



New York Construction

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Under-Exposed

The Industry's Minority and Women-Owned Firms Face Challenges

by Diane Greer

Minority and women owned enterprises in the construction industry have increased in number across the region, but they remain underutilized resources that face serious hurdles in growing their businesses.

Now, new programs and recently passed legislation and mandates aim to address the obstacles, which have not changed over the years.

Breaking into the network of established firms bidding on projects remains difficult. "People in this industry tend to deal with the people that they have always dealt with," says Earle Walker, executive director of the Regional Alliance for Small Contractors.



Being a woman presents additional barriers, says Maureen Fritch, president of Fritch Construction in East Northport, N.Y., and founder of the Women Builders Council. "It is a male-dominated field where there is a good old boys club. They've been working with each other for years, and to have doors open to a new contractor is next to impossible."

Access to financing and bonding is also a problem, says Veronica Rose, president of Queens-based Aurora Electric Inc. "I feel like they want my husband to cosign on my loans. Anything up to \$500,000 is not a problem, but over that I get caught in that glass ceiling."

Another stumbling block is the lack of smaller contracts suited to the capacity of M/WBEs. "In Lower Manhattan all the contracts were so big that the M/WBE community didn't get much of anything," Fritch says.

Part of the problem is that construction managers and general contractors are concerned with budgets and schedule and do not want to break out pieces of the contract, says Robert Parchment, president of New York-based Robert W. Parchment Plumbing and Heating. "That is not their primary concern or even in their best interest," he adds.

Some of the problems facing M/WBEs can be traced to a lack of education and proper preparation on how to start and run a business, says Patricia Lancaster, New York City Building Commissioner. That being said, she also points to a whole tier of M/WBE firms, with 5 to 10 years of experience, doing good work on jobs at the \$500,000 to \$1 million range. "They really want to grow and need a higher level of mentoring," she adds.

Certification programs, which were set up to help contractors find M/WBE subcontractors, have suffered from lack of funding. Insufficient resources to investigate registration applications have resulted in the listing of "front companies" that take work from legitimate M/WBE contractors, the Regional Alliance for Small Contractors' Walker says.

Contractors using certification systems to find qualified M/WBEs also have complaints. "The lists need to go beyond simply listing M/WBE contractors to breaking contractors down by trade, size, experience and jobs recently completed," says Lou Coletti, president of the Building Trade Employers Association in New York.

Public Sector Opportunities

Traditionally, M/WBE contractors have relied upon public-sector work for bidding opportunities. But recent disparity studies and analysis of procurement policies by New York City, New York State and New Jersey confirmed what M/WBE firms have long known, that they aren't getting a fair share of the work.

Findings of the NYC Disparity Study resulted in passage of Local Law 129 in December 2005. The law mandates M/WBE utilization goals and subcontractor goals for city agencies.

But the program is taking some time to ramp up. City agencies were required to submit M/WBE goals based on their procurement requirements by the end of 2007. BUT THEY DIDN'T DO IT? WHY NOT?

“Starting in 2008, we can see who has contracts and who doesn’t,” says Jim Heyliger, president of the Association of Minority Enterprises of New York.. “Are they pushing for these goals or are they just on paper?” DO YOU NEED TO TELL READERS WHAT THIS ASSOCIATION IS? HOW MANY MEMBERS? AND IF PEOPLE AREN’T SUMMITTING THEIR GOALS HOW WILL THIS GROUP SEE WHO HAS CONTRACTS AND WHO DOES NOT?

New York Gov. Elliot Spitzer signed Executive Order 8 in February 2007 establishing two panels of experts to review state procurement policies and make recommendations to increase M/WBE utilization.

Michael Jones-Bey, the new executive director of

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the Division of Minority and Women’s Business Development, is chairing both panels along with the construction roundtable and is responsible for implementing effective M/WBE programs.

To revitalize the state’s programs, Jones-Bey is hiring staff and rebuilding the infrastructure. “(Former Gov. George) Pataki fired 75% of the workforce associated with M/WBE programs,” he says. “The data systems we inherited to measure and track utilization are broken and our vendor registry is not user friendly.”

