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## Industry roundtable: Construction

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How does this year look compared to 2017? How are you filling jobs and training staff? What challenges does government regulations have on the industry? Law firm Hodgson Russ and the Albany Business Review hosted a panel discussion with seven leaders in the construction, architecture and engineering industries to answer these questions and more. Cindy Applebaum, Albany Business Review publisher and market president, moderated the discussion.

### How would you describe the state of the local construction industry as we move into 2018?

**John LaRow, vice president, Gilbane Building Co.:** Things are positive. I noticed in the state budget that the State Health Lab has been proposed. We'll see if it gets approved. It is a pretty significant project. There are a lot of other significant projects, like UAlbany, E-TEC, Quackenbush Square. Hopefully we'll see some work at the Palace Theater.



DONNA ABBOTT-VLAHOS

Standing, left, Laura Regan, Carl Stewart, Ed Garrigan, John LaRow and Callie Gaspary. Seated, left, Michael Benson and Jason Perillo.

**Carl Stewart, vice president and general manager, Turner Construction:** The institutional work seems to be very strong. We're actually seeing some of the private subcontractors coming over onto the institutional side of things. We call it "Med and Ed." There's a lot of medical and educational and K-12 in the work that we've seen locally — some of the projects like the new high school in Albany, the project in North Colonie, some of the largest that we've seen in this area in K-12.

**Laura Regan, vice president, Eastern Contractors Association Inc.:** In general, people are building again from the downturn. It's not just the schools and institutions. It's the smaller businesses, the doctor's offices that are doing renovations and smaller projects that they've been holding off on. It's a nice cross-section between small projects and the larger projects.

**Jason Perillo, general manager, Trinity Building + Construction Management:** Very strong. We're definitely seeing health care movement, and multi-family residential is still moving forward. A lot of developers are building on land that's available.

**Callie Gaspary, associate partner, Mosiac Associates Architects:** It was busy last year and it's getting even busier. We also had a project passed in the Governor's budget for the Hudson Valley Community College Gene Haas Center for Advanced Manufacturing Skills. We're very excited about that and all of the K-12 work, a lot of which we do with Turner.

Some of it is based on projects they couldn't do during the downturn, like boilers, roofs, things that now they need to do. But also things are changing in education with the revamping of schools and the way students learn.

**Ed Garrigan, president, C.T. Male Associates:** We have a lot of varied projects in the pipeline — utility solar projects, pipelines, water systems, water treatment systems. There is a lot of opportunity right now. Money is not that expensive to borrow to finance these projects. We're encouraged with 2018 as it starts.

**Michael Benson, president, BCI Construction Inc.:** I always divide the industry into public and private. I guess I would say we're on the private side of our business. We have more opportunities than we can get to presently, which is nice, because the ability to pick and choose again is welcomed. I would add that the public sector side is pretty slow right at the moment, whether it's the building or the heavy highway side of the industry.

**Is it better this year than at the beginning of 2017, or the same?**

**Benson:** We started 2017 off with the largest backlog that we had ever had. It's different every year, and it's not necessarily an indicator of what your year is going to be. Last year we had about twice the backlog that we have this year. But that could change any time.

**Garrigan:** Ours was the opposite in 2017. Things started off rather slow for us and it took us awhile to overcome that. It was probably the middle of the third quarter before we started to see things really change. We finished the year very strong, and a very successful the fourth quarter carried into the first quarter of this year.

**Stewart:** One thing you will find interesting about our industry is we all have unique skills, so our perspective will differ on the same topic based on what we specialize in. Don't get confused when one guy says this and the other guy says that, because everybody is telling the truth.

**What are the biggest challenges that you face on a daily basis?**

**Perillo:** Construction is a very demanding industry. Really, it's just meeting our clients' needs and also supporting a culture where our employees could have a good work/life balance. When you know somebody has to go home to their children but you need to get a proposal out the door, it's sometimes difficult to make that all happen.

**LaRow:** People. Finding people is always a challenge. It doesn't get any better.

**Gaspary:** We have ads out for help. Every architecture firm I know in the area has ads out. And for some reason — if it's because they are moving away after college — it's really hard to find skilled people. And we're really big

on culture, so we also want to find people that are the right fit for our culture.

**Regan:** Right now, we are hitting a huge wave of retirement, especially with skilled trades. That's going to continue having a huge impact on having people build things in this area.

