



2014
COMMERCIAL
CONSTRUCTION
& RENOVATION
RETREAT

Moving the needle

Construction executives expect business to continue to push forward

What do you get when you put a bunch of commercial construction executives into a conference room? The answer might not have surprised you if you asked the same question the past couple of years.

But today, the answer is no punch line. Put a bunch of commercial construction executives into a conference room and you will find a soaring sense of optimism about where the industry is heading after several years of economic upheaval.

As the commercial construction industry continues to gather itself, vendors and end users from some of the industry's leading companies outlined some of their plans during the 2014 Commercial Construction & Renovation Retreat, held at the Aloft Hotel in downtown Charlotte in October. The three-day event featured a roundtable discussion and a series of networking opportunities, including a NASCAR ride along at Charlotte Motor Speedway.

Following is the first installment of our *Commercial Construction & Renovation Retreat* coverage, including a look at our Friday morning open forum. For more information, visit us at www.ccr-mag.com.



Clay Addison
Dir of Construction
Belk



Kelli Buhay
Dir of Bus Development
Retail Maintenance
Specialists



Sue Burke
Director, Project
Management
Hilton



Darrel Chaney
Construction Consultant
Prime Retail Construction



Brad Gaskins
Principal
The McIntosh Group



Pete Giger
Special Projects Manager
Sports Authority



John Griffiths
Director - Construction
Operations
Campus Crest



Rick Hall
President
The Beam Team



Carl Hren
Vice President Construction
& Capital Assets
Concord Hospitality



Kevin Little
Facilities Engineering
Grifols



Susan Lloyd
PM Estimator
Family Dollar



Jose Luis
VP Real Estate
Development
Family Dollar



John Monteith
National Strategic
Accounts
Tecta America



Chris Pierce
President
Design Team Sign



Jeff Roark
Principal/Partner
Little



Ron Stupi
President
QPM



Mike Wendel
Snr Construction Manager
Cici's Piizza



CCR: Give us a snapshot of what you're working on these days.

Family Dollar's Susan Lloyd: I work mainly with our prototype plans, so we're always looking for new ideas, new products.

Belk's Clay Addison: In October, we opened new stores in Huntsville, Ala., and Denham Springs, La. We also completed expansion/remodel projects in Greensboro, N.C., and Mt. Pleasant, S.C., and a major remodel in Hoover, Ala.

Currently, we have two new stores and two expansion projects under construction that will open in March 2015. The new stores are located in Bristol, Tenn. and Jacksonville, Fla., and the two expansion projects are located in Franklin, Tenn., and Columbia, S.C. Next year, we'll have a major remodel in Franklin, Tenn., and a smaller remodel in Columbia, S.C. We'll also be doing some exterior cosmetic work in Greenville, S.C.

So, for next year, we're slowing down our capital spend and putting more emphasis into IT spend.

Prime Retail Construction's Darrel Chaney: Right now, Prime is doing a lot of remodel work in the United States and Canada. We're doing a lot of ADA work, too, especially in California.

Campus Crest's John Griffiths: Campus Crest has spent the last two years gearing up to accelerate the pace of our production. What we have found is that it's time to slow down, and to make sure our systems and processes are geared up as much as our manpower is. We're taking some time to slow down and get it right. There's a lot of money to be made out there. There are a lot to do. So, we'll make sure we get them done right.

Design Team Sign's Chris Pierce: We're predominantly in the restaurant industry, with 80 percent of our work done there. We're currently assured to probably do 150 Applebee's remodels, 20 new Golden Corrals and 20 new McAllister's. And another 20 percent will see aluminum composite sign materials that are going on the outside of some of the automotive dealerships like Chevrolet, Porsche, BMW and Audi.

Hilton's Sue Burke: Currently wrapping up the year, we're finishing up a lot projects that we started at the beginning of the year and cycling through them to increase occupancy. Several projects will take place at the end of the year when the hotels have a drop in occupancy. We're starting to look at 2015 CapEx plans and gearing up. We'll get an approved plan (by the end of this year) for 2015, and then we'll move forward for planning. Our CapEx plans are yearly, so we have to complete 2014 projects in 2014 inclusive of the spend. On January 1, we start the spend for next year. That planning starts now.

QPM's Ron Stupi: Internally, the challenges we're facing are bringing two large organizations together – a company that is going from 100 project managers to about 350. We have different scopes of services that we can now offer throughout the entire life cycle of real estate. Before, we were just focused on the execution side – construction and project management. Now, we can bring other aspects such as real estate due diligence and capital planning to the table. Those are some of the internal hurdles and challenges we're facing but it's an exciting time for us and our customers.

