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Skyline Construction scores big tenant work

San Francisco Business Times - by [J.K. Dineen](#)

Spanning the disparate industries of health care, technology and banking, San Francisco's three biggest office leases of 2007 would seem to have little in common.

But last year's trio of jumbo leasing deals -- **McKesson**, **Google**, and **Bank of America** -- did share a surprising element: the tenant improvements were carried out by the small-but-feisty employee-owned contractor **Skyline Construction**.

Just four years after jumping into tenant improvement office interior work, Skyline is putting its mark on the sector. In addition to doing the build-out for the city's three largest leases -- a combined 630,000 square feet of space -- the 65-employee builder picked up major assignments with **Jamba Juice**'s new 38,000-square-foot headquarters in Emeryville and is working on the prototype for **Wachovia**'s push into California, which could involve several hundred bank branches.

The explosion of work has pumped up Skyline's revenues from \$36 million in 2004 to \$76 million last year, according to company president and CEO David Hayes. Skyline has a contract backlog of \$126 million for the next 18 months, Hayes said.

"It's exciting, it's wonderful," said Hayes. "We just want to keep getting better."

Hayes took Skyline over in 2004, buying out the three original partners. At the time the firm focused mostly on build outs for landlords. But as the industry shifted from landlords funding interior build-outs to tenants footing the bill, Hayes shifted the company's focus. Tenant interiors now represent 65 percent of the firm's work and data center construction, represents 18 percent.

The biggest coup so far was Google, a \$20 million project at Hills Plaza. To qualify to apply for the job, Skyline managers had to win over Google's real estate group who -- in an unusual request -- wanted to tour Skyline's own office at 731 Sansome St. to get a sense of the company's culture. Google, which is seeking LEED certification for the San Francisco office, was won over by Skyline's own sustainable build-out and open, collaborative environment.

But despite clients like Google, in a world where there is a natural friction between the landlord and the tenant sides, it has been tough to change the marketplace's perception of the company,



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according to Skyline Vice President Leina Zimmerman.

"We had some major architects in the city who said they would not do business with us because of our past reputation of working with landlords," she said. "These exact firms are some of the people who we now do most of our business with."

Hayes has also restructured the company as a 100 percent employee stock ownership plan, called an ESOP. Creating an ESOP infused Skyline with an "ownership culture" where employees are given access to every detail of the firm's finances.

As part of the ESOP all profit-producing employees can to name their own salaries from a range of \$100,000 to \$150,000. Employees pick their salaries based on a risk factor. The lower the salary, the more upside for performance-based bonuses. About 75 percent opt for the lower salary.

Hayes, a former director of operations at AMB, said the plan offers employees the sort of control he longed for before he took over at Skyline.

"It always bothered me that someone else was controlling my financial future," he said.

Quarterly financial statement meetings take place at a cook-out on Skyline's deck.

"People really have a sense of ownership," Zimmerman said. "They have a say where the company is going. An idea you bring up could easily be something the whole company is doing two weeks later."

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