

COMPANY DEEP-DIVE

Senior Project Manager at Spire Building Solutions Sees Increased Demand and Challenges in Concrete Restoration Due to Florida Condo Safety Act

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PRIMARY COMPANY

HARTZELL CONSTRUCTION

Summary

The client spoke with a Senior Project Manager at Spire Building Solutions about the concrete restoration industry and the impact of the Florida Condo Safety Act. Spire specializes in concrete and stucco restoration, with most of their work on high-rise buildings in the Greater Miami area. They expect an increase in work due to the law, but note an influx of informal competition. Barriers to entry for high-rise work include compliance with building codes, accessibility, and finding skilled labor. Smaller providers are less common now due to increased regulations. Spire focuses on high-rises due to their expertise. The Senior Project Manager advises starting in the mid-rise market and building a portfolio. High-rise projects are generally more expensive. Spire is licensed to work in 32 states and works on buildings of all ages. They emphasize the importance of maintaining relationships with structural engineers. The first restoration job typically occurs around 15 years after construction. The cost of a 15-year restoration project depends on the size of the building and necessary repairs. Neglecting maintenance can lead to larger and more expensive projects. The Senior Project Manager believes regular maintenance is crucial to avoid costly restoration.

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EXPERT BIO

INTERVIEW TRANSCRIPT

Client ▶ 00:00:00

Thank you for taking the time to chat about the concrete restoration industry. And I think we're focusing particularly on how the Florida Condo Safety Act has impacted businesses in this space. And so I would just love before we get started for you to maybe give me a little bit of background about your company and your role in the company?

Expert ▶ 00:00:18

Yes. The company I worked for, it's based locally in Boca Raton, However, they do work on the whole country. There are specialized -- general contractor specializing in concrete and stucco restoration, sealants and waterproofing that's our bread and butter.

We do have other services they're not related to those or we have to do in order for us to do those kind of works like city cable repairs, structural repairs, et cetera, but our main focus is, as I mentioned, stucco or concrete restoration, water proofing and sealants.

The company is really divided into two big branches, if you will. One is the local residential market, which I'm a senior project manager on that aspect. And the other portion of the business is for hospitality outside the state, and that's another project manager that take care of that, but I'm still the senior project manager for those projects as well.

Client ▶ 00:01:05

That's great. Thank you for the background. When it comes to concrete restoration of like residential and commercial properties where do you mostly serve in this day, you mentioned in - - that you're located in Boca Raton, but do you mostly serve in the Southeast or I guess, the Southwest or up in the panhandle.

Expert ▶ 00:01:24

Well we do have projects all over the country, as I mentioned, but our local area is anything on the Southeast. We recently expanded our business into the Tampa region. And most of the reason why we're taking care of this market is the age of the buildings. We work in restoration, not a new construction. Tampa, Orlando, they are fairly newer, if you will, development.

So there is no damage need for restoration on those markets as of yet. So -- but we are readily putting our foot in those markets and trying to get a presence there. So the bulk of our work is on the Greater Miami area, Fort Lauderdale and West Palm Beach.

Client ▶ 00:01:58

That is great context. And I guess, what percentage of your buildings that you do work on are high-rises, so I would say, say, like 13 stories or above or like low and mid-rises.

Expert ▶ 00:02:09

Most of the work I do for the company is high-rise, I will say about 90% is high-rises, 13 floors and above as you mentioned, going as far as 36, 38 and a 52. So those are the three tallest buildings I recently worked on.

Client ▶ 00:02:23

That's good to know. Just kind of question, I think I've been talking to providers both on the Southwest and the Southeast Coast of Florida. And I get the sense that the Southwest Coast or just the Southwest metropolitan areas generally, there seem to be less high-rise work and more of that work is concentrated in low to mid-rise work, is that something that you have seen having done work in both coasts?

Expert ▶ 00:02:46

Yes. So I mean there is obviously a difference on the market age. And -- yes, the Southwest region, which is sort of Tampa all the way to Naples if you want to have a 3D reference point, it's fairly new compared to Miami. And it's until now than those, because these are aging to the point and they need some restoration work. So, yes, there is -- within the market, it's a big difference on how many potential clients you're going to have on the Southwest region versus the Southeast region.

Client ▶ 00:03:12

I see. And I was wondering maybe if -- could you maybe just name me a couple of competitors that you compete against in both the Southwest and Southeast region?

Expert ▶ 00:03:21

Yes. Well, for the -- I will go with the Southeast region, the Southwest, we really don't have many competitors there, and are well established. We normally work against other companies and do the same thing than just very much fly in for that project.

But here in the Southeast and South Florida, we do have Hartzell, which is a noncompetitor, it's being established over quite a few years. And one of the other names on the industry is C.A. Lindman. Those two, I believe they are the bulk of the restoration industry here when it comes to high-rise envelope.

Client ▶ 00:03:51

That's good to know. Just moving on a little bit, we've talked to some providers and they sort of told us a bit about sort of the impact of the Florida Condo Safety Act on business. Some people have said that it's really too soon to tell about the impact of the business. Some people have said we've increased business by 300%. What is your experience concerning the impact of the law?

