

**City of Houston
Office of Business Opportunity**

**Proposed Goal for the Participation of
Disadvantaged Business Enterprises in
Department of Transportation Funded Contracts
Federal Fiscal Years 2017-2019**

Pursuant to the Code of Federal Regulations, Section 49, Part 26, the City of Houston has proposed an overall goal of **31%** for the participation of Disadvantaged Business Enterprises (DBE) at its Houston Airport System's George Bush Intercontinental Airport (IAH) contracts that are funded by the US Department of Transportation (DOT), effective October 1, 2016 thru September 30, 2019. Of the **31%** overall goal, it is anticipated that **2.5%** can be achieved by race neutral means.

I. METHODOLOGY

Step 1

The first step in determining the overall goal for the Houston Airport System's Federal Fiscal Years 2017-2019 DBE program was to identify the base figure of ready, willing, and able minority and women-owned businesses, where the majority of the contracts are let and where the prime and sub-contractors are located.

In order to determine a base figure, the following data source was utilized:

- *The State of Minority- and Women-Owned Business Enterprise in Construction: Evidence from Houston 2012* (Disparity Study)

NERA Economic Consulting was commissioned to examine the past and current status of minority-owned and women-owned business enterprises' participation on City of Houston construction contracts. The Study was published in April, 2012 and included a contract-by-contract review of 756 prime construction contracts and 7,440 associated subcontracts that occurred between the City's Fiscal Year 2005 through the first half of its Fiscal Year 2010. The contract-by-contract review included 49 Houston Airport System contracts, both federally and non-federally funded. The Study also included an availability analysis which identified the total number of business establishments in the market area, as well as determined the number of socially disadvantaged (minority and women- owned) establishments in Houston's market. This process included 1) Identifying all listed M/WBEs in the relevant market 2) Verifying the ownership status of listed M/WBEs, and 3) Estimating the number of unlisted M/WBEs in Houston's market.

There is one Core Based Statistical Area (CBSA) that encompasses the City of Houston. It is the Houston-Sugar Land-Baytown, TX Metropolitan Statistical Area. The Houston CBSA is comprised of the following Texas counties: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, and Waller.

According to the Study, contractors located within this CBSA account for the vast majority of construction contract and subcontract awards by the City of Houston and its prime contractors.

Based on the detailed findings of the Study, it was concluded that the City of Houston’s relevant market area of ready, willing, and able minority and women-owned construction businesses currently have an availability of 34.74%.

As such, the City of Houston’s Houston Airport System will use the 34.74% as the base figure in establishing its overall goal for Federal Fiscal Years 2017-2019.

Step 2

The evidence available was examined in our jurisdiction and it suggested that the base figure needed to be adjusted to arrive at the overall goal. The base figure of 34.74% will be adjusted based on the weighted availability for the anticipated project.

Adjustment: Two sources of data were used to calculate weighted DBE availability – Texas Unified Certification Program’s (TUCP) database of certified Disadvantaged Business Enterprise (DBE) firms and the 2014 United States Census’ County Business Patterns.

One federally-assisted project with approximately \$42,750,000 in grant funds is anticipated during Federal Fiscal Years 2017- 19 (see Table 1). The federally-assisted contract is primarily construction. A contract specific goal will be assigned to the project based on availability.

For the project, the corresponding NAICS Codes were identified and analyzed for major work elements (See Attachment 1).¹ The weighted availability figure was determined to be 28%.

Table 1
Estimated Contract Dollars to Be Awarded in
Federal Fiscal Years 2017-2019

LOC	Proj No.	Phase	Description	Estimated amount	Federal	Local
IAH	646		REHAB TAXIWAYS SA & SB & RA	\$ 57,000,000	\$42,750,000	\$ 14,250,000

¹ The weighted availability figure was determined by taking the applicable NAICS Codes for major work elements of the projects and finding the number of certified DBEs listed with the Texas Department of Transportation with that NAICS Code, then dividing that number by the number of total businesses listed in the 2014 United States Census’ County Business Patterns for the Houston MSA (that will determine the availability for each work element), then multiplying the percent of the budget for the identified work elements by the availability for each work element.

Adjustment: (Base Figure 34.74% + Weighted Availability 28%) /2 = 31.37%

The proposed overall goal for the participation of Disadvantaged Business Enterprises in Department of Transportation Funded Contracts for Federal Fiscal Years 2017-2019 for the City of Houston’s Houston Airport System’s Intercontinental Airport is 31% or \$13,252,500 of the total expected Federal Funding amount of \$42,750,000.

