



Addressing Economic Inclusion in Grand Rapids

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Executive summary

The Grand Rapids region can take pride in its economic achievements, as it emerges as a growing region in a relatively low-growth state. Even though Grand Rapids has made great strides, many persistent challenges remain. One of the most pressing challenges is the concentrated poverty experienced by city residents in the near west and near south neighborhoods. These neighborhood residents often lack assets, education and training, and access to opportunities. As a result, a large segment of the city's population cannot keep up economically. Given these realities, how can the Grand Rapids region truly thrive when a large segment of its core continues to fall further behind?

At the heart of the issue is that workers in more disadvantaged neighborhoods often lack the education or skills to fill the quality jobs created through the region's economic development programs. The City of Grand Rapids administers programs and incentives to encourage utilization of small firms and disadvantaged workers in the city's publically funded projects, but these firms and workers often do not know about these programs, have not developed the professional networks to engage with more established firms and often lack the capacity and resources to participate. Although these programs do aid small, local businesses, their reach is limited because the legal interpretation of Proposition 2 — which effectively bans race-conscious programs in the State of Michigan — has placed significant parameters on the types of programs the city can offer. These challenges, however, are not unique to Grand Rapids. Much can be learned not only by examining how other cities have responded in addressing inclusivity and diversity in their responses.

This report, sponsored by the W.K. Kellogg Foundation, examines these topics in greater detail. It begins by reviewing the Grand Rapids region's recent economic performance. It then details the economic conditions found in the City's near south and west neighborhoods, which include many of the city's communities of color. It also considers which segments of the workforce are likely to benefit from growth in several key sectors. The report then shifts to look at how promising practices from eight other cities can inform Grand Rapids about strategies for promoting greater diversity and more inclusive economic development. The report finishes by offering some final conclusions.

Grand Rapids' economic recovery created opportunities, but persistent challenges remain

The Grand Rapids MSA has a \$51.9 billion economy¹, which represented 11.5 percent of Michigan's total state GDP in 2014. Both the region and the state saw their economy shrink during the Great Recession, but since 2009 the MSA's economy has grown at a much faster annual rate (5.8 percent) than the Michigan economy (4.3 percent). This growth creates more economic opportunities, which in turn supports the region's population growth. Between 2010 and 2015, Kent County's population grew at an

¹ Growth Regional Product captures the total value of the goods and services produced in the region. These data are collected by the US Bureau of Economic Analysis (www.bea.gov).

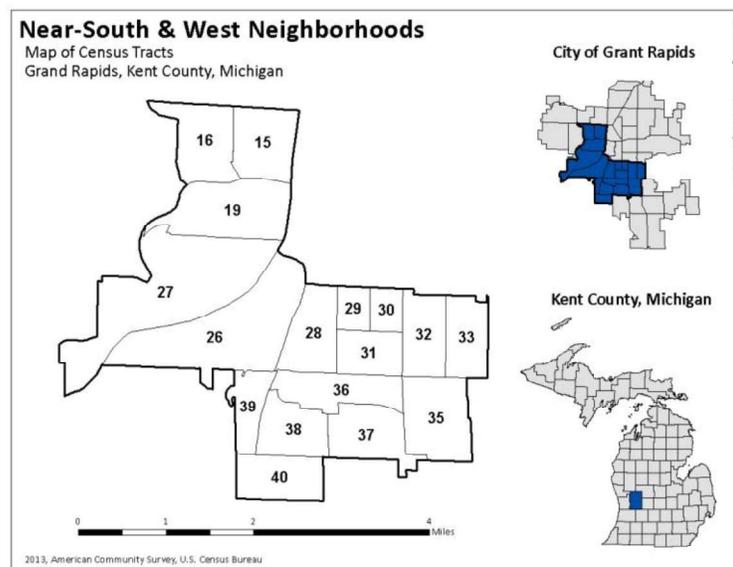
annual rate of 1.1 percent which was slightly faster than the national rate (0.8 percent). The strength of Grand Rapids' economic recovery is further highlighted by its declining unemployment rate, as Kent County had the state's second lowest unemployment rate (2.7 percent) at the end of 2015.

These indicators demonstrate the region's relative economic health and are often a reason why the Grand Rapids area performs well in national indices of growth and development. However, this positive news can often mask the economic and social disparities that exist within the region and overlook the fate of people with less education or who are unable to access good-paying jobs. While we can celebrate much of the Grand Rapids region's progress, it is important to remember that for the city, county, and region this progress must be shared throughout the entire community. For the region to truly realize its potential, its vital core communities must also benefit from this economic success.

At a broad level, recent population trends illustrate some of these disparities. During the 2000s, Kent County grew by almost 5 percent while the City lost a similar proportion of people. Since 2010 these growth trends have begun to reverse, but the City of Grand Rapids' 2015 population (195,100 residents) still remains less than its 2000 population (197,800). This population loss has been particularly acute in several neighborhoods of focus (comprised of 17 census tracts) in Grand Rapids' near west and near south areas (See Figure A). These neighborhoods are home to approximately 62,000 people, or roughly a third of the City's total population. Between 2000 and 2010, they lost nearly 10 percent of their population. These population losses accounted for two-thirds of the net population loss that occurred in the City of Grand Rapids during that time period. Much like the city overall, these neighborhoods have not yet returned to their 2000 population. This would likely not be the situation for the overall city population if the population trends in these neighborhoods were stabilized.

The near south and west neighborhoods are demographically different from Kent County and the City of Grand Rapids. They are on average younger, and more racially and ethnically diverse. According to the 2010-2014 American Community Survey, 33 percent of the neighborhoods' population is African-American and 33 percent is Hispanic or Latino. These neighborhoods are economically unstable as they have low median household incomes and high unemployment. Between 2010

Figure A: Grand Rapids Near south and west neighborhoods



and 2014, 13.2 percent of American Community Survey respondents in the neighborhoods noted that they were unemployed the week before they took the survey between 2010 and 2014; by contrast this figure was 8.6 and 7.4 percent for the City of Grand Rapids and Kent County, respectively.

These figures were consistently higher for the African-American and Hispanic workforce. More than one in five (21.6 percent) African-Americans were unemployed at some point between 2010 and 2014 in Kent County; this figure increases to one in four within the City of Grand Rapids (25.6 percent) and the near south and west neighborhoods (26.0 percent). Among Hispanics, 18.4 percent of respondents in the neighborhoods and 17.2 percent overall in the City of Grand Rapids reported being unemployed during this period. These high unemployment rates point to a lack of stable employment that can inhibit people's ability to accumulate wealth or assets.

Opportunities for neighborhood residents are also limited by a lack of educational attainment. Over 27 percent of the population aged 25 and older² in the neighborhoods has less than a high school degree. This is almost twice as high as the City of Grand Rapids and three times as high as Kent County. By contrast, roughly a third of Kent County and the City have at least a bachelor's degree, while only 16 percent of the neighborhoods' population (aged 25+) has bachelor's degrees. The lack of post-secondary educational attainment limits the potential for workers to secure the best paying jobs, but the lack of a high school diploma hinders an individual's ability to find any kind of family-sustaining employment.

Just as it is for workers in all communities, it is particularly important for current and future workers in the near south and west neighborhoods to pursue ongoing training and education. Training for a particular career is only part of the challenge, but actually finding and securing relevant job opportunities presents another set of challenges to overcome. Jobs are available within their neighborhoods, but data suggest that neighborhood residents are not accessing these employment opportunities. In 2014, 91.3 percent of people who live in this geography worked outside the neighborhoods, often in downtown and in the retail and manufacturing centers south of the city.

Low educational attainment levels and high unemployment coupled with the challenge of securing quality employment opportunities contribute to many neighborhood residents' economic vulnerability. These conditions are reflected in relatively low median household incomes (MHI) throughout the near south and west neighborhoods. Low household incomes also indicate a significant share of the population living in poverty. The neighborhoods represent 33 percent of the City of Grand Rapids' population, but 48 percent of its impoverished residents. Many neighborhood residents are impoverished, regardless of race or ethnicity. Consider that:

- 41 percent of Grand Rapids' impoverished whites live in the neighborhoods,
- 56 percent of Grand Rapids' impoverished African-Americans live in the neighborhoods, and

² Educational attainment becomes more stable after age 25, so measures of educational attainment often only consider population aged 25 and above.

- 68 percent of Grand Rapids' impoverished Hispanic or Latinos live in the neighborhoods.

Not only is this poverty concentrated geographically, but the burden of poverty falls disproportionately on single women and particularly single mothers. Whereas 32.7 percent of families within the neighborhoods live below the poverty line, 52 percent of families with a single female head of household live in poverty. Among the neighborhoods' single female head of household families with children under the age of 18, 60.8 percent live in poverty.

The above data demonstrate that in spite of the Grand Rapids region's recent success, residents in the near south and west neighborhoods continue to face significant economic hardships. There are no easy solutions to these ongoing challenges. Broad economic development efforts that focus on growing targeting sectors or industry clusters often create jobs for workers with specific skills or education. For instance, strategies that support professional and business services provide more opportunities for workers with post-secondary educations. Similarly, the construction and manufacturing sectors overwhelmingly employ men (In Kent County, 87 percent and 71 percent of the construction and manufacturing workforce, respectively) despite the fact that the people most in need in these neighborhoods lack post-secondary education and are female heads of households. Without making a concerted effort to address these workers' needs, these current patterns of poverty will likely continue.

Municipal efforts can promote more equitable economic development

Municipal governments can play a vital role in spurring neighborhood economic development. They are often large purchasers of good and services, particularly construction services. Cities can leverage their spending power to achieve broader social and economic objectives. City governments that prioritize equity concerns can direct their efforts towards the betterment of the city's more disadvantaged neighborhoods and workers. Programs that support the growth and development of minority and women-owned business enterprises (M/WBEs) are common tools for achieving these broader social objectives because M/WBEs are more likely to hire women and minority workers that are often supporting lower income families.

As such, many cities have M/WBE programs in place to utilize city investments as a tool for creating jobs for specific segments of the city's workforce. However, Proposition 2 prevents the City of Grand Rapids from fully directing resources to support opportunities that help M/WBEs. The City of Grand Rapids, however, provides a number of programs that meet many of the needs of M/WBEs by incentivizing greater use of the city's smaller and more local businesses in city contracting activities (both for construction and goods and services). These programs include the Micro-Local Business Enterprise (Micro LBE) program, Bid Discounts, Mentor-Protégé program, and the Target Market Program among others.

Similar programs are found in other cities, and in some instances, other cities are looking to emulate these programs. However, there is always room for continuous improvement. Cities can learn much by not only looking at the programs implemented elsewhere, but also by looking more broadly at the

different ways that other cities approach inclusivity and diversity in their policies. As a result, we looked at economic development efforts in eight other cities:

- Kansas City, Missouri
- San Antonio, Texas
- Austin, Texas
- Seattle, Washington
- Oakland, California
- Cincinnati, Ohio
- Des Moines, Iowa
- Cedar Rapids, Iowa

These cities are all facing similar challenges to those in Grand Rapids, such as marketing their existing programs, increasing outreach to disadvantaged neighborhoods and communities of color, improving access to capital, and raising the capacity of minority and women-owned businesses. Except Seattle and Oakland, these cities have a Council-Manager form of government, like Grand Rapids. Several are located in states with less restrictive policies about race conscious programs, but there are still many lessons that can be learned by looking at the manner in which they approach or focus their efforts. The case studies, therefore, demonstrate the importance of:

- *City leadership prioritizing diversity and inclusion:* Seattle and Cincinnati make clear that addressing these issues are important to the city's future, and that the city government—through its actions—would lead in the efforts to address them. By clearly articulating a vision for diversity and inclusion, the city's leadership can ensure that resources are directed toward addressing these issues. Moreover, creating specific positions (e.g., Seattle's Workforce Equity Director) and dedicating staff time not only demonstrates the city's commitment but also ensures that someone is paying attention to these issues on a full-time basis.
- *Undertaking extensive and systematic outreach and communication:* The outreach efforts in Kansas City show the value of undertaking these activities in a systematic and aggressive manner. The ongoing outreach efforts there promote city programs, connect businesses and entrepreneurs to new opportunities, and importantly build relationships with disadvantaged communities and businesses in a non-crisis environment. Quickly addressing the issues raised through this community and business interaction can also help to build credibility for the city government. Moreover, it is important to meet, interact and deliver programming to businesses and workers from disadvantaged communities in places where they are comfortable to attend.
- *Leveraging partnerships to expand programmatic support options:* In addition to their role as program administrators, the staff from comparator cities approaches their jobs as facilitators and connectors. This approach enables them to provide a wider array of programmatic options because they are able to draw on the expertise and networks of key strategic partners. Beyond simply administering incentive programs, they seek to organize technical assistance workshops or facilitate networking events as a way to build the capacity of businesses and entrepreneurs from the city's more disadvantaged neighborhoods.

- *Tracking and evaluating progress:* Data and information are crucial ingredients for making sure that programs designed to support disadvantaged businesses are working and achieving their intended objectives. Several cities commissioned disparity studies (e.g., Cincinnati, San Antonio, Austin) which helped to develop performance measures used to justify programs and track outcomes and compliance. More generally, tracking and disseminating information about disparity and inclusion are vital for crafting effective policies, motivating action, and assessing whether the programs being implemented actually work.

