxic mortgages to African American and Hispanic American applicants with poor credit.⁹⁵
- In November 2016, Hudson City Savings Bank was subject to a record redlining settlement due to disparities suffered by African American and Hispanic American loan applicants.⁹⁶ According to the Consumer Financial Protection Bureau (CFPB) and the U.S. Department of Justice (DOJ), Hudson City Savings Bank avoided locating branches and loan officers, and using mortgage brokers in majority African American and Hispanic communities.⁹⁷ Hudson City Savings Bank also excluded majority-African American and Hispanic communities from its marketing strategy and credit assessment areas.⁹⁸
- In a different 2016 redlining legal action, the CFPB and DOJ ordered BancorpSouth Bank to pay millions to harmed minorities for illegally denying them access to credit in minority neighborhoods and denying African Americans applicants certain mortgage loans and over charging them, among other things.⁹⁹
- The DOJ and several Ohio banks reached a settlement in a 2016 redlining case that affected lenders in Ohio and Indiana. Union Savings Bank and Guardian Savings Bank, both based in Ohio, avoided providing credit services to majority-Black neighborhoods in and around Cincinnati, Columbus, Dayton and Indianapolis between 2010 and 2014.¹⁰⁰
- In 2017, the DOJ filed a lawsuit against KleinBank for redlining minority neighborhoods in Minnesota. According to the DOJ, KleinBank structured its residential mortgage lending business

⁹⁴ Department of Justice, Office of Public Affairs. (2015, September 29). Justice Department Reaches Settlement with Eagle Bank and Trust Company to Resolve Allegations of Lending Discrimination in St. Louis [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-reaches-settlement-eagle-bank-and-trust-company-resolve-allegations>

⁹⁵ Lane, B. (2016, June 30). Groundbreaking ruling? Federal jury finds Emigrant Bank liable for predatory lending. *Housingwire*. Retrieved from <https://www.housingwire.com/articles/37419-groundbreaking-ruling-federal-jury-finds-emigrant-bank-liable-for-predatory-lending>

⁹⁶ Burnison, T. R., & Boccia, B. (2017). Redlining everything old is new again. *ABA Banking Journal*, 109(2).

⁹⁷ Consumer Financial Protection Bureau. (2015, September 24). CFPB and DOJ order Hudson City Savings Bank to pay \$27 million to increase mortgage credit access in

communities illegally redlined [Press release]. Retrieved November 3, 2020, from <https://www.consumerfinance.gov/about-us/newsroom/cfpb-and-doj-order-hudson-city-savings-bank-to-pay-27-million-to-increase-mortgage-credit-access-in-communities-illegally-redlined/>

⁹⁸ Ibid.

⁹⁹ Dodd-Ramirez, D., & Ficklin, P. (2016, June 29). Redlining: CFPB and DOJ action requires BancorpSouth Bank to pay millions to harmed consumers [Web log post]. Retrieved from <https://www.consumerfinance.gov/about-us/blog/redlining-cfpb-and-doj-action-requires-bancorpsouth-bank-pay-millions-harmed-consumers/>

¹⁰⁰ Department of Justice, Office of Public Affairs. (2016, December 28). *Justice Department Reaches Settlement with Ohio-Based Banks to Resolve Allegations of Lending Discrimination*. [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-reaches-settlement-ohio-based-banks-resolve-allegations-lending>

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in a manner that excluded the credit needs of minority neighborhoods.¹⁰¹

- In 2019, First Merchants Bank settled a lawsuit with the DOJ concerning redlining in Indianapolis, Indiana. The suit alleged that the bank intentionally avoided lending in predominantly African American neighborhoods between 2011 and 2017.¹⁰²
- In 2021, the DOJ, CFBP and the Office of the Comptroller of the Currency (OCC) announced a settlement with Trustmark National Bank. Trustmark avoided marketing in majority-Black and Hispanic neighborhoods in Memphis.¹⁰³
- In 2021, the DOJ and OCC announced a settlement with Cadence Bank. Between 2013 and 2017, Cadence Bank avoided lending, outreach and marketing in predominantly Black and Hispanic neighborhoods in Houston.¹⁰⁴
- In 2022, Trident Mortgage Company settled a \$20 million lawsuit with the DOJ. The complaint alleged that Trident

¹⁰¹ Department of Justice, Office of Public Affairs. (2017, January 13). *Justice Department sues KleinBank for redlining minority neighborhoods in Minnesota* [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-sues-kleinbank-redlining-minority-neighborhoods-minnesota>

¹⁰² Department of Justice, Office of Public Affairs. (2019, June 13). *Justice Department Settles Suit Against Indiana Bank to Resolve Lending Discrimination Claims* [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-settles-suit-against-indiana-bank-resolve-lending-discrimination-claims>

¹⁰³ Department of Justice, Office of Public Affairs. (2021, October 22). *DOJ, CFBP and OCC Announce Resolution of Lending Discrimination Claims Against Trustmark National Bank* [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-announces-new-initiative-combat-redlining>

¹⁰⁴ Department of Justice, Office of Public Affairs. (2021, August 30). *Justice Department and Office of the Comptroller of the Currency Announce Actions to Resolve Lending*

Mortgage Company focused lending efforts in majority white neighborhoods in Pennsylvania, New Jersey and Delaware. At this time, this was the second largest redlining settlement in DOJ history.¹⁰⁵

- Lakeland Bank settled a lawsuit with the DOJ in 2022 regarding redlining practices in the Newark, New Jersey metropolitan area. The suit alleged that from 2015 to 2021, Lakeland Bank did not provide credit services to majority-Black and Hispanic neighborhoods in the Newark area, with branches only operating in majority-white areas.¹⁰⁶

Since 2023, DOJ announced the settlement agreements against banks engagement in redlining:

- From 2017 through 2020, City National Bank discouraged residents in majority-Black and Hispanic neighborhoods in Los Angeles from obtaining mortgage loans.¹⁰⁷

Discrimination Claims Against Cadence Bank. [Press release]. Retrieved from <https://www.justice.gov/usao-ndga/pr/justice-department-and-office-comptroller-currency-announce-actions-resolve-lending>

¹⁰⁵ Rabinowitz, H. (2022, July 27). DOJ reaches redlining settlement with mortgage lender accused of discriminating against communities of color. *CNN Business*. Retrieved from <https://www.cnn.com/2022/07/27/business/doj-reaches-redlining-settlement-with-mortgage-lender-reaj/index.html>

¹⁰⁶ Department of Justice, Office of Public Affairs. (2022, September 28). *Justice Department Secures Agreement with Lakeland Bank to Address Discriminatory Redlining*. [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-secures-agreement-lakeland-bank-address-discriminatory-redlining>

¹⁰⁷ Department of Justice, Office of Public Affairs. (2023, January 12). *Largest Redlining Settlement Agreement in Department History; Department's Combating Redlining Initiative Secured Over \$75 Million for Neighborhoods of Color to Date* [Press release]. Retrieved

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- Park National Bank’s branches were concentrated in majority-white neighborhood and failed to provide mortgage services in majority-Black and Hispanic neighborhoods in the Columbus, Ohio metropolitan area.¹⁰⁸
- ESSA Bank and Trust agreed to pay millions to increase access to credit for home mortgage in majority-Black and Hispanic neighborhoods in Philadelphia, Pennsylvania.¹⁰⁹
- American Bank of Oklahoma excluded majority-Black and Hispanic neighborhoods in the Tulsa metropolitan area from mortgage lending services.¹¹⁰
- Washington Trust Company failed to provide mortgage lending services to majority-Black and Hispanic neighborhoods in Rhode Island.¹¹¹
- Ameris Bank avoided providing mortgage services and discouraged residents from obtaining home loans in Jacksonville, Florida.¹¹²
- First National Bank (FNB) settled a lawsuit with the DOJ concerning redlining in the Charlotte and Winston-Salem, North Carolina lending markets. According to the DOJ, FNB avoided providing home loans in majority African American and Hispanic American communities from 2017 to 2021.¹¹³
- From 2015 to 2020, Patriot Bank avoided providing credit services to majority Hispanic and African American neighborhoods in Memphis, Tennessee.¹¹⁴

As of February 2024, the DOJ has open investigations into redlining in twelve states, including Texas, Washington, New York, and Florida.¹¹⁵

from <https://www.justice.gov/opa/pr/justice-department-secures-over-31-million-city-national-bank-address-lending-discrimination>

¹⁰⁸ Department of Justice, Office of Public Affairs. (2023, February 28). *Justice Department Secures \$9 Million from Park National Bank to Address Lending Discrimination Allegations*. [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-secures-9-million-park-national-bank-address-lending-discrimination>

¹⁰⁹ Department of Justice, Office of Public Affairs. (2023, May 31). *Justice Department Secures over \$3 Million Redlining Settlement Involving ESSA Bank & Trust in Philadelphia*. [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-secures-over-3-million-redlining-settlement-involving-essa-bank-trust>

¹¹⁰ Department of Justice, Office of Public Affairs. (2023, August 28). *Justice Department Secures Agreement with American Bank of Oklahoma to Resolve Lending Discrimination Claims*. [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-secures-agreement-american-bank-oklahoma-resolve-lending-discrimination>

¹¹¹ Department of Justice, Office of Public Affairs. (2023, September 27). *Justice Department Secures \$9 Million Agreement with Washington Trust Company to Resolve Redlining Claims in Rhode Island*. [Press release]. Retrieved from

<https://www.justice.gov/opa/pr/justice-department-secures-9-million-agreement-washington-trust-company-resolve-redlining>

¹¹² Department of Justice, Office of Public Affairs. (2023, October 19). *Justice Department Reaches Significant Milestone in Combating Redlining Initiative After Securing Over \$107 Million in Relief for Communities of Color Nationwide*. [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-reaches-significant-milestone-combating-redlining-initiative-after>

¹¹³ Stempel, J. (2024, February 5). Pennsylvania lender FNB settles US redlining case in North Carolina. *Reuters*. Retrieved from <https://www.reuters.com/business/finance/us-accuses-pennsylvania-lender-fnb-redlining-north-carolina-2024-02-05/>

¹¹⁴ Department of Justice, Office of Public Affairs. (2024, January 17). *Justice Department Secures Agreement with Patriot Bank to Resolve Lending Discrimination Claims*. [Press release]. Retrieved from <https://www.justice.gov/opa/pr/justice-department-secures-agreement-patriot-bank-resolve-lending-discrimination-claims>

¹¹⁵ Department of Justice, Civil Rights Division. (n.d.). *Combating Redlining Initiative*. Retrieved from <https://www.justice.gov/crt/page/file/1580441/dl>

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Restrictive Covenants

Restrictive covenants were used to bar people of color from purchasing, renting or living in certain properties. The Racial Restrictive Covenants Project, Washington State, has identified about 4,500 historical covenants in Pierce County with racial restrictions and thousands more in other counties in Washington state.¹¹⁶

The enforcement of this overtly discriminatory practice was ruled unconstitutional in 1948. Racially restrictive covenants had continued despite being unenforceable. The practice was not outlawed until the Fair Housing Act of 1968. While outlawed, racially restrictive covenants were not eliminated immediately and had long-term impacts on economic opportunity and upward mobility for people of color. Additionally, these overt covenants were often replaced with covert discriminatory practices, such as “steering” by real estate agents.¹¹⁷

¹¹⁶ *Racial Restrictive Covenants Project Washington State*. (n.d.) <https://depts.washington.edu/covenants/index.shtml>

¹¹⁷ Gregory, J. (n.d.). Understanding Racial Restrictive Covenants and their Legacy. Understanding Restrictive Covenants - Racial Restrictive Covenants Project. <https://depts.washington.edu/covenants/segregation.shtml>

¹¹⁸ Krone, E. (2018) The new housing discrimination: realtor minority steering. *Chicago Policy Review*. Retrieved from <https://chicagopolicyreview.org/2018/10/19/the-new-housing-discrimination-realtor-minority-steering/>

¹¹⁹ Consumer Financial Protection Bureau. (2013, January 18). *CFPB issuing rules to prevent loan originators from steering consumers into risky mortgages* [Press release]. Retrieved

Steering by Real Estate Agents and Others

The illegal act of steering can be defined as actions by real estate agents that differentially direct customers to certain neighborhoods and away from others based on race or ethnicity.¹¹⁸ Mortgage loan originators can also engage in steering. Prior to the mortgage loan crisis, mortgage loan originators engaged in steering to generate higher profits for themselves by directing minority loan applicants to less desirable and toxic loan instruments.¹¹⁹ Such steering can affect minority borrowers’ perception of the availability of mortgage loans. Additionally, explicit steering can drive racially/ethnically housing prices and result in segregation.¹²⁰

It is difficult to pursue cases involving steering; however, several steering cases have been prosecuted by federal and state agencies over the past decade:

- In 2011, the U.S. Department of Justice (DOJ) reached a \$335 million settlement with Countrywide Financial Corporation for steering thousands of African American and Hispanic American borrowers into subprime mortgages when white borrowers with comparable credit received prime loans.¹²¹

from <https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-rules-to-prevent-loan-originators-from-steering-consumers-into-risky-mortgages/>

¹²⁰ Besbris, M., & Faber, J.W. (2017). Investigating the relationship between real estate agents, segregation, and house prices: Steering and upselling in New York State. *Sociological Forum*, 32(4), 850-873. Retrieved from <https://doi.org/10.1111/socf.12378>

¹²¹ Department of Justice, Office of Public Affairs. (2011, December 21). *Justice Department reaches \$335 Million settlement to resolve allegations of lending discrimination by Countrywide Financial Corporation* [Press release]. Retrieved November 3, 2020, from <https://www.justice.gov/opa/pr/justice-department-reaches-335-million-settlement-resolve-allegations-lending-discrimination>

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- In 2012, the DOJ reached a \$184 million settlement with Wells Fargo for steering African American and Hispanic American borrowers into subprime mortgages and charging higher fees and rates than white borrowers with comparable credit profiles.¹²²
- In 2015, M&T Bank agreed to pay \$485,000 to plaintiffs in a settlement for a case involving racial discrimination and steering.¹²³
- In 2015, the City of Oakland, California sued Wells Fargo for steering minorities into costly mortgage loans that supposedly led to foreclosures, abandoned properties and blight.¹²⁴ The City of Philadelphia filed a lawsuit with similar allegations against Wells Fargo in 2017.¹²⁵
- In 2017, the U.S. Attorney settled a federal civil rights lawsuit against JP Morgan Chase Bank for \$53 million for steering and discrimination based on race and national origin after it was discovered that African Americans and Hispanic Americans paid higher mortgage loan rates compared with whites with comparable credit profiles.¹²⁶
- In a 2022 lawsuit filed by the DOJ, Evolve Bank & Trust agreed to pay \$1.3 million in a settlement regarding discriminatory lending practices to Black, Hispanic and female borrowers. The suit found that, from 2014 through 2019, Evolve Bank charged Black, Hispanic and female borrowers higher rates than white or male borrowers for “discretionary pricing” components of home loans regardless of credit status.¹²⁷
- In 2023, the DOJ sued Colony Ridge, a Texas-based developer and lender, for targeting Hispanic borrowers on predatory loans that end in foreclosure.¹²⁸

¹²² Department of Justice, Office of Public Affairs. (2012, July 12). *Justice Department reaches settlement with Wells Fargo resulting in more than \$175 Million in relief for homeowners to resolve fair lending claims* [Press release]. Retrieved November 3, 2020, from <https://www.justice.gov/opa/pr/justice-department-reaches-settlement-wells-fargo-resulting-more-175-million-relief>

¹²³ Stempel, J. (2015, August 31). M&T Bank settles lawsuit claiming New York City lending bias. *Reuters*. Retrieved from <https://www.reuters.com/article/us-usa-guns-dicks-sporting/walmart-joins-dicks-sporting-goods-in-raising-age-to-buy-guns-idUSKCN1GC1R1>

¹²⁴ Aubin, D. (2015, September 22). Oakland lawsuit accuses Wells Fargo of mortgage discrimination. *Reuters*. Retrieved from <https://www.reuters.com/article/us-wellsfargo-discrimination/oakland-lawsuit-accuses-wells-fargo-of-mortgage-discrimination-idUSKCNORM28L20150922>

¹²⁵ City of Philadelphia, Office of the Mayor. (2015, May 15). *City files lawsuit against Wells Fargo* [Press release]. Retrieved from <https://beta.phila.gov/press-releases/mayor/city-files-lawsuit-against-wells-fargo/>

¹²⁶ Department of Justice, U.S. Attorney’s Office, Southern District of New York. (2017, January 20). *Manhattan U.S. Attorney settles lending discrimination suit against JPMorgan Chase for \$53 Million* [Press release]. Retrieved November 3, 2020, from <https://www.justice.gov/usao-sdny/pr/manhattan-us-attorney-settles-lending-discrimination-suit-against-jpmorgan-chase-53>

¹²⁷ Department of Justice, Office of Public Affairs. (2022, September 29). *Justice Department Announces Actions to Resolve Lending Discrimination Claims Against Evolve Bank and Trust*. [Press release]. Retrieved <https://www.justice.gov/opa/pr/justice-department-announces-actions-resolve-lending-discrimination-claims-against-evolve>

¹²⁸ Department of Justice, Office of Public Affairs. (2023, December 20). Justice Department and Consumer Financial Protection Bureau Sue Texas-Based Developer and Lender Colony Ridge for Bait-and-Switch Land Sales and Predatory Financing. [Press release].

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Additional Information about Barriers for Women

Historically, lending practices overtly discriminated against women by requiring information on marital and childbearing status. The Equal Credit Opportunity Act in 1973 suspended such discriminatory lending practices. However, certain barriers affecting women have persisted after 1973 in mortgage lending markets.

Studies and lawsuits indicate unequal access to mortgage loans for women. For example, a 2013 study by the Woodstock Institute found that women within the six-county Chicago area were far less likely to be approved for mortgage loans than men, and even male-female joint applications were less likely to be originated if the female applicant was listed first. This disparity persisted for mortgage refinancing.¹²⁹

Research has confirmed that on average, women are better than men at paying their mortgages; however, women on average pay more for mortgages relative to their risk, and women of color pay the most.¹³⁰

Although disparities in mortgage interest rates are prevalent between African American and white borrowers, African American women are the most likely to experience this type of mortgage loan discrimination.¹³¹

Retrieved <https://www.justice.gov/opa/pr/justice-department-and-consumer-financial-protection-bureau-sue-texas-based-developer-and>

¹²⁹ Woodstock Institute. (2013). *Unequal opportunity: Disparate mortgage origination patterns for women in the Chicago area* [Fact sheet]. Retrieved from https://woodstockinst.org/wp-content/uploads/2013/05/unequalopportunity_factsheet_march2013_0.pdf

¹³⁰ Goodman, L., Zhu, J., & Bai, B. (2016). *Women are better than men at paying their mortgages* (Rep.). Retrieved from Urban Institute website: <https://www.urban.org/sites/default/files/publication/84206/2000930-Women-Are-Better-Than-Men-At-Paying-Their-Mortgages.pdf>

¹³¹ Cheng, P., Lin, Z., & Liu, Y. (2015). Racial discrepancy in mortgage interest rates. *Journal of Real Estate Finance and Economics*, 51(1), 101-120.

Lawsuits and studies suggest that gender-based lending discrimination continues:

- In 2022, Philadelphia’s Police and Fire Federal Credit Union (PFFCU) settled a lawsuit for alleged denied for a home renovation loan because a prospective borrower was on maternity leave.¹³²
- In 2017, Bellco Credit Union settled a lawsuit for alleged discrimination against women on maternity leave.¹³³
- In 2014 the U.S. Department of Housing & Urban Development (HUD) settled a lawsuit against Mountain America Credit Union over allegations of discrimination against prospective borrowers on maternity leave.¹³⁴

¹³² Relman Colfax, Retrieved from <https://www.relmanlaw.com/assets/htmldocuments/Settlement%20Agreement%201.pdf>

¹³³ Strozniak, P. (2017, October 17). Bellco CU settles alleged discriminatory housing lawsuit. *Credit Union Times*. Retrieved November 3, 2020, from <https://www.cutimes.com/2017/10/17/bellco-cu-settles-alleged-discriminatory-housing-l>

¹³⁴ National Mortgage Professional Magazine. (2014, June 25). HUD hits Mountain America Credit Union with \$25,000 fine. *National Mortgage Professional Magazine*. Retrieved November 3, 2020, from <https://nationalmortgageprofessional.com/news/41558/hud-hits-mountain-america-credit-union-25000-fine>

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- In 2011, HUD engaged in litigation against a company that revoked a pregnant woman’s mortgage insurance once the company learned that the woman was on leave from work.¹³⁵
- In 2010, Dr. Budde, an oncologist from Washington state, was initially granted a mortgage loan and later denied once her lender learned she was on maternity leave.¹³⁶

¹³⁵ Hanson, K. (2016). Disparate impact discrimination in residential lending and mortgage servicing based on sex: Insidious evil. *Florida Coastal Law Review*, 17(3), 421-447.

¹³⁶ Siegel Bernard, T. (2010, July 19). Need a mortgage? Don’t get pregnant. *New York Times*. Retrieved November 3, 2020, from <http://www.nytimes.com/2010/07/20/your-money/mortgages/20mortgage.html>

G. Access to Capital — Summary

Business start-up and long-term business success depend on access to capital. Discrimination at any link in that chain may produce cascading effects that result in racial and gender disparities in business formation and success.

The information presented here indicates that people of color and women continued to face disadvantages in accessing capital that is necessary to start, operate and expand businesses as of 2022.

Capital is required to start companies, so barriers to accessing capital can affect the number of people of color and women who are able to start businesses. In addition, minority and female entrepreneurs start their businesses with less capital (based on national data). Several studies have demonstrated that lower start-up capital adversely affects prospects for those businesses. Key results include:

- Nationally, minority- and woman-owned employer businesses (except Asian American-owned businesses) were more likely to use personal credit cards as a source of start-up capital, which is a more expensive form of debt than business loans from financial institutions.
- Personal and family savings of the owner was the main source of capital for startups among many U.S. businesses, but African American and Hispanic American households had considerably lower amounts of wealth than non-Hispanic white households.
- Among firms across the country, female- and minority-owned companies were less likely than non-Hispanic white male-owned companies to secure business loans from a bank or financial institution as a source of start-up capital.
- Nationally, minority- and woman-owned firms were more likely to not apply for additional financing because firm owners believed that they would not be approved by a lender. These firms were also more likely to indicate that access to financial capital negatively impacted firm profitability.
- Availability survey results for local area businesses indicate that MBEs were more likely than majority-owned firms to report difficulties obtaining lines of credit or loans.
- Among construction firms indicating in the availability survey that they had tried to obtain a bond, MBEs and WBEs were more likely to report difficulties obtaining bonding compared to majority-owned firms.

Any discrimination against people of color in the home purchase and mortgage markets can negatively affect formation of firms by minorities in the local area and the success and growth of those companies.

- Home equity is an important source of funds for business start-up and growth. Fewer people of color in the Western Washington area marketplace own homes compared with non-Hispanic whites. People of color also tended to have lower home values than non-Hispanic white homeowners.
- High-income minority households applying for conventional home mortgages in the Western Washington area were more likely to have their applications denied than high-income non-Hispanic whites. This may indicate discrimination in mortgage lending and may affect access to capital for businesses.
- Some minority groups were also more likely to have subprime loans than non-Hispanic whites. This may be evidence of predatory lending practices affecting people of color.

APPENDIX H. Analysis of Business Success — Introduction

The study team examined the success of businesses owned by people of color, women and veterans in the Western Washington area construction, professional services and other services industries and the Western Washington and Cowlitz County area goods industry (the “study industries”) and assessed whether outcomes for business owned by these individuals differ from business outcomes for other groups. Where data were available, the study team examined outcomes in terms of:

- Business closures, expansions and contractions;
- Business receipts and earnings;
- Bid capacity; and
- Potential barriers to starting or expanding businesses.

Because most of these analyses are based on secondary data, Keen Independent was limited to the business owner characteristics reported in those data. Certain data sources do not provide information for Native American-owned firms or consolidate results for all minority-owned businesses.

Most of the research based on secondary data reflects marketplace outcomes before the COVID-19 pandemic.

H. Business Success — Business closures

The study team used Small Business Administration (SBA) data to examine business outcomes — including closures, expansions and contractions — for minority-owned businesses nationally and statewide. The SBA analyses compare business outcomes for minority-owned businesses (by demographic group) to business outcomes for all businesses.

Overall Rates of Business Closures

A 2010 SBA report investigated business dynamics and whether minority-owned businesses were more likely to close than other businesses. By matching data from business owners who responded to the 2002 U.S. Census Bureau Survey of Business Owners (SBO) to data from the Census Bureau’s 1989–2006 Business Information Tracking Series, the SBA reported on business closure rates between 2002 and 2006 across different sectors of the economy.^{1,2} The SBA report examined patterns in each state. (These are the most recent SBA analyses available at the time of this report.)

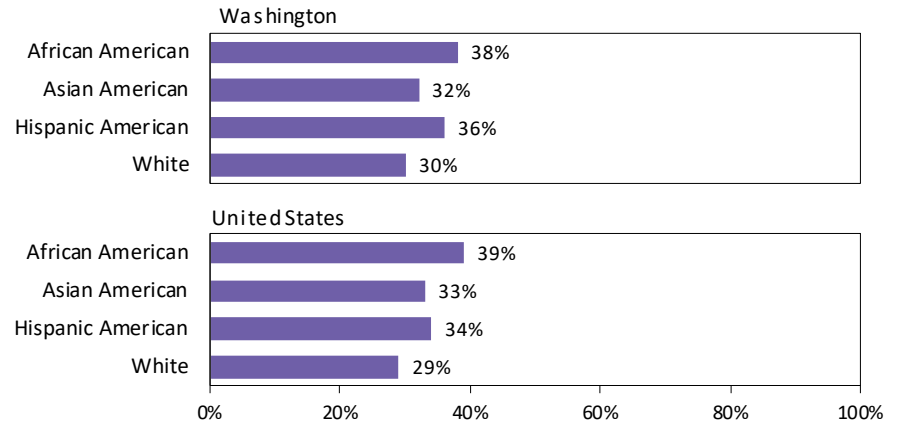
Figure H-1 presents those data for African American-, Asian American- and Hispanic American-owned businesses as well as for white-owned businesses. The rate of business closure among minority-owned businesses in Washington state in 2002 through 2006 exceeded the closure rate of majority-owned businesses by as much as 8 percentage points. About 38 percent of African American-owned businesses operating in 2002 had closed by the end of 2006 compared with 30 percent of businesses owned by whites.

¹ Lowrey, Y. (2010) *Race/ethnicity and establishment dynamics, 2002–2006* (Rep. No. 369). U.S. Small Business Administration, Office of Advocacy.

² Businesses classifiable by race/ethnicity exclude publicly traded companies. The study team did not categorize racial groups by ethnicity. As a result, some Hispanic Americans

The rate of business closure among Hispanic American- and Asian American-owned firms also exceeded that of majority-owned businesses in Washington state.

H-1. Rates of business closure, 2002 through 2006, Washington and the U.S.



Note: Data refer to non-publicly held businesses only.

As sample sizes are not reported, statistical significance of these results cannot be determined; however, statistics are consistent with SBA data quality guidelines.

Source: Lowrey, Y. (2010). *Race/ethnicity and establishment dynamics, 2002–2006* (Rep. No. 369). U.S. Small Business Administration, Office of Advocacy.

The following pages discuss more results from the 2010 SBA study. Note that the 2010 study has not been replicated at the state level based on more recent data. There have been analyses of the effect of the COVID-19 pandemic, which also show disparities in closure rates. Those results are presented after fully discussing results of the 2010 SBA study.

may also be included in statistics for African Americans, Asian Americans and whites.

H. Business Success — Business closures

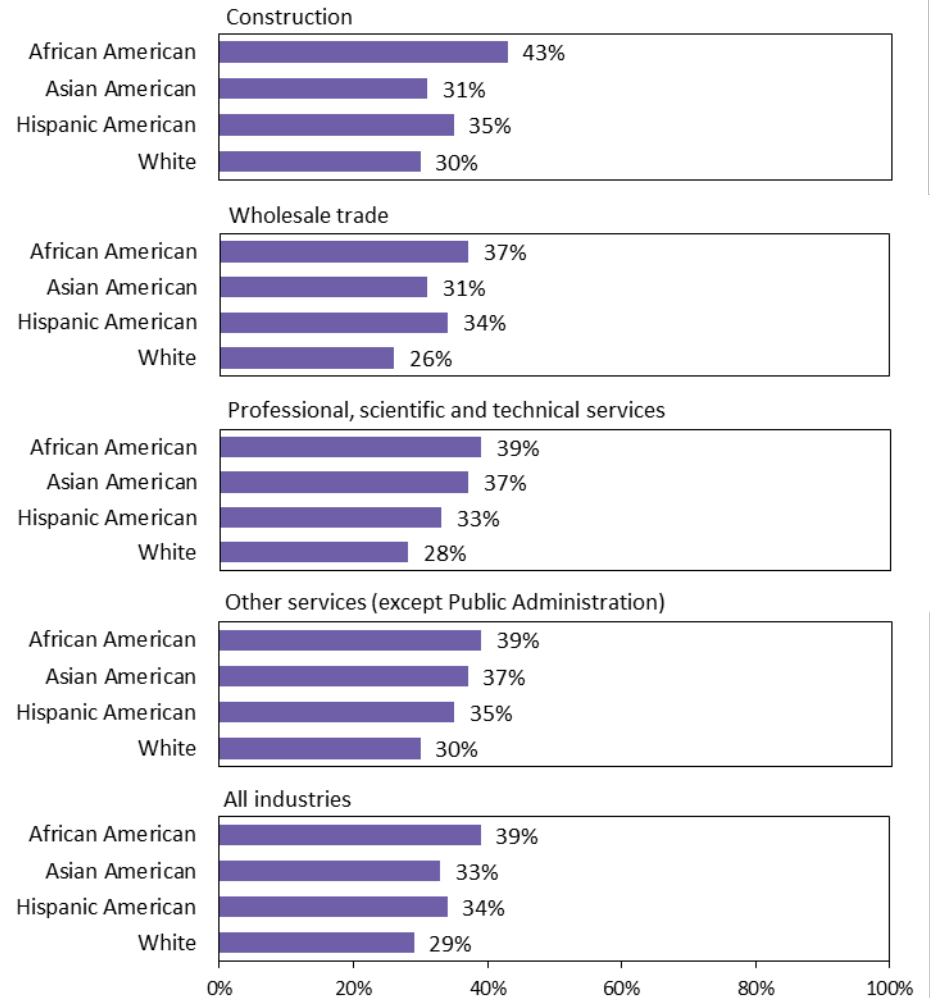
Rates of Business Closures by Industry

The SBA report also examined national business closure rates by race/ethnicity for 21 different industry classifications (these data are not reported by state). Figure H-2 compares rates of firm closure for construction; wholesale trade; professional, scientific and technical services; and other services. Figure H-2 also presents closure rates for all industries by race/ethnicity.

- Across different industries, minority-owned businesses that were operating in 2002 had higher rates of closure from 2002 to 2006 relative to white-owned businesses.
- African American-owned businesses had the highest rate of closure among all racial/ethnic groups. For all industries, 39 percent of African American-owned firms in business in 2002 had closed by 2006 compared with 29 percent of business owned by whites.

The study team could not examine whether those differences also existed in Washington state because the SBA analysis by industry was not available for individual states.

H-2. Rates of business closure, 2002 through 2006, relevant study industries and all industries in the U.S.



Note: Data refer to non-publicly held businesses only.

As sample sizes are not reported, statistical significance of these results cannot be determined; however, statistics are consistent with SBA data quality guidelines.

Source: Lowrey, Y. (2010) Race/ethnicity and establishment dynamics, 2002–2006 (Rep. No. 369). U.S. Small Business Administration, Office of Advocacy.

H. Business Success — Business closures

Unsuccessful Closures

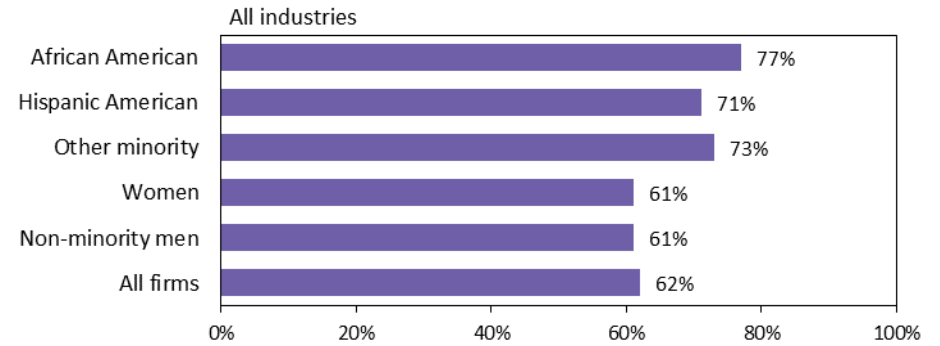
Not all business closures can be interpreted as “unsuccessful closures.” Businesses may close when an owner retires or a more profitable business opportunity emerges, both of which represent “successful closures.” The most recent data on this issue come from the 1992 Characteristics of Business Owners (CBO) Survey.³ The 1992 CBO combines data from the 1992 Economic Census and a survey of business owners conducted in 1996. The survey portion of the 1992 CBO asked owners of businesses that had closed between 1992 and 1995, “Which item below describes the status of this business at the time the decision was made to cease operations?” Only the responses “successful” and “unsuccessful” were permitted. A firm that reported being unsuccessful at the time of closure was understood to have failed.

Figure H-3 presents CBO data on the proportion of businesses that closed due to failure between 1992 and 1995.^{4,5} African American-owned businesses were the most likely to report being “unsuccessful” at the time at which their businesses closed. About 77 percent of African American-owned business closures were reported to be unsuccessful between 1992 and 1995, compared with 61 percent of non-Hispanic white male-owned business closures. Unsuccessful closure rates were also relatively high for other minority groups. These data are valuable as they suggest that high closure rates for MBEs might not be explained by “successful closures.” There were no differences in closure rates for WBEs compared with non-minority male-owned companies.

³ CBO data from the 1997 and 2002 Economic Censuses do not include statistics on successful and unsuccessful business closures. To date, the 1992 CBO is the only U.S. Census dataset that includes such statistics.

⁴ All CBO data should be interpreted with caution as businesses that did not respond to the survey cannot be assumed to have the same characteristics of ones that did. For further explanation, see Holmes, T.J., & Schmitz, J. A. (1996). Nonresponse Bias and Business Turnover Rates: The case of the Characteristics of Business Owners Survey. *Journal of*

H-3. Proportions of closures reported as unsuccessful between 1992 and 1995 in the U.S., all industries



Source: U.S. Census Bureau, 1996 Characteristics of Business Owners Survey (CBO).

Business & Economic Statistics, 14(2), 231–241; Headd, B. (2001). *Business success: Factors leading to surviving and closing successfully* (Working Paper No. 01-01. Center for Economic Studies, U.S. Census Bureau. Retrieved from the U.S. Census Bureau website: <https://www.census.gov/library/working-papers/2001/adrm/ces-wp-01-01.html>

⁵ Data for firms operating in the management of companies and enterprises and administrative, support, waste management and remediation industries were not available in the CBO survey.

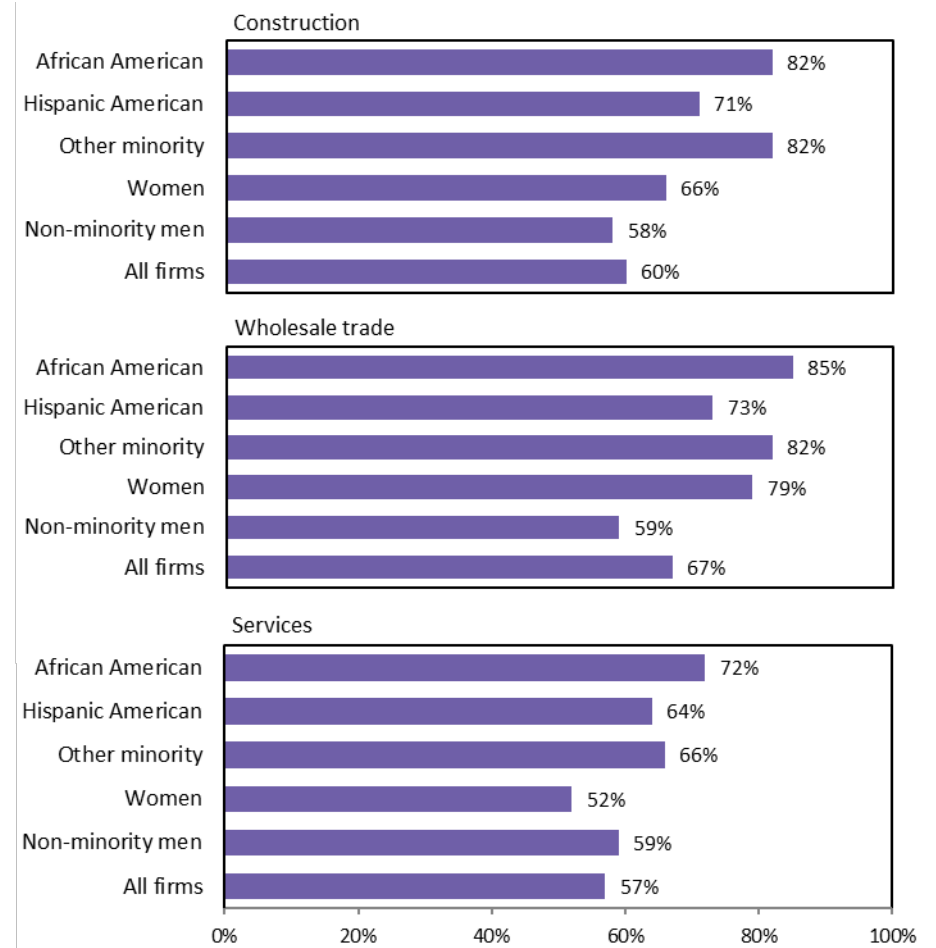
H. Business Success — Business closures

The CBO data also provide data on unsuccessful business closures by industry.