This time of year is very busy for a lot of retail organizations, as they try to squeeze things in before holidays and before budget season wraps up – typically at the end of December. So, we're focused on trying to execute projects and programs as best as we can in a very consistent, scalable way, particularly during this time of year when projects are so crunched together from a scheduling perspective.



Cici's Pizza's Mike Wendel: Over the last couple of years, we've focused on re-imaging stores, and have had a lot of success with reopening stores that were closed. Our franchisees have been able to work out better lease deals and been able to acquire the equipment that was in their store at a significant discount. We are starting to see some new store growth on the horizon. For example, we recently signed a new franchisee to build a store in Branson, Mo, and we have several other units in the planning stage with existing franchisees. We are also planning to open several new corporate stores in 2015 that will be based on a smaller prototype that is currently in development.

Retail Maintenance Specialist's Kelli Buhay: I'm working on redesigning our website, which was initially built 12 years ago. I'm fairly new in the position, so there's a lot of introduction. Our growth has been done through reputation, which can only carry you so far. That's why I'm introducing our company to retailers that are on the fast pace that we work on at the national level.

Family Dollar's Jose Luis: This year (FY15), we are working on 375 new stores, 150 relocations and expansions, and 600 renovations. Additionally, we are working on prototype plans and value engineering, which will ensure that we build the most efficient buildings we can. We're also streamlining our processes – developing leases and agreements – to make it easier to develop these sites from a legal standpoint all the way through final construction. As a result, we're looking to cut our development time significantly.

Tecta America's John Monteith: New construction is essentially the big thing, but in our industry, we run the gambit. Right now, I find that this is the time of year that a lot of clients need our help with their budgeting, as they start to work on their capital spends for the upcoming year.

Grifols' Kevin Little: Currently, within the divisions that I support in the Southeast, there are multiple renovations of existing locations that are taking place. Some of them may be just interior renovations to update them or renovations where it includes an expansion. We're also reviewing new centers throughout the Southeast. There is a new one that will be opening in the Raleigh (N.C.) area, which will be our second location in that market. So, managing all the aspects of architectural design, procurement and contract negotiations. It's a handful. So there's a lot of activity going on just in the Southeast.



The Beam Team's Rick Hall: This year, we introduced a new service called Store Hawk, which includes a lot of sophisticated software as well as people who help retailers find information about the physical assets in their stores. Most of the retailers we talk to have a lot of problems understanding what's in each of their stores as far as assets are concerned, fixtures, signage (etc.). With Store Hawk we can do this fast and efficiently. So that's been a big project for us this year. It has been very successful. We picked up a lot of survey work for a lot of different companies.

We've also started a warehouse material handling installation division, where we work directly with a lot of the big steel manufacturers that outfit warehouses. With warehouses new popping up everywhere through Amazon (etc.), we see this as an area that can really benefit from Beam Team services. There's a lot of automation going on with conveyor belts and retrieval systems and carousels and that type of equipment. That has been a project I've been working on this year – one that's really taken off.

The McIntosh Group's Brad Gaskins: We are seeing a significant increase in demand for ADA compliance surveys. The growth is good news for us, but not necessarily for the retailers and owners out there, because that means there's a lot more lawsuit activity. We've recently started working on a survey of 1,400-plus sites for a large

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– Clay Addison, Belk

regional banking client. We’re also doing a lot of retail and restaurant work. That seems to be coming back.

Concord Hospitality’s Carl Hren:

Currently, we have nine hotels under construction. Over the winter, we will have 11 projects going into renovation. These should be all finished by April. We are always looking for better ways to cut costs and improve quality. Quality is one of the cornerstones of our company.

Little’s Jeff Roark: Just a few years ago, there was often an “us against them” mindset within a typical retail organization between the IT groups that typically handled internet-based sales, versus the real estate, design and construction groups that handled the store environment and bricks-and-mortar-based sales. There was essentially a competition for sales dollars. Now, what we’re seeing is more of a “how

do you integrate those?” approach. That’s what we’re grappling with, along with our retail clients, in terms of how best to do that. It can be via functional things, like, does there need to be more back-of-house to address issues such as “BOPIS” (Buy On-line, Pick-up In Store)?