Conclusions

The Grand Rapids economy has performed relatively well coming out of the recession, but economic prosperity has not spread to the citizens living in near south and west neighborhoods—which represent a third of the City of Grand Rapids population. The challenges facing Grand Rapids, however, are not unique. Other cities have segments of their population that lack the resources and education needed to keep up with a changing economy, and have found it equally as difficult to address these complex, multifaceted challenges.

While detailed recommendations are beyond this report’s scope, the experiences of other cities do provide insights into how they approached these challenges. However, to move forward toward implementing strategies to address these challenges, the experience of other cities suggest the need to build consensus in responding to several key questions:

- What priority does the community at large place on achieving equity and economic inclusion?
- How structured, systematic or coordinated are the inclusion efforts underway throughout the community?
- How should the City view its role in diversity and inclusion efforts (e.g., leader, program administrator, facilitator, or a connector)?
- How can other community initiatives support the City efforts, and how can the City leverage theirs?
- How do we demonstrate that our efforts are effective? How can this information be used to guide future efforts or build broad-based support for diversity and inclusion efforts?

Building consensus around these kinds of basic questions will allow Grand Rapids to strengthen its ability to address issues pertaining to diversity and economic inclusion. The City of Grand Rapids and the entire Grand Rapids metropolitan area has much going for it, yet unless specific strategies are implemented that will not only build a culture of inclusion, but also tangibly connect economic opportunity to low-income communities in Grand Rapids, the gaps identified in this report will persist and grow. Grand Rapids has tremendous opportunity to build on current efforts and align those activities with the Governmental Alliance for Racial Equity (GARE) and other human and financial resources to ensure everyone can fully participate in a thriving economy.

Introduction

The Grand Rapids region can take pride in its economic achievements, emerging as a growing region in a low growth state. Coming out of the Great Recession, the region achieved faster than average Gross Domestic Product (GDP) growth and Kent County has one of Michigan's lowest unemployment rates. Due to its economic strength and its quality of life anchored by a thriving downtown area, Grand Rapids has attracted the attention of numerous trade magazines that cite it as a great place for future investment. Even though Grand Rapids has made great strides, many persistent challenges remain.

One of the most pressing challenges is the concentrated poverty experienced by residents in the City's near west and near south neighborhoods. Many residents in these neighborhoods—which also represent a significant proportion of the City of Grand Rapids' African-American and Hispanic population— have yet to fully enjoy the benefits and opportunities arising from the area's recent growth. In fact, since the turn of the century these neighborhoods have lost population while the broader Grand Rapids region has grown. Residents in these neighborhoods often lack resources, have insufficient education and training, and have limited access to opportunities. As a result, a large segment of the city's population cannot keep up economically, let alone get ahead. Given these realities, how can the Grand Rapids region realize its potential when its core communities continue to fall further behind?

Addressing these issues can prove challenging. For instance, economic development efforts often focus on industries like professional and technical services or advanced manufacturing. Workers in more disadvantaged neighborhoods often lack the education or skills to fill these quality jobs. Similarly, the City of Grand Rapids is a large purchaser of construction services and can leverage these investments to create opportunities for businesses and workers in more disadvantaged neighborhoods through its supplier diversity programs. However, many smaller firms are unaware of these programs, lack the professional networks to engage with more established firms, and generally lack the capacity and resources to participate. In addition, Michigan's Proposition 2—which effectively banned race-conscious programs—places limitations on the types of assistance the City can offer.

It is also worth noting that the onus of addressing these challenges falls on many actors, not just the City of Grand Rapids. Moreover, the challenges facing Grand Rapids are not unique, as other cities have disadvantaged residents, neighborhoods and businesses that lack the resources, networks and training to keep pace with a changing economy. As a result, much can be learned not only by examining other cities' programs, but also how those others cities approach issues of inclusivity and diversity more broadly.

This report, sponsored by the W.K. Kellogg Foundation, examines these topics in greater detail. It begins by reviewing the Grand Rapids region's recent economic performance. The following section then details the economic conditions found in several 'Neighborhoods of Focus', which include many of the city's communities of color. These neighborhoods in Grand Rapids' near west and near south encompass 17 census tracts and are the focus of the W.K. Kellogg Foundation's grant making activities. It also

considers which segments of the workforce are likely to benefit from growth in several key sectors. Much of this research was presented to a wide variety of stakeholder groups in the summer of 2015.

The report then shifts to look at how cities can promote greater diversity and more inclusive economic development, and examines promising practices from eight other cities. These case studies are based on conversations with representatives from each of these cities and highlight some of their promising initiatives for promoting inclusion, as well as some of the implementation challenges that they may have faced. The section also highlights some of the common themes emerging from these case studies. The report concludes by offering some final thoughts.

Grand Rapids' economic recovery created opportunities, but persistent challenges remain

Grand Rapids and its surrounding metro area did not escape the economic hardships brought about by the Great Recession, but the area has had a recovery stronger than many other parts of the state. However, not all residents of Grand Rapids have prospered from the economic recovery therefore, economic disparity continues to grow. This section will highlight several economic trends to illustrate the difference between the Grand Rapids area's broad economic performance and the economic conditions facing residents of some of the city's more disadvantaged neighborhoods.

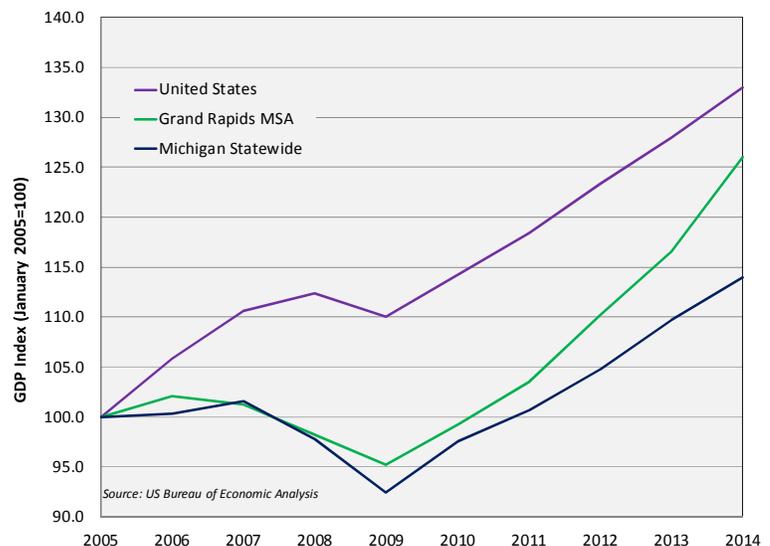
The Grand Rapids region has recovered well since the recession

The Grand Rapids MSA has a \$51.9 billion economy³, which represented 11.5 percent of Michigan's total state GDP in 2014. Figure 1 provides an index of GDP for the US, Michigan and the Grand Rapids-Wyoming MSA. Both the region and the state saw their economy shrink during the recession, but since 2009 the MSA's economy has grown at a much faster annual rate (5.8 percent) than the Michigan economy (4.3 percent), making it a growth region in a low growth state.

This growth generates more economic opportunities, which in

turn supports the region's population growth. Population estimates from the US Census Bureau show that the MSA and Kent County's population grew during a time when Michigan's population remained relatively flat. Between 2010 and 2015, Kent County's population grew at an annual rate of 1.1 percent which was slightly faster than the national rate (0.8 percent). The strength of Grand Rapids' economic recovery is further highlighted by its declining unemployment rate. Figure 2 shows the unemployment rates for the US, State of Michigan and Kent County since 2005. Kent County's unemployment rate was over 12 percent during the depths of the recession, but by the end of 2015, Kent County had the state's

Figure 1: Gross Domestic Product



³ Growth Regional Product captures the total value of the goods and services produced in the region. These data are collected by the US Bureau of Economic Analysis (www.bea.gov).

second lowest unemployment rate (2.7 percent) trailing only Ottawa and Washtenaw counties (2.6 percent).

These indicators show the regional economy's relative health and partially explain why the Grand Rapids area performs well in national indices of growth and development. For instance, *Area Development* magazine placed the Grand Rapids-Wyoming MSA third in their 2016 rankings of 'leading' locations for economic development behind only San Francisco and Napa in California.⁴

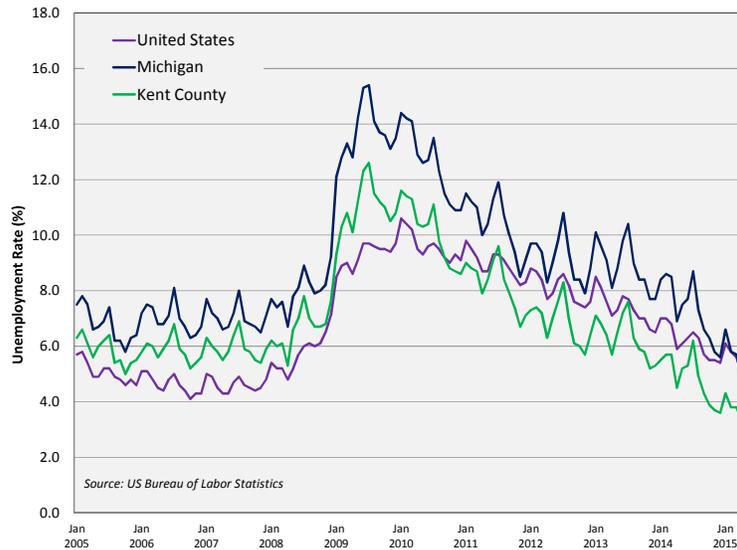
However, these rankings come with important caveats, not the least of which is that their indicators reflect the publication's priorities. In this instance, the *Area Development* ranking emphasized top line measures like per capita GDP growth and unemployment, but it also emphasized the growth of the young, prime workforce (ages 25-34 with at least a bachelor's degree) and manufacturing sector job growth. As a result, the growth of several specific workforce segments can really influence these rankings.

This is not to disparage these rankings, but rather to note that they do not tell a regional economy's full story. Top-line measures often mask the many economic and social disparities found within the region or the city. They do not, for example, consider the fate of people with less education or those unable to access good paying jobs. The next section begins to highlight some of these disparities in Grand Rapids. While we can celebrate much of the Grand Rapids region's progress, it is important to remember that for the city, county, and region to realize its potential its core must be as strong as the region as a whole.

Not everyone benefited from the economic recovery

In spite of the region's growth, the City of Grand Rapids and a number of its critical neighborhoods have not kept pace. During the 2000s, Kent County grew by almost 5 percent while the City lost a similar proportion of people. Since 2010, these trends have begun to reverse, but the City of Grand Rapids' 2015 population (195,100 residents) still remains less than its 2000 population (197,800). This

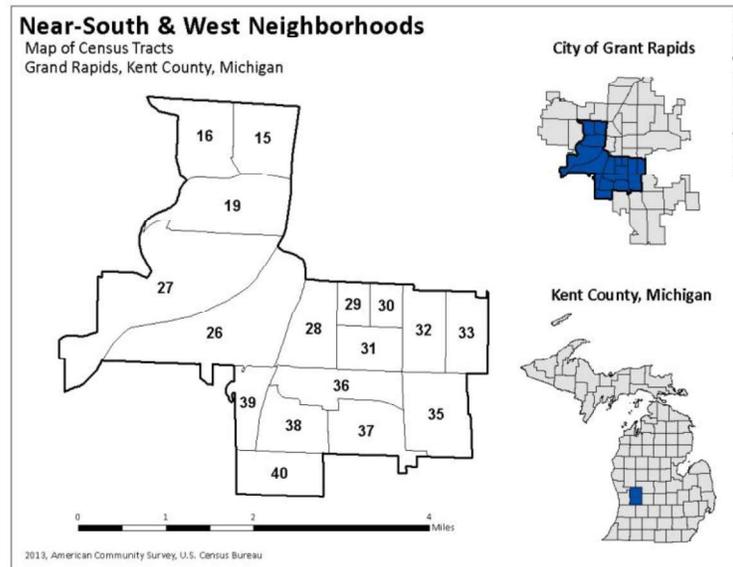
Figure 2: Unemployment



⁴ <http://www.areadevelopment.com/Leading-Locations/Q2-2016/Leading-Metro-Locations-Full-Results-18176a0.shtml> Grand Rapids also placed third in 2015, behind Houston and Denver.

population loss has been particularly acute in several ‘neighborhoods of focus’ (comprised of 17 census tracts) in the City’s near south and west areas (See Figure 3). These neighborhoods are home to approximately 62,000 people, or roughly a third of the City’s total population. Between 2000 and 2010, they lost nearly 10 percent of their population and like the city at large have not yet returned to their 2000 population.

Figure 3: Grand Rapids’ Near South and West Neighborhoods



The following section examines several key economic and demographic trends in these neighborhoods. These data show that residents in these neighborhood residents likely experience economic exclusion. According to a recent study The Urban Institute, economic exclusion is a multifaceted issue of which income inequality is but a symptom.⁵ The Urban Institute researchers identified four main conditions of exclusion, including:

- **Labor market exclusion** which makes it harder for workers to fully participate in the labor market due to either discrimination or employers seeking more advanced skills that vulnerable workers do not possess.
- **Isolation from opportunity** which occurs when low-income workers live in neighborhoods without access to jobs or good schools, and essentially live in separate neighborhoods from wealthier residents and workers.
- **Economic vulnerability** is pervasive when households do not have the wealth or assets to financially survive major shocks like a health crisis or the loss of a job.
- **Poor-quality jobs** lead to low wages, unpredictable hours, no job security, and provide workers with no real career path.

