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How To Win Work in 2011

N.Y. Region Industry Leaders Predict Slow Year, But Say There Will Be Jobs To Win

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By Tom Stabile

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And there may be little disruption to the active self-funded capital program that Montclair State University, thanks in part to a new law enacted in New Jersey in 2009, says Gregory Bressler, v.p. for university facilities. In addition to a new 130,000-sq-ft new business school and 100,000-sq-ft science research facility, both of which are set to go to bid next spring, the university is taking advantage of the new law to outsource the financing, design, construction, and operation of new facilities whose cost can be covered by future "revenue" streams.

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For instance, it is leveraging future room and board charges to fund a 550,000-sq-ft, two-building dorm and dining hall project set to open next summer on campus, procuring the entire project through Capstone Development of Birmingham, Ala., which is leasing the site and building to Montclair State's specifications. Capstone signed on Terminal Construction of Woodbridge, N.J., as its construction manager and launched the 2,000-bed project earlier this year. Next up is a similar turnkey process for a new heating, cooling, and cogeneration plant that would break ground on campus next year, Bressler says.

The prospects are thinner for private construction, says the Building Congress's Anders on. "The traditional office, commercial, and residential is going to be the smallest fraction of the market it has been in many years," he says.

One bright spot may be in project financing, which had dried up almost completely. Now, the last two months have seen banks finally unloading stalled developments at a loss, says Pfeiffer, the attorney. "This is a great sign – it frees up more money for them to loan and gets bad assets off the books," he adds. And he says some developers are winning financing to resuscitate scaled-back projects by converting condominiums to rentals.

Agauing of conversations with contractor associations, lenders, and others portends "some real construction activity" by the end of next year, says Gary LaBarbera, president of the Building and Construction Trades Council of New York City. "I don't think anyone expects a boom like '05, '06, but we think New York City is going to recover more quickly than the rest of the country," he adds. [See labor sidebar].

Another hopeful marker is more new prequalification requests that Conti Enterprises is getting for site remediation projects – an early point in the new project development process, says Pat Hogan, its COO.

But any rebound won't be rapid because the market still needs to absorb vacant office space and residential properties, Anderson cautions.

Shifting Tactics

Despite the chance for a thawing, the coming year will be a nest of challenges for contractors, says Turner's Di Filippo. "If you have a blowout – one bad [materials] buy, a subcontractor who goes bust on you, an insurance premium that changes on you, a bonding company that pulls the number on you – any one of those things can really change the outcome," he says.

Coletti says the last real estate market collapse in the 1990s thinned the herd of construction firms by about a quarter, and the pain of that process may not be done in the current downturn. [See subcontractors sidebar].

The tighter environment also has a clear impact on the

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bidding process, with contractors facing dozens of rivals for any project. It leaves a situation that is both friendlier and more volatile for owners, DASNY's Curro says. "We've never seen [the pricing] any better," he adds. "But it seems as though there are more low bidders backing away from their estimates and asking to withdraw their bids after we review the scope and details with them."

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It also leaves some public owners with more resources as bids come in under engineering estimates, Conti's Hogan says. "So it's creating a pool of money to put out more jobs," he adds.

Another result of the leaner times is the slowdown of project progress, with owners moving in stages, AIA's Harp Jones says. "They're saying, 'Let's do a schematic design, and then let's stop and take a breather and see where we are and if we have the money,'" she adds.

Survival Staffing

Perhaps the most critical focus for construction firms in a year pegged to be slow – but also promising a possible rebound – is how they manage staff.

Various firms have bulked up on training, often focusing on green construction certification or building information management technology. BIM is likely to have wide penetration during the next building cycle, says DASNY's Curro, noting that his agency expects to add its own BIM requirements next year.

Princeton University is also bullish on BIM. "We are trying to use it on every project we can," St. Mauro says.

Firms are also exploring other avenues for training. Both Conti and Turner are using small projects as strong training grounds for staff. KBE is bulking up on leadership training, Kolakowski says. And Conti has been rotating field supervisory staff into the estimating, business development, marketing, and proposal departments to give them broader project management experience.

Another aspect of staffing, however, has been layoffs, with nearly all companies cutting back at some level. Di Filippo says Turner is "busy in our new size," after cuts since 2008 to focus on skill sets still in demand. But he adds that Turner has also been hiring selectively for projects, in some cases bringing back laid-off staff.

Staying lean is also critical because of the uncertain timing of a rebound. "If the economy doesn't turn, we've got to be ready," Conti's Hogan says.

And companies also have to keep staff morale strong to avoid losing employees to rivals when a recovery begins, Di Filippo says. "You want to make sure they see the opportunities you offer, that you've been training them all along, that you've been making them feel appreciated even though there are economic challenges," he says.

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