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CLOSE-UP: WALTER FEGLEY

Simple strategies behind Reno Contracting's growth

By PADMA NAGAPPAN, Special to the Daily Transcript

Walter Fegley, president of **Reno Contracting**, has worked with founder and CEO Matt Reno for nearly 20 years. They have worked together since Reno co-owned a company called MQ construction.

Reno Contracting has garnered many awards and citations, most recently the 2007 General Contractor of the year by the American Subcontractors Association. The company focuses on the niche industries of biotech and technology; it has also undertaken tenant improvements, site development, commercial and industrial projects.



Fegley started out as an estimator, after an injury forced him to take up an office job in 1987. Reno hired him as a project manager in 1989 during a booming economy. MQ had 300 people on its payroll, but when the downturn came in 1993, there were just two foremen left. The partnership was dissolved and Reno started his own company, Reno Contracting.

Fegley ran all the operations and grew with the company, bringing a passionate commitment to his work. Since 1999, he has been responsible for all the hiring and now does final interviews before decisions are made about new hires.

"I look for the same passion in candidates. If their moral compass is not leaning towards our mission, then they won't be a good fit," he said. "Hiring the right people is very important. During the final interviews, I mostly check to see how they would react under stress. It has taken a while, but we've had the best company we've ever had, and we've come a long way since 1993."

Construction is a tough industry, he said, but Reno Contracting has an impeccable reputation, for which he credits the staff. Reno, as CEO, sets the tone and every one really lives it -- it is not just a selling point, according to Fegley.

Tilt-up construction and build-to-suit are two areas where the company built a reputation. Tilt-up involves pouring the concrete slab and curing it for seven days before setting in place the wood forms and reinforcing steel that form the walls. A week later, a crane is used to lift the walls, which are released from the slab with the help of bond breakers, and they are set in place along the building perimeter.

This is all done in one day, and it used to be prevalent in Southern California in the 1980s, when MQ was the biggest tilt-up contractor. In the '90s, with the prevalence four- and five- story buildings, the trend shifted away from this technique. Currently, Fegley said Reno Contracting is one of the very best build-to-suit contractors in San Diego.

"The goal is to hit the budget and get it done on time. We always do that -- we work with developers and give them a budget early on that they can go to the bank with. It's really a science -- estimating and using technology," said Fegley. He added that the industry continues to change, with the new guard coming in armed with an education in construction.

The company began doing biotech construction in 1998, when Reno saw that life sciences was a growing industry in San Diego. Current projects include a stem cell research facility for the Burnham Institute. It will be a lab environment for experimentation and analysis.

Reno Contracting's first biotech project for Diversa Corp., which is now Verineum, a biofuel company that develops cellulosic ethanol, gave the firm the experience it built on.

"As you continue to work with good people, over the years, if you do a good job, they stick with you," Fegley said. "We try to stay diversified, but we specialize in niche markets. A lot of times, there's a tendency to jump ship when the going is slow, but biotech continues to (provide) work."

Tenant improvement projects form a good share of the work the company undertakes. For 2008, corporate offices, followed by biotech construction, are the major avenues for revenue.

Reno Contracting is building Terraces, comprised of LEED (Leadership in Energy and Environmental Design) certified office buildings near the 52 and 805 freeways, for Sudbury Properties, estimated at \$58 million; an \$82 million office building project near 163 for ResMed; and a \$45 million, six-story medical office building for Scripps, in collaboration with Kilroy Realty.

The green construction trend is here to stay, and Fegley has pushed employees to get LEED accredited. So far, 10 employees have received accreditation and 20 others will soon be tested. More than 60 percent of the company's projects are LEED certified, and Fegley credits this achievement to early adoption, finding out whom to partner with and California's implementation of green building codes.

He estimated that green building methods cost about 1 percent to 3 percent more on average, compared to regular projects. Such buildings can charge higher rents, and the public expects utility companies and pharmaceuticals to build green, he said.

This year the company has been busier than any general contractor in the area, Fegley said, mostly because it has an established track record, is local and has principal participation -- with Reno closely involved and Fegley overseeing the projects.

"With every project, big and small, we put our reputation on the line," he said.

Still, Fegley does not expect next year to be comparable. The company will gross \$200 million this year, but for next year, while he is certain revenue will top \$100 million, he said that the backlog of projects does not look as good. The company is investing in marketing, especially in the Inland Empire, where it recently expanded.

It will also take stock, in terms of its brand recognition; update software systems for estimations; and generally prepare itself to be in a good position for when the market swings back. Fegley expects it to take at least 12 months, possibly up to 18 months for the economy to recover, especially in Orange County, Inland Empire and San Bernardino.

As for future prospects in the San Diego market, he said that while the company does a lot of pre-construction services like running estimates, when it comes to actual construction, "There is an attitude of let's wait and see. Financing is an issue. Even on our larger projects, financing can get pushed around and material costs are going to rise.

"So you have to keep looking to get more efficient and work with the right people."

Padma Nagappan is a San Diego based freelance business writer.