



City of Los Angeles Contractor Development and Bonding Program



"An inclusionary program to build a stronger region"

FREQUENTLY ASKED QUESTIONS

What services does the City of Los Angeles' Contractor Development and Bonding Program (CDABP) provide?

The City's CDABP extends comprehensive capacity building, technical, bonding and contract financing assistance to small and diverse contractors seeking to pursue City construction-related contracts. Starting with a thorough assessment of your current business status, we identify areas of opportunity in order to help you better position your firm to successfully compete for and complete City contracts.

After your assessment, you'll be assigned a dedicated Contractor Development Manager who will work closely with you to tailor a technical assistance work plan and financial resources specific to your needs, which may include:

- ✓ One-on-one consultations
- ✓ Training clinics and learning immersion academies
- ✓ Help with prime contractor pre-qualifications
 - » Facilitation of prime or prime-sub contractor introductions
 - » Project/bid matches
- ✓ Assistance obtaining bonding, including bonding collateral support, if needed, and contract financing
- ✓ If you are awarded a City-related contract with bonding or contract financing support, you will also receive on-going project assistance to help you successfully complete your contract.

Who is eligible to participate in the CDABP? Eligible firms include local small and diverse businesses who are certified or eligible for certification within one of the City's business enterprise categories. For detailed information on the City's certification programs, visit their Small Business Certifications webpage (<https://bca.lacity.org/certification-program-description>).

Why should small and diverse businesses enroll in the CDABP? The City of LA's CDABP provides game-changing resources for small and diverse businesses who want to expand their capacity and improve their opportunities for winning City contracts. For example, the inability to secure or increase bonding often impedes small and diverse contractors from bidding and/or pre-qualifying with prime firms and participating on public works projects. This program helps reduce such barriers, even offering bonding collateral support (standard surety bond premiums are not covered by the CDABP).

Similarly, not having access to the capital needed to fund the cost of completing the contract that you've been awarded can be a major challenge, and little to no assistance is available through traditional lending sources. Through the CDABP's Contract Financing Assistance Program (CFAP), the City with out CDFI partners provides for up to \$250,000 of contract-based financing with a low origination fee and very low interest rate, and not tied to your financials or credit.

This is a particularly good time to enroll, because in November 2021, President Joe Biden signed a \$1.2 trillion infrastructure investment plan supporting a range of construction projects in localities across the nation, including within the City of Los Angeles. If you are a small or diverse local business, the CDABP can assist you in competing for upcoming construction contracts!

My subcontracted work hasn't required bonding in the past, so how would I benefit from participating in the CDABP? While you may not always need to provide a bond for some subcontracted work, a bond will always be required if you want to bid directly with the City on small prime contracts – and being "bondable" is a significant competitive advantage when bidding on many subcontracting opportunities. Becoming "bondable" demonstrates that your company's capacity to perform work has been assessed and vetted by a third party, which is then reflected in the dollar amount for which you can bond. Even when a bond for subcontract work is not required, it is quite common to be asked to demonstrate that your company is "bondable" in order to meet contract owner or prime requirements. Pre-qualification requirements often include demonstrating your bonding and/or financial capacity to perform

work. The CDABP will assist you in meeting advance requirements with primes or prime-sub contractors pursuing or performing City work.

What is the cost to participate in the CDABP? The CDABP is sponsored by the City of Los Angeles, so, with one exception, all services are offered at no cost to participating contractors! If needed, the only cost you may incur is to have a Certified Public Accountant (CPA) prepare a financial statement for your company, which is sometimes a requirement for bonding. For those who qualify, the program even provides a one-time subsidy toward this CPA-prepared company financial statement. If the subsidy is provided to you, you will be asked to pay the first \$500 toward the preparation of your financial statement and any costs in excess of what the the City's \$3,200 subsidy covers.

The CDABP is one of the City's tools to effectively support and increase the inclusion and participation of small and diverse contractors on City projects. Because barriers impede access, the CDABP and CFAP are intended to reduce and eliminate barriers wherever possible.

When should I look to enroll in the City's program? Should I wait until I've identified a City project for which I want to bid? Don't wait, enroll now! The earlier you enroll and have your company assessed, the sooner you'll be able to receive expert guidance and support in bidding suitable City (and by extension, L.A. Metro and L.A. County) projects. For example, getting pre-approved for a specific bonding amount will not only boost your company's credentials, but will also help you confidently identify and pursue sponsor contracting opportunities within that range. Your CDABP Contractor Development Manager will be helping you every step of the way, including steering you toward opportunities with CDABP prime partners. By planning ahead, your firm will be better positioned for consideration by the City's, L.A. Metro's and L.A. County's prime and larger contractors, who are always seeking qualified and certified firms to meet their project participation goals.

How long will it take for me to get approved for bonding or contract financing? The timing of the bonding or contract financing process depends mostly on you. The initial steps of preparing an underwriting package for bonding or prequalifying you for contract financing require gathering information about your company. If you have the necessary documentation and information complete and readily available, then the next steps of the process can move quickly. Your CDABP Contractor Development Manager is always on hand to answer questions and help guide you through the process.

Must I already be working with a bonding broker in order to participate? You do not already need to be working with a bonding broker. The CDABP will work with any bonding broker with whom you've already established a relationship that you wish to continue. In fact, the program can also work with your current surety agent to increase your existing bonding capacity with them as well. However, if you do not have a current broker, the program can provide for your consideration a list of brokers who work with smaller contractors and with program surety partners.

Once I'm awarded a contract, does the CDABP offer financial assistance to help me get started and to overcome cash flow issues? Yes, our Contract Financing Assistance Program (CFAP) can help! Administered through the CDABP in partnership with PACE Financial Corporation and Pacific Coast Regional Small Business Development Corp. (two Community Development Financial Institutions or CDFIs), the CFAP provides contract-based financing to small construction contractors to assist in meeting construction contract funding requirements. This program helps address the financing gap affecting many small and diverse construction contracting firms, which have historically been underserved by conventional lending institutions.

The contractor's awarded contract is used as collateral for the loan approval. The loans are issued at a competitive, below market rate, annual percentage rate (APR) and with a low origination fee. CFAP loans require third-party funds administration. Funding is available up to \$250,000, with larger amounts considered on a case-by-case basis.

The CFAP aims to increase the number of qualified firms able to pursue contracting opportunities, which can in turn increase the number of competitive bids. Contractors receiving CFAP funds build their business capacity and help establish or enhance their credit history, making them more eligible for commercial lending. CFAP positively impacts not only small minority-owned businesses, but also our local communities. Contact the CDABP team for current rate and fee information.

We look forward to hearing from you!

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