The Urban Institute researchers found that communities of color, immigrants and refugees, and women are particularly affected by economic exclusion. This study does not address each of these elements directly, but many of these themes resonate in the data that follow.

⁵ Greene, S., Pendall, R., Scott, M. and S. Lei (2016). *Open Cities: From Economic Exclusion to Urban Inclusion*. Urban Institute: Washington, D.C. Available at: <http://www.urban.org/research/publication/open-cities-economic-exclusion-urban-inclusion>

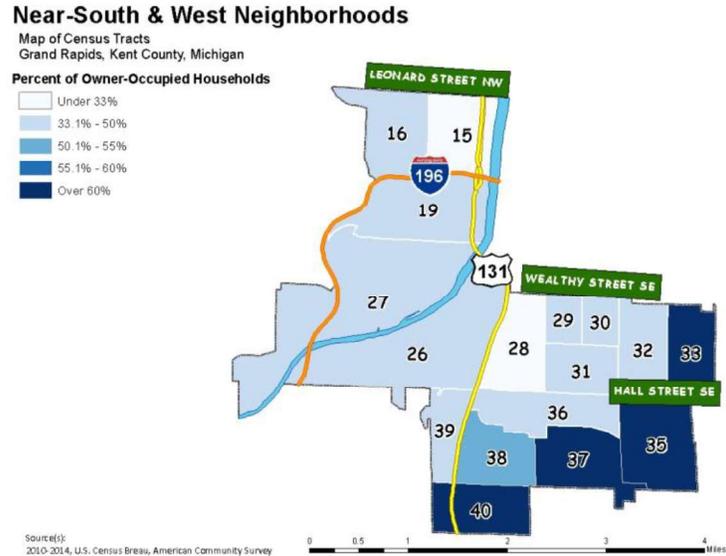
The Near South and West Neighborhoods differ from the rest of the city in several distinct ways

The near south and west neighborhoods differ demographically from Kent County and the City of Grand Rapids. Their residents are relatively younger as roughly one-third of the neighborhoods' population is under the age of 18, whereas this age-group represents about a quarter of the City and the County's population. Conversely, these neighborhoods have relatively fewer older residents with only 14 percent of their population being aged 55 and older, as compared to 23 and 21 percent in Kent County and the City of Grand Rapids, respectively. Neighborhood representatives noted that the likely explanation for this trend is that residents able to accumulate sufficient wealth or assets often choose to leave these neighborhoods to purchase better quality homes or seek higher quality schools.

Home ownership rates may validate these trends, as a high number of renters may indicate a population with fewer assets and also one where residents are not as financially invested in their community as neighborhoods with a large home owner population. Compared to the rest of the city, these neighborhoods also have a low proportion of owner-occupied housing. Less than half the households within the near south and west neighborhoods (48.4 percent) were occupied by homeowners as opposed to 55.1 and 69.2 percent of the households in the City of Grand Rapids and Kent County, respectively. Figure 4 shows the percent of owner-occupied households by Census tract. The lowest rate of owner-occupied households is in the immediate near west and near south neighborhoods. The lowest rates were in tracts 15 (31.2 percent) and 28 (21.1 percent).

Tracts on the far eastern edge of the near south neighborhoods had relatively higher rates of owner-occupied households. Census Tract 33 had the highest share of owner-occupied housing at 69.5 percent, which is essentially on par with Kent County overall.

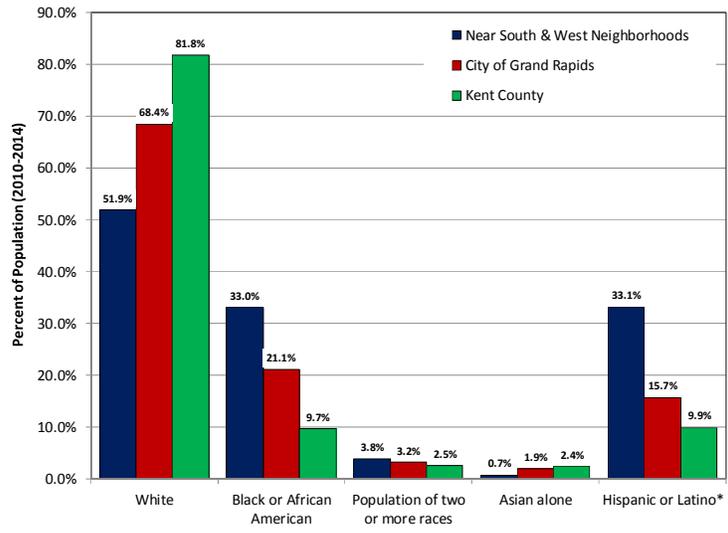
Figure 4: Owner-occupied households



These neighborhoods are also more racially and ethnically diverse than Kent County and the City of Grand Rapids, and are some of the city’s primary communities of color. Figure 5 shows that 33 percent of the neighborhoods’ population is African-American and 33 percent is Hispanic or Latino.⁶ By contrast, only about 10 percent of Kent County’s total population is African-American or Hispanic. Given the racial and ethnic composition of these neighborhoods, it is not surprising that much of the city’s minority workforce lives in these neighborhoods.

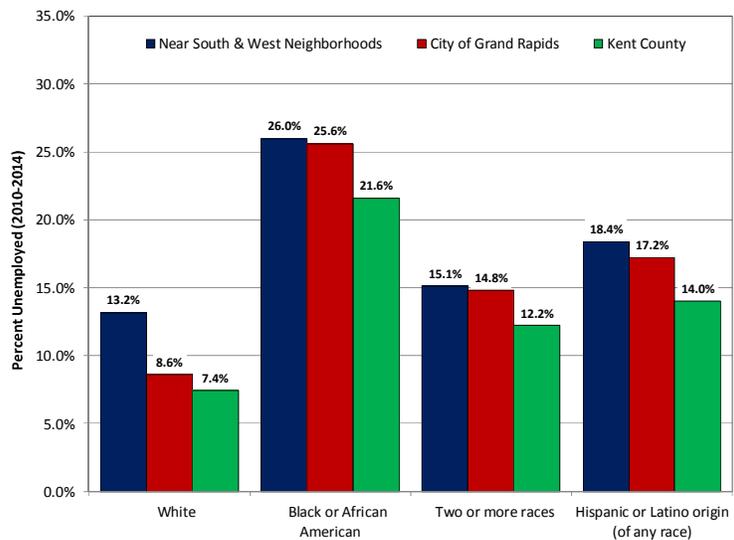
In addition to being demographically different from the rest of Kent County and much of the City of Grand Rapids, these neighborhoods also have different economic conditions. For instance, the neighborhoods’ unemployment rate reflects the extent to which these communities have not fully benefited from the economic recovery. Figure 6 shows that between 2010 and 2014, 13.2

Figure 5: Population by race and ethnicity



Source: American Community Survey 2010-2014 (DP05)

Figure 6: Unemployment by race and ethnicity



Source: American Community Survey 2010-2014

⁶ It is important to note that Hispanic or Latino is an ethnicity, and people identifying as such may fit into multiple racial categories.

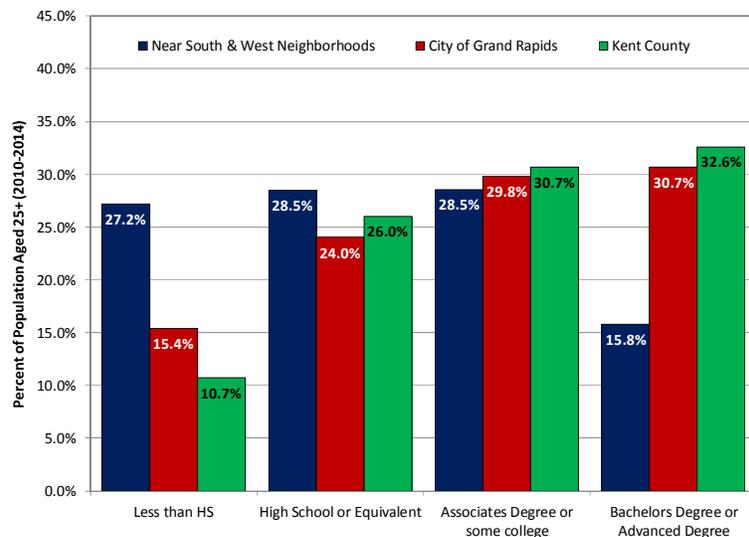
percent of American Community Survey respondents in the neighborhoods noted that they were unemployed the week before they took the survey between 2010 and 2014.⁷ By contrast this figure was only 8.6 percent in the City of Grand Rapids and 7.4 percent in Kent County. These figures were also consistently higher for people of color. More than one in five (20 percent) African-Americans were unemployed at some point between 2010 and 2014 in Kent County; this figure increases to one in four (25 percent) within the City of Grand Rapids and the near south and west neighborhoods. Among Hispanics or Latinos, 18.4 percent of respondents in the neighborhoods and 17.2 percent of respondents in the City of Grand Rapids reported being unemployed during this period. These high unemployment rates point to a lack of stable employment that can inhibit people’s ability to build wealth or assets.

Workers must continue to build skills and continue their education

In order to catch up, keep up, or get ahead, workers must raise their educational attainment levels to avoid exclusion from the labor market and secure good paying jobs. At present, residents in the near south and west neighborhoods have low levels of educational attainment relative to the rest of the City or County. Figure 7 shows that over 27 percent of the population aged 25 and older⁸ in the neighborhoods have less than a high school degree. This is almost twice as high as the City of Grand Rapids and three times as high as Kent County. By contrast, roughly a third of Kent County and the City have at least a bachelor’s degree, while only 16 percent of the neighborhoods’ population (Aged 25+) has bachelor’s degrees.

The lack of significant post-secondary education may limit the potential for workers to secure better paying jobs, but the lack of a high school diploma

Figure 7: Educational Attainment

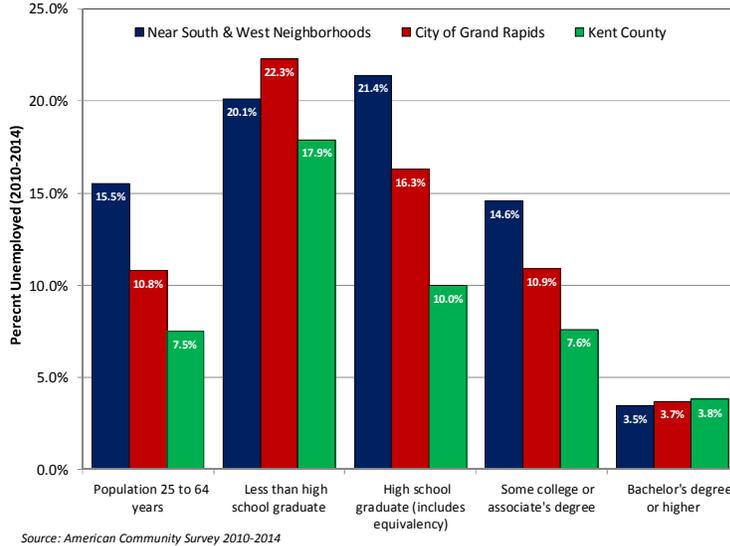


Source: American Community Survey 2010-2014, Table S1501

⁷ These data are drawn from the 2010-2014 American Community Survey (ACS), and employment status refers to the full calendar week prior to the week the respondent answers. The more commonly referred to unemployment rate comes from the Current Population Survey which employment status for a given month refers to calendar week including the 12th of the month. We use the ACS for this variable because it allows us to determine employment status at the level of census tracts.

⁸ Educational attainment becomes more stable after age 25, so measures of educational attainment often only consider population aged 25 and above.

Figure 8: Unemployment by educational attainment



further hinders the ability for neighborhood residents to ultimately find employment that pays adequately to support a family. Figure 8 shows unemployment by educational attainment. The unemployment rate for people without a high school degree is higher across all three geographies. Unemployment remains significantly higher for workers in the neighborhoods at all levels, with the exception of those with at least a bachelor's degree.

Education and training may be

necessary, but it alone is not sufficient for securing quality jobs. Workers must also be aware of local employment opportunities as they become available.

