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POSITIVE CHANGE
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EXCELLING AT EXPANSION
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TECHNOLOGY TITANS
Samsung Austin Semiconductor makes progress on its \$3.6 billion manufacturing plant addition.

HIGH SCORES

DSLD HOMES → p. 20



An Evolving Diagnosis



The 1990s were the beginning of what would turn out to become a significant shift in the way healthcare facilities were conceived, designed and built. With healthcare profit margins slimmer than ever as a result of regulatory changes, new developments in managed care, and liability and insurance complexities, hospitals, medical centers and healthcare groups began to think outside the downtown hospital box. The advent of more flexible state regulations with regard to statutory requirements for the construction of medical facilities created additional flexibility for site selection and facilities development. New locations and medical facilities in everything from strip malls to standalone suburban centers began to crop up, and commercial construction professionals and healthcare experts

alike began to acknowledge and embrace these important changes.

Two decades later, it is clear the changes taking place at the end of the 20th century had some profound implications not only for the healthcare industry but for construction professionals and commercial developers. While the growth of “mall medical” has perhaps not taken off with the speed that some analysts and observers predicted, medical construction as a whole has carved out a well-defined space in the broader commercial construction industry. As experienced construction and development professionals can attest, healthcare facilities and traditional retail and mixed-use developments share similar priorities: a strategic location, accessibility, visibility, high-quality infrastructure and appealing aesthetics. But for all of those similarities, healthcare construction has its own distinctive and defining characteristics that make successful healthcare construction a special challenge. There are design, development and construction requirements that are unique to the industry, and a number of technical, logistical and material considerations that must be considered. Taking a closer look at some of those similarities and differences and evaluating the state of healthcare construction and development in a broader market context might provide some important insights into not only where the industry is today, but also what the future might hold for healthcare construction.

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IN THIS SECTION



A Continued Evolution

Overall, healthcare construction has remained relatively robust at a time when other sectors have fallen off significantly. Not all performance is equal across the board, however. Much of the ongoing growth has been within the private practice market as opposed to the larger public healthcare organizations where capital programs have dried up in recent years. The aging U.S. population and the always-influential Baby Boomer generation continue to wield an outsized demographic influence, and the healthcare industry is still playing catch-up in terms of providing the infrastructure growth and improvements necessary to accommodate them.

One interesting trend we are seeing recently is landlords have generally been more willing to pay for a more comprehensive build-out in exchange for increasing rental rates. This is likely a reflection both of the relative health of the medical sector and an early indication that the economy has turned the corner. Along with that continued strong performance come the inevitable reminders that healthcare is a business and has to sell their services like any other business. With competition and plenty of providers trying to offer a great product and high-quality facilities, there is an abundance of opportunities for upgrading, retrofitting, refinishing and renovation. In addition, branding is becoming more important than ever before in the industry, with some interesting implications for construction and development professionals.

With hospitals signing exclusive multiyear contracts and alliances with regional specialists, there is plenty of work out there in terms of rebranding and potentially reconstituting medical offices to reflect those partnerships and maintain consistent standards and messaging. Improving the quality of tenant spaces and updating facilities with new colors, names, signage and other aesthetics considerations is an ongoing growth opportunity for construction professionals.

Unique Considerations

From a construction standpoint, one of the inherent challenges of working in healthcare construction has always been the unique functionality complexities that can be an integral part of such a specialized industry. A medical weight-loss center or other specialized care facility may require reinforced floors and wider doors, for example. An imaging center requires a number of design and material specifications and specific build-out requirements needed to protect the health and safety of the people who will be working there. Potentially dangerous equipment requires rooms specially outfitted to accommodate x-ray machines as well as wall thickness and materials specifications designed to limit possibly harmful radiation exposure. In an industry where advanced medical technologies are the norm and new and more sophisticated equipment is rolled out seemingly every year – often with its own new set of construction, storage, maintenance and operational guidelines to minimize potential health risks – adapting to rapidly evolving technological systems is a challenge.

When it comes to coordinating construction costs with a retail or mixed-use landlord, healthcare tenants present both additional complexities and appealing advantages. Tenant-improvement costs are often high-

Global Gaming Solutions LLC → p.92

Global Gaming recently revitalized a racetrack and casino property.



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Company Profiles

- 92 Global Gaming Solutions LLC - Remington Park
- 96 Scaparotti Construction Group
- 100 Sirina Fire Protection Corp.
- 104 WELBRO – Hyatt Regency New Orleans
- 108 Advanced Real Estate Services
- 111 TSI
- 114 Kenny Construction Co./Obayashi – OARS project
- 116 Reid & Associates Design Builders

er for medical tenants than retailers. A dental practice build-out might be in excess of \$100 per square foot, and a surgery center or other complex specialty can run more than twice that amount. In addition, it can be a challenge and an expense to convert a space that's been designed and built for medical purposes back to a traditional retail use. Medical facilities also have lighter parking demands and have a tendency to attract patrons during off-peak hours, which are appealing benefits for landlords and fellow tenants.

Specialized Expertise

The unfortunate truth is that, all too often, construction firms move into medical construction "by accident;" i.e., an opportunity comes along



and they take the job. Like in any industry, it pays literally and figuratively to work with experienced professionals that know the niche and the industry. The best firms have staff embedded with the client and on site with the facilities, as well as a range of experience within specific medical specialties.

The result is an intimate knowledge of the technical, logistical, material and financial considerations unique to healthcare construction. That degree of specialized knowledge adds value and can generate significant savings during build out. They understand what municipalities will require, and they are able to provide valuable technical insights throughout the construction process.

Knowledgeable professionals with demonstrated healthcare construction experience understand specialized medical needs with regard to plumbing, electrical and utilities and know how to efficiently and affordably modify existing infrastructure. They have built and renovated satellite medical buildings for many different healthcare organizations, and have firsthand experience in strategic cost reduction. They not only know what you need, but

also what you don't need. Their established work in this niche and their knowledge of how both structural functionality and regulatory compliance will apply to a project can help save as much as 20 percent of a project cost.

Prioritizing experience and expertise confers structural advantages, as well. Because of the hierarchical complexities in many healthcare organizations, knowing who needs to be involved in each aspect of the project can help minimize disruptions and maintain or shorten timelines. Some of the most experienced operators in this sector also function as property managers of many medical buildings, engaging with healthcare tenants on a regular basis.

A Bright Future

Going forward, the signs continue to look good for the healthcare industry and, in turn, for construction and development professionals specializing in healthcare construction.

Medical construction has been one of the few commercial development sectors not significantly impacted by the recent recessionary cycle, and it is reasonable to expect that as the economy gradually improves in the months and years ahead, that trend line will only look more promising. Providers of medical facilities and services seem destined to continue to occupy an increasingly prominent space on the commercial development landscape.

Construction professionals who are familiar with the unique features of that landscape will be able to strategically position themselves for long-term success. ♦