



## ASK THE EXPERTS

# Construction in the Granite State during Covid-19

The construction sector, like most, has been affected by the recent pandemic – but there's some good news. We reached out to several leading New Hampshire construction firms to learn how the Covid-19 pandemic affected their business, and how they persevered and succeeded despite an unexpectedly difficult market.

### Our experts:

- Roger Francoeur, President, **RPF Environmental**; airpf.com
  - Tom Sullivan, Manager, **Sullivan Construction LLC**; sullivanconstruction.com
  - Linda Roberts, Principal, CPA, CCIFP, **BerryDunn**; berrydunn.com
  - Jeffrey Luter, President, **Fulcrum Associates**; fulcrum-nh.com
  - Colby Luopa, Project Engineer at Maplewood Nursing Home, **DEW Construction**; dewconstruction.com
- **In what ways did Covid-19 affect your business/projects?**

**Roger Francoeur**, RPF Environmental: “We are an environmental testing and consulting company with a diverse market base, including the construction industry. As many businesses were putting the brakes on in March, we too had to stop and assess our approach going forward. We were concerned with our employee safety, the effect on our operations, and the impact on projects and customers. Our markets are primarily commercial and industrial, so issues pertaining to residential settings during the initial Covid-19 shutdown had minimal impact on us.

“Since we are considered an essential business, many of our hazardous material and remediation monitoring projects continued on through the shutdown; although a number of other non-construction-related customer projects were put into question as folks tried to come to terms with the health crisis. After that initial pause, we were soon getting busier with air quality assessments and customers taking advantage of their downtime by bumping construction and remediation schedules up to start sooner than planned. In addition, we ended up supporting some customers with post-COVID 19 cleaning verification

and health screening for their job sites.

“We consider ourselves lucky so far. The unknowns and uncertainty at the beginning of the pandemic created a lot of stress and anxiety, and it still brims under the surface as we keep an eye on the pandemic and overall economy going forward.”

**Jeffrey Luter**, Fulcrum Associates: “Since much of our procurement is completed before a project begins, we did not experience a supply chain impact initially. Over the past few months, as the pandemic has continued, we are seeing more shortages and delays in what we consider commodity items, such as lumber, appliances, hardware, HVAC accessories and light fixtures. We have adapted to this environment by extending our purchasing horizon considerably further than usual, i.e. items that we would source three to four weeks before they are needed on the job site are being ordered 10-12 weeks in advance.”

### ■ How can construction clients best prepare financially for industry-disruptive events, such as the coronavirus?

**Linda Roberts**, BerryDunn: “Capacity is king in the construction world. Whether

it is bond-ability, line of credit availability, equity capitalization, borrowing capacity, or days cash on hand, these factors or metrics, among others, are key not only to being successful in winning work, but give an indication of whether or not a company can weather business interruptions. The Covid-19 pandemic has brought challenges to construction companies, including cancellation or delay in starts for certain sectors like hospitality, significantly impacted material availability and cost (recent news is that lumber has increased at least 60% since April 2020), and complicated operations with distancing and sanitation requirements. All this impacts cash flow, drives up cost and lowers margins. Clients fare better through financial or business-disruption when they have:

A solid team-oriented culture (yes, culture impacts results.)

Great internal communication – both top down for direction and bottom up to enhance problem-solving efforts.

An exceptionally strong balance sheet – for example, a current ratio of 1.5 or higher, high cash levels, lowest possible days in the billing and receivables cycle, and a debt to equity ratio of 1.5:1 or less .

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Plenty of availability on their line of credit.

A financial reporting system that allows project managers to see job status in real time and financial reporting controls that require total estimated costs be reevaluated frequently.

The practice of obtaining recent prequalification updates and check-ins with subcontractors regarding financial, management team and labor strength and stability.

Assertive billing and collection practices.

Membership in group procurement and supply chain organizations representing core materials needs to minimize cost and gain greatest access when supply quantities are low.

A practice of communicating year-round with their advisors to ensure all are aware of current results and circumstances, harness the thoughts of experts they trust (you know the saying “we are smarter together”), and benefit from all available tax incentives or planning and minimize surprises.”

### ■ Have you encountered an event that has affected the industry like the recent virus/pandemic?

**Tom Sullivan**, Sullivan Construction: “Covid-19 is unique in itself because of how it came upon us so quickly, with no notice.

There were no signs that we were going to be dealing with a pandemic. In the past, we had economic signs that there would be different things coming, and in 2008, that was a major economic crisis for the construction industry. It affected everybody. With the Covid-19 situation, in New Hampshire we were very fortunate because the governor considered construction an essential service, which allowed us to continue to work with the proper protocols and protection for employees and owners. We’ve been able to do quite well throughout the pandemic. In 2008, the music stopped and there was just no business. Construction basically came to a halt. We needed to adjust quickly to that because of the market.”

### ■ What precautions have you taken to protect workers on job sites? In what ways did your staffers embrace the changes?

