

The East Baltimore Revitalization Initiative



A Commitment to Economic Inclusion

The Annie E. Casey Foundation

About This Report

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The Annie E. Casey Foundation's Role in the East Baltimore Revitalization Initiative

Since 2002, the Annie E. Casey Foundation has played a leading role in the East Baltimore Revitalization Initiative, a large-scale, innovative effort to transform a deeply distressed 88-acre area adjacent to the Johns Hopkins Hospital complex into a mixed-income residential community and engine of economic opportunity for both long-time and new residents. The initiative will include new and rehabilitated housing, new commercial space, including a research park, a state-of-the-art elementary and middle school, a grocery store and other retail space, as well as new public spaces and recreational amenities.

The East Baltimore project embraces an approach that combines economic, community, and human development strategies to provide area residents, businesses, and the surrounding neighborhoods with the maximum benefit from the revitalization efforts.

This report is one of a series produced by the Casey Foundation to document the progress and lessons generated by the project.

The project is managed by East Baltimore Development Inc. – a nonprofit entity that has assembled a broad cross-sector partnership that includes Casey, the Johns Hopkins Institutions, the city of Baltimore, the state of Maryland, community representatives, and local and national philanthropies.

The partners have committed to ensuring that the project is focused not just on making physical improvements but is also committed to improving opportunities for residents of the area. To do that, the partners are making sure the project:

- Involves residents in a consequential way in planning, design, and implementation;
- Offers intensive family advocacy and support to families forced to relocate;
- Provides more equitable compensation than has been typical in redevelopment projects to families that relocate;
- Ensures the right and ability of relocated residents to return to the revitalized community in an affordable and permanent way;
- Provides training and job-readiness assistance for community residents to help them secure jobs created by the redevelopment project and other employers;
- Increases opportunities for local, minority- and women-owned businesses to obtain project contracts; and
- Utilizes strict safety protocols to minimize the health hazards for residents of neighborhoods affected by demolition activities.

A Commitment to Economic Inclusion

■ Introduction

The East Baltimore Revitalization Initiative is an innovative, large-scale effort by a cross-sector partnership to transform a deeply distressed, 88-acre neighborhood adjacent to the Johns Hopkins Hospital complex into a mixed-income, residential community and engine of opportunity for both long-time and new residents. The challenges are stark. The residents of the area have the second-lowest median household incomes in Baltimore City, and only half of those of working age are considered to be in the workforce—either employed or looking for work.

A nonprofit entity, East Baltimore Development Inc. (EBDI), was established to manage the 20-year project. EBDI is governed by a board that includes representatives from the community, the Annie E. Casey Foundation, the Johns Hopkins Institutions (the university and medical campus), the city of Baltimore, the state of Maryland, and local and national philanthropies.

The entire project has an estimated cost of \$1.8 billion, and plans call for construction of roughly 2,200 new and rehabilitated, environmentally friendly homes for buyers and renters with a range of incomes; research and other commercial space; a model community school and early childhood center; retail establishments; and new recreational spaces. Achieving the project's goals has proven challenging, and the project has had to adjust and modify its plans and procedures on a number of occasions.

From the early stages of the project, the community has played an important role in setting goals and creating procedures for the project, including establishing a system to encourage economic inclusion and local hiring. In response to the community's concerns, the project's key goals include a commitment to economic inclusion to ensure that the benefits of the project are shared with minority- and women-owned businesses and local minority and women residents. That commitment focuses on:

- Creating opportunities for substantial numbers of community residents to train for and secure well-paying jobs generated by the redevelopment;
- Increasing opportunities for local minority- and women-owned businesses to receive significant shares of the project contracts.

As of the end of 2010, the EBDI project has in large measure met those important goals.

- Thirty-seven percent of EBDI's \$181.7 million in contracts have gone to minority-owned business enterprises (MBE) or women-owned businesses enterprises (WBE), surpassing goals for the project.
- Minorities and women have worked 57.5 percent of the man-hours generated by the project as of December 31, 2010, far exceeding the original goal of 15 percent.

- Of the hours put in on EBDI-related construction projects, 58.1 percent have gone to minorities. And of the 1,768 people working on construction jobs, 638 were Baltimore City residents, including 244 from East Baltimore.
- Since 2003, EBDI and its workforce partners have placed 2,787 people in jobs; more than 30 percent of them lived in East Baltimore.

This report provides an overview of how the project—in its first phase—has worked to live up to those goals, describes some of the challenges it faced, highlights its results to date, discusses the wider effects of the economic inclusion work in Baltimore, and summarizes some key lessons that can help guide similar work elsewhere.

■ A National Context



During the past decade, more city governments and urban institutions have focused on ensuring that economic development projects are generating the jobs and business opportunities they promised to deliver. In a prominent example, infrastructure investments underwritten by the American Reinvestment and Recovery Act have been carefully monitored to determine whether their job development goals have been met. At a time when jobs are in high demand and city economic development resources are strained, ensuring that promises of employment for local residents are realized has become a top priority.

Various cities and institutions have taken different approaches. The city of Boston requires that 25 percent of the work hours on construction projects funded by or through city government be done by minorities and 10 percent by women, and that city residents perform 50 percent of all work hours. Bidders for work on such projects must submit an employment plan for meeting these requirements, and the city established a monitoring body in 1986 to ensure compliance, with detailed compliance data made available online.¹

Some cities have adopted ambitious goals and requirements for hiring locally on major projects. In Chicago, an ordinance adopted in 1994 requires that for city projects worth at least \$100,000, 50 percent of the on-site construction workers must be city residents. Oakland, California, requires that 50 percent of the work in construction contracts or development agreements go to Oakland residents.²

Among nonprofit institutions, the University of Pennsylvania is considered a model in how it incorporates economic inclusion in community revitalization efforts. On recent capital projects valued at \$5 million or more, the university has exceeded its goal of having at least 20 percent of the work go to MBEs and WBEs. Minorities and women have made up more than 20 percent of the workforce on new construction and more than 30 percent on renovation projects. The university now purchases more than \$80 million annually in materials from minority suppliers, and 15 percent of its staff members are local residents.

