COMMUNITY CONTRACTORS PROGRAM

Toward Building
The Village at Market Creek
In 1997, the Jacobs Center for Neighborhood Innovation (JCNI) began working to revitalize the Diamond Neighborhoods of San Diego. For community change to be sustaining, JCNI believes that residents need to own the change from start to finish. Thus, at the core of JCNI’s strategy is a commitment to involve community members in its work and provide opportunities for them to reap the social and financial benefits of those efforts. This has led to more than fifteen years of relationship building, planning, investing, and implementing a vision to develop The Village at Market Creek, which is envisioned as a commercial and cultural hub of the community.

The buildings constructed by JCNI have been planned and designed with the guidance of community residents. They have also been built with the expertise of local contractors as a result of a commitment to hire local contractors that was made before the first building was designed.

To date, JCNI’s development efforts have completed three phases of construction. Each phase included a high goal for the contracts awarded to local construction businesses, but the approach for reaching that goal has varied greatly. During the first phase, a collaboration was established that included numerous businesses focused on outreach and training for the construction industry. During the second phase, a construction management company was contracted to do the work. The third phase was led by local community members from diverse backgrounds in partnership with members of the construction industry and focused on maximizing benefits to the community. This report details the third of these iterations and informs lessons learned.
Why a Focus on Local Contractors?

Estimates showed that developing the nearly sixty-acre Village could cost as much as $1 billion. Hiring local businesses could increase the impact of these dollars by providing income to business owners; they, in turn, could provide financial opportunities to others in the community. A PolicyLink study found that:

“Increasing the capacity of these local businesses creates wealth in the community by generating job opportunities for residents. Research shows that minority businesses hire greater percentages of minority employees than majority-owned firms do. A report prepared by the Regional Alliance and New York Building Congress in the mid-1990s found that 90 percent of minority-owned firms rely on a labor force that is at least 50 percent minority, and most had a labor force of at least 75 percent minority workers. As businesses of color are given greater opportunity to grow, they will train and employ more minority residents, who can then reinvest in their communities.”¹

At the time that JCNI began construction in The Village, local community members who worked in the construction industry often stated that less than five percent of City of San Diego contracts were awarded to Historically Underutilized Business Enterprises (HUBE) contractors. While this number has not been substantiated, it drove community members who guided the development of The Village to set much higher goals for contracts awarded to local and HUBE contractors.

The Community Contractors Program was initially developed in 1998. At that time, it was called the Construction Collaborative and its goal was to provide sixty-five percent of the contracts awarded during the construction of Market Creek Plaza to community contractors. Additionally, the Collaborative focused on increasing the capacity of local contractors to compete for large contracts throughout the San Diego region. Members of the Collaborative included three associations that specialized in minority outreach for the construction industry, an organization that provided technical training for those seeking work in one of the construction trades, a nonprofit that focused on job skills training for at-risk youth, and JCNI as the developer. Each organization was responsible for a portion of the tasks needed to achieve the Collaborative's goals. All members of the Collaborative were paid for their participation and work.

Outside of their involvement in JCNI’s work, several members of the Construction Collaborative competed against one another for contracts. It was challenging for the members to find the balance between their self-interests and the common goals of the group. It was also difficult for them to trust one another, making the group’s work tumultuous. However, they were successful enough to nearly reach their goals: while they set out to award sixty-five percent of the Market Creek Plaza contracts to local businesses, an evaluation of their work showed that sixty percent of the actual contracts (nine of fifteen) went to businesses in the targeted category.

The second phase of development was the smallest in terms of scope and cost of construction. With only two small buildings to develop – a bank and a café – the number of opportunities would be limited. Before embarking on it, JCNI decided to change the way it structured its development efforts. Thus, rather than working with a number of construction associations, JCNI hired a construction management company to lead the work. The company was asked to meet the sixty-five percent goal set during phase one. With no collaboration or committee to support the contracting process, it was tasked with identifying local contractors, assessing their ability to do the work, and providing them with needed support once they were awarded a contract. Data provided by the company indicates that seventy percent of contracts were awarded to local contractors. However, the lack of involvement by JCNI and community members made this effort feel disconnected and the successful results less enjoyable.

The third phase of development centered on the construction of the Joe & Vi Jacobs Center, a 75,000 sq. ft. building with office space and conference facilities. The scope of the project provided a larger number of opportunities to involve contractors in the targeted categories, which led to more intense and comprehensive efforts to connect with these contractors.

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fter discussing the successes and challenges of previous efforts to involve local contractors in JCNI’s development work, staff determined they needed to partner with a group of community members to guide the contracting process during the development of the Joe & Vi Jacobs Center. Based on these discussions, the Construction Working Team (CWT) was formed. The team included five community members, four individuals representing various aspects of the construction outreach and employment industry, and anywhere between three and five JCNI staff members. The team met every two weeks for a period of two years to create the goals and process for awarding contracts, support outreach efforts to local contractors, make contracting decisions, and monitor their own progress towards the group’s stated goals.  

