

# NAVIGATING OPPORTUNITIES

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BUSINESS INFORMATION FOR CONSTRUCTION PROFESSIONALS



## **MWBEs** **THE TIME** **IS NOW**

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**Government Leads**

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**BTEA Launches New MWBE  
Union Transition Plan**

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**Opening Doors Wider:  
The Woman's Story**

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**Corporate America  
Connects**

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Robert Parchment



James Jones



Deborah Bradley

"Larger firms need to support smaller ones," says Jones. TDX has played an important role in SCA's mentor program providing the opportunity for contractors to increase their capability," notes Michael J. Garner, who leads SCA's Mentor Program. According to Jones, "The SCA program is a perfect point of entry for small firms to graduate into the union industry. They are able to increase their capacity and create stronger relationships within the unionized construction industry. It's a natural progression: we work with small stars and help them shine brighter."

Another firm TDX has mentored is a woman-owned construction management firm located on the Upper Westside of Manhattan.

### From Entrepreneur To Accomplished Builder And Project Manager

Deborah Bradley, President and Founder of Deborah Bradley Construction & Management Services, credits the growth and diversity of her business to the relationship she developed with TDX.

In 1994, recalls Bradley, "I had to find an entrepreneurial career that would permit me to make money and raise a family at the same time." With a Masters of Business Administration from Columbia University, Bradley considered a number of options, from writing children's books to specialty foods. "I evaluated many options," she says. "And TDX and Jimmy Jones played an important role in the firm's development," she recalls.

"I wasn't even sure what to call my firm at first," says Bradley. "But I decided to put my name on it to make it perfectly clear to the marketplace that I both owned and managed the company. I added management services almost as an afterthought—I felt that would complement the construction work, especially with my business background."

Bradley's career began with her early work as an accountant with Deloitte & Touche in Chicago. In 1990, she moved to New York and two years later received her MBA from Columbia.

"I met Jimmy Jones and the TDX team at the SCA, where I was one of the contractors chosen to work with him as part of the mentoring program," recalls Bradley. "Jimmy took an interest in the company," says Bradley, who has become a selected WBE contractor for TDX. She maintains that her relationship was an important factor in her success with TDX as well as the concomitant growth of her firm. Her firm has also worked with TDX outside of the SCA as a sub-consultant on several projects. TDX has involved her in presentations for new projects, and today Bradley's firm is a proven asset.

Bradley's firm has worked with TDX on DASNY projects, such as the OCME Forensic Lab at Bellevue Hospital where they helped oversee one of their subcontractors as well as supporting other administrative aspect of the project. Her firm has also worked at Harlem Hospital providing administrative support to TDX who is the CM for Phase 2 of the project. The firm's services have also diversified. Bradley explains, "I make my money from construction, but the management side of my business continues to grow significantly." Her firm also works for Gilbane Construction, the McKissack Group and Jacobs Engineering, among others.

Relationships are at the heart of her business, maintains Bradley. Committed to using local community talent to serve in her projects, Bradley is creating her own new relationships with local training programs within New York's community. That formula has worked for her and her relationship with TDX. "If you work locally, you need to hire locally," she says. "And that's where some of the best relationships begin." ■

# Opportunities Taken, Change Created

## Two Contractors Credit 'Relationship' As Success Factor

Opportunities are conscious decisions made by people who want to create change.

And with change comes new opportunities, confirm Robert Parchment and Deborah Bradley, both of whom have grown their companies through the relationships they made as they participated in the Mentor Program at the New York City School Construction Authority.

Parchment today owns and operates a certified MBE, union plumbing contracting firm, Robert Parchment Plumbing & Heating, Inc. Parchment grew up with construction all around him. His father was a general contractor who specialized in brownstone renovations, his brother-in-law was a plumber, his uncle was a mason and even his next door neighbor was an electrician. "My father worked late daily, my brother-in-law ended his day at 3 pm," Parchment recalls. "I have been in the plumbing industry since 1979," he muses as to how he got his construction start.