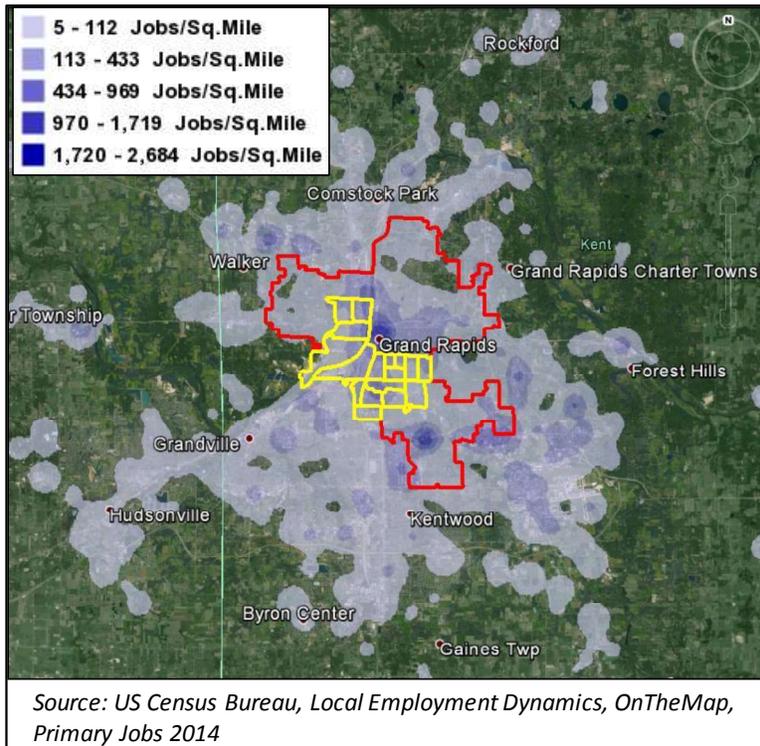
Neighborhoods residents are not connecting to local employment opportunities

Just as it is for workers in all communities, it will be especially important for current and future workers in Grand Rapids' near west and near south neighborhoods to pursue ongoing training and education. The process of lifelong learning better positions workers for a wider array of employment opportunities.

Training for a particular career is only part of the challenge, but actually finding and securing relevant job opportunities presents another set of challenges to overcome. Jobs are available within the region, but commuting data suggest that neighborhood residents are not accessing these employment opportunities. In 2014, 91.3 percent of people who live in the neighborhoods worked outside the area.⁹ Figure 9 shows the areas where workers who live in the neighborhood work. Many residents of near south and west neighborhoods work downtown where there are employment opportunities related healthcare and retail or to the south of the city in the retail areas around the Woodland and Centerpointe Malls as well as some of the industrial areas near Steelcase. The well-being of these vital neighborhoods also reflects on the well-being of a large segment of their workforce.

⁹ These data are drawn from the "On The Map" Tool provided by the Longitudinal Employer-Household Dynamics program. For more information see: <http://lehd.ces.census.gov/>

Figure 9: Work location of workers living in the Near South and West Neighborhoods



Only 8.7 percent of workers living in the near south and west neighborhoods actually work in those neighborhoods. The near south neighborhoods have a number of large manufacturing and distribution operations and those employers draw workers from all over the region. As a result, one of the challenges facing the neighborhood is to find more effective ways to connect neighborhood residents to good employment opportunities available within their own neighborhood.

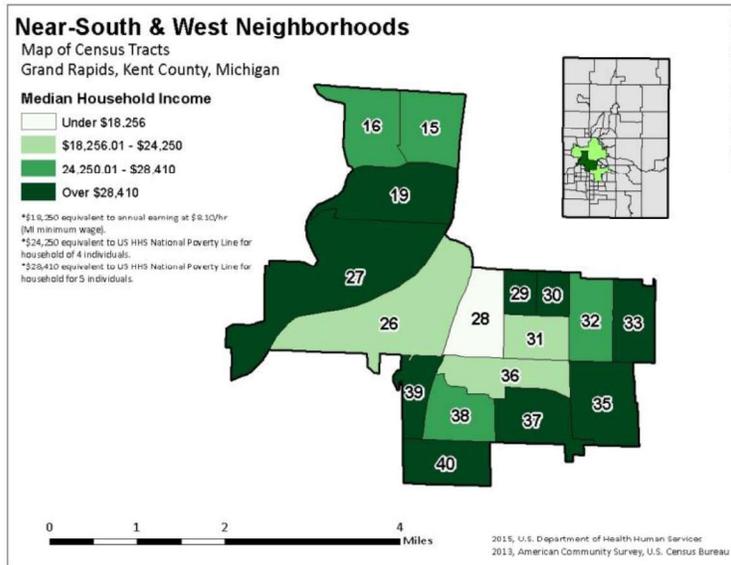
These conditions create challenging economic conditions for area residents

The relatively low educational attainment levels and high unemployment coupled with the challenges of securing quality employment opportunities all contribute to economic vulnerability for many residents within these neighborhoods. One of the outcomes from these conditions are relatively low median household incomes (MHI) throughout the near south and west neighborhoods. Figure 10 shows MHI by census tract. Only three census tracts (19, 29 and 33) are above the City of Grand Rapids’ MHI of \$39,913, and no census tract has a MHI above that of Kent County’s \$52,716.

To put these numbers into some context, the United Way’s ALICE project (Asset Limited Income Constrained Employed) found that an average annual household survival budget for a Michigan family of four (two adults with one infant and one preschooler) is \$50,345 (in 2012 dollars).¹⁰ In 2014 dollars that figure would be \$51,911—a number almost twice as high as the MHI in 6 of the census tracts within the neighborhoods, and 30 percent greater than the City of Grand Rapids’ MHI. This has significant consequences for residents as many likely live from paycheck to paycheck, and are unable to save for higher education, retirement, proper healthcare, or the down payment required for a mortgage.

¹⁰ <http://www.uwmich.org/alice/>

Figure 10: Median Household Incomes



These low household incomes also contribute to a significant share of the population living in poverty. Figure 11 shows the number of impoverished people, by race and ethnicity, in Kent County, Grand Rapids, and the near south and west neighborhoods. The neighborhoods represent 33 percent of the City of Grand Rapids’ population, but 48 percent of its impoverished residents. Many neighborhood residents are impoverished, regardless of race or ethnicity. Consider that:

- 41 percent of the City of Grand Rapids’ impoverished whites live in the neighborhoods,
- 56 percent of the City of Grand Rapids’ impoverished African-Americans live in the neighborhoods, and
- 68 percent of the City of Grand Rapids’ impoverished Hispanic or Latinos live in the neighborhoods.

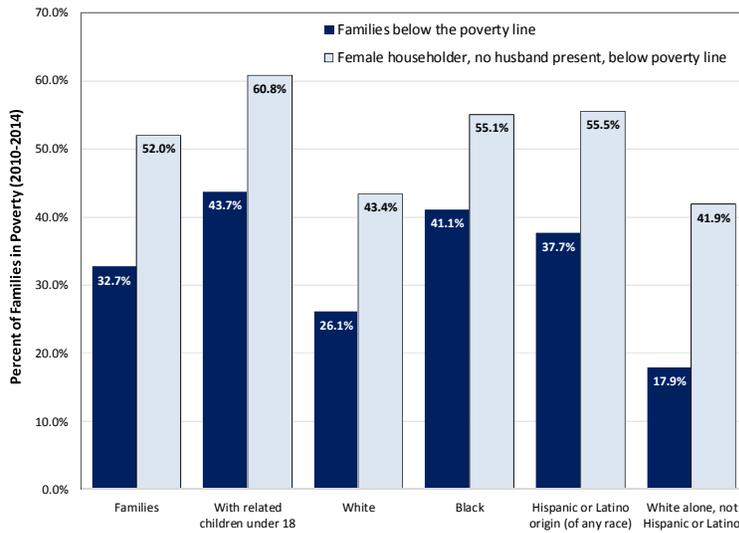
Figure 11: Population living in poverty

Demographic Group	Kent County			Grand Rapids			Near South & West Neighborhoods		
	Total	Below poverty level	Percent below poverty level	Total	Below poverty level	Percent below poverty level	Total	Below poverty level	Percent below poverty level
Population for whom poverty status is determined	605,222	93,667	15.5%	183,823	48,995	26.7%	61,032	23,654	38.8%
White	495,291	57,577	11.6%	125,139	25,358	20.3%	31,547	10,389	32.9%
Black or African American	58,686	23,040	39.3%	39,341	17,176	43.7%	20,280	9,536	47.0%
Hispanic or Latino origin (of any race)	60,303	20,818	34.5%	29,565	12,480	42.2%	20,284	8,496	41.9%

Source: US Census Bureau, 2010-2014 American Community Survey, S1701

Not only is this poverty concentrated geographically, but Figure 12 demonstrates that the burden of poverty falls disproportionately on single women and particularly single mothers. Whereas 32.7 percent of families within the near south and west neighborhoods live below the poverty line, 52 percent of families with a single female head of household live in poverty. Among the neighborhoods’ single female head of household families with children under the age of 18, 60.8 percent live in poverty. Within the neighborhoods, this higher level of poverty for female head of households with no husbands present extends across every racial and ethnic category.

Figure 12: Poverty by household type



Source: US Census Bureau, 2010-2014 American Community Survey, S1702

This section demonstrated that in spite of the Grand Rapids region’s recent success, residents in neighborhoods that account for one-third of the city’s population still face significant economic hardships. These ongoing challenges raise the question about how Grand Rapids can become a truly first class when several of its core neighborhoods remain economically unhealthy. The next section is intended to stimulate thinking about how the current economic development process addresses or fails to

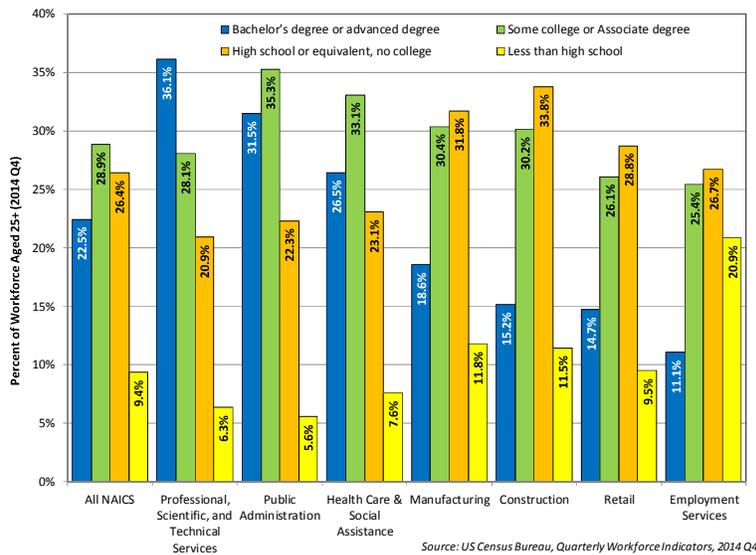
address some of these ongoing challenges. More specifically, if we focus our job creation efforts on specific sectors what types of workers are likely to benefit from the growth and to what extent do those workers resemble those found in the near south and west neighborhoods.

Addressing neighborhood challenges through the economic development process

These challenges in the near south and west neighborhoods are deep rooted and do not lend themselves to simple solutions. Economic development programs provide one set of tools for creating employment opportunities. However, it is worth considering how well economic development efforts do in producing their desired social and economic outcomes. Job creation drives many economic development efforts, but in some instances communities seek to create as many jobs as possible while others emphasize creating just those jobs that pay higher than average wages. Often these programs focus on growing several targeted sectors or industry clusters. Many industries, due to the activities involved, lend themselves to specific types of workers. For instance, the physical aspects of many occupations in the manufacturing and construction industries resulted in a more male-dominated workforce. Similarly, scientific, professional, and technical services require a greater proportion of highly educated workers. Growth in these targeted industries or clusters create a disproportionate number of opportunities for those kinds of workers. These benefit the community at large but may not be suitable for workers currently in the demographic groups most widely represented in the near south and west neighborhoods. Consequently, extra efforts may be required to increase participation from workers who tend to be underrepresented in these industries (e.g., women in manufacturing).

The workforce demographics of these targeted clusters or industries provide some indication of what kinds of workers are likely to benefit from their growth. This in turn can help us better understand the

Figure 13: Educational attainment in key sectors



extent to which targeted strategies advance economic development goals. So if an economic development goal is to create opportunities for workers from disadvantaged communities, presumably the workforce of the targeted industries should reflect that community’s demographics.

To illustrate this point, we have looked at the workforce demographics¹¹ for several broad industry sectors including— Professional, Scientific, and Technical Services; Public Administration; Healthcare and

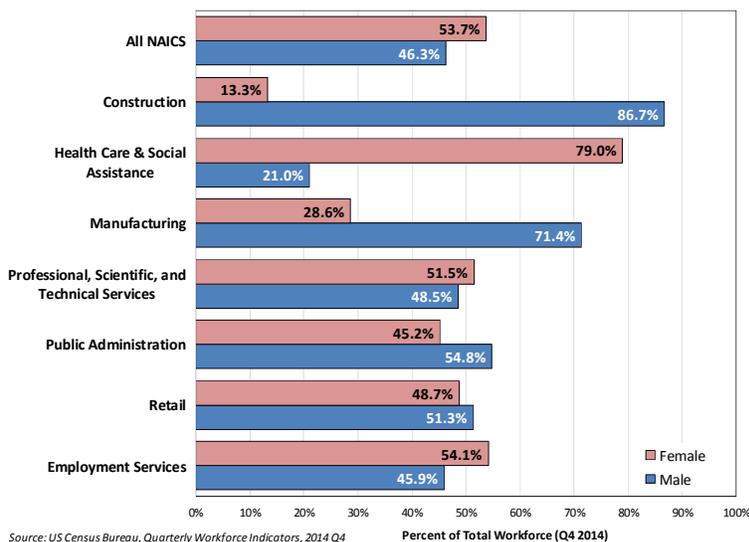
Social Assistance; Manufacturing; Construction; and Retail. We also included employment services since many workers use these services as an avenue for getting jobs in these industries, particularly in manufacturing. We consider the educational attainment, age, gender, and racial and ethnic composition of each of these sectors in Kent County and then compare them to the overall workforce.

