

BUILDERS ROUNDTABLE



By any measure, 2020 was a year like no other for the construction business. Heading into January, the state boasted one of the healthiest construction industries in the U.S., and Phoenix topped the list of the country's fastest growing cities. Then, the pandemic hit.

Thanks to the hard work of organizations such as the Arizona Builders Alliance (ABA), construction was quickly declared essential, allowing contractors to return to job sites. Despite a downturn for businesses in the hospitality, restaurant and retail fields, construction continued to boom, expanding by 15% over 2019. In fact, many builders and trade partners report that 2020 was their most profitable year in history, and there's no slowdown in sight, despite a new crop of challenges that are popping up.

AZRE Magazine spoke with six construction industry leaders from across the state to find out how they fared over the past 16 months — and how they're facing the future.

AZRE: Did the pandemic affect how your company does business?

Mike Loven, president, Loven Contracting: This was an unprecedented event, with no playbook. We were fortunate that the industry was deemed essential, but this required construction firms to be at the forefront of pandemic-related decision making. The first 30 days came down to being leaders relative to policies and procedures.

John Nyman, shareholder/director of estimating, Concord General Contracting: It was definitely a different year. Being classified as an essential business allowed us to complete projects, and because many clients knew they weren't going to be opening back up in the fall, we were able to get more jobs done, without having to work around other people's schedules.

Barry Chasse, president and owner, Chasse Building Team: We were fortunate that our project teams were resilient and adapted quickly to ensure that job sites and everyone working on them remained safe and healthy. They

began meeting outside of the job site trailer for their "morning huddles" to collaborate on safety and workflow and to strategize on where each trade partner would work throughout the project to safely distance from one another.

Rudy Garcia Jr., vice president, RG & Sons Plumbing: Our difficulties came in the early days of the pandemic, and I think it was just because there was no road map to navigate the new and scary circumstances. When you're a leader of a business, people look to you if there are problems, so it was somewhat of a humbling experience to come into the pandemic and not have answers or solutions. But I'm proud of the way our company, and the industry as a whole, implemented safety protocols.

AZRE: How did the ABA help your business navigate these times?

BC: The ABA's help started years prior to the pandemic by providing our teammates with a wide variety of resources that allowed them to be extremely prepared to navigate



Barry Chasse



Rudy Garcia Jr.



Gretchen Kinsella



Mike Loven



John Nyman



R.J. Radobenko

any challenging market. Since the pandemic, the ABA has offered additional assets and webinars that specifically addressed COVID-19, labor shortages and escalating costs. Additionally, we've been able to collaborate and work closely with the organization's network of fellow members. The impact the ABA has had on our industry throughout the past year has been instrumental.

RG: I was actually the ABA's chairman for Southern Arizona during the pandemic. Because we couldn't meet in person anymore, we quickly moved to virtual advisory board meetings, and we leaned on our committee chairs to provide their expertise. For example, technology had changed rapidly for a lot of businesses, and many companies didn't really know how to tackle some of the challenges. Leveraging the expertise of our IT committee chair became an essential part of being able to move forward.

One the state level, our leadership jumped into action and began working with the governor's office to make sure they understood why construction needed to be an essential business. Plus, the ABA is communal in general. We were all in similar positions, and none of us really had any answers. So we were able to share ideas and strategic planning. I couldn't imagine going through this pandemic without the ABA and its members.

AZRE: There is a shortage of skilled labor in Arizona. How is your company addressing that need?

BC: Our company — and the entire industry — is certainly facing a challenge with the shortage of labor, specifically within the trade partners. The biggest challenge is attracting young people to the trades. To help

mitigate future labor shortages, our team supports a variety of trade programs and organizations. We have worked closely with many K-12 school districts to host STEM programs, construction seminars, career fairs and the overall education of students who are inspired by construction, technology and engineering.

ML: The construction industry went from being "under the weather" to manifesting a serious and chronic disease. We began discussing labor shortages more than a decade ago, and the same conversation continues today without concrete nationwide solutions — hence, the current crisis. As an aside, college programs focus more on management than on "starting at the beginning." We find that the most versatile individuals are often those with nuts-and-bolts experience that is then bolstered by a formal education.

Gretchen Kinsella, Arizona business unit leader, DPR: Every construction company is experiencing a heightened awareness around labor. It's been an ongoing issue with the aging workforce and lack of young people joining the trades. Where we're focused right now is actively supporting a number of workforce development programs to ensure the next generation is brought into the trades. Of course, we have to be cognizant of the immediate impacts, but we're using prefabrication as a way to continue to flatten and control the manpower curves.

RG: One thing I noticed during the pandemic was people crossing over from other industries and wanting to get into the trades. They came to us with, for the most part, no construction skills, but they had great attitudes. Even so, labor is a huge issue. Our company has about 50 field employees, but we could use at least 12 more.

To encourage future professionals, we work with the Pima JTED Career and Technical Education District. The program educates high school students, as well as their parents, about the construction industry and lets them know that there's a real career path for them.

AZRE: Materials shortages and spiking prices are also affecting the industry. Has that been a problem for your company?