In terms of Parchment's own success, it was SCA's Mentor Program that made the difference. According to Parchment, he entered the program and began to bid on projects. His first one was for \$425,000. In 2005, he completed contracts in excess of \$7 million and employed over 65 plumbers at that time. But Parchment explains it was his initial work at the SCA that jumpstarted his company, but it was his growing relationship with one of its CM Mentor firms that really launched his firm and its success.

"I began working with TDX construction," says Parchment. "That beginning relationship was a key factor in the way my company has grown," he says. He credits his success to mentor Jimmy Jones, TDX's President who Parchment claims 'really adopted me.'

"Jimmy is a straightforward guy" says Parchment. According to Parchment, Jones was clear – 'Complete this job and

be successful – or you're done!' But what Jones did do for Parchment is to clear the obstacles that often confront small contractors as they work within a larger project. "People often make judgments," says Parchment. "They pre-judge your experience or your ability. Jimmy moved those obstacles out of the way and helped me to shatter any myths people might have had about my ability to do the job."

Parchment proved himself on his projects with TDX. "At 8 am or 8 pm, I was there. We proved that our quality of work and our speed met TDX's highest expectations." With several jobs under his belt, including work at the Brooklyn Navy Yard, the New York City Police Tow Pound, several schools and work with TNS Management Services, Inc. and Gilbane Building Company at the Brooklyn Museum and Brickens Construction, Inc. at Battery Park's Tear Drop Park south, Parchment Plumbing is growing.

Today Parchment is working on applying a diversified business model to his firm. He has reduced his workforce and focused on a strategic business model. "My focus is one of diversifying my customer base," he says. "But someone had to create the opportunity for us and Jimmy Jones did that," says Parchment. "Some people talk the talk, but Jimmy walks the walk, and that has made all the difference."

### From Small To Large

TDX is one of the area's leading construction managers, itself having grown since its founding in 1980's into one of the City's prominent construction management organization. Since its inception, TDX has completed over \$3 billion worth of work, with current projects valued at \$900 million and annual fees in excess of \$150 million. "But Jones who himself started as a bricklayer and later graduated as an engineer explains, "Many of the large firms today – Tishman, Rockrose, De Matteis – have all grown from smaller companies into larger ones. Their trade background has served them well."

According to James Heyliger, President of the Association of Minority Enterprises of New York (AMENY), the origins of Minority and Women Business Enterprise (MWBE) programs began in response to minority and women business owners seeking 'their fair share' of public procurement opportunities. With organizations like AMENY and other advocacy groups who formed in the 1980s, the development of MWBE utilization programs has grown.

The impact of MWBE participation in the construction industry has had its ups and downs, especially in response to cyclical economic factors so usual to an industry whose market pendulum usually swings depending on the overall state of the economy.

Today, despite some market correction in the residential market and a bit in the commercial side, work opportunities are still strong in the public and private sectors of New York's construction economy. A backlog of work may be one of the contributing factors. However, what does ample work mean for the small business construction firm, most of whom are minority and women owned businesses?

That question and others provided the focus of a recent industry roundtable discussion hosted by McGraw Hill Construction's "Navigating Opportunities."

The issue of MWBE participation is not an isolated one; it directly affects the health and vitality of small business in New York as the face of small business continues to change and increase in diversity. More women, more minorities are all entering the market as architects, engineers, contractors, construction managers and suppliers. Career paths for women often lead many female professionals into their own businesses simply because they may have 'hit a glass ceiling' and deciding to go out on their own was the only realistic track to financial growth and security.

Some issues with the certification process, a lack of goals for women and Asians and low net-worth thresholds for Disadvantaged Business Enterprises (DBEs) were all identified as areas to be addressed to increase MWBE and DBE participation. In addition, issues related to procurement procedures as well as union transition opportunities were also identified as real barriers to participation in the over \$100 billion New York construction industry as projected over the next few years.

Here are some of the directions the discussion took....



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## Improving the Certification Process

Both New York City and New York State are working hard to develop solutions to fast-tracking and to improve the often challenging process of certifying MWBEs to ensure that applicants actually own 51 percent of their firm as required by law and are in charge of the day-to-day management. Unfortunately not all firms working as MWBE contractors meet those requirements.

