Not Just a City in Rebuild

In Philadelphia, Contractor Joe Gallagher Moves Ahead With a Diversified Company That Includes Demountable Partitions, While Striving to Restore the Past Glory of “Contractors’ Row”

If Philadelphia’s Joseph C. Gallagher gets his way—and he usually does—the famed old “Contractors’ Row” in the city will be restored and so will a lot of other construction-related things.

A native of the Philadelphia area, Gallagher heads up Tabor Acoustical, Inc., located in North Philadelphia’s well-known West Thompson Street where once most of the major general and specialty contractors maintained offices. In the last two decades, the neighborhood declined but since Gallagher located his diversified interior-exterior wall and ceiling business there he’s been working to restore the “Row.”

At the same time, the 40-year-old ex-combat engineer has been busy restoring historic buildings in center city while operating a fast-moving rehab construction operation. His $10-million-year company offers lath and plaster, drywall, demountable and interior partitioning, sprayed fireproofing and specialty millwork.

The son of Louise Cammerer Gallagher and the late Joseph C. Gallagher, an independent carpenter-home builder, Joe began his carpentry career as a 16-year-old working alongside his father. A four-year hitch as a construction engineer in the Army followed, topped off with two tours in Vietnam as an engineer and explosives specialist.

Upon his discharge, Joe served his carpentry apprenticeship. He moved into drywall work in 1970 when he went to work for Vaughan Walls East, then began moving up the management steps before launching Tabor Acoustical in 1980.

By 1984 he had bought out his former partner/employer and steered the company to an outstanding reputation in restoration work. His 28,000 square feet West Thompson Street headquarters consists of a 3-part parcel within a one-block area, topped by an old two-story brick structure which contains a complete millwork shop.

Joe liked the location, largely in part because it once was home to the top line and famous Philadelphia contractors, a location where a buyer of construction could start at one end of “Contractors’ Row” and fill his specialty needs list by the time he’d reached the other end. It’s Gallagher’s dream to restore the Row—both as a contractors’ location and the buildings that served them.

Married to the former Penney Wilt, of Pittsburgh, he is the father of three children, Joe III, Charles, and Molly. From his home in Williamstown, NJ, Joe makes the daily commute acre the Delaware River to his offices.

As a member of the Association of Wall and Ceiling Industries—Interna-
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tional and the Interior Finish Contractors Association, Tabor Acoustical represents the main thrust of a business complex whose subsidiaries include real estate, investment, and asbestos abatement—all of which are enjoying a fast ride up.

DIMENSIONS: Your company is obviously well diversified for interior and exterior partition work. Have you made a firm commitment as to the type and quantity of market you seek?
GALLAGHER: I know precisely where I am and where I’m going. Basically, I’ve structured this company to specialize in small renovation work. I don’t want large work although, admittedly, I’ve taken on a few large jobs.
At least 80% of my business is in this small renovation or rehab work. We’re good at it: we know what we’re doing, and we’ve got a solid customer base to prove that we’re on the right track from a marketing standpoint.

DIMENSIONS: This kind of market is a tough one to bid, and I should imagine the competition isn’t all that ferocious, is it?
GALLAGHER: It’s tough to put a unit price on a rehab project because much of the work is estimated from experience with similar—seldom identical—type of work.
You look at what needs to be done and then your experience will dictate a price quote. I’m talking about plaster patching, restoring ornamental plastering, the most precise millwork and refitting pieces.
These are not the kinds of skills that you can simply apply a precise count on the time. I have often told my customer, “Look, I’ll put a top talented ornamental plasterer in here for 4-6 weeks.

DIMENSIONS: But it’s not all “what the traffic will bear” pricing for rehab work, right?
GALLAGHER: Well, we give a price and usually other specialty rehab competitors are bidding on the same job. So many different disciplines are involved in a rehab job that it often goes to the contractor with the best package to offer. If there’s some real complex millwork—doors, windows historic sash, tables—to be done you can bet we have an inside track.

DIMENSIONS: Is it this requirement that prompted your own swiftness in diversifying?
GALLAGHER: We’ve had to respond to the market, yes. With renovation work, a variety of services is very beneficial.
Because we’ve structured and grown as we have, we’re not especially competitive on large, traditional jobs. I’m not the type to enjoy winning one of 17 bids and then know that the one I’ve won is probably the result of a mistake.
We come out with the job one of four times and we haven’t bid ourselves to death either.
The diversification allows us to spread out our overhead, too.

DIMENSIONS: Don’t they try to break out your package bid sometimes? And will you break out?
GALLAGHER: It depends on the customer and how bad I want the work. As a rule, we try not to break out. If we do, we prefer that it be a deduct from the base bid. Ours is a standard markup and we strive to
maintain it. Our profit margins are set-and our competitors see to it that the margin is quite reasonable.