**Do you see this skilled labor situation getting better or worse? And what do you think needs to be done about it?**

**Benson:** It's something that everybody who has a stake in the industry has to get involved in and deal with, not just the people sitting at this table, because it translates into everything we do. Materials that we're trying to procure from the West Coast, it's a problem out there, too. Subcontractors who can't put enough manpower on the job. It's an issue that everyone needs to work together on, meaning the contractors, the industry associations, ECA, AGC and labor unions, in our case.

Our education system, that's where it really needs to change. We employ a lot of trades: carpenters, laborers, operating engineers, masons, ironworkers. These guys make a good living. I have four kids and two that are in college right now, and they're coming out of college and they're not even close to what somebody is making in the trades. We've got to start thinking about putting people in places other than cubicles.

**Stewart:** Cost is always a concern. Studies at the AGC and even McGraw-Hill, which studies construction, will tell you it is not the price of oil, it's not the raw price of equipment. The escalation of construction is driven most by the lack of manpower in the trades. When there is more opportunity, simple supply and demand, the prices start to come up. By far, the biggest contributor to construction escalation is the lack of skilled labor in the trades.

**Gaspar:** What I am seeing in our K-12 work is that schools are becoming more aware that the trades are important. Educators are finally saying that the trades are a good place to work, you can make a really good living, and I think it's really important.

**Garrigan:** Sixth and 7th grade is a really key point because they make a lot of decisions about what math they'll take. In the architecture and engineer industry, to get into schools, they need that math background. If not, they become 11th, 12th graders looking at schools they may be interested in and they don't have the math.

**Perillo:** Every company needs to utilize internships, co-op programs. I was on a panel for The Sage Colleges recently, and I was talking about taking on interns. No one in the room really understood the opportunity that a construction company could provide from finance, accounting, marketing, operations. Getting more interns and co-ops into our industry will help individuals understand that it's a great career opportunity.

**Regan:** We can't continue with the whole, "Come join construction because you're going to work hard, but you're going to make great money." That's our generation's way of thinking. We need to advertise the learning opportunities, especially at the basic level, for an apprenticeship program. You can come into an apprenticeship program and I am going to give you a \$50,000-\$80,000 technical education for free, and you're earning a paycheck at the same time because you're working to learn part of your trade.

You have to talk also about the leadership opportunities you have. We have a huge marketing problem that we need to overcome. Being able to have more project supervision, being able to have the site supervisors and all that, starts with bringing more people in earlier in the trades.

### **What are you doing today to fill the gap for the site supervisors and project managers?**

**Benson:** We grow our own. If we're hiring an assistant project manager or project engineer straight out of college, when we look at them, we see a calendar. And on that calendar is when they became a project manager. When we hire a skilled carpenter, laborer, operating engineer, we're looking at them to try to figure out when they can become a foreman and maybe a superintendent. We literally do not hire superintendents off the street. We have in the past, but we've never been successful doing it. We have about a dozen superintendents, some of which have been with the company for the entire 25 years we've been in business.

### **How do you retain them if you're growing them organically?**

**LaRow:** Career opportunity. Every generation has a different approach to what motivates them and engages them. Being sensitive to that gap from generation to generation is important, and we don't always do that so well.

**Regan:** There was a point where we had a lot of millennials and younger people on our staff. They loved meetings. They just wanted to have meetings. They wanted to know that they had a seat at the table. It was really hard from a managerial standpoint to be like, oh, I got enough meetings, and now your staff wants more. But it's worked. And it was interesting to find out how other staff members had no idea what other people did. It was eye-opening.

**Garrigan:** We try to provide some flexibility in our work schedule. They have other things outside of work that is important to them — their kids, soccer game or whatever it might be. We give them the opportunity to work from home, work on a different schedule. It's a little easier on the design side than it is on the construction side because that's a set time where most work occurs.

**Women and minorities continue to be underrepresented in the industry. Have any of your companies taken steps to address this, and what lessons have you learned?**

**Stewart:** As an industry and through government, we've not serviced this sector strong enough. We should provide opportunities, more training, support. We've talked incubators, where there's legal advice, accounting advice, construction advice, things that could help build the capacity so that when these opportunities for minority- and women-owned businesses come up, they are ready for them. I think the lesson learned is we need to do more grassroots work training in preparing for those opportunities.

**Gasparly:** In the architecture industry, I haven't noticed much of an issue. I went to school at RPI, and my class was 50/50 men and women. Our office right now is just shy of that by a couple of staff members. We're big on getting the right person for the job, whomever that person may be.

I think the biggest challenge I face, and it doesn't happen all that often, but in the field there's still some old-timers who see you walk into that construction trailer and give you kind of the attitude that you don't belong here. I tell the women in my office, you can be strong. Be confident in your abilities and they can't take you down.