There’s also more focus on the goal of brand consistency across all platforms, and how to integrate technology into the store environment to address how the Millennials, gen-Xers and gen-Yers, and even the younger groups after them, are going to shop. So, we do focus groups and extensive research, and we have a branding group that handles all of that and the other front-end steps of the overall design process.

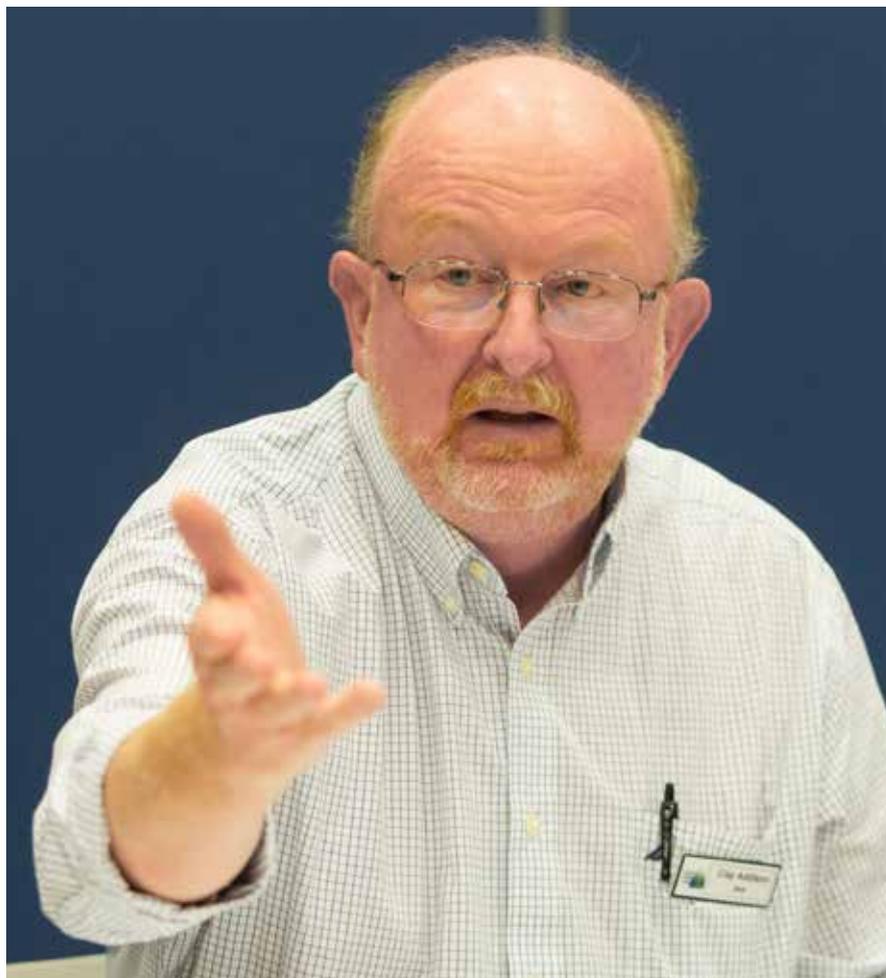
So that’s the single biggest issue that we’re dealing with – it’s the common question, in varying degrees, for every single one of our retail clients, and that is, “How do you do this?”

CCR: Let’s talk about the hospitality sector. What’s happening out there?

Hilton’s Sue Burke: Any remodel we touch now, we have to ensure we have an ADA survey to make sure it’s compliant. That’s just the standard. It doesn’t matter what we’re doing, whether it’s a public restroom, a lobby or guest rooms. As the industry has seen, over probably the last five years, there have been several lawsuits over ADA, especially in California, as Title 24 changes yearly. It just changed again in June, so it keeps you guessing. You have to hire your consultants to keep you up-to-date. You have to rely their expertise to make sure that your spaces are compliant.

As far as renovations, Hilton is renovating its owned assets. We’re focusing on our bigger boxes. As for new builds, we’ll do more than 200 this year that are linked into the pipeline.

So things are picking up. I believe everything is moving forward. There’s an expectation from our guests that everything must be clean, new and fresh. The guests expectation is that if you’re going to a Hilton or another brand, it should be a clean, bright and fresh hotel, whether it’s new or renovated.



Concord Hospitality's Hren: Recently, everybody was pushing off their renovations as far as they could. Now, people are willing to spend money in both new builds and renovations. Franchisees were pushing back on Hilton and Marriot big time in the past to extend their required renovations as long as they could. Now, everybody wants new products, so there is new supply coming to market. The older worn inventory will struggle to compete with the newer products, so we see a lot of action.