II. Breakout of the Estimated Race Neutral and Race Conscious Participation

Regarding the calculation of the Race Neutral Goal, several factors were considered. They are:

- A. Past participation by DBE prime contractors.**
- B. Voluntary DBE utilization on contracts with no DBE goals.**
- C. The amount by which goals were exceeded or missed in the past.**

DBE participation for Fiscal Years 2013 – 2015 were reviewed to determine the extent to which overall DBE goals were exceeded in the past. The results are presented in the following table.

**Table 2
Participation vs. Overall DBE Goal for Houston Airport System**

	2006	33.10%	19.00%	14.10%
	2007	18.10%	20.80%	-2.70%
	2008	21.20%	21.80%	-0.60%
	2009	18.50%	20.30%	-1.80%
	2010	25.40%	20.28%	5.12%
	2011	23.53%	24.74%	-1.21%
	2012	37.74%	24.74%	13.00%
	Average	25.37%	21.67%	3.70%

2007	18.10%	20.80%
2008	21.20%	21.80%
2009	18.50%	20.30%
2010	25.40%	20.28%
2011	23.53%	24.74%
2012	37.74%	24.74%
Average	25.37%	21.67%

To calculate the race neutral goal we took the median DBE participation for the past three years and subtracted the overall DBE goal.

Median DBE Participation (31.5%) – Overall DBE Goal (29%) = 2.5% (Race Neutral)

Therefore, based on the aforementioned information, the FY 2017-2019 Race Neutral Goal will be 2.5%.

D. Description of efforts to use race-neutral means.

Examples of our efforts to use race-neutral means include, but are not limited to the following:

- 1) Participation in over 25 events annually through Outreach Fairs with other stakeholders that receive Federal DOT funding (Port of Houston, METRO, etc.). Reaching over 10,000 potential DBEs.
- 2) Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways that facilitate DBEs and other small businesses' participation (i.e., unbundling large contracts to make them more accessible to small businesses, requiring or encouraging prime contractors to subcontract portions of work that they might otherwise perform with their own forces).
- 3) Providing technical assistance and other services.
- 4) Providing information and communications programs on contracting procedures and specific contract opportunities (i.e., ensuring the inclusion of DBEs, and other small businesses on recipient mailing lists for bidders; ensuring the dissemination to bidders on prime contracts of lists of potential subcontractors; provision of information in languages other than English, where appropriate).
- 5) Providing services to help DBEs and other small businesses improve long-term development; increase opportunities to participate in a variety of work; handle increasingly significant projects, and achieve eventual self-sufficiency.
- 6) Ensuring distribution of the DBE directory through print and electronic means, to all potential prime contractors.
- 7) Assisting DBEs and other small businesses in developing their capability to utilize emerging technology and conduct business through electronic media.

III. Public Participation

In establishing an overall goal, the City of Houston provided time for public participation. This public participation included:

(1) Consultation with minority, women and general contractor groups, community organizations, and other officials or organizations which could be expected to have information concerning the availability of disadvantaged and non-disadvantaged businesses and that can describe the effects of discrimination on opportunities for DBEs, and the City of Houston's efforts to establish a level playing field for the participation of DBEs.

(2) A published notice announcing the proposed overall goal, informing the public that the proposed goal and its rationale are available for inspection during normal business hours at the City Secretary's Office for 30 days following the date of the notice, and informing the public that the City of Houston and the Houston Airport System will accept comments on the goals for 45 days from the date of the notice. The notice included addresses to which comments may be sent, and it was published in general circulation media and available to minority-focused media and trade association publications. The notice was published in the City Secretary's Office and on the City of Houston Airport System's website at www.fly2houston.com. Notices were also published in the following print media:

- La Voz De Houston Spanish Newspaper
- Houston Chronicle

(3) Copies of the DBE Plan were available for public review during the 30 day review period at the following locations:

- Houston Airport System
Office of Business Opportunity
18600 Lee Rd.
Humble, TX. 77338
- Office of Business Opportunity
611 Walker St. 7th Floor
Houston, TX. 77002
- Office of City Secretary
900 Bagby St.
Houston, TX. 77002

Attachments:

- a. Attachment 1 - Weighted Ratio of Certified DBEs to Available Firms in the Market Area
- b. Attachment 2- DBE Median Participation