Expert ▶ 00:04:14

If you're talking about the issues that kind of arose after the tragic incident on Champlain towers. That's something that is impacting the area greatly. I do not have any specifics on what the law requires right now, what the details are, but you see a big influx on RFIs and RFP -- request for proposal, RFPs on the industry by engineering firm.

They engineer firms, they all over work. So you can see that within the next -- maybe the next year or the next 18 months, we expect a growth on the concrete restoration industry that is really going to make an impact.

Once again keep in mind that most of these condo buildings and associations, they work on budgets. So they might not have enough reserves to tackle a \$2 million project per se out of the blue.

So they need to start working into applying for permits and everything. Many of those buildings, they don't have an idea of what they need until they consult with an engineer. And the 40-year certification on the area, I think, is what really drives them to get in touch with an engineer and go more into detail of what needs to happen to keep the building safe.

So based on what I see, and as I said this is mostly what I hear and converse with engineers. We are expecting an increase in the amount of work within the next year or so. And probably this is going to last for the good part of the next decade.

We -- these projects on high-rises specifically, these are not projects you can do in 90 days or six months. These are year-long projects or multiyear projects, depending on the complexity, the edge of the building, et cetera. So there's going to be an increased demand for general contractors that are able to perform concrete restoration, structural restoration, waterproofing, et cetera.

Client ▶ 00:05:45

Interesting. And I think something that we're trying to figure out -- so we've heard similar things that within the next decade, there will be increased demand, something that we're trying to figure out is whether the law is pulling demand forward from later in the decade or whether the law is creating new work and that the threshold for what is needed for repairs is actually lower. Do you maybe have an idea as to which may be the case.

Expert ▶ 00:06:08

Actually, I believe it's a combination of both factors. As I said I think that -- how often you need to check your building, hence, what I mentioned, the 40-year certification, it's what drives the communities to go and check with engineers.

And it's the engineer's now a job to make sure that they do abide by any change in the laws. So I believe that this is a two-state process, if you will. One, you need to be on that time frame when you need to inspect the building to kind of get into that shopping mode, if you will, trying to get out there, get quotes, get an engineering firm to do forensics on your building.

And because of those engineers having to be responsible of what they request on the scope of work and having deposited that name behind it, they're going to be a little bit more meticulous than they were in the past. So that's my take on it. I think that it's a combination of both factors. One, the age of the buildings and, two, the level of detail that these engineers are going to put in to assess these buildings.

Client ▶ 00:07:00

That's very good to know. Thanks. Yes, that's very helpful. I think have you seen the passage of the act and the increase -- the expected increased demand as a result of it impact the competitive landscape for concrete restoration providers?

Have you seen maybe -- we've heard of certain restoration providers from the Northeast, for example, try to enter the market down South or try to just buy either through acquisition or just through expansion. We've seen some providers who mostly do painting and waterproofing all of a sudden say that they can do concrete restoration even though they don't. Have you seen any difference in the overall market?

Expert ▶ 00:07:39

Yes. I mean, to be honest with you, it's always the problem. When one item is desired, it's a lot of people from other state or under license or unlicensed contractors are trying to take advantage of that immediate need.

So yes I've seen a little bit more of informal competition, if you will. But once again you got to keep in mind that at least here in South Florida, any kind of concrete restoration has to be done through an engineer.

And all that staff will filter in a scale. I mean for bigger projects like high-rises, that would be filtered by the requirements of the -- of who is able to do the job. For companies that are coming up from out of state and things like that, it will be hard for them to just meet the criteria needed

to get work done in Florida.

And -- or architecture, it's -- or local will make it a learning and speed learning curve on ASA for any out-of-state contractor. Yes, there are contractors coming from everywhere all the time. It's not the first time I talked to either competitors or known associates, et cetera, with out of state phone numbers.

So that's a good thing that the market is getting flooded by contractors from the other areas of the country. However, anybody that is willing to come and work in Florida will have to go through that learning curve I mentioned in order for them to be able to won to every specific regulation on town.

And actually beat the market, this is here, what will work. This market is really driven by recommendation. So unless you know somebody that you say will do the job is going to be a little bit tough to get into that.

Nonetheless, once the requirements or when the need for more contractual rises, it's going to be a little bit more flexibility on those parameters I mentioned. But -- yes I've seen an influx of either, as you mentioned, painters that are now expanding into restoration or waterproofing as well as contractors from out of the state coming into South Florida to work here, yes.

Client ▶ 00:09:19

Do you have any like specific names of companies that you've seen trying to do this?

Expert ▶ 00:09:24

No, no, at the top of my head, but I used to get a lot of bids from different platforms like Ideal and stuff like that. And there is quite a few general contractor list that are looking for subcontractors -- local subcontractors. I believe is one of them. But I mean, and I -- it's a little fussy about that, you know.

Client ▶ 00:09:41

No, no, I just thought I'd ask. You mentioned earlier that there are barriers to entry when it comes to entering specifically the market for high-rises in Florida. We've been trying to sort of understand the difference between providers, particularly on the Southwest Coast who service low to mid-rise buildings versus providers who do mostly high-rise buildings.

