

**MIDTOWN MANAGMENT DISTRICT
DISADVANTAGED BUSINESS ENTERPRISE (DBE)
OVERALL GOAL CALCULATION – FISCAL YEAR 2023-2025**

The process used by Midtown Management District (Midtown) to establish its DBE goal for fiscal year (FY) 2023 through 2025 is summarized below. Midtown followed a two-step process based on documented evidence of the availability of ready, willing, and able DBEs relative to all businesses ready, willing, and able to participate in Midtown’s FTA assisted contracts, which is referred to as relative availability of DBEs and establishes the base goal. The goal reflects Midtown’s expected level of participation by DBEs.

Step 1 – Establish Base Goal

Midtown considered all the possible FTA assisted contracting opportunities for award in FY 2023 through 2025 and compiled the North American Industry Classification System (NAICS) codes for the work included in the contracting opportunities. Midtown established the TxDOT Houston Work District as the market area to determine the total number of DBE ready, willing, and able businesses available to perform work in the same NAICS codes, which includes Brazoria, Fort Bend, Galveston, Harris, Montgomery, and Waller County. Midtown established this market area due to the availability of contractors in the area and the size and cost of the projects projected. Midtown reviewed the total firms in the same counties in the TxDOT Houston Work District in the 2020 US Census County Business Patterns.

Midtown does not provide transit operations but does receive federal funding through grants for pedestrian improvements to support access to transit. Midtown does not have any subrecipients of federal funding. Midtown only has two federally funded, construction projects expected within the next three years:

- Brazos St. Pedestrian-Transit Improvements
- Wheeler St. Pedestrian-Transit Improvements

Midtown used the suggested calculation tables to determine the weighted base goal. There are two pedestrian construction projects programmed within the next three years. Tasks involved in this project include sidewalk construction, curb construction, electrical installation, site preparation, and landscaping. Each NAICS Code is defined in the table below.

NAICS Code	Definition
221310	Water Supply and Irrigation Systems
237310	Highway, Street, and Bridge Construction – Curbs, gutters, culvert construction
238210	Electrical Contractors and Other Wiring Installation Contractors
238910	Site Preparation Contractors
238990	All Other Specialty Trade Contractors - Sidewalk construction, residential and commercial, concrete paving
561730	Landscaping Services

Step 1 - Determine the weight of each type of work by NAICS Code

	NAICS Code	Project	Amount of DOT funds on project:	% of total DOT funds (weight)
1)	221310	Brazos Streetscape Improvements	\$205,760.00	0.0384
2)	237310	Brazos Streetscape Improvements	\$1,440,320.00	0.2685
3)	238210	Brazos Streetscape Improvements	\$617,280.00	0.1151
4)	238910	Brazos Streetscape Improvements	\$411,520.00	0.0767
5)	238990	Brazos Streetscape Improvements	\$1,234,560.00	0.2301
6)	561730	Brazos Streetscape Improvements	\$205,760.00	0.0384
7)	221310	Wheeler Streetscape Improvements	\$62,480.00	0.0116
8)	237310	Wheeler Streetscape Improvements	\$437,360.00	0.0815
9)	238210	Wheeler Streetscape Improvements	\$187,440.00	0.0349
10)	238910	Wheeler Streetscape Improvements	\$124,960.00	0.0233
11)	238990	Wheeler Streetscape Improvements	\$312,400.00	0.0582
12)	561730	Wheeler Streetscape Improvements	\$124,960.00	0.0233
Total FTA-Assisted Contract Funds			\$5,364,800.00	1.0000

Step 2 - Determine the relative availability of DBE's by NAICS Code

	NAICS Code	Project	Number of DBEs available	Number of all firms available	Relative Availability
1)	221310	Brazos Streetscape Improvements	2	87	0.0230
2)	237310	Brazos Streetscape Improvements	24	146	0.1644
3)	238210	Brazos Streetscape Improvements	4	1122	0.0036
4)	238910	Brazos Streetscape Improvements	19	364	0.0522
5)	238990	Brazos Streetscape Improvements	4	574	0.0070
6)	561730	Brazos Streetscape Improvements	4	1015	0.0039
7)	221310	Wheeler Streetscape Improvements	2	87	0.0230
8)	237310	Wheeler Streetscape Improvements	24	146	0.1644
9)	238210	Wheeler Streetscape Improvements	4	1122	0.0036
10)	238910	Wheeler Streetscape Improvements	19	364	0.0522
11)	238990	Wheeler Streetscape Improvements	4	574	0.0070
12)	561730	Wheeler Streetscape Improvements	4	1015	0.0039
Combined Totals			114	6616	0.0172