We've had some recent trouble with the renovations in the winter trying to get products out of big furniture companies. They are backed up because everybody wants to renovate their hotels over this winter. That's the slow time for most hotels. So we're busy now. Everything is picking up and going full steam. Even the ports on the West Coast are causing delays because of the large influx of product entering the country. We've got nine new builds under construction, and 11 renovations and 15 hotels that are currently in the due diligence or pre-construction stages. Most of these will become real projects. It is an exciting time to be a part of the hospitality sector.

CCR: Are the guests driving the decisions to keep everything clean and fresh?

Hilton's Burke: Yes. I think everybody still likes to be green conscious. The hotels will put up signs telling guests that if they want to reuse their towels/sheets (etc.) they could put a card on the bed or vanity. Otherwise, just put them on the floor and we'll replace them. It saves money and it is the right thing to do. Many of our hotels recycle. Guests are trained for recycling as they do it at home and at work. We, as guests, want to go into a hotel room and we want to be green. I think that's why you're seeing new builds building to be LEED compliant because it makes for a much healthier building.

Beam Team's Hall: We talked about this the last couple of years. When are we going to see increases in prices? How are people, the people in this room, able to hold their prices? Because as I see it, there's only so



many people who can do carpentry work or masonry (etc.). The people we hire are skilled workers that put in fixtures or hang signs or put up vinyl on walls. There's just not enough labor out there to be able to meet the demand.

Campus Crest's Griffiths: We've seen a lot of that pressure over the last two years, so we've done a couple of things. We've brought our subcontractors in and worked with them to streamline and make their jobs easier. When we're talking about model revisions and design changes, we actually bring the subcontractors in to help us consider from a build-ability standpoint versus just an aesthetic standpoint. That helps them reduce their labor, helps them reduce cost.

The other thing we found that was really important was making it easier for them to get paid. Pay them faster with less paperwork and less overhead to put

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– John Griffiths, Campus Crest



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– Mike Wendel, Cici’s Pizza’s

the money back in the pockets of their employees. When we combine that, they’re willing to actually help us cut costs and hold prices. It took a joint effort between us and our subcontractors working really closely to make that happen. I don’t know if that would continue to be sustainable for the next few years or not. But it really made a difference to us last year.

Family Dollar’s Luis: That’s exactly what we did at Family Dollar. We saw where the market was going. We also heard about the pressures – that it was costing more to build. Not only was it costing more for GCs, but also the competition was increasing. So, we invited our developers, GCs and vendors to sit in a room together and talk. What can we do

to make it more efficient and better without impacting the customer experience?

That’s the same for everyone. You have to do it without impacting the customer experience, because they have their expectations. They deserve to get good, quality products. That’s exactly what it is. We went line item by line item. We looked at lights. We looked at flooring. We looked at roofing. We looked at our warranty. We looked at metal buildings. We literally went through every line item and analyzed what it was. Everything was put on the table and was up for discussion.

One person might have come up with a wild idea, and it sparked something from somebody else. The end result was a usable idea that we could implement. We reaped significant savings from doing this and working through the process. We also leveraged the number of stores we have to bid out prices. What can we get for coolers? What can we get for security cams? How do we build that volume into better pricing?

Retail Maintenance Specialist’s Buhay: It was value engineering.

Family Dollar’s Luis: Collaboration

Retail Maintenance Specialist’s Buhay: Right. And making it as cost effective as possible, and then saying, “This looks great. How can we do that at a lesser cost?”

QPM’s Stupi: What can we do more efficiently for lower costs that are a benefit between all the partners in the room? We’ve had some customers go the other way and say they wanted to change the performance spec. I want this to last three years, five years, seven years or 10 years, because they take a holistic approach and are only concerned about getting through a certain timeframe. For example, here’s the spec I need to build to, so design this material to this performance standard because I don’t want to come back and touch my store in three years.

Family Dollar’s Luis: The other thing – building off of that previous comment – was looking at our buildings and asking



if we really needed all of the current elements? Do we care? Can we continue to do it? So we went through a line-by-line analysis and said, “Do we care about this? Does the customer care?” This kind of evaluation takes a good strategic analysis of your development and your prototypes.

McIntosh Group’s Gaskins: Our clients are working harder than ever to keep up their facilities in order to meet the demand from guests. What this means for us as architects, ADA consultants and program managers is that we must help our clients on the business end by managing priorities and costs as they go through the remodeling process.