**Regan:** A number of the trades are offering pre-apprenticeship programs to allow women and minorities to come in and experience the trades, to be in the training centers, to wear the equipment, to learn some of the basics. And people find out if they think it's for them or not.

**What are some of the larger public or private projects on the horizon, and how important are these to sustain in the local construction industry?**

**LaRow:** I mentioned a few of them earlier. The things that are in the pipeline right now would be the North Colonie high school, UAlbany, E-TEC. If the state health lab gets approved, that is going to be a mega project here in the local area. There are still sizeable projects moving through the area.

**Stewart:** They're almost anomalies, so you have to build your business around the core available market in our area, which is anywhere from \$10- to \$30- to \$50 million. Those are what really sustain the companies here.

**Benson:** I would address the transportation infrastructure side of the industries. Our company does a lot of infrastructure work. There's an unaddressed, rapidly growing need in that area that isn't visible to most people because it's underground or not really a fancy building.

**Perillo:** At Trinity, we don't really do the mega projects. But we definitely benefited from the GlobalFoundries' effect. We just finished a job in Malta, The Lofts at Saratoga Blvd, and we're also looking at some hotel work in Malta. The mega-projects definitely help that ancillary work.

**What are the expectations for the construction industry regarding the strength of the health care sector, given the hospital mergers, the growth in urgent care and diagnostic offices, a graying population and the**

## **need for acute care for more patients?**

**Perillo:** Hospitals are starting to bring their services to the communities. We finished an ambulatory care center on Union Street in Schenectady for Albany Med. They're starting to roll out those types of facilities throughout the area. We're also doing a small operating center for a private doctor up in Plattsburgh. It seems like no one really wants to go to a hospital. Parking's tough, they get lost. So the hospitals are bringing their services right to the communities to make them easier for everybody and provide special care.

## **Federal and state legislation has been introduced to reform New York's Scaffold Law. How important is this to your business, and how does the law increase your cost of doing business?**

**Benson:** The Scaffold Law is in our insurance cost. The bottom line is that other than maybe Illinois, our insurance costs as a contractor here in New York state are the highest in the country. You have insurers that won't even come into New York state for our history. It's not the only legislative problem that we have, but it's definitely a big one.

It's not right. We all spend enormous amounts of time and energy on safety these days. This is an antiquated law. I believe we are the last state in the country with it, and it's costing the taxpayers huge amounts of money. Whether it's a public project or a private project, if you're building something in New York, you're going to pay more because of this law.

**Regan:** The key is being able to defend yourself because right now you don't have that opportunity. If the insurance company figures out, okay, how do we take care of this, and a check gets written.

When I approach legislative members, I tell them we want that basic right — to defend ourselves and have our day in court and put all the issues on the table: So and so attended 30 different safety meetings, they signed off on these 30 different things, but yet they went out and did 10 of them, and that's why we have this problem. We don't even have the opportunity to even say that. Or, if somebody trespasses on your property, that doesn't matter. Having the opportunity to do that and to defend yourself is huge.

If you're a smaller company, it's a bigger impact than if you're a Turner and Gilbane. We had one of our members seeing their insurance rates go up two to three times in one year. Here's this multi-generational company wondering, do we continue to keep our doors open, or is this the sign from above saying it's time to close shop? Those are the decisions smaller companies are making just based on insurance premiums.

**Paid family leave is now required in New York, and employers could recoup the cost through payroll deductions. Is that how you plan to manage this expense? And do you think this will be a positive or a negative, in terms of employee retention and productivity?**

**LaRow:** At Gilbane, we are a 145-year-old family-owned firm. Family is important to us. We actually had the paid leave before it was mandated by the state, and we do it, basically, through our multiplier. It's absolutely a positive benefit. This is a big deal in terms of retention. The expectations today are different, and we need to respond to those, and we have.

**Regan:** It's \$1.65 a week, and that's not a concern. The bigger concern is at \$1.65 a week, how is this going to sustain itself? How do you project out that it is going to actually pay for it? It's a good program, but how do you keep it going at that rate?

**Benson:** For us, it's really the formalization legislatively of something that we've been practicing for two decades. It's not something that we really have had to think a whole lot about.

**What are some of the ways in which your businesses are managed differently today because of the internet and proliferation of devices? Are you and your workers more productive and efficient because of technology, and do you expect automation in robotics to change the way buildings are designed and built?**

**Stewart:** We are absolutely more efficient, but we are finding that the staff, they're in overload. There's so much information coming at you so fast because it's efficient. It's tough to get away because you have it at night — the email and the technology is always there. It's about discipline and stepping away and coming back at it the next day refreshed.