■ Committing to Economic Inclusion in Baltimore



In April 2002, five months before EBDI was incorporated, then-Mayor Martin O’Malley, EBDI board Chairman Joseph Haskins, Johns Hopkins University President William Brody, Johns Hopkins Medicine CEO Edward Miller, and Johns Hopkins Hospital CEO Ronald Peterson signed the Minority Inclusion Agreement. (The agreement and other documents cited in this report are available at: www.eastbaltimorerevitalization.org, the Casey Foundation’s website about the East Baltimore project.) The agreement spelled out economic inclusion goals to be incorporated in contracts in each of the development’s activities, including goals for the share of work to go to MBEs and WBEs. (See box at right for agreement details.) These are subject to change based on a study the city of Baltimore conducts every five years to measure disparities in contracting.

The agreement stipulates that requirements for minority inclusion apply to EBDI itself, its request for proposals, agreements and contracts, and its developers, contractors, and subcontractors. It also outlines a requirement for minority ownership stakes in the entities involved in the development. The agreement required EBDI to report its results to public agencies and legislative bodies. Today EBDI posts these results on its website.

EBDI Minority Inclusion Goals

Signed in April 2002, the EBDI Minority Inclusion Agreement established the following goals for minority-owned firms within segments of the project:

Planning	13.5%
Design and Architectural	17.0%
Engineering	17.0%
Real Estate Appraisals, Title, and Relocation Services	13.5%
Accounting	13.5%
Rehabilitation	30.5%
New Construction (Housing and Biotechnology)	30.5%
Property and Equipment Financing	13.5%
Facilities Management, Maintenance, and Engineering Services	13.5%
Property Management	13.5%
Parking	13.5%
Legal	13.5%
Financing	13.5%
Investments and Capital	13.5%
Demolition	30.5%
Project Management	13.5%
Laboratory and Office Supplies	9.0%
Reprographics	13.5%
Disposition Services	13.5%
Delivery Services	13.5%
Light Manufacturing	13.5%
Research and Development	13.5%

Note: EBDI has adjusted its inclusion goals over the course of the project; in 2010, the goals were:

Construction: 27% MBE and 13% WBE

Architecture & Engineering: 21% MBE and 13% WBE

General Services: 17% MBE and 9% WBE

The agreement includes by reference Mayor O'Malley's executive order of September 2000, which set an inclusion goal for minority- and women-owned contractors of 35 percent, and the city's Minority and Women Business Enterprise Ordinance. Enacted in 2002, the ordinance requires the Board of Estimates to set participation goals annually for minority- and women-owned businesses.³ The Baltimore Minority and Women's Business Opportunity Office establishes appropriate MBE and WBE participation goals on each specific contract, and annual goals for MBE and WBE participation in each area of contracting and procurement, with achievements reported annually to city officials. (The ordinance and executive order can be found at www.eastbaltimorerevitalization.org.)

■ A Focus on the Workforce



The East Baltimore inclusion agreement also anticipated the need for workforce training to enable residents of the EBDI project area and surrounding East Baltimore neighborhoods to take advantage of newly generated job opportunities. Jobs and training were the two needs most frequently cited in EBDI's first household-by-household survey in 2003. And a labor analysis confirmed that the community had very low levels of education and work experience.

In response, EBDI case managers known as Family Advocates began working with residents in 2004, and EBDI established a regular session open to the community called "Workforce Wednesdays" to provide job-readiness resources and to connect local residents with employment development services.

With the Casey Foundation's support, EBDI also helped develop and connect residents to high-quality programs that provide industry-specific literacy and numeracy help, in effect "on-ramps" to training programs and employment in biotechnology lab work, construction, and health care.

In 2007, EBDI established a formal Workforce Development Pipeline partnership with the Mayor's Office of Employment Development (MOED), which connects participants to occupational training and barrier removal resources through partnering community organizations. Barriers addressed may include low literacy, criminal records, transportation, or child care. EBDI uses Efforts to Outcomes software to track the services residents have received, referrals to collaborating agencies, and most recently, to identify pipeline participants who have obtained jobs with employers and contractors working in the project area.

■ Laying the Groundwork

When the project began, no organization in Baltimore had the track record to serve as a third-party monitor for the economic inclusion efforts. So EBDI turned to Greater Philadelphia Urban Affairs Coalition (GPUAC), which had provided economic inclusion services for several major projects. (See case study about GPUAC's experience in Philadelphia on page 10.)

EBDI decided it was important to help develop a local entity to work with GPUAC and serve as an independent monitor. So EBDI staff, advisers from the Johns Hopkins Institute for Policy Studies, and an advisory committee created screening criteria that EBDI could use in selecting a local partner; EBDI also issued a request for qualifications. The Greater Baltimore Urban League (GBUL) was selected, and EBDI—with Casey's support—contracted with GPUAC and GBUL. The contract required GPUAC to help GBUL assume full responsibility for the tasks included in the scope of work. Subsequently, other organizations in Baltimore developed the ability to monitor economic inclusion, and in the 2009 competitive bidding process, a for-profit firm, DPN Group Consulting, won the contract. DPN was itself a local, minority- and woman-owned business start-up that grew out of the EBDI project.