"We take MWLBE [Minority and Women Local Business Enterprise] certification and pre-qualification very seriously," says Michael J. Garner, Senior Director of Business Development at the New York City School Construction Authority (SCA), and the session's moderator. "The SCA, the City of New York and New York State are all doing a very effective job in recruiting and certifying MWBEs," Garner states. "However, certification and pre-qualification is only the beginning. The challenge once firms are certified is creating an environment that will allow these emerging firms to compete for prime contracting and for subcontracting opportunities grow, develop and enter the economic mainstream. Therefore, it is imperative that all of us create cost-effective MWLBE programs that will help facilitate MWLBE growth and development," Garner says.

While some firms may try to enter the system without the proper requirements, the problem may not be misrepresentation as much as it is misunderstanding. Lash Green, Director of Business and Job Opportunity for the Port Authority of New York and New Jersey, says the biggest incidence was of firms who believe they can be certified, but do

not meet certain criteria. "They are just not set up the way we define a minority-owned business," Green says, but adding that in his view the incidence of companies trying to enter the pool without meeting requirements was not that great.

Olivia Peck, Assistant Director of the Office of Opportunity Programs of the Dormitory Authority, State of New York (DASNY) explains that half a million dollars in fines over the last couple years are to a large degree the result of firms that meet the ownership criteria, but don't have managerial control. "We identify them in the post award monitoring," she says. DASNY, ranking among other public agencies, has an excellent utilization rate for MWBEs in its projects. "Our procedures are working," says Peck.

## Working Towards a Uniform Procedure

Working towards a method of certifying MWBE contractors for federal, state and local purposes is also a goal that many say is essential to facilitating the process. Green notes that the Port Authority of New York and New Jersey was working with the Empire State Development Program in order to develop a fast-track system so MWBE firms certified at the federal level can automatically be registered in the state program.

Moreover, the agencies are working towards a unified certification program in which a firm will file one application once and when that application is processed the firm will be certified for the entire state of New York. While that is the goal, the agencies are still working on this process.



The certification process, while specific to the city and the state, are uniform in the types of information collected. However, each city and state agency has its own requirements to place MWBE contractors and suppliers on their individual bidders list. So the process is difficult.

### Moving Up the Ladder: From Certification to Qualification

Certification does translate into a contractor being pre-qualified. As Michael Garner explains, construction is a high risk, complex business: "At SCA, we have set the bar high for ensuring that we pre-qualify our contractors before we ask our construction managers and general contractors to use them on a project."

For many MWBEs certification is seen as the path to securing lucrative contracts under federal, state and city minority participation requirements. Many firms become certified to gain the contracts and are fine for a number of years, but then take on a number of larger projects that may challenge their financial stability. Historically, many MWBEs active in the 1980s are no longer in business. Within the newer crop of firms, historical sustainability is still unproven. Those firms impact the perceived quality of MWBE contractor lists. In order to preserve that quality, fiscal and management monitoring of firms is essential.

"Pre-qualification is critically important in the contractor qualification process," says Garner. "If we forward a MWLBE certification list to our general contractors and the list is not vetted, then the first time that the general contractor awards a subcontract to one of those firms and there are issues with respect to performance and quality of work, the general contractor will not utilize firms from the list again. Potential problems include judgments, liens or a history of unsatisfactory or marginal work which may prevent the MWLBE from completing their prime or subcontract, safely, timely and within budget," Garner notes. He also added that while he has advocated for a stringent MWLBE certification process, it is critically important to implement a pre-qualification process so that marginal contractors can be weeded out. That process can also allow

for developing a base of solid firms attractive to banks and sureties that makes obtaining finance and bonding much easier.

### Low Financial Threshold Impede MWBE Growth

Many WBEs, as well as other small businesses, can apply for Disadvantaged Business Enterprise DBE certification. Unfortunately, the statute limits a firm's net worth to less than \$750,000. "This presents major difficulties for many small contractors," says Sandra Wilkin, President of Bradford Construction Corporation and President of the Women's Builders Council, an advocacy group for MWBEs on public policy and legislative issues. "If they meet the Federal DBE threshold, they would be unlikely candidates to secure bonding if they were bidding on larger construction projects. Construction projects under \$1 million are rare since most public projects are large," Wilkin explains. DBEs are further restricted by federal average revenue limits which in some cases are capped at \$3.5 million over three years.