- In the construction industry, minority- and woman-owned businesses were more likely to report unsuccessful business closures (82% and 66%, respectively) than non-Hispanic white male-owned businesses (58%).
- Those patterns were similar in the wholesale trade and services industries with one exception — woman-owned businesses in the services industry (52%) were less likely to report unsuccessful closures than non-Hispanic white male-owned businesses (59%).

Figure H-4 presents these results.

H-4. Proportions of closures reported as unsuccessful between 1992 and 1995 in the U.S., by industry



Source: U.S. Census Bureau, 1996 Characteristics of Business Owners Survey (CBO).

H. Business Success — Business expansion

Researchers have offered explanations for higher rates of unsuccessful closures among minority- and woman-owned businesses:

- Regression analyses have identified initial capitalization as a factor in determining firm viability.⁶ Because minority-owned businesses secure smaller amounts of debt equity in the form of loans, they may be more likely to fail.⁷
- Prior work experience in a family member’s business or similar experiences are determinants of business viability.⁸ Because minority business owners are much less likely to have such experience, their businesses are less likely to survive.⁹ Similar gaps exist in the likelihood of business survival among woman-owned firms.¹⁰
- An owner’s education level is a strong determinant of business survival. Educational attainment explains a substantial portion

⁶ See, e.g., Bates, T., & Robb, A.M. (2016). Impacts of owner race and geographic context on access to small-business financing. *Economic Development Quarterly*, 30(2), 159-170; Fairlie, R. (2018). Racial inequality in business ownership and income. *Oxford Review of Economic Policy*, 34(4) 597-614; Fairlie, R. W., Robb, A. M., & Robinson, D.T. (2020). Black and white: Access to capital among minority-owned startups. *National Bureau of Economic Research, Working Paper (28154)*

⁷ Bates, T., & Robb, A. (2013). Greater access to capital is needed to unleash the local economic development potential of minority-owned businesses. *Economic Development Quarterly*, 27(3) 250-259; Blanchflower, D. (2008). *Minority self-employment in the United States and the impact of affirmative action programs* (Working paper No. 12972). NBER Working Paper Series. Cambridge, MA: National Bureau of Economic Research. Retrieved from <https://www.nber.org/papers/w13972>

⁸ Staniewski, M.W., (2016). The contribution of business experience and knowledge to successful entrepreneurship. *Journal of Business Research*, 69(11) 5147-5152; Fairlie, R. W., & Robb, A. (2010). *Race and entrepreneurial success: Black-, Asian-, and white-owned businesses in the United States*. Cambridge, MA: The MIT Press.

⁹ Fairlie, R. W., & Robb, A. M. (2007). Why are black-owned businesses less successful than white-owned businesses? The role of families, inheritances and business human capital. *Journal of Labor Economics*, 25(2), 289-323.

of the gap in business closure rates between African American-owned and nonminority-owned businesses.¹¹

- White business owners have broader business opportunities, increasing their likelihood of closing successful businesses to pursue more profitable alternatives. Minority owners, especially those who do not speak English, have limited employment options, are less likely to close a successful business and more likely to face low business income.¹²
- Possession of greater initial capital and generally higher levels of education among Asian Americans are related to a higher rate of survival of Asian American-owned businesses compared to other minority-owned businesses.¹³

¹⁰ Sriram, V., & Mersha, T. (2017). Entrepreneurial drivers and performance: an exploratory study of urban minority and women entrepreneurs. *International Journal of Entrepreneurship and Small Business*, 31(4); Fairlie, R. W., & Robb, A. M. (2009). Gender differences in business performance: Evidence from the Characteristics of Business Owners survey. *Small Business Economics*, 33(4), 375–395.

¹¹ Fairlie, R. (2022). The Impacts of COVID-19 on Racial Disparities in Small Business Earnings. U.S. Small Business Office of Advocacy. Retrieved from https://cdn.advocacy.sba.gov/wp-content/uploads/2022/08/16104005/Report_COVID-and-Racial-Disparities_508c.pdf

¹² Fairlie, R. (2018). Latino business ownership: contributions and barriers for U.S.-born and immigrant Latino entrepreneurs. Office of Advocacy, U.S. Small Business Administration; Bates, T. (2005). Analysis of young, small firms that have closed: Delineating successful from unsuccessful closures. *Journal of Business Venturing*, 20(3), 343–358.

¹³ Robb, A. M., & Fairlie, R. W. (2009). Determinants of business success: An examination of Asian-owned businesses in the USA. *Journal of Population Economics*, 22(4), 827–858; Fairlie, R. W., Zissimopoulos, J., & Krashinsky, H. (2010). The international Asian business success story? A comparison of Chinese, Indian and other Asian businesses in the United States, Canada and United Kingdom. In *International Differences in Entrepreneurship* (pp. 179–208). University of Chicago Press; Fairlie, R. W., & Robb, A. (2010). *Race and*

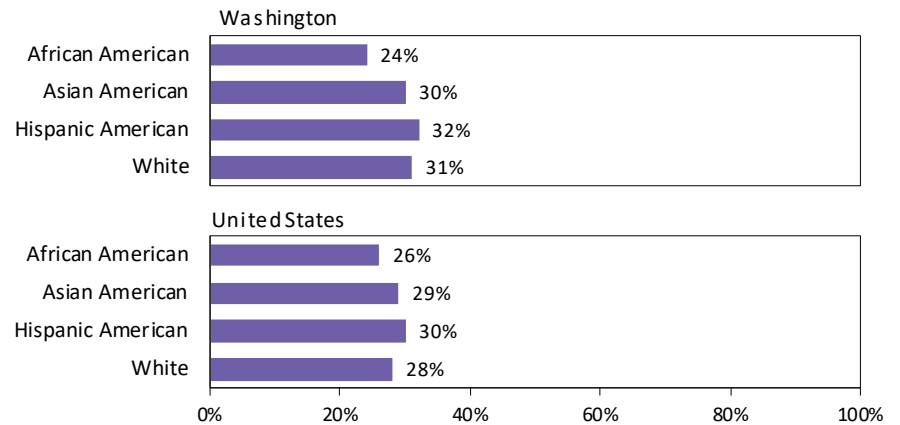
H. Business Success — Business expansion

Comparing expansion and contraction for firms owned by different groups is also useful in assessing the success of minority-owned businesses. As with closure data, only some data on expansions and contractions for the nation were available at the state level.

The 2010 SBA study of minority business dynamics from 2002 through 2006 examined the number of privately held state of Washington businesses that expanded and contracted between 2002 and 2006.

Figure H-5 presents the percentage of all businesses that increased their total employment between 2002 and 2006. In Washington state, relatively fewer African American- and Asian American-owned businesses expanded compared with white-owned businesses.

H-5. Percentage of businesses that expanded, 2002 through 2006, Washington and the U.S.



Note: Data refer to non-publicly held businesses only.

As sample sizes are not reported, statistical significance of these results cannot be determined; however, statistics are consistent with SBA data quality guidelines.

Source: Lowrey, Y. (2010) Race/ethnicity and establishment dynamics, 2002–2006 (Rep. No. 369). U.S. Small Business Administration, Office of Advocacy.

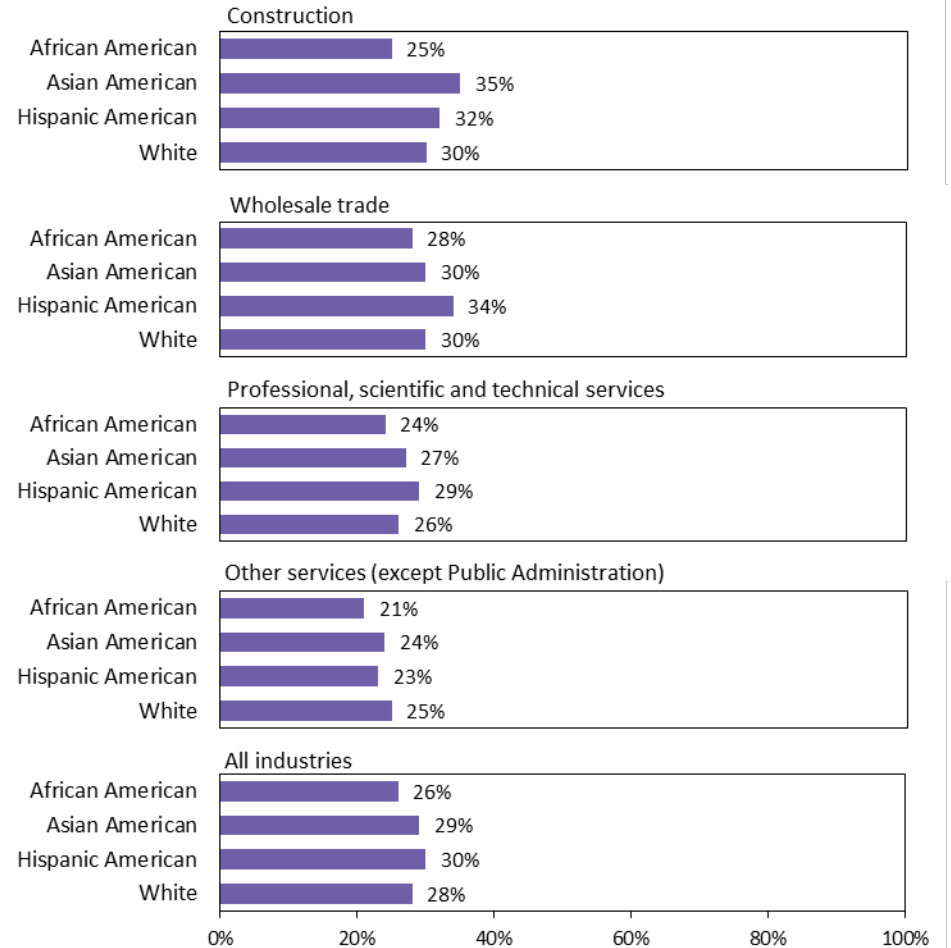
entrepreneurial success: Black-, Asian-, and white-owned businesses in the United States.
Cambridge, MA: The MIT Press.

H. Business Success — Business expansion

Figure H-6 presents the percentage of businesses that expanded in construction; wholesale trade; professional, scientific and technical services; management of companies and enterprises; other services and in all industries in the United States. (The SBA study did not report results for businesses in individual industries at the state level.)

In each industry examined, a smaller percentage of African American-owned firms expanded compared to white-owned firms. Asian American- and Hispanic American-owned firms in some industries were more likely to expand than white-owned businesses.

H-6. Percentage of businesses that expanded, 2002 through 2006, relevant study industries and all industries in the U.S.



Note: Data refer to non-publicly held businesses only.

As sample sizes are not reported, statistical significance of these results cannot be determined; however, statistics are consistent with SBA data quality guidelines.

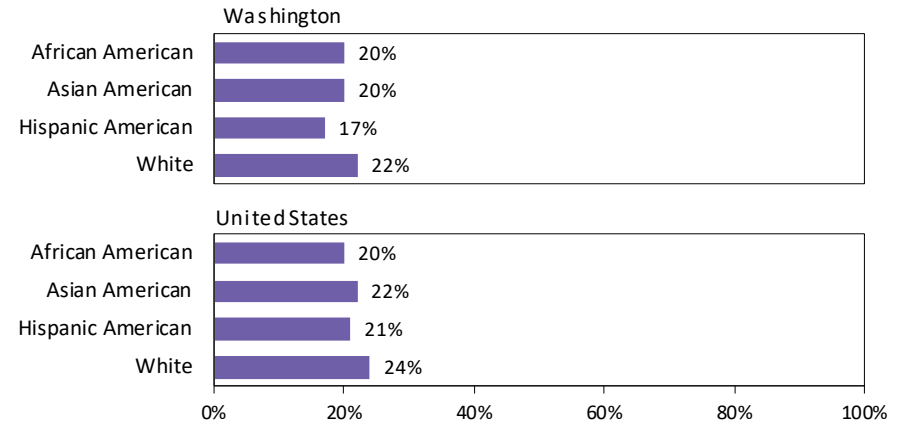
Source: Lowrey, Y. (2010) Race/ethnicity and establishment dynamics, 2002–2006 (Rep. No. 369). U.S. Small Business Administration, Office of Advocacy.

H. Business Success — Business contraction

Figure H-7 shows the percentage of privately held businesses operating in 2002 that reduced their employment (i.e., contracted) between 2002 and 2006 in Washington state and in the nation.

- African American, Asian American and Hispanic American-owned firms in the state of Washington were less likely to contract between 2002 and 2006 than nonminority-owned businesses. However, these differences do not offset the higher percentage of minority-owned firms that closed during this time period (shown in Figure H-1).
- Trends in business contraction for Washington state are similar to those for the United States as a whole. Nationally, relatively fewer businesses owned by individuals in each minority group contracted compared with white-owned companies.

H-7. Percentage of businesses that contracted, 2002 through 2006, Washington and the U.S.



Note: Data refer to non-publicly held businesses only.

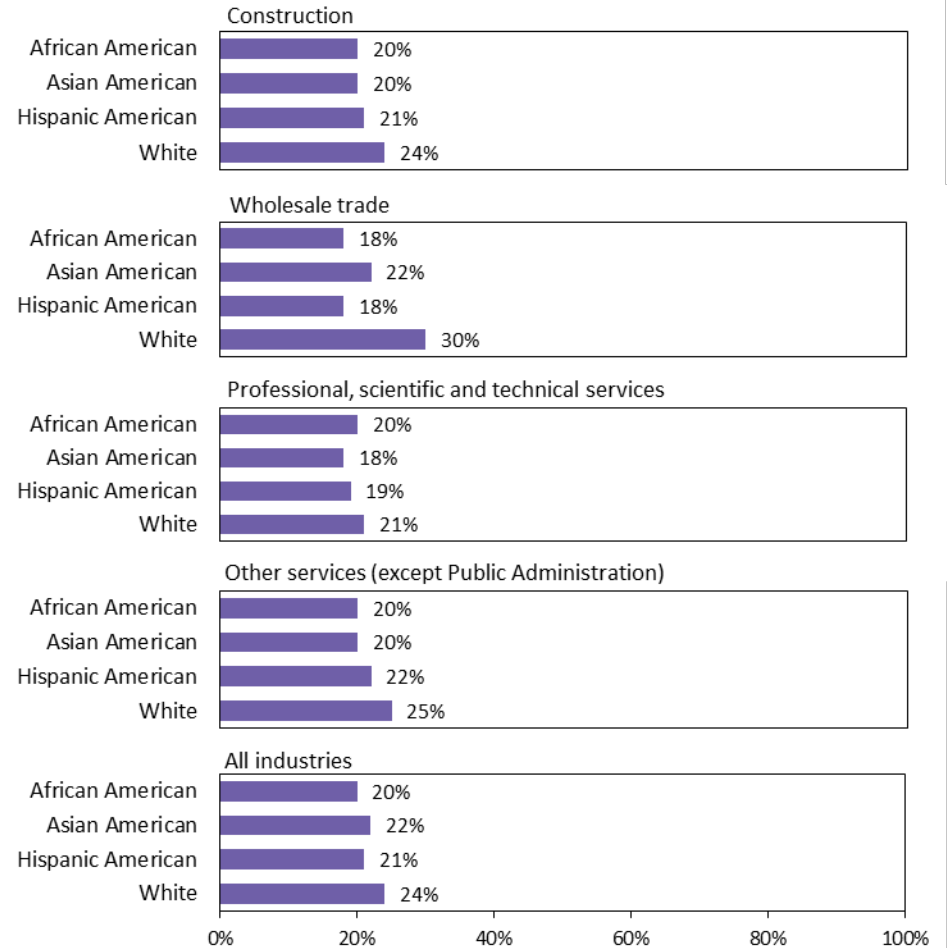
As sample sizes are not reported, statistical significance of these results cannot be determined; however, statistics are consistent with SBA data quality guidelines.

Source: Lowrey, Y. (2010) Race/ethnicity and establishment dynamics, 2002–2006 (Rep. No. 369). U.S. Small Business Administration, Office of Advocacy.

H. Business Success — Impact of COVID-19 Pandemic on closure, expansion and contraction

The SBA study did not report state-specific results relating to contractions in individual industries. Figure H-8 displays the percentage of businesses that contracted in the relevant study industries and in all industries at the national level. Compared to white-owned businesses in the United States, in general, a smaller percentage of minority-owned businesses in the relevant study industries and in all industries contracted between 2002 and 2006.

H-8. Percentage of businesses that contracted, 2002 through 2006, relevant study industries and all industries in the U.S.



Note: Data refer to non-publicly held businesses only.

As sample sizes are not reported, statistical significance of these results cannot be determined; however, statistics are consistent with SBA data quality guidelines.

Source: Lowrey, Y. (2010). Race/ethnicity and establishment dynamics, 2002–2006 (Rep. No. 369). U.S. Small Business Administration, Office of Advocacy.

H. Business Success – Impact of COVID-19 Pandemic on closure, expansion and contraction

Closure

The COVID-19 pandemic negatively affected business success and that the magnitude of these effects vary by race, ethnicity, gender and education. Establishment closure and opening was an important feature of the early pandemic. At the height of the pandemic during the spring of 2020, more than 700,000 establishments, or single operating locations of potentially larger businesses, closed at least temporarily.¹⁴ Certain businesses navigated multiple cycles of establishment closures and openings, and many establishments were permanently closed because of the pandemic. Permanent closures, or exits, during 2020 reached 1.1 million and exceeded pre-pandemic (2015-2019) rates by roughly 181,000.¹⁵ Coming out of the pandemic, new establishments surged in 2021.¹⁶

One study performed by the Federal Reserve Bank found that minority-owned small businesses had been disproportionately impacted by the pandemic. Firms owned by Asian Americans and Hispanic Americans had higher rates of closure than non-Hispanic whites, and African Americans faced the highest rate of business closure at more than twice the rate of businesses owned by non-Hispanic whites.¹⁷

The 2020 Small Business Credit Survey (SBCS) included questions related to the COVID-19 pandemic's effect on business operations. As of fall 2020, the number of businesses that temporarily closed at one point during the pandemic was one in four for non-Hispanic white-owned firms and higher for firms owned by people of color (see Figure H-9).

¹⁴ Decker, R et al. (2022, May 06). Business entry and exit in the COVID-19 pandemic: A preliminary look at the official data. Retrieved from <https://www.federalreserve.gov/econres/notes/feds-notes/business-entry-and-exit-in-the-covid-19-pandemic-a-preliminary-look-at-official-data-20220506.html>

¹⁵ Ibid.

H-9. Effect of the COVID-19 pandemic on U.S. employer firms, 2020

Race/ethnicity	Temporarily closed	Reduced operations	Maintained operations*	Expanded operations	No impact
African American	26 %	67 %	39 %	5 %	2 %
Asian American	33	67	43	3	2
Hispanic American	27	63	44	3	3
Native American	36	56	47	5	9
Non-Hispanic white	25	54	49	5	5

Note: "Maintained operations" includes those that maintained operations with modifications; respondents were instructed to select all that apply, therefore the percent of respondents may add to more than 100%.

Source: Federal Reserve Bank. (2020). 2020 Small Business Credit Survey [Data file]. Retrieved from <https://www.fedsmallbusiness.org/survey>.

¹⁶ Ibid.

¹⁷ Misera, L. (2020). *An uphill battle: COVID-19's outsized toll on minority-owned firms* (Rep.). Cleveland, OH: Federal Reserve Bank of Cleveland. doi: 10.26509/frbc-cd-20201008

H. Business Success — Impact of COVID-19 Pandemic on closure, expansion and contraction

Expansion and Contraction

The SBCS also asked firms if their revenue and employment had increased, decreased or not changed from previous years.

Figure H-10 shows these results.

From fall 2019 to fall 2020, more than 75 percent of U.S. employer firms reported that their revenue decreased. About one-half reported that their employment decreased. These data indicate that the COVID-19 pandemic negatively impacted revenue and employment.

From 2019 to 2021, 13 percent of Asian American business owners reported a revenue increase and 79 percent a revenue decrease. In the same period, 17 percent of African American business owners reported a revenue increase and 72 percent a revenue increase, 23 percent of Hispanic American business owners reported a revenue increase and 67 percent a decrease and 30 percent of non-Hispanic white business owners reported an increase in firm revenue and 59 percent a decrease.¹⁸ Overall, minority-owned businesses were more likely to report losses in revenue compared to businesses owned by non-Hispanic whites over the 2019 to 2021 period.

Additionally, the SBCS asked firms about revenue and employment changes in the prior 12 months. Figure H-10 shows these results for 2020 and 2022 by employer firm race.

H-10. Percent of firms that reported change in revenue and employment in prior 12 months, U.S. employer firms, 2020 and 2022

Race/ethnicity	2020		2022	
	Revenue	Employment	Revenue	Employment
Increase				
African American	10 %	10 %	21 %	19 %
Asian American	5	7	24	15
Hispanic American	12	9	27	21
Native American	12	14	28	25
Non-Hispanic white	15	12	41	25
No change				
African American	6 %	37 %	15 %	39 %
Asian American	5	39	13	44
Hispanic American	8	41	15	41
Native American	14	43	14	26
Non-Hispanic white	9	43	14	43
Decrease				
African American	85 %	53 %	64 %	42 %
Asian American	90	54	62	42
Hispanic American	80	51	58	39
Native American	75	43	58	48
Non-Hispanic white	76	45	45	31

Source: Federal Reserve Bank. (2022). 2022 Small Business Credit Survey [Data file]. Retrieved from <https://www.fedsmallbusiness.org/survey>.

¹⁸ Small Business Credit Survey 2022 Report on Firms Owned by People of Color. (2022) FED Small Business. Retrieved from <https://www.fedsmallbusiness.org/survey/2022/2022-report-on-firms-owned-by-people-of-color>.

H. Business Success — Impact of COVID-19 Pandemic on closure, expansion and contraction

Impact on Woman-Owned Firms

A U.S. Chamber of Commerce study found evidence that the pandemic disproportionately affected woman-owned firms. The study surveyed small business owners in the quarter before the pandemic and in the third quarter of 2020. Findings are summarized in Figure H-11.

- Between January and July of 2020, the share of woman-owned firms that reported their overall business health as “good” fell from 60 percent to 47 percent.
- The share of woman-owned firms that indicated increasing staffing in the previous calendar year fell from 18 percent in January 2020 to 15 percent in July 2020, while the portion of male-owned firms rose from 17 percent to 25 percent. The share of woman-owned firms that expected to increase size of staff in the coming year fell, while the share of male-owned firms that expected to increase staffing grew.
- The share of woman-owned firms that planned to increase investments was stable, while the share of male-owned firms that planned on increasing investments grew.
- Fewer woman-owned firms expected their revenue to grow in the following year, compared to little change for male-owned firms.

Some variation may be due to industry makeup; woman-owned businesses were a relatively higher portion of firms in the retail, services and healthcare/professional services industries, which had been more impacted by social distancing guidelines.¹⁹

H-11. Survey responses about business success, before and during the COVID-19 pandemic

Demographic group	Before COVID-19 pandemic	
	(January 2020)	July 2020
Female		
Ranked overall health of business as "good"	60 %	47 %
Increased staffing in previous year	18	15
Expect to increase size of staff in coming year	31	24
Plan to increase investments in the coming year	32	32
Expect next year's revenue to increase	63	49
Male		
Ranked overall health of business as "good"	67 %	62 %
Increased staffing in previous year	17	25
Expect to increase size of staff in coming year	30	36
Plan to increase investments in the coming year	28	39
Expect next year's revenue to increase	59	57

Source: U.S. Chamber of Commerce. (2020). *MetLife & U.S. Chamber Special Report on women-owned small businesses during COVID-19* (Rep.). Retrieved from <https://www.uschamber.com/workforce/special-report-women-owned-small-businesses-during-covid-19>.

¹⁹ U.S. Chamber of Commerce. (2020, August 26). *Coronavirus pandemic disproportionately affecting female-owned small businesses, according to new U.S. Chamber poll* [Press release]. Retrieved January 15, 2021, from <https://www.uschamber.com/press->

[release/coronavirus-pandemic-disproportionately-affecting-female-owned-small-businesses](https://www.uschamber.com/press-release/coronavirus-pandemic-disproportionately-affecting-female-owned-small-businesses)

H. Business Success — Impact of COVID-19 Pandemic on closure, expansion and contraction

Research suggests that the added labor of childcare and elderly care will continue to impact women and women-owned businesses.²⁰ Average childcare duties rose from 9 hours per week to 17 hours early in the pandemic and 22 hours by fall 2020. Even as women remained employed, the burden of care led many to sacrifice opportunities that may impact their long-term professional success. It is within this context that African American women, who worked in the leisure or service industry and who became primary caretakers of children or elderly relatives, were the most impacted by COVID-19.

²⁰ Goldin, C. (April 2022). Understanding the Economic Impact of COVID-19 on Women. *National Bureau of Economic Research*. Retrieved from <https://www.nber.org/papers/w29974>

H. Business Success — Business receipts

Annual business receipts and earnings for business owners are also indicators of the success of businesses. The study team examined:

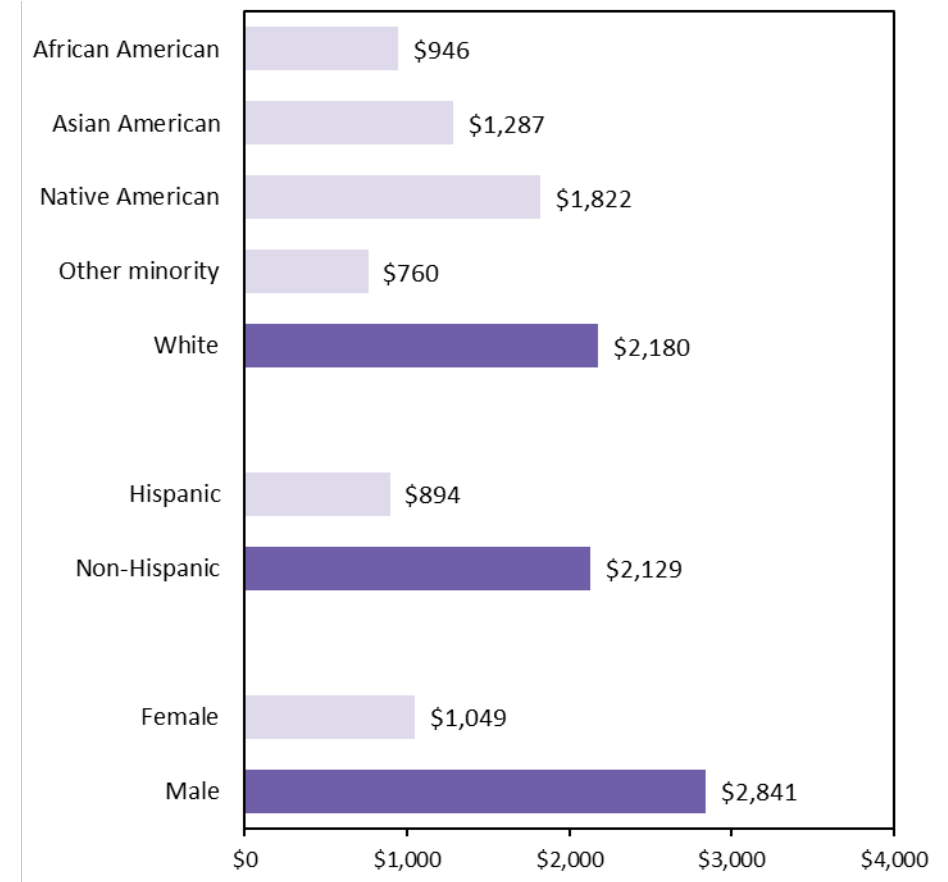
- Business receipts data for Washington state from the U.S. Census Bureau 2017 Annual Business Survey (ABS);
- Business earnings data for business owners in the Western Washington area marketplace from the 2018–2022 American Community Survey (ACS); and
- Annual revenue data for firms in the study industries located in the Western Washington area marketplace that the study team collected as part of the 2024 availability surveys.

Receipts for All Businesses

The study team examined receipts for businesses using data from the 2017 ABS, conducted by the U.S. Census Bureau.

Figure H-12 presents 2017 mean annual receipts for employer and non-employer businesses by race, ethnicity and gender.²¹ The ABS data across all industries in Washington state show lower receipts for minority- and woman-owned businesses than for nonminority and male-owned businesses, respectively.

H-12. Mean annual receipts (thousands) for all businesses, by race/ethnicity and gender of owners, 2017, Washington



Note: Includes employer and non-employer businesses. Does not include publicly traded companies or other businesses not classifiable by race/ethnicity and gender.

As sample sizes are not reported, statistical significance of these results cannot be determined.

Source: U.S. Census Bureau's 2017 Annual Business Survey.

²¹ Racial categories are not available by both race and ethnicity. As such, the racial categories shown may include Hispanic Americans.

H. Business Success — Business receipts

Receipts by Industry

The study team also analyzed ABS receipts data for businesses in construction, professional services, goods and other services.

Figure H-13 presents mean annual receipts in 2017 for firms in the economic sectors that correspond to the study industries. Disparities for minority- and woman-owned businesses seen in all industries combined persist when examining results for most individual industries.

Average business revenue for firms owned by veterans was lower than for nonveteran-owned companies for the Washington state construction; professional, scientific and technical services; and whole sale trade industries.

H-13. Mean annual receipts (thousands) for all firms in the relevant study industries, by race/ethnicity and gender of owners, 2017, Washington

Demographic group	Construction	Professional, scientific and technical services	Wholesale trade	Other services
Race				
African American	\$ 1,327	\$ 663	\$	\$ 127
Asian American	1,441	1,502	5,187	255
Native American	3,082	1,090	3,084	655
Other minority	1,065	378		
White	2,071	1,100	9,411	675
Ethnicity				
Hispanic	\$ 915	\$ 1,469	\$ 4,319	\$ 280
Non-Hispanic	2,156	1,123	9,056	600
Gender				
Female	\$ 1,670	\$ 655	\$ 6,766	\$ 383
Male	2,447	1,435	11,092	758
Veteran status				
Veteran	\$ 1,800	\$ 760	\$ 5,479	\$ 630
Nonveteran	2,124	1,157	9,651	588

Note: Does not include publicly traded companies or other businesses not classifiable by race/ethnicity and gender.

As sample sizes are not reported, statistical significance of these results cannot be determined. "N/A" indicates that estimates were suppressed by the SBO because publication standards were not met.

Source: U.S. Census Bureau's 2017 Annual Business Survey.

H. Business Success — Business earnings

To assess the relative success of self-employed people of color, women and veterans in the relevant study industries, Keen Independent examined earnings of business owners using Public Use Microdata Series (PUMS) data from the 2018–2022 ACS. The study team analyzed earnings of incorporated and unincorporated business owners ages 16 and older who reported positive business earnings. All results are presented in 2022 dollars.

Figure H-14 shows mean annual business owner earnings for 2018 through 2022 for relevant study industries by race/ethnicity and gender.

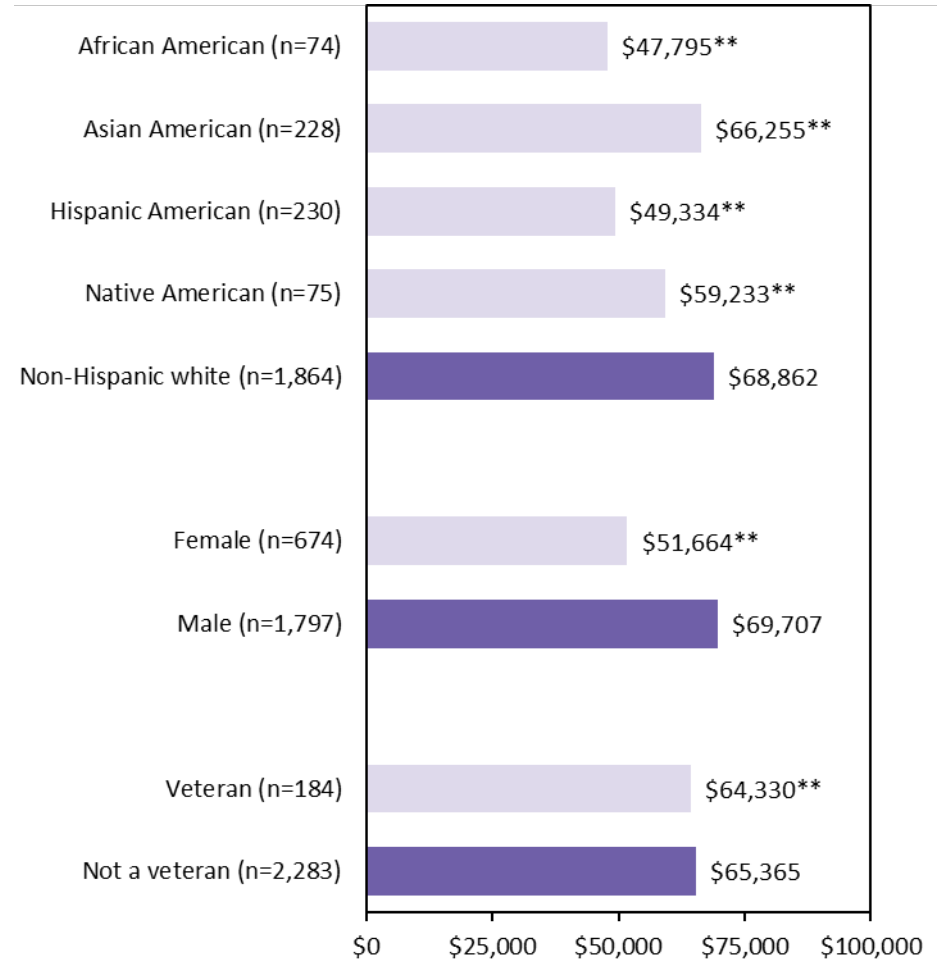
All Study Industries

Keen Independent examined earnings for businesses in study industries in the Western Washington area marketplace. The PUMS data show that:

- Average earnings for African American, Asian American, Hispanic American and Native American business owners were less than earnings for non-Hispanic white business owners.
- Average earnings for female business owners were less than those of male business owners in the study industries.
- Average earnings for veteran business owners were slightly less than earnings for nonveteran business owners.

These differences were statistically significant.

H-14. Mean annual business owner earnings in all study industries, 2018– 2022, Western Washington area marketplace



Note: ** Denotes statistically significant differences between groups at the 95% confidence level.

The sample universe is business owners age 16 and over who reported positive earnings. All amounts in 2022 dollars.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

H. Business Success — Business earnings

Construction Industry

Keen Independent also analyzed business owner earnings in the PUMS data for the construction industry.

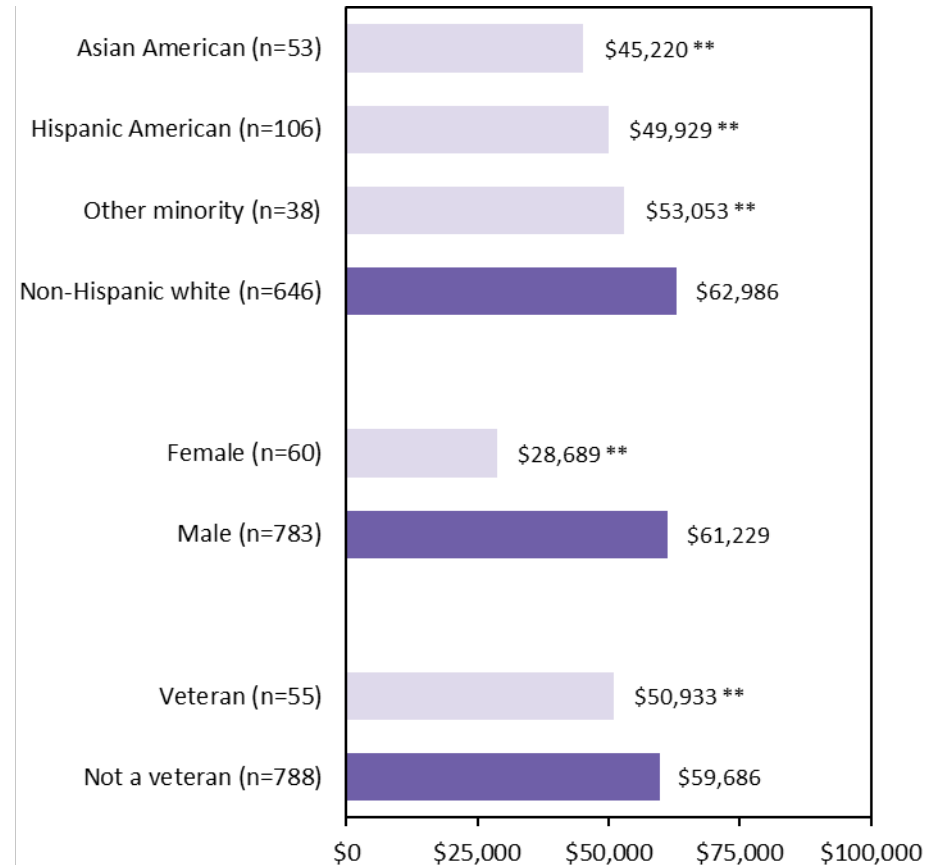
Figure H-15 shows mean annual business owner earnings for 2018 through 2022 for the construction industry in the Western Washington area marketplace. African American and Native American business owners were combined into a single category (other minority) due to small sample size.

For the Western Washington construction industry:

- On average, business earnings for Asian Americans, Hispanic Americans and other people of color were less than earnings for non-Hispanic white business owners.
- Earnings for female business owners were less than earnings for male business owners.
- Earnings for veteran business owners were less than earnings for nonveteran business owners.

These differences were statistically significant.

H-15. Mean annual business owner earnings in the construction industry, 2018–2022, Western Washington area marketplace



Note: ** Denotes statistically significant differences between groups at the 95% confidence level.

