

#InvestinDetroit FAQ's



Target Outreach:

QUESTION: What is the financial impact of the **Community Outreach Requirement** on the Office of Contracting & Procurement?

ANSWER: Community outreach already is required and has been effectively implemented with current staffing levels. However, the approved FY 2021/22 budget and a four-year financial plan include additional funding for staff to perform this task, in addition to the current two (2) employees assigned to procurement strategy. The proposed amendment only removes the current requirement and sets forth outreach requirements regardless of the existence of supply schedules.

Target Reporting:

QUESTION: What is the financial impact of the **Target Reporting Requirement** on the Office of Contracting & Procurement?

ANSWER: Data collection is easily achieved digitally via Smartsheet with no cost to the department. The form also is easily edited. A simple Dolt training will prepare OCP staff to take possession of the database. Furthermore, the database is accessible to the City Council and residents to satisfy City Council data submission requirements within the ordinance.

Please the below links:

Target Reporting Survey:

<https://app.smartsheet.com/b/form/d93c83d91f3143af810a31cd6f3e8701>

Target Reporting Database:

<https://app.smartsheet.com/b/publish?EQBCT=196d41c77be44545868907cfcab8ab38>

QUESTION: What about the Detroit resident verification requirements for contracts over a year and at least \$100,000?

ANSWER: The approved FY 2021/22 and four-year financial plan include additional funding for staff to perform this task, in addition to the current two (2) employees assigned to procurement strategy. Additionally, OCP effectively performed this task when approving the first round of Proposal N contracts.

QUESTION: Is target reporting standard?

ANSWER: The City of Detroit implemented target reporting with the leadership of the Office of Council President Brenda Jones in collaboration with the Office of Contracting and Procurement in 2020. Recently, Governor Whitmer announced in a press release *"Under the new protocols, the Department of Technology, Management and Budget will have bidders complete a vendor questions worksheet, which includes disclosure of a bidder's labor and environmental compliance record, disclosure of information related to economic impact in Michigan, and a certification that the bidder has properly classified its employees. These disclosures and certifications protect workers against payroll fraud, which can happen when a business misclassifies its employees as "independent contractors," which can deprive employees of access to overtime pay, workers' compensation, health care, and other benefits. Payroll fraud undercuts businesses that play by the rules, treating their employees fairly and in accordance with Michigan's labor laws."*

Detroit Resident Hiring Initiative:

QUESTION: What is the financial impact of the **Detroit Resident Hiring Initiative Requirement** on the Civil Rights, Inclusion and Opportunity Department?

ANSWER: The approved FY 2021/22 and four-year financial plan include additional funding for staff to perform this task. Additionally, CRIO is being removed from outreach responsibilities in order to strengthen its focus on compliance.

QUESTION: What is the financial impact of the **Detroit Resident Hiring Initiative Requirement** on the contractors?

ANSWER: The outreaches are planned and facilitated by the Office of Contracting and Procurement, the contractors do not incur a cost to complete recruitment. A possible cost is staffing to attend the outreaches for recruitment, produce reports and submit plans. However, given the gravity of importance to guarantee maximum recruitment of Detroit residents that results in an increase in income taxes and opportunities for homeownership and quality of life improvement for Detroiters, the benefits far outweigh the costs.

QUESTION: What about compliance fees?

ANSWER: Compliance fees are not resulting in Detroit jobs. Detroit Employment Solutions Corporation has spent \$1.2M of compliance fees on skilled trades readiness since 2019 and \$4.6M overall. However, since 2019, the City has budgeted approximately \$5.9M of compliance fees for skilled trades, which means 5% of compliance fees actually have been spent on skilled trades services.

Detroit Based Business, Detroit Resident Business, Detroit Headquartered Business Equalization Credit amendments:

QUESTION: The proposed amendments increase the equalization points for Detroit Based Business, Detroit Headquartered Business and Detroit Resident Business. This seems to result in an increase in the costs the City will pay for goods and services.

ANSWER: Businesses that are headquartered in the City of Detroit pay high property taxes and insurance costs to do business in the City and, thus, should be allotted credits based on their costs and community investment.

So, on the surface the negative impact of the increase in equalization credit seems to be correct. However, the definitions for Detroit Based Business is being amended to make it more difficult for businesses to receive the credits, thus (1) encouraging businesses to relocate to Detroit and hire more Detroiters and (2) lose the credit and bid their actual cost. Therefore, we will stop paying higher contract costs for businesses that do not prioritize community investment or will level the playing field for businesses that are committed to guaranteed community investment. While the city may pay a higher price, the city will benefit financially from the income taxes from the business and its employees, as well as the property taxes from the equipment and other personal property. This is the same strategy the City of Detroit currently utilizes for tax abatements. The City of Detroit relinquishes a portion of its owed taxes to encourage revitalization and collection of income and property taxes. The City of Detroit will benefit from the application of the same investment technique.

***Legislative Note*:** The Office of Council President Brenda Jones is amenable to the following: elimination of the Detroit Headquartered Equalization Credit and elimination of doubling the credit when both DBB and DHB are received to lessen the impact of the costs of goods and services.

Bid Notification:

QUESTION: The proposed amendment set forth a 21-day outreach and recruitment period if a Detroit business does not bid on a contract. This seems to impact the ability to swiftly deliver service.

ANSWER: The overall mindset of procuring services that will be funded with Detroit tax dollars must be revamped to be intentional with Detroit business recruitment and outreach prior to the bid. This provision is meant to hold the department and the Office of Contracting and Procurement to be proactive.

***Legislative Note*:** The Office of Council President Brenda Jones is amenable to the following: (1) addition of an exemption for services that pose a direct impact to the public, health, safety and welfare of Detroiters. Details of those services should be listed out in the legislation or (2) mandatory bid notification to a specified number of Detroit businesses that provide a service.

Responsible Bidder

QUESTION: This credit seems to favor unions.

ANSWER: While the unions are supporting and advocating for these amendments, a contractor does not have to be a member of a union to meet the classification. Furthermore, this credit offers career pathways, pension benefits, living wages, workers compensation and healthcare benefits. The jobs available on construction contracts are extremely dangerous and employees should make living wages, have opportunities for advancement and have support if they are injured. Most importantly, with the Detroit Resident Hiring Initiative, Detroiters will be prioritized for these quality of life opportunities.

QUESTION: What is the financial impact of this credit on the cost of goods and services?

ANSWER: Cost Benefit Analysis: With the increased cost of the contract, if won, the City guarantees that work will be performed correctly and not cost additional money due to inefficiencies. This will be done while prioritizing quality of life opportunities and financial freedom for Detroiters.

*Need research: (1) number of contractors eligible for this service and (2) average cost over the lowest bidder of businesses that qualify for this credit and currently bid on city contracts.