New York City's Department of Small Business Services offers a new small business category: the Emerging Business Enterprise (EBE). New York City's Local Law 12 of 2006 provides for the Emerging Business Enterprise Program. This program certifies businesses owned, operated and controlled by individuals who are socially and economically disadvantaged. The program is designed to promote fairness and equity in city contracting and to level the playing field for these business owners.

To apply for EBE certification, a company must be in business for at least one year, be at least 51 percent owned, operated and controlled by persons who can demonstrate social and economic disadvantage and have experienced chronic and substantial negative treatment in the United States, and be active within the geographic market for the City of New York. In addition, an applicant's inability to compete must have been impaired as a result of diminished access to capital and credit, and the net worth of the owner(s) of the company must be less than \$1 million.

New York City also offers the Locally Based Enterprise (LBE) Program





created to ensure that New York's construction firms get subcontracting opportunities on large-scale city projects.

To qualify for certification as a LBE, a company must be in business for at least one year, perform at least 25 percent of its work in an economically depressed area of New York City, or employ a workforce of which at least 25 percent are economically disadvantaged persons. Financial requirements include having earned average annual gross receipts of less than \$2 million for all construction and construction-related work within the last three years. If the firm has been in business for less than three years, average gross receipts for all years in which taxes were filed must be less than \$2 million.

### The Challenge of "Too Large Contracts"

Christine Knoblock, President of Christine Painting, a union painting contractor attending the roundtable, offered a personal anecdote: she claimed she couldn't qualify for work at the MTA because contracts are bundled and the painting portions would exceed \$750,000. Contractors like Knoblock are essentially shut out from doing business with many public agencies such as the MTA which historically awards larger contracts.

### No Utilization Goal Requirements for Women under Local Law 129

There are no goals for the utilization of women-owned firms in the categories of general contractor and subcontractor in city contracts written into Local Law 129. Wilkin addressed this issue and explained that the city 2005 Disparity Study unfortunately had unintended consequences for women. The study suggested that women were adequately represented in the New York construction industry, so no initiatives for women were made part of Local Law 129.

In direct response to the study's finding, Wilkin notes the following: "The '05 Disparity Study finding about women was inconsistent with what is widely held within the industry that there are women contractors and subcontractors ready, willing and able to perform the necessary work, but who aren't getting it because of the lack of goals for these categories."

"We are a practical illustration of this," explains Nanci-Jean De Napoli, co-owner of KND Electric, along with her sister-in-law, Kristine De Napoli, who serves as the firm's president. "In some cases, the agency has no procurement requirements for women who are not ethnically diverse. They will have to legislate for the inclusion option of WBEs. Legislative change takes time," adds Di Napoli. "We want to grow now, while there is an abundance of work."

For example, Ron Berger Executive Director of the Subcontractors Trade Association (STA) says New York City Department of Design and Construction requirements set specific standards for individual racial minority groups, but none for women as a group. Berger suggests a more practical alternative would be to set one percentage requirement for all minority groups

### The Union – Some Myths, Some Realities

There is a preconception among MWBEs about union work. Often MWBE firms feel that if they are union they won't be competitive. While the union segment is losing market share, some of the larger projects are union.

The reality that presents challenges for MWBEs is that the bulk of the minority contractors are non-union while the preponderance of major work is unionized work. The question for those trying to advance participation among MWBEs is how do we bring these smaller, non-union contractors into that sector in a realistic way?

Once contractors get into and do union work, they can realize the benefits, notes Edwin Lopez, the Chapter Manager of the National Electrical Contractors Association's New York City Chapter. "We have over 36 MWBE union electrical contractors and for the most part they are doing very well in the union electrical contracting market," he says.