EBDI established a board committee for economic inclusion, and its Economic Inclusion Advisory Committee started holding open meetings with East Baltimore community residents in 2005. The advisory committee's chairman was a representative of the mayor. Members included representatives of EBDI; Forest City-New East Baltimore Partnership, the master developer of the project's first phase; the contractor building the project's first life sciences building; the Mayor's Office of Minority and Women-Owned Business Development; the Baltimore Department of Transportation; MMG Group, a minority business development agency for the state; John Wesley AME Church; U.S. Rep. Elijah Cummings; the city council; state legislators; the Casey Foundation; Morgan State and Johns Hopkins universities; and local residents.

Inclusion reports summarized contracts, employment hours, and the number of employees both for the total project and for each construction project.

The advisory committee heard updates on economic inclusion and reports on planned construction. Over time, the panel reviewed hiring, summaries of workforce program outcomes, and non-construction contracts. The inclusion reports, which were also posted on the EBDI website, summarized contracts, employment hours, and the number of employees (also known as the head count) both for the total project and for each construction project. (See Figure 1 on page 11)

Over time, the advisory committee suggested refinements to the reports that made it easier to see how much of each construction project was complete, how many residents of both the project area and Baltimore City were employed, and the average duration of employment and average wages. The committee also grappled with policy questions about what contracting areas should count. For example, Baltimore City computes inclusion percentages only for contracting areas for which there are at least two qualified minority contractors. EBDI decided to include all categories of work on the project, understanding that it would be more difficult to meet inclusion goals in some contracts such as specialized machinery work that have few qualified minority- or women-owned bidders.

The Economic Inclusion Model: Learning from Philadelphia

Development work in Philadelphia provided a model for EBDI's economic inclusion effort. Leaders of the Baltimore project met with the Greater Philadelphia Urban Affairs Coalition, which has provided economic inclusion services for several major projects.

Philadelphia's model included efforts to:

- Help project owners set inclusion and local hiring goals for overall projects and include them in RFPs;
- Support targeted outreach to potential minority- and women-owned contractors;
- Help evaluate bids for compliance;
- Review all contracts, subcontracts, change orders, and purchases to make sure economic inclusion language is included;
- Receive and process payroll records from all contractors;
- Report monthly on economic inclusion achievements;
- Monitor performance and counsel contractors who are lagging to suggest mitigating strategies; and
- Conduct on-site spot-checks to make sure employment reports are accurate.



Making the Philadelphia economic inclusion a success depended on several key factors:

- Having a project owner who is committed to economic inclusion;
- Using a knowledgeable and credible third-party monitor to help set goals and write RFPs, publicize opportunities, identify and reach out to contractors and subcontractors, work with contractors to achieve goals, independently monitor inclusion performance, report monthly, and provide a link to workforce development initiatives;
- Incorporating goals for both contracting and employment in all development, contracting, and subcontracting legal agreements, and imposing meaningful sanctions on contractors for noncompliance; and
- Maintaining transparency through open monthly meetings of an economic inclusion advisory group made up of stakeholders and support professionals, and through the use of a website to publicize ongoing results.

FIGURE 1:

EBDI Reporting on Economic Inclusion

EBDI has regularly reported the following information related to economic inclusion:

CONTRACTS

Name of Project: (e.g. Life Sciences Building No. 1)

Total Awards to Date and Percentage of the Project Completed

Design or construction awards (\$) for the current and previous months, percentage of total awards, goal, percentage over/under goal for:

- MBEs
- WBEs

Design or construction awards (\$) for the current month and previous month, percentage of total awards:

- MLBE
(minority-owned local firms*)
- WLBE
(women-owned local firms*)
- LBE (local firms not owned by minorities or women*)

** all defined as within Baltimore*

EMPLOYMENT HOURS

Overall EBDI Project Goal: 15 percent of site employment hours to go to minorities or women; running total achieved to date.

For Current Month and Total for Each Ongoing Construction Project:

- Skilled worker hours, with percentage of total hours for each
 - o Minority men
 - o Minority women
 - o Non-minority women
- Laborer hours, with percentage of total hours for each
 - o Minority men
 - o Minority women
 - o Non-minority women

HEAD COUNT

Site Workforce, Number and Percentage of Total for Previous Month and Project Total:

- Non-minority men
- Minority men
- Minority women
- Non-minority women
- EBDI residents
- East Baltimore residents (11 ZIP codes)
- Baltimore City residents

Total Project:

- Majority men: average hours, weeks, and hourly wage
- Minority men: average hours, weeks, and hourly wage
- Minority women: average hours, weeks, and hourly wage
- Non-minority women: average hours, weeks, and hourly wage

■ How Inclusion Works in Practice

At the early stage of developing a specific building project, the third-party monitoring team works with the developer on requests for proposals for the project design, reviewing the language about economic inclusion goals, and ensuring that requirements for bidder submissions and project performance are included.

The independent monitor provides information to companies interested in participating in EBDI projects, identifies potential bidders from a continuously updated database, and invites them to informational and networking sessions. These sessions include larger firms that might work with local firms to meet their economic inclusion goals. The monitor is responsible for ensuring that all potential bidders understand the economic inclusion requirements and goals, and agree to turn first to the EBDI/MOED workforce pipeline for new hire candidates.⁴ The monitor is also responsible for connecting uncertified minority- and women-owned contractors and subcontractors to services that can help them become certified. Contractors and subcontractors can only count certified companies in their inclusion results.