**Roger Francoeur**, RPF Environmental: “Our field staff is already well versed in the use of PPE and respiratory protection since they deal with hazardous materials and conditions routinely. Our office folks needed to change course with masks, distancing, hand washing, sanitizing, alternate schedules, working from home, etc.; it was a big change for them, but they continue to handle it well.”

**Tom Sullivan**, Sullivan Construction: “We implemented a lot of safety protocols as part of what we do. We take the temperature every day of everybody who comes on-site. We apply social distancing to our projects. We have a mask requirement for all people on our job sites — including people from our group and myself. We want to make sure nobody gets sick. Our objective is to keep everybody healthy and use the latest and greatest protocols out there to protect everyone.”

**Jeffrey Luter**, Fulcrum Associates: “With more than 300 workers across our job sites, we have been lucky to not have experienced any Covid-19-related absences on the labor side. However, we continue to be extremely vigilant, including screening workers daily as they enter the site. In order to encourage the safest environment possible, we are offering sick pay for workers concerned they may be symptomatic as an incentive to stay home when they are not feeling well. Luckily, PPE is already ingrained in our workflow, but as for any industry and work environment, we have had to get creative when scheduling work to maintain social distance. This means we tend to spread our footprint on a job site to reduce density, working on several different areas at once rather than flowing through the job in a more logical sequence.”

### ■ Tell us about a project underway during the pandemic, and how you succeeded in keeping it on track.

**Tom Sullivan**, Sullivan Construction: “We had just started a project in Bedford for TRM Microwave, a combination manufacturing space and corporate offices, and we were in the initial phases of getting started with site work and coming out of the ground. The folks at TRM Microwave were uncertain about whether it would affect their construction financing and whether lenders would continue with funding. However, they were very successful in continuing with funding and we were successful with continuing the project, because the Governor categorized construction as an essential business. It’s still on track and we’re fortunate that things have gone well throughout the project with this great client. We’re looking to complete the project within the original time frame.”

**Jeffrey Luter**, Fulcrum Associates: “The first task was to understand the regulations that were being proposed and revised on a daily basis, and figuring out how to implement them in the most efficient way possible. On a large multifamily project we’re working on in Massachusetts, we also had to comply with state requirements for temperature screening of all workers. With more than 100 >

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workers on site this could take hours to complete, so we invested in a thermal camera similar to those in use at airports to screen large groups of people simultaneously. We set up a screening station to scan workers and gather COVID certifications. After a few weeks, we were able to reduce the check-in time down to less than 30 minutes. We also constructed and set up temporary hand-washing stations with hot water, and deployed them in several areas throughout the site. On a site with three buildings and 12 levels, it was important to have numerous units dispersed throughout the site, so workers were never far from a hand-washing station.”

**Colby Luopa**, DEW Construction: “Maplewood Nursing Home in Westmoreland, New Hampshire, is a staged project currently in Phase 2 of renovation. The facility is fully operational and to-date has reported zero Covid-19 cases. DEW is very aware of the responsibility we have daily to the health and safety of team members, residents and employees at the nursing home. Working in close proximity to a high-risk population such as the nursing home’s residents requires the utmost discretion. To ensure construction continues in a safe environment, a number of procedures have been put in place,

including but not limited to the following:

- Graphical ICRA plans detailing temporary walls, complete and sealed separation walls, negative air machines and air pressure monitors are present to show staff and residents that negative air is maintained.
- Communication is critical. Daily screening, sign-in sheets, weekly ICRA coordination and inspections are how we stay accountable to each other on-site.
- A remote staging yard and shuttle bus for workers to be picked up and dropped off in a designated location to avoid interaction with staff and residents.
- Flexibility with scheduling, enabling work and off-hour shutdowns as needed in occupied areas.

**■ How did you ensure that projects were back on track once precautionary restrictions began to lift?**

**Jeffrey Luter**, Fulcrum Associates: “Once we got through the initial adjustment, crews seemed to have adapted to this as the new normal. Most of our projects never shut down, so there wasn’t a lot of catching up to do. We were mindful of the fact that we were always just one Covid-19 infection away from having a job shut down, so everyone on the team was motivated to remain vigilant in health precautions in order to keep the environment safe and to keep the project >

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moving.”

### ■ What is the outlook for the remainder of 2020 and looking beyond into 2021?

**Roger Francoeur**, RPF Environmental: “We are optimistic about the near future as the U.S. reopens, as long as the economic recovery continues. Ideally, we will even see a rebound increase in 2021. Another shutdown or deep recession would be difficult for all of us.”

**Tom Sullivan**, Sullivan Construction: “Thankfully, the construction market seems to be holding up for the remainder of 2020. We have multiple projects going on, and we have work slated to begin in march of 2021. Some of our current work will carry over into ‘21 — a new corporate office and a credit union for Members First Credit Union in Manchester is under construction. That will carry into summer of 2021. We are involved in multiple business sectors that are going strong. We are also working on a branch for Bar Harbor Bank and Trust in Bedford slated to be done later in the year. Our relationships with our valued clients are our top priority. We are very fortunate to get 85% of our work from repeat clients, and we love to be a part of the process that helps them grow their business.”

