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Minority Contractors Say Filtration Deck Stacked Against Them

by **ANNIE SHREFFLER**
NORWOOD NEWS

Despite laws requiring large firms to award a percentage of subcontracting jobs to certified minority contractors on large public projects like the Croton Water Treatment Plant in Van Cortlandt Park, small contractors are finding that the certification process, high insurance costs and a lack of political connections make it tough to win bids.

"They're not really giving small contractors in the Bronx a chance to do projects," said Roberto Velazquez, president of the Bronx Hispanic Chamber of Commerce and owner of Fordham Plumbing and Heating, Inc.

In addition to a demanding and time-consuming certification process, Velazquez said there are financial barriers to small firms winning jobs. Insurance rates are high for small firms that apply on their own, and networking opportunities often require entrance fees.

Bernard Daly, the project manager for the DEP's massive water filtration plant project, admitted it's not easy for a contractor with little experience or insurance to get subcontracting work. But, while the DEP is sympathetic to small business owners, Daly said the Croton job is huge and cannot afford anymore setbacks due to faulty contractors and subcontractors; it's already six months behind.

"We want it all," Daly said. "To hire locally, hire M/WBEs [Minority and Women-owned Business Enterprises], but we also want the job done."

Both New York State's Executive Law 15A and New York City's Local Law 129 set goals for businesses owned by minorities or women (M/WBEs) to receive a fair share of contracts offered by city and state agencies. But those businesses must first be certified - a free, paper-heavy process that registers businesses with the city and state.

Scott J. Munson, a certificate analyst for the Empire State Development Corporation, said the paperwork can be daunting to a company owner with little time or a difficulty with the language, and in some cases it can take a year to finish.

But Munson said certification reduces chances of a fraudulent company winning bids and brings together small businesses with city agencies through a directory, the first place primary contractors look for an M/WBE.

Even with certification, Velazquez said he can't get a piece of the Croton project, mostly due to the high insurance, or bonding, requirements. He has tried to overcome insurance obstacles by asking a larger firm for a joint venture, but still hasn't received a response.

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Matthew Klimczak, a spokesman for the Surety & Fidelity Association of America (SFAA), a lobbyist group, said bonding is crucial. Small contractors who avoid getting bonded go out on a dangerous limb.

"If no bond is required, subcontractors are left with no means to collect for their services and supplies if the contractor is unable or unwilling to pay them," Klimczak said.

The cost of bonding is generally 1 to 2 percent of the total job and is recovered by the time they receive their first payment from the primary contractor, according to SFAA.

Peter Fontanes, founder and chairman of Hispanics in Real Estate and Construction (HREC), said waiting for that first payment can make or break a small contractor. Months of red tape, small fines or a foreign firm that skips town before paying its subcontractors can bankrupt a small business with little cash reserve.

Fontanes also echoed Velazquez in saying city politicians must get serious about helping small contractors get better opportunities.

"There is dismay at the money going to jobs in the outer boroughs and not to minority contractors," Fontanes said. "The programs are not having an impact. Politicians need to ask for hard numbers and demand more."

Velazquez said if he could pay for more costly campaign breakfasts or dinners, he might find other venture opportunities.

In July, officials from Skanska, the new primary contractor on the almost \$3 billion Croton plant, met with M/WBEs at Fordham University to announce subcontracting opportunities. Meeting organizers said 196 firms (68 from the Bronx) attended.

Skanska's M/WBE compliance director Roi Smith said, per the law, "a total of 17 percent of our contracts will go to minority and women-owned businesses," adding later, "that's \$250 million in subcontracting goals."

HREC didn't know about the Fordham meeting with Skanska, and Fontanes said he wishes the Bronx Borough President Adolfo Carrión (whom he met with on this issue earlier this year) and other Bronx politicians were doing more to get the word out.

Carrión's office said they have made it clear that "if you want to do business in the Bronx you must do business with the Bronx," but that they were not responsible for who was invited to the Fordham event.

Greg Butler, a union member and author of "Disunited Brotherhoods: Race, Racketeering and The Fall of the New York Construction Unions," said even if an M/WBE contractor gets certified, insured and bonded, a larger firm can still win the bid with more experience and better equipment. In other cases, Butler said, firms win M/WBE contracts with what's called a "shell company," a minority front man or a wife acting as president of a subsidiary firm.

According to the city, eligible M/WBEs must be at least 51 percent owned and operated by a minority and/or woman, but says nothing about the makeup of the rest of the company.

"If [the city] really wanted to work with [M/WBEs], they'd require bigger contractors to add them to the bid," Velazquez said. "They should be standing up for us and make sure everybody has a piece of the pie."

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