The transition from non-union to union is a difficult process, however. Michael Garner explains that the procedures and processes are not simple, the environment is a learned one and small contractors need support to learn how to navigate the



process. (The SCA is implementing a more formal union transition process with the Building and Construction Trades Council (BCTC) and the Building Trades Employers Association (BTEA)).

"If you've grown and built your business as a non-union contractor, you have an existing pool of clients that you just can't drop," explains Darryl Greene. "However, if you have a strong interest in becoming union, our industry needs to come up with realistic solutions to support your transition into the union and your growth. As an industry we have to come to grips with the fact that if we are pro-union, we have to find a means by which contractors can transition from being in the market they are in to moving into the large-project union sector," he says.

Project labor agreements (PLAs) that allow bringing non-union firms onto union job sites are one of the means to handle the transition to union. "PLAs can be used to create a means by which non-union MWBEs can venture into those projects from which they are currently excluded and function successfully without having to interrupt their entire business process," Greene adds.

### More Jobs, Fewer Contractors

Despite the recent shift in the economy, New York City's construction industry is continuing at an unprecedented pace. While it's an opportunity for MWBEs to gain a larger share of the building industry, firms may instead be forced to relocate or go out of business because the barriers and obstacles for doing business in New York City's construction market is challenging.

"We're in the midst of the largest construction boom in our lifetime," says Robert Parchment, Robert Parchment Plumbing & Heating, Inc., "Yet there's less MBE participation than ever before. Outside of city and state agencies, we're not getting access to the work."

Timothy H. Marshall, President of the Jamaica Business Resource Center looks at the situation globally. "Procurement is the bottom line, but as we support that, let's be sure that we deal with these fundamental issues of access to capital and access to bonding. And, at the same time we need a new pipeline of minority-owned businesses that can go to a scale where they truly employ people in the community." ■





# Solutions / Next Steps

Overall the discussion which touched candidly on real obstacles to increasing small business MWBE participation focused directly on some solutions that are currently under consideration and those that need to be put on the table. Here's a summary of those suggestions:

• **Continue to Train.** Most of the roundtable participants agree that continued professional development of contractors was a high priority. Changes in the industry, from new methods, more rigorous safety requirements, new technology advances (i.e., BIM, digital construction) as well as increasing electronic documentation requirements are modifying the way small business would grow. While some of the agencies operated their own training programs, the issue of continued professional development is still one that needs further attention.

• **Create Incubators.** The issues related to access to capital and increased bonding lines suggests that pilot incubator programs for small business are needed to address the way in which smaller contractors such as MWBEs can participate in larger projects. While the SCA reported on their capital access and bonding programs for MWBEs, the issue of how financing and surety requirements will affect small MWBE business growth is still a major challenge.

• **Foster New Relationships.** Most agree that relationships between large contractors and their preferred subs and suppliers were another impediment to doing business in the highly relationship-driven New York construction industry. All of the agency leadership maintains that the fostering of relationships between large contractors and small contractors – essentially in the form of Mentorship and Mentor Protégé Programs – is an important part of their programmatic efforts. More work is needed in this area.

• **Facilitate Union Transition.** Union transition is a key issue. Labor needs to be added to the mix, suggests most. Union transition programs are high on everyone's agenda as a viable next step for facilitating MWBE growth in the industry. All agree there is much work to be done in this arena.

• **Increase Private Sector Participation.** Most agree that private sector participation is missing from the table. The public sector has taken the lead; now it's time to bring new faces to the table to address growth options for capable MWBE firms.

Consensus from the roundtable participants all confirmed that the growth of small MWBE business is a high priority, but the challenges may require bolder initiatives on the part of both the public and private sectors.

"We have the mass," notes Wilkin, long recognized for her firm's work in mentoring as well as her advocacy of MWBE enterprises. "With the proper legislation and with the policies that are changing for the good under the current administration, the ability of firms to grow their capacity and increase their participation throughout the industry is a given," she says.

While the imperative is there, concludes Michael J. Garner, the discussion's moderator, "The strategies are still up for discussion and all of the industry's strategic partners must participate if we are going to overcome the industry's barriers of entry that most emerging MWBE growth firms face," he says. ■

