

Sometimes the best intentions can be shattered by unforeseen consequences. Such is the case with the Washington, DC Government’s Department of Small and Local Business Development. One of the missions of this department is to stimulate participation from DC based business – particularly small and minority owned firms. It has become popular for this department to encourage minority/majority joint ventures seeking construction contracts. This sounds noble but it could become a disaster if all of the parties are not genuine and noble in their motivation.

Each joint venture must be screened and certified by the Certified Business Enterprise Office. To qualify the minority portion has to have at least 51% ownership in the joint venture and also must reside within the District. The majority portion or business must have less than 50% and does not have to reside within the District – that is a major flaw. The two companies come together under the formal incorporation application to the DC Government. Bylaws governing the joint venture arraignment explain how they are going to work on a particular bid providing they win that bid. They present their application for CBE Certification. The CBE office reviews all of their papers and makes a decision. Those with CBE certification will get a gift of 12% “Preference Points”. This gives them an advantage over other bidders. They can even bid higher than a noncertified company as long as they land within the 12% gift.

The above advantage is enticing to those White owned firms living outside the District and wishing to get some of those “plum” DC projects. So, they begin to break the rules. They contact the Department of Small and Local Business Development to get a recommended list of potential minority contractors. To some of these evil prime contractors this becomes a “sucker list”. They begin surveying the contractors on this list and may end up with the most naive business they can find. Together they work on the Joint Venture Agreement and execute all of the needed paper work including Signature Cards for the joint venture bank account. The minority/local owner will usually declare 51% ownership. The out of town majority owner will declare the remaining 49%. They get certified and go after that designated bid.

If they win, then all hell will break loose. Quickly the White out of town firm will sit his joint venture “partner” down and start dictating how things are going to be on the project. The minority partner’s signature card at the bank has disappeared. Instead of 51% local minority and 49% out of town majority it becomes around 10% minority and 90% out of town majority. If the minority starts to protest he will get threatened with firing. Firing? Yes, it is like he is becoming an employee. Thus, the promising Joint Venture has become more like “Front and Flunky”. The Bylaws are mysteriously amended and the whole agreement is breached.

The leverage the front has is the bid bond for the project. The bond is in his company's name. The minority firm has very little bonding capacity and could not have done it on his own. Thus, the front controls the whole project. He will self perform as much of this work to himself which makes it very profitable plus he probably over bid the project which adds more profit to him (at the expense of the District). The frustrated minority may go to the aforementioned DC offices. They really don't want to hear it as it will cause a decrease in the listed minority participation. Plus, there is too much dirty business to clean up such as fraud and a cancellation of a much needed project. If the minority firm files a lawsuit, the big, bad majority firm will laugh, kick him all the way off the project and order his lawyers to drag it in the courts for years.

The above is not business development. It is predatory, deceptive and misleading to the public that is told about all of this joint venturing increasing minority business participation within the District. Besides checking the bonding information which is required within the bid, the authorities can easily give an after bid interview with each party separately and verify that this is a real deal. No out of town majority firm should participate at all!

Right now, there are more than a few very large White owned construction companies living outside of the District who are having a field day running this fronting scheme. I know of one minority firm who has done three different joint venture agreements, worth over \$130 million, with the same predatory firm (one for each of three different bids). He does about \$2 million per year and the out of town majority firm averages \$500 million. It is just impossible for this to really happen and someone within these District government offices should figure it out or confess to the shams.

Mr. Alford is the co-founder, President/CEO of the National Black Chamber of Commerce®. Website: www.nationalbcc.org . Email: halford@nationalbcc.org .