As noted above, different sectors require different levels of education and training. Figure 13 shows that 51 percent of all jobs in Kent County require at least some college experience.¹² The workforces of two sectors—professional, scientific, and technical services and public administration—have over 60 percent of their workers with at least some college experience. In the case of professional, scientific and technical services, over 36 percent of workers have at least a bachelor’s degree. Therefore, targeting these sectors for growth will create many good-paying jobs, but they require workers with post-secondary educational attainment. Because workers living in the near south and west neighborhoods have relatively lower educational attainment levels, they are less likely to benefit from growth in those sectors. In contrast, sectors like construction and manufacturing offer a great many “middle skill” opportunities as 60 percent of their workforce has anywhere from a high school diploma to an associate’s degree. Therefore, these industries may provide more employment opportunities for

¹¹ These data are developed from the Local Employment Dynamics Partnership, which is a partnership of the US Census Bureau and State Labor Market Information agencies. It’s most geographic detail is the county level, so the data presented here are for Kent County. More information about these data can be found here: <http://lehd.ces.census.gov/>

¹² It is important to note that educational attainment data are only collected for individuals age 25 and above because that is when educational attainment levels stabilize.

Figure 14: Sector workforce by gender



workers in the near south and west neighborhoods who either have a high school degree or associates degree, or who wish to complete relevant training.

Workforce ages also vary according to sector. The manufacturing workforce tends to be older by nature, with over half of the Kent County manufacturing workforce being over the age of 45. As noted earlier, the near south and west neighborhoods are relatively young when compared to the rest of the City of Grand Rapids or Kent County. Unless,

there are opportunities created to engage neighborhood youth in pursuing manufacturing careers those residents are less likely to benefit from manufacturing sector growth. Retail and Employment Services—two industries that pay relatively low wages—make greater use of younger workers as 43 percent of retail and 38 percent of employment services are workers younger than 35. These sectors often provide valuable first employment experiences for youth, but they tend to be located closer to their wealthier customer base and do not always offer longer-term career paths. Contrastingly, almost 37 percent of the healthcare workforce is younger than 35 and provides more opportunities for career growth.

As noted above, many sectors have a distinct gender composition (Figure 14). For instance, women account for 79 percent of Kent County’s healthcare and social assistance sector. By contrast, men comprise 87 percent and 71 percent of the county’s construction and manufacturing sectors, respectively. Understanding these gender differences is important when considering the area’s development goals. For instance, we know that single female heads of households are more likely to experience poverty than two parent households. As a result, creating more manufacturing or construction jobs is less likely to benefit women and single-mothers of the population, unless efforts are made to actively engage them. Meanwhile, connecting these workers with opportunities in healthcare and social assistance may be easier to achieve with better information and training.

Figure 15 show the break down by race and ethnicity. The proportion of African-American workers within the employment services industry (16.4 percent) is twice that of those working in the overall workforce (7.6 percent). This sector can sometimes provide entry level jobs for many industries, especially manufacturing, where the firms are increasingly hiring temporary-to-permanent workers through temporary employment agencies. That said, this is not always the case and many of these jobs

are temporary, low paying and therefore do not always provide economic stability. At the other end of the spectrum, both the African-American and Hispanic workforce are underrepresented in the professional, scientific and technical services sector. The African-American workforce accounts for only 3.9 percent of this workforce and the Hispanic/Latino workforce is only 2.7 percent, which is less than their overall contribution to Kent County workforce. While this is likely the outcome of the relatively low levels of educational attainment within these communities, it also demonstrates that significant growth in this sector will create relatively fewer direct opportunities for these communities of color.

One sector that merits particular attention is the construction sector which provides a significant number of jobs that pay livable wages, but do not require a post-secondary degree. Within Kent County, only 2 percent of the construction sector workforce is African-American. Given that African-Americans represent 8 percent of the total Kent County workforce, they are notably underrepresented in this sector. The Hispanic population is also somewhat underrepresented in the construction sector, as they comprise 5.5 percent of the total Kent County workforce, but only 4.1 percent of the construction sector workforce.

The information described above shows what types of workers are likely to benefit from growth in different industries. For instance, the growth in healthcare jobs will likely continue serving as an important source of employment opportunities for workers from the near south and west neighborhoods. It creates significant opportunities for younger workers, employs a racially and ethnically diverse workforce, has a variety of jobs at all levels of educational attainment, and also employs a disproportionate number of women. That said, much of the healthcare industry is locally serving in that it will grow or decline based on the region’s population growth. In this sense, the continued growth of the Grand Rapids region should create more healthcare jobs and consequently more opportunities for neighborhood residents.

However, many of the jobs targeted for development through the current economic development process are not driven by these population dynamics. These jobs are more export-oriented (in that what

they produce is not consumed exclusively within Grand Rapids region) and bring new money into the community. This is important for the regional economy overall, but not necessarily for workers in the region’s more disadvantaged areas. These sectors—which are frequently the focus of business attraction efforts— such as professional and technical services and manufacturing often create

Figure 15: Sector workforce by race/ethnicity

Economic Sector	White Alone	Black or African American Alone	Hispanic or Latino*	Asian Alone
All NAICS	88.6%	7.6%	5.5%	2.0%
Construction	95.9%	2.0%	4.1%	0.7%
Health Care	88.1%	8.2%	4.0%	2.1%
Manufacturing	86.7%	8.1%	8.7%	3.2%
Scientific	93.1%	3.9%	2.7%	1.7%
Public Administration	89.5%	8.0%	4.0%	1.0%
Retail	89.7%	6.6%	4.6%	1.6%
Employment Services	79.6%	16.4%	7.5%	1.7%

Source: LED QWI. 2014 Q4. Full Qtr Employment (Stable)

*Hispanic or Latino is an ethnicity, and the people in this category may fit into multiple racial categories.

higher quality jobs but, those jobs do not necessarily create opportunities for the people that most need those opportunities. There is often a misalignment between the demographics of those industries within Kent County and the demographics found within the near south and west neighborhoods. Consequently, continued growth in these industries may contribute to the region's continued growth, but likely will not bring about more inclusive economic development (except through their multiplier effects in driving growth in sectors like retailing and healthcare). This is not to say that growth in these industries cannot help achieve those types of goals. The relative pay for these sectors tends to be higher. But, to accomplish goals of economic inclusion in these higher wage sectors will require extra efforts to bring underrepresented segments of the region and city's workforce into these industries. Bringing about this change often requires large employers or institutions with significant economic influence to make greater inclusion and participation a priority.

Municipal efforts to promote more equitable economic development

Different organizations fill different roles during the economic development process. Regional economic development organizations (e.g., The Right Place) are often charged with marketing the region to relatively large employers looking to open a new facility or relocate an existing one. In addition, local economic development corporations often focus on helping those businesses find sites or buildings and connect them to local resources. The metrics used to monitor these organizations' success varies from organization to organization, but jobs created, capital investment, and commercial vacancy rates are commonly used indicators used to evaluate economic development. Beyond economic development agencies, other institutions, like community colleges, deliver customized training that can help new businesses start operations or existing businesses to remain competitive, and still others, like small business development centers and accelerators, provide important technical assistance for aspiring entrepreneurs or smaller businesses looking to grow.

Although often less central to the process, municipal governments can play a vital role in spurring economic development. They are often large purchasers of good and services, and particularly construction services. Cities can leverage their spending power to achieve broader social and economic objectives. By prioritizing equity as a municipal goal, city governments are more likely to direct their efforts to the betterment of its more disadvantaged neighborhoods and workers. Programs designed to support the growth and development of minority and women-owned business enterprises (M/WBEs), for instance, are common tools for achieving these social objectives with limited public resources. Though not always the case, M/WBEs are generally assumed to have more diverse workforces.¹³ These firms are more likely to create employment opportunities for minorities and women. Moreover, if those targeted small firms come from more disadvantaged neighborhoods then city investments can contribute to wealth and asset building in those neighborhoods.

This section looks at the different approaches that cities have taken to promote more inclusive economic outcomes. It begins with a brief review of the City of Grand Rapids' supplier diversity program. It then considers promising practices from eight other cities. Many of these cities are grappling with the very same challenges facing Grand Rapids, so their efforts can provide important insight. It concludes with a brief review of the key themes to emerge from the case studies.

Grand Rapids' business support programs

Many cities have M/WBE programs in place to utilize city investments that create jobs for specific segments of the city's workforce. However, in 2006 the Michigan legislature passed Proposition 2 which

¹³ Nationally, minority owned firms have a higher proportion of their workforce that is minority. While women-owned firms have a higher proportion of female workers (see U.S. Small Business Administration Office of Advocacy, Demographic Characteristics of Business Owners and Employees, Issue Brief 6, April 28, 2015 https://www.sba.gov/sites/default/files/advocacy/Issue_Brief_6_Demographic_Characteristics_2013.pdf).

effectively prohibits municipalities from creating race-conscious programs. Given the interpreted limitations of Proposition 2, the City of Grand Rapids is limited in how it can respond and has developed programs designed to incentivize greater use of the city’s smaller and more local businesses in city contracting activities (both for construction and goods and services). Among the City’s more prominent programs include:

- *Micro-Local Business Enterprise (Micro LBE) program*—The Micro LBE program provides a business designation for (a) firms operating in Kent County, (b) firms defined as a small business by the US Small Business Administration, and (c) whose owner’s personal net worth at the time of admission to the program is less than \$250,000. This designation makes the firm eligible for the city’s other programs.
- *Bid Discounts*—Contractors can receive bid discounts of 5 percent or up to \$100,000 per bid if they meet several criteria such as employing local workers, using Micro-LBEs as subcontractors, engaging Micro-LBEs in their private sector work, participating in apprenticeship programs, and a wide range of other options.
- *Mentor-Protégé program*—Firms can also receive 2 percent bid discounts by serving as a mentor for an emerging Micro LBE. The mentor firm may be involved in providing smaller firms with management guidance, technical or engineering assistance, marketing or networking assistance, or free use of facilities.
- *Target Market Program*—This program is intended to support Grand Rapids-based Micro LBEs by creating specific city construction projects that these firms can serve as the prime contractor. Projects that qualify for the Target Market program cannot exceed \$250,000.

These programs are all designed to create opportunities for small, local business enterprises and promote greater inclusivity. As it currently stands, it is through these programs that certified Micro LBEs will be able to access the business opportunities created by, for example, the roughly \$25.7 million spent annually through the City’s Vital Streets and Sidewalks Tax and the Parks Millage. These investments are expected to sustain 150 new direct jobs annually in Kent County.¹⁴ Provided their employers participate in these programs, some of these new jobs will go to workers from some of the city’s more disadvantaged neighborhoods.

Other cities are grappling with similar challenges, and some are looking to emulate Grand Rapids’ programs. At the same time, Grand Rapids can learn much by studying other cities’ efforts.

Promising practices from other cities

This section describes how eight other cities have sought to promote a more inclusive and diverse approaches to their economic development activities. We considered several factors in selecting these

¹⁴ For a more detailed analysis of the impacts of these city investments, see Appendix A.

cities. For instance, we looked for similarly-sized, Midwestern cities, with a similar form of government (Council-Manager). We expanded our search beyond Michigan despite the state’s unique limits on the state’s restrictive policy environment around race-conscious programs. In the end, we selected cities that had one or more characteristics, including:

- Kansas City, Missouri
- San Antonio, Texas
- Austin, Texas
- Seattle, Washington
- Oakland, California
- Cincinnati, Ohio
- Des Moines, Iowa
- Cedar Rapids, Iowa

Figure 16 provides a comparison of the selected cities’ key demographic characteristics, particularly in terms of their population, the size of their African-American and Hispanic communities, and the proportion of their residents that are living in poverty. In most instances, these cities are similarly as diverse as Grand Rapids. Except Seattle and Oakland, these cities are located within states with less restrictive policy environments towards race-conscious programs, and they have a Council-Manager form of government (like Grand Rapids). Regardless, these cities have lessons—both big and small—to offer about how they have sought to promote more inclusive economic development practices.

It is important to note that none of the representatives from these cities felt as though they had the answer for how best to promote more inclusive economic development. Rather they each had initiatives designed to address the issue and were looking to continuously improve and strengthen their efforts. Moreover, the challenges that they face are not entirely unique. Challenges such as poor access to capital, limited partnering opportunities for small firms, weak networks, or a reliance on incentives are all issues confronting disadvantaged businesses and workers in the eight cities. Therefore, the efforts presented below describe how those cities are trying to address common challenges and where they feel they have had some progress in promoting more inclusive economic development within their own cities.