The sample universe is business owners age 16 and over who reported positive earnings. All amounts in 2022 dollars.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

H. Business Success — Business earnings

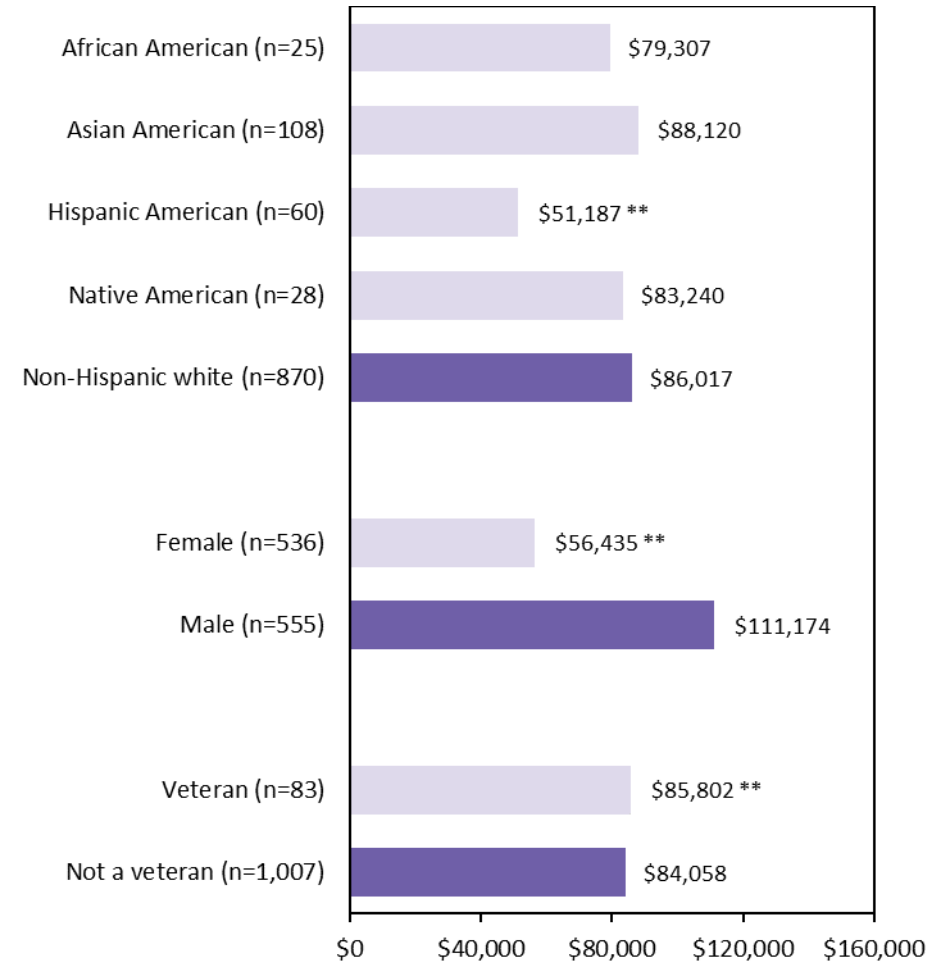
Professional Services Industry

Figure H-16 shows mean annual business owner earnings for 2018 through 2022 for the Western Washington area professional services industry.

- Hispanic American-owned professional services firms had mean earnings that were lower than non-Hispanic white-owned professional services firms.
- On average, earnings for female business owners were less than earnings for male business owners.
- Average business owner earnings for veteran-owned businesses were more than for nonveteran-owned professional services firms.

These differences were statistically significant.

H-16. Mean annual business owner earnings in the professional services industry, 2018–2022, Western Washington area marketplace



Note: ** Denotes statistically significant differences between groups at the 95% confidence level.

The sample universe is business owners age 16 and over who reported positive earnings. All amounts in 2022 dollars.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

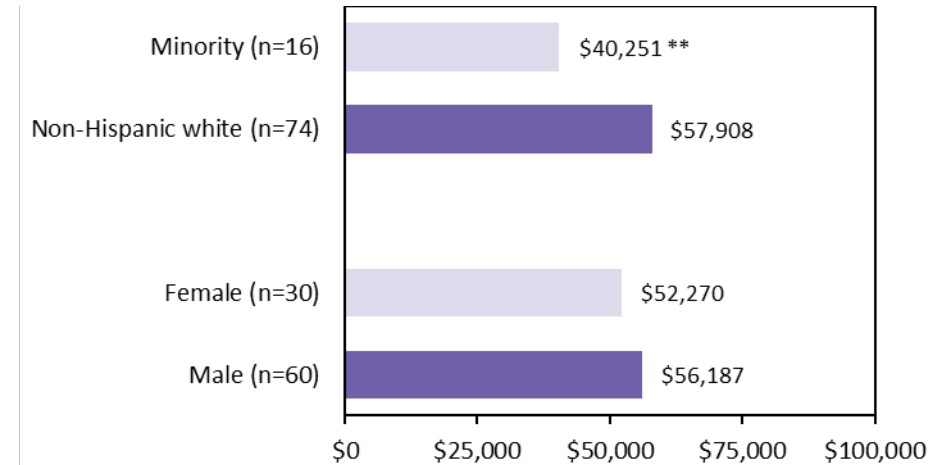
H. Business Success — Business earnings

Goods Industry

Figure H-17 displays business owner earnings for 2018 through 2022 for the Western Washington and Cowlitz County area goods industry. People of color were combined into a single “minority” category due to small sample size in the Western Washington and Cowlitz County area goods industry.

- On average, earnings for people of color were less than earnings for non-Hispanic white business owners. This difference was statistically significant.
- Average earnings for female business owners were less than those of male business owners. This difference was not statistically significant.
- Veterans are not included due to a low sample size for this industry.

H-17. Mean annual business owner earnings in the goods industry, 2018–2022, Western Washington and Cowlitz County area marketplace



Note: ** Denotes statistically significant differences between groups at the 95% confidence level.

The sample universe is business owners age 16 and over who reported positive earnings. All amounts in 2022 dollars.

“Minority” includes African Americans, Asian Americans, Hispanic Americans, Native Americans and other minorities.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

H. Business Success — Business earnings

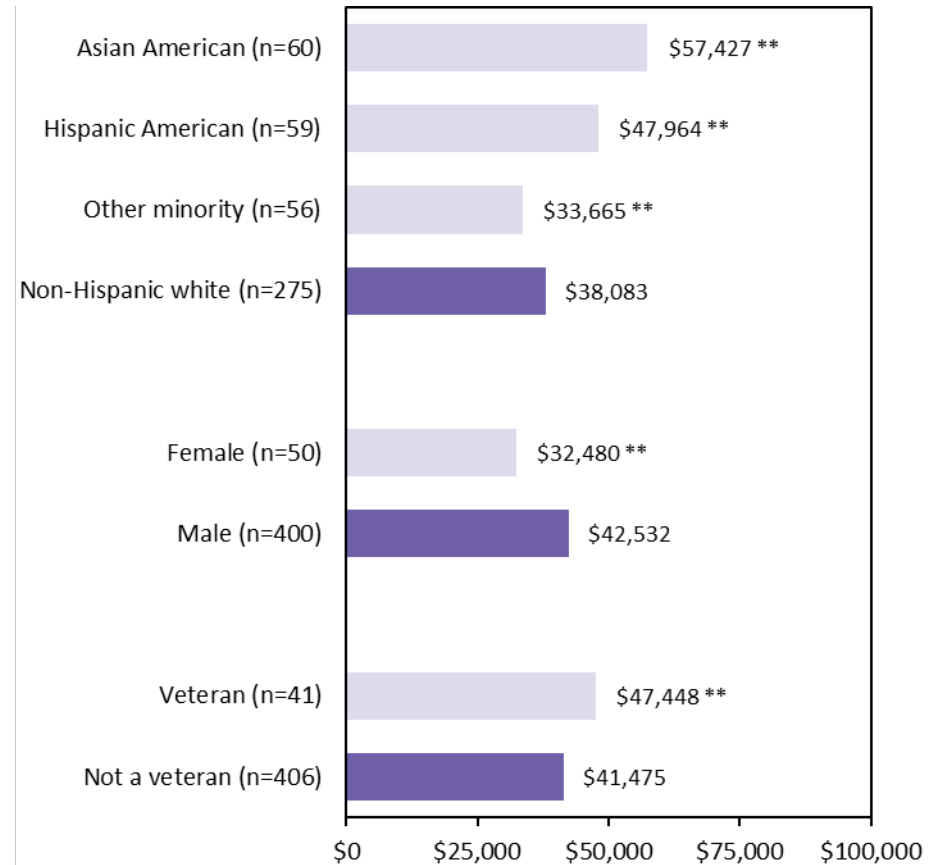
Other Services Industry

Figure H-18 displays business owner earnings for 2018 through 2022 for the Western Washington area other services industry. African Americans, Native Americans and other minorities were combined into a single category due to small sample size of these groups in this industry.

- On average, earnings for minority business owners (except for other minority business owners combined) were greater than earnings for non-Hispanic white business owners.
- Average earnings for female business owners were less than those of male business owners in this industry.
- Average earnings for veteran business owners were greater than those of nonveteran business owners.

These differences were statistically significant.

H-18. Mean annual business owner earnings in the other services industry, 2018–2022, Western Washington area marketplace



Note: ** Denotes statistically significant differences between groups at the 95% confidence level.

The sample universe is business owners age 16 and over who reported positive earnings. All amounts in 2022 dollars.

“Other minority” includes African Americans and Native Americans and other minorities.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

H. Business Success — Business earnings regression analysis

Differences in business earnings across groups may be at least partially attributable to race- and gender-neutral factors such as age, marital status and educational attainment. The study team created a statistical model through regression analysis to examine whether there were differences in average business earnings between people of color and non-Hispanic whites, and women and men after accounting for certain neutral factors. Data came from the ACS for the Western Washington area marketplace between 2018 and 2022.

The study team applied an ordinary least squares regression model to the data that was very similar to models reviewed by courts from other disparity studies.²² The dependent variable in the model was the natural logarithm of business earnings. Business owners that reported zero or negative business earnings were excluded, as were observations for which the U.S. Census Bureau had imputed values of business earnings. Along with variables for the race, ethnicity and gender of business owners, the model also included measures of factors that are likely to affect earnings, including age, marital status, ability to speak English well and educational attainment.

The study team developed a model for business owner earnings in 2018 through 2022 for the Western Washington area marketplace construction industry.

²² For example, National Economic Research Associates, Inc. (2012). *The state of minority- and women-owned business enterprise in construction: Evidence from Houston* (Rep.). Retrieved from City of Houston website: <http://www.houstontx.gov/obo/disparitystudyfinalreport.pdf>; BBC Research & Consulting.

(2012). *Availability and disparity study* (Rep.). Retrieved from the California Department of Transportation website: <https://dot.ca.gov/-/media/dot-media/documents/2012-caltrans-availability-and-disparity-study-a11y.pdf>

H. Business Success — Business earnings regression analysis

Construction Industry Earnings Regression Analysis

Figure H-19 on the right illustrates the results of the regression model for 2018 through 2022 earnings in the construction industry in the Western Washington area marketplace. This model included 843 observations.

In the Western Washington area marketplace construction industry:

- Business owners who were married tended to have higher business earnings.
- Age was also positively related to business earnings, but less so for the oldest individuals.
- Business owners who had less than a high school education tended to have higher business earnings.

After accounting for race- and gender-neutral factors, a statistically significant disparity in business earnings persisted for white women owning a business in the construction industry compared with white male business owners. This difference was statistically significant.

H-19. Model results for mean annual business owner earnings, Western Washington area marketplace construction industry, 2018– 2022

Variable	Coefficient
Constant	8.6283 **
Age	0.0704 **
Age-squared	-0.0008 **
Married	0.5703 **
Speaks English well	-0.0525
Less than high school education	0.4675 **
Some college	0.0785
Four-year degree	0.0780
Advanced degree	-0.2623
Minority	-0.2367
White woman	-0.9223 **

Note: ** Denotes statistically significant differences between groups at the 95% confidence level.

The variable “Veteran” was dropped due to zero or near-zero variation in its values. This variable is standard in business owner earnings regression models; however, including constant or nearly constant variables can lead to inaccurate results.

The sample universe is business owners age 16 and over who reported positive earnings. All amounts in 2022 dollars.

“Minority” includes African Americans, Asian Americans, Hispanic Americans and Native Americans and other minorities.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

H. Business Success — Business earnings regression analysis

Professional Services Industry Earnings Regression Analysis

Figure H-20 on the right illustrates the results of the regression model for 2018 through 2022 earnings in the Western Washington area professional services industry. This model included 1,091 observations.

In the Western Washington area professional services industry, older business owners tended to have higher business earnings than younger business owners; however, the oldest individuals had slightly lower earnings. Business owners who had less than a high school education tended to have lower earnings.

After accounting for race- and gender-neutral factors, people of color and white woman business owners reported lower business earnings than non-Hispanic white men. These differences were statistically significant.

H-20. Model results for mean annual business owner earnings, Western Washington area professional services industry, 2018–2022

Variable	Coefficient
Constant	6.4219 **
Age	0.1548 **
Age-squared	-0.0015 **
Married	-0.1784
Speaks English well	1.0147
Less than high school education	-1.0268 *
Some college	-0.3526
Four-year degree	-0.1631
Advanced degree	0.0429
Minority	-0.7588 **
White woman	-0.6964 **

Note: **, * Denote statistically significant differences between groups at the 90% and 95% confidence level, respectively.

The variable “Veteran” was dropped due to zero or near-zero variation in its values.

The sample universe is business owners age 16 and over who reported positive earnings. All amounts in 2021 dollars.

“Minority” includes African Americans, Asian Americans, Hispanic Americans and Native Americans and other minorities.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

H. Business Success — Business earnings regression analysis

Goods Industry Earnings Regression Analysis

Figure H-21 on the right illustrates the results of the regression model for 2018 through 2022 earnings in the Western Washington and Cowlitz County area goods industry.

In the Western Washington and Cowlitz County area goods industry:

- Older business owners tended to have higher business earnings than younger business owners; however, the oldest individuals had slightly lower earnings; and
- Business owners who had less than a high school education tended to have higher business earnings.

After accounting for race- and gender-neutral factors, people of color and non-Hispanic white women owning a business in the goods industry had lower earnings than non-Hispanic white male business owners. These differences were not statistically significant (there were only 90 observations in the model).

H-21. Model results for mean annual business owner earnings, Western Washington and Cowlitz County area goods industry, 2018–2022

Variable	Coefficient
Constant	4.5766 **
Age	0.2421 **
Age-squared	-0.0023 **
Married	-0.0104
Less than high school education	0.9732 **
Some college	-0.3302
Four-year degree	0.0195
Advanced degree	-0.6136
Minority	-0.5320
White woman	-0.2822

Note: ** Denotes statistically significant differences between groups at the 95% confidence level.

The variables “Veteran” and “Speaks English well” were dropped due to zero or near-zero variation in their values.

The sample universe is business owners age 16 and over who reported positive earnings. All amounts in 2021 dollars.

“Minority” includes African Americans, Asian Americans, Hispanic Americans and Native Americans and other minorities.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

H. Business Success — Business earnings regression analysis

Other Services Industry Earnings Regression Analysis

Figure H-22 on the right illustrates the results of the regression model for 2018 through 2022 earnings in the Western Washington area other services industry. This model included 450 observations.

In the Western Washington area other services industry:

- Older business owners tended to have higher business earnings than younger business owners; however, the oldest individuals had slightly lower earnings;
- Business owners who were married and who had four-year degree tended to have higher earnings; and
- Businesses owners with less than a high school education tended to have lower business earnings.

After accounting for race- and gender-neutral factors, white women owning a business in the other services industry reported lower business earnings than non-Hispanic white male business owners. This difference was statistically significant.

H-22. Model results for mean annual business owner earnings, Western Washington area other services industry, 2018–2022

Variable	Coefficient
Constant	5.6553 **
Age	0.2017 **
Age-squared	-0.0021 **
Married	0.5152 **
Speaks English well	-0.4499 *
Less than high school education	-0.3673 *
Some college	0.1485
Four-year degree	0.5450 **
Advanced degree	0.1831
Minority	-0.0332
White woman	-0.6788 **

Note: **, * Denote statistically significant differences between groups at the 90% and 95% confidence level, respectively.

The variable “Veteran” was dropped due to zero or near-zero variation in its values.

The sample universe is business owners age 16 and over who reported positive earnings. All amounts in 2021 dollars.

“Minority” includes African Americans, Asian Americans, Hispanic Americans and Native Americans and other minorities.

Source: Keen Independent Research from 2018–2022 ACS Public Use Microdata samples.

H. Business Success — Gross revenue of firms from availability survey

In the availability telephone surveys of the Western Washington area marketplace, the study team conducted in 2024 (discussed in Appendix C), firm owners and managers were asked to identify the size range of their average annual gross revenue in the previous five years (2019 to 2023).

The availability survey encompasses firms working in the construction, professional services, goods and other services industries. Availability survey results pertain to firms indicating qualifications and interest in City of Tacoma work.

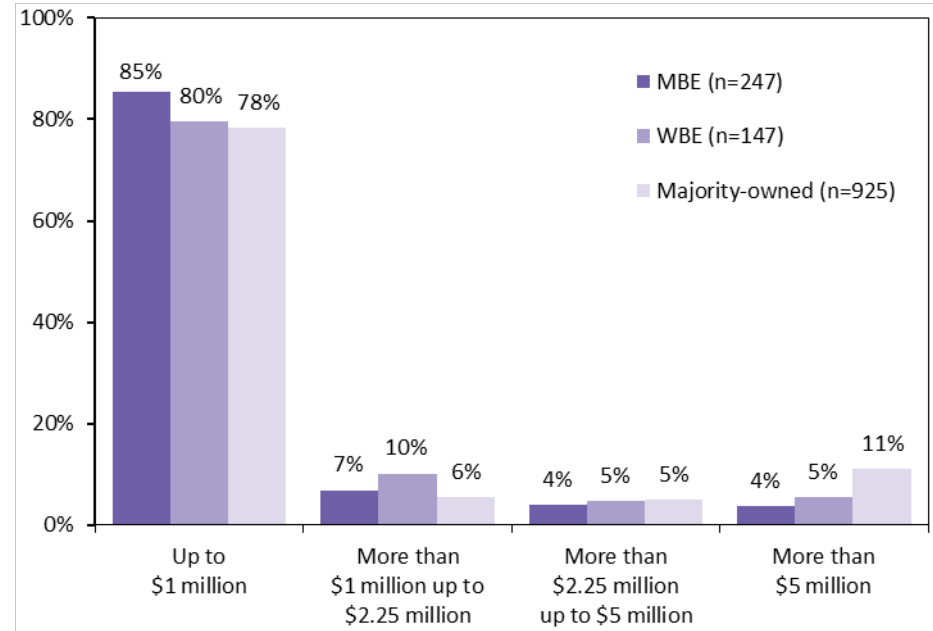
All Study Industries

Figure H-23 presents the reported annual gross revenue for MBE and WBEs and majority-owned businesses in the availability surveys. MBE and WBEs were less likely than majority-owned firms to report high average annual revenue.

- Relatively fewer MBE (3%) and WBE (3%) firms reported average revenue of more than \$9.5 million per year compared with the 9 percent of majority-owned firms reported such revenue.
- A larger share of MBEs (85%) reported average revenue of no more than \$1 million per year compared to 78 percent of majority-owned companies.

Overall results indicate lower revenue for MBEs and WBEs than majority-owned companies.

H-23. Average annual gross revenue of company over previous five years, Western Washington area marketplace



Note: “MBE” represents minority-owned firms, “WBE” represents white woman-owned firms and “Majority-owned” represents non-Hispanic white male-owned firms. Totals may not sum to 100 due to rounding.

Source: Keen Independent Research from 2024 availability surveys.

H. Business Success — Relative bid capacity

Some legal cases regarding race- and gender-conscious contracting programs have considered the importance of the “relative capacity” of businesses included in an availability analysis.²³ The study team directly measured bid capacity in its availability survey.²⁴

Through this analysis, Keen Independent was able to distinguish firms based on the largest contracts or subcontracts they had performed or bid on (i.e., “bid capacity” as used in this study). Although additional measures of capacity might be theoretically possible, the bid capacity concept can be articulated and quantified for individual firms for specific time periods.

Data

The availability survey produced a database of construction, professional services, goods and other services businesses for which bid capacity could be examined.

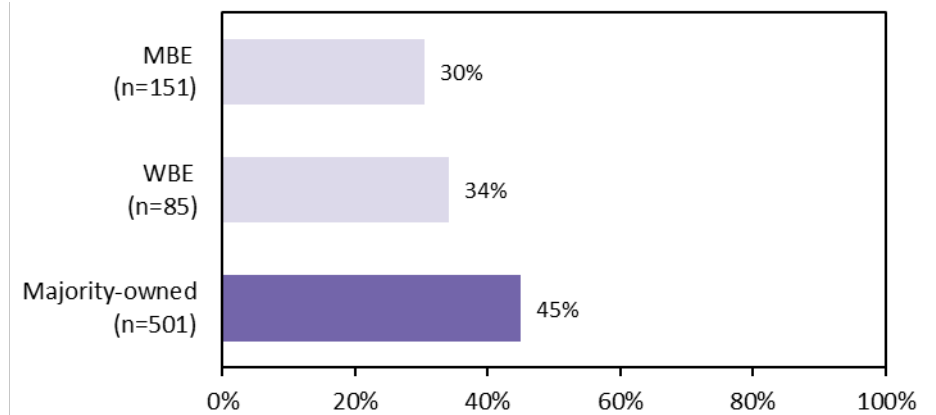
“Relative bid capacity” for a business is measured as the largest contract or subcontract that the business performed or reported that they had bid on within the seven years preceding when the study team interviewed it based on responses to availability survey questions.

Results

For all industries, Figure H-24 shows the percentage of MBEs, WBEs and majority-owned firms reporting that they had been awarded or had bid on contracts or subcontracts of \$100,000 or more. Overall, MBEs and WBEs were less likely than majority-owned firms to report having been awarded or bid on a contract of \$100,000 or more.

²³ For example, see the decision of the United States Court of appeals for the Federal Circuit in *Rothe Development Corp. v. U.S. Department of Defense, et al.*, 545 F.3d 1023 (Fed. Cir. 2008).

H-24. Percentage of MBEs, WBEs and majority-owned firms in the Western Washington area marketplace indicating bid capacity of \$100,000+



Note: “MBE” represents minority-owned firms, “WBE” represents white woman-owned firms and “Majority-owned” represents non-Hispanic white male-owned firms.

Source: Keen Independent Research from 2024 availability surveys.

²⁴ See Appendix C for details about the availability interview process.

H. Business Success — Relative bid capacity

Above Median Bid Capacity

The study team further explored bid capacity on a subindustry level. Subindustries such as construction of bridges and elevated highways tend to involve relatively large contracts (or subcontracts). Other subindustries, such as landscaping and related work, typically involve smaller contracts.

Figure H-25 reports the median relative bid capacity among Western Washington area marketplace businesses for each of the 39 subindustries examined in the study. Results categorized companies according to their primary line of business.

H. Business Success — Relative bid capacity

H-25. Median relative capacity of Western Washington area marketplace businesses by subindustry

Subindustry	Median bid capacity	Subindustry	Median bid capacity
Construction		Other services	
Other heavy construction	More than \$5 million up to \$10 million	Trucking and hauling	More than \$1 million up to \$5 million
Highway, street and bridge construction	More than \$1 million up to \$5 million	Security guard or armored car services	More than \$1 million up to \$5 million
Commercial and institutional building construction	More than \$1 million up to \$5 million	Local temporary staffing	More than \$1 million up to \$5 million
Power and communication line construction	More than \$1 million up to \$5 million	Temporary traffic control	\$1 million
Site prep	More than \$1 million up to \$5 million	Locomotive and rolling stock repair	\$1 million
Water and sewer lines, pumping stations or treatment facilities construction	More than \$500,000 up to \$1 million	Remediation	More than \$500,000 up to \$1 million
Electrical work	More than \$100,000 up to \$500,000	Equipment repair and maintenance	More than \$100,000 up to \$500,000
Plumbing and HVAC	More than \$100,000 up to \$500,000	Electronic equipment repair	\$100,000
Concrete work	More than \$100,000 up to \$500,000	Property management	\$100,000 or less
Roofing	More than \$100,000 up to \$500,000	Elevator repair and maintenance	\$100,000 or less
Professional services		Goods	
Environmental consulting services	\$500,000	Furniture	\$1 million
Architecture and engineering	More than \$100,000 up to \$500,000	Janitorial equipment and supplies	More than \$500,000 up to \$1 million
Legal services	More than \$100,000 up to \$500,000	Uniforms and apparel	\$500,000
Human resources consulting	More than \$100,000 up to \$500,000	Industrial machinery and equipment	More than \$100,000 up to \$500,000
Auditing	\$100,000 or less	Auto parts	More than \$100,000 up to \$500,000
Advertising and marketing	\$100,000 or less	Construction materials	More than \$100,000 up to \$500,000
		Vehicles	\$100,000
		Tires	\$100,000 or less
		Firefighting equipment	\$100,000 or less

Source: Keen Independent Research from 2024 availability surveys.

H. Business Success — Relative bid capacity

Comparison of above median bid capacity for firms owned by minorities and women. Based on the median bid capacity figures identified in Figure H-26, the study team classified firms into “above median bid capacity,” “at median bid capacity” and “below median bid capacity” for the subindustry that described their primarily line of business.

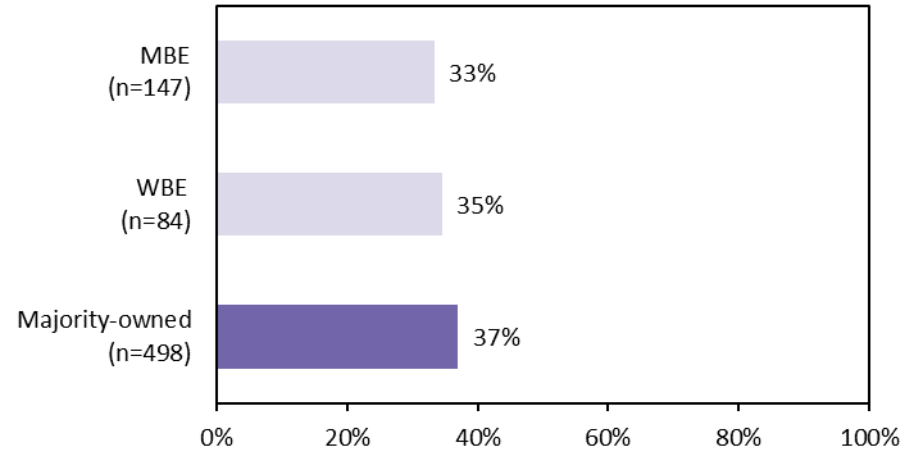
The share of MBEs, WBEs and majority-owned firms with a bid capacity above the median for their subindustry are presented in Figure H-26. There was little difference in the share of MBEs (33%), WBEs (35%) and majority-owned firms (37%) with above median bid capacity for their subindustry.

Regression analyses. Keen Independent also prepared regression analyses to identify whether these differences in bid capacity for MBEs and WBEs persisted after controlling for length of time in business (in addition to subindustry).

Keen Independent developed a probit regression model of whether a firm had above median bid capacity for its subindustry that included three independent variables: MBE status, WBE status and age of firm.

The differences between MBE and WBE bid capacity relative to majority-owned firms were not statistically significant after controlling for both subindustry and length of time in business.

H-26. Percent of firms above median bid capacity for their subindustry, Western Washington area marketplace, 2024



Note: “MBE” represents minority-owned firms, “WBE” represents white woman-owned firms and “Majority-owned” represents non-Hispanic white male-owned firms.

Source: Keen Independent Research from 2024 availability surveys

H. Business Success — Survey responses about potential barriers

In the availability surveys conducted with Western Washington area marketplace businesses, the study team asked firm owners and managers if they had experienced barriers or difficulties associated with starting or expanding a business or with obtaining work. (Appendix C provides additional information.) Results are presented for each study industry as some questions were industry specific. Groups of questions are:

- Bidding requirements and project size;
- Learning about bid opportunities; and
- Receiving payment for projects.

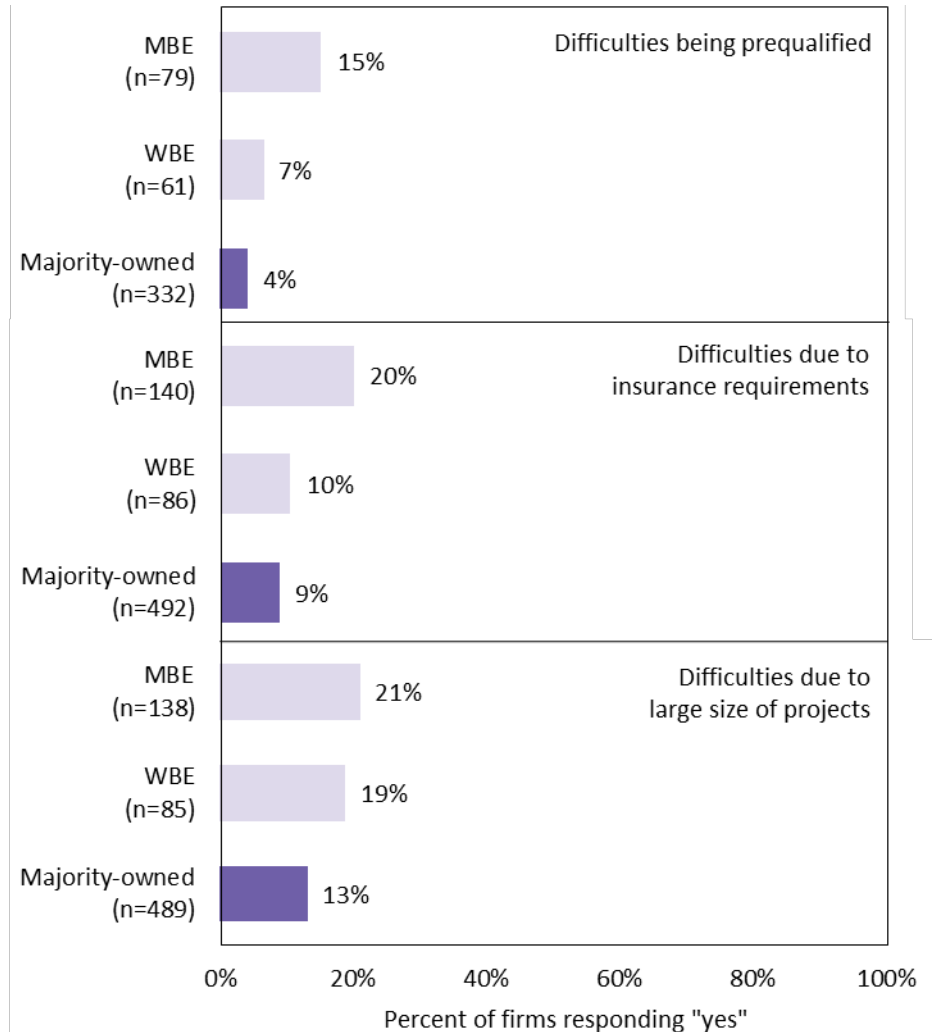
Appendix G provides results to the survey question about access to capital and bonding.

Prequalification, Insurance and Project Size

In the availability survey, firms were asked about being prequalified for work, insurance requirements and whether project size was a barrier to bidding (in general, not necessarily just with the City of Tacoma). Figure H-27 shows the following results for minority- and woman-owned firms (MBEs and WBEs) and majority-owned businesses.

A higher percentage of MBEs and WBEs reported having difficulties being prequalified, difficulties due to insurance requirements and difficulties due to large project size when compared to majority-owned firms.

H-27. Responses to availability survey questions concerning difficulties with prequalification, insurance and project size, Western Washington area marketplace firms



Note: "MBE" represents minority-owned firms, "WBE" represents white woman-owned firms and "Majority-owned" represents non-Hispanic white male-owned firms.

Source: Keen Independent Research from 2024 availability surveys.

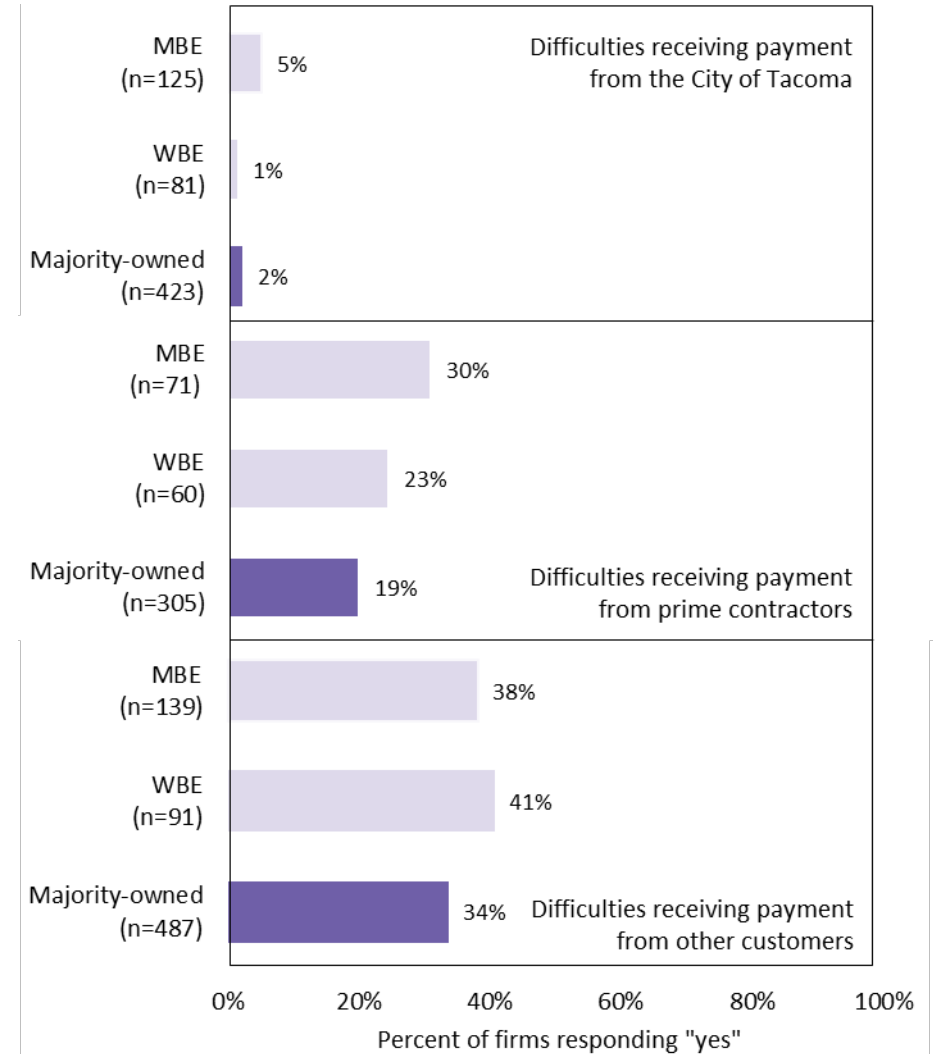
H. Business Success — Survey responses about potential barriers

Receiving Payment and Approvals

Figure H-28 examines reported difficulty receiving payments based on the 2024 availability survey results.

- Very few firms reported difficulties receiving payment from the City.
- MBEs and WBEs were more likely than majority-owned firms to report difficulties receiving payment from prime contractors and from other customers.

H-28. Responses to availability survey questions concerning receipt of payments, Western Washington area marketplace firms



Note: "MBE" represents minority-owned firms, "WBE" represents white woman-owned firms and "Majority-owned" represents non-Hispanic white male-owned firms.

Source: Keen Independent Research from 2024 availability surveys.

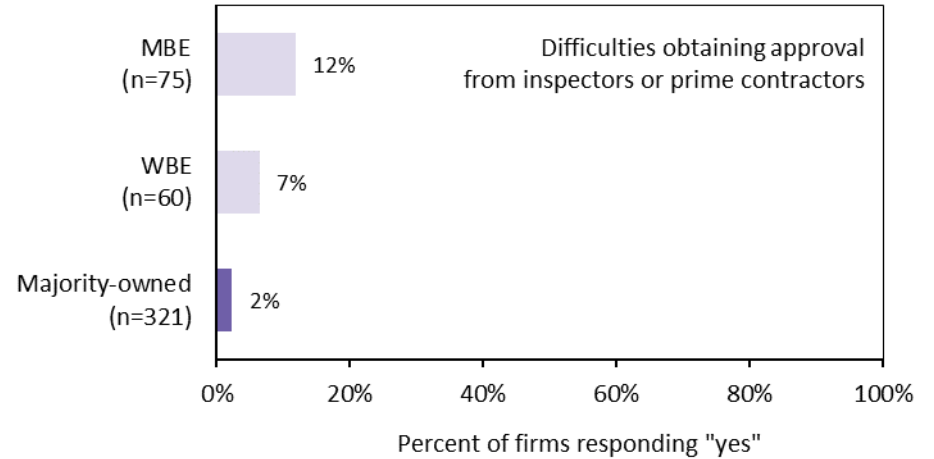
H. Business Success — Survey responses about potential barriers

Obtaining Approval of Work from Inspectors or Prime Contractors

Figure H-29 examines difficulty in obtaining approval from inspectors or prime contractors (in general in the marketplace).

MBEs (12%) and WBEs (7%) were more likely than majority-owned businesses (2%) to report this difficulty.

H-29. Responses to availability survey questions concerning approval of work, Western Washington area marketplace firms



Note: "MBE" represents minority-owned firms, "WBE" represents white woman-owned firms and "Majority-owned" represents non-Hispanic white male-owned firms.

Source: Keen Independent Research from 2024 availability surveys.