For example, when we’re doing a group of ADA compliance surveys for a client, we plan the program to coincide with the upgrades to accessibility. That way, they’re only spending the money on accessibility once, not twice. We help them identify what things can be done in the future, and what things they should to do today that cost as little as possible.

Another way we help our clients manage their programs and prioritize are through our database system. When they can see what the whole project will look like over the course of time, item by item, they can make strategic decisions such as ordering certain equipment in bulk and saving money through economies of scale.

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– Carl Hren, Concord Hospitality

Interestingly, lenders are also becoming drivers of change. We’re seeing an increase in lenders asking for reviews to be done up front to ensure the design is right and accessible so that it doesn’t have to be redone later. Their motivator is that, that if they have to foreclose on a property, they would then inherit any liability. So they’re protecting themselves.

CCR: We talked about the people our industry lost during the recession. Is it getting any better finding good people?

QPM’s Stupi: I think we’re still missing that. During the economic downturn, a lot of talent left our industry. So, from a project management perspective, we have kind of a middle management gap. There’s lots of great talent that comes out of college. They are well educated and well trained, but they lack real life experience. And then you have

the lifers, those with 20-plus years of experience.

Little’s Roark: We’re having a similar issue within the architectural world. It’s not so much “here and now,” as it is looking down the road six or eight years. Over the past four or five years, many people have decided not to go into architecture, so six or eight years from now, there is going to be a sweet spot. The mid-cost people are just not going to be there; the numbers will be down. It’s going to have an impact on fees, because the higher-cost people with 10-plus years

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– Darrel Chaney, Prime Retail Construction

of experience are going to have to fill these roles. So, there are similar dynamics going on within the architectural industry.

Beam Team’s Hall: People did leave. On the retail end, reduced sales did have a negative impact on in-store execution budgets. There were times when even the people who stayed weren’t working. So now, the work is coming back. The budgets are being approved, but there are still periods where there is no work. In the best of all worlds we would have a consistent workload, but there is still some room for more work.

Belk’s Addison: We have a small list of GCs that are familiar with our work that we use when compiling the bidders list. These are companies have project managers and superintendents that are familiar with retail and Belk, and this helps cut down on the learning curve.

Beam Team’s Hall: One of the companies we worked with went out of business because of what you’re talking about – paying to keep people around. They eat through their cash during down time trying to keep everybody busy employed. When the work comes back they struggle to have the cash flow required to meet client work demands and establish their business. It’s quite a dilemma when it’s this volatile. But you’re right. It’s what you have to do.

Prime Retail Construction’s Chaney: This issue goes a little deeper to our younger people out there. I attended a technical college seminar on manufacturing. What I found is that they’re having a difficult time encouraging kids coming out of high school to attend a technical school. I know there’s a movement to change that. I was at a conference at the North Georgia Technical College, where they had a round table discussion of technical college presidents and economic development people working on how to change that. You can make a good living on the technical side.

Tecta America’s John Monteith: If you look at the roofing business, it’s not an easy job when it’s 100 degrees in the summer. We started looking at some of the veterans returning from overseas and have started to implement programs to get them trained. We even went a step further and established an apprenticeship program in one of the southern states, where historically there wasn’t a huge apprenticeship influence there.

We were able to get a statewide apprenticeship program established for the students who wanted to learn a trade. It opened the door for a lot of different people.

Prime Retail Construction’s Chaney: I knew a returning veteran from Vietnam who used his GI program to get into an apprenticeship program. He liked train engines, so he got into a program in Chicago for two years and learned how to do everything involved with maintaining a train. After the program was over, he





was set. He ended up starting his own company, which is nationwide. It has 60 specialists that go all over the country and fix locomotives. And he did it all through an apprenticeship program. So I like that idea. I think it's wonderful. How to get these kids interested in an apprenticeship program is the challenge. I just wonder what it's all going to look like five years from now if we don't get these young people involved in the trades.

Retail Maintenance Specialist's Buhay:

It's about having a work ethic.

Hilton's Burke: When I was in school,

going back to some of the old ways of doing things. I don't know what that means if there will be home ec and shop classes again. I was shocked when I heard that those things were gone. I didn't realize they had changed the way they taught kids over the past 10 years, but they have.

Grifols' Kevin Little: What I'm seeing because of the area I'm from is that the kids are not being taught any kind of trade. They are taught that a trade is manual labor. That's it. It's not that you can build this business and sustain your family. That's what I think we need to help them understand – you don't have to work for a public company. You can be the plumber and own and build your own business.

