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## Architects (and General Contractors).... If They Only Knew

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It is still amazing to me after 32 years in this business that you need a license for virtually everything in this business except to be a developer. As a financier I have met hundreds of people who call themselves developers, they come from all walks of life, former lawyers, bond traders and my favorite the doctors and dentists. While I've never kept data on the subject it's safe to say that less than 5 % of the people I've met that call themselves a developer have any architectural or construction training. I find this so bizarre because a developer's most important role is overseeing and directing the architect and the contractor and establishing the vision of what is to be built. How can someone supervise something you have no knowledge of?

I started in this business as a laborer, then mason tender, then cost estimator, then punch list super, then project manager; the typical life of a general contractor's son. I quickly found out that the general contractor took on way too much risk, did way too much work, for way too little of

the pie and is the first to get blamed if something goes wrong; which is why I quickly turned to real estate development by age 19 all while honing my construction skills.

It is worth noting that my older brother went to college for engineering and architecture, and went on to earn his masters in architecture. In 1980, there were no schools teaching real estate development so I went right out of high school into the real world. We concocted a plan as kids and it worked out well. I figured out how the development game worked (and it is a game) and he went off to college to learn more about designing and building. We quickly assembled a team of architectural grads; my brothers' roommates and friends from Lehigh and UCLA and a few of my friends that I grew up with who also went to college for architecture. Interestingly, we took a sleepy old, small, 5 person construction company and grew it into a nationally ranked powerhouse general contractor and a nationally-ranked award-winning development firm, the

foundation of which was architects playing contractor and developer. During the last 32 years, I have been surrounded by architects on a daily basis and have been blessed to work side by side with the likes of Michael Graves and Bernardo Fort Brescia to the other end of the spectrum of solo practitioners that while unknown are very talented. Recently, we have been working with Gaetano Development, Steve Gaetano AIA, architect turned developer. He built \$50,000,000 in condos on Central Park North and made millions. Had he just been the architect he would have made \$500,000 fee and after expenses, maybe \$100,000. So, you see, here is an architect who did what architects do, design and oversee the construction of beautiful buildings. The only difference was he found the property and the financing to build it himself.

Before I get into the meat of the subject, I do need to note that as a youngster growing up I thought architects were "the devil." All I ever heard was my dad fighting with architects and

complaining how they were driving him crazy and doing him wrong. That is how we came up with the “if you can't beat them become one of them” strategy. I later learned it was really the developer doing us wrong and using the architect as the messenger. I also learned and I think the industry has evolved to understand that architects and contractors have to work as a team. The evolution of “construction management” and the “owner’s rep” has helped improve the efficiency of our business a great deal. So what about all these bad developers?

Well when things go good they make a lot of money and the architect and general contractor make a modest days pay (if they get paid) but proportionately insignificant to the general contractor and architects. BUT when things don't go well these developers have a tendency even a propensity to stiff the architects. If architects only knew what the developer is really doing. Does he/she really have the money to build the building? Does he/she even have the money to ever pay our fee?

Unlike general contractors who tend to be rough and willing to ask anything, like show me the money. Architects are closer to artists and tend to be less crass and aloof as if they are not in it for money. They are in it because at its most fundamental, they are putting

their signature on what will become an imprint on the world landscape. Whether it’s a house being renovated or a hi-rise or a store. What architects leave behind is perhaps the most significant contribution to society as it is what we see, where we work and live.

Architects are the artists of our environment. That's why they should become developers. Every architect has seen their client screw up the implementation of the plan causing it to look bad, go over budget or behind schedule in some way making the architect and general contractor look bad. I know I keep lumping the GC in with you architects but the best developer is the mind meld of an architect and GC with a flair for promoting their product combined with disciplined budget and schedule compliance and quality control. The only missing links are: finding the deal; financing the deal; managing the lawyers; selling or renting the product.

So just some quick thoughts:

- Looking for deals? Call 10 real estate brokers and tell them what you are looking for and it will come.
- Financing the deals? Call 10 mortgage brokers or real estate private equity firms and you will get the money.

- Lawyers are all specialists just get a whip and try to keep them in the cage.

I'd say generally architects have more integrity than most developers but most importantly, architects truly care what they leave behind and truly care about the community.

All you need is to embrace it; the rest will come naturally. If by chance a component doesn't come to you naturally there's a consultant for everything today. As a financier, I can say that I require the developer to bring his architect to a meeting early on. Generally the architects have the answer to most of my questions with general contractors being a close second. Remember there isn't a development deal in the world that doesn't start with an architect so might as well get started. Become a developer!

***William “Billy” Procida is President of Procida Funding & Advisors, based in Englewood Cliffs, NJ. The firm specializes in providing management and capital for both distressed and value-added situations and manages The 100 Mile Fund, the third fund Mr. Procida has formed. During his 30-year career, Mr. Procida has completed several billion dollars in projects as financier, developer, builder and restructuring advisor.***