When the group convened, they quickly decided that they would focus on two things: getting local contractors on the job and amplifying the impact the project would have on the community at large. So in addition to developing a program to maximize the contracts that were awarded to local contractors, they also developed a community benefits program.

The first significant task the CWT faced was to define “local” contractor. During phases one and two, it had been defined as a business located in City of San Diego Council Districts Four and Eight. Although they recognized there was no straightforward way to define what a “local” contractor was, members of the CWT questioned whether the correct definition had been used previously. After lengthy consideration, they decided to focus on contractors that fell into one of two categories:

1. Contractors that were headquartered in District Four.
2. HUBE contractors located outside of District Four, particularly women and minority-owned businesses.

If the group could not identify a qualified contractor that fulfilled either of the above categories, then the focus became proximity and preference was given to the business located closest to the Diamond Neighborhoods. This option was used only once during the construction of the Joe & Vi Jacobs Center: to select the contractor that would do the steel work, a very specialized area of the construction industry.

The second significant task was to figure out how potential contractors would be evaluated to determine which businesses were awarded contracts. The group knew that they could not simply select the group with the lowest bid or the greatest experience as that would not get the results they were looking for. What they sought instead was the best-value bid. This was defined as a blend between the value of the bid and the community benefits that the contractor was willing to offer.

Along with the value of the proposed contract, bids were evaluated based on how potential contractors answered the following community benefit questions:

- Are you a Fourth District contractor?
- Are you a HUBE contractor?
- Are you willing to hire from District Four? If so, how many people will you hire and what type of training will you offer?
- Are you willing to buy supplies from a District Four supplier? If so, what is the estimated dollar value of supplies you will purchase in District Four?
- Are you willing to partner with District Four contractors? If so, how?
- Are you willing to support charitable causes in District Four? If so, which ones and what is the expected amount of your contribution?

3 Construction Working Team meetings became less frequent as the development of the Joe & Vi Jacobs Center progressed and the role of the team evolved from guiding the contracting process to monitoring their efforts.

4 The Diamond Neighborhoods are located in District Four; the adjacent area is District Eight.
Each potential contractor submitted their responses to these community benefit questions along with their bid. It was understood that, if they were awarded the contract, payment for their work would be tied to their performance against these commitments.

The Construction Manager (a JCNI staff member) reviewed each bid to confirm it was complete and vetted the potential contractor to ensure they had the minimum experience and capacity needed to do the work. He prepared a summary of the qualified bids received in response to each request for proposal (RFP) released by JCNI. The summary – including the cost proposed by each potential contractor and their answers to the community benefit questions – was presented to the CWT for discussion and decisions. If there was one clear standout candidate, the decision was made on the spot. If there were any questions or hesitations about which business should be awarded the contract, the top two- or three candidates were asked to participate in face-to-face interviews during subsequent meetings. This series of steps made the contracting process lengthier, but also more thorough than is typical of construction projects.

As the primary link between potential contractors and the CWT, the Construction Manager played a key role in the success of JCNI's efforts to contract locally as he was responsible for outreaching to potential contractors when an RFP was released and explaining the project's unique bidding and selection process.

### Monitoring Progress

Monitoring progress on a regular basis was very important to the CWT. It helped them stay focused on their long-term goals and ensured that they were constantly moving forward towards it. The Construction Manager was responsible for producing monthly reports to assess their progress, measuring the work that had gone to local contractors as a percentage of the number of contracts and the value of total contracts.

The CWT also closely tracked the progress of the community benefits commitments. Contractors actively working on the construction of the Joe & Vi Jacobs Center were required to submit a progress form along with their monthly bill. The form was tailored to reflect the commitments that each contractor had made towards community benefits, with payment dependent upon his/her progress towards those commitments.

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5 A series of corporate structures were in the process of developing The Village at Market Creek. Although each structure was a distinct entity, all were supported and coordinated by JCNI. Diamond Management Inc. was the corporate structure responsible for developing the nearly sixty-acre Village. It employed all development staff, including the Construction Manager. However, for purposes of clarity, development staff will be referred to as JCNI employees in this document.
Challenges Faced in the Process of Hiring Locally

Once they understood the overall goals of the Construction Working Team, most contractors were happy to participate in the atypical process, but they needed help. Although willing to purchase from Fourth District suppliers, hire community members, and partner with local contractors, they needed assistance identifying viable candidates and setting up the processes to ensure successful outcomes.

