

Building a Better Box by Thinking Outside of It

Construction Issues and Opportunities During the COVID-19 Pandemic and Beyond



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Gould & Ratner presents the fourth installment of our Construction Interview Series on adapting to the COVID-19 pandemic and beyond. We will continue to periodically sit down with leaders at some of the most influential companies in the construction industry to discuss their insights on relevant and pressing topics of interest in the industry.

Rich Reizen and Pat Johnson, members of the firm's Construction Practice, recently discussed a variety of issues with Eric Nixon, President of Maron Electric Company, including current attempts to meet economic and regulatory demands, as well as future opportunities and solutions. Established in 1926, Maron Electric is one of Chicago's leading electrical contractors. With projects spanning across the greater Chicagoland area, Maron has experience working with both new construction and existing buildings for various markets including, hotels, conference centers, office and academic.

Rich: First, let me thank you for virtually sitting down with us to discuss the state of construction during this pandemic and after. We have heard from general contractors, insurance brokers, engineers and today, we would like to discuss where you see the industry going from a leading trade contractor's perspective. I have had almost a 40 year relationship with your company, which began with your father, Jerry, and Donald Schwartz. It is a relationship I truly treasure. During the course of that relationship, I have seen a lot and you a little less because of your age, Eric. For that reason, I would like to start by asking what is your assessment of where the COVID-19 pandemic ranks in terms of disruption to the construction industry when compared to other disruptive events, like the financial collapse, 9/11 and the like. How is it different?

Eric: Interestingly enough that is something that both my team and I ponder regularly. The financial collapse of 2008 was indeed a challenging time for our country and economy. Based on the data I have seen; unemployment was running close to 13.2% in 2008 compared to the current 6.9%. However, the numbers don't tell the true story on the construction impact because of COVID.

Currently, a large percentage of Chicago businesses have people working from home and there is great concern amongst business owners what future offices will look like. Additionally, businesses are seeing that they are able to operate reasonably well with people working remotely and I think the combination of these two factors has construction in a holding pattern as owners assess the situation. I think this applies to tenant office space and when I think about the commercial residential market, while I see a few projects underway, I know that many people have been leaving the city and have concern living in the city with COVID and the recent social unrest.

I am aware that many of the rental properties are offering multiple free months rent which cannot be a good sign for demand. What I gather from all of that is we are unfortunately in a wait and see predicament based on how fast the COVID vaccine is released and waiting to see what the new administration does economically. In my mind, the pandemic coupled with the economic fallout for private businesses as well as state and local governments, I think we are in a more challenging situation than in 2008.

Pat: As we all are aware, the ever-changing and often inconsistent state, county, and city construction orders, as well as CDC, OSHA and other health guidance have posed ongoing problems in navigating construction projects. Given the third-wave we are experiencing now, this is becoming relevant again. What problems have you run into during the course of the pandemic and have the problems changed from those experienced at the onset of the pandemic to now? How have you adapted along the way?

Eric: We ran into several different problems, some of which are no longer a concern. Maron was fortunate enough to have ample work at the start of quarantine, however we quickly ran into some manpower issues as the government issued increased unemployment compensation and the union enhanced the sub fund, which pays electricians when they are not working. This, coupled with other various factors, contributed to electricians being able to take a leave of absence while still receiving enhanced benefits. Based on those enhanced programs, Maron lost some valuable electricians at a time when we needed them the most.

Another problem that I believe all trades saw, was the starting and stopping of projects when someone on site tested positive for COVID. At the beginning of the quarantine when someone tested positive, jobs would be shut down permanently or for a full week to clean the job site. As time went by, in similar situations, jobs were cleaned in a matter of days but in each case, productivity was lost and schedules seldom extended. Like all trades, there were further impacts on jobsites that had vertical transportation because of limits on the number of people that could be in the elevator at the same time. In some instances, efficiencies were lost due to social distancing requirements on the projects. With many of these situations there's not much adapting that can be done, you merely have to roll with the punches and look for ways to be as productive as possible with the new constraints and working rules.