Could you -- are there -- I guess, what prevents a mid-rise provider, if anything at all from doing - - from working on a high-rise? We've heard something about licensure, we've heard a little bit that there's maybe like a skilled barrier between working on the two types of buildings, sometimes it's about equipment. Like what in your eye, if you think are like the main barriers between the two?

Expert ▶ 00:10:25

Yes. So the first issue for any kind of work being done in South Florida specifically, it's the city building codes and the building department here. You need to be knowledgeable of those or at least hire somebody local that is knowledgeable of those to be able to comply with them.

On the Southwest market, it's a little bit more flexible on that regard, but that will be your hurdle number one, if you will. And what will prevent a mid-rise to become in a high-rise contractor? I will say that accessibility to the building will be #1 unless you have a crew or a team of employees that are able to work entirely of swing stages, you will not be able to do any high-rise.

Mid-rises -- I will consider mid-rises here, everything under eight floors. Even though we used the number 13 in the past, I think that eight floors is what really divides high-rises here in South Florida.

And most of that is because anything under eight floor you can reach with aerial equipment, call it, ladders, if it's really small, like three story or even four stories or boom lifts per se or even escalators. When it comes to swing stage usage, that will really change how you have to assemble your crew? That's number one.

And the more difficult hurdle to jump on that is that on a more ground-like operation with shorter-let's call it eight story buildings, you can have more specialized labor into one aspect of the restoration.

You'll be able to use them and then rather quickly switching to perform a different -- the same task on a different location. In contrast to that, when it comes to high-rise, you need your mechanics to know pretty much everything that goes from inception to completion of the job, so they can work out of that one platform without having to go up and down and make it nonproductive.

So picture and the skill set of the personnel is not only different, but it's broader. So your people need to be on top of everything. So per se, your coaters need to be able to coat, paint, do stucco, do grinding, apply waterproofing, et cetera, when in a more ground located job, you can have your coaters, you can have your painters, you can have your waterproofers. And then that would allow you to lower your exposure in the hourly rates of these mechanics, making you a little bit more competitive.

Once you go into a high-rise, you're obviously going to be talking about probably 25% more pay rate. So that will really require for you to think about that when putting bids. So that's the big difference between mid-rise and high-rise contractors when it comes to the labor portion more than anything.

Client ▶ 00:12:34

Interesting. And so I guess two questions there. One, you mentioned right now everyone can work on those -- what do you call on those high -- the name is escaping me.

Expert ▶ 00:12:45

Swing stages?

Client ▶ 00:12:46

Yes, the swing stages, is that a -- I presume it's partially a matter of whether someone has worked on a swing stage before, but is that also a matter of like licensing?

Expert ▶ 00:12:56

Yes, it is. There is -- okay, let's put it this way. I'm not aware of any specific license that you have to provide in order for you to get the job, but with OSHA, if you have mechanics working in a swing stage and they decide to pay a visit, they're going to make sure that your people are certified to do what they're supposed to do.

So in our industry, we do have several certifications. Honestly speaking, they are no super hard to obtain. It's a matter of doing the paper work, doing the training, is a few hours per certification. So that's that might present little set back on the -- in the beginning of your setting up your business, per se, or getting to the market, but it's a requirement.

So yes, you're going to have to have your people certified pretty much in everything they do here in South Florida. When it comes to. when it comes to the usage of swing stage, access scaffolding, aerial platforms, even respirators, you need to have a certificate themselves then you're able to do it.

Once again, the verification of those certifications -- I'm sorry, but it's not probably performed in the best way. It's a little bit looked over, but nonetheless, if you really want to play with the big guys, you should be able to have all your people certify on that.

And every mechanic needs to be OSHA cert. That's a requirement that we have. And that's the reason why companies like the one I work or our competitors are able to do this big jobs. Because their requirements are a little bit tightened on that. When it comes to mid-rise or low-rise, there is really not that much follow-through on every mechanic certifications, et cetera.

Client ▶ 00:14:21

That's good to know. And I guess, would you say it's considerably more difficult to find -- from like a labor standpoint, I guess a two-part question. One is, generally speaking, have you had trouble finding skilled labor. And, two, is it more difficult to find -- I presume it's more difficult to find labor for those who are -- who have a well-rounded skill set to work on the high-rises versus those who can just do the mid-rises, I guess what's your experience on that front?

Expert ▶ 00:14:49

Yes. Honestly speaking, good mechanics are not easy to find, their price rates make it sometimes cost prohibitive for smaller companies to be able to afford them. And what you don't want to do if I can put the sense into this, it's just higher mechanics that are not known or not proven to be

able to perform on a project that perhaps with a liquidated damages.

Most of these jobs are well over the \$1 million, and they do have very specific cost when it comes to scheduling. So you don't want to start a project without having your full staff, and from one project to the next project, you might find issues trying to keep those guys busy and retain them.