JN: Materials shortages are real. We're looking at extremely long lead times. For example, steel joists are 26 weeks out. So it's taking a little more creativity to get materials. We're doing a lot of phased guaranteed maximum price contracts. As for prices, to prepare your clients for sticker shock, you have to explain to them upfront that this is the market we're in. So far, we've been very fortunate to have owners who are aware of what's going on.

ML: We're doing our best to avoid a weekly apology tour through honest and transparent collaboration with our owner/partners. In these times, there's no such thing as too much communication. At the same time, owner/partners may need to reevaluate their schedule expectations, liquidated damages and contract language to ensure a competitive field for their projects.

RG: We're seeing a huge escalation of commodity pricing. Last year, PVC was 55% cheaper, and copper was 63% cheaper than it is now. So that type of increase is really difficult to head off, especially in commercial construction when a lot of projects are bid a year or more out.

R.J. Radobenko, president, Roofing Southwest: Steel started becoming scarce in the fourth quarter of last

year, and a manufacturing plant in China that was a huge supplier of raw materials burned down. So we knew there were issues, and I think most contractors planned accordingly throughout the winter months. Unfortunately, beginning in March or April, the whole bottom fell out of the roofing industry. Contractors, including us, have run out of everything — metal fasteners; metal plates; insulation; isocyanate, which is spray foam. To make things worse, the price of metal has skyrocketed or it's just not available. I wish I could pay more money to get materials, but they're pretty much nonexistent right now.

GK: I think things go in cycles. A few years ago, at the height of the last big building boom, many of the markets had trouble procuring glass, so it's not the first time our industry has been faced with materials shortages and challenges. It just takes being really collaborative and transparent with our clients about the pricing and the available of materials.

AZRE: How is technology changing the construction industry?

BC: Of all the technology — drones, virtual reality tools or simply using personal tablets and TVs to navigate construction documents — we've seen the greatest impact from the implementation of building information modeling (BIM). During the design phase, our teams collaborate with architects using only BIM models of the drawings. This ensures that everyone is working off the latest and greatest set of plans, which then allows our estimating team to create a 'living' cost estimate that is always real-time. During construction, we utilize BIM to create 3D models of the design to help identify clash detections, which sometimes come with cost and/or schedule impacts. Post-construction, our teams can provide BIM as-built drawings for the clients to easily navigate in the future.

GK: I remember, early in my career, when I first heard about BIM. It's amazing to see how far we've come. We just talked to a client about saving costs by spending a minimal amount of dollars to demolish an area that they want to build on next year, and

then scanning the site so they can actually have a smarter design for the space and know exactly where all the components will be before they even think about planning. We're really trying to think forward with our clients about the best ways to use virtual design and construction for them, not just for creating the brand new, big, shiny buildings but also for cost-effective solutions.

RJR: I'm really trying to push technology into an industry that's not very tech savvy. Aerial drones have been amazing for us. They allow us to

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monitor the work zone for safety, assess job sites, scan areas for stockpiles and evaluate construction completion. We can now survey a 30-building apartment complex in 30 minutes versus eight hours, so it's a big deal.

AZRE: Arizona is experiencing an unprecedented surge in development. How is your company handling this increase in demand?

ML: It was only a year ago that the outset of the pandemic that our outlook on the world was much different. We are now, more than ever, exercising care in project selection, focusing on serving our existing client base and not allowing our team to be overly distracted by the demand. We will only take on additional work that can be properly executed to the satisfaction of the client.

BC: We are fortunate to have continued to successfully grow in this market. Having the best project team in place to navigate the increase in demand

is the first priority, however, we are always closely managing the amount of work with the available resources. It's a balance of managing resources with the market demand to ensure that all projects are successful for our clients.

RG: Sadly, we're in a position where we've had to turn down certain projects. What we're really focusing on are the clients and contractors who hung in there with us during the Great Recession. We need to be here for them now. I'd love to be able to take on more work, but the labor just isn't there. I've witnessed other companies make that leap without understanding their capacity to do the work, and that's not good for the clients, your employees or the company.

AZRE: Do you think the state can sustain this rate of development?

RG: I think we have some challenges with our local leadership in Tucson, but as long as they can get on board and understand that the growth of this community is a good thing for everyone, then I see our city continuing to grow. Of course, the caveat is that we have to watch the price increases related to construction. If prices reach a point where they're no longer attractive to developers and homeowners, then that could be a silver bullet.

ML: I think the elephant in the room is water supply. Until a cogent statewide, regional and western U.S. plan, based on realistic forecasts, is implemented, the potential for a day of reckoning looms.

RJR: There are always concerns about water, but we're in the desert, so it's something we have to look at. But I think the growth will increase. Phoenix has one of the best infrastructures in the country. Our freeway system is incredible. And GPEC is doing a fantastic job of bringing some of the biggest companies in the world to Phoenix, which is exciting.

BC: The overall big picture is that we have a very desirable city — and state — to live in. We can see this from the massive influx of people moving here that is driven by a diverse economy, great career opportunities, the cost of living, wonderful communities and amazing weather. It's hard to beat everything Arizona has to offer. ■■■