For construction projects, the developer and independent monitor follow the same basic steps cited above. Bidders must specify how they plan to meet the project's inclusion goals, although they have leeway to include lower inclusion percentages on project areas with fewer qualified MBE and WBE subcontractors. For construction projects, bidders must also submit a plan to meet hiring goals for hiring minorities and women for each phase of the project. At the same time, a representative of the workforce pipeline identifies work-ready prospects for contractors who are ready to hire.

Finding a Career Through the Workforce Development Pipeline

Shawn Cherry spent 22 years on the streets and only occasionally worked side jobs when he could. Three years ago, he went back to school for his GED and overcame a drug addiction.

Things changed when Cherry, 41, got plugged into the EBDI/MOED workforce pipeline. "I had had some experience in plumbing before, so they helped me with what I really needed," Cherry says. "I didn't have a resume; they showed me how to do one. I needed [truck safety] certification; they helped me study for that. They coached me on how to be properly dressed and how to present myself when I go on interviews."

Today, Cherry is a plumber's assistant with Madison Mechanical Inc., working on the 20-story Johns Hopkins University Graduate Student Housing project – one of several people from the EBDI pipeline who have been placed in jobs for the project. Cherry says this is the kind of job "you can grow with."

Cherry is proud to be able to provide for his new family, as well as his older children. "I enjoy making money, paying bills, not asking anybody for nothing and not doing anything wrong to get nothing; just working hard," Cherry says.

In the East Baltimore neighborhood where Cherry grew up, neighbors and old friends see him working every day and taking care of his family and are proud.

Goals have been established and a similar process is in place for architectural, engineering, and design contracts as well as professional and general contracts for janitorial, security, consulting, and other services.

The monitor is part of the bid review team along with the developer, focusing on the inclusion and manpower compliance plans. The monitor also meets with the winning bidder to review the inclusion plan and required documents, inform the bidder of the services provided by the monitor to help contractors meet the inclusion requirements, and introduces contractors to workforce development team members.

The monitoring process begins with contractors submitting certified payrolls to the monitor, which flags graduates of the workforce pipeline who are employed on the project to ensure that EBDI tracks their workforce achievements. The monitor also receives and reviews construction invoices, executed contracts, cancelled checks, and lien releases. The third-party monitor also tracks employment hours for residents of Baltimore City and the 11 ZIP codes in East Baltimore. The monitor aggregates data and meets monthly with the general contractor to identify challenges achieving the inclusion goals and strategies for meeting them.

Data on economic inclusion are presented to the EBDI advisory committee and to attendees of quarterly economic inclusion meetings organized by U.S. Rep. Elijah Cummings, whose district includes the EBDI site. These meetings provide a venue to reach potential bidders, serve as outlets for public comment on the process and outcomes, create networking opportunities for contractors, and help maintain congressional support for the effort. EBDI also regularly reports its development and inclusion progress to its Economic Inclusion Advisory Committee and its Housing and Relocation Committee, both of which include community members.

■ Building the Capacity of Minority- and Women-Owned Companies

A key aspect of EBDI's effort is working closely with companies to help them be eligible for and secure contracts. EBDI understands that smaller, local minority-owned companies are most likely to employ local minority workers and that over the life of this project the contracting process can help these companies take on larger roles. Many of these companies, particularly smaller ones, lack the experience to successfully compete for the work. Under its contract with EBDI, the third-party monitor helps prepare such minority- and women-owned contractors to be successful bidders and expand their local workforce.

The monitor collaborates with the Baltimore Small Business Resource Center (SBRC), the federal Small Business Administration, and MMG Group, the state's minority business development agency, to lead workshops on bonding, financing, and other topics. Baltimore's SBRC works with contractors on marketing and outreach, qualification assessment, technical assistance, and networking opportunities. That may mean helping a company become certified as a qualified minority- or woman-owned enterprise or obtain the necessary insurance or bonding.

■ Challenges, Adjustments, and Expansion



Economic inclusion is central to the fundamental purpose of the East Baltimore redevelopment, which is to repair and enhance both physical and human capital. As the project progressed, it was clear that linking economic inclusion to strengthened workforce development efforts was critical. But making that link work proved to be more complicated than expected.

The first obstacle was that the Minority Inclusion Agreement incorporated into the Master Development Agreement did not address employment, only contracting. That meant it was necessary to negotiate employment goals and reporting requirements with the master developer after the contract was signed. That Master Developer Agreement now requires all contracts to include goals for employment of minorities and women. In February 2011, the agreement was amended to require goals for hiring local residents. And contractors are obligated to use the EBDI/MOED workforce pipeline to identify or recruit local workers.

The definition of “local” has changed as monitoring has become more focused on this aspect of inclusion. The results reported in Appendix B-2 use various definitions, including the project area (six ZIP codes), East Baltimore (11 ZIP codes), and Baltimore City. Efforts are now under way to standardize these specifications. Another refinement is being made in response to the advisory committee’s longstanding desire to have results broken out by race and ethnicity, which is a particular concern in this part of the city where residents who were relocated, stayed, or live near the borders of the project are overwhelmingly African American.

Another challenge for workforce development providers was determining when to schedule training to coincide with employment opportunities, since the project developers were not initially required to submit manpower projection plans. All bids or proposals must now include a detailed manpower projection plan.

One reporting challenge has been linking information about who has been trained with documented employment on EBDI-related projects. This has been difficult because of employers’ needs to protect payroll data, which includes Social Security numbers and addresses for workers. Over time, EBDI developed access protocols, but has not yet been able to automate the matching of records about an individual worker’s training and workplace history.

As the project progressed, EBDI itself needed an economic inclusion procurement policy. After working on developing such a policy for several years, EBDI created the Economic Opportunity Plan and Procurement Policy in January 2010. (This document, which was subsequently revised, is available at www.eastbaltimorerevitalization.org.) This policy included local employment goals for construction projects only, but a consultant’s report completed in May 2010 provided options for local hiring goals on non-construction procurements.

