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# BUSINESS FIRST

## Crossing borders: Construction, projects in other states carry challenges, rewards

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### STORY IMAGES



Ten years ago, officials with Jefferson Development Group Inc. decided to stretch their real estate development operation along the Interstate 65 corridor.

"We put a dot on the map and looked at where we could go within a six-hour drive from Kentucky," said Rob Webber, company president. "And it was surprising how many cities we could effectively operate in and out of based out of Louisville."

Company officials then started looking at Atlanta and other areas in Georgia. While the region was a little further afield, it seemed to offer more opportunities.

After 36 months of legwork, research and networking, the company acquired its first long-distance, 200,000-square-foot, class A office building in Macon, Ga. A year later, they acquired a 125,000-square-foot office building in Atlanta.

The firm buys, sells and builds office, retail and apartment communities and now owns and manages properties in five states.

Webber said making the first deal was difficult. "We bid on several office buildings before we got the first one. It takes a while for them to get to know you."

But once word was out that they were a serious contender in the market, more opportunities came their way.

The company, located at 1706 Bardstown Road, now has offices in Sarasota, Fla., Atlanta and Cincinnati, where several projects are under way, including an office building and mixed-use condominium and office project.

And that's the appeal of working outside the Louisville market.

While the local commercial real estate sector continues to grow, many contractors and developers are discovering financial rewards of a regional approach to business and seeking deals outside the local market.

### Getting the business

Some contractors and developers find themselves working in other states without the more-detailed effort described by Webber.

For instance, Abel Construction Co. Inc. is licensed to do business in 14 states, according to Tonii Rizzo, senior vice president of the Louisville-based company, which is a full-service design-and-build general contractor/construction manager and developer.

The company's out-of-state business is mainly the result of projects from existing local clients, he explained. One of Abel Construction's biggest clients is Ford Motor Co., which has two Louisville assembly plants and multiple locations in the United States.

As an example of its work out of state, Abel Construction handled a renovation project in 2004 at a Ford plant in Norfolk, Va., during a shut down. The project included renovating work areas and reconfiguring assembly lines.

Repeat business accounts for about 75 percent of Abel's work, Rizzo added. The company had revenue of close to \$124 million for the fiscal year ended Sept. 30, 2006.

Client relationships are the most important aspect of getting out-of-town jobs, agreed John Stewart, president of L&F Design Build LLC, a Louisville-based general contractor and construction manager.

The company renovates shopping malls and other commercial-use buildings but also does work for government agencies.

In 2005, L&F renovated the main communications building and a new gate at Holloman Air Force Base in New Mexico. The company's average project is in the \$1.5 million range, but its largest project was a \$26 million church in Hammond, Ind., which was completed in 2005.

Managers hit the road

A challenge that many contractors and developers face is finding key people who are trustworthy and willing to travel or relocate for an extended period of time -- up to 18 months for some projects.

Stewart of L&F likes to use Louisville staff for supervisory roles. These are long-term employees, who "we know have our best interests in mind and understand our relationship with our clients," he said.

To that end, the company pays more competitive salaries and bonuses for people who spend time away from home. The company has 16 full-time employees.

L&F hires union workers from local businesses, such as masonry and electrical companies, for other work on out-of-town projects. Pairing Louisville managers and location-based staff works well, Stewart said.

Abel Construction also relies on long-term staff to supervise an out-of-state project, Rizzo said. "The project manager is visiting that site every week, but if the on-site manager and superintendent aren't good, they can kill you."

Abel Construction has 278 full-time employees, and some of them enjoy the travel and do a great job over long distances, Rizzo said. "A lot of them have been with us in excess of 30 years, and they're the strength and lifeblood of our company."

To find additional workers, Abel Construction, which is a union contractor, contacts the local carpenter and labor halls in the state where they're working, gets a list of people and interviews them. "We're not just hiring untrained people off the street. These people are skilled, and we have an opportunity to check them out," Rizzo said.

Supervisors are sent from Louisville to function on-site. "The only way to make sure it's done right is to inspect what you expect," he said.

Webber said Jefferson Development Group does not use union workers but belongs to several national trade groups and hires general contractors and workers from the state where the project is located.

Government red tape varies in each market

In addition to grappling with personnel issues, companies doing work out of town also have to learn the various permit processes required in different municipalities. "Trying to weed through all that" can sometimes be a challenge, Stewart said.

And contractors should be prepared to face fresh competition, Webber said.

Exposure to international clients and competition in other markets has turned out to be a good barometer for Jefferson Development Group. It helps the company's management see how it compares to competing businesses across the country, not just regionally. "You'd better sharpen your pencil and come to work with your hard hat," Webber added.

Distance to a project has no bearing on the time needed to complete the work, contractors interviewed said. "A four-month project is the same here or there," said Rizzo.

In order to be competitive, a contractor must be able to make a project happen fast, Stewart said of the time element.

Technology tools improve communication

On the positive side, technological advances have made a big difference for companies handling out-of-state work.

Jefferson Development Group regularly takes advantage of video-conferencing capabilities. "We can have online video streaming between offices, law firms, construction and management meetings," said Webber. "At the touch of a button, we can have all the drawings and documents in front of us and teleconference."

Rizzo said communication advances such as cell phones, the Internet and two-way radios have made his work much easier.

L&F Design Build provides everyone in the organization with a laptop and a wireless card. Stewart said L&F also uses collaborative Web sites, where all project documents are stored, as a service for clients and professionals involved -- from architects and engineers to multiple contractors.

Distance is not the same obstacle that it was in the past, sources agreed.

"Early on, one of the challenges of operating long distance was how to get the information from here to other cities in time," Webber said. "Now with technology, we're able to overcome the mileage that's between us on the information superhighway."

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