Figure 16: Case study city demographics

City	Pop. 2015*	% African-American#	% Hispanic or Latino #	% in Poverty^
Grand Rapids, MI	195,097	21.1%	15.7%	26.7%
Austin, TX	931,830	7.8%	34.8%	19.0%
Cedar Rapids, IA	130,405	6.4%	3.5%	11.9%
Cincinnati, OH	298,550	43.5%	3.0%	30.9%
Des Moines, IA	210,330	10.9%	12.3%	19.9%
Kansas City, MO	475,378	29.2%	10.1%	19.4%
Oakland, CA	419,267	26.1%	25.9%	21.0%
San Antonio, TX	1,469,845	6.8%	63.3%	20.1%
Seattle, WA	684,451	7.3%	6.4%	14.0%

*US Census Bureau, 2015 Population Estimates

American Community Survey (2010-2014), DP-05

^American Community Survey (2010-2014), S1701

Kansas City, Missouri

Not all inclusion programs begin explicitly as such. Kansas City, Missouri launched several entrepreneurial support programs to respond to the recession. These programs focused on making it

easier for entrepreneurs to do business with the City of Kansas City, connecting entrepreneurs to needed support and technical assistance providers, and building necessary infrastructure. These efforts sought to create opportunities during difficult economic times, but city staff later found that by focusing these efforts on the city's more disadvantaged neighborhoods they were also promoting inclusive economic development. These efforts centered on four main areas, including improving business interaction with the city, extensive networking, leveraging partnerships, and securing necessary infrastructure.

One of the most prominent initiatives was the creation of the Kansas City, Missouri Business Customer Service Center (KCBizCare) in 2009.¹⁵ KCBizCare helps businesses and entrepreneurs interact with city government. Business people and entrepreneurs frequently interact with multiple city departments, and these departments do not communicate with one another effectively. KCBizCare guides businesses through their interactions with various city departments addressing issues such as permitting, licensing or contracting. They make sure that businesses get to the right departments and that city departments follow up with businesses. To make themselves more accessible to businesses, KCBizCare staff opened a street level storefront so that business owners and entrepreneurs can just walk in.

To further assist the city's small and disadvantaged businesses, city staff undertakes extensive outreach and public engagement, particularly in the city's more disadvantaged neighborhoods. This outreach helps city staff better understand the issues, and can also create opportunities by connecting entrepreneurs and small businesses to resources and opportunities. Many businesses and entrepreneurs serving disadvantaged neighborhoods do not always participate in more mainstream business associations like the Chamber of Commerce. Rather city staff found ways to connect to them through neighborhood associations, minority contractor groups, or by holding office hours at public libraries and community centers. They also continually look to speak to new groups and new businesses so that they are not just listening to the same group of companies.

These ongoing and aggressive outreach efforts allow city staff to truly understand the challenges facing small businesses from the city's disadvantaged communities. Staff regularly shares the information they hear at these information sessions with each other. This internal communication can help connect small businesses to other opportunities. Moreover, they try to respond quickly to questions or concerns that they hear at these sessions, because a quick response can build credibility for the city. Another benefit of these outreach efforts is that city staff build stronger relationships with business and community leaders in a non-crisis environment, an important asset when a crisis does actually occur.

City resources however only go so far in supporting the area's businesses. KCBizCare helps businesses interact with the city government, but by leveraging its partnerships with a wide array of other resources and service providers it can ensure that small businesses from disadvantaged communities

¹⁵ <http://kcmo.gov/kbizcare/about/>

access a broader array of technical assistance. In particular, partners like those at University of Missouri-Kansas City (UMKC) are vital. Through UMKC programs like KCSourcelink,¹⁶ entrepreneurs and small businesses can connect a network of over 200 non-profit resource organizations throughout the region. Similarly, the Urban Business Growth Initiative¹⁷ runs through the Small Business and Technology Development Center, provides scholarships to help to support training for small businesses and entrepreneurs.

In addition, by connecting businesses to assistance and resources, Kansas City has also sought to put in place infrastructure that supports entrepreneurs, particularly in the city's more disadvantaged neighborhoods. For instance, widespread broadband access through the city's public libraries have helped many of small businesses located in disadvantaged areas because entrepreneurs from these neighborhoods do not always have broadband access in their homes. Similarly, facilities like the Blue Hills Contractor Incubator¹⁸ provide small business assistance targeted to minority contractors. Focusing these efforts in the neighborhoods with the greatest needs opens avenues for more inclusive economic development.

Missouri does not have the restrictive policy environment found in Michigan, but those restrictions are felt most in program creation and administration. Perhaps the big takeaway from the Kansas City example is the importance of thinking differently about the role city staff can play. The city staff in Kansas City saw their role less as administering programs, and more about being connectors, facilitators, and listeners. This allowed them to take a different approach to the problem. Sometimes, this requires staff who are by their nature connectors and facilitators to execute these plans. Moreover, business assistance efforts became more inclusive by simply focusing existing strategies on neighborhoods with the greatest needs.

San Antonio, Texas

San Antonio's efforts to promote more inclusive city contracting practices date back to 1992, but by the late 2000s the city found that these efforts were not effective enough to address the scale of the problem. As a result, the City of San Antonio commissioned a disparity study that revealed how Minority and Women-owned business enterprises (M/WBEs) were being disproportionately excluded from both the private sector market and the city's purchasing and contracting efforts. In response to these findings, the City of San Antonio enhanced its Small Business Economic Development Advocacy (SBEDA) program¹⁹ to more fully address these issues.

¹⁶ <http://www.kcsourcelink.com/>

¹⁷ <http://info.umkc.edu/sbtdc/urban-growth-initiative/>

¹⁸ http://5008kc.org/contractor_incubator/about

¹⁹ <http://www.sanantonio.gov/SBO/SmallBusinessDevelopmentAdvocacyProgram.aspx>

As part of this process, the city developed a diversity action plan²⁰ that lays out strategies that will allow the City of San Antonio to better support its small M/WBEs. The ultimate goal of these efforts is to ensure that city contracts mirror the diversity of the San Antonio business community. This action plan includes steps to increase the number of M/WBEs in the city's vendor registry and their participation in city contracts. The latter involves a number of different strategies for building the capacity of small M/WBEs to participate as both primes and subcontractors, improving access to capital and bonding, and strengthening their small business community.

Through this process, the City of San Antonio developed several new tools, many of which are specifically targeted to helping small M/WBEs. For instance, following the lead of other cities (such as Grand Rapids), San Antonio implemented a Mentor-Protégé Program. Small M/WBEs receive mentoring from larger firms on topics such as government contracting or proposal writing. This program rewards prime contractors who enter into mentoring relationships with preference points on city contracts. San Antonio has also created a Bonding Assistance Program in partnership with Accion Texas that helps small businesses build or repair credit to increase their bonding capacity. Upon completing several training classes, Accion issues a letter of credit to increase a small business' bonding capacity and provides support to buy down customer fees and rates. Capacity building activities extend beyond these programs to include quarterly training sessions on accessing capital, subcontractor rights and responsibilities, and city contracting requirements, among others. City of San Antonio officials also meet with small M/WBEs who lost bids to debrief them on their proposals' strengths and shortcomings.

The Small Business Advocacy Council (SBAC) oversees the implementation of these activities, and other activities associated with the SBEDA program. The SBAC is an 11-member group comprised of stakeholders appointed by city council members and the mayor. This group advises city policymakers about policies affected the cities small, minority and women-owned businesses and makes recommendations to the city about ways the SBEDA program might be strengthened or improved. This group has three sub-committees that oversee the implementation of the diversity action plan, the completion of the recent disparity study, and strategies marketing SBEDA programs and outcomes. The fact that these stakeholders, who are in close communication with the city's leadership, pay close attention to these efforts and their outcomes ensures that these efforts continue to move forward.

An extensive data collection effort further supports the SBEDA program. It ensures that the SBEDA programs are being implemented effectively and are leading to their desired outcomes. Data can play an important role in the effective program implementation. San Antonio's SBEDA program collects information not only on who receives city contracts, but also on what prime contractors must report when they pay subcontractors and what subcontractors must report when they have been paid. Combined, these data collection efforts provide real-time information that can show the extent to which

²⁰ <https://www.sanantonio.gov/Portals/0/Files/CIMS/SmallBusiness/DiversityActionPlan01112013.pdf>

that the program is meeting its intended goals. They also offer compliance information to confirm that the programs are implemented as intended.

Insights from this data can be utilized in a variety of ways. For example, this data will help inform the next disparity study, conducted by the City of San Antonio to determine whether to continue these programs. The data can also be used to inform discussions about how to improve or strengthen the programs moving forward. Program data is also compiled in an annual report on the SBEDA program.²¹ This annual report shows how well the City is moving towards achieving its goals by showing, for instance, year to year changes in the number of M/WBEs in the City's Central Vendor Registry, or the value of contracts awarded to M/WBEs and how they are broken down by industry. Moreover, it also includes small case examples of how specific firms have utilized the SBEDA programs to grow their businesses. In doing so, it helps to put a face on the data and can be used to help market and promote the SBEDA programs to new firms.

Austin, Texas

Like San Antonio, Austin, Texas also recently commissioned a disparity study in order to justify race-conscious programs. Austin commissions disparity studies every five years to demonstrate ongoing discrimination and therefore justify some of their race-conscious business support programs. The most recent report, released in March 2016, showed the continued presence of business discrimination against minority and women-owned business enterprises (M/WBEs) in both the private sector of the Austin market area and within the City's own contracting.²² This discrimination manifests itself in several ways such as M/WBEs experiencing more difficult to access credit or receiving higher interest rates on loans. Also prime contractors often only used M/WBEs in those instances where there was an incentive requiring the participation of an M/WBE. This report showed that it was in the municipal government's compelling interest to develop programs that would remedy the situation.

Many of these programs are administered by the City's Small and Minority Business Resources Department (SMBR). SMBR has 29 staff in three divisions—certifications, compliance and resources. The certifications and compliance divisions are active in administering one of the City of Austin's primary programs for addressing these disparities—the M/WBEs certification program which is a good faith program. The City of Austin provides companies that want to do business with the City with information about certified M/WBEs that can capably support their efforts on any given city project. The City does not require prime contractors to use M/WBEs, but they must prove that they considered M/WBEs. If they fail to include any certified M/WBEs they must articulate why the contractor elected not to use them.

²¹ https://www.sanantonio.gov/Portals/0/Files/SBO/SBEDA_AnnualReport_2014-Final.pdf

²² <http://www.austintexas.gov/page/disparity-study>

SMBR's resources division also supports the capacity building of its M/WBEs through educational and training opportunities. It organizes monthly workshops where M/WBEs can learn, for example, about how to do business with the City government or the Austin-Bergstrom International Airport. At these workshops, participants can meet legal or financial experts or the purchasing officers from different city departments. SMBR also retains a bonding consultant who holds an annual bonding workshop, but more importantly is available to advise M/WBEs as issues arise. SMBR also looks to build more extensive partnerships with the local SBDCs and the local Service Corps of Retired Executives (SCORE) chapters not only for delivering programs, but also to jointly market all the resources available to small businesses in the Austin area.

Program marketing is vital because programs cannot be effective if firms are unaware of them or how they can use them to their advantage. As a result, marketing and industry outreach is one of SMBR's priority areas. SMBR contracts with several area trade associations (e.g., Austin Area Black Contractors Association, Hispanic Contractors Association of Austin, Asian Contractor Association) to assist with their marketing and outreach. They realize that these trade associations have more extensive networks and industry contacts and are therefore better positioned to connect with the region's minority contractors. Through these contracts, SMBR tasks these associations with increasing small business certifications, organizing workshops, promoting upcoming "meet-the-prime" events for larger projects, and raising awareness about impending requests for proposals. While SMBR also does some of these things, leveraging the trade associations' networks greatly expands the reach of these efforts.

Seattle, Washington

Washington State has a similarly restrictive race-conscious policy environment to Michigan, as its Initiative 200 effectively eliminated affirmative action in 1998. However, this has not stopped the City of Seattle from ensuring that issues of inclusivity are built into the way that the city undertakes its business. This commitment to equity is best exemplified by Seattle's Race and Social Justice Initiative (RSJI).²³ This initiative has been in place for a decade (and several mayoral administrations) and is designed to ensure equity in the city's programs and workforce. It has done so by creating structures, tools and training that ensure that City employees make decisions through an equity lens. Beginning in 2004, the RSJI focused primarily on Seattle's internal programs and operations, but has since broadened its efforts to include other aspects of the City's business. The City is restricted from having race-based programs that can direct resources specifically to minority-owned businesses, but through the RSJI city employees are required to at least consider how their decisions might affect racial equity in the city.

A key element of the RSJI has been the development and use of the racial equity toolkit.²⁴ The racial equity toolkit helps city employees understand how their decisions advance (or do not advance) the

²³ <http://www.seattle.gov/rsji>

²⁴ http://racialequityalliance.org/newsite/wp-content/uploads/2015/10/GARE-Racial_Equity_Toolkit.pdf

City's racial equity goals. It forces them to think about both the intended and unintended consequences of their decisions. It codifies practices and decision making processes that might otherwise be done on an ad hoc basis. Use of the racial equity toolkit is also built into the evaluations of City employee job performance. They not only must use the toolkit, but they also must demonstrate how they acted on those decisions to make positive change. The ability to demonstrate this change factors into promotion decisions or the awarding of raises or merit leave for individual city employees.