H. Business Success — Survey responses about potential barriers

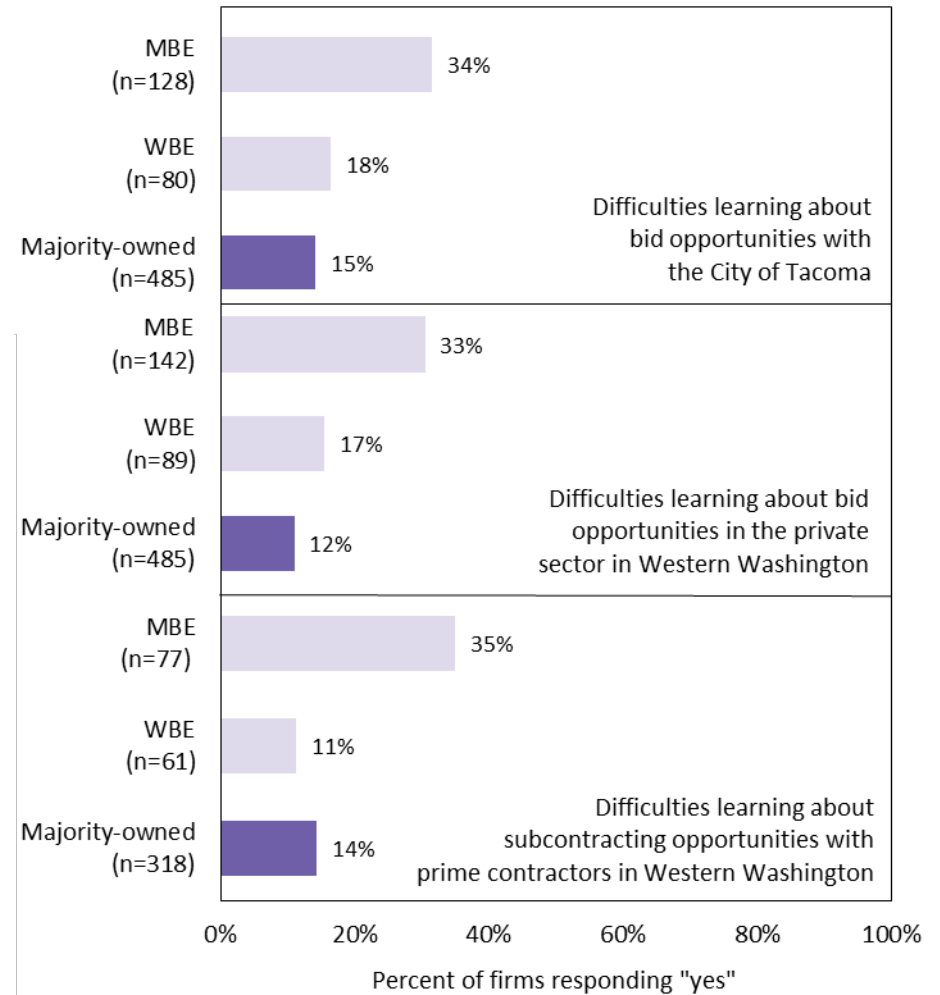
Learning about Bid Opportunities

The survey also asked firms about any difficulties learning about bid opportunities.

- A higher percentage of MBEs than other firms reported difficulties learning about bid opportunities with the City and with prime contractors.
- MBEs and WBEs were also more likely than majority-owned firms to report difficulties learning about bid opportunities in the private sector.

These results are presented in Figure H-30.

H-30. Responses to availability survey questions concerning learning about bid opportunities, Western Washington area marketplace firms



Note: “MBE” represents minority-owned firms, “WBE” represents white woman-owned firms and “Majority-owned” represents non-Hispanic white male-owned firms.

Source: Keen Independent Research from 2024 availability surveys.

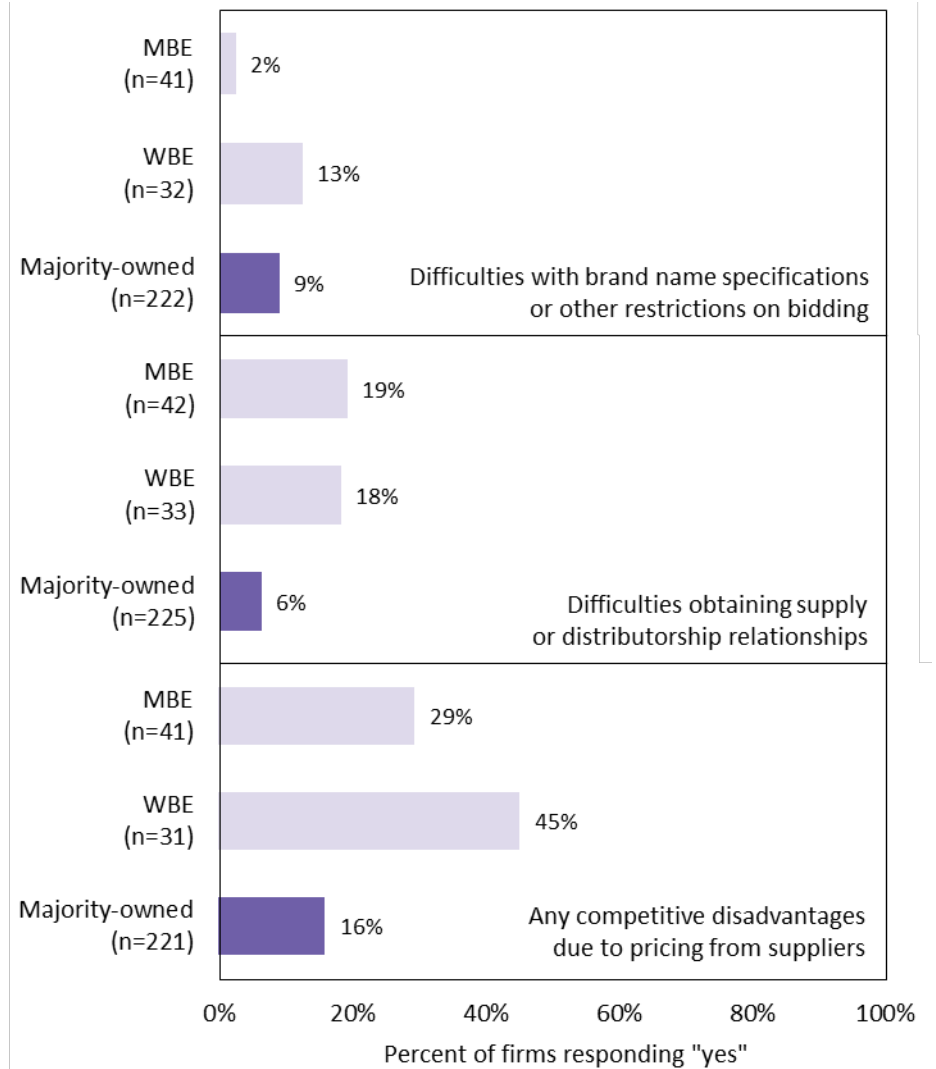
H. Business Success — Survey responses about potential barriers

Bid Restrictions

Businesses were also asked if they ever experienced difficulties with brand name specifications, obtaining supply or distributorship relationships or competitive disadvantages due to pricing from suppliers.

Results in Figure H-31 indicate that relatively more MBEs and WBEs than majority-owned companies reported difficulties obtaining supply or distributorship relationships and experiencing competitive disadvantages due to pricing from suppliers compared to other firms. In addition, relatively more WBEs reported difficulties with brand name specifications.

H-31. Responses to 2024 availability survey questions concerning bid restrictions, Western Washington area marketplace firms



Note: "MBE" represents minority-owned firms, "WBE" represents white woman-owned firms and "Majority-owned" represents non-Hispanic white male-owned firms.

Source: Keen Independent Research from 2024 availability surveys.

H. Business Success — Summary

Keen Independent explored many different types of business outcomes in the Western Washington area marketplace for minority- and woman-owned firms compared with majority-owned companies. Many different data sources and measures indicate disparities in marketplace outcomes for minority- and woman-owned businesses and evidence of greater barriers for people of color and women to start and operate businesses in the Western Washington area marketplace construction, professional services and goods and other services industries. There were some data that did not show differences in outcomes for MBEs or WBEs compared to majority-owned firms.

Business Closure, Expansion and Contraction

The study team used the most recent SBA study of minority business dynamics to examine business closures, expansions and contractions for privately held businesses between 2002 and 2006. The SBA study reported results for each state, including Washington. Compared with majority-owned firms in Washington state, that study found that:

- African American- and Asian American-owned firms were less likely to expand; and
- African American-, Asian American- and Hispanic American-owned businesses were also more likely to close.

Data for the COVID-19 pandemic also indicate that MBEs and WBEs were more likely to close than other firms.

Business Revenue and Earnings

The study team used data from several different sources to analyze business receipts and earnings for businesses owned by people of color and women.

- In general, analysis of U.S. Census Bureau data from the 2017 Annual Business Survey showed lower average receipts for businesses owned by people of color and women in the state of Washington than businesses owned by non-minorities or men. National data indicated that these general patterns persist across the study industries.
- Data from 2018–2022 American Community Survey for the Western Washington area marketplace indicated that:
 - Businesses owned by people of color had lower earnings than non-Hispanic white business owners in all study industries combined (statistically significant difference);
 - Women business owners had lower earnings than men in all study industries combined (this difference was also statistically significant); and
 - Veteran business owners had lower earnings than nonveterans in all study industries combined (this difference was also statistically significant).
- Data from Keen Independent’s availability survey showed that MBE/WBEs had lower revenue compared with majority-owned firms in the study industries in the Western Washington area marketplace.

H. Business Success — Summary

Bid Capacity

From Keen Independent’s availability survey, there was no evidence that minority- or woman-owned firms had lower bid capacity than majority-owned firms in the Western Washington area marketplace study industries.

Marketplace Barriers

Answers to availability survey questions concerning marketplace barriers indicated that relatively more MBEs and WBEs than majority-owned firms face difficulties related to:

- Being prequalified;
- Insurance requirements; and
- Large project size.

Firms were also asked about any difficulties receiving payment and approvals.

- MBEs were more likely than other firms to report difficulties receiving payment from the City of Tacoma.
- MBEs and WBEs were more likely than other firms to report difficulties receiving payment from prime contractors and other customers.

The survey also asked companies about difficulties learning about bid opportunities. MBEs were more likely than other firms to report difficulties learning about bid opportunities with the City of Tacoma, in the private sector and with prime contractors. WBEs were more likely than majority-owned firms to report difficulties learning about bid opportunities within the private sector.

When asked about bid restrictions, a greater share of MBEs and WBEs reported difficulties obtaining supply or distributorship relationships and competitive disadvantages due to pricing from suppliers when compared to majority-owned firms. WBEs were also more likely than other firms to report difficulties with brand name specifications.

For additional information about the types of difficulties companies experience in the local marketplace, see the qualitative information from in-depth interviews in Appendix J.

APPENDIX I. Description of Data Sources for Marketplace Analyses

To perform the marketplace analyses presented in Appendices E through H, the study team used data from a range of sources, including:

- The 2018–2022 five-year American Community Survey (ACS), conducted by the U.S. Census Bureau;
- The 2016 Annual Survey of Entrepreneurs (ASE), conducted by the U.S. Census Bureau;
- The 2017 Annual Business Survey (ABS), conducted by the U.S. Census Bureau;
- The 2022 Small Business Credit Survey (SBCS), conducted by the Federal Reserve Bank; and
- Home Mortgage Disclosure Act (HMDA) data provided by the Federal Financial Institutions Examination Council (FFIEC).

The following pages provide further detail on each data source, including how the study team used it in its marketplace analyses. (See Appendix C for a description of the availability survey.)

I. Description of Data Sources for Marketplace Analyses — American Community Survey (ACS)

Focusing on the study industries, Keen Independent used PUMS data to analyze:

- Demographic characteristics;
- Measures of financial resources; and
- Self-employment (business ownership).

PUMS data offer several features ideal for the analyses reported in this study, including historical cross-sectional data, stratified national and local samples, and large sample sizes that enable many estimates to be made with a high level of statistical confidence, even for subsets of the population (e.g., racial/ethnic and occupational groups).

The study team obtained selected Census and ACS data from the Minnesota Population Center’s Integrated Public Use Microdata Series (IPUMS). The IPUMS program provides online access to customized, accurate datasets.¹ For the analyses contained in this report, the study team used the 2018–2022 five-year ACS sample.

2018–2022 American Community Survey

The study team examined ACS data obtained through IPUMS. The U.S. Census Bureau conducts the ACS which uses monthly samples to produce annually updated data for the same small areas as the 2000 Census long form.² Since 2005, the Census has conducted monthly surveys based on a random sample of housing units in every county in the U.S. Currently, these surveys cover roughly 1 percent of the population per year. The 2018–2022 ACS five-year estimates represent average characteristics over the five-year period and correspond to roughly 5 percent of the population.

¹ Ruggles, S., Flood, S., Goeken, R., Grover, J., Meyer, E., Pacas, J., and Sobek, M., IPUMS USA: Version 9.0 [dataset]. Minneapolis, MN: IPUMS, 2020. <https://doi.org/10.18128/D010.V9.0>

² U.S. Census Bureau. *Design and Methodology: American Community Survey*. Washington D.C.: U.S. Government Printing, 2009. Available at https://www.census.gov/content/dam/Census/library/publications/2010/acs/acs_design_methodology.pdf

I. Description of Data Sources for Marketplace Analyses — American Community Survey (ACS)

Categorizing individual race/ethnicity. To define race/ethnicity, the study team used the IPUMS race/ethnicity variables — RACED and HISPAN — to categorize individuals into five groups:

- African American;
- Asian American;
- Hispanic American;
- Native American and other minority (unspecified); and
- Non-Hispanic white.

The study team created the race definitions using a rank ordering methodology similar to that used in the 2000 Census data dictionary. An individual was considered “non-Hispanic white” if they did not report Hispanic ethnicity and indicated being white only — not in combination with any other race group.

Using the rank ordering methodology, an individual who identified multiple races or ethnicities was placed in the reported category with the highest ranking in the study team’s ordering. African American is first, followed by Native American, and then Asian American. For example, if an individual identified herself as “Korean,” she was placed in the Asian American category. If the individual identified herself as “Korean” in combination with “Black,” the individual was considered African American in these analyses.

- The Asian American category included persons who have origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent or the Pacific Islands.
- American Indian, Alaska Native, Native Hawaiian and Latin American Indian groups were considered Native American.
- If an individual was identified with any of the above groups and an “other race” group, the individual was categorized into the known category. Individuals identified as “other race,” “Hispanic and other race” or “white and other race” were categorized as “other minority.”

For some analyses — those in which sample sizes were small — the study team combined minority groups.

Education variables. The study team used the variable indicating respondents’ highest level of educational attainment (EDUCD) to classify individuals into four categories: less than high school, high school diploma (or equivalent), some college or associate degree, and bachelor’s degree or higher.³

³ In the 1940–1980 samples, respondents were classified according to the highest year of school completed (HIGRADE). In the years after 1980, that method was used only for individuals who did not complete high school, and all high school graduates were

categorized based on the highest degree earned (EDUC99). The EDUCD variable merges two different schemes for measuring educational attainment by assigning to each degree the typical number of years it takes to earn it.

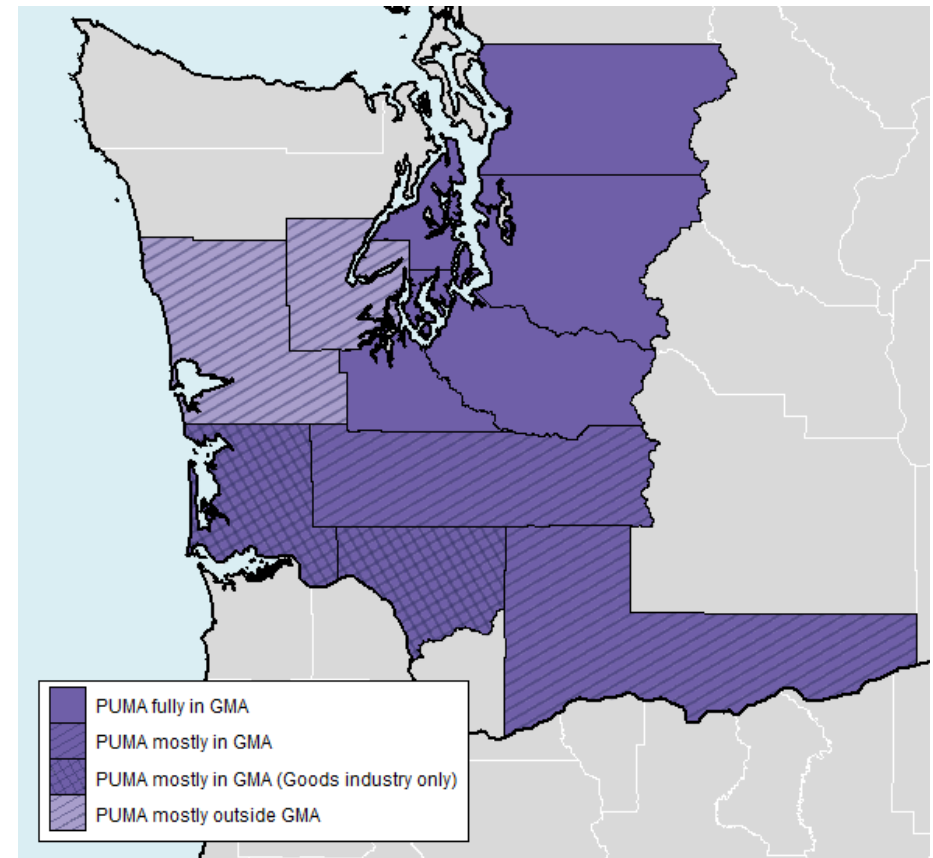
I. Description of Data Sources for Marketplace Analyses — American Community Survey (ACS)

Geographic selection. The smallest geographical level reported in individual-level ACS data is the Public Use Microdata Area (PUMA). As some PUMAs overlap county boundaries, the study team selected PUMAs for marketplace analysis where more than 50 percent of the PUMA population was within the relevant geographic market area (GMA).

The study team used Census Tract population estimates aggregated by PUMA and county to determine the percentage of PUMA population within the GMA.

There was just one PUMA (22700) partially in the relevant geographic market area that was excluded from ACS marketplace analyses. The population in this PUMA was about 3 percent of the total population in the GMA.

I-1. Public Use Microdata Areas (PUMAs) selected for marketplace analysis in the 2018–2022 ACS



Source: Keen Independent Research from the IPUMS program: <http://usa.ipums.org/usa/>.

I. Description of Data Sources for Marketplace Analyses — American Community Survey (ACS)

Home ownership and home value. Rates of home ownership were analyzed using the RELATED variable to identify heads of household and the OWNERSHPD variable to define tenure. Heads of households living in dwellings owned free and clear, and dwellings owned with a mortgage or loan (OWNERSHPD codes 12 or 13) were considered homeowners. Median home values are estimated using the VALUEH variable, which reports the value of housing units in contemporary dollars. In the 2018–2022 ACS, home value is a continuous variable (rounded to the nearest \$1,000) and median estimation is straightforward.

Definition of workers. Analyses involving worker class, industry and occupation include workers 16 years of age or older who are employed within the industry or occupation in question. Analyses involving all workers regardless of industry, occupation or class include both employed persons and those who are unemployed but seeking work.

Business ownership. The study team used the Census-detailed “class of worker” variable (CLASSWKR) to determine self-employment. The variable classifies individuals into one of eight categories, shown in Figure I-2. The study team counted individuals who reported being self-employed — either for an incorporated or a non-incorporated business — as business owners.

I-2. Class of worker variable code in the 2018–2022 ACS

Description	2018–2022 ACS CLASSWKR codes
N/A	0
Self-employed, not incorporated	13
Self-employed, incorporated	14
Wage/salary, private	22
Wage/salary at nonprofit	23
Federal government employee	25
State government employee	27
Local government employee	28
Unpaid family worker	29

Source: Keen Independent Research from the IPUMS program: <http://usa.ipums.org/usa/>.

I. Description of Data Sources for Marketplace Analyses — American Community Survey (ACS)

Business earnings. The study team used the Census “business earnings” variable (INCBUS00) to analyze business income by race/ethnicity and gender. The study team included business owners age 16 and over with positive earnings in the analyses.

Study industries. The marketplace analyses focus on four industries: construction, professional services, goods and other services. The study team used the IND variable to identify individuals as working in one of these industries. That variable includes several hundred industry and sub-industry categories. Figure I-3 identifies the IND codes used to define each study area.

Industry occupations. The study team also examined workers by occupation within the construction industry using the PUMS variable OCC. Figure I-4 summarizes the 2018–2022 ACS OCC codes used in the study team’s analyses.

I-3. 2018–2022 Census industry codes used for construction, professional services and goods and other services

Study industry	2018–2022 ACS IND codes	Description
Construction	0770	Construction industry
Professional services	7270, 7280, 7290, 7390, 7470, 7490,	Legal services; accounting; architectural, engineering and related services; management, scientific and technical consulting services; advertising, public relations and related services; other professional, scientific and technical services
Goods	2380, 2570, 3291, 3570, 3895, 4070, 4080, 4090, 4180, 4265, 4270, 4390, 4490, 4670, 4690, 4770, 4870, 5680	Tire manufacturing; cement, concrete, lime and gypsum product manufacturing; machinery manufacturing; motor vehicles and motor vehicle equipment manufacturing; furniture and related product manufacturing; motor vehicle and motor vehicle parts wholesalers; furniture and home furnishing merchant wholesalers; lumber and other construction materials wholesalers; metals and minerals wholesalers; plumbing and heating equipment wholesalers; machinery, equipment and supplies wholesalers; apparel, piece goods and notions wholesalers, petroleum and petroleum products wholesalers, automobile dealers, automotive parts, accessories, and tire stores; furniture and home furnishings stores; building material and supplies stores; fuel dealers
Other services	6170, 7580, 7680, 7770, 7790, 8770, 8790, 8870	Truck transportation; employment services, investigation and security services; landscaping services; waste management and remediation services; automotive repair and maintenance; electronic and precision equipment repair and maintenance; commercial and industrial machinery repair and maintenance

Source: Keen Independent Research from the IPUMS program: <http://usa.ipums.org/usa/>.

I. Description of Data Sources for Marketplace Analyses — American Community Survey (ACS)

I-4. 2018–2022 ACS occupation codes used to examine workers in construction

2018–2022 ACS occupational title and code	Job description
Crossing guards and flaggers 2018-22 Code: 3940	Guide or control vehicular or pedestrian traffic at such places as streets, schools, railroad crossings, or construction sites.
First-line supervisors of construction workers 2018-22 Code: 6200	Directly supervise and coordinate activities of construction or extraction workers.
Carpenters 2018-22 Code: 6230	Construct, erect, install, or repair structures and fixtures made of wood and comparable materials, such as concrete forms; building frameworks, including partitions, joists, studding, and rafters; and wood stairways, window and door frames, and hardwood floors. May also install cabinets, siding, drywall, and batt or roll insulation. Includes brattice builders who build doors or brattices (ventilation walls or partitions) in underground passageways.
Cement masons, concrete finishers and terrazzo workers 2018-22 Code: 6250	Smooth and finish surfaces of poured concrete, such as floors, walks, sidewalks, roads, or curbs using a variety of hand and power tools. Align forms for sidewalks, curbs, or gutters; patch voids; and use saws to cut expansion joints.
Construction laborers 2018-22 Code: 6260	Perform tasks involving physical labor at construction sites. May operate hand and power tools of all types: air hammers, earth tampers, cement mixers, small mechanical hoists, surveying and measuring equipment, and a variety of other equipment and instruments. May clean and prepare sites, dig trenches, set braces to support the sides of excavations, erect scaffolding, and clean up rubble, debris, and other waste materials. May assist other craft workers. Construction laborers who primarily assist a particular craft worker are classified under “Helpers, Construction Trades” (47-3010).
Electricians 2018-22 Code: 6355	Install, maintain, and repair electrical wiring, equipment, and fixtures. Ensure that work is in accordance with relevant codes. May install or service street lights, intercom systems, or electrical control systems.

I. Description of Data Sources for Marketplace Analyses — American Community Survey (ACS)

I-4. 2018–2022 ACS occupation codes used to examine workers in construction (continued)

2018–2022 ACS occupational title and code	Job description
Pipelayers 2018-22 Code: 6441	Lay pipe for storm or sanitation sewers, drains, and water mains. Perform any combination of the following tasks: grade trenches or culverts, position pipe, or seal joints.
Plumbers, pipefitters and steamfitters 2018-22 Code: 6442	Assemble, install, alter, and repair pipelines or pipe systems that carry water, steam, air, or other liquids or gases. May install heating and cooling equipment and mechanical control systems. Includes sprinkler fitters.
Roofers 2018-22 Code: 6515	Cover roofs of structures with shingles, slate, asphalt, aluminum, wood, or related materials. May spray roofs, sidings, and walls with material to bind, seal, insulate, or soundproof sections of structures.
Elevator installers and repairers 2018-22 Code: 6700	Assemble, install, repair, or maintain electric or hydraulic freight or passenger elevators, escalators, or dumbwaiters.
Highway maintenance workers 2018-22 Code 6730	Maintain highways, municipal and rural roads, airport runways, and rights-of-way. Duties include patching broken or eroded pavement and repairing guard rails, highway markers, and snow fences. May also mow or clear brush from along road, or plow snow from roadway. Excludes “Tree Trimmers and Pruners” (37-3013).
Heating, air conditioning and refrigeration mechanics and installers 2018-22 Code: 7315	Install or repair heating, central air conditioning, HVAC, or refrigeration systems, including oil burners, hot-air furnaces, and heating stoves.

I. Description of Data Sources for Marketplace Analyses — Annual Survey of Entrepreneurs (ASE)

Keen Independent analyzed selected economic and demographic characteristics for business owners collected through the Annual Survey of Entrepreneurs (ASE). The ASE includes nonfarm businesses that file tax forms as individual proprietorships, partnerships or any type of corporation, have paid employees, and have receipts of \$1,000 or more. Unlike the SBO, the ASE samples only firms with paid employees (the SBO includes both employer firms and non-employer firms). The 2016 ASE sampled approximately 290,000 businesses that operated at any time during a given year. Response to the survey is mandatory, ensuring comprehensive data for surveyed businesses and business owners.

The ASE collects information on businesses as well as business ownership (defined as having 51 percent or more of the stock or equity in the business). Data regarding demographic characteristics of business owners include gender, ethnicity, race and veteran status. Race, ethnicity and gender categories in the ASE are the same as those used in SBO and Census data. Because ethnicity is reported separately and respondents have the option of selecting one or more racial groups when reporting business ownership, all ASE calculations use non-mutually exclusive race/ethnicity definitions.

Topics within the ASE include some business information covered in the SBO, as well as information relating to the businesses' sources of capital and financing. Keen Independent used ASE data to analyze main sources of capital used to start or acquire a firm, firms that secured business loans from a bank or financial institution, firms that avoided additional financing because they did not think the business would be approved by lender, and firms that cited access to financial capital as negatively impacting the profitability of their business. Analyses included comparisons across race/ethnicity and gender groups.

I. Description of Data Sources for Marketplace Analyses — Annual Business Survey (ABS)

Keen Independent used 2017 ABS data to examine sources of capital used to start or acquire a business. The 2017 Annual Business Survey (ABS) is a recent collaborative effort between the Census Bureau and the National Science Foundation (NSF). The ABS includes a variety of topics, as it replaces both the ASE and SBO, as well as the Business R&D and Innovation for Microbusiness (BRDI-M) and the innovation section of the Business R&D and Innovation Survey (BRDI-S) surveys. However, the marketplace analyses continue to use data from the ASE because the 2017 ABS data released for public use are limited and do not provide sufficient detail for the analyses.

The 2017 ABS data were collected in 2017 but refer to conditions in 2016. The ABS includes all nonfarm employer businesses filing the 941, 944, or 1120 tax forms. This survey is conducted on a company or firm basis rather than an establishment. The 2017 ABS sampled approximately 300,000 businesses that operated at any time during that year. Response to the survey is mandatory, ensuring comprehensive data for surveyed businesses and business owners.

Like the ASE, the ABS collects business ownership information. Data regarding demographic characteristics of business owners include gender, ethnicity, race and veteran status. Race/ethnicity and gender categories provided in the ABS are the same as those provided in ASE, SBO and Census data.

I. Description of Data Sources for Marketplace Analyses — Home Mortgage Disclosure Act Data

The study team analyzed mortgage lending in Washington using Home Mortgage Disclosure Act (HMDA) data that the Federal Financial Institutions Examination Council (FFIEC) provides. HMDA data provide information on mortgage loan applications that financial institutions, savings banks, credit unions and some mortgage companies receive. Those data include information about the location, dollar amount and types of loans made, as well as race/ethnicity, income and credit characteristics of loan applicants. Data are available for home purchase, home improvement and refinance loans.

Depository institutions were required to report 2022 HMDA data if they had assets of more than \$50 million on the preceding December 31 (\$48 million for 2021, \$47 million for 2020, \$46 million for 2019, or \$45 million prior), had a home or branch office in a metropolitan area, and originated at least one home purchase or refinance loan in the reporting calendar year.

There were 5,683 lending institutions included in the 2018 data and 5,508 in 2019.^{4, 5} The number of lending institutions decreased to 4,475 in 2020, then to 4,338 by 2021 and increased to 4,460 by 2022.^{6, 7, 8.}

Non-depository mortgage companies were required to report HMDA if they were for-profit institutions, had home purchase loan originations (including refinancing) either a.) exceeding 10 percent of all loan originations in the past year or b.) exceeding \$25 million, had a home or branch office in an MSA (or received applications for, purchase or originate five or more mortgages in an MSA), and either had more than \$10 million in assets or made at least 100 home purchase or refinance loans in the preceding calendar year.

⁴ Consumer Financial Protection Bureau. (2019). FFIEC announces availability of 2018 data on mortgage lending. Retrieved from <https://www.consumerfinance.gov/about-us/newsroom/ffiec-announces-availability-2018-data-mortgage-lending/>

⁵ Consumer Financial Protection Bureau. (2020). FFIEC announces availability of 2019 data on mortgage lending. Retrieved from <https://www.consumerfinance.gov/about-us/newsroom/ffiec-announces-availability-2019-data-mortgage-lending/>

⁶ Consumer Financial Protection Bureau. (2021). FFIEC announces availability of 2020 data on mortgage lending. Retrieved from <https://www.consumerfinance.gov/about-us/newsroom/ffiec-announces-availability-of-2020-data-on-mortgage-lending/>

⁷ Consumer Financial Protection Bureau. (2022). FFIEC announces availability of 2021 data on mortgage lending. Retrieved from <https://www.consumerfinance.gov/about-us/newsroom/ffiec-announces-availability-of-2021-data-on-mortgage-lending/>

⁸ Consumer Financial Protection Bureau. (2023). FFIEC announces availability of 2022 data on mortgage lending. Retrieved from <https://www.consumerfinance.gov/about-us/newsroom/ffiec-announces-availability-of-2022-data-on-mortgage-lending/>

I. Description of Data Sources for Marketplace Analyses — Home Mortgage Disclosure Act Data

The study team used those data to examine differences in racial and ethnic groups for loan denial rates and subprime lending rates from 2018 through 2022. Note that the HMDA data represent the entirety of home mortgage loan applications reported by participating financial institutions in each year examined. Those data are not a sample. Appendix G provides a detailed explanation of the methodology that the study team used for measuring loan denial and subprime lending rates.

APPENDIX J. Qualitative Information — Introduction

Appendix J presents qualitative information that Keen Independent collected as part of the 2024 City of Tacoma Economic Disparity Study. Appendix J is based on input from more than 325 businesses, trade association representatives and other interested individuals.

Appendix J includes 18 parts:

- Introduction;
- Starting a business;
- Dynamic firm size, types of work and markets served;
- Current conditions in the Tacoma marketplace;
- Keys to business success;
- Working with the City;
- Whether there is a level playing field;
- Challenges not faced by other businesses;
- Access to capital;
- Bonding and insurance;
- Issues with prompt payment;
- Unfair treatment in bidding;
- Stereotyping and double standards;
- “Good ol’ boy” and other closed networks;
- Contractor-subcontractor relationships;
- Business assistance programs and certifications;
- Other insights and recommendations for the City; and
- City of Tacoma’s Local Employment and Apprenticeship Program.

APPENDIX J. Qualitative Information — Introduction

Study Methodology

From April through June 2024, the Keen Independent study team collected qualitative information from the following:

- In-depth interviews;
- Open-ended availability survey questions;
- A focus group; and
- Other means.

The study team gathered input from business owners and representatives as well as industry association and business assistance organization representatives. Keen Independent provided opportunities for public comments via mail and the designated telephone hotline, email address and website.¹

For anonymity, Keen Independent analyzed comments without identifying any of the participants.²

Business owners and representatives reported on experiences working in construction, professional services, goods and other services; experiences working with the City; perceptions of certification programs and other supportive services and input on other relevant topics.

Throughout, Appendix J summarizes examples of comments gathered through these study methods.

Review of Other Qualitative Information Sources

Keen Independent reviewed results of interviews, a focus group and public meetings that were part of disparity studies conducted for Sound Transit,³ the State of Washington⁴ and the Port of Seattle.⁵ Business owners from these additional studies are coded in this appendix by an identifier representing the corresponding study in which their comments appear followed by a number designated for each interviewee (1, 2, 3 and so on).⁶

Business owners and representatives interviewed were often quite specific in their comments. On occasion, certain statements are reported in more general form for purposes of anonymity.

¹ The study phone hotline number was (602) 704-0125; email address was tacomawadisparity2024@keenindependent.com; and the website was <https://keenindependent.com/tacomadisparitystudy2024/>.

² In-depth interviewees are identified in Appendix J by I-01, I-02 and so on; organizations including chambers and trade and industry associations are coded as TOs; focus group participants are coded as FG-1, FG-2; and availability survey respondents are identified as AS-01, AS-02 and so on. Interviewees represented construction, professional services, goods and other services industries. Business owners and representatives interviewed represented a cross-section of certified and non-certified minority- and woman-owned firms and firms owned by white males.

³ BBC Research & Consulting, (2020), 2020 Disadvantaged Business Enterprise Disparity Study Sound Transit.

⁴ Collette Holt & Associates, (2019), 2019 State of Washington Disparity Study.

⁵ Collette Holt & Associates, (2019), Port of Seattle Disparity Study 2019.

⁶ In-depth interviews from the 2020 Sound Transit study are identified in the Appendix J by ST-1, ST-2 and so on; interviewees from the 2019 State of Washington Disparity Study are identified as WA-1, WA-2 and so on; interviewees from the 2019 Port of Seattle Disparity Study are identified as PS-1, PS-2 and so on.

J. Qualitative Information — Starting a business

Working in the Industry Before Starting a Business

The Keen Independent study team asked interviewees about starting their businesses, beginning with their previous experience.

Many business owners worked in the industry, or a related industry, before starting their firms. [e.g., I-1, 6, 10, 16, 18, 19, 26, 29, 30, TO-1]

Examples of comments are provided below and on right side of this page.

[The previous owner of the firm became frustrated after working in larger construction firms and decided to start his own business concluding:] *‘I would just rather do this myself.’*

I-2. White female representative of a veteran-owned construction-related firm

It became clear to me that I needed to leave those corporate structures and strike out on my own and that made a lot more sense to me I challenged a lot of conventions and made a lot of mistakes, but I never defaulted on a contract.

I-3. White female owner of a professional service firm

I had [related] experience ... before I started being a consultant. I [have many years of experience] working, most of that in government.

I-4. African American male owner of a professional service firm

[The owner has a family-business background in the same industry.] *That’s where he got experience.*

I-5. African American female representative of an other services firm

The company that I worked for basically fell apart and I started my own business doing the same thing ... and hired several of the people that I previously worked with.

I-13. White male owner of a construction-related firm

I had retired from my previous business and started this [firm] more just to have something to do and it grew from there.

I-14. White male owner of a professional service firm

I’ve been in the industry for a long time, and I’d worked for some of the largest firms in the country but one of the firms that I worked for was consumed by another and my clients weren’t getting the service that I felt they really deserved ... and [I] decided that it would be a good thing for me to start myself.

I-21. White female owner of a professional services firm

J. Qualitative Information — Starting a business

Negative Treatment Working in Field Prior to Starting a Business

Some business owners described negative experiences in their working careers due to race, ethnicity or gender or had observed such disadvantages.

Several female business owners described instances of discrimination based on gender before starting their businesses.

Being a girl [in my field], there weren't many of us. There were always those hurdles

I-3. White female owner of a professional services firm

I was young and female and I did get attitude sometimes. [For example,] people thought I was [not in a professional role, although I was].

I-15. White female owner of a professional services firm

When I started in this industry, it was very different than it is today. There were very few women in the industry.

I-21. White female owner of a professional services firm

One business owner commented on the lack of investment in educational programs in socioeconomically disadvantaged communities.

There's a serious lack of [minority- and woman-owned firms] in our field. Something we've been working on for decades and trying to improve [is] STEM programs and schools in more disadvantaged or low-income areas to encourage more minority and woman students to go into the STEM fields.

I-14. White male owner of a professional services firm

Another business owner reported that he faced discrimination due to his criminal record.

I started the business because I'm a felon and I can't find work. Nobody would hire me. Nobody would let me have a place to live. I had to start something.

I-10. White male owner of a construction-related firm

J. Qualitative Information — Dynamic firm size, types of work and markets served

Business Size, Expansion and Contraction

Some business owners reported that they carefully control the size of their firms. Some of these business owners and representatives said that they tried to grow slowly to ensure financial stability. For example:

We've had a slow growth; I'm really conservative in that 'sort of thing.' We hire when we need to and then we build those folks up.

I-21. White female owner of a professional services firm

[Our firm] was born in [the mid-90s] and then slowly we've just grown over time. In the beginning there were 3 of us working out of a home and ... just continued to grow to be what we are today.

I-24. White female representative of a woman-owned goods firm

Others described how their firm size is based on workload or fluctuates seasonally.

We're coming out of winter, and it was a particularly bad winter. I know other people in my industry are hurting. I've seen a few companies close down [due to] the economy. We saw a downturn in [workload in] October and by December it was dead [affecting overall firm size and firm sustainability].

I-10. White male owner of a construction-related firm

Some interviewees reported that they struggled initially but were able to achieve stability over time.

That first year was tough, after the first year it was clear that I was going to be okay.