Pat: Have you had many employee absences due to either sickness or fear of getting sick?

Eric: Any time a valuable team member is absent from a COVID related illness there is great concern. First and foremost, you're hoping these individuals experience mild symptoms without complications that become critical. As far as the company goes, we have not had a problem covering for those who have contracted the illness due to the strong team mentality we have at Maron.

Rich: One of our concerns is the ability for some of the small to medium size trades to survive. Do you share that concern? As a larger trade contractor what are your concerns?

Eric: I would say the concerns are equal amongst all size contractors, the larger contractors need a lot more revenue to cover overhead. At one time, there are at least 40% fewer opportunities to bid with a greater number of competitors on each project. In my mind, there are two different ways to go forward, the first is cutting very deep into your organization to cut overhead to coincide with new lower projected revenues, which can leave you without the right people when things turn around. The other approach is to take a beating on your overhead and make sure you keep all of the key individuals you have invested in and built strong teams around, so you are well poised for a future turnaround. At this point, our approach has been the latter.

Pat: : Have you become aware of any unique concerns from general contractors or other subcontractors?

Eric: I feel no matter what size company you are or whether you are a general or sub-contractor, the concerns remain the same. The most important being the health and well being of your team and the second is when will there be enough work for competition to loosen, margins to go up and backlog to increase.

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Rich: Have restrictions on crew size or social distancing impacted you? What requirements been imposed upon you by general contractors or owners? How have you coped with these restrictions? Is this in line with what other trades are doing in response to these restrictions?

Eric: The restrictions on crew size and social distancing have eased up since the quarantine began. However, strict adherence to wearing masks and well-placed hand washing and sanitation stations are being utilized. One way we are able to control the number of individuals on a project is by performing as much prefab as possible, thereby eliminating the quantity of electricians needed on site.

Pat: Did you have any concerns with the ability to retain skilled labor forces prior to the pandemic? In your opinion, has the pandemic affected your ability to hire and/or retain adequate labor forces?

Eric: As I mentioned earlier, the enhanced unemployment compensation and enhanced sub fund compensation did affect our ability to retain electricians. Since those enhancements have been rolled back, we have found it easier to maintain our field team. I believe that initially most Americans expected this to be a 30 to 60-day ordeal. However, once it became clear that COVID wasn’t going away anytime soon, individuals realized they had to continue to take care of their families, pay their bills and return to work while doing their best to prevent possible risk of exposure to COVID.

Pat: Recently, COVID-19 cases are on the rise both here in Chicago and elsewhere across the United States. Do you have any concerns as to how this “third surge” may impact ongoing or future projects? Do you feel you are adequately prepared from a business perspective? What about other trades, do you feel they are equally prepared? What have you done to prepare?

Eric: While I am very concerned about the impact of the third surge, I feel we are as prepared from a business perspective as we can possibly be. We know what it’s like to work in a COVID environment and since our greatest concern is the lack of projects and the lower revenue, all we can do is closely monitor our financial situation and be proactive on any decisions that need to be made.

Rich: Has your use of technology changed since the pandemic began? What trends do you see post-pandemic concerning your use of technology on projects?

Eric: I think by now, everyone is accustomed to and open to conducting business via Zoom and other similar applications. Maron has been a long-time user of technology that securely shares information electronically between the office and the field thereby eliminating personal contact.

Pat: Have you been involved with any projects where someone has been diagnosed with COVID-19? What was the overall project response? How did this impact you as a trade contractor?

Eric: Unfortunately, Maron has been involved with several projects where someone on the project was diagnosed with COVID. Initially when the quarantine began, projects were closed down for up to one week and as a result we’ve certainly felt the impact in productivity and schedule. Currently, many projects are not shutdown with many performing a thorough clean in the evening prior to the crew returning the following day.

