

5 Ways Small, Minority-Owned Firms Can Build Success, *ConstructionDive*, ft. Elizabeth Marchionni

Elizabeth Marchionni, partner with Kaufman Dolowich & Voluck in Woodbury, was quoted in a ConstructionDive article written by Kim Slowey on July 10, 2019.

To spread the economic benefits that construction projects generate more fairly across communities, government agencies reserve some public work for contractors owned or operated by traditionally disadvantaged groups.

Federal, state and even city and county agencies have special programs that give qualified minority- and woman-owned business enterprises (MWBs) and other disadvantaged business enterprises (DBEs), such as service-disabled veterans, a chance to bid on and win certain construction projects ranging from small to mega. That is, if they are certified.

The Small Business Administration, for example, runs the 8(a) certification program, which is probably the most well-known among government contractors, but other letting agencies have renditions as well. Most certifying agencies require that a qualified business be owned by at least 51% minority or disadvantaged owners.

African Americans, Hispanics, Native Americans, Asian-Pacific and Subcontinent Asian Americans and women are presumed to be socially and economically disadvantaged, according to the federal government. Other individuals can also qualify as socially and economically disadvantaged on a case-by-case basis.

Take part in programs

Agencies that certify MWBs and DBEs will also sometimes provide opportunities that can help boost their industry knowledge and help them make connections that can lead to new work. Some even offer access to direct financial assistance with subsidized bonding and access to capital, according to attorney Elizabeth Marchionni with Kaufman Dolowich Voluck LLP in New York.

The SBA has a mentor-protégé program, for example. Other state and federal agencies, like the Port Authority of New York and New Jersey and the USDOT, provide this opportunity as well.

The goal of these initiatives is to help small MWBs and DBEs develop and grow by pairing them with more experienced contractors. The SBA and other agencies even promote joint ventures between the two so that the smaller firms can get on-the-job experience from pre-bid to closeout. At the very least, the mentor makes itself available to answer questions and give advice.

Many of these same agencies, Marchionni said, offer additional educational programs that teach new MWBE and DBE contractors about the many aspects of running a construction business and sponsor matchmaking events that introduce them to suppliers and potential customers.

Aim for low-hanging fruit

Smaller MWBs and DBEs entering the government contracting market, Marchionni said, should think about bidding on smaller projects to start — work they know they can perform successfully. “They need to go for low-hanging fruit,” she said.

In fact, Marchionni said, it is doubtful that a small contractor could even win approval for a large contract because of the vetting that public agencies must do to make sure the selected construction company can carry large payrolls, purchase materials, and honor other financial obligations between draw payments.

Don't ignore the private sector

At the end of the day, an MWBE or DBE construction business is just that — a business. And right now, qualified contractors are in demand not only in the public sector but in the private arena as well.

“Usually [certified firms] are doing mostly public work,” Marchionni said, “because that’s where the strength of their certification gets them the furthest. But ... if they have an opportunity through their networking and business connection efforts to do a private job for the experience, it’s never a bad idea.”

Mind the limit

One issue that is impactful to MWBEs and DBEs now and will surely be so into the future is the issue of caps – the amount of revenue these firms can bring in annually before being graduated from an agency program.

“What [agencies] want is to have these utilization goals met, and in order to do that, you need an abundance of qualified, certified firms that can actually do the work. But if they get too successful, then they're kicked out,” Marchionni said. “It’s definitely a Catch-22.”