Institutionalizing these programs requires that the city clearly demonstrate the impact of these efforts and show they have achieved its intended goals. Over time, the City of Seattle has sought to improve the quality of its data to track the initiative's progress. Improving data quality is not a simple task. Given the decentralized nature of the city government, there is no standard method for entering data or no common accounting system to see, for instance, how much was spent on diversity training. Improving this system is one of the medium- to long-term goals of the recently created position of Workforce Equity Director. This position will also look at other issues like mitigating bias in the hiring process, gathering information from city employees about how to improve equity, and tracking the extent to which the city's workforce reflects the city it serves. These types of dedicated positions are another key element for making sure that the city's equity strategies are effectively implemented.

This feedback and information is important for the initiative's success and for the city staff and city council to make informed policy decisions. The City periodically revisits its strategies to consider areas of focus, areas of success, and areas for improvement. This strategy process—which involves expensive input from City employees and community leaders—resulted in an update covers 2015 to 2017.²⁵ Given the uniqueness of Seattle's RSJI, the city has begun sharing their lessons nationally about how they have worked to eliminate institutional racism. As a result, similar initiatives have been started in cities such as Minneapolis, Minnesota, Madison, Wisconsin and Portland, Oregon.

Oakland, California

Like Michigan's Proposition 2, California's Proposition 209 created a similarly restrictive policy environment that effectively bans race-conscious programs. As a result, cities like Oakland have developed race-neutral Local and Small Local Business Enterprise (L/SLBE) programs that leverage public investments to create opportunities for smaller, often disadvantaged local businesses and thereby keeping more of the city's money within the city limits. Much like Grand Rapids, the City of Oakland has a registry for L/SLBE and prime contractors that use L/SLBEs are able to access Bid discounts up to five percent when submitting proposals for City work. Firms also receive preference points for employing City of Oakland residents or for companies who employ apprentices on government sponsored projects.

²⁵ <http://www.seattle.gov/Documents/Departments/RSJI/rsji-2015-2017-plan.pdf>

Oakland’s programs are now well-established. A key aspect in establishing this suite of programs was securing buy-in throughout the city government. Like many cities, Oakland de-bundles larger projects to create more contracting opportunities for small local business enterprises, but doing so can create inefficiencies in the project. Moreover, rather than utilizing just one vendor on one contract the city may, for instance, opt to use four vendors on four separate contracts to create more opportunities. In Oakland, the engineering department focused more on efficiency rather than using the investments to achieve broader social objectives. Over time, this became less of an issue because the city leadership clearly set the priorities and the importance of the broader goals, and this ultimately led to greater buy-in throughout the city government. These internal considerations are important for implementing change. These efforts were also very much supported by the current mayor who previously had served on the staff of the council member that crafted many of the city’s S/SLBE policies. As a result, she clearly understands what these programs and policies are attempting to accomplish and can articulate them to the rest of the city government.

While these programs have been considered effective given the constrained policy environment, the City of Oakland nevertheless is looking for additional tools to support LBEs from the city’s more disadvantaged neighborhoods. Ideas are sometimes found by looking across the bay to the City of San Francisco which is often more aggressive in finding the limits of California’s restrictions on race-conscious programs. In addition, the City of Oakland may potentially commission a disparity study. If the city moves forward with this study and finds ongoing underutilization of minority and women-owned businesses, then Oakland will look to pursue more aggressive tools to address those imbalances. Regardless of the outcome of the study, it would at least provide the city with a current baseline measure of equity in the city’s contracting.

Cincinnati, Ohio

The City of Cincinnati, Ohio has taken more recent steps to address many of the disparities that existed within its procurement practices. Addressing these disparities was a priority of the current mayor, and as a result the City of Cincinnati commissioned a disparity study.²⁶ This study demonstrated a statistically significant underutilization of minority and women-owned business enterprises in city contracts for both construction and non-construction projects. Supported by these findings, the City of Cincinnati has created a new Department of Economic Inclusion (DEI). The DEI was launched in 2015 to ensure greater equity of opportunity for businesses looking to do business with the city and to promote the growth of MWBEs more generally. Throughout, these efforts have been overseen by the Economic Inclusion Advisory Council (EIAC) that helped to establish the vision for the effort and will provide guidance going forward. The EIAC has five subcommittees—City/County, Community, Corporate, M/WBE, and Measures and Metrics—to support the effort.

²⁶ <http://www.cincinnati-oh.gov/inclusion/disparity-study-updates/disparity-study-report/>

A director was hired to launch the department in its first year. In addition to setting up the department, the director did extensive outreach by engaging civic and business organizations, large employers (University of Cincinnati Health Systems), and MWBEs. Given the historic disparities, there was a lot of distrust of the city government or just a general sentiment that the city did not have any resources to assist MWBEs. Through this engagement the director was better able to understand the issues, but also to share information about the programs that did exist. In addition, he engaged MWBEs that were already utilizing city programs to share their experiences and insights with other MWBEs. This allowed them to show what was possible and to build credibility for the city. This outreach will continue going forward as DEI seeks to work with neighborhood groups to promote DEI programs and to continually build partnerships supporting their efforts.

In the first year, DEI also organized and promoted educational and training opportunities for MWBEs looking to do business with the City of Cincinnati. These two-hour training courses focus on topics like how to achieve city certification, finance (e.g., securing bonding, repair credit scores), basic business skills (e.g., marketing, networking, using lawyers or marketers, strengthening a business plan), and how to bid on city contracts. Representatives from the city and external experts deliver these courses. Participants pay a nominal fee (\$25) to cover the costs of the training session, but also to attach value to the course in a way that free classes lack.

In 2016, the City of Cincinnati formally enacted the Minority and Women Business Enterprise Program.²⁷ As part of this effort, the City has established goals for 2016 M/WBE participation in city contracting for both construction projects (17% MBE, 10% WBE) and Professional Services (14% MBE, 16% WBE). Achieving these goals will require every city contract over \$50,000 to have an M/WBE participation goal or determine that the project is not appropriate for the M/WBE program. These goals will be determined by several considerations such as the availability of qualified M/WBEs in a given industry, level of M/WBE utilization in past contracts, or the adverse effects on non-M/WBEs. Since most city contracts are over \$50,000, the monitoring, compliance and certification process will be a significant one, and the city began staffing up in early 2016 to meet that challenge. Given the DEI's newness, one of the keys for the program's future will be to institutionalize its practices so that it will live on beyond the current city administration. Producing data that demonstrates progress toward the goals will be one of the important elements in highlighting these programs' value and outcomes. This information is vital for building a constituency and safeguarding the program beyond any given mayoral administration.

Des Moines, Iowa

While many of the programs described above focus on small businesses that attempt to do work for city governments, the inclusive economic development efforts underway in Des Moines, Iowa focus more on small businesses in the city. The City of Des Moines' Neighborhood Revitalization Program (NRP) is a key

²⁷ <http://www.cincinnati-oh.gov/inclusion/disparity-study-updates/mbe-wbe-regulations/>

element of these efforts that has been in place since 1990.²⁸ Recognized neighborhoods can apply to the Neighborhood Revitalization Board (NRB) for designation status. The NRB is a citizen board, where each City Council member appoints three citizens (one neighborhood resident, one low income resident, and a representative from business/non-profit/education) from their ward. Once designated, the neighborhoods work in partnership with the City and County to create a neighborhood action plan. The City's Neighborhood Development Division supports designated neighborhoods with technical assistance and resources to complete these neighborhood plans.

Designated neighborhoods are critical pieces of the civic infrastructure that provide a venue through which the city government and its citizens and businesses can communicate. The neighborhood associations often deal with community development and housing issues, but many also focus on commercial nodes and work to build environments where businesses can succeed. These neighborhood associations provide a conduit for the city to promote its programs and resources. They also provide a structured way for the city to collect information about the issues and challenges facing neighborhood businesses. Through the business and commercial elements of these plans, small businesses can have their concerns heard and acted upon. For instance, if the city's public transit system is not meeting the needs of businesses in a commercial area, the neighborhood associations can convey this to the city and then work with the city on scheduling or access that fits more with the needs of those businesses' workforce.

By providing a vehicle for small businesses in the city to have their concerns heard and acted upon, the city can help facilitates success in place and thereby mitigate the forces of gentrification. For instance, the City of Des Moines provides small amounts of matching funds from its Community Development Block Grant for store front improvements. This may help make a neighborhood commercial node become more attractive to customers and allow these small businesses to succeed in place. The neighborhood associations not only make local businesses aware of these programs, but they also help bring good projects to the attention of the city government. As a result, these efforts can mitigate the forces of gentrification.

The city has also used the neighborhood associations in support of other small business assistance programs. For example, Des Moines has been one of a small number of cities to participate in the US Small Business Administration's (SBA) Emerging 200 (e200) Initiative. The e200 initiative sought to help inner city businesses with high growth potential to access the resources, expertise and networks they need to thrive. The e200 programs got small business executives out of the day-to-day operations of their business so that they could think more strategically about the future of their business. The neighborhood associations assisted the City of Des Moines in implementing this program by helping to identify and recruit participating firms.

²⁸ <https://www.dmgov.org/Departments/CommunityDevelopment/PDF/AboutNeighborhoodRevitalization.pdf>

Cedar Rapids, Iowa

Cedar Rapids, Iowa recently launched a micro-lending program that represents an important tool for creating opportunities for disadvantaged communities. The Cedar Rapids MiCRo loan program²⁹ provides small loans to aspiring entrepreneurs who lack the resources to get their business off the ground. Through a partnership of the City of Cedar Rapids, the East Central Iowa Council of Governments (COG) and several other key partners, this program utilized leftover funding from flood relief to create a revolving loan fund to support the entrepreneurial efforts of the city's more disadvantaged residents.

In order to qualify for one of these microloans, applicants need to live in one of the areas affected by the flooding. This includes the downtown area and several other areas that include the city's more disadvantaged communities. The program targets people with entrepreneurial ideas and aspirations who lack the financial resources to move that idea forward. In fact, applicants must first be denied loans from a commercial bank to qualify. Successful recipients receive 4 percent loans of \$1,000 to \$5,000 dollars and have 3-5 years to pay back these loans.

While this is a small program, it demonstrates the importance of partnering with other community and regional organizations. The Cedar Rapids MiCRo Loan program draws on these organizations to gain access to capacity that the city alone does not possess. For instance, participants receive technical assistance from the local Small Business Development Center and volunteers from the local SCORE (previously known as the Service Corps of Retired Executives). These experts helped participants refine their business plans before they submit them to the East Central Iowa COG for underwriting and loan approval, and activity that the COG does on a regular basis. If successful, case managers are assigned to loan recipients to connect them to additional technical assistance through the SBDC/SCORE or to lawyers who can provide legal assistance.

The Cedar Rapids Public Library is also one of the program's key partners. One of the significant barriers to providing any kind of assistance is getting potential participants to attend organized events. Residents from disadvantaged neighborhoods are often not comfortable attending events at more traditional locations like Chambers of Commerce. Rather community libraries provide more comfortable and convenient locations for people in these communities.³⁰ Many residents, particularly from immigrant communities, often use public libraries to access the internet access. In this example, the Cedar Rapids Public Library helped promote the program and provided venues for counseling and technical assistance.

²⁹ <http://www.ecicog.org/micro.html>

³⁰ In Cedar Rapids, this lesson is being extended to other programs as Kirkwood Community College—which manages the area's SBDC—is exploring the possibility of opening a minority incubator in the Wellington Heights neighborhood which is one of the city's more diverse neighborhoods. This incubator would not only provide space for new businesses, business support services and training, but would also provide short-term childcare for residents utilizing these services.

Key themes emerging from the case studies

The case studies described myriad ways in which cities have sought to promote more inclusive economic development and address the different elements of economic exclusion, including lack of access to opportunity and economic vulnerability. These cities all faced many of the same challenges as Grand Rapids. They encountered difficulties in marketing their existing programs, increasing outreach to disadvantage neighborhoods and communities of color, improving access to capital, and raising the capacity of minority and women-owned businesses to operate successfully. Even though they may not have such restrictive state policy associated with implementing race conscious programs, there are still many lessons that can be learned from these cities by how they focus their efforts. The case studies therefore demonstrate the importance of:

- *City leadership prioritizing diversity and inclusion:* Cities such as Seattle and Cincinnati make clear that addressing these issues are important to the entire city's future, and that their leaders feel that the city government—through its actions—should lead in the efforts to address the needs of their most vulnerable citizens. By clearly articulating a vision for diversity and inclusion, the city's leadership can ensure that resources are directed toward addressing these issues. Moreover, creating specific positions (e.g., Seattle's Workforce Equity Director) and dedicating staff time to the effort not only demonstrates the city's commitment but also ensures that someone is paying attention to these issues on a full-time basis.
- *Undertaking extensive and systematic outreach and communication:* The outreach efforts in Kansas City show the value of undertaking these activities in a systematic and proactive manner. The ongoing outreach efforts there promote city programs, connect businesses and entrepreneurs to new opportunities, and importantly build relationships with disadvantaged communities and businesses in a non-crisis environment. Quickly addressing the issues raised through this community and business interaction can also help build credibility for the city government. Moreover, it is important to meet, interact and deliver programming to businesses and workers from disadvantaged communities in places where they are comfortable to attend.
- *Leveraging partnerships to expand programmatic support options:* Staff from many of the comparator cities recognized that their jobs were not only to successfully administer programs, but also to serve as facilitators and connectors. This approach enables them to provide a wider array of programmatic options because they are able to draw on the expertise and networks of key strategic partners. Rather than just, for instance, overseeing a set of incentive programs, they also feel that it is important to organize technical assistance workshops or facilitate networking events as a way to enhance the capacity of businesses and entrepreneurs from the city's more disadvantaged neighborhoods.