**Perillo:** I definitely think it helped communication and made us more efficient. But with all the emailing and all the texting, we have lost a little bit of the personal communication in those actual face-to-face meetings where you get a lot done. I'm still finding that it's a lot more reliable when you're talking and having meetings rather than texting or emailing.

**Gaspary:** I agree. From the design side, there are many programs that have made us more efficient. There are also many additional programs that might take a little more time, like energy modeling, daylight modeling. It takes a little bit more time, but it produces a much better product.

One of the biggest benefits to us, especially doing the K-12 work, is the ability to help others visualize because everything is in 3D these days. If we go to a school board meeting or a meeting with the community, we can show them a picture or a model or a fly-through of what's happening. It's so much easier for them to understand than a set of blueprints.

And while it improves responsiveness, it also means people expect you to respond at a moment's notice. I still personally like to do the face-to-face team meetings where I roll out some paper drawings and we write all over them.

**Garrigan:** It's improved our efficiency, but it comes at a cost. There is a lot of cost to train people to utilize the equipment properly. When I first started in this business in 1977, if we wanted to measure distance, there were two people holding a tape. Now, I got one guy out there with a robotic piece of equipment walking around with a staff that's GPS enabled, and he can collect all his data. I can't just send anybody out there with a \$50,000 piece of equipment without having him have the training, and then make sure that the data they've collected is good and usable.

**LaRow:** With the advance of technology, there's a higher expectation to deliver in a shorter time frame and it's affecting the quality of work, both on the design side and on the construction side.

**Garrigan:** There is the expectation from field to finish. You started that data, you collected it, and your crew is shipping it back to the office while they are driving back and somebody in the office is working on it and they are fixing the plans, or they are doing that design. And the client is wondering, when are you giving me this plan? I need it right now. The contractor is sitting here with a dozer running.

**Benson:** I'm certainly amazed at what our people can do from an iPhone or an iPad. There's an app for everything. On the project management side of things, we can access information from anywhere in the world nowadays, pretty much. Out in the field it is really incredible, depending on what discipline of work you're doing. We do some very, very intricate layouts on some very, very intricate work, and concrete work, on-site civil work. It used to include two to three or four people and now it's one person.

Another thing that's been really incredible for the civil side of the business is the use of GPS. I could put you in the seat of a bulldozer and if you could go forward and backward and watch a computer screen, you could grade an entire parking lot because the entire site plan has been downloaded into a small device that's on a tripod and feeding into the cab of the bulldozer.

**LaRow:** I think it's driving the need for more integration between architect, engineer and builder. Before, the architects and engineer would literally draw up a set of plans and hand it over to us to build. Now, the integration between the two is bringing some of the construction intelligence into the design process and integrating in a real-world model.

The jobs we had years ago are not necessarily gone, they are just different. Gilbane is a construction company, but we have probably 50 people that are not construction people. They're programmers. So when you say "there's an app for it," we have app developers. We do all in-house. We hire gamers. I never thought we would have done that.

**Regan:** It goes back to what I said about having a marketing problem. We are talking STEM right here. How many people out there think construction is STEM? It is. Not only from the technological aspects of the

robotics that we are using, but also from the engineer programs. As a carpenter, you need to understand angles. You need to understand that type of math as well as the other stuff.

**Stewart:** We have to transfer knowledge and we've got to teach this craft. The information that used to exist 100 years ago in some of these ornate buildings you see, some of that is lost. That skill is lost. We need to transfer that skill set because our workforce in the trades is aging.

**Garrigan:** I'm a land surveyor. I can guarantee that 90 percent of career advisers and guidance counselors in this area do not know that land surveying is a profession. So, they are not telling their students that they should consider it. We do some pretty cool stuff, and I think if they had that knowledge, they would be more interested.

**Gasparry:** One challenge that we face is with all of this 3D Building Information Modeling (BIM), you still have to know how the building gets put together. In college, a lot of these architecture students are learning the programs. They're software wizards. But if they can't come to us and know how the building is put together and how they would build it in the 3D model, it's very tricky for us to put them somewhere.

**Gasparry:** Construction ability is of huge importance. The best engineers that I found are usually the ones that spent time in the construction industry before they became an engineer. They understand how things can or cannot be built

**Perillo:** Some of the technology that's out there now has gotten away from people actually learning the craft, the trade. Schools need to make sure that when they are preparing somebody for a degree, they're teaching them the bones of the craft before all this technology gets in the way. People are just learning how to point and click.