Tracking permanent jobs that are stimulated by the project requires understanding the hiring policies of the project's tenants, as well as services such as maintenance, housekeeping, and landscaping contracted for by EBDI or the master developer. As of early 2011, EBDI was continuing to discuss the inclusion of reporting requirements in lease agreements with tenants. It is also developing resource manuals for EBDI procurement managers and external parties.

In 2009, EBDI commissioned consultants from the University of Baltimore to update an assessment of workforce supply and demand characteristics that was originally conducted prospectively in 2003. After estimating the number of jobs associated with lab, office, and retail space, the consultants analyzed the opportunities for lower-skilled workers who represent the majority of the local labor pool. These results will be used to shape local hiring goals and target occupational training.

As revealed in the results on the following page, meeting inclusion goals for design contracts continues to challenge EBDI and the third-party monitor. It is important to note that some design contracts were awarded before inclusion procedures were fully developed, which has contributed to the project not meeting its goals in this area. Additionally, evidence of a systemic problem meeting those goals is mounting. In response, the monitor has focused more on creating opportunities for networking among large and minority- and women-owned design firms.

Economic inclusion is central to the fundamental purpose of the East Baltimore redevelopment, which is to repair and enhance both physical and human capital.

Inclusion on smaller projects presents a challenge because there are often fewer subcontracting opportunities. Such projects can lead to large inclusion percentages if the selected general contractor is minority- or woman-owned, or very low if not. The data also reveal the need for a special effort to identify and reach out to women-owned construction firms and minority-owned professional services firms, for which tracking began in 2010.

One challenge facing the Economic Inclusion Advisory Committee is how to count firms owned by minority women that have been included only in the minority-owned businesses category to avoid double counting. As of 2011, the committee has decided that firms owned by minority women will be able to choose the category in which they will be counted.⁵

The monitor's reporting has improved dramatically since the first rudimentary report was submitted in October 2005. EBDI recently decided to have reports prepared quarterly rather than monthly, which gives the monitor more time for outreach, assistance to contractors, and policy development collaboration. An employee of the monitoring firm now has an office at EBDI that facilitates daily coordination and ready access for contractors and subcontractors. From 2005 through mid-2011, the cost for economic inclusion monitoring, outreach, and technical assistance activities, along with a working capital reserve pool for MBEs and WBEs, has averaged \$271,000 annually; in total, the \$1,682,962 cost is less than 1 percent of the project's real estate development costs. The cost to implement the Workforce Pipeline has been about \$257,000 a year – or \$557 per participant – which includes EBDI workforce staff costs and payments to MOED for services. Looking to sustain these programs, EBDI is exploring how to allocate these costs within real estate development project budgets in the future.

As a result of suggestions by residents and key project stakeholders, EBDI and its Economic Inclusion Committee have worked to enhance the project's local hiring and economic inclusion policies. Regarding local hiring policies, the committee is recommending several additions, including setting goals for local hires within three geographic tiers. The first priority would be residents living in the project area, the second would be those living in the greater East Baltimore area, and the third would be Baltimore City residents. EBDI staff is working with officials from Baltimore City and other communities to identify useful language and targets based on experience both locally and elsewhere. In addition, reports on local hiring will provide more detail by breaking out data on the numbers of African Americans, Hispanics, Asians, and other minorities hired.

Regarding economic inclusion, the committee is also proposing to create three tiers of preferential geography for economic inclusion goals as well as new language to promote joint ventures and higher equity participation of MBE and WBE firms.

■ EBDI Results

As of December 31, 2010, EBDI had awarded \$181.7 million in contracts. Minority and women-owned companies received 24 percent of the \$25.4 million in design contracts and 40 percent of the \$143 million in construction contracts. (See Appendix A for a breakdown of these figures; Appendix C provides a breakdown for key individual construction projects.)

MBEs and WBEs won 33 percent of the \$13.2 million in professional services contracts. As detailed in Appendix A, EBDI has fallen short of its goals for inclusion in design contracts and exceeded them in construction and professional contracts.

In the aggregate, EBDI activities have generated \$67.2 million in revenues for MBEs and WBEs, 37 percent of the total spent on contracting; this figure is significantly higher than the state of Maryland's goal of having 25 percent of contracts go to MBEs and WBEs.

In terms of employment, minorities and/or women have accounted for more than 57 percent of the hours of work the project has generated, significantly higher than the goal of 15 percent. Among the workforce of 1,844, 38 percent were Baltimore City residents and 14 percent were from East Baltimore.

Workforce Development Data

- Since 2003, EBDI and its workforce partners have placed 2,787 people in jobs; more than 30 percent of them were East Baltimore residents.
- Over the course of the project, EBDI has directly hired 214 full-time workers for business services jobs; 32 percent of them are East Baltimore residents.
- The East Baltimore Community School has hired 31 education workers, and one of them is an East Baltimore resident from the EBDI workforce pipeline.

EBDI's workforce program efforts have resulted in placing 187 East Baltimore residents in jobs during the relocation phase of the project from January 2004 to June 2007. Since the EBDI workforce pipeline was launched in November 2007, it has helped place 206 East Baltimore residents in jobs, including 32 in the EBDI project area.

