



N.Y.C. marketplace to undertake drastic changes due to growth of non-union contractor market

February 12, 2013 - Design / Build

The N.Y.C. construction marketplace is set to undertake its' most drastic changes ever experienced by virtue of the growth of the non union contractor market.

Although there has been a substantial expansion in the number and quality of the general contracting/CM non-union ranks, as well as the subcontractor ranks, many issues still exist that will require additional attention and product enhancement to create viable "players" in the marketplace.

1. Lack of certain GC/CM services:

- * The provision of pre-construction related services such as scheduling, scope writing, bidding, estimating, constructability review are but a few of the GC/CM services that are usually provided in a union environment that are "thin" in the non union market.
- * Coordination of drawings is a service that used to be non-existent in the non union market and led to the "swiss cheese" effect of mechanical "coring" during the course of the job.
- * Proper staffing of a job is an issue on a non union job. Sharing of PM's and supers is a common occurrence leading to a lack of subcontractor coordination which forces the subs to try to coordinate on their own leading to disputes and delays. Also "specialist" supers (mechanical, structural envelope, etc.) are non-existent on a non-union job.
- * Substantial N.Y.C. permit insurance requirements (particularly for cranes) have created problems for contractors and in many cases results in the owner providing the insurance and putting the permit in their name.
- * Many GC's/CM lack the proper staff to coordinate with the project design professionals in regard to construction input during the design phase.
- * Many GC's/CM's are novices when it comes to safety and code compliance on a project and also don't budget the necessary dollars for labor for housekeeping and punch list for the project.

2. Subcontracting: Although there has been a growth in the non-union subcontractor market of knowledge, competency and quality there are also some reoccurring pitfalls.

- * Manpower: There is a substantial lack of experienced manpower causing subcontractors to limit the work they are to take and creating issues for a CM/GC if job problems cause a delay that results in a major subcontractor (concrete, etc.) missing their scheduled performance slot and having to pass on the project because they have other project commitments for which they are scheduled.
- * Bond: Very few sub contractors have the financial ability to offer a bond for the project.
- * Supervision: Even though labor is substantially cheaper, the non union subcontractor requires a higher degree of crew supervision and requires supervisors who have the communication skills necessary to translate for the field force and to keep clear understandings with the CM/GC and/or owner.
- * Engineering capabilities: Many subcontractors do not have the engineering ability to provide

necessary submittals, means and methods submissions and shop drawings that are required. In particular adjacent property issues such as SOE, window, roof and chimney protection issues are ones that can result in major problems because of lack of engineering talent or involvement.

* Administrative capabilities: Many subcontractors lack the ability to prepare a correct and complete requisition.

With all this said many owners (that had previously before been union) are "sticking their toe in the water" in the non union market place - starry eyed over substantial savings, they make their decision based upon the mass of the project or the location (outer borough).

Still the non-union project is usually brought to fruition much later than a union project thus one must factor the "opportunity costs" of the project as well as the "market timing" impact of when the product is brought "on line" as well as the extra financing costs, all issues that play substantially to the bottom line.

All in all it appears the non union project is one that is here to stay and whose future is further brightening by the simultaneous expiration of all trade contracts in July 2014, putting our industry in a position that has never existed before in regard to trade work.

Our union trades are trying to be competitive with givebacks, PLA's, etc. but absent of pure wage and benefit reductions work rules may not be enough to compensate for the substantial cost differentiation even when the opportunity, financing costs and market revenue assumptions are factored into the project.

Only time will tell.

Jane Webster is VP of compliance and Matt Caruso is executive VP of operations for Domani Consulting, Valley Stream, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540