

CULTIVATING EMERGING CONTRACTORS

BY SAM CARRADINE

A businessman from the New Orleans area expanded his real estate/property development business last year to include a demolition company to help his neighbors with the overwhelming cleanup effort following Hurricane Katrina. The contractor has razed and cleared more than 650 private residences declared irreparable by homeowners' insurance companies. Now the contractor has his eye on some of the demolition work funded by the U.S. Army Corps of Engineers. These projects, which involve direct public funding, require contract surety bonds.

A surety professional can help assess what this contractor and other emerging contractors need to do to obtain a first bond to perform some of the \$200 billion in anticipated work in the Gulf Coast.

Other communities also are looking for ways to include more emerging contractors in expanding public and private construction opportunities. For example, city officials in Savannah, Ga., and Hillsborough County, Fla., want to increase minority participation on downtown renovation and revitalization projects. High Point, N.C. plans to increase the legislated bond threshold, but to date it has not resulted in greater participation by small and minority businesses in public contracting.

MODEL CONTRACTOR DEVELOPMENT PROGRAM

The Surety & Fidelity Association of America (SFAA) Chair Gary Dunbar, divisional president, bond division, Great American Insurance Companies, Cincinnati, Ohio, says SFAA has a better solution than increasing bond thresholds. "SFAA has designed an instructional program to be presented to disadvantaged contractors. It provides direction on

how to become bondable, where to find resources like the Small Business Administration (SBA) and how to receive help from other professionals, such as CPAs and bankers," he says.

Originally launched in 2001, the Model Contractor Development Program (MCDP) is a comprehensive program of bonding awareness, education and support. Its objectives are to:

- educate emerging contractors about

SFAA Collaboration Efforts

The Surety & Fidelity Association of America (SFAA) has been working in a number of jurisdictions nationwide to help emerging contractors become bondable or increase their bonding capacity. SFAA members, staff and local surety associations have provided technical assistance or guidance to these jurisdictions in framing their programs:

- California Department of Transportation;
- U.S. Department of Commerce's Minority Business Development Agency;
- New Jersey Economic Development Authority;
- State of Ohio Bond Guarantee Program;
- Tennessee Department of Transportation Bond Guarantee Program for Small and Disadvantaged Business Enterprises;
- U.S. Department of Transportation Bonding Assistance Program;
- Economic Development Corporation of Prince George's County, Md.;
- National Veterans Business Development Corporation;
- City of New Orleans;
- Prince George's County, Md., Economic Development Corporation Small Business Initiative;
- Suffolk County, N.Y.; and
- Other local governments and organizations in states ranging from Texas to Massachusetts.

surety bonds and assist them in becoming bondable;

- identify resources, such as the SBA Surety Bond Guarantee Program and similar state and local programs, for obtaining a first bond;
- provide assistance and referrals for accounting, project management and financing expertise; and
- help increase a company's bonding capacity.

EDUCATION AND BOND READINESS

The MCDP consists of two interrelated components—educational workshops and bond readiness. Educational workshops help local emerging contractors access bonding and technical assistance tailored to fit their needs.

The Construction Financial Management Association is assisting SFAA with a construction accounting and financial management workshop, while Associated Builders and Contractors is responsible for a business and project management workshop.

Meanwhile, the bond-readiness component focuses on networking and outreach, capability and capacity assessments, resource identification and referral, and assistance in the bonding process. SFAA is working closely with a network of 47 local surety associations around the country that advises emerging contractors and reviews bonding prequalification requirements; assesses their capability and capacity; and develops strategies, such as recommending specialized project management, accounting or financial assistance.

OPPORTUNITIES IN THE GULF COAST

Nowhere is the need for bonding support more apparent than in the Gulf Coast region. Efforts to reconstruct the damaged infrastructure and rebuild the areas devastated by Hurricane Katrina can provide unique opportunities for local emerging contractor participation.

Dunbar cites the need for creative approaches to address access to bonding. "The surety industry needs to transform the lack of bonding for disadvantaged companies from a problem into an opportunity," he says. "We have the opportunity to help create great future contractors by pulling together groups of interested professionals who can mentor disadvantaged companies on their way to becoming great contractors."

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—GARY DUNBAR, SFAA CHAIR

SFAA staff has met with Gulf Coast contractors, as well as Mississippi's director for small and minority business, Louisiana's head of procurement and New Orleans' director of economic development to discuss strategies for bonding assistance for emerging contractors in the area.

SFAA continues to work closely with the City of New Orleans and the New Orleans Regional Black Chamber of Commerce to provide emerging contractors with the skills and access to bonding and financing to participate in current and future contracting opportunities as the Gulf region rebuilds.

Dunbar says, "How can the surety indus-

try fulfill obligations to protect taxpayers, project owners and lenders, and laborers and suppliers on construction projects, while addressing the political and social issue of more bonds for disadvantaged contractors?" The answer, he says, is "a well-written, detailed roadmap, as prepared by a diverse group of interested professionals on how hard-working and well-intended individuals can become great contractors."

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