

RETAIL & RESTAURANT

MAY 2020

FACILITY BUSINESS®

Building A Path Forward

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 - Dark Store Management During COVID-19

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Finding A NEW NORMAL

While retail & restaurant construction is considered essential business, it's still a far cry from "business as usual."

The federal government deemed construction an essential industry during the COVID-19 pandemic, but it hasn't been business as usual for restaurant, grocery and retail construction projects.

In some states and smaller jurisdictions, construction in these particular industries is not considered essential and has been forced to stop. Where construction is permitted, many businesses have been shuttered or are operating under severely strained conditions.

Our firm specializes in these markets and, like other general contractors, we have seen a significant number of projects disrupted. We are taking steps to address these evolving challenges, and are advising our clients on ways they can ensure project success.

The coronavirus has impacted various service industries differently, and the triggers for project delays also have varied. Some

work was halted because of sudden constraints on an owner's liquid capital, while other projects stalled due to permit delays. Many open-store remodels were paused over social distancing restrictions. And, general shock has spawned a wait-and-see approach from many independent owners and major brands.

Several weeks into the pandemic, as states begin to



other general contractors, are establishing new protocols and plans to address the evolving challenges. As brands begin to plan remodels and new builds, we advise owners to take these eight steps before contracting their project — even if you've worked with the general contractor previously.

1. QUALIFY — OR REQUALIFY — YOUR GENERAL CONTRACTOR

Many contractors are grappling with their own fall-out from the COVID-19 pandemic, ranging from financial impacts, workforce shortages, expected materials delays and cost increases, and potential overlapping project schedules.

As a result, vetting your GC and confirming its financial capacity to complete your project is more important now than ever before. The financial health of many firms is dramatically differ-

plan for a gradual reopening of their economies, we are starting to see owners put project dates back on the calendar. But we know that restaurant, retail and grocery construction will be impacted for some time, given both internal constraints and external pressures.

Now more than ever, owners need to be vigilant as we expect that contractors will vary in their insight, abilities and capacity to manage the lasting, complex conditions we now face. Construction is highly dependent on rigorous project management and accurate scheduling, and both are hard to achieve in these uncertain times.

Our firm, and hopefully many



ent today than it was a couple of months ago, so request updated financials even from GCs you've worked with before.

In this increasingly complex environment, relevant experience is crucial. Make sure the contractor has completed projects just like yours. As work dries up in certain sectors, some contractors will move outside their lanes to get work. This is not the time to hire a GC that is learning on the job.

Also, be prepared to provide your own financials to the contractor. Judicious contractors will require proof that owners have adequate project funding.

2. ESTABLISH DIRECT COMMUNICATION ABOUT SCHEDULES

A GC's 2020 contracted work likely will now be compressed into a shorter time period. Along with other stressors, it will be harder to achieve on-time project delivery if schedules aren't planned well, with built-in contingencies.

Ask about other work in the GC's pipeline and factors such as potential materials delays. Also, beware of contractors that make overly ambitious timeline promises just to secure the contract.

3. ENSURE A QUALIFIED TEAM IS AVAILABLE FOR YOUR PROJECT

Many contractors have furloughed or laid off staff during this crisis, at a time when the construction industry was already under workforce strains. A contractor or subcontractor may struggle to quickly bring their workforce back to full capacity. Make sure the specific talent required for your project is available.

4. MAKE SURE SUBCONTRACTORS AREN'T A LIABILITY

Ensure that the general contractor is thoroughly vetting its subcontractors' qualifications, manpower capabilities and financials. If the 2009 economic crisis is any indicator, some subcontractors will reduce their rates to unsustainable levels just to get the



job. Make sure your contractor isn't falling for that trap. A single failed subcontractor can have a significant impact on project delivery when the schedules and financials of everyone involved will be stretched thin.

5. PLAN FOR REMOTE OVERSIGHT

Owners will likely reduce travel to projects over the next year, for both safety and financial reasons. Make sure your contractor can provide remote project oversight and communications. What technology tools will they use to keep you connected to the project and

help facilitate critical decisions?

Our firm has long used construction cams and 3D photos as a bonus feature. But, during this crisis, we have come to rely on these tools. We anticipate that these technologies, along with remote client meetings, will become commonplace project management tools.

6. REVIEW AND EDIT CONTRACTS

Contract language is as important now as it ever was. Review and understand the implications associated with force majeure

clauses, which are included in contracts to remove liability for natural and unavoidable catastrophes. As the owner, make sure you are protected if material costs increase as expected or if the project is running behind schedule due to material or manpower delays.

7. REQUIRE SAFETY PLANS

Indicators show that we will face the coronavirus in our communities until a vaccine and/or effective treatment is publicly available. Make sure your GC is keeping up with evolving OSHA guidelines. Require your contractor to have a COVID-19 safety plan in place, to ensure the safest possible workplace and the health of workers and customers, and to identify and remediate any potential contamination.

8. LOOK FOR SILVER LININGS

The current situation is extremely challenging, but there are silver linings in the near term, if appropriate vetting and precautions are taken. Some brands are taking advantage of this opportunity to move projects up while their locations are closed, to allow work to be completed without disrupting business. Projects that had been phased or that required work in off-hours now can be completed all at once to reduce costs. In addition, many contractors have more project flexibility and capacity right now than they likely will have once construction resumes more broadly. ■

Matthew Mabie has been president of Knoebel Construction, Inc. since 2013. He spent the majority of his career in project management before he was promoted to vice president of operations in 2011. Founded in 1981, Knoebel Construction is a national general contractor specializing in retail, restaurant, grocery, office and medical construction. Projects range from major regional shopping centers to local restaurants. Based in St. Louis, Knoebel Construction provides full-service development and general contracting services to real estate development firms, independent owners and major brands nationwide. For more information, visit www.knoebelconstruction.com.