Where we do see difficulty and confusion is when a general contractor notifies us that an individual has been exposed to COVID. Due to health care restrictions on what information can be released, the information contained in the notice is typically vague and confusing to other team members who wish to understand if they did come in contact with the individual. Situations like this mean a lot of phone time, leg work and meetings to determine what course of action should be taken in each circumstance.

Rich: On behalf of owners, we are requiring that contractors submit detailed site safety and security plans. How do you respond to that from a trade contractor perspective? Have you implemented any unique measures in response to the pandemic?

Eric: Early on in the pandemic, we have had a site safety and security plan in place to addressing COVID impacts. Upon award of a project, our safety director contacts the general contractors' safety team, reviews our plan and discusses any additional safety procedures that need to be taken. Since our industry is so collaborative and best practices are shared amongst sub-contractors and general contractors alike, I feel the Chicago contracting community has a great handle on keeping their employees safe and managing situations when people test positive.

Rich: What other impacts have the safety and security guidelines caused to you or other trades in your opinion?

Eric: Strict safety protocols have always been practiced on the projects we work on so any other COVID related safety measures have had a relatively minor impact. That said, one concern we have faced relates to the use of facial coverings. While we agree that masks provide a certain level of safety from COVID they also have the potential to fog people's protective eyewear and obstruct vision. This is a concern we actively attempt to address with our personnel throughout our various projects so that everyone stays safe.

Rich: What types of claims are you seeing submitted by other trades on the project in connection with the pandemic? Are you submitting claims? What types?

Eric: Well Rich, I would be pretty stupid to let you publish a document stating that I am submitting claims to my clients, but the fact of the matter is, we are not. Initially, when the quarantine began, work rules changed, and job closures were a regular occurrence, so we had conversations with general contractors on those projects about impacts to time and cost. In those cases, most all of the impacts were mitigated successfully whether through extended schedule or a more detailed coordination of work sequence.

Rich: That is a fair point Eric, and I promise I was not trying to get you see anything you are not comfortable saying! Documentation is always important on construction projects. From your perspective, have you seen any positive changes in documentation of delays, losses or otherwise as a result of the pandemic? Do you see these changes, or requests for changes in documentation, coming from ownership, contractor or other trades more than others?

Eric: Well, since we were taught by one of the best, namely yourself, Maron has always strived to document situations on projects and communicate information in the timeliest manner possible. Additionally, we expect that same diligence from all of our vendors and sub-contractors as a normal business practice. We have gone so far as to create a visual documentation program when it comes to communicating delays surrounding light fixtures which is an enhanced version of documentation.

Pat: Have any of your current projects been cancelled or put on hold? What about future projects?

Eric: Unfortunately, the answer to that is yes and yes. Not only have projects been cancelled and put on hold, but when it comes to future projects, we are seeing more project start dates getting pushed back.

Pat: How has project dynamics changed amongst the various trades onsite at a given time since the pandemic began? Do you expect this to continue long after the pandemic has subsided? How has this affected Maron?

Eric: Not only have we read and heard about new solutions for pandemic friendly offices, we are seeing many of these ideas incorporated in current projects. From UV lighting to thermal temperature scanning and other solutions all with the purpose of creating a touchless office. My personal thoughts are for the time being, those are here to stay. I think it will be many years before people forget the trauma of COVID-19 and ultimately a company has to make their employees comfortable and safe when coming to work.

Pat: We have read many articles involving material selection and space reconfiguration in response to pandemic related issues. In particular, some are looking to make spaces more climate resilient, disease resilient and climate friendly. Have you seen any of these changes implemented on your projects? What are your thoughts as to these opportunities? How may these changes affect your company and projects you are involved with in the future?

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Eric: These changes truly don't have an impact on our company or the projects per se, other than it is more important than ever for our estimators and project managers to be up to speed on the latest and greatest solutions.

Rich: Eric, Pat and I thank you again for sharing your knowledge and experience and we would enjoy speaking again soon to see how things progress. We are confident that your experience and expertise will get you through the darkness of these days and that you will be ready to ramp up when things approve.

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