I-15. White female owner of a professional services firm

I'm just getting to the place that I feel like I've got some firm footing ... and it's feeling great, I'm taking great strides, I feel confident.

I-18. White female owner of a goods firm

We grew a little too fast at a certain point, so we had to scale back down.

I-22. African American male owner of an other services firm

[Business is] going well. It's a lot of work but we [got] over that bump where you can hire your support.

I-8. White male owner of an other services firm

J. Qualitative Information — Dynamic firm size, types of work and markets served

Sizes of Contracts

Some interviewees said that their firms bid on a range of small and large contracts. For example:

Our contracts range anywhere from a few thousand dollars to a couple million dollars spread out over a couple of years.

I-17. White male representative a construction-related services firm

I landed a fairly large contract with [an entity] It was a start for me in some fairly significant, multimillion-dollar projects as a small business.

I-3. White female owner of a professional services firm

Some business owners pointed out where they were constrained by the size of contracts they pursue. [e.g., AS-115, 139, 141, I-19] Examples are provided below.

If they [public sector procurements] have a small work roster available, [they] will help small businesses and the community.

AS-163. African American male owner of an other services firm

I'm not a giant company, I'm not a \$5 billion or even a \$5 million per year company. I'm kind of 'small-time' I don't have the resources ... to go out and solicit the bigger [contracts].

I-1. White male owner of an other services firm

There are some big jobs that we're not going to do because we're not interested in that We do a lot of small jobs.

I-2. White female representative of a veteran-owned construction-related firm

There [are] opportunities that I've seen come ... [that] didn't fit with what we were doing, whether it be the rate being extremely low or it not making sense for what we're doing.

I-22. African American male owner of an other services firm

J. Qualitative Information — Dynamic firm size, types of work and markets served

Changes in Types of Work

The study team asked interviewees to report type of work and any changes in work performed over time.

Some of the interviewees indicated changes in types of work over time, largely based on market opportunities. This includes businesses that sought to diversify to provide more financial stability for their company, as well as any challenges they faced. [e.g., I-1, 3, 8, 13, 24, 27-30] Examples of comments are provided below and on the right side of the page.

I shipped with [a previous client] and that was pretty good, but [because of] the craziness of the pandemic ... I really pivoted into [another industry] and did manufacturing in the U.S.

I-18. White female owner of a goods firm

Especially as we have grown out of [working with small businesses] ... it has been quite difficult to actually work with different [larger] businesses within the city.

I-22. African American male owner of an other services firm

You need to be well diversified and be able to accommodate different things because there's times where there may not be enough work in one particular phase of that work where there is in others and in order to keep everybody working in crews together you got to be able to be flexible.

I-20. White male owner of a goods firm

I've seen companies collapse before We stay up on technology ... we've gone down the weird road of AI and what it means to us There's always maneuvering [types of work]. Failure usually comes with leadership being disconnected.

I-21. White female owner of a professional services firm

The majority of [our clients were] all commercial. We [recently started integrating] a little bit of residential work I don't have the capital to dive fully into residential like I would want, so majority of it is just commercial

I-12. African American male owner of an other services firm

One business owner provided insight into why she has not diversified her business offerings over time.

Being very deliberate and specific about the scope of your practice [is critical]. If ... a solo practitioner like me tries to do too many [types of work] you don't do any of them well. Not being afraid to say, 'This is what I do, and I don't do this.' You have to turn clients away and that can be terrifying when you're little.

I-15. White female owner of a professional services firm

J. Qualitative Information — Dynamic firm size, types of work and markets served

Work in Public or Private Sectors, or Both

Business owners and representatives discussed whether their firms conduct work in the public, private or both sectors.

Mostly private sector. A few of the businesses indicated that they mostly do private sector work. [e.g., AS-189, 215, I-10, 12, 28]

For example:

Right now, our workload is probably about 20 percent government and 80 percent private.

I-14. White male owner of a professional services firm

Mostly public sector. Some companies primarily compete for public sector work.

Almost 100 percent of our work is for public agencies.

I-26. White male representative of a professional services firm

99.9 percent of our work is public.

I-21. White female owner of a professional services firm

[I work on] mostly public projects. I work on large projects.

I-4. African American male owner of a professional services firm

[Regarding work sectors:] 60 percent of our revenue does come from a contract opportunity that we have with [specified public entity], and then another percentage is pretty much on demand.

I-22. African American male owner of an other services firm

Both private and public sector work. Some firm owners or managers reported to conduct both public and private sector work.

[e.g., I-5, 6, 8, 9, 11, 13, 17, 20, 23, TO-1]

We do the stadium ... a police department ... one of the maintenance shops ... it doesn't matter to me.

I-1. White male owner of an other services firm

We're pretty spread out, diversified, so we do some work for cities, some for schools [specifically] smaller districts and then ... about 10 percent of our work is from a church ... and then we do a lot of privately-owned business as well.

I-2. White female representative of a veteran-owned construction-related firm

J. Qualitative Information — Dynamic firm size, types of work and markets served

Work as a Prime Contractor, Subcontractor or Both

The study team asked business owners and representatives whether they worked as a prime or subcontractor/subconsultant (or both).

Some firms only serve as prime contractors or as subcontractors, but many might be a prime contractor on one project and a subcontractor on another.

Mostly prime contractor or consultant. A few of the interviewees indicated that they mostly work as a prime contractor.

I'm always a prime I'm always hired directly by the client.

I-15. White female owner of a professional services firm

We had somebody try to subcontract us and that didn't go well so we said, 'Never again, we won't do that.' If we do, then we have a contract that they would have to sign. We're just not going to do it. It's too much. It just doesn't go well.

I-5. African American female representative of an other services firm

In most cases, 70 percent of our work is direct to the client, agency, the city, and the special purpose district. Another 30 percent of our engagements are performed as a subconsultant.

I-26. White male representative of a professional services firm

Mostly subcontractor or subconsultant. Some companies primarily work as a subcontractor or subconsultant. This is sometimes due to the nature of the work or competition with larger businesses. Examples of comments are provided below.

If you're a small firm, most of the time they want you to be a subcontractor, [even] if you qualify to be a prime It's [going to] be hard competing against [the bigger firms].

I-7. African American male owner of a professional services firm

Majority of [our work] is me subcontracting through a management company ... and through my franchise partner we contract contracts through them as well.

I-12. African American male owner of an other services firm

One interviewee from a construction-related firm reported that the type of project determines whether the firm performs as a prime or a sub.

We've [worked as] both [a prime and a sub] It depends on what the project is.

I-29. White female representative of a construction-related firm

J. Qualitative Information — Dynamic firm size, types of work and markets served

Geographic Markets Served

Business owners and representatives reported where they conducted business and if over time, they had expanded the geographic locations where they perform work.

Some businesses had not geographically expanded. Examples of comments are shown on the top right.

Other companies had expanded geographically. Examples of comments are on the bottom right.

Depending on [the client], if we do not have an office in Tacoma, we can't bid [so geographic markets served are limited].

AS-140. Female representative of an Asian American-owned professional services firm

No, I haven't [worked with the City of Tacoma] yet, I've had opportunities. It just hasn't happened and to be honest ... when I had three crews running crazy, I had plenty of work just within the King County area.

I-13. White male owner of a construction-related firm

I have several territories. I work from Seattle and Shoreline down to essentially Olympia.

I-8. White male owner of an other services firm

We do go quite a way ... pretty much every part of Western Washington from Bellingham to Portland and we'll also go also go across the mountains.

I-20. White male owner of a goods firm

J. Qualitative Information — Current conditions in the Tacoma marketplace

Impact of COVID-19

Interviewees reported on the economic conditions in the local marketplace. Akin to the effects of the Great Recession on the industry, COVID-19 has had a significant impact on conditions in Washington state, as well as throughout the nation.

Negative impacts. Many business owners and trade association representatives reported unfavorable economic conditions due to the COVID-19 pandemic. [e.g., AS-127, I-6, 19, 27-29, 32]

The conditions of work were difficult, but we had work to do Going into hotels where people are housed, and people are sick and trying to perform ... [our work] and figure out how to how to access devices that are in apartment units or hotel units with someone in it or someone sick in it.

I-2. White female representative of a veteran-owned construction-related firm

The pandemic slowed things down a lot considerably. Because I do a lot of public outreach that was severely curtailed; even RFPs or even opportunities [were] curtailed as well.

I-4. African American male owner of a professional services firm

I don't know anybody who would answer that otherwise, we were completely shut down which is why I only have three employees now [instead of] 15 or 16.

I-13. White male owner of a construction-related firm

Some of our immigrant families, they're single parents and they're managing a whole business while also taking care of their children and because they didn't have their business open for a while, it really struck a financial hardship for them. When they're trying to build themselves back up, getting their repertoire back, getting their customer base back it was a little difficult for them.

TO-6. Asian American male representative of a minority business assistance organization

We look at inflation, we look at so much of the support for small businesses [that] came out during COVID. Business is different now; especially small businesses are struggling to really adapt to that new normal for their operations and trying to see what that might be.

TO-2. White female representative of a trade association

Many interviewees commented on the negative impact of working from home and limited in-person networking due to the pandemic, as well as other challenges.

I closed my physical offices [during the pandemic] and we worked from home. Everybody else was working from home and we were all struggling to figure out how to do things.

I-3. White female owner of a professional services firm

During COVID we were forced to make a huge pivot [in the types of clients we served because] ... you weren't able to go [into] homes at that point. Between 2019–2020 we experienced a major dip in our business model because we had to pivot to something else.

I-22. African American male owner of an other services firm

J. Qualitative Information — Current conditions in the Tacoma marketplace

Positive outcomes related to the pandemic. Conversely, some reported doing well despite (or perhaps due to) the effects of the COVID-19 pandemic on the marketplace.

When I decided to declare myself essential, I got busy. The pandemic was probably one of the best things that ever happened to my business.

I-1. White male owner of an other services firm

During COVID, business spiked a bit Even though a lot of people weren't receiving a lot of work, our work picked up After that with people being out of offices — which is still [the case] today — people aren't using a lot of offices today so [our business is] dropping down.

I-12. African American male owner of an other services firm

For my business in particular, because of our focus [in our practice area] we saw less impact than a lot of other businesses did but I stay in touch with a large number of other similar business owners, and I know a lot of them were impacted.

I-14. White male owner of a professional services firm

My business didn't see a downturn in revenue in my workflow really because it was balanced, and because clients who are running into issues were reaching out.

I-15. White female owner of a professional services firm

We were not very much affected by COVID, that didn't have an impact on us because ... nobody comes to me to buy anything, [all our products] are shipped.

I-9. White male representative of a woman- and veteran-owned goods firm

All [of our buyers] shut down in panic because they thought the world was falling and then after about 30 days, it was the busiest we had ever been Everybody started doing home projects and there was ... such a demand for [specified good] right after the pandemic. It was the best market we'd ever seen.

I-20. White male owner of a goods firm

We really didn't have any trouble through the pandemic. We were able to rapidly switch to remote work and we've been busy ever since. I don't think everybody could say that, but we were lucky.

I-21. White female owner of a professional services firm

When COVID came along, it threw all businesses into something we weren't used to and expecting and of course all the freight coming in was delayed We turned this around and made it a positive for ourselves and because we have all these relationships with manufacturers and suppliers we got into the business of [producing a new product] and we had one of our biggest years ever.

I-24. White female representative of a woman-owned goods firm

J. Qualitative Information — Current conditions in the Tacoma marketplace

Barriers for Minorities and Women in the Tacoma Marketplace

Many interviewees indicated that there are barriers and evidence of discrimination for women and people of color in the Tacoma marketplace. (Additional discussion regarding whether there is a level playing field for minority- and woman-owned firms and other small businesses is discussed later in this appendix.)

There are structural and systemic biases built into the procurement process and into the hiring process. Some of it is in the requirements for education, requirements for degrees, biases that are not explicit but implicit. Around where you were educated, how you were educated.

I-3. White female owner of a professional services firm

A lot of times what I've found even working in corporate America ... [is] they'll bid for the contract, but they don't do the work ... once you get the contract [people act as if] 'okay, I can slack off' ... and for our business, we pride ourselves on making sure that we do the job right that we are paid to do Mainly it's more with African American business owners that don't get action at a lot of the jobs that are out for bid.

I-5. African American female representative of an other services firm

I am very often ignored because I'm female. There are not many women in [specified] industry If I have any of my employees with me who are men, especially if they're older, everyone just assumes that that's the boss and they won't even talk to me.

I-32. White female owner of a goods firm

I always feel like I have to carry myself at a higher level than anybody period regardless of my color or my skin, but then you put that on top of it and I do feel even bigger pressure on my back to overcompensate and overdo at certain times in this industry for sure, to make other people feel comfortable.

I-22. African American male owner of an other services firm

J. Qualitative Information — Current conditions in the Tacoma marketplace

Access to Materials and Equipment

Inflation and increasing prices of materials and equipment were frequently mentioned as challenges in the local marketplace.

[Potential clients] don't understand the cost of running [an] office because we have to buy the technology They're just looking on the back end, 'How much do I have to pay you for the services that you want to offer?' Then they compare it to someone else that might be a ... person [who] is not running an office, they're not going to have the overhead cost at all.

I-7. African American male owner of a professional services firm

My biggest concern right now is the trade wars and the relationship between China and the U.S., that's my biggest fear is that [my products] start shipping ... [and] I won't get the equipment here before it could start manufacturing.

I-18. White female owner of a goods firm

The biggest barrier in my industry is just merely trying to get started, the equipment is extremely expensive If you're [going] to buy this stuff fairly new, you could spend as much as \$2 million just for the four pieces of equipment.

I-20. White male owner of a goods firm

We're really struggling with the supply chain, the supplies are getting more expensive, ... the cost of a lot of lumber and ... all the tools.

TO-1. White female representative of a trade association

[The current economic conditions are] difficult just because the economy is growing at a rate in terms of inflation and just feasibility for certain prices of certain goods and trying to stay afloat is difficult for many of these businesses.

TO-6. Asian American male representative of a minority business assistance organization

Now with raw materials, the prices of what goes into [our products] fluctuate so much you really can't look at those bid tabs anymore [as a point of reference for pricing].

I-24. White female representative of a woman-owned goods firm

A lot of our materials have doubled or more in a span of a couple of years, which would normally take 10 or more years. [It] is difficult to pass that on to the consumer.

I-23. White male representative of a construction-related firm

J. Qualitative Information — Keys to business success

The study team asked interviewees to describe the factors that impact business success.

Having to Learn the “Business” Side of Running a Business

Many people who start businesses are experts in their technical fields but need to learn the administrative aspects of operating a business.

Some interviewees indicated that new business owners “don’t know what you don’t know” and may not know where to go for help. Examples of comments are shown on the right side of this page.

Most people who are in a trade are good at their trade, which is why the City wants to hire them. But what they lack is how to run a business and it takes somebody to attend to that. It’s hard to hire it out because when you hire it out you have to train them on how to do what they’re supposed to do, and they don’t always know, and you don’t always know what you want them to do.

I-2. White female representative of a veteran-owned construction-related firm

I’m a startup ... and learning how this [business readiness] all goes. That’s part of ... why I haven’t gotten further along.

I-18. White female owner of a goods firm

Not doing right with your funds, spending money on what you’re not supposed to spend money on [are barriers to firm success]. [Businesses] need to keep themselves educated. If they don’t keep themselves educated, they will fail.

TO-1. White female representative of a trade association

I came in and built this from the ground up, we didn’t know the first thing about government contracting. We were ‘drinking from the fire hose’ trying to figure it out.

I-24. White female representative of a woman-owned goods firm

J. Qualitative Information — Keys to business success

Expert Assistance

Some firm owners commented on their experiences utilizing outside expert assistance. Comments on this topic are included to the right.

[Expert assistance] could be costly, especially coming around tax time Those filings can be pretty expensive It's very important in what we're doing to [be] understanding your costs ... getting those documents can be expensive.

I-22. African American male owner of an other services firm

I'm always cautious about spending money needlessly and sometimes fees are more than what the person delivers [for their expert assistance] I try to cut that out and make sure we're not overspending. If it could be done in-house, I'd prefer to do that if we can give somebody a job rather than pay a premium.

I-21. White female owner of a professional services firm

We do [utilize] legal services We have an accounting firm that handles most of our books and taxes and that sort of thing On occasion, we run into barriers in being able to find the right scale level or the right fit for the particular project.

I-14. White male owner of a professional services firm

Many attorneys are hard to access, except just go online and find ways to find the attorney that I'm looking for, but networking is hard here.

I-7. African American male owner of a professional services firm

I have not [utilized outside experts] ... because [of] the pandemic. I haven't had much business to, [and] I don't have any capital to pay somebody, but I would if I could.

I-18. White female owner of a goods firm

J. Qualitative Information — Keys to business success

Marketing a New Business and Learning About Opportunities

Some interviewees discussed the difficulty new business owners have in marketing their companies and finding opportunities for work. [e.g., AS-1, 26, 28, 30, 36, 83, 99, 111, 114, 116, 119, 125, 128, 130, 136, 141, 167, I-6, 20] Examples are comments are shown below.

There [are] projects I'm probably qualified for [and] can go after, I just never pursue them ... but if I had to hire a marketing person, I could probably get more exposure.

I-4. African American male owner of a professional services firm

I relocated here from [out of state] One challenge was not understanding the culture here and not understanding the politics here The third [challenge] was where to find clients [and] how to get clients.

I-7. African American male owner of a professional services firm

Because of that language accessibility, it's hard for [the business owners we represent] to connect with some of their customers [by] trying to do marketing, trying to spread the word.

TO-6. Asian American male representative of a minority business assistance organization

Getting your name out there [and] gaining everybody's trust was very difficult in the beginning until we could prove ourselves.

I-24. White female representative of a woman-owned goods firm

When you start up, there's not a lot of money to do things like advertising I know it's tough for some small businesses to get their name out there.

TO-1. White female representative of a trade association

Some business owners described the methods they use to market their businesses and develop relationships with clients.

Networking events, connections and access [have been key success factors]. I'm pleased that [these opportunities are] available, I haven't been as good at navigating it solo.

I-18. White female owner of a goods firm

Networking [has been a key to my success] and can't say I didn't do enough of that already But I get a lot of people calling me too It's a combination of both networking and then referral.

I-4. African American male owner of a professional services firm

I pay attention to my gross profit margin and make sure that I'm going to be here ... but as far as getting business for me, it's easy. I don't go out and look [for work], I don't knock on doors, I make a few calls, but 85 percent of my business now are referrals.

I-1. White male owner of an other services firm

I identified my niche well I do networking and I committed to doing a certain amount of networking when I first opened my firm and knew that it was going to be a slow, steady building [of] my reputation, getting to know people.

I-15. White female owner of a professional services firm

The good and difficult part of having a small business is that there are hundreds, thousands of them in Pierce County and you have to be unique, you have to stand out in some sort of way If you aren't reaching your consumer population or if you aren't reaching different communities, then it's really hard to stay self-sufficient and stay resilient.

TO-6. Asian American male representative of a minority business assistance organization

J. Qualitative Information — Keys to business success

Competition with Larger or Established Businesses

Some interviewees reported that competition with large companies or more established businesses is a challenge for new businesses. [e.g., I-10, 14, 17, 23, 32]

Examples of comments are shown below and on the right side of the page.

Lots of larger firms gobble and give us ... pennies.

AS-169. Hispanic American male owner of a professional services firm

It's just difficult getting clients. Most of my clients are smaller business clients and ... they're used to dealing with [my competitors] who may have a full-time job somewhere.

I-7. African American male owner of a professional services firm

[I would like the City of Tacoma] to continue to explore business with small businesses. Smaller businesses are more attentive to detail with the quality of work as larger companies are able to lose a couple clients; therefore, smaller businesses provide [higher] quality work.

AS-46. White male owner of an other services firm

All the labor rates are going up after COVID. The minimum wage in Seattle went up [along with] ... all the counties in the area With me being such a small business, it's hard to remain competitive especially when ... I'm only having three or four different ... [projects] and I'm not as large as some of the commercial companies [that get more opportunities].

I-12. African American male owner of an other services firm

My biggest hurdle to competing with [my competitors in a related industry] is the fact that we have more labor involved, so we cost more unless we can ... offset our cost, which of course is what I'm always trying to do but no matter what, we have more labor to do the job. Once you start doing that with prevailing wage, we become less competitive.

I-13. White male owner of a construction-related firm

Our competition [is with] the big guys, and they can usually beat us if they really try, especially when it comes to price

I-25. African American male representative of a goods firm

It's a tough life out there, competition is just that and I stand on my merit. I do a great job and I hear it, back it up, and I got a couple of weeks' experience to prove that I'm here to back it up. That all speaks to my abilities, and I stand on that.

I-1. White male owner of an other services firm

J. Qualitative Information — Keys to business success

Capital and Cashflow Necessary to Start a Business

Having the capital to start a business is a key to success and obtaining start-up capital can be a major barrier for some businesses, as summarized on this page. (More information about access to capital is provided later in this report.)

Sources of capital. Some interviewees described different sources of capital used to start businesses.

For example, use of personal assets and personally backed loans is common. [e.g., I-2-4, 7, 10, 11, 15, 19, 21, 22] Comments below provide examples.

We took all our savings and ... invested it all into the company. We didn't have ... outside capital or anything to invest, we took the few grand we had in savings and started the company.

I-12. African American male owner of an other services firm

We just worked our full-time jobs [as our source of capital].

I-5. African American female representative of an other services firm

I'm in better shape than most people, [I] have assets and capital of my own. I was able to access self-directed IRAs and I have excellent credit, so that hasn't been a problem.

I-8. White male owner of an other services firm

We started with about \$500. My husband got laid off and then they gave him ... severance pay Then he [decided to start his own business].

I-11. Hispanic American female owner of a professional services firm

Difficulty obtaining start-up capital and generating cash flow.

Business owners also commented on the difficulty obtaining start-up capital and then generating immediate cash flow to be able to launch new companies. (More information about access to capital is provided later in this report.)

I need good cash flow because I need clients, It's a balance and ... in my case I don't think I have enough clients ... to put the cash flow that I need to be able to hire more people to be able to get the loans to finance them because they want you to have not only collateral, but also the cash flow to support that new debt.

I-7. African American male owner of a professional services firm

[If the City could start] providing some type of assistance, low interest loans or other funding, [that] would be a benefit to help, financing things [when] taking on a big project. When a firm doesn't have very good cash flow to begin with, [it] can be [a] rather daunting task where you're laying out a lot of money you don't really have to do work and you're not sure when you [are] going to get paid for it.

I-14. White male owner of a professional services firm

The challenge is certainly financial, there's no doubt about that, I would say that would be the case for every business. If you don't have a good backing to begin with, then you could be in a lot of trouble.

I-21. White female owner of a professional services firm

J. Qualitative Information — Keys to business success

Importance of Relationships to Business Success

Many interviewees described the importance of relationships with customers and others as a key factor for success. [e.g., I- 14, 17, 24, 26, TO-1, 3, 6]

I am very flexible with ... what the customers want.

AS-162. Hispanic American owner of a construction-related firm

Before I started the business, I was already very well connected to all the other companies in the area ... and I went and spoke to all of them, and they [were] all interested in [the product that I have to offer].

I-13. White male owner of a construction-related firm

Number one [key factor for us] would be that small community that helped us get the boots off the ground as a bootstrapped operation and give us the runway to explore bigger opportunities.

I-22. African American male owner of an other services firm

[The businesses we represent] start to network, they come to events, and they're a constant presence. Once you become a constant presence at a networking event you establish a reputation, you meet people and are helped because of those networking events.

TO-5. White male representative of a trade association

[One of the owners] is very personal. He goes out of his way to make sure that you're going to get the best deal possible He puts in a lot of time and effort, a lot of hard work. People just love him.

I-28. White female representative of a construction-related firm

Some also cited their reputation as a key ingredient. Some Interviewees often highlighted responsiveness and quality as being critical. [e.g., I-7, 11, 21, 23, 24, 27]

We're a small company, so we're responsive [Customers and clients can] call [the owner], he answers the phone, so [do] the people on the ground doing the work, the people in Tacoma ... can actually get work done because they're not going through layers of large companies They can call [the owner] and say, 'Hey, this is what we're looking at; can you come and take a look at this and tell us what you think?'

I-2. White female representative of a veteran-owned construction-related firm

[A firm's] ability to go the extra mile [gives one firm an advantage], and sometimes that extra mile is don't assume, get all the information necessary I really counsel the small businesses that work with me, 'Don't get hung up on the hours, get hung up on the value.'

I-3. White female owner of a professional services firm

Just the fact that we communicate with our client [has been a key factor] cause currently we do have another City contract ... we definitely stay in communication.

I-5. African American female representative of an other services firm

The thing that makes us successful is that we strive hard for whoever we're working for to make sure they're happy with our work A lot of it is merely the fact that [our clients] trust our work, we do what we say, we get in, we get out.

I-20. White male owner of a goods firm

J. Qualitative Information — Keys to business success

Importance of Employees to Business Success

Some interviewees said that finding a skilled team of employees has been a challenge. [e.g., AS-50, I-11, 21, 26, TO-1, 2]

Examples of comments are provided below and to the right.

We've been able to apprentice our two workers and they've both become licensed techs. That's because workers are so hard to find, that's another hurdle. Finding licensed workers is difficult unless you train them yourself.

I-2. White female representative of a veteran-owned construction-related firm

We've got a specialized business and ... a lot of our labor is all over the place. They're [in] different states that we bring in the job, it's difficult.

I-6. White male representative of a goods firm

First two years, [we struggled] mostly due to staffing and then I'd moved in from [specified outside area], so I didn't have a local network. We managed to through hook or crook, we've been able to tap into a lot of [potential sources of labor] That's really been able to create [for] us a good solid pool of employees.

I-8. White male owner of an other services firm

That's our main challenge is finding employees to take on some of the jobs that I come across and not have to turn some jobs down just because I don't have the manpower.

I-12. African American male owner of an other services firm

The cost of living is so high that even my clients ... are always asking me if I know anybody because they're looking for hires. All of their people have left the city because they can't afford to live here and be [in a specified skilled trade] I've kept people here because I've paid them better than they would be paid in a blue collar [profession], and I've given them something to do that they can get behind emotionally.

I-13. White male owner of a construction-related firm

Having available help, that's been the tough thing to find. Good, qualified experienced [employees in our line of work] Because you're dealing with [specified material] if it breaks, that's on you and you order it again. You don't charge the customer.

I-29. White female representative of a construction-related firm

[One] major threat to our business is labor challenges Everyone has seen [it] coming for 20 years that there's not enough people going into skilled trades. That's just a huge impact in [specified] industry with my customers.

I-32. White female owner of a goods firm

J. Qualitative Information — Working with the City

Business owners and representatives discussed their experience working with or attempting to get work with the City of Tacoma.

Positive experiences. Many business owners and representatives indicated having positive experiences while working with the City. [e.g., AS-164, I-3, 20, 26, 28]

[The owner has] been able to reach out and work with some people in the City Gradually he's built that [relationship] up and it's been a good relationship.

I-2. White female representative of a veteran-owned construction-related firm

There was a lot of paperwork. [The work] wasn't difficult to do They paid within 30 days. I was happy with it.

I-10. White male owner of a construction-related firm

Having worked with other jurisdictions ... Tacoma does a really good job both in trying to make sure that there's predictability, and certainty within the contracting process, and within the payment process.

TO-2. White female representative of a trade association

Navigating their website goes well ... it's been a pleasure so far.

I-21. White female owner of a professional services firm

[The City] seems to be doing a good job of getting bid opportunities out and making sure that businesses are aware of them and have easy access to the opportunities when they come up. As far as I can tell, the programs they have in place appear to be very beneficial and helpful to minority- and woman-owned businesses.

I-14. White male owner of a professional services firm

Negative experiences. Some interviewees reported negative experiences working with the City. [e.g., AS-2, I-10, 19]

A lot of the times the barrier is when you do the contracts and [the City] wants a 30-day net pay I want payment right away.

AS-133. White male owner of an other services firm

The Ariba system is a little bit difficult to understand ... and whenever I've tried to contact somebody directly, I've never been able to get through and have a chat, we ended up exchanging a couple of emails and the trail would go cold.

I-17. White male representative a construction-related firm

Trying to understand how the [the City's] bidding system works, it's convoluted and confusing, there is no clear instruction on it, which is part of [what] I've been trying to talk to purchasing about, but I can't get a response. What [does] your bid process look like? How do you acquire that stuff? No one will even answer a question from me.

I-25. African American male representative of a goods firm

[The City's project specifications] are not clear. They are old-fashioned

AS-209. Native American female owner of a construction-related firm

J. Qualitative Information — Working with the City

Pursuit of City Bid Opportunities

Business owners and representatives reported on their pursuit of work with the City of Tacoma.

Many business owners and representatives reported that they would like to work with the City or that they were interested in learning more about opportunities to work with the City. [e.g. AS-3, 4, 27, 31, 33, 39, 44, 45, 122, 124-126, 159, 217, I-10, 11, 20, 26, 28] For example:

We would like opportunities to work with the City of Tacoma.

AS-217. Hispanic American female owner of an other services firm

Some of the interviewees commenting on the City's procurement process said that it is relatively open and transparent.

The City does a good job of getting the word out, they do a good job at contracting, for small businesses like mine.

AS-25. White female owner of an other services firm

[The City's] bids were very easy to read and understand They're doing a really good job.

I-24. White female representative of a woman-owned goods firm

However, many other participants criticized the City's lack of transparency regarding opportunities.

Those continuous barriers [to working with the City] are that they have who they want in place for certain contracts, or if they bid for them, a lot of times they will see that it is a minority, and they don't feel that they have the skill or [are] competent enough to do the project even if they put the bid in.

I-5. African American female representative of an other services firm

It's an unlevel playing field because I didn't even know about [City of Tacoma contracts] so if [my competitors] knew about them and they register their businesses at the same place as I register my business, I should have access to that information

I-12. African American male owner of an other services firm

We need more open opportunities and less barriers for small businesses.

AS-216. Asian American male owner of a professional services firm

Access to the information seems to be difficult. Access does not seem to be readily available.

AS-2. African American female representative of a goods firm

[I would like the City] to email any type of notification of bid openings from Tacoma.

AS-116. African American female owner of an other services firm

[The City] should do better job advertising to small contractors like me ... in the general marketplace.

AS-115. White female owner of a professional services firm

J. Qualitative Information — Working with the City

Barriers to Bidding

Some interviewees discussed whether there were barriers to bidding on City work.

One identified limited knowledge as a barrier to bidding.

A lot of people say they are interested in bidding, but they don't know how to submit a bid. Trying to get a holistic view of what educational components people might need if they're not familiar with how to submit a bid [is important]. There [are] likely other educational components that need to be addressed.

FG-1. Focus group participant

One interviewee commented that the City's unbundling of projects is beneficial for small and diverse businesses.

The City of Tacoma pays well They have a lot of work and ... instead of making jobs so big that it's either all or nothing, they have smaller chunks now that you can say, 'Rather than putting a job out to bid that's \$100,000, let's have 10 jobs that are \$10,000.' That provides access to smaller companies.

I-2. White female representative of a veteran-owned construction-related firm

Barriers in the marketplace. Many business owners and representatives said that there were barriers to bidding on work with the City of Tacoma. [e.g., AS-2, 4, 6, 7, 9, 11, 18, 20, 28, 30, 36, 37, 42, 43, 51, 53, 114, 118, 128, 130, 139, 158, 170, 195, 200, 202, I-8, 13, 14, 17, 18, 20]

We have submitted our qualifications to the City of Tacoma, but it seems like it's extremely difficult to break in.

I-11. Hispanic American female owner of a professional services firm

It's hard to know the City of Tacoma.

AS-234. Asian American female owner of a professional services firm

[For] a couple of the bids that came through [for Tacoma] ... the project was a lot larger than what we could provide as far as services.

I-5. African American female representative of an other services firm

One of the things we've experienced is that [the City's] requests are done too fast.

AS-98. African American female owner of a professional services firm

[The] requirement ... [that you] must be the lowest price qualifying bidder frequently gets in our way and we see other companies with a lot less experience who can technically meet the requirements ... but sometimes we just go, 'I don't know if they're going to be happy with the people they ended up having to select.'

I-17. White male representative a construction-related firm

J. Qualitative Information — Working with the City

Several interviewees indicated that they have a difficult time learning about bid opportunities.

The biggest problem we have is finding out about projects, most government agencies put out requests for proposals and we reply to those if they're appropriate and we never see them from the City of Tacoma. I don't know how the City goes about soliciting for projects.

I-19. White male owner of a professional services firm

If I learned of some [opportunities], I would get them out to the members, but I personally don't know about the opportunities.

TO-1. White female representative of a trade association

I can't find [bids]. I've been online looking. I go to the public bid portals, and I don't see bid opportunities If [other contractors are] bidding on them, they don't really want to let it out Every time I put in a bid, I'm missing some obsolete or obscure piece of paper, and it doesn't allow me to be able to bid on it or I don't have enough income for them to accept me.

I-10. White male owner of a construction-related firm

You never hear about [public contracting jobs and] a place to go look at them, or where to sign up, or any step-by-step information on how to go about it. Like the minority business [certification] and things like that, I didn't know about that either until I spoke with my mentor There's a lot of information out there that I believe a lot of companies are missing out on that they don't hear about.

I-12. African American male owner of an other services firm

Another interviewee reported that the City's procurement process causes challenges for small businesses in the marketplace.

The bidding process is very time-consuming for small businesses.

AS-107. White female owner of a professional services firm

J. Qualitative Information — Working with the City

Removing Barriers to Bidding on City Contracts

Interviewees spoke about practices that could reduce the barriers often experienced by small, minority- and woman-owned firms in the bidding process. [e.g., AS-117, 139, 144, 158, 170, 171, 195, 196, 205, I-2, TO-1]

Identifying my scope of work more clearly in an estimating bid or identifying that a contractor will need someone that performs my scope of work and contact them about submitting a bid. That would be more helpful for me.

I-1. White male owner of an other services firm

You can blow up the project so that you can use a lot of small businesses and still get the project done well.

I-3. White female owner of a professional services firm

When you could have projects small enough to do without an RFP/ RFQ, if they [the City] take more time to find woman and minority businesses that could help their diversity efforts.

I-4. African American male owner of a professional services firm

Allowing vendors to know who's on the bidders list, allowing enough time to bid and sharing information about the bid can allow us to make informed decisions.

I-6. White male representative of a goods firm

The only barrier is the cities not allowing small businesses [to have] opportunities.

I-11. Hispanic American female owner of a construction-related firm

If [the City] has any way — without prejudicing any bid processes — to support disadvantaged businesses, in terms of helping with their cash flow either with short-term, no-interest loans to tide them over, especially at the beginning of a project where you're hiring people and putting out a large amount of cash flow and you're looking at payments not coming in for two to three months. Being able to help the business offset that big cash flow hurdle is huge.

I-14. White male owner of a professional services firm

It would be nice if the companies and everything were anonymous up until the point where they were selected [for the project] so the reputations and things that [were associated] with a lot of those companies weren't considered in the bidding process.

I-23. White male representative of a construction-related firm

J. Qualitative Information — Whether there is a level playing field

Business owners and representatives reported on whether a level playing field exists and any experiences with or knowledge of unfair treatment in the marketplace.

General Comments

A few participants commented that there was a “level playing field” for minority- and woman-owned firms or other small businesses. For example:

[The City] just put up a sale here a month ago and you had [several] bids on it. We all put in our bids, and I don't know how much more level you can get than that. You had different contractors bid [on the project]; I don't know what else you could do outside of that in our industry.

I-20. White male owner of a goods firm

The next 14 pages cover this topic in greater detail including:

- Challenges for minority- and woman-owned firms or other small businesses not faced by other businesses;
- Access to capital;
- Bonding and insurance;
- Issues with prompt payment;
- Unfair treatment in bidding;
- Stereotyping and double standards;
- “Good ol’ boy” network and other closed networks; and
- Contractor-subcontractor relationships.

These pages are followed by qualitative input regarding business assistance programs and certification, other recommendations for the City and experience with the workforce apprenticeship program for City construction contracts.

J. Qualitative Information — Challenges not faced by other businesses

Some interviewees discussed challenges experienced by minority- and woman-owned firms or other small businesses that are not typically faced by other businesses. For example:

Some members of our community will have difficulty receiving information from the government or if they need to update documents in terms of their business sometimes those mails, those emails [or] those points of contact are lost because one [is] distressed [by] government or higher institutions and oftentimes they will neglect to read or digest information because they aren't sure if it's [a] scam or not.

TO-6. Asian American male representative of a minority business assistance organization

Limited Opportunities for People of Color

Several interviewees reported that minority-owned businesses are often taken advantage of or given less work than other non-minority-owned firms.

A lot of minorities in this industry are having a hard time really, really breaking [in] It's a very closed network. We think it's a really big industry, but it's really not. It's a very 'small-knit' community. It's the same big players that are in the game.

I-22. African American male owner of an other services firm

Certainly in the field you find ... it's a different kind of discrimination ... where getting a seat at the table with the executives you might not be invited to the right meetings so that you know what the status of the project is, and then you get blamed for delays so that's one of the things that's important that it's written into the project work plan.

I-3. White female owner of a professional services firm

There's a lot of barriers [for minority- and woman-owned firms] both on the financial side [such as] being able to get the adequate financing to develop and operate a business to meeting resistance within the business and the workplace [I] feel there are obstacles there that someone like me doesn't have to overcome.

I-14. White male owner of a professional services firm

A smaller company is underestimated, it has to do with when we say disadvantaged that does not mean incapable, it just has less access and sometimes people think disadvantaged businesses or ... small business, just the word small means ... they're small, they can't be as great as big [businesses] and that is completely inaccurate.

I-21. White female owner of a professional services firm

J. Qualitative Information — Challenges not faced by other businesses

Language Barriers

Several interviewees commented on how language barriers impact some minority business owners.

A few people that I spoke to on the phone to try to do quotes with, I give them an estimate on a job they prefer somebody that speaks Spanish I don't think that really hindered me. That's more of their preference of a language barrier when you have somebody in your house.