I mean employee retention is one of the biggest problems in South Florida and skill labor, you know, will follow suit. There is recent laws changes about undocumented work, even though my company does not employ undocumented work and we do comply with all those aspects. The companies that do high undocumented, now their labor pool has been affected because of many undocumented workers actually left the state. So that make those illegal even more desirable.

So those guys that didn't care about an employee undocumented now they find this void, they have to come up with more money and find more skilled labor per se, which actually just keep pushing the bar high up. This labor laws that we implemented back in July, affected everybody in the industry, regardless of you hiring undocumented or not because the pool of labor actually got reduced regardless of where you pick from.

So just to wrap up the idea, yes talent acquisition and talent retention, it's always been a problem in South Florida. It's a very volatile market. And there is very few companies that are under the need to hire personnel to meet deadlines and they are not shy to throw an extra \$2, \$3, even \$4 an hour for a mechanic that maybe is not qualified just to meet their day and then that person becomes an overcharge for the company, so they let it go, and that creates that revolving door. So it's very rough when it comes to the labor aspect.

Client ▶ 00:16:34

And what techniques do you employ yourself to find and retain skilled labor?

Expert ▶ 00:16:38

Well, #1, we do take care of our guys. I mean once we find somebody that meets the criteria, is trained or he has the knowledge, we make sure that if it doesn't have the certifications, we train them. We go to training, we go to safety training. We make sure that they get any single certification they have, they own that. The company pays for it upfront. We will never back charge them for any of those. We make sure they get at least 40 hours a week as long as they're willing to work 40 or more hours.

And if there is any kind of lean time between a project or whatever, we actually have them be seen doing small work on our shop or whatever the case might be. We want to make sure that the guys are well paid and paid off.

We make sure that our payroll money is every other week, we pay biweekly. We make sure that the money to cover that is there. We make sure that they are paid a competitive salary. And if we are able to, we even pay them above competitive, and we make sure that they have certifications, they feel comfortable.

And we have a good company morale and company culture. We don't believe in this, the boss is

always right and the employee is not. We really encourage them to better themselves. We've given the room for them to talk, for them to provide ideas, for them to troubleshoot issues on the job. And we make them part of the process.

So I guess that, that will improve their morale by feeling part of the process, they feel important. They don't feel just like a guy, let's say, applying paint to the wall. They feel like painters. They're not just doing what they're being told to do, they are guys showing their abilities and the skill sets. So we are very big on that, very big on getting them to paint -- to get paint respectively, and the company culture.

Client 🕒 00:18:11

That's interesting. That's good to know. Thanks for telling me. Sorry, just jumping around here a little bit. Just to sort of move back on the -- quickly on the topic of mid-rise versus high-rise providers, at the bid table, do you ever come up against providers that are not your Restores or C.A. Lindmans of the world? Like do you come up with like your smaller like call it, like \$20 million, \$30 million businesses even lower for these high-rise projects?

Expert 🕒 00:18:39

Yes. I encountered quite a few in my experience, none recently. But yes there is -- there was a time where regulations were not held up as high as they are right now or they've been in the last few years. And you're seeing smaller general contractors than what we call one project companies. They establish a company, they get one small \$1 million or \$2 million project, they go buy it and they shortly disappear right after. We've even seen training companies doing restoration projects.

It's not uncommon to see those scenarios. But my experience is that in the last decade or so, those cases were becoming fewer and fewer. So what it probably was, I'm sure, I'm just using figures to speak was -- what is probably what 30% of the market 10 years ago, now it's down to 10% or even 5%. When it comes to high-rises, it's very hard to compete.

When it comes to mid-rises or probably bigger projects, but those are three or four story high, which we got many of rental communities in the area that fit that criteria, that provides more possibility for, as I mentioned, noncompliance competing, if you will. Companies that are not really into the market to compete.

Client 🕒 00:19:43

And so for those -- I guess, -- how do you think about your strategy then when it comes to the developing business. To what extent do you try to service those mid-rise buildings knowing that you'll be different competition?

Expert 🕒 00:19:55

We really try to cater to the high rises because we know our market. We really don't go big into the mid-rises. But once again it's a matter of the smaller companies or the smaller buildings being able to afford your rate. I think that any company that actually goes and do mid-rises have an

overhead per se that is a little bit increase compared to companies that are willing to work on smaller projects.

So we might not be as affordable as somebody else with less experience. So we kind of grow into this position. We -- the CEO of the company has 40 years of experience and no joke, he's very super young and he's still working at his age.

But he got 40-year experience, and he always says the same thing. I mean it's a progression. You start painting houses. You're going to painting a two-story townhomes and you just progressed until you are doing high-rises. And at that point, it might not be practical to come back to do a smaller buildings.

So I think that that's where a new company will fit a little bit more easier, will be to tackle low to mid rises. And high-rises company would like to stick to that. Obviously, if the market is -- something happened in the market and there is no more high-rises, all companies will have to reassess their expenditures and their overheads to accommodate for a mid-rise that might not have the budget or they cannot justify the budget for a restoration like a high-rises will do.