DIMENSIONS: Even with your wide spread of abilities, I should imagine then that you must do some subcontracting of your own when a peculiar spec shows up?

GALLAGHER: That’s true. Architects right now are on a rolled edge kick and I hope they get off soon before I must invest in some expensive equipment.

DIMENSIONS: Is it true that special customer service is a must for a specialty like this?

GALLAGHER: More so, I think, than in traditional construction work. It’s not so much the customer wants it as it is he needs it—and soon.

Keep in mind now that I’m not talking just historical restoration. Nor am I discussing only small jobs. We’re geared to handle anything from $320 patch job to a $2.4 million hospital rehab. In Philadelphia’s center city, we have a very significant large project market where owners of old buildings must update to compete with the new construction. There’s a fine market right now in redoing commercial office building lobbies and corridors.

That’s not to mention the tenant work we obtain each time a move is made or a new sale negotiated.

Frankly, I look for the Philadelphia market to remain strong for another three years.

DIMENSIONS: I should imagine your company has a number of maintenance contracts with on-going customers?

GALLAGHER: Well, we have four locations downtown from which we can provide 24-hour plaster patching work. Our customers know of this service and while we don’t regard this service as contract, it’s there and available for a phone call.

DIMENSIONS: I realize dollar averages are dangerous, but what is your “bread-and-butter” job?

GALLAGHER: Our best operating level is the $150,000 to $200,000 job. That’s where we go into an office area or building, gut it and completely refurbish.

DIMENSIONS: And that would take you into all kinds of office partitioning and finishing . . . products such as demountable partitions . . . open of-

fice landscaping . . . less than ceiling height? Is that correct?

GALLAGHER: Yes, some more than others. The floor-to-ceiling wall is the market here. Drywall is moving into most wall work, but hospitals still like, for hygiene reasons, the thin veneer finish and the pharmaceutical companies will go for the plastered wall.

Still, though, epoxy is epoxy and you can paint or finish drywall so that it can be steam cleaned, too. All you need do is increase the mil thickness to achieve the same necessary specifications.

DIMENSIONS: And demountable walls. I should imagine you are able to provide this kind of partition?

GALLAGHER: We’re able to provide any kind of wall the customer wants. Acoustically rated low partitions and work stations combined with office furniture arrangements is very strong.

Demountables offer many advantages but they apply best in a situation where the relatively higher initial installation cost can be amortized over a longer period. The average set-up in downtown Philadelphia is for a 5-year lease, and building owners usually want their own crews to maintain the partitions.

Existing tenants usually vacate or seek more floor space. A demountable generally has a fixed color scheme and new, incoming people often won’t accept someone else’s selections: they want their own colors or finishes which can work against a demountable installation.
DIMENSIONS: Existing tax laws are also quite a boon to so-called “non-permanent facilities,” aren’t they?

GALLAGHER: The tax laws are very important. On most office area projects, you’ll often put in a few floor-to-ceiling partitions for executive privacy and then the rest of the project will be in open planning . . . work stations, computer locations, acoustical panels, etc.

That way, the major portion of the work can be written off as furniture. Here in Philadelphia, we have office furniture dealers and a few contractors who specialize in this market.

DIMENSIONS: —so—

GALLAGHER: —there’s another factor at work, too.

Many building owners or managers, especially in the non-union suburban locations, prefer to handle their own small office renovations, do tenant work with their own people where relatively permanent, traditional partitioning combines with lower rental rates to form a viable market.

DIMENSIONS: Where does that leave demountables?

GALLAGHER: It leaves them still strong in the booming suburban market, but rather weak in center city. I believe the demountable market is in the suburbs . . . at least, that’s where our success has been.

A CPA in suburban King of Prussia wants a vinyl wall if the rental rate is right. In center city, a law firm may object to a demountable wall.

DIMENSIONS: Your flexibility to handle so many aspects of an interior—even exteriors—indicates that on a complex job, though, you function almost like a general contractor.

GALLAGHER: —that’s not quite true. Only 10% of our work is direct with the owner and the rest is with a general contractor. We definitely prefer the latter because we don’t want to get involved with other trades.

We work with a selected list of quality oriented GCs who also specialize in this work. We know their personnel, know how they like to do things, and how they handle problems and projects. Their knowledge of us is just as accurate. That makes for efficient, profitable work.

DIMENSIONS: And outside contractors, those with whom you’ve not worked before?

GALLAGHER: I won’t rule out any GC—but I will get information on him beforehand. There are ways to do that.
**DIMENSIONS: Are there any local GCs with whom you won’t work and, if there are, why?**

**GALLAGHER:** Any contractor is known by his reputation and the ones we won’t work for can look to their contracts to learn why.

