

Contractors navigating uncharted waters in development doldrums

BY TRICIA LYNN SILVA

In 1986, Tim Swan and Steve Schuetze co-founded Metropolitan Contracting Co. Ltd.

It was a year that was, as Swan recalls, "the absolute valley of the construction industry."

But not even that valley could prepare Swan for what he had to do late last fall: Lay off 23 employees.

"We had 85 families who depended on us for their livelihood," Swan says. "We

couldn't protect all 85. We had to make the smart moves (then) to protect as many families as we could. ... If you don't make the hard adjustments in a down-turned market fast, you will be behind the 8-ball."

The current clampdown on financing in the real estate industry has left many projects by private developers on the sidelines. And as those projects grind to a halt, so too does a major funding source for the construction firms that have catered to this niche.



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Paul Basaldua of Yantis Co. says his firm is making the most of every day and each opportunity in an increasingly competitive market climate.

It's a frustrating factor of the business right now, says Paul Basaldua, who is the director of business development for locally based civil construction firm Yantis Co. His firm currently has roughly 15 projects that are in a holding pattern as the clients work to secure funding.

"The commercial work is there. We believe there is pent-up demand for projects," Basaldua adds. "But developers can't get the financing."

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CONTRACTORS: Construction firms trimming belts and expanding project horizons

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Swan up Basaldúa about the industry: "We all have to find ways to get lean and mean and keep the lights on."

It's out there

Metropolitan enjoyed a record year in 2008 — to the tune of \$98 million in total commercial billings. By comparison, in 2007, the company reported billings of \$81.3 million.

Initially, based on the number of quality prospects that the firm had lined up, 2009 looked to be another promising year, Swan says.

"But then we saw the challenges that might be looming," he adds.

The calls started coming in that projects were on hold — in some cases indefinitely — as funding for developments dried up.

That meant having to re-budget, and thus re-staff, for a revised, leaner budget plan for 2009, says Swan, who adds that the firm's final workforce reductions were made in December.

As the last days of 2008 came to a close, Swan was ready to welcome in the new year with a company that was now in prime competitive condition, and ready to take on work.

The first week of January came and went. "It was a very quiet phone," Swan says. "The second week of January, it was a very quiet phone. The third week of January, it was a very quiet phone.

"And then came the fourth week," Swan continues. "And the phone lit up."

In the past three weeks, Metropolitan has made formal presentations on eight projects,

including a few in the \$30 million range. Of those eight projects, contracts for work have been finalized on three, Swan says.

"It will be an OK year," says Swan of 2009.

It won't be like 2008 was, he adds, but the firm will "finish in the black."

Public-sector trail

While Middleman Construction Co. LLC has worked on projects all over Texas, for the last five years it has been fortunate to be able to concentrate on work within the greater San Antonio area, says Mark L. Middleman, president of the locally based contractor.

These days, the firm is broadening its horizons, and is once again traveling out of town to bid on some projects as well.

The company has also broadened its reach in terms of its client base. Once focused exclusively on work in the private-equity sector for private developers, Middleman Construction is now doing some projects for public-sector clients. Case in point is the new fire and police station as well as the new city hall that the firm is building for its client, the city of Helotes.

The public sector can indeed be a profitable arena. To date, about 80 percent of the projects by Bartlett Cocke General Contractors are educational facilities, says Kirk Kistner, vice president of marketing and business development for the firm.

In 2007, Bartlett Cocke reported total commercial billings of \$343.5 million. A year later, the figure was \$461 million.

The prospect of finding opportunities

through publicly funded projects has led more firms to seek out this work. It's a phenomenon that has made for an industry in which local firms are finding increasing competition, from not only fellow home-grown players, but out-of-town firms as well.

Bartlett Cocke was recently awarded a contract to build a new school for North East Independent School District.

In the past, such a project would garner a handful of bidders. On this latest project, Kistner's firm was one of 13 construction firms that submitted bids.

Yantis, meanwhile, recently bid on a water-detention project in Seguin.

Basaldúa says a total of 28 firms bid on that project — several of them non-local contractors. "Everyone is jumping after the same work," he adds.

Shame on us

But there is still work to be chased, industry officials say.

Yantis, for example, was recently awarded the contract to build University Way — a main boulevard to be developed off of Loop 410 South to feed into the new Texas A&M University campus.

"We're kicking and scratching to find jobs," says Basaldúa, whose firm also has an office in Austin and is securing work in that city.

For 2008, Yantis reported total commercial billings of \$110 million — up from \$98 million in 2007.

Middleman Construction — which reported billings of in excess of \$25 million for 2007 and 2008 — is staying busy with not



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Tim Swan, co-founder of Metropolitan Contracting Co. Ltd., is doing what he can to keep his firm in prime fighting shape in lean economic times.

only municipal work, but large-scale projects like the retail/office development Plaza Las Campanas on the city's far North Side.

So too is Metropolitan — the general contractor behind high profile projects such as the Pearl Brewery redevelopment near downtown.

"I keep reminding everybody (at Metropolitan) the world has not come to an end. We've only made a radical, hard adjustment," Swan says. "Things will come back around, and how much fun that is going to be."

"We took it for granted," adds Swan, referring to the breakeven speed at which contractors were working during the recent boom.

"Shame on us," he says. "How much more we will appreciate it when it does come back around."