JCNI was not fully equipped to provide contractors with the needed support. It was easy enough to develop a list of suppliers located in the Fourth District; developing a pool of viable employment candidates was much more challenging. JCNI was neither prepared to train and vet candidates, nor did it have pre-established relationships with training and employment agencies that could do that work. This meant that, at times, well-meaning contractors committed to hiring locally but then had challenges identifying candidates for the jobs. CWT members connected them with potential employees, but not all referrals had the needed training and some were not able to stay on the job for more than a few weeks. Contractors were left with three options: hire someone who did not have the needed skills, make the effort to identify someone on their own, or forego that part of their community benefits commitment. JCNI attempted to work with workforce development specialists to identify skilled candidates for the contractors. These specialists looked for individuals in a specified geographical region, with a specific set of skills, who were not already employed. The pool of candidates was very small and the results of those efforts were mixed.

of the community benefits commitments were not fulfilled, as JCNI could not hold the contractors responsible for upholding commitments that JCNI could not facilitate.

Construction outreach associations typically earn two- to three percent of the value of the contract when they help place a business on the job; this fee is paid by the contractor and is industry standard. Two members of the CWT led construction outreach associations and stood to reap financial benefits if businesses represented by their associations were awarded contracts, yet they were not required to disclose this information. Although not mal-intentioned, they may not have always been completely objective as they participated in discussions and decisions about the bids submitted by potential contractors.

Results from the Efforts of the CWT

While there may have been challenges in the efforts to hire local contractors for the development of the Joe & Vi Jacobs Center, the CWT was otherwise successful in reaching its goals. The group carefully considered whether they should use the total number of contracts or the value of the contracts to measure their success; there are merits to each option and an objective analysis shows that the team was successful when using either of the definitions. The CWT decided to use the value of the contracts to measure their success, as it was a better indicator of the dollars that were being recycled in the community as a result of their efforts. While their goal was to get sixty-five percent of the contracts to local construction businesses, seventy-one percent of the overall value of contracts went to local contractors.
Lessons Learned

The experience of the CWT led to insights that can inform future development efforts. These lessons can be divided into two categories: the experience of developing and facilitating the Construction Working Team, and the process of involving and supporting local businesses to get and implement construction contracts.

Construction Working Team

◆ The majority of CWT members (not including staff) did not have formal experience in the construction industry. These community members were selected to participate on the team because of their networks within the Diamond Neighborhoods and their understanding of their cultural communities. While some JCNI staff members were initially concerned about their ability to advance the work, the opposite turned out to be true. With no vested interest, the community members were able to be objective in their decision making. Additionally, if they felt they needed technical information to make the right decision, the JCNI team provided them with any and all information requested.

◆ The members of the CWT who led construction outreach associations were paid for their participation in recognition of the extensive networks and expertise that they brought with them. After the contracting process was completed, several businesses expressed concerns that they had to pay the associations the typical two- to three percent fee when they were awarded contracts to work on the Joe & Vi Jacobs Center. While this remains unconfirmed, it does point to the care that should be given to avoid potential conflicts of interest. Future initiatives should prohibit participation on the selection committee by members who have any financial interest in the outcome of decisions. Additionally, they should ask all committee members to sign a contract expressly forbidding financial gains from their participation.

◆ Staff should not have a voting seat on the CWT. Their influence is already present in the vetting process and presentation.

Community Contractors

◆ If we are going to ask people to do something, we should be prepared to support them in doing it: have lists of suppliers they can buy from, contractors they can partner with, and sources for viable job candidates. This program was very different from anything that the contractors had ever experienced and while they were willing, they did not know how to do it. If we cannot provide the support, then it should not be required.

◆ Employment was most challenging. As a foundation, we were not in a position to identify qualified candidates. We encouraged the contractors to commit to hiring, but then we were not able to supply them with viable candidates. It needs to be made a priority or not done at all.

◆ Once they get the job, support contractors to be successful and grow their businesses. The project was able to help the community contractors build up their resumes, but the next key step was to determine how they would go about leveraging that. More sustained impact requires additional capacity building and a financial investment (bonding) for the contractors.

How This Informs Future Endeavors

The Construction Working Team made the decision to use the best-value bid – not the lowest bid, as is typically done. It is notable that in addition to providing benefits to the community, the Construction Working Team awarded seventy-one percent of the value of the project’s contracts to community contractors, far exceeding industry standard. It also meant that, at times, JCNI paid more for work than it would have done under different circumstances. JCNI should conduct a formal evaluation to assess the difference between the overall value of the lowest bids submitted and the ones selected for the job. This should then be compared to the value of the community benefits provided by the contractors selected to work on the Joe & Vi Jacobs Center to determine if the best-value bid is a good investment for typical developers that are driven by a bottom line and not just for organizations with a social mission, such as JCNI.