- Thirty percent of the workforce pipeline placements were in construction, 18 percent in manufacturing, 17 percent in hospitality and tourism, 12 percent in health care, and 7 percent in business services, with smaller percentages in retail and customer services, transportation, security and public safety, education, and information technology.
- Average wages for construction jobs have been \$20.90 per hour and \$11.13 for service-related and security jobs; these figures compare favorably with the “living wage” established by Baltimore City of \$10.59. (See Appendix B-2 for a summary of these figures.)
- As of December 31, 2010, EBDI had surpassed its goals for people retaining jobs after going through the Workforce Pipeline:
 - 94 percent of those who were placed in a job retained it for at least 90 days (the goal was 75 percent).
 - 88 percent retained their job for at least 180 days (the goal was 65 percent).
 - 78 percent retained their job for at least 365 days (the goal was 60 percent).

■ The Wider Impact of the Economic Inclusion Model



The EBDI approach to economic inclusion is being replicated by other major projects in Baltimore City. The Johns Hopkins Hospital (JHH), whose leaders have been closely involved in EBDI governance, adopted the third-party monitoring approach for the construction of its new clinical building, a \$994 million, two-tower complex scheduled to open in 2012.

When the project began in 2006, JHH required general contractors to include economic inclusion plans in their submissions. To ensure that the accounting of MBE and WBE work is accurate, JHH only recognizes documented contracts (including change orders, which typically account for 20 percent of spending) and counts only 60 percent of spending on purchased supplies. This ensures that the numbers reflect the actual “value added,” or labor undertaken, by the minority- or woman-owned contractor rather than simply the reselling of marked-up goods. In addition, JHH has strengthened its validation of payments to subcontractors by examining cancelled checks.

For this work, JHH engaged the same joint venture as EBDI to handle third-party monitoring of economic inclusion. As of 2010, with about two-thirds of the project completed, minority-owned, women-owned, and local businesses have received contracts totaling \$112 million, and the project is meeting or exceeding its inclusion goals. Minorities and/or women accounted for more than half the hours put in by skilled workers on the project, and 80 percent of the laborer hours were performed by minorities and/or women, while almost a quarter of the people employed on the site were Baltimore City residents.

Another Hopkins project, the \$80 million Robert H. and Clarice Smith Building of the Wilmer Eye Institute, was recently built using third-party monitoring of economic inclusion. This smaller project provided more opportunities for MBE/WBE participation because the bonding requirements were not as high as they were with the clinical building. The project generated nearly \$24 million for MBEs, WBEs, and local businesses, exceeding its inclusion goals.

JHH has also launched economic inclusion efforts in its routine capital projects, which number as many as 500 a year. This provides opportunities for firms to find work within their bonding limits.

EBDI's work in local hiring and economic inclusion has influenced other public and private developers in Baltimore City. The national nonprofit organization Living Cities recently committed nearly \$20 million to Baltimore City over three years to demonstrate the benefits of aligning physical development initiatives in three neighborhoods with human capital investments. As part of this work, the Baltimore Integration Partnership, the local entity organized to direct the project, incorporated many of the local hiring and economic inclusion policies as well as the workforce pipeline model to offer EBDI's integrated physical and human capital approach to communities in the center and west side of the city. In addition, developers in other parts of the city and state are considering adopting EBDI's approach.

■ Lessons Learned

The EBDI economic inclusion team reviewed its activities from 2005 to 2008 and identified the following lessons in implementing a process to increase contracting opportunities for minority- and women-owned businesses while developing a diverse workforce in a major economic development project.

I. Take Action Before the Project Begins

- Key stakeholders should establish a clearly defined mission for economic inclusion to focus efforts and ensure that resources are available. For example, is the goal of the inclusion effort to increase economic opportunity, or is it to help businesses take advantage of the opportunity? Are the contracting goals really aimed at employment, or are they goals themselves? Are the inclusion goals specifically about African American-owned companies and workers or all minorities? Answers to these questions should be clear at the outset.
- Agree on definitions early. Do companies need to be certified minority- or women-owned in order to be counted in economic inclusion performance? Certified by what authority? What constitutes a minority? How do you define a local geographic area?
- Put in place standard operating procedures prior to the start of any project so all rules are established before bidding begins. This was hard to achieve in EBDI's case, as the initiative was essentially inventing itself as it evolved. It would have been helpful to include some flexibility in key documents such as the Master Developer Agreement to permit modifications as the project unfolds.
- From the beginning, require contractors to submit inclusion-related documents and establish financial penalties for noncompliance. This forces sub-developers, construction managers, and general contractors to supply inclusion documentation in a timely manner.
- Create legal agreements early enough to allow the inclusion effort to be effective from the beginning of the project. In EBDI's case, the Master Developer Agreement, the guaranteed maximum price agreement with the construction manager, the lease agreement with the anchor tenant for the first commercial building, the confidentiality agreement with the master developer, and the procurement policy took nearly two years to finalize.
- Ensure that economic inclusion efforts are backed with adequate financial resources for monitoring, reporting, and data-tracking systems.

2. Incorporate Workforce Development in Inclusion Efforts and Provide Adequate Support

- Along with requiring economic inclusion in contracting, it is critical to prepare residents to take advantage of job opportunities created in redevelopment. A workforce development fund would have been useful for training people from the community. Collect reliable data about workforce training and contractors' local hiring to help obtain additional resources for support services.
- Integrating workforce inclusion into the project's overall inclusion goals is challenging. Such hiring goals must be clear and realistic for all parties, including the project owners, contractors, vendors, elected officials, and the public, while reflecting the realities of the marketplace.

3. Build the Capacity of Local, Minority- and Women-Owned Contractors

- There was and continues to be a need for specialized training to assist such contractors with bonding, contract financing, proposal writing, mentoring, and bookkeeping. The successful partnership between the third-party monitor, the Baltimore Small Business Resource Center, and the Baltimore Small Business Administration office has helped address this need.