I-12. African American male owner of an other services firm

The most prevalent [challenges] we often see is language translation [and] language accessibility just because we have so many families and business owners coming overseas immigrating here, they have difficulty understanding jargon of government regulations, of business regulations and recognizing what they need to do in order to even get their business started.

TO-6. Asian American male representative of a minority business assistance organization

J. Qualitative Information — Access to capital

Importance of Access to Capital

Business owners and others reported that access to capital was critical to their success and difficult for their companies. [e.g., I-10, 11, TO-1]

My company would be much bigger if I could have more access to capital.

I-7. African American male owner of a professional services firm

Capital [gives one firm an advantage], I'm competing against large corporations really.

I-18. White female owner of a goods firm

When we're talking about access to capital and opportunity, it's not a level playing field The City of Tacoma has done some good work with some loans and some grants But when we're talking about commercial affordability, we're talking about access to capital, it remains a challenge.

TO-2. White female representative of a trade association

Our business has seen nothing but growth and a lot of the times when creditors are looking at a profile, they have this one-size-fits-all approach and ... a lot of them are checking boxes, they're not doing their due diligence to dig a little bit deeper to see 'maybe the business doesn't qualify for \$5,000 or \$50,000, but what do they qualify [for]?'

I-22. African American male owner of an other services firm

We are in a bit of a tighter economy right now for [specified industry], I read last week that Washington was first or second respectively for construction job loss in the country. We've been booming here for 10 years [With] higher interest rates, who wants to borrow money when it costs more to pay it back.

TO-3. White male representative of a trade union

J. Qualitative Information — Access to capital

How Access to Capital is Related to Size of Contracts a Firm Can Bid

Bonding is one way that access to capital affects the size of contracts a firm is able to bid on. Some interviewees explained other connections between access to capital and the size of contracts a firm can bid on and perform.

The City required some kind of insurance bond, and that was the difficult part. That required capital and money and we didn't know what we were doing, we didn't know how to do it and [the owner] lost that bid because of the financial capital that we needed to even bid on the job.

I-2. White female representative of a veteran-owned construction-related firm

If you have some \$2 billion contract out there, there's a very small [number] of general contractors who can bid that and they normally joint venture it Breaking [a contract] up into pieces is a viable option You get more contractors involved when you make it smaller and it's all about bonding capacity at the end of the day.

TO-5. White male representative of a trade association

All the big companies ... get all the good contracts. Since I can't get funding of any form, we don't ever qualify for large projects.

I-10. White male owner of a construction-related firm

Payroll, equipment ... [that I needed] to be able to land some of the bigger jobs, I didn't have that access to capital to be able to rent or purchase that equipment to do some of those jobs, so I ended up losing out on some opportunities.

I-12. African American male owner of an other services firm

How Access to Capital for Business is Related to Personal Finances

Some interviewees explained the connection between business lending and one's personal finances.

A lot of times when you try to get investment, like large loans ... you have to purchase through management companies and ... I would have to have liquid capital or liquid assets like houses, or property, or vehicles if I don't have the cash up front. [For] a lot of opportunities, I wasn't able to get [the capital I needed].

I-12. African American male owner of an other services firm

Issues regarding access to capital [is] a big issue, especially with a smaller firm just starting out Particularly in [my] field there's no hard asset to loan capital against so it's very hard to get any kind of a loan to start a business. Almost all firms that I know, when they started [their firm, it] was 'friends-and-family' money.

I-14. White male owner of a professional services firm

I come from [a] very untraditional background, which leads you into things that make it hard for you once you get older. Nothing criminal, but just things added as a youth you don't know or understand until you become an adult. Those have [an] effect on your credit Now that I am in business trying to get access to capital and do certain things, those things are still hindering my growth.

I-22. African American male owner of an other services firm

J. Qualitative Information — Access to capital

Barriers to Access to Business Capital for People of Color and Women

Some business owners and representatives described barriers to access to capital that are specific to people of color and women.

We're still facing a lot of systemic, historical challenges. If you are a Black family living in Tacoma, you are 50 percent less likely to own your home than a white family. [If] you are a Black family that wants to start a business There's already a stacked deck because of the historical inequities in place.

TO-2. White female representative of a trade association

Fortunately for me, I've had a 25-year relationship with one bank, and they've treated me well. The harder part is getting a good rate, so access to capital has several dimensions. You can get the money, but is it a good deal? That's one thing It's much, much harder for women of color and people of color.

I-3. White female owner of a professional services firm

[I've] not only experienced it, but I've heard and read ... studies [that] say the same thing, [that] particularly [for] minority businesses, access to capital is difficult and when you do get money, you never get enough [For] my line of credit, I got \$25,000, but I asked for \$50,000. Because that would have been a better situation.

I-4. African American male owner of a professional services firm

If you don't have access to that information to build those relationships, you're just out on your own and you're reliant on a community to keep your business going. That could look like having a tough time accessing funding as a minority, not only a minority-owned business, but in [my] industry, which is a risky business. Now you have a double, double-edged sword. You're a minority and you're in [specified risky industry].

I-22. African American male owner of an other services firm

[A lot of the business owners we represent] rarely have a connection or a relationship to working with financial institutions, for example banks or credit unions. We've actually been working with [a loan] program ... and we've been doing our best to make sure they get comfortable with borrowing loans from credit unions, understanding that process and recognizing that they are there to support them as much as possible, it is daunting for them.

TO-6. Asian American male representative of a minority business assistance organization

J. Qualitative Information — Bonding and insurance

Bonding and insurance requirements can present difficulties for businesses in the marketplace. Some minority and female business owners and representatives reported difficulties securing bonding and meeting insurance requirements on projects.

There's a lot of challenges going on right now within our industry ... such as fuel costs and insurance costs, [the] cost of doing business and then the supply-demand has not been the best.

I-20. White male owner of a goods firm

These last three years have been a challenge Business is nothing like where I started, it's a lot easier to maintain just mom-and-pop style, working with [individuals as my clients]. It's a little bit different when you get into the contracting pieces and your insurance is a lot more than it was ... and those other costs that you must take on.

I-22. African American male owner of an other services firm

[The current marketplace conditions are] not good. It's really expensive for us to operate and do all the insurance and permitting fees. The time that's dragged out for all that doesn't help.

I-23. White male representative of a construction-related firm

The market has been getting tighter and insurance in general, and bonds are ... getting more expensive.

I-31a. White male representative of a construction-related firm

J. Qualitative Information — Issues with prompt payment

Slow payment can be especially damaging for groups of firms that do not have the same access to capital as other companies. Many business owners and representatives reported experiencing issues with prompt payment. [e.g., AS-9, 25, 108, 198, I-8, 10, 12, 13, 19, 23, 28-30]

I have never had to sue for payment My biggest issue has been getting payment from repayment services and in my trade, for instance ... you do a job and they pay through another system and they like to play games like you didn't have the full 16-digit number you're supposed to have or you added \$3.87 [in] shipping charges that were not pre-approved and so they'll kick a \$2,000 invoice back for 30 days.

I-1. White male owner of an other services firm

There's the experience that you gain over years about making sure that's written into your contract and to not back down on that so that you've got some leverage in your contract around prompt payment and to make sure that there's no hurdles around what should be on your invoice and who it should go to Otherwise, you could be [sitting] out 120 days.

I-3. White female owner of a professional services firm

[I had] \$13,000 held up about four months before and that was hard because they put more work on this one particular project in a particular month and then get paid four months later means you're not getting paid too much from [the] other project because you put more of your time in that.

I-4. African American male owner of a professional services firm

Sometimes the Net 30 on these larger contracts really can impact your cash flow, payroll is probably the top line item in my business and that Net 30 can be a challenge.

I-8. White male owner of an other services firm

I don't have any problem with [prompt payment], but when comes to billing from my [prime], or any of their buildings that they have, they bill [their client] for the work [and] there have been delays and payments on that.

I-12. African American male owner of an other services firm

Once you do get those government contracts, some of those are on Net-60 to Net-30 terms. If you're not able to float your business for between 30 to 90 days, that could put a business out.

I-22. African American male owner of an other services firm

Traditionally government agencies take a lot longer to pay and there's a lot more paperwork involved usually. Government work comes with cash flow challenges, it always has. We invoice Net-15 days to private industry, and it's usually Net-60 and Net-90 for government. Definitely a big difference there.

I-14. White male owner of a professional services firm

That first two years of building a business [are] challenging because if the minute you're done with something and you go to bill it, it's still a minimum of 90 days before you see any kind of money. For most people, it can be two years before you get to a place where you're actually paying yourself in a responsible way.

I-21. White female owner of a professional services firm

J. Qualitative Information — Unfair treatment in bidding

Business owners and representatives commented on unfair treatment when bidding on projects.

Denial of Opportunity to Bid

Some business owners described situations where they were denied the opportunity to bid on a contract. For example:

I don't know how [the City's bidding process is] being done, but just the fact that I can't easily talk to someone blocks me from any bidding opportunity When we get a bidding opportunity by the time I reach out [the bid is] already closed, they already have the people they want in and there's no recourse when it comes to finding out [about bids].

I-25. African American male representative of a goods firm

As soon as the [the general contractors] find out I am a felon, I'm not allowed to bid on certain projects They'll have some arbitrary policy somewhere in their language and a lot of them are from out of state.

I-10. White male owner of a construction-related firm

Bid Shopping and Bid Manipulation

Some business owners and representatives reported that bid shopping and bid manipulation exist in the local marketplace.

It was clear that the RFP was designed for this organization to hire a singular group and it was the group that had been there before, and it was incredibly apparent. We as well as others asked for debrief and those never happened. It's a major public agency but they're known now for just keeping the status quo.

I-21. White female owner of a professional services firm

[Bid manipulation and bid shopping] does happen quite a bit We've had a couple of jobs where we bid it and [our competitors] came in [tens of thousands of dollars] under us I know someone that was there and worked with them and they said [the competitor that won the bid] came in with a change order [that was tens of thousands of dollars] so it ended up being [thousands of dollars] more than our original bid.

I-23. White male representative of a construction-related firm

J. Qualitative Information — Unfair treatment in bidding

Lack of Feedback on Submitted Bids

Many participants noted a lack of feedback on submitted bids.

I had a bid that I made for [the] City of Tacoma, and I remember ... I didn't get very good feedback. Who else bid [on] it? ... I didn't really understand why I lost the bid.

I-6. White male representative of a goods firm

Sometimes, we do get a letter [saying], 'Thank you for the submission,' but ... we don't hear [from them] at all like where we ranked, what our strengths are or where we need to improve. It's difficult for a small firm to actually get a project from the City of Tacoma.

I-11. Hispanic American female owner of a professional services firm

Typically, every other agency lets you know the results of those bids regardless of whether they've been awarded or not, ... most of them let you know the same day. I bid this last one with City of Tacoma and it took up until last week, which I bid it over a month ago, before I [had] even seen the results.

I-20. White male owner of a goods firm

There's no recourse when it comes to finding out [about City of Tacoma bids]. I could pull up emails right now with team members from the procurement team of Tacoma who I'll send them a message and it's been months.

I-25. African American male representative of a goods firm

Unfair Rejection of Bid

Some interviewees outlined their experiences in getting unfairly rejected when bidding.

I'd rather ... lose a proposal by 20 points or 10 points then barely lose it. Because then when they make lame excuses, I do wonder what was the real reason I know there's a little bit of preference to [the previous firm who won the bid] but if you're really dedicated to diversity ... 'How was your vote? Did you give a few extra points for somebody because they look like you?'

I-4. African American male owner of a professional services firm

We were told that our bid was too low and that we couldn't meet the time criteria for what we put down, but we were right within what they wanted.

I-5. African American female representative of an other services firm

I put in my business plan, but [the prime] didn't let me know ahead of time that they already promised a certain amount of accounts to another provider that was on the walk too They could have told me that they had promised another company work instead of having me go out there too thinking I had an opportunity to bid on a job [when] there wasn't really no opportunity in the first place.

I-12. African American male owner of an other services firm

J. Qualitative Information — Stereotyping and double standards

Some participants discussed whether there are stereotypes or double standards that impact a firm’s ability to perform or secure work and noted clear instances of discriminatory and biased behavior.

Gender-Based Stereotyping

A number of business owners and representatives reported negative stereotyping of women as “less fit” than men, as well as gender-based intimidation or harassment.

Certainly, there are those implicit biases about women and about attractiveness, about language, about accents, about ... education [and] particularly when you’re working in ... technical fields there are biases about what kinds of fields women ‘should work in and should not work in.’

I-3. White female owner of a professional services firm

That kind of discrimination exists within my industry There are big steps that have been taken to work to resolve those issues, but those are deep issues that some people really struggle with and ... it’s very prevalent.

I-21. White female owner of a professional services firm

This is the construction industry. As much as everybody wants [discrimination] to go away that stuff’s all present here and they’ll doubt her ability if it’s a woman, especially as an owner [or a] contractor and tell [her that] they have to prove it. Everyone else assumes that they’re good [at performing the work].

I-23. White male representative of a construction-related firm

Racial Stereotyping

Some business owners of color and others described incidents of stereotyping people of color as less capable.

One comment on the bottom right provides evidence of racial stereotyping.

When we meet [potential clients] ... speaking with them on the phone, everything goes great. We get there to show up to do the walkthrough and then you can see the energy change ... when they realize that we are not who they thought we were over the phone.

I-5. African American female representative of an other services firm

It’s difficult to reach out to people regardless of what your race, ethnicity and gender is here and because people have their own biases and opinions, they use them to benefit themselves.

I-7. African American male owner of a professional services firm

There have been higher expectations, put on [minority- and woman-owned firms] than on a business that a company would have maybe more traditionally hired for work for that role. There are double standards out there, it feels like it’s getting better but they still exist.

I-14. White male owner of a professional services firm

J. Qualitative Information — “Good ol’ boy” and other closed networks

Many business representatives reported that the “good ol’ boy” network or other closed networks persist in the marketplace. [e.g., AS-202, I-1, 2, 6, 10, 13, 23]

Evidence of Closed Networks in the Marketplace

Examples are provided below.

I understand the ‘good ol’ boys’ network ... and that plays a part in some of the barriers.

I-4. African American male owner of a professional services firm

We went down [to a job site] and did the walkthrough, and [the] companies were all there The question came up, ‘What about the contractor that already has the contract? Do they have to put their bid in too?’ Then it was time to leave, [the owner of my firm] had a question for the person that put the bid out He goes in and [the entity representative is] up there chatting it up and laughing with the person who’s already got the contract and basically lets them know he’s already got the contract.

I-5. African American female representative of an other services firm

The ‘good ol’ boy’ network is not as strong as it used to be, but the upper levels of firms [in my line of work] are still dominated more [by] men than not. There’s still the ‘mommy-track glass ceiling.’

I-15. White female owner of a professional services firm

[It] is very much [a] family oriented, privileged-oriented insiders club, exclusive. If you don’t know anybody, you don’t get the job.

AS-166. White male owner of an other services firm

I’ve approached a lot of large companies. I don’t know if it’s because I don’t have the money to be at a \$30,000 trade show ... that just they won’t respond. [I’ve sent] emails for a year and a half with [these companies]. ‘Oh, I’ll get back to you’ That disparity of being at the same table, at the same trade show and \$30,000 is a lot of money.

I-18. White female owner of a goods firm

How are we in practice and in perception creating that gatekeeper model. If you know who to talk to, you can get access to the information and you can get a roadmap to success. We need to do better about knocking down that perception.

TO-2. White female representative of a trade association

It just seems like [Tacoma] is small town and it’s got a small mindset in a sense where everybody works within themselves and then [you] can’t crack one of those silos or especially in [my] industry I don’t look a lot like the people in [my] industry, it’s been a barrier.

I-22. African American male owner of an other services firm

There’s older, established, mature companies who know everybody in the City and when you go into a bid meeting, they’re greeting everybody by name and shaking hands and then there’s ... businesses just starting out that don’t know anybody, they don’t have any resources and they’re trying to go in and land their first project either as a sub or a prime and it never really is a level playing field.

I-14. White male owner of a professional services firm

J. Qualitative Information — “Good ol’ boy” and other closed networks

Personal Benefits of Exclusive Networks

One interviewee noted that he benefits from closed networks.

In many ways, a lot of [the work we get] is through knowledge of previous expertise in people. We will get people calling us up who have used us in the past and saying, ‘We’ve got this proposal that we’re putting together, and we’d like you to be on our team.’

I-19. White male owner of a professional services firm

Comments Indicating Closed Networks Have Weakened

Some interviewees observed that closed networks were still around but had weakened or were now less harmful.

To my knowledge, [‘good ol’ boy’ networks no longer exist] If you went back 30 or 40 years or more, absolutely. But the environment that I’m familiar with, ... the playing field seems to have been leveled well. Nothing’s ever perfect, [and] there’s always room for improvement, but the progress [that] has been made in my lifetime at least has been significant.

I-17. White male representative a construction-related firm

Organizations within the City [that] subscribe to that ‘good old boys’ network ... 10 to 20 years ago, absolutely I’m hoping I’m doing my job and that’s not the case anymore.

TO-2. White female representative of a trade association

Comments Indicating Closed Networks Do Not Exist or Are Not Harmful

Some interviewees noted that there were no closed networks in the local market area or their industry, or that those networks did not negatively affect them. For example:

I don’t really see [‘good ol’ boy’ networks] We’re all out here, scratching and clawing and trying to make things work. It’s really competitive. We don’t get every bit of work ... and we’re always constantly bidding against other companies.

I-20. White male owner of a goods firm

Twenty years ago [there were ‘good ol’ boy’ networks], but not so much anymore. There’s a lot of women in this industry [who are] very well respected The door is very open for women in this industry. Those ‘good ol boy’ relationships are pretty much nonexistent.

I-24. White female representative of a woman-owned goods firm

J. Qualitative Information — Contractor-subcontractor relationships

Business owners and representatives were asked to comment on their experiences with prime contractor-subcontractor relationships.

Creating and Maintaining Networking Connections

Some interviewees described the need for firms to proactively interact and communicate with potential prime contractors and/or subcontractors. Some reported difficulties establishing these relationships. [e.g., AS-54, 58, 134, I-26, 30]

One business owner reported that subcontractors struggle to make primes commit to diversifying their teams.

[A] real serious commitment to outreach, to holding prime contractors and prime consultants accountable for diversifying their teams. [They need] a wide variety of people that show they had a good faith effort to ... a wide range of people they considered.

I-4. African American male owner of a professional services firm

Some primes admitted being skeptical of building relationships with new subcontractors.

Locating [subcontractor] businesses that can provide the quality of work [is a challenge]. There's a certain number of businesses out there that either haven't matured enough to be able to meet the quality requirements, or maybe aren't really in business for the right reasons. They're just trying to take advantage of the situation.

I-14. White male owner of a professional services firm

Most of what we see is that these small, minority- [and] woman-owned businesses are small operations ... sometimes they're available. You never know exactly what you're going to get. You never know the quality level sometimes. That's one of the issues that causes us concern when we think about trying to bring somebody on to meet some requirements.

I-17. White male representative a construction-related firm

We have challenges with ... the community work[force] agreements that [certain entities] have It's been really hard to find qualified people and it does feel like you pay a lot for the service [that the subcontractor provides]. It doesn't feel like you get a lot out of it, trying to pay for the minority contractors to work.

I-6. White male representative of a goods firm

J. Qualitative Information — Contractor-subcontractor relationships

Barriers to Subcontracting

Some interviewees reported that certain contractors are reluctant to work with newer or smaller businesses. Several subs indicated challenges when working with prime contractors.

[The general contractors] would just bluntly tell me, 'It's not mandatory, so we're just going to use the same old guys that we've always used to do the [specialty service] on these projects.'

WS-1. Representative of a firm

There's a preference ... some of the [larger professional services] firms when they need somebody to do [my line of work as a sub] still have a tendency ... to go after those large companies.

I-4. African American male owner of a professional services firm

Specifying large name brands puts subcontractors into positions where they have to choose between giving you the most service or giving you what you want for less service.

AS-104. Female representative of a majority owned construction-related firm

Bait and Switch

Some subcontractors reported providing a quote for a job and never hearing back or being engaged by a prime on a job only to be left behind when the job is underway.

When there are really large projects and a small business wants to subcontract, there has been a tradition [where] large prime firms put a subcontractor on their bid to qualify ... but then they don't give you the work and there's nobody to hold them accountable for that.

I-3. White female owner of a professional services firm

In the past, I was certified as woman-owned in the State of Washington. I would often be contacted by prime contractors for them to meet the percentage of contractors of woman-owned firm[s]. They never called me. They used their previously used relationship with [industry] firms. I was used to getting the contract but did not get any work.

AS-165. White female owner of a professional services firm

J. Qualitative Information — Business assistance programs and certifications

Awareness of Available Assistance

A number of business owners and representatives were aware of business assistance programs. For some, such programs were useful and provided value to their firm. [e.g., I-8, 12, 13, 15, 21, 22-24, 27, TO-1]

The study team specifically asked interviewees whether they knew of or are currently participating in public agency mentor-protégé programs.

A lot of small companies have a difficult time with doing their work and then running their business and seeing those as two separate things. [I attended] State-offered, free workshops that were helpful.

I-2. White female representative of a veteran-owned construction-related firm

There are some programs through the State that help [with access to capital] if [businesses are] savvy enough to use them. That's also an issue [on] how well educated you are about money to know how to leverage some of those programs and to not be discriminated against when you try.

I-3. White female owner of a professional services firm

The State had a program [where] they would help show you how to respond to their bids or their contracts. I use[d] their resource a couple of times and was able to put together the bid the right way and submit it, but ... they told us it would take at least five years before we would even get looked at ... because they said that they have already established contractors.

I-5. African American female representative of an other services firm

There's a Small Business Administration. I have used them in the past and they have been helpful, although ... at the time I thought I needed money and now I really need connections Something like that has been helpful and would be helpful for me. Seattle made a Seattle Good Business Network ... it has been helpful.

I-18. White female owner of a goods firm

Over the years with the different businesses [I've owned], I've taken advantage of a lot of the assistance programs [and] the business advisors that come in and help you with your business either financially or in developing markets.

I-14. White male owner of a professional services firm

[The City] has had workshops where ... OMWBE [Washington State Office of Minority and Women's Business Enterprises] comes in and their analysts can then walk people through the certification process If you have any questions, you can get a direct response instead of a back-and-forth email communication.

FG-1. Focus group participant

Team members specifically asked interviewees whether they were aware of mentor-protégé programs. One interviewee mentioned that such programs would be beneficial.

Have a point of contact for small businesses and make that [readily] available and ... maybe a mentor ... that's what the City should have for small businesses.

I-8. White male owner of an other services firm

J. Qualitative Information — Business assistance programs and certifications

Certification

Many firms commented on the certification process.

Positive experiences. Some reported on the ease and positive outcomes of obtaining certification. For example:

The [State certification] was easy, ... there's a veteran's office in Olympia and we called them and sent in his paperwork, and they certified us.

I-2. White female representative of a veteran-owned construction-related firm

Negative experiences. However, far more participants noted negative experiences and outcomes from the certification process.

Many of these firms indicated that the certification process was time consuming or cumbersome, or that they never received feedback on their certification application.

The [certification process] has been overwhelming, the packets are big. I printed it all out and it says I need to provide documentation of all my company's meeting hours. But [my meetings are] all with my family. Now I need to schedule some time to call them and ask how I can explain those hours because it's not [as if] I have outside [partners].

I-12. African American male owner of an other services firm

The process [of certification] is difficult to navigate ... the questions and the amount of information [and] how the information is required also ends up becoming a barrier There's also a trust piece for some of our immigrant- and refugee-owned businesses that come from places where they were persecuted by their government and the government saying, 'Give us all this personal information.'

TO-2. White female representative of a trade association

[The certification process was] extremely daunting ... it took three years to finally have everything that you needed to really sit down, and it took me [approximately] two months to get everything done and for the process to go through.

I-22. African American male owner of an other services firm

I have been trying since February to get support for getting woman-owned business certification but by the time APEX responded my application had expired. There seems to be a big backlog that prevents timely support.

AS-155. White female owner of a professional services firm

[Getting certified] was a long process at first, [and] a lot of people complained about the long process. I know OMWBE has tried to speed that up.

I-4. African American male owner of a professional services firm

J. Qualitative Information — Business assistance programs and certifications

Some business owners provided reasons for not being certified.

Sometimes you wonder whether it's worth it to be certified as a minority- or woman-owned business because you're just banging your head against the wall with primes I don't think there's a lot of advantage [to certification] unless a procurement department or agency is serious about building a small business in their community.

I-3. White female owner of a professional services firm

There's no connection between [being certified by Washington State Office of Minority and Women's Business Enterprises] and getting work OMWBE is there only to make a list ... but they don't really advocate for us.

WS-3. Representative of a firm

J. Qualitative Information — Business assistance programs and certifications

Contract Goals or Other Preference Programs

Some business owners and representatives supported the need for contract goals programs to level the playing field. With well-monitored compliance, contract goals and other preference programs such as Tacoma’s Equity in Contracting Program were perceived as being helpful. For example:

We’ve had some success because we are a small business There’s certain amount of money [set] aside for small businesses, minority- and woman-owned businesses. That is something we do take advantage of as much as possible.

I-11. Hispanic American female owner of a professional services firm

Other examples of comments are below and on the right.

The voluntary goal is a fallacy. It’s just there to make us feel good, but it’s a waste of time.

WS-2. Representative of a firm

You can hire a lot of elegant primes that come from California or wherever and get your project done but hold their feet to the fire to really, really use your subs if the project requires a prime like that.

I-3. White female owner of a professional services firm

[The City] should put a certain percentage of projects to actual small business[es]. There’s lots of people saying they’re a small business because they have 25 employees. That’s five times my size.

I-10. White male owner of a construction-related firm

Having requirements in the contracts for a certain portion of the work to be either done or subcontracted to minority- or woman-owned firms ... that opens up some opportunities [would be something the City could do to improve their procurement].

I-14. White male owner of a professional services firm

I appreciate that the state we live in there are requirements when responding to requests for proposal or requests for qualifications Without that push, I don’t think a lot of companies would be there. There would be less opportunities for others.

I-21. White female owner of a professional services firm

The scope of the diversity [goals] is well laid out in the [City’s] bid There are bids that are specifically looking for minority spend, and it’s always very well laid out in the bid. I’ve never found any issues.

I-24. White female representative of a woman-owned goods firm

When the programs become requirements, that’s always a positive versus [being] aspirational. Now you’re saying, ‘We are serious about this’ and expectation is you’re going to either do it or you’re not going to be awarded [the project].

FG-3. Focus group representative

J. Qualitative Information — Other insights and recommendations

Interviewees and availability survey respondents provided many comments and insights regarding how to improve the City's procurement practices and other topics.

Outreach and Other Encouragement

Some business owners and managers and other interviewees recommended greater outreach to MWBEs and other small businesses. [e.g., AS-1, 4, 5, 7, 18, 20, 28, 30, 34, 38, 47, 57, 59, 99, 119, 130, 142, 158, 159, 167, 210, I-8, 11]

Tacoma is really customer-focused in many ways. When you're customer focused, that also means helping the community grow so I think it's expanding what it means to be customer focused.

I-3. White female owner of a professional services firm

Keen Independent provides additional examples of interviewee insights below and on the right.

A lot of minority- and woman-owned businesses are smaller. There's a lot of work going on besides what you put out in RFPs and RFQs. [The City] could do more. They [could be] more aggressive about finding [minority- and women-owned firms]. Not all those small businesses are going to come to them, so they have to make the way to find them. Vet them still but find them because I know it can be done.

I-4. African American male owner of a professional services firm

[The City] should have an outreach program where they contact qualified contractors with projects that meet their scope of work.

AS-14. White male owner of a construction related firm

My biggest challenge is understanding the [bidding] process I'm sure there are materials out there that I could pursue more If there was a better way that I had a connection with the appropriate people who are looking for these products.

I-18. White female owner of a goods firm

Typically, government agencies advertise [that] they'll send out an email saying 'we've got this project and here's the information about it' for requesting proposals' ... but ... I haven't seen those from the City of Tacoma.

I-19. White male owner of a professional services firm

Reach out to associations like us. Let us know that you're looking for somebody and then we'll help you find them.

TO-1. White female representative of a trade association

Make sure that their relationship that they're trying to make with small businesses and Pierce County isn't transactional, but it's more real [and] tangible.

TO-6. Asian American male representative of a minority business assistance organization

Listening to small, minority-, and woman-owned, businesses to understand what barriers they face, and ... in contracting with the City of Tacoma to then better tailor and craft the trainings and workshops that [the City] offers [is something that would help].

FG-1. Focus group participant

J. Qualitative Information — Other insights and recommendations

Information About Opportunities and Education About How to Do Business with the City

Business owners and representatives spoke about having more access to information about opportunities and education about how to do business with the City of Tacoma. [e.g., AS-142, 167, 170, 195, 196, 198- 200, I-11]

I think there should be more education about the portals that we put the bids on. The site had problems logging in, to find the bids. Once we were in, I had a hard time finding the bids.

AS-26. African American female owner of an other services firm

Make it more available for us to put in some bids.

AS-171. African American male owner of a construction-related firm

My biggest issue is just learning about the opportunities and how to submit bids. I don't quite know how to submit bids either.

I-7. African American male owner of a professional services firm

When I registered with the City, I got a ... letter from the Secretary of State. Maybe they could put some kind of brochure or pamphlet together that goes ... 'Here's how you come find out about government contracts in your area' that would have been excellent because then I would have [known] about it and that could have been something that I could have looked into, but I wasn't aware of that.

I-12. African American male owner of an other services firm

Reach out to local associations like us There're a lot of associations that can help there and pass the word along to all of our members....

We get calls all the time, so I know we can help the City.

TO-1. White female representative of a trade association

How do we get information earlier so that we can come up with more collaborative, innovative outreach plans. The closer we are sitting around the table [finding solutions] together, the more impact we will have for all our small businesses and especially our small businesses that have more barriers to access opportunity than others.

TO-2. White female representative of a trade association

Understanding the process [can be a barrier] if you're starting something new. They need to understand the process and if Tacoma wanted to provide guidance even on their website about how to do contracts with them ... I would advise ... just making that available.

I-21. White female owner of a professional services firm

Any currently available subcontractors would be lovely.

AS-134. Asian American female owner of a professional services firm

Stop and provide answers and payments more quickly.

AS-198. Asian American female owner of a construction-related firm

J. Qualitative Information — City of Tacoma’s Local Employment and Apprenticeship Program

Experience with the City’s Local Employment and Apprenticeship Program

Firm owners reported on their experience with the City’s Local Employment and Apprenticeship Training Program (LEAP). Some business owners and industry representatives described experiences they have had with other apprenticeship programs.

Because there aren’t enough ... technicians in our field, our guys can apprentice under [the owner’s] license They don’t have to be signed up for the union program But because they’re not in a union apprentice program ... they must get paid prevailing wages, which is \$60 an hour. I have to pay my apprentices \$60 an hour [and] the union pays their apprentices \$20 an hour now. That’s not fair.

I-2. White female representative of a veteran-owned construction-related firm

‘Heck yeah, there are benefits [to Tacoma’s Apprenticeship program]’ ... you learn the trade and you find a great job. There are employers that work with apprenticeship programs that hire students right on the job It’s important that they get the training.

TO-1. White female representative of a trade association

We’ve got some good examples of apprenticeship programs. Most of them are well utilized by the unions. The building and construction trades are perfect examples of ... amazing apprenticeship programs.

TO-2. White female representative of a trade association

There are loads of apprenticeship programs [and] lots of organizations to support small businesses [and] women in construction.

I-21. White female owner of a professional services firm

I went to LEAP meetings [a few years ago] and I just didn’t see it going anywhere so I walked away. I came back two years ago and thought, ‘I’ll give this a try again.’ We’ll see the different leadership ... running it.

TO-3. White male representative of a trade union

Things that are going well for LEAP [includes understanding of the LEAP Program and its applicability]. Project managers and engineers understand how to [utilize] the LEAP program [resources].

FG-1. Focus group participant

APPENDIX K. Business Assistance Programs

Public agencies, not-for-profit organizations, trade organizations and other groups provide broad assistance to small businesses and minority- and woman-owned firms in Tacoma and the surrounding region.

Appendix K provides some examples; there are so many initiatives that it would not be possible to prepare an exhaustive list.

Figure K-1 describes the categories of activities discussed in this appendix.

Most of these programs and activities are “race- and gender neutral.” This provides important context for assessing current and potential new business assistance efforts by the City of Tacoma.

K-1. Examples of national, state and local business assistance programs

National, state and local business assistance programs

Federal government programs, by type

- Lending and bonding
- Tax incentive programs
- Business training and counseling
- Procurement programs
- Advocacy, research and other assistance

National non-profit programs

National trade organizations, often with regional chapters

State and local government programs

State and local trade organizations

K. Business Assistance Programs — Federal government program examples

The federal government provides direct assistance and advocacy for small businesses, minority- and woman-owned businesses and firms owned by other groups. Federal programs also include tax incentives to assist certain types of businesses or communities.

Federal Lending and Bonding Programs

Examples of these types of programs are provided below.

State Small Business Credit Initiative (SSBCI). This initiative was reauthorized and expanded under the American Rescue Plan to help entrepreneurs and small businesses grow by providing capital and technical assistance.¹ The initiative has two programs, the Capital Program and the Technical Assistance (TA) Grant Program. (See Washington Small Business Credit Initiative.)

U.S. Small Business Administration (SBA) 504 Loan Program. The 504 Loan Program provides long-term financing for economic development within a community. The Program provides growing businesses with long-term fixed-rate financing for major fixed assets, including equipment and real estate. To be eligible, firms must be for-profit, fall within SBA size guidelines and meet other requirements. 504 loans are administered through Certified Development Companies, SBA's community-based partners.²

U.S. Small Business Administration (SBA) 7(a) Loan Program. The SBA 7(a) Program provides small businesses access to up to \$5 million in loans to fund startup costs, buy equipment, purchase new land, repair

existing capital and expand an existing business. To be considered eligible for the SBA 7(a) Loan Program, businesses must meet SBA's size standards which are dependent on a businesses' annual receipts and number of employees.³

U.S. Small Business Administration (SBA) Microloan Program. The SBA's Microloan program provides loans up to \$50,000 to help small businesses start up and expand. Funds may be used for inventory or supplies, machinery equipment, working capital and furniture or fixtures. Loans are administered by intermediary lenders, who have experience in lending and providing other business assistance. Eligibility requirements vary by intermediary lender.⁴

U.S. Department of Transportation (USDOT) Office of Small and Disadvantaged Business Utilization (OSDBU) programs. The OSDBU offers a range of programs and resources to assist small and disadvantaged businesses. Programs include a mentor-protégé program, a bonding assistance program, the Women and Girls in Transportation Initiative and a short-term lending program. USDOT partners with The Surety and Fidelity Association of America (SFAA) to help small businesses become bond ready. Becoming bondable is a challenge for many targeted businesses and this program aims to help businesses grow and build bonding capacity.⁵

¹ <https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci>

² See <https://www.sba.gov/funding-programs/loans/504-loans>

³ See <https://www.sba.gov/partners/lenders/7a-loan-program/types-7a-loans>

⁴ See <https://www.sba.gov/loans-grants/see-what-sba-offers/sba-loan-programs/microloan-program%20>

⁵ See <https://www.transportation.gov/content/office-small-and-disadvantaged-business-utilization>

K. Business Assistance Programs — Federal government program examples

The federal government provides direct assistance and advocacy for small businesses, minority- and woman-owned businesses and firms owned by other groups. Federal programs also include tax incentives to assist certain types of businesses or communities.

Federal Tax Incentive Programs

Examples of these types of programs are provided to the right.

Federal Opportunity Zone Program. The Federal Opportunity Zone Program provides set asides for investment in local businesses, real estate or development projects in exchange for a reduction in tax obligations. Opportunity Zones include the most underserved and disinvested neighborhoods within a community to encourage businesses to consider bringing or keeping their businesses.⁶

New Markets Tax Credit (NMTC) Program. The NMTC Program supports businesses in low-income areas by providing a credit on federal income taxes for those who invest in certain community development entities (CDEs). To be eligible, CDEs must invest in designated low-income communities (established based on poverty rate, median family income or unemployment rate). The credit totals 39 percent of the original investment and is claimed over seven years. Any entity or person is eligible to claim these credits.⁷

⁶ See <https://opportunityzones.hud.gov/>.

⁷ See <https://www.cdfifund.gov/programs-training/programs/new-markets-tax-credit>.

K. Business Assistance Programs — Federal government program examples

Federal Business Training and Counseling

The federal government also supports small business and MBE/WBEs with training and counseling. Examples are provided below.

Minority Business Development Agency (MBDA) programs. Part of the U.S. Department of Commerce, MBDA provides technical assistance and resources related to access to capital and contract opportunities.⁸ There is a center in Tacoma.⁹

Internal Revenue Service (IRS) Small Business and Self-Employed Tax Center. This program provides resources for small businesses, including information on independent contractors; preparing and filing taxes; online learning workshops; and the stages of owning a business.¹⁰

APEX Accelerators. The U.S. DoD partners with state and local agencies to help small businesses compete for government contracts.¹¹ Services are provided through regional centers operated by local organizations. Washington Apex Accelerator, formerly Washington PTAC, provides training, networking, community events and one-on-one assistance. There are eight locations throughout Washington state.¹²

Small Business Development Centers (SBDCs). The U.S. Small Business Administration financially supports SBDCs across the country to train small business owners. There is an SBDC in Tacoma.¹³

U.S. Small Business Administration (SBA) Mentor-Protégé Program (MPP). The SBA MPP is a program to formalize mentoring relationships between qualified established firms and eligible small businesses. The mentor and protégé firms must establish a relationship before applying to the MPP.¹⁴

U.S. Economic Development Administration (EDA). U.S. EDA works directly with local communities to advance economic development initiatives. The U.S. EDA provides grants to businesses for planning, technical assistance and infrastructure construction.¹⁵

U.S. Small Business Administration (SBA) 7(j) Management and Technical Assistance Program. The SBA 7(j) Program helps eligible firms be competitive for government contracts. Assistance includes training, executive education and one-on-one consulting. Businesses must be located in areas of high unemployment or low income, owned by low-income individuals, and certified as an SBA 8(a) Business Development Program participant, a HUBZone small business and/or an economically disadvantaged women-owned small business.¹⁶

U.S. SBA Office of Veterans Business Development. This office provides business training, counseling and assistance. It also oversees federal procurement programs for veteran- and service-disabled veteran-owned small businesses.¹⁷

⁸ See <https://www.mbda.gov/>.

