

COVID Impacts on Construction

MARCH 2020



The COVID-19 situation is developing rapidly and we, along with all of our partners, are trying to stay in front of potential issues this may/likely will impact. As this situation develops, there is an increased likelihood of material delays, inspection cancelations, and workforce shortages some of which we've already begun to see in some form or another on certain projects.

Impact to Materials

We have confirmed issues with certain materials being delayed from shipping to the US from China and Europe. The majority of light fixtures, steel, wood, drywall, etc. come from other markets and will likely be impacted during shipment to the US. Specifically, we have two projects in the last week with light fixtures held at customs which will not be released for the next 8-12 weeks causing those fixtures to be re-specified. Advice to architects is to specify as much domestic product as possible, but expect that even domestic materials will be impacted by excessive demand and/or strain in transit to each city.

Impact to Labor Market

On March 19, 2020 the State of California issued Executive Order N-33-20 requiring individuals to work from home with the exception of essential services. The Governor's office later published additional information providing clarification of Essential Critical Infrastructure Workers (<https://covid19.ca.gov/stay-home-except-for-essential-needs/>). Under this clarification, "Other Community-Based Government Operations and Essential Functions" are noted as permissible activities which includes "Construction Workers who support the construction, operation, inspection, and maintenance of construction sites and construction projects (including housing construction)."

We have maintained communication with general contractors throughout the region to confirm a consistent understanding/interpretation of this order and, for the most part, they are in agreement to continue active construction. General contractors will need to provide adequate safety measures on-site (hand washing stations, 6-foot separation between laborers, etc.) and monitor that less than 10 individuals are gathered at a given time, but should be able to accommodate these requirements.

Impact to City Plan Check/Building Inspections

We should prepare for a scenario in which municipalities limit or cancel non-essential services such as plan check and building inspections. Multiple cities have reduced their workforce by ~50% and shut down their building departments.

If and/or when this occurs in your city, plan check reviews will be halted. This means no new building permits will be issued; similarly, if and/or when building inspections are halted, there would be a stoppage in construction in the field (with the exception of any small projects that don't require a permit).

Certain municipalities have adopted "virtual inspections" conducted via mobile app (FaceTime, Zoom, etc...) and we are encouraging our inspectors to adopt this approach to allow construction to continue in the field.

Force Majeure, Rent Commencement

For projects under design/construction, we're recommending clients speak to their brokers and landlord about enacting force majeure language to preserve their beneficial occupancy and delay rent commencement until this issue passes.

What We're Doing

- Preparing active project sites to securely demobilize if necessary
- Developing contingency plans and best/worst case scenarios (i.e. how quickly can we re-mobilize assuming a 30 day shut down, what if it is longer?; How will contracts/pricing be affected?)
- Maintaining business as usual with any projects in the planning & design phase. Most design firms are working remotely and projects in the design phase are receiving more attention with the lack of on-site construction meetings

Obviously the situation is developing rapidly and news breaks every hour, we'll continue to keep everyone as up-to-date as possible on what we're seeing on the horizon.

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