Step 3 - (Weight) x (Availability) = Weighted Base Figure

	NAICS Code	Project	Weight	X	Availability	Weighted Base Figure
1)	221310	Brazos Streetscape Improvements	0.03835	x	0.02299	0.0009
2)	237310	Brazos Streetscape Improvements	0.26848	x	0.16438	0.0441
3)	238210	Brazos Streetscape Improvements	0.11506	x	0.00357	0.0004
4)	238910	Brazos Streetscape Improvements	0.07671	x	0.05220	0.0040
5)	238990	Brazos Streetscape Improvements	0.23012	x	0.00697	0.0016
6)	561730	Brazos Streetscape Improvements	0.03835	x	0.00394	0.0002
7)	221310	Wheeler Streetscape Improvements	0.01165	x	0.02299	0.0003
8)	237310	Wheeler Streetscape Improvements	0.08152	x	0.16438	0.0134
9)	238210	Wheeler Streetscape Improvements	0.03494	x	0.00357	0.0001
10)	238910	Wheeler Streetscape Improvements	0.02329	x	0.05220	0.0012
11)	238990	Wheeler Streetscape Improvements	0.05823	x	0.00697	0.0004
12)	561730	Wheeler Streetscape Improvements	0.02329	x	0.00394	0.0001
Total						0.0667
Expressed as a % (*100)						6.67%
Rounded, Weighted Base Figure:						7%

Step 2 – Base Goal Adjustment

Past Participation

Previously, Midtown had an FTA-approved DBE goal of 12.5%. This DBE goal was 100% race neutral. Based on the statistical analysis conducted under Step 1, Establish Base Goal, Midtown will use the 7% goal as the established rounded, weighted base goal. In 2019, Midtown closed out two construction projects that utilized federal funding. Of the \$15,022,461 of completed prime contracts, \$6,135,405 went to DBEs through race neutral contracts, or 40.84% of contracts. Since 2019, Midtown has not had any federally funded projects.

Year (FY)	DBE Percentage
2019	40.84%
2020	0.0%
2021	0.0%
Average	13.61%

Market Studies

In researching disparity analysis within the Houston metropolitan area, there are several pending disparity studies by different organizations. The City of Houston contracted with Colette Holt & Associates on August 24, 2016, to complete a review of its minority and women business enterprise program at least every five years as required by Chapter 15 of the City Code of Ordinances. As of January 15, 2021, no disparity study has been released by the City since 2013.

The Metropolitan Transit Authority of Harris County (METRO) examined prime contract awards in construction, professional services, and goods and services from October 1, 2013, to September

30, 2018. The Study found that there were disparities in different contract types in both the prime contracts and subcontracts METRO awarded during the study period.

For Construction Prime Contracts, the Study stated, “Disparity was found for African Americans, Subcontinent Asian Americans, and Hispanic Americans on informal contracts under \$10,000. Disparity was also found for African Americans on informal prime contracts valued from \$15,001 to \$50,000. Caucasian Females were underutilized on construction prime contracts valued between \$50,000 and \$3,530,000 and informal prime contracts valued from \$10,001 to \$15,000 and \$10,000 and under.” No disparities were found for Subcontinent Asian Americans and Hispanic Americans for construction contracts larger than \$15,000. For subcontracts, the Study found disparities for African Americans and Caucasian Females were underutilized in Construction contacts.

The Study provided both race-neutral and race-conscious recommendations. For race-neutral recommendations, the Study promotes revising bonding and insurance requirements, providing adequate lead time, expanding marketing, and unbundling large procurements into smaller contracts. For race-conscious recommendations, the Study recommends requiring goal attainment at the bid opening, expanding marketing, requiring certification and verification of M/WBEs, developing quarterly participation report, assessing penalties to nonattainment, and providing more training to staff.

The Harris County Disparity Study (2020) compared county contracts awarded to minority- and women-owned businesses to the number of such businesses that were available. The marketplace for this study is similar to the Midtown’s market area: Brazoria, Fort Bend, Galveston, Harris, and Montgomery Counties. The study found that for every \$100 paid by the county on third-party contracts, \$90.90 went to white male-owned businesses; \$3.20 went to white women-owned business; \$4.60 went to businesses owned by people of Hispanic descent; \$0.60 went to businesses owned by people of Asian descent; \$0.10 went to businesses owned by people of Native American descent; and \$0.50 went to businesses owned by Black men and women.