⁹ See <https://mbdawashington.com/>.

¹⁰ See <https://www.irs.gov/businesses/small-businesses-self-employed>.

¹¹ See <https://socialptac.org/>.

¹² See <https://washingtonapex.org/>.

¹³ See <https://wsbdc.org/advisor-location/tacoma/>.

¹⁴ See <https://www.sba.gov/federal-contracting/contracting-assistance-programs/sba-mentor-protége-program>

¹⁵ See <https://www.eda.gov/>.

¹⁶ See <https://www.sba.gov/federal-contracting/contracting-assistance-programs/7j-management-technical-assistance-program>.

¹⁷ See <https://www.sba.gov/offices/headquarters/ovbd>.

K. Business Assistance Programs — Federal government program examples

Federal Procurement Programs

Several federal agencies operate procurement programs to assist small businesses and/or minority- and woman-owned companies.

Federal ACDBE Program. Commercial airports receiving FAA funds are required to implement the Federal Airport Concessions Disadvantaged Business Enterprise (ACDBE) Program related to certain airport concessions activities. Socially and economically disadvantaged firms can be certified as ACDBEs.^{18,19}

U.S. Department of Defense (DoD) programs. The U.S. Department of Defense (DoD) aids small businesses interested in participating in DoD contracts. It applies incentives for using small businesses, service-disabled veteran-owned businesses, Native American-owned businesses, women-owned small businesses, firms located in historically underutilized business zones (HUBzones) and firms participating in the federal 8(a) Business Development Program. Certain prime contracts must establish small business subcontracting programs.

DoD also operates a mentor-protégé program that matches large firms with small disadvantaged businesses, women-owned small businesses, and service-disabled veteran-owned small businesses. Mentors are reimbursed for mentoring expenses or are provided credit toward their small disadvantaged business subcontracting goals.²⁰

U.S. Department of Housing and Urban Development (HUD)

programs. HUD administers Community Development Block Grants (CDBG funds), certain federal housing programs and related programs. State and local governments that receive money from HUD must comply with HUD requirements regarding minority- and women-owned business participation in HUD-funded contracts, as well as participation of project-area residents in those contracts.

U.S. Department of Transportation Federal DBE Program. The U.S. Department of Transportation requires state and local governments that receive funds from the Federal Highway Administration, Federal Transit Administration and Federal Aviation Administration to implement the Federal DBE Program.

To be certified as a DBE, a firm must be socially and economically disadvantaged. Revenue limits, personal net worth limits and other restrictions apply. Most DBEs are minority- or women-owned firms, but white male-owned firms that can demonstrate social and economic disadvantage can be certified as DBEs as well.²¹

Under the Federal DBE Program, some public agencies set DBE goals on USDOT-funded contracts. Prime contractors must either include a level of DBE participation in their bid that meets the goal for the contract or show good faith efforts to do so.

¹⁸ See https://www.faa.gov/about/office_org/headquarters_offices/acr/bus_ent_program/.

¹⁹ See <https://www.ecfr.gov/current/title-49/part-23>.

²⁰ See <https://business.defense.gov/>.

²¹ See <https://www.transportation.gov/civil-rights/disadvantaged-business-enterprise/definition-disadvantaged-business-enterprise>.

K. Business Assistance Programs — Federal government program examples

U.S. Department of Veterans Affairs, Office of Small and Disadvantaged Business Utilization (OSDBU). The U.S. Department of Veterans Affairs OSDBU assists veteran-owned businesses through the business verification and procurement assistance program and the VA Small Business Mentor-Protégé Program.²²

U.S. Environmental Protection Agency (EPA) Disadvantaged Business Enterprise (DBE) Program. The EPA has certain requirements for the EPA Disadvantaged Business Enterprise (DBE) Program regarding participation of minority- and women-owned businesses, small businesses and other targeted businesses in EPA-funded contracts for construction, equipment, services and supplies.²³

U.S. Small Business Administration (SBA) 8(a) Business Development Program. The SBA 8(a) Business Development Program provides business assistance to small disadvantaged businesses. It offers a broad scope of services to firms certified under the program (companies that are owned and controlled at least 51 percent by socially and economically disadvantaged individuals).²⁴ Participants can compete for set-aside and sole-source federal contracts.

U.S. Small Business Administration (SBA) Historically Underutilized Business Zones (HUBZones). The SBA HUBZone program helps certified small businesses in urban and rural communities gain preferential access to federal procurement opportunities. Firms are eligible for certification if they are a small business according to SBA's size standards, are at least 51 percent owned and controlled by U.S. citizens or a qualified organization, have a principal office located within a Historically Underutilizes Business Zone and have at least 35 percent of employees residing in a HUBZone.²⁵ Program participants benefit in a few ways, including receiving a 10 percent price evaluation in certain contract competitions.

U.S. Small Business Administration (SBA) Mentor-Protege Program (MPP). The SBA MPP is a program to formalize mentoring relationships between qualified established firms and eligible small businesses. The MPP does not match mentor and protégé firms. Instead, mentor and protégé firms should establish a relationship before applying to the MPP.²⁶

²² See <https://www.va.gov/osdbu/>.

²³ See https://www.epa.gov/sites/production/files/2015-09/documents/tues_atlanta_5_1015_henderson.pdf

²⁴ See <https://www.sba.gov/category/business-groups/minority-owned>

²⁵ See <https://www.sba.gov/offices/headquarters/ohp/spotlight>

²⁶ See <https://www.sba.gov/federal-contracting/contracting-assistance-programs/sba-mentor-protege-program>

K. Business Assistance Programs — Federal government program examples

U.S. Small Business Administration (SBA) Office of Veterans

Business Development. U.S. SBA Office of Veterans Business Development oversees federal procurement programs for veteran- and service-disabled veteran-owned small businesses.²⁷

Woman-Owned Small Business/Economically Disadvantaged

Woman-Owned Small Business (WOSB/EDWOSB) Federal

Contracting Program. The WOSB/EDWOSB program administered by the U.S. SBA assists small businesses owned and controlled by one or more economically disadvantaged women to participate in federal procurement process within industries where women-owned small businesses are under-represented.

To be a WOSB, a woman-owned small business in selected industries must be at least 51 percent owned and controlled by women who are U.S. citizens and be a small business as defined by the U.S. SBA. To be eligible as an EDWOSB, the business must meet the criteria of the WOSB program and each owner must have less than \$750,000 in personal net worth, \$350,000 or less in adjusted gross income averaged over the previous years, and \$6 million or less in personal assets.²⁸

²⁷ See <https://www.sba.gov/offices/headquarters/ovbd>

²⁸ See <https://www.certify.sba.gov/am-i-eligible>

K. Business Assistance Programs — Federal government program examples

Federal Advocacy, Research and Other Assistance

Examples of other types of federal programs are provided to the right.

Internal Revenue Service Small Business and Self-Employed Tax Center. This federal website provides resources for taxpayers filing as self-employers or small businesses with assets under \$10 million. It provides information on preparing and filing taxes for all stages of owning a business. It also contains a video training library, checklist and other documents on planning the financial side of a business.²⁹

Small Business Innovation Research (SBIR). SBIR program solicitations are issued by eleven Federal agencies, including the Department of Agriculture, Department of Commerce, Department of Defense, Department of Education, Department of Energy, Department of Health and Human Services, Department of Homeland Security, Department of Transportation, Environmental Protection Agency, National Aeronautics and Space Administration and the National Science Foundation.³⁰

Small Business Technology Transfer (STTR). STTR is designed to stimulate technological innovation and provide opportunities for small businesses in the field of research and development in partnership with federal agencies. Small businesses collaborate with agencies such as the Department of Defense, the Department of Energy, the Department of Health and Human Services, the National Aeronautics and Space Administration and the National Science Foundation in joint-venture opportunities throughout the nation.³¹

U.S. Department of Labor New and Small Businesses. This webpage offers resources to business owners on complying with employee laws and connecting to federal and state business resources.³²

²⁹ See <https://www.irs.gov/businesses/small-businesses-self-employed>

³⁰ See <https://www.sbir.gov/>

³¹ See <https://www.sbir.gov/about/about-sttr>

³² See <https://www.dol.gov/agencies/whd/compliance-assistance/small-business>

K. Business Assistance Programs — National non-profit program examples

National Not For Profit Organizations

There are many national not-for-profit organizations that support entrepreneurship, small business development and minority- and women-owned business development.

Association of Women’s Business Centers. This non-profit organization supports over 100 business centers throughout the country to support female entrepreneurs with business training courses, networking and connections to federal small business resources.³³

Ewing Marion Kauffman Foundation. The Kauffman Foundation conducts research and provides training about entrepreneurship and provides grants to organizations that boot entrepreneurship.³⁴

Operation Hope Small-Business Empowerment Program. The Operation Hope program assists aspiring entrepreneurs in low-wealth neighborhoods. The program combines business training and financial counseling with access to small business financing options. Participants complete a 12-week training program, plus workshops on business financing, credit and money management.³⁵

Service Corps of Retired Executives (SCORE). The Service Corps of Retired Executives (SCORE) is a non-profit, volunteer-run organization that offers small business supportive services and business mentoring nationwide as a resource partner of the U.S. Small Business Administration (SBA). It provides technical assistance such as help with business plans, marketing and sales and financial forecasting. SCORE South Sound/Tacoma serves seven counties.³⁶

³³ See <https://www.awbc.org/>

³⁴ See <https://www.kauffman.org/>

³⁵ See <https://operationhope.org/small-business-development/>

³⁶ See <https://www.score.org/tacoma/>.

K. Business Assistance Programs — National trade organizations, often with regional chapters

National Trade Organizations with Local Chapters

There are national trade organizations, typically with local affiliates, serving many of the subindustries examined in this study. Examples are provided here.

American Council of Engineering Companies. (ACEC). This trade association offers networking opportunities, advocacy and education to members. There are over 170 member firms in Washington state.³⁷

American Institute of Architects (AIA). AIA is a member-based organization that supports architects through networking opportunities, awards, scholarships, advocacy, education, professional development, information about exams, licensure and continuing education and more. AIA also includes committees for certain members such as Women in Architecture (WIA). There is a Tacoma and a Seattle chapter of this organization.^{38,39}

American Subcontractors Association (ASA). ASA advocates for increased protections for subcontractors,⁴⁰ as well as provides opportunities for education, professional development and networking. The ASA of Washington serves the state, hosting events and networking opportunities to facilitate interaction between business owners in the construction industry.⁴¹

Associated Builders and Contractors (ABC). ABC is a member organization comprised of firms performing work in the industrial, commercial and institutional sectors of construction. It provides a variety of services including education and training, business development, safety programs, member discounts, insurance programs, student outreach and more. The Washington chapter of this organization is in western Washington, which serves the Seattle-Tacoma metro area.⁴²

Associated General Contractors of America (AGC). AGC is a trade association that provides members with funding opportunities, apprenticeship programs, bidding information for public and private sector opportunities, labor relations assistance, safety training, construction education and employee development, meetings and events and other assistance.⁴³ AGC – Washington, serves the entire state including Tacoma.⁴⁴

Association of Latino Professionals for America (ALPFA)-Seattle Chapter. This organization supports male and female Latinos in America through a variety of programs.⁴⁵ The Leadership, Engagement, Advancement and Development (LEAD) program has sub programs to help small business owners, namely Business Mastery and Xtrapreneurship. The Xtrapreneurship programs provides education to understand the different aspects of business, such as finances, legal, contracts, and marketing.⁴⁶ It has a Seattle chapter.

³⁷ See <https://acec-wa.org/>

³⁸ See <https://www.aiasww.org/>

³⁹ See <https://aiaseattle.org/>

⁴⁰ See <https://www.subcontractorswashington.com/>

⁴¹ See <https://www.subcontractorswashington.com/>

⁴² See <https://www.abccwestwa.org/>

⁴³ See <https://www.agcwa.com/>

⁴⁴ See <https://www.agcwa.com/>

⁴⁵ see <https://www.alpfa.org/>

⁴⁶ See <https://www.alpfa.org/page/lead>

K. Business Assistance Programs — National trade organizations, often with regional chapters

Mechanical Contractors Association of America (MCAA). MCAA is a member-based organization that supports businesses providing HVAC, plumbing, piping, refrigeration and other mechanical services by offering a wide variety of opportunities to receive further education and technical training.⁴⁷ MCA Western Washington is the local chapter.⁴⁸

National Association of Minority Contractors (NAMC). NAMC is a national membership organization that serves minority construction firms across the country. Member services include education, training, networking, advocacy and capacity building. The local chapter, NAMC Washington State, is based in Tukwila.⁴⁹

National Association of Women Business Owners (NAWBO). NAWBO is a national member-based organization that serves women entrepreneurs in all sectors, sizes and stages of development. Membership benefits include webinars, product discounts, online directories and other more. At the time of this report, the operating chapter closest to Tacoma was NAWBO Oregon based in Lake Oswego, Oregon according to the national NAWBO organization.

National Electrical Contractors Association (NECA). NECA is a member-based organization that supports electrical contractors through education, training and networking opportunities.⁵⁰ There is a Puget Sound chapter of this organization that serves Tacoma, providing partnerships with local businesses, labor unions and trade organizations in the region, granting members access to an array of opportunities.⁵¹

National Minority Supplier Development Council (NMSDC). NMSDC is a corporate member organization focused on increasing business opportunities for certified minority-owned businesses. It operates the Business Consortium Fund, a nonprofit business development program, which offers financing programs and business advisory services for its members.⁵² The Northwest Mountain Minority Supplier Development Council is the regional affiliate in Washington.⁵³

U.S. Chamber Small Business Division. The Small Business Division offers free tools such as the Coronavirus Small Business Resource Guide. The Division also helps with other government resources, selecting offices, cost control and choosing suppliers.^{54,55}

⁴⁷ See <https://www.mcaa.org/>

⁴⁸ See <https://www.mcaaww.net/>

⁴⁹ See <https://namcwa.com/>

⁵⁰ See <https://www.necanet.org/>

⁵¹ See <https://www.necasww.org/>

⁵² See <https://www.nmsdc.org/>

⁵³ See <https://www.midstatesmsdc.org/>

⁵⁴ See <https://www.uschamber.com/members/small-business>

⁵⁵ See <https://nwmmmsdc.org/>

K. Business Assistance Programs — State and local trade organizations

Trade Organizations

Trade organizations throughout the Puget Sound region (or Washington state) offer programs that support and advocate for those involved in many different industries. Examples for the construction industry follow.

Mechanical Contractors Association of Western Washington (MCAWW). This association supports small mechanical contracting businesses by providing specialized training, safety support, and advocacy. They offer educational programs, represent members' interests with various stakeholders, and facilitate networking opportunities to help businesses grow and stay competitive in the industry.⁵⁶

Northwest Wall and Ceiling Bureau (NWCB) Washington. This organization offers a variety of services to members including advocacy, education and networking events.⁵⁷

Roofing Contractors Association of Washington (RCAW). This organization aids small roofing businesses through advocacy, education, and networking. They provide resources like webinars, legal help, and marketing support to improve operations and credibility. RCaw also promotes industry standards and professional collaboration, offering programs to enhance growth and success.⁵⁸

Washington State American Concrete Institute (ACI). This institute provides support to the concrete construction community statewide. ACI offers many services like certification and host networking events, such as monthly dinner meetings and golf tournaments. The chapter is based in the Puget Sound.⁵⁹

⁵⁶ See <https://www.mcaww.net/>

⁵⁷ See <https://www.nwcb.org/home>

⁵⁸ See <https://www.rcaw.com/>

⁵⁹ See <https://www.washingtonconcrete.org/about-wa-aci-chapter>

K. Business Assistance Programs — Local business associations and assistance

State and Local Business Assistance

State and local business assistance and business associations located throughout the Puget Sound area also offer support to small business owners. Examples follow.

Governor’s Office for Regulatory Innovation & Assistance (ORIA).

ORIA provides assistance to small businesses regarding local, state, and federal licensing regulations.⁶⁰

GSBA. This organization offers a variety of services to members of the LGBTQIA+ community. Business assistance programs includes business consulting, LGBTE certification, networking, and advocacy.⁶¹

Mercy Corps Northwest. This organization has a variety of programs to advance economic development across the Pacific Northwest. Some of its programs provide funding, education, and mentorship to disadvantaged businesses.⁶²

Office of Minority and Women’s Business Enterprises (OMWBE).

The Washington State Office of Minority and Women’s Business Enterprises offers a variety of programs to assist minority- and woman-owned businesses. Key services include state and federal certifications for MBEs and WBEs to participate in public contracts and procurements. Additional offerings include the Linked Deposit Program, which provides access to lower-interest loans, and resources for marketing, subcontracting, and government contracting. OMWBE also focuses on promoting supplier diversity to foster equitable public spending practices.⁶³

Small Business Liaison Team (SBLT). SBLT consists of 27 agencies with representatives who informed small business on compliance requirements and develop business tools.⁶⁴ SBLT also created a small business guide to help small business owners plan, start and operate their business.⁶⁵

⁶⁰ See https://www.oria.wa.gov/site/alias__oria/368/Home.aspx

⁶¹ See <https://thegsba.org/>

⁶² <https://nw.mercycorps.org/>

⁶³ See <https://omwbe.wa.gov/>

⁶⁴ See https://www.business.wa.gov/site/alias__business/960/Small-Business-Liaison-Team.aspx

⁶⁵ See https://www.business.wa.gov/site/alias__business/927/Small-Business-Guide.aspx

K. Business Assistance Programs — Local business associations and assistance

StartUP Washington, Small Business Training and Education Center.

This center is managed by the Washington State Department of Commerce’s Office of Economic Development & Competitiveness. StartUp Washington offers various programs and services to support entrepreneurs and small businesses, including funding sources, training, technical assistance, mentorship and educational resources. Some specific programs include ScaleUp, Thrive!, Entrepreneurship Month and Microenterprise Assistance. StartUP also provides tools like disaster planning and resources for woman-owned and veteran-owned businesses as well as assistance with access to capital.⁶⁶

Tacoma-Pierce County Chamber of Commerce This chamber of commerce offers advocacy, business leadership and networking opportunities.⁶⁷

Washington State Department of Commerce - Economic Partnership. In partnership with the State Department of Commerce, each of the 39 counties in Washington has an Associate Economic Development (ADO) organization that promotes the county’s economic development.⁶⁸ The Tacoma-Pierce County ADO offers financing programs, startup assistance and BIPOC business support.⁶⁹

⁶⁶ See <https://mystartup365.com/>

⁶⁷ See <https://www.tacomachamber.org/>

⁶⁸ See <https://www.commerce.wa.gov/growing-the-economy/local-economic-partnerships/>

⁶⁹ See <https://choosetacomapierce.org/>

APPENDIX L. Legal Framework — Introduction

This Appendix provides an assessment and review of the legal framework applicable to race-conscious, gender-conscious and race- and gender-neutral business programs that might be implemented by the City of Tacoma under applicable federal and Washington state law.

In the context of government contracting and procurement, race- and gender-conscious measures are efforts designed to specifically address and mitigate identified race- and gender-based discrimination, such as a government contract preference program for certified minority- and woman-owned businesses.

In contrast, race- and gender-neutral measures are efforts designed to encourage the participation of all businesses — or all small businesses — in a government agency’s work, regardless of the race or gender of business owners.

The summary is primarily focused on U.S. Ninth Circuit Court of Appeals and Washington state court cases regarding a public agency’s efforts to address race- or gender-based discrimination in government contracting.¹

¹ The Ninth Circuit Court of Appeals is the federal appellate court with jurisdiction over the State of Washington.

L. Legal Framework — Equal protection and judicial scrutiny

Federal Constitutional Law

When a local governmental entity enacts a contracting policy or law that is race- or gender-conscious or race- and gender-neutral, the governmental action is subject to differing levels of judicial scrutiny to determine if the action violates the Equal Protection Clause of the Fourteenth Amendment to the United States Constitution. The Equal Protection Clause states in relevant part:

No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.²

Race-conscious programs. In the seminal case of *City of Richmond v. J.A. Croson Co.* (“*Croson*”), the United States Supreme Court determined that any local governmental program based on racial classifications is subject to *strict scrutiny* by a court analyzing whether the program violates the Equal Protection Clause.³

The strict scrutiny standard presents the highest threshold for evaluating the legality of race-conscious contracting programs, short of prohibiting them altogether. Under the strict scrutiny standard, governmental entities must show a *compelling governmental interest* in using race-conscious measures and ensure that their use is *narrowly tailored*.⁴ As the Court stated, “... the purpose of strict scrutiny is to ‘smoke out’ illegitimate uses of race by assuring that the legislative body is pursuing a goal important enough to warrant use of a highly suspect tool. The test also ensures that the means chosen ‘fit’ this compelling goal so closely that there is little or no possibility that the motive for the classification was illegitimate racial prejudice or stereotype.”⁵

² U.S. Const. Amend. XIV, § 1.

³ 488 U.S. 469 (1989).

⁴ *Id.* at 470.

⁵ *Id.* at 493.

L. Legal Framework — Equal protection and judicial scrutiny

Gender-conscious programs. When a governmental entity uses a gender classification, the policy or law is subject to *intermediate scrutiny*, which is a less burdensome standard of review than strict scrutiny.⁶ Under this standard, the government must show the gender-based program is “supported by an ‘exceedingly persuasive justification’ and substantially related to the achievement of that underlying objective.”⁷

Race- and gender- neutral programs. A race- or gender-neutral classification, such as a small or local business enterprise contracting preference, is subject to the *rational basis* test. Rational basis is the appropriate level of scrutiny to apply to a constitutional challenge to a program or statute that does not involve a fundamental right, such as free speech, or a suspect class, such as racial minorities.⁸ The Supreme Court has found that many social, economic, and commercial classifications are not suspect, including those focused on veterans.⁹

⁶ *United States v. Virginia*, 518 U.S. 515 (1996).

⁷ *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d 1187, 1195 (9th Cir. 2013) (citing, *inter alia*, *United States v. Virginia*, 518 U.S. at 524).

⁸ *Heller v. Doe*, 509 U.S. 312, 319-320 (1993).

⁹ “[A] classification neither involving fundamental rights nor proceeding along suspect lines . . . cannot run afoul of the Equal Protection Clause if there is a rational relationship between the disparity of treatment and some legitimate governmental purpose.” *Id.*

L. Legal Framework — Equal protection and judicial scrutiny

Equal Protection and Strict Scrutiny Standard of Review

Strict scrutiny applies to a city’s voluntary race-conscious programs.¹⁰ The Supreme Court has held that classifications based on race “are constitutional only if they are narrowly tailored measures that further compelling governmental interests.”¹¹ “For a racial classification to survive strict scrutiny [...] it must be a narrowly tailored remedy for past discrimination, active or passive, by the governmental entity making the classification.”¹² The discrimination could also be committed by private parties within the city’s jurisdiction, as long as the city in some manner perpetuated the discrimination to be remedied by the program.¹³ In June of 2023, the Supreme Court reaffirmed that strict scrutiny is the correct judicial review for racial classifications.¹⁴

Compelling governmental interest. A government interest is compelling to justify racial classifications “only if actual, identifiable discrimination has occurred.”¹⁵ There must be a “strong basis in the evidence” to show that that race-based remedial action is necessary,¹⁶ and there must be a strong basis in evidence within the relevant local industry and for each racial group included in the plan.¹⁷ A general assertion of past discrimination in a particular industry or an effort to alleviate the effects of societal discrimination is insufficient.¹⁸

¹⁰ *Rudebusch v. Hughes*, 313 F.3d 506, 514 (9th Cir. 2002) (citing *City of Richmond v. Croson*, 488 U.S. at 493–94).

¹¹ *Adarand Constructors v. Peña*, 515 U.S. 200, 227 (1995) (The court in *Adarand* extended the judicial standard of strict scrutiny established in *Croson* for the state and local race-conscious programs to the Federal DBE Program and racial classifications used by the federal government).

¹² *Monterey Mech. Co. v. Wilson*, 125 F.3d 702, 713 (9th Cir. 1997) (citing *City of Richmond v. Croson*, 488 U.S. at 484-485).

¹³ *Associated Gen. Contractors, Inc. v. Coal. for Econ. Equity*, 950 F.2d 1401, 1413 (9th Cir. 1991) cert. denied, 503 U.S. 985 (1992).

¹⁴ *Students for Fair Admissions, Inc. v. President & Fellows of Harv. Coll.*, 600 U.S. 181, 143 S. Ct. 2141, 2166 (2023).

¹⁵ *Rudebusch v. Hughes*, 313 F.3d at 514 (quoting *Coral Constr. Co. v. King Cnty.*, 941 F.2d 910, 916 (9th Cir. 1991)).

¹⁶ *Officers for Justice v. Civil Serv. Comm’n*, 979 F.2d 721, 726 (9th Cir. 1992); *Davis v. City & Cnty. of San Francisco*, 890 F.2d 1438, 1446 (9th Cir. 1989).

¹⁷ *City of Richmond v. Croson*, 488 U.S. at 506.

¹⁸ *Shaw v. Hunt*, 517 U.S. 899, 909-10 (1996).

L. Legal Framework — Equal protection and judicial scrutiny

Statistical and anecdotal evidence. The Ninth Circuit has noted that “statistical disparities alone could be sufficient to support race-conscious remedial programs.”¹⁹ However, the Ninth Circuit has also warned that “statistics, standing alone, must be analyzed carefully.”²⁰ To increase the chances of successfully defending a race-conscious program, it is best to have both statistical and anecdotal evidence. Statistical comparisons are an “invaluable tool” in evaluating the extent of discrimination.²¹ Statistical evidence of a disparity may constitute a “strong basis in evidence” for a voluntary race-conscious program. Courts often look at whether there are “gross statistical disparities.”²²

In *Croson*, for example, the Supreme Court held that the city’s “mere recitation” of the need for a race-conscious program was entitled to little or no weight.²³ The Court rejected the statistics comparing contracts awarded to minority businesses with the percentage of minorities in the general population.²⁴ The Court found such a comparison to the general population of “little probative value” when “special qualifications are required to fill particular jobs.”²⁵ To show discriminatory exclusion in a field requiring special skills, the relevant group for comparison is the number of qualified minorities.²⁶ Further, it is not enough to demonstrate

nationwide discrimination; rather, policy makers must have a strong basis in evidence of discrimination within the relevant local industry.²⁷

Statistics are “not irrefutable, and may be rebutted,” thus “[t]heir usefulness depends on all of the surrounding facts and circumstances.”²⁸ Parties challenging a race-conscious program may attempt to rebut the statistics either with a race-neutral explanation for the statistical disparities or an attack on the statistics themselves (e.g., by arguing the statistics are flawed or the disparities are not statistically significant, or by presenting contrasting statistical data).²⁹

In *Associated Gen. Contractors of Am. v. Cal. DOT*, the Ninth Circuit indicated that a significant metric in determining disparity is “disparity indexes.” A disparity analysis involves making a comparison between the availability of minority- and women-owned businesses and their actual utilization, producing the “disparity index.” An index of 100 represents statistical parity between availability and utilization, and a number below 100 indicates underutilization.³⁰ It is well established that an index below 80 is considered a substantial disparity that supports an inference of discrimination.³¹

¹⁹ *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d at 1197.

²⁰ *Coral Constr. Co. v. King Cnty.*, 941 F.2d at 919.

²¹ *Rudebusch v. Hughes*, 313 F.3d at 515.

²² *Id.* (citing *Coral Constr. Co. v. King Cnty.*, 941 F.2d at 918).

²³ *Associated Gen. Contractors, Inc. v. Coal. for Econ. Equity*, 950 F.2d at 1413 (citing *City of Richmond v. Croson*, 488 U.S. at 500).

²⁴ *See id.* (citing *City of Richmond v. Croson*, 488 U.S. at 501-02).

²⁵ *City of Richmond v. Croson*, 488 U.S. at 501 (quoting *Hazelwood Sch. Dist. v. United States*, 433 U.S. 299, 307-08 (1977) (internal quotation marks omitted)).

²⁶ *Id.* at 501-02.

²⁷ *See id.* at 504.

²⁸ *Coral Constr. Co. v. King Cnty.*, 941 F.2d at 919, 921.

²⁹ *Id.* at 921.

³⁰ *See Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d 702 at 1191; *H.B. Rowe Co. v. Tippett*, 615 F.3d 233, 243-44 (4th Cir. 2010); *Rothe Development Corp. v. U.S. Department of Defense*, 545 F.3d 1023, 1041 (Fed. Cir. 2008); *Engineering Contrs. Ass’n v. Metro. Dade Cnty.*, 122 F.3d 895, 914 (11th Cir. 1997); *Concrete Works of Colo., Inc. v. City and Cnty. of Denver*, 36 F.3d 1513, 1524 (10th Cir. 1994).

³¹ *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d 702 at 1191; *see also H.B. Rowe Co. v. Tippett*, 615 F.3d at 243-44; *Rothe Development Corp. v. U.S. Department of Defense*, 545 F.3d at 1041; *Engineering Contrs. Ass’n v. Metro. Dade Cnty.*, 122 F.3d at 914.

L. Legal Framework — Equal protection and judicial scrutiny

Anecdotal evidence. Courts may consider anecdotal evidence (personal accounts of discrimination), although standing alone it is rarely, if ever, sufficient to demonstrate a systemic pattern necessary to support a race-conscious program.³² However, “the combination of convincing anecdotal and statistical evidence is potent.”³³

Cities must have “some concrete evidence” of discrimination before adopting a remedial program, but deficiencies in statistics may be remedied by post-enactment studies presented to the court after the program is challenged.³⁴ Thus, “a plan will not be invalidated solely because the record at time of enactment did not measure up to constitutional standards.”³⁵ This rule is designed to allow cities to act when they have some evidence of discrimination without waiting to further develop the record.³⁶

Ninth Circuit law. In *Associated General Contractors of California, Inc. v. Coalition for Economic Equity (Coalition for Economic Equity)*, the Ninth Circuit Court of Appeals held that the City of San Francisco had shown a likelihood of demonstrating a “strong basis in evidence” for a race-conscious bidding preference to minority- and woman-owned construction businesses.³⁷ (The case was decided after a preliminary injunction was denied, hence the “likelihood” language.) The city made detailed findings of past and continuing discrimination and found large statistical disparities in the award of contracts.³⁸ The findings were supported by the record, including a study prepared for the city showing large statistical disparities. “For example, in prime contracting for construction, although MBE availability was 49.5%, MBE dollar participation was only 11.1%; in prime contracting for equipment and supplies, although MBE availability was 36%, MBE dollar participation was only 17%; and in prime contracting for general services, MBE availability was 49% although MBE dollar participation was only 6.2%.”³⁹

The Ninth Circuit therefore affirmed a disparity study methodology which compared the number of available and qualified MBE prime construction contractors in San Francisco to the amount of contract dollars awarded by San Francisco to local MBEs as a method of determining whether a disparity in contracting supports an inference of discrimination.⁴⁰ Notably, in *Western States Paving Co., Inc. v. Washington State Department of Transportation*, the Ninth Circuit reaffirmed this method of demonstrating disparity⁴¹ and pointed out that small disparities do not have any

³² *Coral Constr. Co. v. King Cnty.*, 941 F.2d at 919.

³³ *Id.*; see also *Rudebusch v. Hughes*, 313 F.3d at 517 (“circumstantial evidence of discrimination can be used to bolster otherwise inconclusive statistical proof”).

³⁴ *Id.* at 919-21.

³⁵ *Id.* at 921.

³⁶ *Id.* at 920.

³⁷ 950 F.2d at 1416.

³⁸ *Id.* at 1414.

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *W. States Paving Co. v. Wash. State DOT*, 407 F.3d 983, 997 (9th Cir. 2005), cert denied, 546 U.S. 1170 (2006).

L. Legal Framework — Equal protection and judicial scrutiny

probative value. The Court used the disparity ratio numbers from *Associated General Contractors v. Coalition for Econ. Equity* as a valid example of a significant statistical disparity showing where discrimination “was likely to exist.”⁴²

In *Coalition for Economic Equity*, there was also a “vast number” of anecdotal accounts of discrimination, including “MBEs being denied contracts despite being the low bidder, MBEs being told they were not qualified although they were later found qualified when evaluated by outside parties, MBEs being refused work even after they were awarded the contracts as low bidder and MBEs being harassed by City personnel to discourage them from bidding on city contracts.”⁴³

Similarly, “substantial statistical and anecdotal evidence of discrimination” was sufficient to justify racial and gender classifications in *Associated General Contractors of America, San Diego Chapter v. Cal DOT*.⁴⁴ The disparity study showed disparities by race and gender in different relevant categories of types of contracts, properly adjusting the data based on capacity to perform the work and controlling for previously administered affirmative action programs.⁴⁵

In *Western States Paving*, the Ninth Circuit held that a state DBE program can be subject to an as-applied constitutional challenge, despite the facial validity of the enabling federal program.⁴⁶ Applying strict scrutiny, the court upheld the constitutionality of the Federal Disadvantaged Business Enterprise (DBE) Program, but struck down the DBE program implemented by Washington State because it was not narrowly tailored.⁴⁷ The court held that in order to satisfy requirements of strict scrutiny, a public entity implementing race- and gender-conscious measures must have evidence of discrimination in its transportation contracting industry. The remedial program must also be limited to those minority groups that actually suffered discrimination.^{48 49}

⁴² *Id.* at 1001.

⁴³ *Associated Gen. Contractors, Inc. v. Coal. for Econ. Equity*, 950 F.2d at 1415.

⁴⁴ *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d at 1196.

⁴⁵ *Id.*

⁴⁶ *W. States Paving Co. v. Wash. State DOT*, 407 F.3d at 997.

⁴⁷ *Id.* at 990-995.

⁴⁸ *Id.* at 998.

⁴⁹ In response to the holding in *Western States*, USDOT issued guidance on some standards that recipients should follow in conducting new disparity studies by recipients in the states covered by the Ninth Circuit. The regulations explain these disparity studies “should rigorously determine the effects of factors other than discrimination that may account for statistical disparities between DBE availability and participation. This is likely to require “multivariate/regression analysis.” USDOT, Questions and Answers Concerning Responses to *Western States Paving Co. v. Washington State Department of Transportation*, at Question 8 (<https://www.transportation.gov/osdbu/disadvantaged-business-enterprise/western-states-paving-company-case-q-and-a>).

L. Legal Framework — Equal protection and judicial scrutiny

Narrowly tailored. Even if there is a “strong basis in evidence” to support race-based remedial measures, a race-conscious program must be narrowly tailored to that evidence.⁵⁰ This requirement hinges on several factors:

- Necessity for the program and efficacy of alternative remedies;
- Flexibility of the program;
- Duration of the relief;
- Waiver provisions;
- Relationship of any numerical goals to the relevant labor market; and
- Impact of relief on third parties.⁵¹

Further, the program must be limited to those business groups that have actually suffered discrimination.⁵²

Necessity for the program and efficacy of alternative remedies. As part of narrow tailoring, a public entity must give “serious, good faith consideration” of race-neutral alternatives prior to the adoption of race-conscious measures.⁵³ However, the agency need not exhaust every possible race-neutral alternative.⁵⁴ There is a degree of practicality involved in this requirement. A government entity is not required to exhaust every alternative regardless of how irrational, costly, unreasonable or unlikely it is to succeed.⁵⁵

It is also relevant whether the agency has adopted some race-neutral measures in conjunction with a race-conscious program.⁵⁶ For example, in *Coral Construction*, the Ninth Circuit Court of Appeals noted King County’s race-neutral training sessions for all small businesses in conjunction with its MBE Program.⁵⁷ More recently, in *Fisher v. Univ. of Texas*,⁵⁸ the Supreme Court noted “extensive evidence” of the race-neutral ways that a university had attempted to increase diversity, including outreach efforts, scholarship programs, regional admissions centers, an increased recruitment budget and recruitment events.⁵⁹ The race-neutral efforts were available to all but were “targeting under-represented demographics.”⁶⁰

⁵⁰ *City of Richmond v. Croson*, 488 U.S. at 492 (Under the strict scrutiny test “the means chosen [must] ‘fit’ [the] compelling goal so closely that there is little or no possibility that the motive for the classification was illegitimate racial prejudice or stereotype”); see also, *Engineering Contrs. Ass’n v. Metro. Dade Cnty.*, 122 F.3d at 906.

⁵¹ *Davis v. City & Cty. of San Francisco*, 890 F.2d at 1447 (citing *United States v. Paradise*, 480 U.S. 149, 171 (1987)); see also *Associated Gen. Contractors, Inc. v. Coal. for Econ. Equity*, 950 F.2d at 1416 (addressing MBE programs) (citing *Coral Constr. Co. v. King Cty.* and *City of Richmond v. Croson*).

⁵² *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d at 1198.

⁵³ *Coral Constr. Co. v. King Cnty.*, 941 F.2d at 923.

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Fisher v. Univ. of Tex.*, 136 S. Ct. 2198 (2016).

⁵⁹ *Id.* at 2213.

⁶⁰ *Fisher v. Univ. of Tex. at Austin*, 758 F.3d 633, 647 (5th Cir. 2014) (affirmed *Fisher v. Univ. of Tex.*, 579 U.S. 365).