It’s the hold harmless clause they want us to sign: only a fool would accept such a legal liability. I never held my employer harmless from paying me, and I won’t take it the other way from a GC either.

Sign the hold harmless clause these GCs demand and if the owner goes bankrupt the GCs aren’t liable to pay the subs. No wonder these kinds of GCs are bondable—and I’m constantly amazed that some subs will go right ahead and sign such a contract.

**DIMENSIONS: What complaint is as old—and as valid—as construction itself?**

**GALLAGHER:** Yes, it will take a number of subs to give a collective “no” before the situation will change. And you known what chance you have of that occurring.

**DIMENSIONS: Of the contracts you encounter, what is your biggest gripe?**

**GALLAGHER:** Oh, the conditional payment clause is by far the biggest problem. I have to pay my labor and suppliers, but the GC has managed to get himself exempted from an obligation to pay.

**DIMENSIONS: And retentions?**

**GALLAGHER:** That’s like beating a dead horse. I realize the contract says that the retention is reduced when half of the job is complete, but they don’t always conform.

Many GCs get the feeling that the other 5% actually belongs to them and any trouble with their customers and they keep all retentions.

Remember this, too: when a GC owes you money and he is making profit while on a completed work accounting basis you will become the scapegoat. There’s no way he’ll show the job completed and then have to pay the tax.

**DIMENSIONS: How effective is a lien?**

**GALLAGHER:** Not very. I can’t use liens effectively. Of course, I can file a lis-pensu (people beware) posting showing that I am prepared to file.

But unless a building is actually up for sale the lien doesn’t mean much. Liens work on housing, not on hi-rises. The only recourse I appreciate is if I haven’t already finished something then don’t finish it until you’ve been paid.

**DIMENSIONS: Right now, though, the market is good in Philadelphia which means those GCs will ease up on bad pay practices to assure good future working relations, right?**

**GALLAGHER:** Yes, there does seem to be a bit better payment practices. And Philadelphia is in a high activity profile for commercial buildings.

There’s a tremendous amount of turnover space in the older buildings because of this new building emphasis. The new buildings are actively seeking renters, and the old buildings are rushing to keep pace with a growing quality market.

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For that reason, too, you don’t see much migration by contractors. It’s mostly just expansion within the market itself.

**DIMENSIONS: What about exteriors? Many old buildings need a complete face lift, don’t they?**

**GALLAGHER:** Three elements are involved in any retrofit of an old building.

First, the exteriors often need work to give the building a clean, modern, rentable appearance.

Second, the lobbies and corridors must be redone, and then the office areas themselves, and

Third, the matter of potential asbestos abatement must be fully considered.

**DIMENSIONS: That’s four if you count the office areas separately. Is Tabor Acoustical prepared to accommodate all of these elements?**

**GALLAGHER:** We can put a package together, yes.

We’re a Dryvit applicator and have already done some attractive projects—such as an old hospital in Mosaic earth tones—so we’re a recognized quality performer in the market. As for the lobbies, corridors and interior partitioning, that’s always been our strong specialty.

And I’ve recently set up a company, CDS, Inc., which is now fulltime performing asbestos abatement work.

**DIMENSIONS: You mentioned earlier that you are also involved in some speculative work on your own. What does that consist of?**

**GALLAGHER:** Before the tax laws changed, a market worth some $150-million a year was active in Philadelphia. Limited partnerships were buying up old warehouses and factories, converting them into apartments and condominiums and selling them.

I did a great deal of this work, plus some truly exciting historical renovation work . . . and I got infected.

As a result, we are buying old buildings ourselves and renovating them for profit. At the same time, I also am buying old historical homes and renovating these properties for rental. We aren’t selling them, just renting for the positive cash flow.

**DIMENSIONS: Do you see asbestos abatement as a valuable adjunct for any renovations contractor?**

**GALLAGHER:** I can only speak for myself and I found the contractor training seminar by the Asbestos Abatement Council both worthwhile and useful. I pretty much taught myself about asbestos and then, in the seminar, learned how to protect my employees.

When I get a “dirty job”—that’s one where asbestos is or is suspected of being present—I turn it over to CDG which contracts the work direct from the owner. Only after the structure is certified “clean” does my company come onto the premises.

Like many other contractors, I had my insurance problems—I was cancelled out by one insurer—but the insurance industry is loosening up now on the subject of coverage and the rates are coming down.

**DIMENSIONS: Sounds as though you have your future pretty well planned: renovation and rehab on older buildings, and asbestos abatement to ride it out with an emerging market.**

**GALLAGHER:** That’s the plan. So far it’s been right on schedule.