While white male-owned businesses made up 72.0% of the marketplace, those businesses received 90.9% of the third-party contracts; black-owned businesses made up 8.4% of the marketplace yet received 0.5% of third-party contracts. While the gap for Black-owned businesses was proportionately largest, all minorities and women were underrepresented in third-party contracts. Asian-owned businesses accounted for 3.0% of the marketplace but only 0.6% of third-party contracts; Native American-owned businesses made up 0.4% of the marketplace but only 0.1% of third-party contracts; Hispanic-owned businesses made up 11.0% of the marketplace but only 4.6% of third-party contracts; and businesses owned by white women made up 6.0% of the marketplace but only 3.2% of third-party contracts. As a whole, minority DBE firms made up 28.4% of the marketplace, but only received 9.1% of the third-party contracts.

The first recommendation is to implement more race neutral measures, including increase vendor communication and outreach to M/WBEs and small firms. Midtown will notify minority business organizations, such as Houston Minority Business Development Agency or the Houston Minority Supplier Development Council, about potential contracting, or subcontracting opportunities. Another recommendation is to set race-conscious goals, due to the demonstrated disparity.

As stated in the Houston Chronicle article titled “Minority businesses shortchanged by Harris County contracting practices”, dated July 7, 2020, in the City of Houston, where DBE businesses make up 35.0% of the construction market, DBE businesses received 30.0% of contract dollars, according to the city’s most recent disparity study. Black-owned businesses, which made up 5.0% of the market, were paid 3.0% of contracts.

The Port of Houston Authority 2020 Disparity Study reviewed FY2015-2019 contracting for the industry categories of Construction, Architectural & Engineering, Professional Service, Other Services, and Goods. The study set their market area as Harris, Montgomery, and Fort Bend Counties. The study found statistically significant underutilization of minority and woman owned firms in all five (5) industry categories except Asian American and Hispanic American owned firms as prime contractors in Professional Services.

Adjusted DBE Goal

Midtown took the average of the past three fiscal years. Midtown took the rounded median, past performance percentage and the rounded, weighted base goal and averaged them together to create the adjusted DBE Goal.

Adjusted DBE Goal	
Rounded Weighted Base Goal	7%
Rounded Average Past Performance Percentage	14%
Total	21%
Adjusted DBE Goal	10.5%

Midtown will set the DBE goal at 10.5% based on past performance and monitor how much DBE participation occurs over the next three (3) years. This DBE Goal will be 100% Race Neutral, based on past performance. This adjusted goal is Midtown’s overall program goal for the next three fiscal years.

**SECTION 26.51: BREAKOUT OF ESTIMATED
RACE-NEUTRAL & RACE CONSCIOUS PARTICIPATION**

Midtown will meet the maximum feasible portion of its overall goal by using both race-neutral and race-conscious means of facilitating DBE participation. Midtown uses race-neutral means, including but not limited to providing DBE and SBE Directories, creating bidders lists, proactive outreach events with DBE firms in the area, and advertising prime contracts to DBEs, to increase DBE participation.

*Midtown estimates that, in meeting our overall goal of **10.5%**, Midtown will obtain 100.0% from race-neutral participation and 0.0% from race-conscious participation.*

The following is a summary of the estimated breakout of race-neutral and race-conscious DBE participation:

Midtown's program will be implemented with entirely race-neutral means. If Midtown uses contract goals, Midtown will adjust the estimated breakout of race-neutral and race-conscious participation as needed to reflect actual DBE participation (see 26.51(f)) and Midtown will communicate this change to the program to FTA.

Midtown does not intend to achieve any DBE participation by using contract goals.

If Midtown revises its program and uses contract goals, Midtown will track and report race-neutral and race-conscious participation separately. For reporting purposes, race-neutral DBE participation includes, but is not necessarily limited to, the following: DBE participation through a prime contract a DBE obtains through customary competitive procurement procedures; DBE participation through a subcontract on a prime contract that does not carry DBE goal; DBE participation on a prime contract exceeding a contract goal; and DBE participation through a subcontract from a prime contractor that did not consider a firm's DBE status in making the award.