Client ▶ 00:21:07

I see. So let's say I'm a mid-rise provider. And I'm a concrete restoration specialist that mostly do waterproofing, painting and concrete restoration. How worried should I be of the competency and capabilities of your painting guys and maybe just normal general contractors coming into my space and going up to structural engineers and condo associations and saying, like, hey, I could do the same work just as good. Are there any like -- is it easy -- I guess my question is it just easy to enter the market for mid-rise.

Expert ▶ 00:21:40

It is easy to enter the market on a mid-rise level, yes. But nonetheless, you still need to meet the qualifications required for that. You, technically speaking, anybody that wants to come into the mid-rise market, it will have a little bit of a learning curve and a little bit of setting your feet in the market per se, but it's going to be easier to start there than instead of high-rises.

And yes, you're in going to have to deal with the locals that are trying to migrate from a low-rise to mid-rise market kind of scenario. But once again one of the things that are really common in this market specifically is to provide references.

And if you don't have any project under your belt, it's going to be hard for anybody to get any project. Once again, you might need to gain or earn this project on an economical perspective, and I'm not trying to be rude or anything, but maybe you'll have to lower your price a little bit to be able to compete with the bigger guys until you have a little bit of a portfolio to show.

But for a new person on the market without a portfolio, the best way to get into will be by competing economically, trying to get yourself situated with work than perhaps clients that don't have the budget for a full-blown restoration, they want to start doing something they don't know how to go at it or just purely compete on -- with anybody else on a lesser price until you build a portfolio of at these three projects that you did satisfactory.

Client ▶ 00:22:49

I see. This is -- I know this sort of maybe kind of a question that's hard to answer, but I'm wondering, could you bucket for me the average ticket price for a low or mid-rise concrete restoration project versus a high-rise concrete restoration project?

Expert ▶ 00:23:04

Yes. I mean anything that is high rise -- it really depends on the scope of work. Please keep that into perspective because it's not the same thing, do a restoration on the building that is 10 years old or than a building is 40 years old.

I mean it's really no rule of thumb or one size fits all, but roughly what you see any restoration job on a high rise, you're talking at least a \$1 million. And that's very easy to achieve and done within any project that is quite a few hundred square feet. So it's not unheard of project going into the \$3 million, \$4 million, \$5 million. So that's number one.

For a smaller project, I will say that everything that is mid-rise, it will most likely sit in the \$500,000. But if you were to compare, I don't think that the small -- the medium-rise will have a 50% work than a high-rise at double the price.

I don't know if I'm making -- maybe I'm trying to explain this wrong way, but let's put it this way. Your unit rates on a high-rise will be about 30% to 40% higher than your rates or unit rates on mid-rise. And I think that -- the assumption then it really depends on how the company can handle the labor, their overhead and all the stuff. But that will be a good indicator of how to price jobs out there, maybe 25% to 35% difference on the unit price.

Client ▶ 00:24:14

And the unit -- so that 25% difference is mostly attributable to the higher level of skill and expertise the higher stakes -- the nature of the higher stakes jobs.

Expert ▶ 00:24:24

That's purely -- yes, that's purely a skill set. In top of that, of course, you're going to have equipment that is going to be added to the project. And that's why I said the number is not linear. But when it comes to unit prices that have materials and labor only, yes, that's 30% or 40% of the total cost is mostly 99% of that is labor. There is really no difference on the products you use on the mid-rise and on high-rise other than the quality of them.

And that's another thing. You've got maybe smaller projects that have the budget and would like to go with more expensive materials or a better product for whatever the case may be, longer warranties, et cetera, than a high-rise might want because they probably don't have the budget to do a million square feet of painting on \$150 a gallon paint. So it's very hard for you to draw a line. But generally speaking, with unit prices, you're going to have 30% to 40% more on the high-rise than the mid-rise or low-rise purely because of your labor skill set.

The way that you set up projects on high-rise are a little bit more on the supervision side. So keep in mind that a medium-rise or a small-rise, they might not need a project manager, they might be able to get away with a well skilled superintendent, all right, or maybe a fresh out of college, a project manager.

So that will really impact your ability to -- sorry, year overhead. With these kind of projects, you do have a dedicated foreman, a dedicated superintended, a dedicated project manager and in cases like my company, a senior project manager just go in over all these plus as we used to have not so far -- not so long ago, Vice President of Operations, overseeing everything that is going on. So keep that into perspective that most of the difference is because the amount of extra people that you need to evolve and you overhead growth on that.

Client  00:26:03

That's very good to know very interesting -- just looking over my notes. Could you maybe give me -- like maybe you don't have to tell me the exact number, but I'm just wondering just for my own sense of scale. Can you just give me like a rough range of revenue your company generates, and then maybe could you just sort of help me situate like the range of revenue, a high-rise provider would you expect to generate in a year versus a low-rise versus a mid-rise provider?

Expert  00:26:28

I cannot speak about a low-rise or a mid-rise provider, I really haven't work for one of those in years. So I really don't have any up-to-date information on that. I can speak what is locally, which is not 100% of the revenue for the company I work for. But locally on the South Florida area, companies earn about \$10 million to \$15 million a year on restoration projects on here. Once again, keep in mind that we do have a bigger branch on the rest of the country that I only supervise as a senior project manager for actually two project managers outside the state.

