

Building slowdown boon to cities

Schools benefit, too, as construction bidders bring down price

Benjamin Lanka

The Journal Gazette

When putting together proposals for two new elementary schools in Warsaw, James Lake expected about six companies to be interested in building the project.

Yet when Warsaw Community Schools opened the sealed bids, 17 companies had submitted prices.

That high level of competition meant great news for the district: An estimated \$30 million project would cost \$25.5 million, said Lake, an architect with Kovert Hawkins who works for the district.

That price included every upgrade possible to the schools, including terrazzo floors instead of tile. A third Warsaw school project estimated to cost \$10 million will be done for \$8.5 million.

Chris Gensinger, district assistant to the superintendent, said he was surprised at the response.

"We were just very thankful," he said.

As the ongoing recession has virtually eliminated private construction work, contractors of all types in Indiana have turned to public projects to keep crews busy, even if it doesn't mean a fat profit. Hard times and dropping fuel prices have meant huge savings for local governments – and taxpayers.

Dennis Faulkenberg, government affairs lobbyist for the Build Indiana Council, said construction companies are famished for work because they usually depend on jobs from private businesses to go along with the public projects. The council represents about 500 Indiana transportation construction companies.

"A lot of their work is from private industry," he said. "That work is basically gone."

Because businesses aren't building new headquarters or even repaving parking lots, competition for the remaining public jobs has become fierce, Faulkenberg said.

The Fort Wayne Board of Public Works this year has already bid an estimated \$3.4 million worth of work. The price for those four contracts: \$2.2 million, including a flood-control project for the Park-Thompson neighborhood area that came in 43 percent below estimates. Last year, the first four projects estimated to cost \$3.4 million were bid for \$3 million.

Bob Kennedy, Fort Wayne director of public works, said prices are coming in low partly because of the dramatic drop in fuel and oil prices over the past year. But he said more contractors are expressing interest in city work. Twelve companies bid to install a water main on Lake Avenue this year.

"It's very competitive," Kennedy said. "Some are bidding just to keep their workers busy. It's good news for the city."

A great time to buy

John Brooks, executive vice president of Brooks Construction, knows firsthand the devastating effects the economy has had on his industry. In his 30 years in the business, he said, the past few months have been the most difficult time to find new work.

"We were busy doing work in the fall," he said. "We weren't busy getting work."

Brooks said Indiana is in better shape than other states, leading to an influx of Ohio and Michigan companies seeking work in Fort Wayne and northeast Indiana.

Bill Greer, Allen County purchasing director, said the county is getting double the amount of companies bidding on projects than it expected. He said he has even seen a spike in solicitations for work from contractors.

"More and more contractors are walking into the office saying, 'I'm looking for work,' " Greer said. "They are being a lot more proactive than they have been in the past."

Another example is the Coombs Street Bridge, which the county is beginning to replace this year. The county was able to get a contract for \$2.3 million on a project estimated to cost \$2.8 million, according to Mike Green, spokesman for the Allen County commissioners.

Companies have realized governments have money to spend even as commercial markets tighten, said Stacey Smith, president and CEO of Prairie Quest Consulting.

Her company helps businesses reduce purchasing costs and helps the Navy buy items such as night-vision goggles and ships. In the past six months, she has seen a 72 percent increase in companies responding to her bids.

Smith said people are holding on to their money longer, drying up available jobs. This has made it a perfect time to spend because the prices are low.

Fort Wayne's Kennedy said the city is trying to take advantage of the situation by moving up as many bids as possible to get a better price.

"We're definitely pushing it this year," he said.

With projects being done for less money, governments hope to get more work done. Kennedy said the leftover money from the flood project could be used to buy several extra houses this year to remove them from the flood plain.

Lake, with Warsaw schools, said the extra money could allow the district to include some technology purchases originally eliminated because of budget cuts.

Brooks said the competition makes it a prime time to get work done. Work such as construction of a school or repaving a driveway will likely be cheaper than in the past.

"You're not going to get any better price than right now," he said. "I don't know of any construction specialty that isn't looking for work."

Capacity for work

Those low prices aren't expected to spike soon, even with President Obama's recently approved \$787 billion stimulus package. The state has already announced 30 potential stimulus projects estimated to cost \$44.5 million. It will open bids for the work Friday.

The downturn of the private building industry is so great, even an influx of billions of dollars in public projects won't be enough to compensate, according to Faulkenberg of the Build Indiana Council.

For example, builders obtained 28 percent fewer home construction permits last year than in 2007, according to the Home Builders Association of Fort Wayne. That followed a nearly 24 percent drop in permits in 2007.

The Society of Industrial and Office Realtors, a global professional organization that certifies commercial real estate service providers, reported the market heavily favors buyers of goods and services. Of the people interviewed, more than half indicated there was virtually no new construction happening, and 90 percent said construction business had dropped.

Brooks said he typically hires about 320 people each construction season, but he is unsure how many he'll be able to employ this year because of the downturn. He doesn't believe a government stimulus package will be able to fill everyone's needs.

"There's so much capacity to do work," Brooks said. "I don't see prices being driven much at all."

blanka@jg.net