4. Sustained Public and Political Support is Critical

- Engage the community in developing an economic inclusion plan and setting goals.
- Elected officials and community leaders can play critical roles in generating support for economic inclusion efforts. In East Baltimore, the attention, involvement, and commitment of Congressman Cummings and the mayor have helped keep the community informed and held all parties accountable.
- An annual report on the economic impact of a project can help generate more support and justify financial resources required.
- Make it a priority to inform all who might benefit from and take advantage of institutional inclusion commitments. Elected leaders' town hall meetings and other gatherings of business owners provide excellent venues for reaching minority and women-owned firms.

5. Be Transparent and Flexible

- Provide transparency from the beginning, both among the parties involved in a development project and with the general public. This helps focus attention on inclusion and increases the probability of meaningful achievements. Regularly posting economic inclusion results on the project’s website can provide public access to the process.
- While basic principles guide the overall project, it is necessary to adapt the economic inclusion approach for each component. In East Baltimore, such projects as the state health department laboratory, the “house for a house” program, and the planned new school have required flexibility in creating inclusion requirements.

6. Anchor Institutions Can Play a Key Role

These lessons flow from the experiences of anchor institutions in Baltimore and other cities.

- Commitment by an anchor institution’s chief executive and board is vital to achieving effective, sustained economic inclusion.
- Institutionalizing inclusion goals makes community engagement and inclusion part of standard operations. A large staff is not required if goals are embedded in the daily activities of the institution. Operationally, commitment includes holding the institution accountable for meeting its inclusion goals.

7. Build the Capacity of Third-Party Monitors

EBDI had to select an experienced out-of-town third-party monitor because there were none available locally, which resulted in important lessons. These lessons will apply in any locale where this monitoring expertise is lacking.

- Selecting a respected local partner gave credibility to the process, which was new to the Baltimore market. In retrospect, other factors of capacity and flexibility proved to be equally important.
- Adequate resources are necessary to ensure a good collaboration between an experienced monitor and a local monitor, and to ensure smooth transfer of knowledge, technology, skills, and data. Ensuring this transfer may require paying both the local and out-of-town firms for a period of time.
- A smaller pilot project would have provided a better opportunity for the local third-party monitor to learn how to handle the work.

8. Support the Development of Qualified Firms and Workers

- Major institutions can support the growth of minority- and women-owned contractors capable of taking on projects at those institutions. For example, institutions can require prime contractors to consider some of these firms as subcontractors or host vendor fairs to introduce smaller MBEs and WBEs to major contractors. At Johns Hopkins University and the University of Chicago, purchasing agents are responsible for identifying and cultivating new vendors every month. Other institutions are expediting payments and reviewing bonding requirements to make it easier for small vendors to do business with them.
- Anchor institutions can help bolster the skills of potential workers, with the goal of diversifying their hires. The University of Chicago, located in a strong union city, strongly encourages construction contractors to take on local apprentices.
- Building a well-coordinated workforce pipeline that serves as a broker to develop training and match skilled workers with the needs of employers is critical to ensure developers, contractors, and employers can meet local hiring goals.

9. Report Results

- Bold institutions, including EBDI, routinely report their inclusion results, and EBDI's progress in refining those reports makes it a model for others. The reports could be strengthened by using certified payroll records to calculate the aggregate earnings of area and city residents and by highlighting the total amount a project spends in the community, rather than using percentages.
- Transparency can help large institutions build credibility in the community and serves as a standard to which others in the community, including government, might increasingly be held.

■ Conclusion

Ensuring that development efforts lead to increased economic opportunities for local minority and women-owned businesses, as well as minority and local workers, is an important goal for many cities and private institutions around the country. Creating the framework and policies needed to foster such economic inclusion requires that a project's key leaders commit to the goal. And these efforts can be informed by the work of other projects. A leading example of such work is the East Baltimore Revitalization Initiative, documented in this report. Achieving these results has proven challenging, and the project has had to adjust and modify its plans and procedures on a number of occasions.

The bottom line is that the right commitment and policies can ensure that development projects are about more than just physical improvements; they can also strengthen local businesses, provide new opportunities for job seekers, and build the economy of often-struggling communities.

Appendix A

Overview of EBDI Contracting with Minority-Owned Business Enterprises (MBEs) and Women-Owned Business Enterprises (WBEs)

Professional and General Services (as of December 31, 2010)				
	<i>Total Professional and General Services Awards</i>	<i>M/WBE Awards</i>	<i>Percent</i>	<i>Goal</i>
MBE		\$1.5 million	11.20%	17.00%
WBE		\$2.8 million	21.40%	9.00%
Total MBE/WBE	\$13.2 million	\$4.3 million	32.70%	26.00%
Design Services (as of December 31, 2010)				
	<i>Total Design Awards</i>	<i>M/WBE Awards</i>	<i>Percent</i>	<i>Goal</i>
MBE		\$3.0 million	11.86%	21.00%
WBE		\$3.1 million	12.26%	13.00%
Total MBE/WBE	\$25.0 million	\$6.1 million	24.12%	34.00%
Construction Contracts (as of December 31, 2010)				
	<i>Total Construction Awards</i>	<i>M/WBE Awards</i>	<i>Percent</i>	<i>Goal</i>
MBE		\$50.3 million	35.20%	27.00%
WBE		\$6.4 million	4.48%	8.00%
Total MBE/WBE	\$143.0 million	\$56.7 million	39.68%	35.00%

