

THE MAGAZINE FOR THE PEOPLE  
WHO BUILD NORTH AMERICA

JANUARY/FEBRUARY 2015

# CONSTRUCTION

TODAY

construction-today.com

**ENDURING STRENGTH**  
Concrete is still king for  
a number of specialty  
contractors.

**ON THE LEVEL**  
Siteline Interior  
Carpentry Inc.'s business  
partners help it succeed.

# Cold Front

VICTORY UNLIMITED IS BUILDING NORTH AMERICA'S  
LARGEST REFRIGERATED WAREHOUSE. → p.152



## Public-Private Opportunities Knocking

structure needs, at a time when budgets are becoming tighter than ever. In New York City, for example, the need for new schools and the demand for residential property have led to inventive approaches to school financing and construction. In some cases, residential building developers have agreed to incorporate schools into their buildings, thus incurring much of the cost of building the school itself. In one instance, the city leased 1.5 acres of city property to a private firm and in exchange the developer added space for two public schools in a building that is also home to extensive retail space. This approach creates a new perspective on the value of an existing school building which encouraged the New York City Department of Education to establish the Educational Construction Fund to act as a vehicle for financing and developing educational projects.

Meanwhile, as access to high speed internet has increasingly come to be considered a necessity, a number of U.S. cities have only been able to meet the demands for high speed internet and wireless infrastructure through P3s. Seattle, for instance, partnered with the communications infrastructure firm Gigabit Squared to provide ultra-high-speed fiber connection to residential and commercial customers with an important upgrade. While this project faced its own challenges – including technical glitches and debate over a right-of-way rule established by the Seattle Department of Transportation – it serves as an example of P3 experiments paving the way for even more growth and diversification in P3s going forward.

Generally, when people think of public-private partnerships (P3s), they think of large-scale infrastructure projects such as the Hudson Yards Redevelopment Project or the replacement of the Tappan Zee Bridge, both in New York. These are high-cost projects led by large well-capitalized firms, so it is no wonder they command our attention. In the past, it could be safely assumed that projects of such magnitude had to be carried out by government entities, but this is no longer the case. In fact, P3s have proven effective for a wide range of project types and sizes.

### A Diverse and Growing Source

From technology to education, P3 projects present an opportunity to meet cities' infra-

### Why Diversity and Scale Matter

This variety in project type and size is important because it demonstrates that participation in P3 projects is not limited to mega projects and the largest firms. Increasingly, firms in the development, design and construction industries should recognize the growing amount of work being performed by P3s. One thing this business model means for a firm evaluating an opportunity to participate in a P3 is that smaller firms are in a position to effectively compete for this work, if not as the team leader, then as a subcontractor. P3s can provide funding for worthwhile projects that might not get built otherwise.

# IN THIS SECTION



Smaller firms can be well-equipped for P3s largely due to the public partner's requirements. Minority, women and/or disadvantaged business enterprises (MBEs, WBEs and DBEs) in particular allow public authorities to act on their commitment to value and promote diversity. For example, some public authorities will reduce the required bonding capacity for qualified firms to open the door for their involvement. Many large contractors are interested in expanding the pool of qualified subcontractors they work with and offer orientation programs to subcontractors who are interested in future work. Participating in these sessions demonstrates interest in future work and can provide an important orientation concerning what to expect. MBE, WBE and DBE design firms may not have the same opportunities of formal orientation, but they can take steps to establish relationships with larger firms that may need their services on future P3 projects.

## Design/build Integration

Experience on design/build projects enables firms to evaluate the potential risks and rewards of a P3 project in an effective way. Most P3s involve integrated design and construction teams. This gives designers and contractors who are accustomed to working closely together as the design is being developed a significant advantage because the design/build process requires designers to accept and react to contractor input at an early stage in the design process. This can shorten the road to developing an efficient, constructible design, but it can be challenging for designers who are accustomed to having time to work out creative solutions independently. Contractors also need to be flexible to adapt to the mode of collaboration on a P3. While some contractors find this a welcome change, others may feel they will be treading on the design team's role. Successful experience in the design/build environment can often be translated to successful participation on a P3 team.

## Building Relationships

Because P3 projects may involve more business risk than other jobs, they are not the best vehicle for developing a new relationship. If a business is going to accept challenging contract terms, it is essential to know that it is working with experienced, well-managed firms that are likely to productively manage the project team. One of the best ways to confirm this is to have worked with the lead firm before. Prior experience is critical for another reason: this is how parties learn that they can trust and communicate with each other to produce an effective collaboration.

Once a partnership is formed, there are several steps that can be taken to ensure its success. To ensure the P3 is able to meet its goals it must maintain the goodwill of the public and keep the channels of communication open through the use of a full-time liaison or other structure.

## George Sollitt Construction →p.132

The Chicago Vocational Career Academy was renovated in six months.



## T.A. Loving →p.146

Johnston Health Clayton in Clayton, N.C., is excited about its new 50-bed inpatient bed tower.



## Company Profiles

- 128 M.A. Mortenson Co. — Advocate Good Shepherd Hospital
- 132 George Sollitt Construction
- 136 PCL Construction — Canadian Museum for Human Rights
- 139 Ringold Financial Management Services
- 142 O'Connor Construction
- 144 Dilbeck and Sons Inc.
- 146 T.A. Loving Co. — Johnston Health Clayton
- 148 HICAPS

P3s can offer a range of new opportunities; however, firms that will be best positioned to take advantage of those opportunities are the ones that not only excel at their work, but learn the important skill of evaluating and managing the risks that P3 projects present. As the growing number of successful P3 projects indicates, this may be a challenge, but it is a challenge companies can overcome. ♦

Carol J. Patterson is a senior partner of Zetlin & DeChiara LLP, advising clients on matters such as dispute resolution, contracts and risk management strategies. She represents prominent national and international firms in matters relating to the design and construction of major office and residential buildings, performing arts centers, museums, hospitals, educational institutions, transportation facilities and other public buildings.