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Blacks frustrated as Lansing examines contracting practices

By DANIEL STURM

Fred Porter

Fred Porter was furious when he left a meeting of City Council's ad hoc committee on supplier diversity last week.

"All they do is talk," complained Porter, chairman of the economic development committee of the Lansing NACCP. "Next year we might be sitting here again, and we will not have seen any changes."

The aim of the committee was to increase the number of minority and women-owned businesses contracting with the city. Less than one percent (0.5) of the contractors Lansing hires are African-American. Six percent of Lansing and East Lansing area businesses are minority-owned, according to the 1997 U.S. Economic Census. And Porter, who is currently chairman of the Lansing NAACP's economic development committee, said he doesn't imagine things getting any better without aggressive action. There's currently no assessment of what types of minority businesses are in the area.

African-Americans represent 21.9 percent of Lansing's population, but only nine of the business owners the city hired last year were black. These nine owners received \$226,000 out of the city's \$44.4 million total purchasing budget. Just over 98 percent of the annual purchasing budget was awarded to businesses owned by non-minorities last year, while minority-owned companies received 1.8 percent. Firms owned by non-minority women received 7.8 percent of city contracts. That is more than half of the women-owned businesses in Lansing/East Lansing, which is 14 percent, according to U.S. Census. In order to qualify as minority or woman-owned business, at least 51 percent of the firm, and all daily business operations must be controlled by a person of this group.

On Aug. 5, Lansing's ad hoc committee on supplier diversity, made up of City Council members Carol Wood, Brian Jeffries and Geneva Smith, as well as other city officials and members of the minority business community, presented a list of recommendations on how the situation might be improved. The plan suggests amending the city's purchasing ordinance with a requirement that staff solicit bids from at least three minority- and three women-owned businesses. According to the proposal, each city department would also have to present a detailed report to City Council and the Mayor, laying out a program to improve diversity spending.

Purchase orders higher than \$100,000 would need to be approved by City Council.

Mayoral Assistant David Wiener said Mayor Tony Benavides has appointed three department heads to explore ways for the city to contract with more minority-owned businesses. Wiener said that it might be time to create an office for supplier diversity. "Not to put anybody down . . . , but that's the kind of extra effort that is required to improve diversity."

Porter, who was president of the NAACP's Lansing chapter from 1987 to 1989, said he's been talking to city officials for the last 14 years, but with no visible results. He hopes Benavides, the son of Mexican farm workers, will change things by holding up to his promise to issue an executive order that gave minority businesses a "fair shot." (Benavides couldn't be reached for comment).

James Gill, Lansing's NAACP president, added: "I'm not about meetings, I'm about action plans." Gill said he wanted to help change the city's purchasing policy, and plans to call the NAACP headquarters in Baltimore for help if the situation in Lansing hasn't improved by the spring of 2004. In 1981, the NAACP established a Fair Share Program, to help ensure that black businesses nationwide would receive a fair shot at obtaining government contracts, and to promote entrepreneurship among blacks, and employment opportunities within the private sector.

Porter said that private businesses realized decades ago that treating people fairly was good for business. As a young man Porter completed a three-year training program at the U.S. Department of Labor Statistics in Washington, and for 30 years worked as a purchasing agent for Ford, General Motors and International Harvester. "Henry Ford told his buyers they'd be fired if they didn't buy from minority businesses," he said. But governments don't have the same market-guided checks and balances as a private business. And unfortunately, according to Porter, local governments like Lansing "still don't get it." He said the only way to hold the public sector accountable was to keep the pressure high. The City of Lansing does not give preference to minority or women-owned businesses, confirmed Antonia Kraus, the city's business services manager. The only related ordinance that does exist gives a "preference for local bidders" if offers are equal. "The city keeps track of the contracting company owner's ethnic identity for reporting purposes only," she said. Kraus pointed out that staff at the Finance Department did advertise bid proposals in minority newspapers, in addition to posting them on the city's Web site, and attending trade fairs.

In fact, local governments face legal challenges when they try to give preference to minority and women-owned companies. In the case of the City of Richmond, Va. vs. J.A. Croson Company (1989), the U.S. Supreme Court found that race-based classifications by a local government would be constitutionally permissible only when the local government could demonstrate a "compelling governmental interest" for the need to deter discrimination.

Richmond used to require its primary contractors to award at least 30

percent of their subcontracting business to qualified minorities. In an attempt to comply, the J.A. Croson Co. contacted several minority subcontractors but was unable to obtain any bids. Croson sued the city when it refused to contract with them, and put the project out for a rebid.

Quoting from this Supreme Court ruling, Kraus said that giving a preference to minority businesses could legally be adopted only if the city were to conduct a disparity study and discover solid evidence of discrimination. She said such a study would be a “massive undertaking,” and could take up to three years. She said that Battle Creek recently spent \$230,000 to launch such a field study. It would be up to Lansing’s political leadership to set aside money, which Kraus said she’s welcome: “It would be wonderful if a disparity study could help us locate more minority-owned firms.”