Appendix B-I

Summary of Workforce Participation in EBDI Construction Projects

Hours that Minorities and Women Worked on EBDI Construction Projects (as of Dec. 31, 2010)⁶		
	<i>HOURS</i>	<i>% OF TOTAL</i>
TOTAL SKILLED WORKERS	383,083.9	
<i>Minority Men</i>	186,000.3	48.6%
<i>Minority Women</i>	10,032.0	2.6%
<i>Non-Minority Women</i>	693.0	0.2%
TOTAL MINORITY/WOMEN SKILLED WORKERS	196,725.3	51.4%
TOTAL UNSKILLED WORKERS		
TOTAL UNSKILLED WORKERS	96,213.6	
<i>Minority Men</i>	78,682.0	81.8%
<i>Minority Women</i>	2,567.3	2.7%
<i>Non-Minority Women</i>	320.0	0.3%
TOTAL MINORITY/WOMEN UNSKILLED WORKERS	81,569.3	84.8%
TOTAL SKILLED AND UNSKILLED WORKERS		
TOTAL SKILLED AND UNSKILLED WORKERS	479,297.5	
<i>Minority Men</i>	264,682.3	55.2%
<i>Minority Women</i>	12,599.3	2.6%
<i>Non-Minority Women</i>	1,013.0	0.2%
TOTAL MINORITY/WOMEN SKILLED WORKERS AND UNSKILLED WORKERS	278,294.6	58.1%

Appendix B-2

Summary of Workforce Participation in EBDI Construction Projects

Employment On-Site Head Count and Average Weeks Worked and Hourly Wage (as of Dec. 31, 2010)				
	CONSTRUCTION SITE		SERVICES	
Total Non-Minority Men	804		11	
Total Minority Men	951		45	
Total Minority Women	10		20	
Non-Minority Women	3		0	
TOTAL	1,768		76	
EBDI Residents*				
EBDI Residents*	3		2	
East Baltimore Residents**				
East Baltimore Residents**	244		21	
TOTAL BALTIMORE CITY RESIDENTS	638		62	
Average Weekly Hours and Hourly Wage				
	Avg. Weeks	Avg. Hourly Wage	Avg. Weeks	Avg. Hourly Wage
Non-Minority Men	6.17	\$28.90	21.18	\$12.08
Minority Men	6.52	\$26.76	19.47	\$11.27
Minority Women	7.32	\$12.08	20.80	\$11.20
Non-Minority Women	9.12	\$18.11	0.00	\$0.00
TOTAL	6.37	\$27.61	20.07	\$11.37

* Residents in area bounded by Madison Avenue, Amtrak train tracks, Broadway, and Patterson Park Avenue.

** Residents in these ZIP codes: 21202, 21205, 21206, 21213, 21214, 21218, 21224, 21231, 21237, 21251, and 21287.

Appendix C

Verified Work by MBEs and WBEs on Key EBDI Design and Construction Contracts by Project

Completed Projects (as of July 31, 2010)			
NAME OF PROJECT	SUMMARY	OWNER	AWARDS TO DATE
John G. Rangos Building	First lab building	FC-NEBP	\$54.1 million MBE \$14.7 million (27%) WBE \$4.2 million (8%)
EBDI Demolition	500 houses	EBDI	\$11.1 million MBE \$11 million (99%) WBE \$85,000 (1%)
Phase I Parking Lot A Site Prep	Pre-construction Preparation	FC-NEBP	\$271,000 MBE 100%
Phase I Parking Lot B Site Prep	Pre-construction Preparation	FC-NEBP	\$386,000 MBE 100%
The Shelter Group · Park View at Ashland Terrace · Ashland Commons	Residential apts: · 74 units · 78 units	Shelter Group	\$12.5 million MBE \$4.2 million (34%) WBE \$855,207 (7%)
Pennrose Properties Chapel Green	Townhouses · 63 units	Pennrose Properties	\$12.1 million MBE \$6.9 million (57%) WBE \$847,000 (7%)
1010 N. Chester St.	NEMCO warehouse	EBDI	\$66,781 MBE \$16,000 (24%) WBE \$2,150 (3%)
1704-06 E. Chase St.	Renovations	EBDI	\$701,028 MBE \$49,528 (7%) WBE \$31,500 (4%)
McDonogh Mews	Townhouses	EBDI	\$1.26 million MBE \$587,665 (47%) WBE \$39,990 (3%)
Projects Under Way or Pending (as of July 31, 2010)			
NAME OF PROJECT	SUMMARY	OWNER	AWARDS
Townes at Eager	Townhouses: 49 total units; 5 currently under construction	FC-NEBP	\$9 million MBE \$2.3 million (26%) WBE \$350,000 (4%)
L2 Building	Second laboratory building Schematic design	FC-NEBP	\$2.5 million MBE \$99,515* WBE \$29,000* *documentation rec'd to date

Note: FC-NEBP stands for Forest City-New East Baltimore Partnership, the master developer of the project's first phase.

■ Endnotes

- ¹ See <http://www.bostonredevelopmentauthority.org/compliance/compliance.asp>.
- ² Sage Policy Group, *Establishing Community Workforce Development and Participation Goals Through the Use of Analysis and Best Practices* (Baltimore: Sage Policy Group, for East Baltimore Development, Inc., 2010).
- ³ Amended in 2007.
- ⁴ EBDI has adopted Baltimore's inclusion goals. The Minority and Women's Business Opportunity Office (MWBOO) of the city's law department is responsible for setting MBE and WBE participation goals on each city contract, and for establishing annual goals for MBE and WBE participation in each area of contracting and procurement. The goals are based on a capacity study of MWBOO's certified MBE/WBE contractor database.
- ⁵ Community representatives and advisory members are discussing the importance of reporting progress relative to onsite employment by racial and ethnic background so project hiring data can ensure that actual results align with local demographics.
- ⁶ Source: EBDI. Note that EBDI did not establish local hiring goals until 2011.