**Jeffrey Luter**, Fulcrum Associates:

“2020 revenue will be off around 5% from projection, so overall we’re pleased with that in light of what other industries have endured. I think it’s safe to say that the construction industry will see some degree of slowdown in 2021 as owners and developers take stock of the new economy and see how it affects their business. I don’t see things returning to normal until we stop hearing business plans prefaced with the term ‘Phase X.’ Business owners need to see some degree of stability before committing to any large capital project, even if things cannot return to normal for another year or more.”

### ■ Sullivan Construction LLC is celebrating 50 years in the business. What have been some of the most notable changes over those five decades?

**Tom Sullivan**, Sullivan Construction: “The biggest changes Sullivan Construction has faced over the past 50 years are the emergence of technology and need for sustainable building practices. When we first started the business in 1970, we didn’t even have cellphones, so transitioning our business to a digital era was not only important for our business to grow but essential. An example of one of the computerized software programs we use is Procore. This is a digital project management system that changed the pace of our business. Decisions and com-

munication are navigated faster among all team members, owners, architects, subcontractor and vendors. This service provides us the ability save our clients time and money. Today, this software has become mainstream in the construction business.

“Within the last 15 years, the need to build sustainably as a construction firm has increased and, in 2012 we became the first Platinum LEED-certified office space in the state of New Hampshire. Our experience with sustainable building has allowed us to offer clients high energy-efficient buildings that offer better lighting, HVAC systems and increased insulation values. We use our certification to create awareness to clients about sustainable products that can meet their budget and are better for the environment.”

### ■ What Covid-19 related services are you now offering your customers?

**Roger Francoeur**, RPF Environmental: “The most popular services we are providing related to Covid-19 include post-cleaning verification, surface testing, air quality testing and health screening. Once a cleaning has been completed, some organizations want or are required to have a level of third party oversight and review of cleaning efforts:

- Post-cleaning verification involves checks of engineering controls used,

proper methods for cleaning, and spot checks of surfaces for signs of visible debris following cleaning efforts. Surface testing provides further verification.

- Covid-19 surface testing involves collecting swab samples from representative surfaces in a building for laboratory analysis to determine the presence of the virus utilizing quantitative RT-PCR technology. Or we perform random post-cleaning spot checks using

- ATP surface testing. Adenosine Triphosphate (ATP) testing measures residual organic matter — it does not detect specific types of bioburden, pathogens or viruses such as Covid-19; however, it will help provide a qualitative measure of cleaning efforts on each surface, and it requires only seconds to complete. Healthcare systems and the food industry also frequently use ATP monitoring to help verify cleaning efficacy, while still recognizing that it is not sufficiently sensitive to be used as a guarantee of full disinfection.

- Indoor Air Quality testing is now also being used to determine if specific rooms in buildings have sufficient ventilation to allow for people to be together safely indoors according to CDC guidelines and other related air quality assessments.

- Health Screening is a new service we have been providing to a few larger industrial contractors that required third party oversight.”



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■ **What does BerryDunn's Construction Group offer to its clients?**

**Linda Roberts**, BerryDunn: "We offer a suite of specialized assurance, tax and consulting services, coupled with deep industry expertise to help construction clients create, grow and protect value. Each team member specializes and immerses themselves in this dynamic industry, so we can deliver only the highest-quality service and share the knowledge our clients need to gain control over the opportunities and challenges that drive value, to become stronger. We bring flexibility, expertise, careful attention and industry experience to the traditional services expected of a CPA firm. Our high-quality, proactive, value-added services support the complexities of construction clients' financial and business needs at fees they can afford. Whether clients need to tackle multi-generational succession planning, navigate the nuances of properly maintaining and elevating value of an ESOP, perform tax and accounting due diligence on an acquisition prospect, prepare for a merger, understand state and local tax exposure or optimize tax structure, we have dedicated experts with industry experience.

"We are industry certified. Group tax and audit leaders are Certified Construction Industry Financial Professionals (CCIFPs), a credential overseen by the Institute of CCIFPs that communicates dedication of time to attending current industry education and serving industry clients.

"We are involved. We are active leaders and participants in industry associations both regionally and nationally, including Associated General Contractors, Associated Builders and Contractors, Construction Financial Managers Association and ACEC. We attend meetings and seminars to learn the latest, commit time to boards and committees, and speak at events to educate members. Topics we speak on include ESOP feasibility, accelerating business value in times of uncertainty, minimizing certain business risks, navigating Payroll Protection Program loan reporting and forgiveness, fulfilling fiduciary duties under employee benefit plans and, yes, audit, accounting and tax updates.

"We invest in industry resources. We are exclusive members of Construction Industry CPAs Council (CICPAC) representing New Hampshire. Through CICPAC, we have access to thought leadership and problem-solving resources of CPA firms together serving over 11,000 construction. The group taps into financial benchmarking resources such as CFMA's Financial Benchmarking Survey and BizMiners reports, and analyzes clients' results against others in their sector to provide insights into areas of focus, perhaps those outside of industry norms." **NHBR**



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