Client  00:26:58

That's interesting because I was just looking at the website. And if I only see the Boca Raton location, Spire Building Solutions part of -- is it like a I'm sorry, I'm just trying.

Expert  00:27:10

If you look at the projects, you'll see that there is projects out of the state. We are centrally -- we are -- this is our center of operations, South Florida. But we do have work everywhere else. If you go through the pages and you see the active projects or past projects, you'll see projects that are outside the South Florida or the Florida area.

Client ▶ 00:27:28

I see. And are you one of the few providers that work across state lines, I haven't -- or just like regionally across the nation, I don't really know of anyone else who does restoration at that kind of scale?

Expert ▶ 00:27:40

I know Hartzell works in the whole state so as Lindman, but I do not have any knowledge about them working outside the state. Keep in mind that every state and every locality has their own requirements. So not everybody meets every local criteria to be able to work. We are licensed on, I believe, 32 states to work on. And we are able to obtain licensing any of the other states per se. So we are very capable, but I didn't know what's sets apart for us to be able to work across state lines, as I mentioned.

But -- yes it's very tough to move out of the state. And we -- as I mentioned, we do not have any established standard of operations outside of one in Boca. We do have mobile crews. We do have vehicles all over and -- our crews pretty much goes from one project to the next, to the next, to the next, and that's how we like to do it. We do hire locally. We do subcontract locally outside Florida. And the system has been working. So we never sat down to reinvent the wheel and something that is kind of working nicely at this point.

Client ▶ 00:28:36

I see. That's good to know. I know you mentioned a couple, but could you just like run me maybe a short list of the type of companies that you frequently compete against in Florida?

Expert ▶ 00:28:47

No, I'm not in business development. So I really do not know anybody than shares -- I'm going to say this -- that actually goes to pre-bid meetings and stuff like that. And that will be a question for business development. They do meet other companies that do the same thing we do on a regular basis. I just don't get a glimpse of that.

I mean, mine role is purely operations. I mean, sometimes I do provide feedback to business development on trends or materials or whenever they have a technical question per se, but I don't normally go back to figure it out who we're competing against or stuff like that.

And to be honest with you besides those two that I know for a fact that we compete against, there might be a myriad of companies that you may just try as I said, I mean there is quite a lot of companies that are on the mid-rise trying to go into the high rise. So they will go to the meetings, they will bid the projects. And at the end of the day, they might not even get the project. They just go there to create a lot of noise and try to get a job for themselves. But at the end of the day, only companies that are greatly qualified or trusted to do high-rises.

Client ▶ 00:29:45

I see. I guess for these high-rises, is there -- like maybe what's like the average age or rather, is there like a sweet spot age of building that you typically work on? We've heard some like feedback about like how buildings in -- built in the '60s to, I think, early '70s were built quite well, and they don't use much restoration work.

And then you had buildings built from '70s to the '90s that there's a systematic issue basically that those buildings were just weren't built so very well at all, therefore, needs lots of restoration. Is there like a sweet spot age for a high-rise that you find yourself working on a lot?

Expert ▶ 00:30:22

No, not really. I mean, honestly speaking, it really depends on what drives the restoration. If it is because of the 40 years cert or it is for any other issue most of the time, we're going to buildings because they just had a leak. They're trying to figure out what the leak was and then they realized, oh, well the builder actually did a really bad job on sealing windows and now we have to do all the sealing around the windows made of the stucco or whatever the case might be.

So from an execution perspective, no, we kind of work with all of them. We don't discriminate with any building. But -- yes, there is something that I know about building quality. And it has to do with the company and the building per se, and the time or the era when those were built.

And more than the specific times is, as you mentioned, anything on the areas was built at a boom or a building boom. So everything is tend to be rather quickly and build put together with whatever we find. And there were a lot of changes on materials. I remember from the area that copper was expensive. So they started using flakes and they started using CPVC and all this alternative or fairly new materials, than they might know be working as well and that created issues.

You're going to have the same problem in a few years with everything that has been -- it was built in the early 2000s. It was built on a boom -- on a building boom starting of 2002, probably finished in 2010 after the crisis, but still, those buildings were on the ongoing project, and probably everything after is little bit more taken care of. Here in South Florida, honestly speaking, it really depends on what locality was built there.

A high rise per se that is not built in one of those very affluent cities, you're going to expect that to be built with a lower quality workmanship. And that really has an impact on how often you're going to have to reassess the building or how expensive you're work going to be. So technically, anything that is not on, let's say, Sunny Isles or maybe Midtown or even Brickell for the same. You know that it's not going to be top-notch building quality.

And even within those cities, you have buildings that are just put together and other than they really pay attention to detail. So that's, I think, the more important than the era where those were built than their intended purpose.

Rental communities per se tend to be built with a little bit of less care than condominiums. So when you go to a condo versus a rental community or rental building, you're going to see a difference in quality that actually dictates what you need to do on the building. So I think that's

more important than the era. But yes, I agree. Everything built during a building boom is going to have lesser quality and less checkouts, less eyes were put on that building per se.

