

NAVFAC Northwest  
Small Business Program Office  
Joint Venture Considerations  
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# Why Care About JV Rules?



We want to determine the size and status of a JV so we know if it can properly compete for a contract set aside under the small business, 8(a), SDVOSB or HUBZone set aside programs.

# Before we dive in...



- What determines size of a business?
- Who determines the NAICS code?
- What and who determines status of a business?
  - SB?
  - SDB?
  - HUBZone?
  - 8(a) participant?
  - WOSB
  - VOSB
  - SDVOSB

# JV Basics



- According to FAR 191.101(7), a joint venture for size determination purposes is an **association** of persons or concerns with interests in any degree or proportion by way of contract, express or implied, consorting to engage in and **carry out a single specific business venture for joint profit**, for which purpose they combine their efforts, property, money, skill, or knowledge, but **not on a continuing or permanent basis** for conducting business generally.
- A JV is a form of a “Contractor Team Arrangement.” FAR Part 9.601. Another kind of team arrangement is where a prime agrees with another firm for it to be a subcontractor on an acquisition, but this is not a JV, but a prime/sub relationship.

# JVs and Size



- JV generally equals affiliation
  - JV partners are generally affiliated with regards to the procurement and revenue will be combined to determine size UNLESS
    - Each JV partner is small AND
    - It's a bundled procurement OR
    - It's not bundled, and it's large defined as when the dollar value of the procurement exceeds half the size standard of the procurement

# Knowledge Check



- NAICS 541310 Size Standard: \$4.5M
- Procurement is \$2M
- Company average annual receipts
  - A: \$8M
  - B: \$4M
  - C: \$2M
  - D: \$2M

Which of the following JV's are small for the procurement?

AB? AC? BC? ABC? BCD? CD?

What if the procurement was a bundled \$2M buy?

# JV and HUBZone Set Asides



- FAR 19.1303(c): A joint venture may be considered a HUBZone small business if
  - The JV is small under the size standard
  - All JV members are individually certified HUBZone
- ORCA certification at 52.219-1(6) is key!
  - JV itself need not be certified as a HUBZone
    - *Remember: HUBZone is a SBA cert!!*
    - This will create FPDS-NG and CAR issues
- Example: LCC-CJW JV on new Large MACC

# Knowledge Check



- NAICS 541310 Size Standard: \$4.5M
- Procurement is \$3M
- Company average annual receipts
  - A: \$8M
  - B: \$4M HUBZone
  - C: \$2M HUBZone
  - D: \$2M

Which of the following JV's can compete for a HUBZone set-aside?

AB? AC? BC? ABC? BCD? CD?

# JV and 8(a) Set Asides



- An 8(a) firm and one or more other businesses may submit an offer for an 8(a) procurement provided that:
  - The JV is small under the size standard
  - The size of at least one 8(a) participant in the JV is less than half the size standard
- Having SBA approval of the 8(a) JV agreement prior to award is key!
  - No SBA approval equals no award.
  - Many unique 8(a) JV requirements with respect to ownership, control, sharing of revenues, limitations on numbers of bids, etc.

**WORK WITH THE SBA!**

- Example: NewtonSeverson 8(a) JV on Small MACC

# JV and 8(a) Set Asides



- Mentor-Protégé exception: Two firms approved by SBA to be a mentor and protégé may JV as small provided that the protégé qualifies as small for the procurement

IF A LARGE BUSINESS IS AN APPROVED MENTOR THIS IS THE ONLY TIME A LARGE BUSINESS CAN BE A JV PARTICIPANT ON A SET-ASIDE PROCUREMENT!!!!

DO NOT CONFUSE WITH DOD MENTOR-PROTÉGÉ PROGRAM!!!

- Once approved, 8(a) JV will be in CCR under it's own DUNS/CAGE
  - Make sure it's in CCR before you do the CAR!
- Example: Bulltrack-Watts II JV on P-236

# JV and SDVOSB Set Asides



- FAR 19.1403(c): A joint venture may be considered a SDVOSB small business if
  - The JV is small under the size standard
  - At least one member of the JV is a SDVOSB
  - Additional requirements on SDVOSB management, control and revenue sharing within the JV
- JV in CCR and self-certified as SDVOSB in ORCA

# Limitations in Subcontracting



- Included on set-aside awards
- The prime contractor must perform a certain percentage of work themselves
  - Services: 50% of cost of contract incurred for personnel with own employees
  - Supplies: 50% of cost of manufacturing the supplies (not including material cost)
  - General Construction: 15% of the cost of the contract with own employees (not including materials)

# Final Exam!



- Two HUBZone SBs form a JV. Revenue of ABC is \$12M. Revenue of XYZ is \$18M. Can they bid on a \$20M military construction project?
- The HubZone JV is approached by a Large Business, MNO, who says, “I want to team with you.” Is there any way MNO can participate in the contract?



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