- *Tracking and evaluating progress:* Data and information are crucial ingredients for making sure that programs designed to support disadvantaged businesses are achieving their intended objectives. Particularly in those cities that commissioned disparity studies (e.g., Cincinnati, San Antonio, Austin), extensive performance data are required to justify continuing programs and track outcomes and compliance. More generally, tracking and disseminating information about disparity and inclusion are vital for crafting effective policies or motivating action. Demonstrating measurable success and impact can also help create a base of support for inclusionary programs. Building a constituency is vital for sustaining these programs long term.

Conclusion

As the report demonstrated, the Grand Rapids economy has performed relatively well coming out of the recession. In spite of this progress, a large segment of the city's population has yet to fully participate in the economic recovery. Within the near south and west neighborhoods—which represent a third of the City of Grand Rapids population—many residents struggle to get by, let alone to catch up or get ahead. Many neighborhood residents are excluded from the labor force even when their skills align with the needs of area employers because they are unaware of opportunities or do not have access to them. Similarly, neighborhood workers and businesses are often unable to take advantage of employment and business opportunities due to a lack of professional networks or access to capital. As a result, neighborhood workers often rely on jobs in industries such as retail or temporary services that are more likely to be unstable or do not pay family sustaining wages. Combined, these factors contribute to high levels of poverty and a sense of economic vulnerability for a significant share of the city's population.

The challenges facing Grand Rapids are not unique. Other cities have segments of their population that lack the resources and education needed to keep up with a changing economy. They have communities and businesses with weak professional networks and limited awareness of the resources and programs that might help them secure professional and business opportunities with city government or in the private sector. Moreover, many of these communities—particularly in states like California and Washington State—have similarly challenging policy environments that restrict race-conscious programs and place real restrictions around how they can use public policy to address these challenges.

If we accept that a thriving region requires a strong core, it is important to ask questions about what is being done to address admittedly very complicated and multi-faceted challenges, such as labor force exclusion, low paying jobs, exclusion from opportunity and economic vulnerability. The report noted several key themes in the examination of promising practices from other cities. For instance, leading cities like Seattle prioritized issues pertaining to diversity and inclusion and these issues inform the way the city does business. City leaders not only clearly articulate a relevant vision and strategy, but also dedicate city resources and staff time to focus on these issues.

Similarly, cities like Austin effectively leverage the networks of partners such as trade associations to market their existing programs and gather broader input from the minority contractor community. These efforts allow the City to both strengthen and increase the usage of their Small and Minority Business programs. Municipal governments can also partner with other organizations and institutions in order to expand their programmatic offerings. For instance, the City of Kansas City works with programs like KCSourceLink (run by University of Missouri-Kansas City) to connect small MWBEs to a wide array of service providers. Connecting these firms to service providers can help them build capacity and increase their ability to compete for both public and private business opportunities.

Finally, a number of the cities discussed above emphasize information and data collection in order to track and evaluate their progress. Robust data collection allows cities like San Antonio to understand

how much their efforts have contributed to meeting established goals around supplier diversity. It can also be used to both inform and justify policies designed to promote equity and inclusion. Making this information accessible and widely available to the community is also an important step in promoting and building broad-based community support for these efforts.

While detailed recommendations are beyond this report's scope, the experiences of other cities do provide insights into how to approach these challenges. However, to move toward implementing strategies to address these challenges, these cities found that they needed to develop a consensus around how to address several key questions:

- What priority does the community at large place on issues pertaining to equity and economic inclusion?
- How structured, systematic or coordinated are the inclusion efforts underway throughout the community?
- How should the City view its role in diversity and inclusion efforts (e.g., leader, program administrator, facilitator, or a connector)?
- How can other community initiatives support the City efforts, and how can the City leverage theirs?
- How do we demonstrate that our efforts are effective? How can this information be used to guide future efforts or build broad-based support for diversity and inclusion efforts?

Building consensus around these kinds of basic questions will allow Grand Rapids to strengthen its ability to address issues pertaining to diversity and economic inclusion. The City of Grand Rapids and the entire Grand Rapids metropolitan area has much going for it, but the gaps identified in this report will persist and grow unless the City develops specific strategies designed to develop a culture of inclusion and tangibly connect economic opportunity to low-income communities. Grand Rapids has a tremendous opportunity to align its efforts to the Governmental Alliance for Racial Equity and other human and financial resources to truly create a culture in which every citizen participates in a thriving local economy.

Appendix A: Economic Impact of City Investments in Parks and Roads

Municipal governments can be leaders in promoting diversity and inclusion. Since they answer to citizens and not shareholders, they are often better able to sacrifice efficiency to achieve a broader public good. They often employ a large workforce and spend significant sums on construction projects as well as goods and services. City investments create direct employment opportunities, and with the proper incentives it could steer more of those opportunities to businesses employing city residents. This next section shows the economic impacts of upcoming city investments in roads and parks, and the extent to which these investments will create new employment opportunities.

Assessing the economic impacts of parks and roads construction and maintenance

To illustrate how city investments can create economic opportunities for its businesses and workers, we conducted an economic impact analysis of two relatively new city investments. Specifically, this analysis will look at the economic impacts of two infrastructure investments: (1) the Vital Street and Sidewalk Tax is designed to provide dedicated investment for streets and sidewalks and eliminate property-owner responsibility for sidewalk repair and construction and (2) the Parks Millage will provide funding to maintain the base level of park mowing, restroom cleaning, trash collection and snow removal. It will also fund park improvements, rehabilitation and repairs.

To estimate the economic impacts of these investments, we utilize the IMPLAN economic input-output model developed by MIG, Inc. This model provides estimates for direct, indirect and induced effects of new spending in a defined region. For the analysis of these investments, we focused on the Kent County economy, since this is where most of the economic impacts will be felt. The direct economic effects capture the impact of the construction of streets and sidewalks or parks maintenance. The indirect effects represent those impacts that come from the direct interaction of the firms involved with those activities with the broader business community. For example, construction companies will purchase equipment. The equipment vendor may in turn hire workers, purchase fuel for their delivery vehicles, or contract with an accounting firm to manage their books. The input-output model also accounts for spending that leaves the region. For example, little of the total purchase value of gasoline used in park vehicles stays in the region since the fuel is refined elsewhere.

The induced effects capture the value of spending by employees of firms directly affected by the city investments (e.g., the construction companies), and a portion of spending by employees of the firms receiving indirect impacts, on goods and services in the region. When added together, the direct, indirect, and induced impacts are greater than the direct impacts, and therefore represent the “multiplier” effect. The models offer estimates of output (a measure of business transactions), labor income (including salaries, wages, and benefits), and employment (jobs).

Economic Impact Analysis Scenario

The City of Grand Rapids provided the expected investment data associated with the Vital Street and Sidewalk tax and the parks millage. According to information provided by the City, we can make the following assumptions in building our model:

- The Vital Street and Sidewalk Tax will, over a five-year period, lead to \$20,133,570 of annual spending on road improvements.³¹ Of this spending, 26 percent will go to preventative maintenance, 56 percent to rehabilitation and 18 percent to new road construction and reconstruction. Additionally, \$1.6 million will be spent annually on sidewalk construction and maintenance.³²
- The parks millage will lead to \$4 million of annual spending on parks improvements and operations, over a seven-year period. Of this spending, 50 percent will go to repair and maintenance, 35 percent to new improvements, and 15 percent to operating swimming pools.³³

Through the capital raised through the two revenue streams, the City of Grand Rapids will release \$25.7 million annually into the economy. Figure A1 shows the economic impact of these investments on the Kent County economy. According to the IMPLAN model, the City of Grand Rapids' investments will sustain over 155 direct jobs annually in Kent County. When we include the indirect and induced effects, these investments will support over 300 jobs annually, and increase local labor income by more than \$16.2 million. These activities therefore result in an employment multiplier of almost two, whereby 1 direct job created leads to another job created elsewhere in the economy. This spending also will generate \$44.7 million in economic activity within the county and boost the county's GDP by \$21.5 million. It is also important to note that this is a conservative estimate of the economic impacts of these investments. We are not making any other assumptions, for instance, that high quality parks will lead to more revenue generating events or that higher quality roads will lead to more shipping activities for the

Figure A1: Economic impacts of Streets, Sidewalks and Parks Investments

Impact Type	Employment	Labor Income	Total Value Added	Output
Direct Effect	157	\$9,258,342	\$10,219,824	\$25,754,454
Indirect Effect	72	\$3,882,326	\$5,950,648	\$9,938,123
Induced Effect	73	\$3,066,087	\$5,367,879	\$9,011,867
Total Effect	302	\$16,206,755	\$21,538,350	\$44,704,445

Source: IMPLAN Kent County Michigan Model

³¹ This information is based on City provided matrix of spending.

³² Based on the City memo dated February 3, 2014.

³³ Based on City memo dated September 6, 2013.

cities warehousing or manufacturing operations.

Figure A2 shows the industries that are most likely to benefit from the City’s investment in roads, sidewalks, and parks. As might be expected, the construction industry is the most impacted. These investments will create about 90 jobs annually in the maintenance and repair of highways, streets, bridges and tunnels, with some additional employment created in the construction of new highways and streets and the maintenance and repair of residential structures. Mostly through the revenue raised by the parks millage, about 45 jobs will be supported in the parks. The indirect and induced job impacts are more diffuse and less significant than those industries directly affected by this spending. Architectural, engineering and related services and real estate are likely to benefit from these investments, as are other industries that benefit from increased spending (e.g., retail, restaurants, etc.).

Figure A2: Industries most impacted by streets, sidewalks and parks investments

Industry (IMPLAN Code)	Direct	Indirect	Induced
Maint. & repair construction of highways, streets, bridges, & tunnels	89		
Museums, historical sites, zoos, & parks	45		
Construction of new highways & streets	15		
Maint. & repair construction of residential structures	7		
Architectural, engineering, & related services		9	
Real estate		5	3
Employment services		5	
Retail - Miscellaneous store retailers		4	
Wholesale trade		4	
Hospitals			5
Full-service restaurants			4
Limited-service restaurants			4

Source: IMPLAN Kent County Michigan Model

The direct impacts can also provide us with some indication of the types of jobs that will be created. As noted above, three industries³⁴—maintenance, repair construction of highways, streets and bridges; construction of new highways and streets; and maintenance and repair construction of residential buildings—are most directly impacted by these investments. These three industries will generate about 111 jobs per year if the level of annual investment remains consistent. Utilizing the national staffing pattern matrix developed by the US Bureau of Labor Statistics, it is possible to estimate the specific occupations of the jobs generated these through these investments.

³⁴ Note that these are industry categories utilized by the IMPLAN model and are slightly different than NAICS-defined industries.

Figure A3 shows that if we add 111 jobs to the Highway, Bridge and Street Construction industry (NAICS 2373) we can expect to see greater demand for construction laborers, equipment operators, truck

Figure A3: Construction-related jobs likely to be created by streets, sidewalks and parks investments

SOC	Description	Annual Estimated Jobs	% of Total Jobs in Industry (2015)	Median Hourly Earnings	Typical Entry Level Education	Work Experience Required	Typical OJT
47-2061	Construction Laborers	23	20.6%	\$16.08	Less than HS	None	Short-term OJT
47-2073	Operating Engineers & Other Construction Equipment Operators	15	13.9%	\$21.50	HS diploma or equivalent	None	Moderate-term OJT
53-3032	Heavy & Tractor-Trailer Truck Drivers	14	12.8%	\$17.76	Postsec. non-degree award	None	Short-term OJT
47-1011	First-Line Supervisors of Construction Trades & Extraction Workers	9	7.8%	\$27.16	HS diploma or equivalent	>5 years	None
47-2071	Paving, Surfacing, & Tamping Equipment Operators	7	5.9%	\$20.08	HS diploma or equivalent	None	Moderate-term OJT
47-2051	Cement Masons & Concrete Finishers	4	3.9%	\$20.79	Less than HS	None	Moderate-term OJT
49-3042	Mobile Heavy Equipment Mechanics, Except Engines	3	3.1%	\$22.73	HS diploma or equivalent	None	Long-term OJT
47-2031	Carpenters	3	3.0%	\$20.50	HS diploma or equivalent	None	Apprenticeship
11-9021	Construction Managers	3	2.4%	\$40.51	Bachelor's degree	None	Moderate-term OJT
43-9061	Office Clerks, General	2	2.1%	\$14.52	HS diploma or equivalent	None	Short-term OJT

Source: EMSI, IMPLAN

drivers, and supervisors. For each of individual occupations, the number of jobs is not large but these jobs are important because they pay above-average wages and do not require extensive post-secondary education.

This analysis shows that through the city investments in road and sidewalk construction and repair can generate good employment opportunities for people with limited education, provided they have the appropriate level of basic training and are provided with access to these opportunities. Many of the students in Grand Rapids Community College's construction programs come from the near south and west neighborhoods, and this segment of the population—if connected to the right opportunity—would be well positioned to fill a number of these positions, particularly for the above ground construction jobs.