Client ▶ 00:32:46

That's good to know. And I don't know if you can really answer this question, but you mentioned earlier that most of your work -- all your work is through structural engineers and a lot of it's relationship based. How do you maintain those relationships to ensure you get business in the future?

Expert ▶ 00:33:03

Listen, I mean we work through the engineers, but at the end of the day, our contract is with the building. So what the engineer very much does is bring you into the. And by law, they cannot tell, oh, this guy is great, this guy is not great. They can make a recommendation that has to be backed up by a portfolio per se in our case.

So -- yes, what you want to do is you want to make sure that you do a good job. And to be honest with you, I know that sounds cliché, but as long as you do a job that is respectable, that is top-notch quality, you use top-notch materials, you instruct your client on why you're doing things that way? Why is this going to cost you that much? Why you rather sacrifice quality in this product to maintain budget versus the other one? And you meet schedule, the engineers would like to work with you.

So that's the best way to keep your relationship. It's providing the service that you saw from day one. Keep in mind, nobody wants to go and throw -- give me the loss on a building just because. So you want to provide value, you want to provide safety. More than -- my boss always say, more than the restoration business, we are in the protection business, we want to protect your asset, you know, and that's how we look at it.

And we put ourselves through the perspective of the people that work here. And we try to make sure that our job is top notch and that's the best way to keep the relationship with the engineers and get you on the door.

I have to get you the next project because, as I said you might be the best guy with all the engineers, but if your prices are off the whack, or your quality is not good, it's going to be a matter of time until you are not calling to bids anymore, and you're going to be out of work real quick. So work quality and service, that's it.

Client ▶ 00:34:35

If you were to think about before the legislation was passed, you have a building, let's call it, four stores home. After how much time do you expect need some major concrete restoration work? Like what's that time interval like -- for the initial -- it's like no work and then it needs a bunch of work. What's that time line like?

Expert ▶ 00:34:54

All right. Let's say that nothing was wrong from the get go, let's say that the building was reputable and they did a good job. Your first restoration job that might be fairly small, it will be about a 15-year margin. And the reason being is most of the regional warranties will expire within the first decade. Condos specifically, they have -- they are mandated to have a 10-year warranty in Florida as far as I understand. My memory may not be the most accurate, but that's how it works in the industry.

And after -- within the first 10 years, most likely you do need your seven years repair at that point. And in seven years after that, which is about 15 from construction, you're going to have your second paint job, and that one will coincide with your sealants, the stucco to metal, coating or silica whatever the building decide to use.

And at that point is when you're going to start seeing failure of the coating, failure of the coating of the waterproofing, et cetera, to the point that you're going to have to start looking into what got damage behind.

One of the biggest misconceptions of regular homeowners or per se, home -- even HOAs and condos. They are home owners, there are volunteers that do the work. So they might not be well informed of what's going on. And if the management doesn't really bring them up to speed on what's going on they will guide themselves on when to start doing work when the paint doesn't look good. So seven years will fall into the warranty. The second paint job is about seven years after. So that's why 15 years will be your first, and after that.

Client ▶ 00:36:16

How much would that 15 year would cost would you expect, like concrete work and kind of your overall restoration costs on a per unit basis, what would be your standard estimation there?

Expert ▶ 00:36:27

Well, at that point, what you're looking for is a more comprehensive paint job with maybe a 10% of the concrete or stucco to be addressed. So depending on the size of the building, I will say, -- if we got to go in façade -- either on the facade of a building, I will say that it's probably about \$2.50 to \$3.50, \$3.50 a square foot on facade.

Now once again this is with the idea of very minor stucco work. If the stucco is very expensive, the deal is about \$6 to \$7 a foot. Concrete actually goes into \$100-something. So depending on what they found, that's where you are.

Client ▶ 00:37:02

So after the 15-year mark, is it again, another 15 years till the next work is done and that's the cycle? Or does it speed up until the next time, what does that look like?

Expert ▶ 00:37:13

I believe that the big one after that will be your 40-year certification. Once they got a 40 years, they inspect the building from structural standpoint. So it's a little bit more accuracy in the report.

Client ▶ 00:37:23

And then it cost more.

Expert ▶ 00:37:25

Depends -- if the work was -- if the building was maintained properly, every paint job and you do every seven years, you repaint. If you address all the issues, there is really no need for that 40-year to be, oh, my god, now, we're going to lose our money. No. But if you neglect your building, yes, we do have a building that was neglected until it got the point of the 40-year, and that was a \$7 million project. And I'm telling you it really grew out of proportion after the job was started because of the lack of maintenance.

Client ▶ 00:37:53

Totally understood. I guess if you were thinking about all the high-rise work you do what share of those condominiums or buildings do you think are maintained on a pretty even schedule and there is rarely one of those big events? I guess, are most of the buildings going through a regular maintenance interval or what does that look like?