L. Legal Framework — Equal protection and judicial scrutiny

Program flexibility. To analyze the program flexibility factor, it is important for the agency not to have “rigid numerical quotas or goals.”⁶¹ Case-by-case participation goals are more flexible because they treat all candidates individually and do not make race the sole factor in determining contract awards.⁶² An agency could show flexibility in such a program by identifying race-neutral factors that bidders must demonstrate to be considered qualified.⁶³

Duration of relief. To satisfy the “duration of relief” factor of narrow tailoring, it is necessary for race-conscious programs to be limited in duration. For example, the statute enabling the Federal DBE program, Transportation Equity Act for the 21st Century (TEA-21), comports with this requirement, because it is subject to periodic reauthorization by Congress.⁶⁴ The debates concerning reauthorization ensure that Congress regularly evaluates whether a compelling interest continues to justify TEA-21’s minority owned business preference program.⁶⁵

It is important that the results of a program do not become unreasonable. The courts are hesitant to create a bright line rule as to what duration is unreasonable but have made several determinations of what durations are reasonable. In *H.B. Rowe Co., Inc. v. Tippett*, the Fourth Circuit Court of Appeals upheld a program that had a limited duration and required a disparity study every five years for reauthorization.⁶⁶ In *Davis v. San Francisco*, the district court modified the “duration of the [consent] decree to seven years or sooner upon the accomplishment of the objectives or the goals of the consent decree.”⁶⁷

⁶¹ *W. States Paving Co., v. Wash. State DOT*, 407 F.3d at 994.

⁶² *Id.*

⁶³ *Id.*

⁶⁴ Moving Ahead for Progress in the 21st Century Act (“MAP-21”), Pub L. 112-141, H.R. 4 4348, § 1101(b), July 6, 2012, 126 Stat 405.; preceded by Pub L. 109-59, Title I, §1101(b), August 10, 2005, 119 Stat. 1156; preceded by Pub L. 105-178, Title I, § 1101(b), June 9,

1998, 112 Stat. 107. Pub. L. 114-94, H.R. 22, § 1101(b), December 4, 2015, 129 Stat. 1312. Pub L. 115-254, H.R. 302 § 157, October 5, 2018, 132 Stat 3186.

⁶⁵ *W. States Paving Co. v. Wash. State DOT*, 407 F.3d at 994.

⁶⁶ *H.B. Rowe Co. v. Tippett*, 615 F.3d at 253.

⁶⁷ *Davis v. City & Cnty. of San Francisco*, 890 F.2d at 1441.

L. Legal Framework — Equal protection and judicial scrutiny

Intermediate Scrutiny Standard of Review

Intermediate scrutiny applies to gender-conscious programs operated by government entities within the jurisdiction of the Ninth Circuit Court of Appeals.⁶⁸ Under this standard, the government must show that the gender-based program is “supported by an ‘exceedingly persuasive justification’ and substantially related to the achievement of that underlying objective.”⁶⁹

Because the measure of evidence required to satisfy intermediate scrutiny is less than that necessary to satisfy strict scrutiny, courts applying the intermediate standard to gender-based programs have all reasoned that gender conscious measures may be upheld even absent proof that the government entity adopting the program necessarily discriminated against women.⁷⁰ Under intermediate scrutiny, the “inquiry turns on whether there is evidence of past discrimination in the economic sphere at which the affirmative action program is directed.”⁷¹

In addition, under intermediate scrutiny, the program need only be “substantially related” to the goal of redressing the effects of prior discrimination, and, contrary to strict scrutiny, this does not require that the numerical goals be closely tied to the proportion of qualified women in the market.⁷² Further, because there is no requirement that gender classifications be “narrowly tailored,” the preference may extend to some

fields where women were not disadvantaged, provided that, overall, the women benefitted actually suffered a disadvantage.⁷³

While there is a difference between the evidentiary foundation necessary to support a race- or ethnicity-conscious remedial program and the evidentiary foundation necessary to support a gender preference, that difference is one of degree, not of kind. In both circumstances, the test of the program is the adequacy of evidence of discrimination, but in the gender context less evidence is required. The difficulty, of course, is in determining how much less.

In the Ninth Circuit, a disparity study supporting a gender-conscious program should isolate the effects of gender. Gender-conscious programs have been upheld by the court when the disparity report “correctly isolate[d] the effect of gender by limiting its data pool to white women, ensuring that statistical results for gender-based discrimination are not skewed by discrimination against minority women on account their race.”⁷⁴ Further, in response to objections to the disparity study’s limitation to white women, the research firm conducted a follow-up analysis of all women-owned firms, which produced a disparity index of 59; that index showed a substantial disparity raising an inference of discrimination against women.⁷⁵

⁶⁸ *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d at 1195 (citing, inter alia, *United States v. Virginia*, 518 U.S. at 524).

⁶⁹ *Id.*

⁷⁰ *Coral Constr. Co. v. King Cnty.*, 941 F.2d at 931-932; See *Engineering Contrs. Ass’n v. Metro. Dade Cnty.*, 122 F.3d 895, 910 (11th Cir. 1997).

⁷¹ *Engineering Contrs. Ass’n v. Metro. Dade Cnty.*, 122 F.3d at 910, quoting *Ensley Branch, NAACP v. Seibels*, 31 F.3d 1548, 1581 (11th Cir. 1994).

⁷² *Id.* at 929 (citations omitted).

⁷³ *Coral Constr. Co. v. King Cnty.*, 941 F.2d at 932 (holding that King County’s preference for women was justified even if it included women in all industries contracting with the county); *Associated Gen. Contractors of Cal. v. City & Cnty. of S. F.*, 813 F.2d 922, 941-42 (9th Cir. 1987) (holding that although broad preferences can reinforce harmful stereotypes, they may still be upheld because, unlike racial preferences, there is no requirement that they be “narrowly” tailored to the government’s objective).

⁷⁴ *Associated Gen. Contractors of Am. v. Cal. DOT*, 713 F.3d at 1198.

⁷⁵ *Id.*

L. Legal Framework — Rational basis standard of review

When a governmental program uses a classification that does not involve a fundamental right or suspect class — such as minorities or women — a court must analyze whether the classification is supported by a legitimate state interest and is rationally connected to the program’s laws or goals.⁷⁶ Examples of classifications that do not involve a fundamental right or suspect class include military service and disabilities.⁷⁷

Legitimate Government Interest

The first prong of the rational basis test requires the governmental program to serve a legitimate government interest. Courts generally uphold a challenged classification if there “is any reasonably conceivable state of facts that could provide a rational basis for the classification” underlying the enacted law.⁷⁸ That is, “the law in question is rationally related to a legitimate government purpose.”⁷⁹ In contrast to intermediate scrutiny and strict scrutiny, “[t]he burden is on the one attacking the legislative arrangement to negat[e] every conceivable basis which might support it, whether or not the basis has a foundation in the record.”⁸⁰ In applying a rational basis analysis, courts are “free to consider any legitimate governmental interest the [agency] has...” in classifying non-suspect groups as part of contracting programs.⁸¹

⁷⁶ *Heller v. Doe*, 509 U.S. at 319-320.

⁷⁷ *City of Cleburne v. Cleburne Living Ctr.*, 473 U.S. 432, 441-442 (1985) (Both mental and physical disabilities are subject to rational basis); *Disabled American Veterans v. United States Dep’t of Veterans Affairs*, 962 F.2d 136, 142 (2nd Cir. 1992) (Military status is subject to rational basis review).

⁷⁸ *Heller v. Doe*, 509 U.S. at 320 (internal quotations omitted).

⁷⁹ *Kadrmas v. Dickinson Public Schools*, 487 U.S. 450, 457-58 (1998).

Rational Connection

The second prong of the rational basis test requires the governmental program to be rationally related to the legitimate government interest. The Supreme Court held that “courts are compelled under rational basis review to accept a legislature’s generalizations even when there is an imperfect fit between means and ends.”⁸²

A classification does not fail a rational basis analysis because “it is not made with mathematical nicety or because in practice it results in some inequality.”⁸³ Under the rational basis standard, a legislative classification will be upheld “if there is a rational relationship between the disparity of treatment and some legitimate governmental purpose.”⁸⁴ For example, in *Associated General Contractors, Inc. v. San Francisco*, the Ninth Circuit Court of Appeals held that a local business preference program was rationally related to its purpose of offsetting the burden a business located in the jurisdiction bears that businesses located elsewhere do not.⁸⁵

⁸⁰ *Heller v. Doe*, 509 U.S. at 320-21.

⁸¹ *Gallinger v. Becerra*, 898 F.3d 1012, 1018 (9th Cir. 2018).

⁸² *Heller v. Doe*, 509 U.S. at 321.

⁸³ *Id.*

⁸⁴ *Id.* at 320.

⁸⁵ *Associated Gen. Contractors, Inc. v. San Francisco*, 813 F.2d 922, 943 (9th Cir. 1987).

L. Legal Framework — Federal statutory law

Title VI, codified as 42 United States Code Section 2000d, prohibits discrimination based on race, color, or national origin in any program or activity that receives federal funds or other federal financial assistance but permits a voluntary race-conscious program that remediates discrimination.⁸⁶

28 C.F.R., Part 42, which sets forth the requirements of Title VI, states that a governmental entity “must take affirmative action to overcome the effects of prior discrimination.”⁸⁷ Courts have held that Title VI adopts or follows the Fourteenth Amendment’s standard of proof for intentional discrimination. Thus, strict scrutiny applies to any federal fund recipient’s intentional use of race.⁸⁸ And Title VI “proscribes only those racial classifications that would violate the Equal Protection Clause or the Fifth Amendment.”⁸⁹ Consistent therewith the Code of Federal Regulations implementing Title VI states that a governmental entity “must take affirmative action to overcome the effects of prior discrimination.”⁹⁰

⁸⁶ 42 U.S.C. § 2000d.

⁸⁷ 28 C.F.R. 42.104(b)(6)(1).

⁸⁸ *Regents of the Univ. of Cal. v. Bakke*, 438 U.S. 265, 412- 18 (1978).

⁸⁹ *Grutter v. Bollinger*, 539 U.S. 306, 343 (2003) (citing *General Building Contractors Assn., Inc. v. Pennsylvania*, 458 U.S. 375, 389-391 (1982) (the prohibition against

discrimination in § 1981 is co-extensive with the Equal Protection Clause); see also *Students for Fair Admissions, Inc. v. President & Fellows of Harv. Coll.*, 600 U.S. at 143 n.2.

⁹⁰ 28 C.F.R. 42.104(b)(6)(1).

L. Legal Framework — State constitutional law

Initiative 200

In 1998, Washington voters passed Initiative 200, which has been codified in Revised Code of Washington (RCW) 49.60.400.⁹¹ Initiative 200 states in part:

1. The state shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting.
2. This section applies only to action taken after December 3, 1998.
3. This section does not affect any law or governmental action that does not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin.⁹²

In *Parents Involved in Cmty. Schs. v. Seattle Sch. Dist. No. 1*, the Washington Supreme Court decided a case in which Seattle School District No. 1 was sued for its open choice plan and use of race as a “tiebreaker” to prevent “oversubscribed schools from becoming segregated.”⁹³ The Washington Supreme Court was asked by the Ninth Circuit to interpret RCW 49.60.400 and whether it “prohibits all race-cognizant state action.”⁹⁴ The Washington Supreme Court explained that the language in

subsection (3) “strongly implies that RCW 49.60.400 does not ban all government action that is cognizant of race as it would be surplusage” because of subsection (1).⁹⁵ The court stated that the subsection (3) “carves out from the prohibition of the statute government action cognizant of race, sex, color, ethnicity, or national origin that does not discriminate against or grant preferential treatment based on the enumerated characteristics.”⁹⁶ The court held that “RCW 49.60.400 prohibits reverse discrimination where race or gender is used by government to select a less qualified applicant over a more qualified applicant.”⁹⁷

In 2017, the Washington State Attorney General issued an opinion on the question of whether Initiative 200 prohibits Washington from “implementing race-or sex-conscious measures to address significant disparities in the public contracting sector that are documented in a disparity study if it is first determined that race- and sex-neutral measures will be insufficient to address those disparities.”⁹⁸ The Attorney General stated that even though *Parents Involved in Cmty. Schs. v. Seattle Sch. Dist. No. 1* involved education, “ultimately the Court’s task was to construe the language of RCW 49.60.400.”⁹⁹ The statute applies to “operation of public employment, public education, [and] public contracting” without distinction.”¹⁰⁰

The Attorney General restated the conclusions of the court in *Parents Involved in Cmty. Schs. v. Seattle Sch. Dist. No. 1* that the term “[g]rant

⁹¹ *Parents Involved in Cmty. Schs. v. Seattle Sch. Dist. No. 1*, 149 Wn.2d 660, 678 (Wash. 2003); see also RCW 49.60.400.

⁹² RCW 49.60.400(1)-(3).

⁹³ *Parents Involved in Cmty. Schs. v. Seattle Sch. Dist. No. 1*, 149 Wn.2d at 663.

⁹⁴ *Id.* at 662.

⁹⁵ *Id.* at 684-685.

⁹⁶ *Id.* at 685.

⁹⁷ *Id.* at 690. (Examples of impermissible “reverse discrimination” given by the court included “college quotas and minority set asides.” *Id.* at 688).

⁹⁸ 2017 Wash. AG Lexis 4, *2.

⁹⁹ *Id.* at *11.

¹⁰⁰ *Id.* (citing RCW 49.60.400(1)).

L. Legal Framework — State constitutional law

preferential treatment’ denotes giving advantage to members of one race over another” and “[d]iscriminate” means “to show prejudice against.”¹⁰¹ The Attorney General listed some possible measures that could fall within the prohibition of subsection(1) as limited by the exception thereto in subsection (3): “aspirational goals for minorities or women, solicitation of women and minority businesses to participate in public contracting, training and outreach targeted to women-and minority-owned firms, or other measures designed to increase participation in public contracting by underrepresented groups.”¹⁰² These race- and gender conscious measures “do not elevate a less qualified applicant over a more qualified applicant, they do not fall within the prohibition of RCW 49.60.400(1) as limited by RCW 49.60.400(3)” and are not considered “preferences.”¹⁰³

Preferences based on race or gender. In addition to the measures that are permitted under subsections (1) and (3) above, there are “very narrow circumstances for actions that do favor female or minority contractors over other contractors.”¹⁰⁴ RCW 49.60.400(1) prohibits discrimination against and preferential treatment in favor of minorities and women.¹⁰⁵ This “dual prohibition” could lead an agency to a complex situation where the agency, through its race- and gender- neutral contracting policies, discriminates against women and/or a minority group or groups. The Attorney General, relying on a disparate impact theory, concluded that RCW 49.60.400(1) and (3) allowed for the use of preferences based on race or gender in narrow circumstances.¹⁰⁶ These circumstances “could

arise if an agency had a strong basis in evidence for concluding that a narrowly tailored preference was the only means available to remedy discrimination in its contracting practices.”¹⁰⁷ The Attorney General stressed how narrow these circumstances would be in practice by stating an “agency finding that its own policies cause a disparate impact must also exhaust available alternatives to the use of preferences.”¹⁰⁸

The Attorney General also noted that RCW 49.60.400(6) makes an exception for the prohibition against “reverse discrimination” where the prohibition would cause a loss of federal funding.¹⁰⁹ “Federal funding agencies have adopted Title VI regulations that require recipients of federal financial assistance to implement affirmative action to address the effects of prior discrimination.”¹¹⁰ For example, the U.S. Department of Transportation requires states receiving federal transportation funds to establish a Disadvantaged Business Enterprises program in state transportation contracting.¹¹¹

¹⁰¹ *Id.* at 12

¹⁰² *Id.* at 14.

¹⁰³ *Id.* at 14-15.

¹⁰⁴ *Id.* at 17.

¹⁰⁵ *Id.* at 18.

¹⁰⁶ *Id.* at 27.

¹⁰⁷ *Id.*

¹⁰⁸ *Id.* at 27-28 (discussing RCW 49.60.400(3) and *Shannon v. Pay 'n Save*, 104 Wn.2d 722, 727 (Wash. 1985)).

¹⁰⁹ *Id.* at 28.

¹¹⁰ *Id.* at 29.

¹¹¹ *W. States Paving Co. v. Washington State Dep't of Transp.*, 407 F.3d 983, 988-90 (9th Cir. 2005).

L. Legal Framework — State constitutional law

Other State Constitutional Issues

The study team considered other state constitutional issues as well.

Article I Section 12. Article I Section 12 of the Washington State Constitution, known as the privileges and immunities clause, states:

No law shall be passed granting to any citizen, class of citizens, or corporation other than municipal, privileges or immunities which upon the same terms shall not equally belong to all citizens, or corporations.¹¹²

The Washington Supreme Court has held on several occasions that the right to the equal protection of the laws as guaranteed by the federal Fourteenth Amendment and by the privileges and immunities clause of the Washington Constitution are “substantially identical and considered by [the] court as one issue.”¹¹³ The analysis and scrutiny on the Washington privileges and immunities clause follows the federal constitutional principles addressed above.

Article XXXI Section 1. Article XXXI Section 1, also known as the Equal Rights Amendment, of the Washington State Constitution states:

Equality of rights and responsibility under the law shall not be denied or abridged on account of sex.¹¹⁴

The Equal Rights Amendment (ERA) “absolutely prohibits discrimination on the basis of sex and is not subject to even the narrow exceptions permitted under traditional ‘strict scrutiny.’”¹¹⁵ The Washington Supreme Court has held that “[a]s long as the law favoring one sex is intended solely to ameliorate the effects of past discrimination, it simply does not implicate the ERA.”¹¹⁶

¹¹² Wash. Const. art. I, § 12.

¹¹³ *State v. Smith*, 117 Wash. 2d 263, 281, (Wash. 1991); see also *American Network, Inc. Wash. Utils. & Transp. Com.*, 113 Wn.2d 59, 77 (Wash. 1989); *In re Borders*, 114 Wn.2d 171, 175 (Wash. 1990); *Omega Nat’l Ins. Co. v. Marquardt*, 115 Wn.2d 416, 430 (Wash. 1990); *Seattle v. Rogers Clothing for Men, Inc.*, 114 Wn.2d 213, 233 (Wash. 1990); *State*

v. Entz, 58 Wn. App. 112, 119-120 (Wash. 1990); *Aventis Pharm., Inc. v. Dep’t of Revenue*, 428 P.3d 389 (Wash. Ct. App. 2018).

¹¹⁴ Wash. Const. art. XXXI, § 1.

¹¹⁵ *Sw. Wash. Chapter v. Pierce Cty.*, 100 Wash. 2d 109, 127 (Wash. 1983) (discussing *Darrin v. Gould*, 85 Wn.2d 859, 872 (Wash.1975)).

¹¹⁶ *Id.* at 127-28.

APPENDIX M. Review of Policies and Procedures

Appendix M examines how the City of Tacoma procures construction, professional services, including architecture and engineering, goods and other services.

The study team also collected information about how the City has operated its business assistance programs. This includes information related to contract goal setting, program eligibility and other aspects of program operations.

Appendix M is organized into the following three parts:

- Procurement procedures;
- Business assistance program implementation; and
- Employment and training program implementation.

M. Review of Policies and Procedures — Procurement procedures

Overview

The State of Washington requires public agencies, including cities and other governmental entities, to establish and follow specific guidelines when procuring construction, goods and services from vendors.

The City of Tacoma uses a combination of Washington statutes and City ordinances, as well as rules and processes specifically pertaining to City procurement.

Figure M-1 and M-2 summarize the following information for the City of Tacoma (applies to local- and state-funded contracts):

- Bidding thresholds;
- Bidding requirements;
- Basis for awarding contracts;
- Rules regarding advertisement of contracts; and
- Information about bonding and use of sole source, cooperative and emergency contracts.

These figures provide information for contracts in construction, professional services including architecture and engineering (A&E) services, goods and other services.

M. Review of Policies and Procedures — Procurement procedures

M-1. City of Tacoma procurement summary matrix for local/state-funded procurements

	Construction, maintenance and demolition	Supplies
Bidding thresholds		
Formal request for sealed proposals/bids	More than \$500,000	More than \$500,000
Request for qualifications	N/A	N/A
Informal request for bids	More than \$50,000 up to \$500,000	More than \$50,000 up to \$500,000
Request for written quotes	\$50,000 or below	More than \$10,000 up to \$50,000
Direct award	N/A	\$10,000 or below (for contracts with non-OMWBE certified firms) \$200,000 or below (for contracts with OMWBE certified firms)
Bidding requirements		
Formal request for sealed proposals/bids/qualifications	Public advertising	Public advertising
Informal request for bids	Public advertising (optional)	Public advertising (optional)
Request for written quotes	N/A	Minimum of 3 written quotes
Direct award	None	None
Means of public advertising	Official newspapers, online platforms	Official newspapers, online platforms
Basis for award		
Formal request for sealed proposals/bids	Qualifications and price	Qualifications, price and other factors
Request for qualifications	N/A	N/A
Informal request for bids	Lowest and best responsible bidder	Lowest and best responsible bidder
Request for written quotes	N/A	Lowest and best responsible quoter
Direct award	Direct award	Direct award
Other		
Provision for emergency purchases where bidding requirements waived	Yes	Yes
Bonding requirements	Bid bond of 5% for contracts \$500,000+ Payment bond (100% of contract value) Performance bond (100% of contract value)	Optional

M. Review of Policies and Procedures — Procurement procedures

M-2. City of Tacoma procurement summary matrix for local/state-funded procurements

	Professional services	Purchased services	A&E and A&E related services
Bidding thresholds			
Formal request for sealed proposals/bids	More than \$50,000	More than \$500,000	All amounts
Request for qualifications	N/A	N/A	All amounts
Informal request for bids	N/A	More than \$50,000 up to \$500,000	N/A
Request for written quotes	All amounts	More than \$10,000 up to \$50,000	N/A
Direct award	All amounts	\$10,000 or below (for contracts with non-OMWBE certified firms) \$200,000 or below (for contracts with OMWBE certified firms)	N/A
Bidding requirements			
Formal request for sealed proposals/bids/qualifications	Public advertising	Public advertising	Public advertising
Informal request for bids	N/A	Public advertising (optional)	N/A
Request for written quotes	Minimum of 3 written quotes	Minimum of 3 written quotes	N/A
Direct award	None	None	N/A
Means of public advertising	Official newspapers, online platforms	Official newspapers, online platforms	Official newspapers, online platforms
Basis for award			
Formal request for sealed proposals/bids	Qualifications, price and other factors	Qualifications, price and other factors	Qualifications, price and other factors
Request for qualifications	N/A	N/A	Qualifications and other factors
Informal request for bids	N/A	Lowest and best responsible bidder	N/A
Request for written quotes	Lowest and best responsible quoter	Lowest and best responsible quoter	N/A
Direct award	Direct award	Direct award	Direct award
Other			
Provision for emergency purchases where bidding requirements waived	Yes	Yes	Yes
Bonding requirements	Optional	Optional	Optional

M. Review of Policies and Procedures — Procurement procedures

Bidding Thresholds

Different bidding requirements apply based on the size and type of procurement. For City’s locally and state-funded procurements, the bidding thresholds for different types of procurements are as follows:

- **Direct award.** Used for procurements that are \$10,000 or below, with the exception of procurements for construction and A&E services as well as cases where the City is purchasing goods/services worth \$200,000 or less from certified minority/woman-owned or small businesses (see “Small Contracts” section in page 12).^{1,2,3}
- **Request for written quotes.** Used for goods, construction, professional services and other services procurements (not including A&E services) that are more than \$10,000 up to \$50,000.⁴
- **Informal request for bids.** Used for construction, goods and other services procurements (not including professional services or A&E services) that are more than \$50,000 up to \$500,000.^{5,6,7}

- **Requests for qualifications.** Used for A&E services procurements of all sizes.⁸
- **Competitive bids/proposals.** Used for procurements that more than \$500,000.⁹

Bidding Requirements

The typical bidding requirements for the different types of local and state-funded procurements are as follows:

- **Direct award.** Does not require competitive bids or written quotes to make a procurement.¹⁰
- **Request for written quotes.** Requires a minimum of three written quotes.¹¹
- **Competitive sealed bids/proposals, requests for qualifications and informal requests for bid.** Must publicly advertise (see advertising requirements on page 8).^{12,13}

¹ City of Tacoma Purchasing Policy Section 5.3

² On July 30, 2021, the threshold for direct awards was increased from \$5,000 to \$10,000.

³ Starting in 2024, the City was able to directly award non-construction and non-A&E contracts of up to \$200,000 to certified small, minority- or woman-owned businesses.

⁴ City of Tacoma Purchasing Policy Section 6.4

⁵ City of Tacoma Purchasing Policy Section 6.1

⁶ City of Tacoma Purchasing Policy Manual Section XXV Part B

⁷ On December 17, 2019, the threshold for bidding/proposals was increased from \$200,000 to \$500,000.

⁸ Ibid.

⁹ City of Tacoma Purchasing Policy Section 6.1.

¹⁰ City of Tacoma Purchasing Policy Manual Section X

¹¹ City of Tacoma Purchasing Policy Manual Section XI

¹² City of Tacoma Purchasing Policy Section 6.3

¹³ City of Tacoma Purchasing Policy Manual Section XII

M. Review of Policies and Procedures — Procurement procedures

Basis for Award

The City determines awards of locally and state-funded procurements as follows:

- **Direct award.** Directly awarded to a vendor based on their quote.¹⁴
- **Request for written quotes.** Awarded to the responsible vendor with the lowest quotation.¹⁵
- **Informal request for bids and competitive sealed bids.** Awarded to the lowest and best responsible bidder.¹⁶¹⁷
- **Requests for qualifications.** Awarded based on qualifications and other factors. Price is not used as a factor in contract awards.¹⁸
- **Competitive sealed proposals.** Awarded based on qualifications, price and other factors.¹⁹

¹⁴ City of Tacoma Purchasing Policy Manual Section X

¹⁵ City of Tacoma Purchasing Policy Manual Section XI

¹⁶ City of Tacoma Purchasing Policy Manual Section XII.

¹⁷ City of Tacoma Purchasing Policy Manual Section XIV

¹⁸ City of Tacoma Purchasing Policy Manual Section XVI.

¹⁹ City of Tacoma Purchasing Policy Manual Section XV.

M. Review of Policies and Procedures — Procurement procedures

City of Tacoma A&E Roster

Similar to the Small Works Program roster, the City is able to satisfy competitive requirements for A&E contracts by requesting submissions from vendors found within the City's A&E Roster.²⁰

A&E roster applicability. The following requirements apply for the City to utilize vendors from the A&E roster for A&E service-related procurements:

- Procurement must be strictly for A&E related services and not other types of professional services; and
- The procurement must not include state or federal funding.²¹

The City can utilize this procurement method for contracts of all sizes.²²

Means of Advertising or Other Public Notice

For the City of Tacoma, advertising is required for competitive sealed bids or proposals.

- If a contract is expected to be more than \$500,000, it must be placed in the City's official newspaper at least five business days prior to bid opening; in addition, can be electronically advertised.
- When advertised electronically, notices may be posted on the City's website.²³

Additionally, the City of Tacoma encourages vendors to subscribe for updates on the City's website to receive notices of different procurement opportunities.

Exemptions

The City is able to waive competitive procurement requirements for purchases such as procurements, purchases or modifications necessary to address emergency situations or any approved sole source procurements.^{24,25}

²⁰ City of Tacoma Purchasing Policy Section 6.5

²¹ City of Tacoma Purchasing Policy Manual Section VIII Part C

²² City of Tacoma Purchasing Policy Manual Section XXV Part B

²³ City of Tacoma Purchasing Policy Section 6.3.

²⁴ City of Tacoma Purchasing Policy Section 7.1.

²⁵ City of Tacoma Purchasing Policy Section 7.2.

M. Review of Policies and Procedures — Procurement procedures

Bonding Requirements

The City of Tacoma may request a 5 percent bid bond from a vendor bidding on a construction contract to guarantee that they will enter into the contract if it is awarded to them.²⁶

In addition, the City may also request payment and performance bonds equal to 100 percent of the contract value to guarantee that the bidder will compensate the subcontractors and suppliers it utilizes for the contract, as well as guarantee that the bidder will complete the work stipulated in the contract.²⁷

²⁶ City of Tacoma Purchasing Policy Manual Section XXV Part A.

²⁷ Ibid.

M. Review of Policies and Procedures — Business assistance program implementation

The City currently operates the Equity in Contracting (EIC) Program. It was established to increase the participation of minority-owned, woman-owned and small business enterprises (MBEs/WBEs/SBEs), as well as other historically underutilized businesses in City contracting. As part of this program, the City has set an overall annual aspirational goal of 20 percent. The 20 percent goal pertains to the share of City contract dollars going to MBEs, WBEs and SBEs combined and was based on the availability of MBEs/WBEs/SBEs in the City’s market area as shown in results from its previous disparity study conducted in 2018. The following describes key aspects of the EIC Program.

Use of EIC Program Goals

The City’s 20 percent annual goal is based on all contract dollars from public works procurements that go to eligible businesses in a fiscal year.²⁸ In addition to its overall annual goal, the City also utilizes contract goals for certain public works contracts. (“requirements” in the City’s terminology, but we use “goal” in this report). The percentage goal for a contract is set based on factors such as:

- Type of work being procured for a contract; and
- Availability of eligible businesses to perform relevant work in the project location.

Contract goal setting process. The City begins a contract goal setting process when a City division or department has need for a specific public works procurement. A project manager for the department or division requesting the procurement will first provide the Community and Economic Development Department with a detailed estimate of the

project cost (by line item) and detailed NAICS codes for each of the specific types of work that the project will involve.

Following that, the Community and Economic Development Department will develop individual MBE, WBE and Small Business Enterprise (SBE) goals to be applied to that specific procurement. The Department establishes these goals (“requirements” in the City’s language) by:

- Establishing a relevant market area of counties where firms that may be available to perform work on the project are located (the county where the public works project is taking place and adjacent counties).
- Identifying the number of certified firms (for the specific goal) in the market area that are available to conduct each of the relevant types of work for the project (based on the NAICS codes reported by the project manager). These firms are identified through the Washington State Office of Minority and Women’s Business Enterprises (OMWBE) business directory.
- Identifying the number of firms in the relevant market area available to conduct each of the relevant types of work for the project (based on the NAICS code reported by the project manager). These firms are identified from the availability database developed during the City’s 2018 Disparity Study.
- Calculating the relative availability of certified firms by dividing the number of certified firms by the corresponding total number of firms available for that type of work. This is performed for each type of work reported by the project manager.

²⁸City of Tacoma Municipal Code Section 1.07.060 Program requirements.

M. Review of Policies and Procedures — Business assistance program implementation

- Calculating the percentage of the budget made up by each type of work (based on NAICS code).
- Calculating weighted availability for each type of work by multiplying its percentage of the budget by the corresponding availability of certified firms. (If the number of firms available to perform the relevant type of work in the relevant market area is less than three, this would be defaulted to 0 percent).
- Finally, summing up the weighted availability for all the different types of work to calculate the specific contract goal.

These steps are performed to calculate contract goals for MBEs, WBEs and SBEs individually and provided back to project managers before the project is sent out for procurement.

EIC Goal Requirements and Exceptions

When the current EIC Program applies to a contract, a bidder or proposer may only be considered responsive if it were able to meet the utilization requirements for certified firms, or if the City were to provide an exception or waiver for these requirements for the contract.²⁹

Exceptions. The following are cases where the City could make exceptions and EIC goal requirements may not be put in place:

- An emergency purchase must be made;
- There are non-practical conditions present that can cause the City to suffer a financial loss or lose its ability to provide certain public services;
- Only sole source purchases are available;
- The contract is part of a purchase agreement involving other governmental entities, such as the State; or
- There are not enough certified firms to meet the requirements set for the contract.³⁰

Waivers. If it is determined that foregoing the EIC contract goal requirements is in the best interest of the City, the City may also waive those contract goal requirements. To do so, the department awarding the contract must make a request in writing to the City Manager or Director of Utilities to approve that waiver. The waiver may only be accepted either by the City Manager or Director of Utilities if it appears that attempting to fulfill the EIC Program requirements would pose an economic risk or burden for the City greater than the positive effects of fulfilling said requirements.³¹

²⁹ City of Tacoma Municipal Code Section 1.07.060

³⁰ Ibid.

³¹ Ibid.

M. Review of Policies and Procedures — Business assistance program implementation

Substitutions of Certified Firms

If a contractor were to need to substitute a certified firm in a project with an EIC goal, it would first need to get approval from the City. Substitutions may be allowed in cases where the certified firm has refused to complete some of the necessary agreements made by the firm or has defaulted on them, as long as the substitution does not result in an increase from the bid amount.

In cases where there are no potential substitutes for a certified firm, the City may allow a non-certified firm to be substituted in, as long as this does not cause an increase from the bid amount. However, if the City determines that the contractor has not made adequate efforts to find an acceptable, certified substitute for the certified firm, it may consider the contract as non-compliant for the contract.³²

³² City of Tacoma Municipal Code Section 1.07.080

M. Review of Policies and Procedures — Business assistance program implementation

Previous SBE Program

Prior to adopting the EIC Program in spring 2020, the City of Tacoma had a Small Business Enterprise (SBE) Program. This SBE Program used race- and gender- neutral measures to attempt to increase the participation of small and disadvantaged businesses in City construction, professional services, goods and other services contracts.

Through this program, the City had an overall aspirational goal of 22 percent for SBE participation and was able to set contract-specific goals for SBE utilization in certain contracts (similar to how it does now for the EIC Program). However, after conducting its previous disparity study in 2018, results indicated that the SBE Program was not creating a more equitable distribution of contract dollars in City procurements. As a result, the City discontinued the SBE Program once it adopted the EIC Program.^{33,34}

³³ City of Tacoma Ordinance No. 28625

³⁴ Griffin and Strong, P.C. (2018). City of Tacoma Disparity Study 2018. (Rep.)

Small Contracts

In addition to the EIC Program, the City of Tacoma has procurement policies in place that can offer additional contracting opportunities to MBEs, WBEs and other OMWBE-certified firms, including SBEs. Currently, the City of Tacoma is able to directly award contracts to these vendors without a need for competitive solicitation under the following conditions:

- The vendor awarded the contract is certified and listed in the OMWBE directory;
- The contract is for \$200,000 or less;³⁵and
- The contract is not for public works or A&E services.³⁶

³⁵ In 2024, the City increased the threshold for this policy to \$200,000 or below. This threshold was \$50,000 from 2019 to 2024 and \$10,000 prior to 2019.

³⁶ City of Tacoma Purchasing Policy Section 5.3 (2024)

M. Review of Policies and Procedures — Employment and training program implementation

The City of Tacoma also operates a Local Employment and Apprenticeship Training Program (LEAP). The goal of this program is to create opportunities that will help develop a more skillful and experienced workforce capable of performing in the construction industry. This program may apply to all construction contracts and related service contracts that are fully or partially funded by the City of Tacoma³⁷ and that fall under one of the following two types of projects:

- **Building Project.** A public works or improvements project that is estimated to cost more than \$750,000 and that requires a relevant building permit issued under the current state building code.³⁸
- **Civil Project.** A public works or improvements project that is estimated to cost at least \$250,000 and is not a Building Project.

LEAP Goal Requirements

Under the LEAP Program, contractors working on applicable projects must ensure that at least 15 percent of the total hours worked are performed by Tacoma residents or individuals that reside in Economically Distressed ZIP Codes (regardless of whether the individuals are journey level or apprentice level craft workers).³⁹

Economically Distressed ZIP codes are those located in the Tacoma Public Utilities Service Area⁴⁰ that meet at least two of the three following criteria:

- Have a high concentration of residents living under 200 percent of the federal poverty line based on persons per acre (69th percentile);
- Have a high concentration of unemployed residents based on persons per acre (45th percentile); and
- Have a high concentration of residents 25+ years old that do not have a four-year college degree based on persons per acre (75th percentile).⁴¹

In cases where a Building or Civil Project is expected to cost more than \$1 million, an additional 15 percent of the project hours worked must be performed by construction trade apprentices registered in a WA State Apprenticeship Council-approved program that are residents of the Tacoma Public Utilities Service Area.⁴²

³⁷ City of Tacoma Municipal Code Section 1.90.020.

³⁸ City of Tacoma Municipal Code Section 1.90.030.

³⁹ City of Tacoma Municipal Code Section 1.90.040.

⁴⁰ The Tacoma Public Utilities Service Area includes every ZIP code that receives services or maintains infrastructure used by Tacoma Public Utilities to provide services.

⁴¹ City of Tacoma Municipal Code Section 1.90.030.

⁴² City of Tacoma Municipal Code Section 1.90.040.

M. Review of Policies and Procedures — Employment and training program implementation

New Washington State Apprenticeship Requirements

As of July 1, 2024, Washington State’s apprenticeship requirements expand apprenticeship utilization requirements to municipalities across the state, including the City of Tacoma. The State’s new requirements require municipalities to adopt a 15 percent apprenticeship utilization goal for their contracts of \$2 million and above. This utilization requirement is expected to apply for contracts of \$1 million and above by July 2028. Given the City of Tacoma’s current 15 percent apprenticeship utilization goal for contracts \$1 million and above, this would not drastically impact the City LEAP program goal requirements.

LEAP Program Compliance

Before receiving a Notice to Proceed on a project, a contractor must provide a LEAP Utilization Plan describing how it will meet the LEAP goal requirements and meet with the City to discuss the plan.⁴³ Failure by a contractor to provide a LEAP Utilization Plan can result in the City withholding payments for a project. (An exception may be made when a City representative was unable to meet with the contractor prior to expected date of the Notice to Proceed and the contractor has already scheduled a meeting with the City to discuss the plan at a later time.⁴⁴)

If a contractor does not meet the LEAP goal for a project, the City can assess a penalty for them based on the number of participation hours that it failed to meet. These amounts vary based on the percentage of hours met, as shown in Figure M-3.⁴⁵

The City can waive penalties for not meeting the required labor hours.

M-3. City of Tacoma assessed penalties for failure to meet LEAP goals

Percentage of project hours met	Assessed penalty amount
0 percent	\$60.00 for each unmet hour
1 to 49 percent	\$45.00 for each unmet hour
50 to 74 percent	\$30.00 for each unmet hour
75 to 89 percent	\$20.00 for each unmet hour
90 to 99 percent	\$12.00 for each unmet hour
100 percent	No assessed amount

⁴³ Ibid.

⁴⁴ City of Tacoma Municipal Code Section 1.90.040.

⁴⁵ City of Tacoma Municipal Code Section 1.90.040.