Beam Team's Hall: Isn't that what used to happen, except there was a lot of other factors that took a lot of those jobs. There really wasn't an entry level for them to get in to so they could learn the trade.

The McIntosh Group's Gaskins:

Construction, like all trade industries, is suffering from a lack of new skilled laborers. Many workers who are part of Generation X or are Millennials were encouraged only to pursue a college degree rather than learn a trade like construction, and that trend continues. As a result, there are holes in the labor force. I anticipate that might change soon, as some Millennials who haven't yet made choices about college and careers are showing a trend of caring more about quality of life and seeing tangible accomplishments rather than about getting an "office job" requiring a college degree, working overtime, and likely living in debt of student loans.

Tecta America's John Monteith: I was self-employed for 20 years before I got into the roofing industry. You could look at people and see how motivated they were by the effort they put into things. It's about where you came from and the generations that taught you. The further we get from our roots the harder it is to get back. We're all guilty of it. **CCR**

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– Kevin Little, Grifols



they had shop – carpenter shop, mechanic shop, welding shop. It was mostly for guys, but none of these trades or vocations is being taught in high school anymore.

Design Team Sign's Chris Pierce:

My oldest child went to a Christian school through sixth grade. She went to middle school and seventh grade at our county. When she got to the county school, one of our first parent/teacher conferences was talking about core classes. The teacher loved the way she did math and all these things because they had taken so much of the core teaching out of schools. I think this will have a long-term effect on what we may experience in the next few years. They are coming back to that. They are

The need for speed ...

Attendees check NASCAR
Ride Along off bucket list

Close your eyes. Now imagine you're roaring around a track at speeds up to 150-plus mph. If you choose to open your eyes (and let's face it, you have to), you get to see and experience with the NASCAR drivers do – the thrill of the ride.

That's what attendees of the 2014 Commercial Construction & Renovation Retreat got to feel when they hit Charlotte Motor Speedway for NASCAR Ride Along experience. The track, formerly Lowe's Motor Speedway, plays host to driving schools, go-kart racing and dirt-track events. In addition, more than 75 percent of Sprint Cup, Busch and Truck series teams have their headquarters within a 50-mile radius of the speedway, which is located about 15 miles from downtown Charlotte, N.C.

The racing experience was part of networking events surrounding the Retreat, which was held at the Aloft Hotel in downtown Charlotte in October.



Welcome to the Queen City

Charlotte plays host to 2014 CCR Retreat

If you're looking for the best stories about the commercial construction in 2014, downtown Charlotte was the place to be in October. That's where executives from some of the industry's leading vendors and end users met for the 2014 Commercial Construction & Renovation Retreat. Held at the Aloft Hotel in downtown Charlotte, the three-day event featured a roundtable discussion and a series of networking opportunities, including a NASCAR Ride Along at Charlotte Motor Speedway. The first night kicked off with dinner and drinks at Fleming's Prime Steakhouse & Wine Bar. Located in uptown Charlotte, on the corner of College Street and 4th at the Epicenter, Fleming's offers some of the best steak and wine the Queen City has to offer.



It's Italian

After a solid day of roundtable discussions, networking and NASCAR thrills, you can always use a place to unwind. And nothing beats unwinding like an eclectic mix of Italian dishes from one of Charlotte's best Italian restaurants. La Tagliatella, located in the city's hippest part of town – the EpiCentre – offered attendees of the 2014 Commercial Construction & Renovation Retreat the perfect place to share stories of the first day of activities. Defined by an endless flow of pastas, breads and wine, La Tagliatella was the place to be on Friday night. The dinner was part of the Retreat, which was held at the Aloft Hotel in downtown Charlotte in October. The three-day event featured a roundtable discussion and a series of networking opportunities, including a NASCAR ride along at Charlotte Motor Speedway.



Meet you at the Finn

How do follow up a 170-plus-mph-thrill-of-a-life-time ride around a NASCAR track? How about lunch at one of downtown Charlotte's coolest hang out spots? Attendees were able to share their NASCAR stories and exchange all of those cool mobile videos they shot over lunch at the Blackfinn Ameripub. The gathering was part of the 2014 Commercial Construction & Renovation Retreat, held at the Aloft Hotel in downtown Charlotte in October. The three-day event featured a roundtable discussion and a series of networking opportunities, including the NASCAR ride along at Charlotte Motor Speedway.