Expert ▶ 00:38:12

That's a tough question to answer to be honest with you, that's a tough one. It really depends on the health of their budget. That's what really makes a difference on how they maintain their building. So once again, buildings that are on a not as affluent area with lower or moderate income people will have more expensive tickets every time they do a paint job, probably they don't do every seven years, they do every 10. And at that point, those three years, that paint didn't protect your facade as it should, and you ended up with a bigger deal.

So I will say that it goes by the city. And I would like to believe that at least 50% of the buildings do their due diligence, especially on high-end buildings, they do take care of their building. They do have the healthy budget to maintain and they do it. But -- I mean, I'm thinking I will say 50-50 on that one.

Client ▶ 00:38:55

Is there a difference in kind of high-rise buildings versus, call it, medium low-rise buildings where high-rise buildings are more likely to do ongoing continuous maintenance versus low-rise? Or is there no dynamic there?

Expert ▶ 00:39:08

No, yes, there is. I mean, once again, it comes back to the same thing, most of the high-rises in South Florida, except quite a few, which is a minor percentage, most of the high-rises are on a nice city. Everything that is in a nice area will have a healthier budget to keep it maintained. Most of high-rises do meet that criteria. Yes.

Client ▶ 00:39:29

So is one of the -- now that the bill has passed, do you get the sense that the bill itself is driving the cost or the amount of work done up? Or is there something else here where it's still a fear of something else happening? So it's still the actual act of the building collapse versus the legislation that's driving the work.

The reason I ask is that I do not believe that there is any mechanism in place at this point to actually intake the forms for the structural integrity inspections. And so that's why I'm asking that question. Kind of what is the driver of this current work?

Expert ▶ 00:40:02

Yes. No, as I said the preset certification time frame is what drives your inspections. You hiring an engineer to do a thorough inspection of the building. But -- yes, because of the recent loss, I believe that all the engineering firms are being more snickery on how they conduct their business. So the law actually increased amount of work -- now once again, it doesn't determine when you're going to do it, but it does determine the volume of your work? I don't know if I'm explaining myself.

Client ▶ 00:40:28

I understand that. So if I'm thinking about all of these buildings that previously did a poor job maintaining their maintenance schedule, and they would let a long time frame go between when they did work.

So is a fair assessment be, could that be that they would do a large project every, call it, 30 years or so, it makes you, I think a ton of money into it because they didn't think into it in the medium term. And now because of these new laws and the legislation and they're checking it more frequently, will they do more projects more frequently now as this legislation has passed?

Expert ▶ 00:41:02

It should. Yes. Building orders should actually be more careful of their repaying cycles and how much they want to go into their building in every venture. So yes, I mean I expect -- and I might be dilutional on this, but I do expect building owners to be more thorough of their maintenance every paint, every seven years, you want to paint.

Now the only problem then it might work against that is all these new products that paint manufacturers are putting out there that they have a 10 or a 12-year warranty period. That might actually work against the ability for the building owners to assess their building more often just

because the paint, actually it's an even more delay. That might be actually be bad thing. This is a fairly new products. So there is no many out there that went through the 10 or 15-year cycle before going to repaint, you know.

Client  00:41:44

Now if these buildings are, call it, bringing you guys in to do more ongoing work and the projects are smaller as a result, the building doesn't get into worse shape. Could this actually be a negative for your business? Because instead of doing these large projects, where there needs to be a ton of work done, there's much smaller projects, you do know more frequently, but they're just so much smaller than you don't end up needing to do as much work because they're in better shape overall. Is there a dynamic here?

Expert  00:42:13

Yes, I see what you're saying. On a low-rise, no doubt; on a mid-rise, maybe; on a high-rise, I don't think so. And I'll explain why, on a low-rise, you're going to do your job and you're going to do everything that you need to do. The structural components of a low-rise are not as complicated or complex as a mid-rise or a high-rise. So that's -- yes, that will actually eliminate the need for bigger restoration projects on a low-rise.

So on the mid-rise, it really depends on how thorough they are and how deep they go into it. But on a high-rise, I doubt it because it's -- the work is going to get done anyways. If you do it once every 40 years, or you do it four times every 10 years, the same amount of work is going to happen. I don't see a see -- as long as they maintain the building as they are supposed to, I don't see a difference in the amount of work you're going to do.

The big difference is when you neglect the building, when you don't have the budget to do what you need to do. But doing a smaller amount of work, every time you repaint, it will really not have an effect on the bigger guys. Why? Because the companies are not actually taking a year to do a restoration project, they might do a smaller project in six months, and now will give them the ability to go get another project on six months and so on. The market is very large. I think I said that, but it's a little room for qualified contractors to work in here.

It's a matter of being able to and it's about the rotation. I mean you're going to be busy based on the amount of people you can put in a project. So it's really no idle time, it's your ability to sell work or do the work that you sell.

So it will be a change in dynamic on how every company operates if per se, every seven years, every building decides to go full on and do everything they need to do or every 15 years for the products that actually last or are intended for the last 15 years. But as I said, I don't see judgmental per se. It's just a matter of -- it's like when you buy a car, if you do a three-year financing or five-year financing, this is exactly the same analogy here.

Great. Well, thanks for your time and insight. Have a wonderful rest of your day.