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Cover Story



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Local motives

To hire more D.C.-based contractors, Jim Abdo incubates them

One of D.C.'s busiest developers finds the time to turn an old warehouse near Union Station into an incubator for small and minority contractors. The businesses get a

home and valuable contracts, while Abdo Development gains access to a pool of partners who help it dig deeper into the \$40 billion market.

All business is local at incubator

Faced with a tiny pool of local subcontractors, developer Jim Abdo creates a home base for them in Brookland and keeps his firm eligible for city-funded projects **BY SEAN MADIGAN, SENIOR STAFF REPORTER**

By his own admission, Jim Abdo is a perfectionist. The D.C. developer has made a fortune meticulously rehabbing crack houses into luxury homes, making sure every detail is just so.

Just consider the former Children's Museum, a 130-year-old complex near Union Station that Abdo is converting into luxury condos. It's not an easy project. Old buildings shift. The units will have high ceilings and plenty of irregular angles. At more than \$700 a square foot, the units are too expensive for buyers to expect anything less than perfect craftsmanship, Abdo says.

So he has turned to Jose Flores, a drywall contractor he knows and whose work he considers "flawless."

Putting perfection aside, Flores is a key asset for Abdo because he is a Hispanic small business owner and his business is based in D.C.

Flores is one of a handful of contractors setting up shop in what Abdo calls his local small business incubator. Abdo got the incubator idea from the technology industry.

He's using the incubator concept to confront a problem that dogs developers, contractors and city officials: How do D.C. businesses benefit from the more than \$40 billion in development that's occurred in the District recently?

D.C. laws require that 35 percent of the work on city-funded or subsidized projects be performed by local, small and minority businesses, and earlier this year the D.C. Council also required that all city-funded projects have a 20 percent minority equity investment.

Those requirements have yielded mixed results. Some builders and developers say the pool of qualified and capable contractors is too shallow to do all the work. Most of the effort to get more local small business participation is expended on a project-by-project basis.

Abdo wants to deepen the pool by bringing qualified companies into the city.

Flores moved his 45-person operation, J's Drywall, from Woodbridge to a warehouse Abdo owns in Brookland several months ago. Flores' rent is \$1,000 a month — a third of what he would pay at market rate. In turn, the contractor has agreed to register with the city's Local, Small, Disadvantaged Business Enterprise (LSDBE) program, which certifies D.C.-based businesses for preferences on city contracts.

Everyone but Woodbridge wins.

Besides costing less in rent, Flores' new headquarters is a few minutes' drive from Home Depot and all his job sites. "I couldn't be happier," Flores says.

The city also is happy because it lands a new tax-paying business and potentially the company's 45 employees as tax-paying residents.

And Abdo benefits too, as he seeks approval for his projects.

While the majority of Abdo's projects have been smaller-scale private deals, his recent endeavors — such as the Children's Museum, called Senate Square, and his \$1 billion, 3.5 million-square-foot redevelopment of the New York Avenue gateway — have required him to negotiate zoning changes with the city as a part of a planned unit development (PUD).

During the PUD process, developers frequently offer community amenities such as public art, open



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HOMEGROWN: D.C. developer Jim Abdo, above, says the city needs more qualified D.C.-based subcontractors, so he's quietly turned an old warehouse, below into a contractor's campus that's home to a drywall expert, electrician, roofer and iron worker.



space or affordable housing in exchange for more density or the right to construct taller buildings.

In Abdo's PUDs, he agreed to use local, small and disadvantaged businesses for 35 percent of the work on his projects. At New York Avenue, that means \$350 million, more than 100 times the \$3 million in drywall work he's sending to Flores at the Children's Museum project.

Other developers around the city are also doing billion-dollar projects with a 35 percent LSDBE mandate.

Hines is leading the redevelopment of the old convention center site. National Capital Revitalization Corp. is planning a \$1 billion mixed-use redevelopment of the McMillan reservoir. The Anacostia Waterfront Corp. recently tapped PN Hoffman and Struever Bros. Eccles & Rouse for an \$800 million redevelopment of the Southwest waterfront. Clark Con-

struction is building the \$611 million baseball stadium with city funds.

Those four projects alone account for almost \$3.5 billion in development costs, about \$1.2 billion worth of LSDBE contracts.

"Are we going to be ready for that?" Abdo says.

Probably not, says D.C. Councilman Kwame Brown, D-at-large, who heads a committee on LSDBEs and authored numerous bills to strengthen city programs.

Abdo should be commended, Brown says, for his creative answer to this common developer question: "I want to use you. Now how do we get you to move into the city?"

Abdo's incubator also includes a roofing contractor, an electrician and an iron worker. Abdo hopes to expand the program as his business grows. Right now, he rents about two-thirds of the warehouse to an equipment-rental company.

Abdo has kept his incubator project low-key. He hasn't advertised it, aside from a small sign above a razor-wire fence. He's not partnering with the city or looking for subsidies.

"We aren't building the Taj Mahal out there, but it works," Abdo says during a recent visit to the site.

And when it comes to his incubator program, Abdo is hardly territorial. His message to competitors: "If anything, copy the program and run with it."

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