Jones-Bey seeks to partner with the industry to increase M/WBE capacity and utilization. “We believe that before you talk about enforcing compliance you need to enable compliance,” he says. “We recently created a capital access program and a pilot program that will increase bonding capacity for M/WBEs. These two programs will make it easier for the dominant players to hire M/WBE business.”

He is also asking the industry to do its fair share by engaging in joint ventures, mentor-protégé programs and other initiatives that will build capacity.

“The conversations so far have been received positively,” Jones-Bey adds. “That being said, there is a law on the books, Article 15A, that calls for opportunities for M/WBE business and for good-faith efforts to be put in contracts. We will be looking to make sure the law is followed, but it is going to be done where we work with the industry.”

A Model Program

The New York City School Construction Authority’s M/WBE program is repeatedly cited for its success in helping M/WBEs grow their businesses.

The SCA program addresses the major challenges facing M/WBEs, including lack of access to construction training, working capital, bonding and the building trades, says Michael Garner, SCA’s senior director of business development. “We took the lead in this area because it allows us to diversify our contracting process while creating a larger pool of qualified contractors.”

Through its mentoring program, the SCA affords M/WBEs the opportunity to work under the guidance of construction managers from major firms for four years on contracts up to \$750,000. Upon successful completion, firms may move to the Graduate Mentor Program and work on projects from \$751,000 to \$1 million for two more years.

Parchment Plumbing and Heating worked closely with TDX Construction of New York in the mentoring program. Robert Parchment's relationship with TDX led to a contract outside the program at the Brooklyn Navy Yard.

Under the SCA mentoring program, union participation is waived, although firms must pay prevailing wages.

"It gives M/WBE's a chance to develop their cash flow and management expertise," Heyliger of the Association of Minority Enterprises of New York says. "When they graduate from their mentoring program, then they are ready to do union work."

Efforts are under way to create a union transition program to help firms completing the Graduate Mentor Program make informed decisions on becoming union contractors, Garner says.

Small business loan and bonding programs complement the mentoring program. "We wanted to be responsive to the growing needs of the companies," says Sharon Greenberger, SCA president and CEO. "It's one thing to provide opportunities but it's another thing to provide the resources that allow those opportunities to grow into something bigger."

Change from the Top

Beyond the public sector, project owners will need to step up and make a difference to increase M/WBE opportunities, says Yocontalie Jackson, president of Camden-based construction management firm, Jackson & Associates. "If the owners don't do it, then who is?" she asks.

For example, John Sheridan, COO of Cooper Hospital in Camden, N.J., called for minority participation in the hospital's \$160 million expansion project slated for completion this year. "He was instrumental in getting Jackson & Associates on the project," Jackson says.

Viacom/MTV recently put women hiring goals in its RFP's, New York Building Commissioner Lancaster says. "They have signaled the construction industry that they want women working on their jobs and it is going to be part of the criteria by which you are evaluated," she adds.

Community Benefit Agreements and deals at the local level provide another means to increase M/WBE utilization. "In the past, there was a lot more commitment to making sure local contractors in the community were getting the work," the Regional Alliance for Small Contractors' Walker says. "Now it's kind of a mixed bag."

Some recent successes include a deal brokered by Bronx Borough President Adolfo Carrion Jr. with the developers of Yankee Stadium, and the Atlantic Yards CBA negotiated by local community groups with Forest City Ratner Cos. Among private construction companies, M/WBE programs offered by Turner Construction of New York are getting good reviews. In addition to the Turner School for Construction and its 20% M/WBE utilization goals, Turner is instituting a new mentor-protégé program in 2008. The program, which aligns M/WBEs with prime contractors for a two-year period, aims to give M/WBEs the tools they need to bid on larger projects.

“Everyone has to be truly committed to wanting to see M/WBEs grow,” says Fritch, the Women Builders Council founder. “What is sometimes missed is the economic impact that M/WBEs have in New York. We are a huge untapped asset.”

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