As the ad hoc committee on supplier diversity prepares for its next meeting on Aug. 19 (they meet every first and third Tuesday of the month at 3:30 p.m.), its members might draw from nearby Grand Rapids’ 20-year record of improving minority-owned business participation. Asked what advice she could give to Lansing’s leadership, Ingrid Scott-Weekley, the director of Grand Rapids’ Equal Opportunity Department, said in a phone interview: “If Lansing is willing to make a commitment, they must put a tremendous amount of time into it, and also provide the financial and human resources.”

Scott-Weekley recalls that during the mid-1980s Grand Rapids reached its goal of gaining 10 percent for minority participation on all city construction projects costing higher than \$10,000. Grand Rapids was the first city in Michigan to establish a Minority and Women Business Enterprises policy, which could be described as an affirmative action program for suppliers. Other cities with similar programs today include Columbus, Ohio, San Francisco, Chicago, San Diego and Philadelphia. When Grand Rapids suspended its program in 1989 following the Supreme Court ruling on the Virginia case, minority participation dropped rather rapidly from 10 percent to less than 2 percent. Scott-Weekley, who became Grand Rapids’ equal opportunity director in May of that year, recalls that the City Commission decided to conduct a disparity study in order to gather evidence that discrimination existed. Scott-Weekley, who also chairs the Grand Rapids NAACP’s political action committee, said the study showed that although the city had many minority and women-owned businesses, the city’s purchasing department appeared to favor non-minority contractors.

This evidence allowed Grand Rapids to establish a minority and women’s program in 1992. Since U.S. census data revealed that 11 percent of all construction contractors in Kent and Ottawa Counties were minority-owned, and 1 percent were owned by women, the new program was designed to award an equal amount of city dollars spent on construction projects to those firms.

If Grand Rapids contractors are unable to find qualified minority subcontractors, they are allowed to request a waiver. Scott-Weekley’s

staff then determines whether the claim's adequately documented according to guidelines. If unsatisfied, a firm is given the opportunity to appeal to the Grand Rapids Community Relations Commission (a seven-member citizen's group appointed by the mayor), and afterward to the City Commission.

Even with the waiver, Scott-Weekley said that Grand Rapids has averaged 9 percent, for minority business participation over the last three years. In 1997 they the city spent \$200,000 to conduct a more extensive study. Although the results showed that a disparity existed, it did not find adequate proof of discrimination to justify the continuation of an ethnicity-led equal opportunity program.

The City Commission decided to eliminate the program by the end of 2003 and replace it with a new one without numerical goals for participation. Scott-Weekley is not afraid that participation rates will dramatically drop as they did in 1989. "We learned from the first program that without a mandate, the white contractors weren't going to use the minority contractors," she said. This time, we put a safety net in place so that the same thing doesn't happen again."

The City Commission approved a \$500,000 start-up fund for their new "Economic Opportunity Plan." Scott-Weekley has hired a minority business advocate and a minority business developer to create joint ventures, start a minority protégée program, and to support good-faith initiatives.

Grand Rapids is also reorganizing its Equal Opportunity Department, which has an operating budget of \$237,000, to form a new unit that includes the Purchasing and Economic Development Departments. By the end of 2003 an Opportunity Center, a Business Opportunity Council and an acquisitions coordination team will work jointly to keep minority participation high and attract new businesses to the area. The administration has also created a directory that will help department heads identify minority and women businesses from five West Michigan cities.

Finally, the purchasing department has hired another senior buyer, whose primary focus is to review the city's internal purchasing practices.

Department directors receive a minority performance evaluation, in which they must document how much money they spent on different projects, and whether they made an effort to find minority contractors when soliciting bids. "This time, our plan is not limited to construction projects," Scott-Weekley said.

At the Lansing ad hoc supplier diversity committee meeting last week, Kip Gomoll, deputy director of the Department for Human Relations and Community Services', said that 90 percent of the city's purchasing dollars are spent for construction projects. Gomoll questioned the possibility of awarding more dollars to minority businesses, since there were few minority-owned construction companies in the area.

Scott-Weekley commented: "Do Lansing's white-construction contractors all come from Lansing? Our experience is that white-owned firms make bids from all over. Well then, we need to do an outreach to the minority construction companies, and let them know that our city welcomes their bids as well!"

When Elizabeth McMurray tried to contract with the City of Lansing for the job of altering police officer's uniforms 25 years ago, she was turned down. The African-American owner of Liz Alterations believes racism was behind the rejection. "I didn't get anything from the city," says McMurray. But at least, she says, her picture was taken at a City Council meeting on July 21 of this year, when the City of Lansing awarded her for 25 years of business. After the ceremony McMurray gave eight \$25 gift certificates to City Council members and the mayor. "I said, 'Perhaps I can bribe you into doing business with me now.' They laughed, and I don't think they realized I was serious."

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