

COVID-19 Presents New Challenges for Minority-Owned Construction Firms, *ConstructionDive*, ft. Erik Ortmann

Erik Ortmann, partner and vice chair of the KD Construction Law practice group, was quoted in an article written by Kim Slowey for ConstructionDive - June 30, 2020.

In the best of economic times, minority-owned construction firms struggle to access the capital they need to operate and grow their businesses.

Many minority-owned businesses, for example, pay higher loan interest rates than their nonminority-owned counterparts, according to a report from the Initiative for a Competitive Inner City (ICIC). When they are able to secure loans, many times the amounts are lower than those given to nonminority-owned businesses.

Lenders also tend to require a Small Business Administration (SBA) loan guarantee for minority-owned businesses, at least more often than they do for nonminority-owned firms.

These factors are behind some minority-owned businesses' decisions to not even apply.

This lack of financing — from banks and other investors — leaves many minority-owned businesses without the money to grow.

The set-aside programs that most government agencies have in place for minority, disadvantaged, veteran and women-owned enterprises were initiated to help level the playing field.

Factor in the COVID-19 pandemic, though, and the situation that many minority-owned construction companies find themselves in could get grimmer in the short term, and perhaps even the long term.

Minority-owned businesses still required

It remains to be seen whether there will be fewer certified minority firms in business after the pandemic has run its course, said Erik Ortmann, vice chairman of the construction practice at Kaufman Dolowich Voluck LLP, or if some firms will withdraw their bids or simply not bid on jobs that pose too great a risk, financial or otherwise.

"Time will tell," he said. "Right now, it's hard to fully evaluate that."

However, Ortmann said, don't expect waivers or lowering of goal standards to become the new normal. Contractors will still have to present to the agencies that imposed the goals that there were no certified minority firms available to do the work for each project. This includes articulating the "good faith efforts" that they used in trying to locate qualified minority-owned firms to do the work.