

# EchoJournal

A Journal for Community Association Leaders

# MAJOR REPAIRS

## What It Takes To Get the Job Done

By Richard Tippett

### **PLANNING, COMMUNICATION AND PROJECT MANAGEMENT**

The industry generally defines major repair/reconstruction projects as any project costing more than \$500,000.00 or that involves more than three different types of skills, such as carpentry, sheet metal, roofing, painting, stucco, waterproofing and the like.

Major projects can take two or more years to complete. This may be due to the size of the project or to a shortage of funds. Sometimes it simply takes time to arrange a loan, do a special assessment, or otherwise raise the money.

During this length of time membership on the board of directors may completely change. The board may replace their property manager. There may even be a large turnover in unit ownership, as older residents sell and new owners move in.

Because of this it is essential that a "project team" be put together to plan and guide the project before the first line of drawing or specification is prepared. Equally important is the establishment of lines of communication that will survive the inevitable personnel changes in project guidance. These

lines of communication should be put in place at the same time that the project team is selected.

### **SETTING UP THE TEAM**

The size of the team will vary with the size and scope or difficulty of the project, the amount of record keeping that the association wants, and the money available.

The amount of money available, or the amount that the board is willing to spend, generally becomes the governing factor that sets the size of the team. Associations seldom have more money than they need just to do the work, let alone manage it to ensure the work is correctly done. This needs to be rectified.

There are several different team members. They are, not necessarily in their order of importance:

#### **Board of Directors**

These are the people that set or modify the budget, pick the team members, sign the contracts and are ultimately responsible for the success or failure of the project. They control the money and sign the checks. All of the team members report to them.

Reports to: General Membership

#### **Construction Manager**

The construction management company should be the first team member selected by the board. The construction manager will be the board's agent for the day-to-day management of the project.

On smaller or less complex projects the construction management firm may incorporate all of the remaining team members except the attorney and finance professionals.

Reports to: Board of Directors

#### **Architect/Specification Preparer**

No work should be done or even put out for bids before specifications are prepared for the work. Without a clear set of specifications there is no way to be certain that you are receiving comparable bids from contractors.

Without a clear set of specifications there is no way to control the quality of the work. What the contractor's management understands may not always filter down to the journeyman on site.

Without an architect/specification preparer the board has no source for answers to technical questions beyond the contractor, whose technical knowledge may be limited or biased.

Reports to: Construction Manager

### **Structural Engineer**

If the work includes corrections of dry rot that has spread into major structural members, a structural engineer is required. Most building departments require “wet stamp” structural calculations and drawings of the structure to be replaced.

In some cases, building codes have changed and stronger structural members may be required. These changes need to be included in the specifications for the work.

Reports to: Architect or Construction Manager

### **Attorney**

Your association is about to spend a very large sum of money. You want the strongest possible assurance that those doing your work will give you your money’s worth, and that they will pay their subcontractors, suppliers and employee benefits. No one will prepare a better contract that is more for your benefit than your attorney will.

Reports to: Board of Directors

### **Financial Specialist: CPA or Your Bank Officer**

Over the course of the work CD’s will need to be cashed or rolled over, lines of credit drawn upon, checks written and disbursed. An essential part of the planning stage is figuring out “where the money will come from” and, if borrowed, what the cost will be. Without proper financial planning and execution, the project either will not happen or will be severely curtailed.

Reports to: Board of Directors

### **DEVELOPING THE SCOPE OF WORK**

Associations are usually made aware of the need for major repairs one of three ways:

1. They are the legacy of a completed legal action.
2. They are scheduled, i.e.; reroofing, re-waterproofing of decks, replacement of water heaters, etc.

3. Problems are discovered as the result of a failure, for example: dry rot in deck and walkway structures.

In all three instances a second look at the need for repairs and the extent of repairs needed is essential.

1. Lawsuits almost always include items that do not need immediate attention, or do not need to be as expensively repaired as was alleged in the lawsuit.
2. Scheduled major repairs may be able to be postponed. Just because a roof is eighteen or twenty years old, for example, doesn’t mean that it has to be replaced. What if it doesn’t leak?
3. If rot was found in one wooden structure, it likely exists in other similar ones as well.

This is where triage is required.

1. What is/are the extent of the problem(s)?
2. Which problems are life/safety issues or affect the life of the structure?
3. Which problems must be addressed now and which can be put off for a (specified length of) time?
4. Which projects will become major repairs and which projects can be handled almost as a part of normal operations?

Here is where the construction manager begins his work with the board, helping set the priorities and developing budget cost estimates.

### **DEVELOP THE BUDGET**

Once the board, with assistance, determines which projects to undertake (and their cost), the next question to answer is “where will we get the money?”

There are several sources.

1. The reserve account (usually underfunded).
2. The lawsuit settlement (never enough).
3. Special assessment.
4. Annual fee increases.
5. Reconstruction loan.

Here the key to success is to determine the total cost of the project,

including the cost of the project team, and all likely contingency costs. Subtract funds available from this amount. The difference is the amount of money that will have to be raised.

NOTE: It is possible to begin work before the money that needs to be raised is actually “in hand.” Work should not be started until the board has a vote of the membership formally approving the funding, and until agreement is reached with the contractor regarding payment.

### **MORE TRIAGE**

Once the scope of work is settled upon and a preliminary budget started through the funding process, the board and construction team begin a second, closer look at the project.

A further risk analysis is done. This should include additional field investigations to quantify better the number and type of repairs needed. Surveys done for litigation are random and are not adequate to accurately plan reconstruction.

A deeper look at the various options for making the major repairs is next. There is always more than one way to do things, and there are always alternate materials available. Occasionally, it may even be economically wise to institutionalize a design defect as a maintenance item.

A second look at reserves is essential. Major repairs/reconstruction, by accelerating scheduled replacement or by changing to materials with longer working lives, may free up more money for the present project.

### **PLANS AND SPECIFICATIONS FOR THE PROJECT**

These should grow organically from the project scope of work.

Specifications should spell out exactly what work is to be done, where it is to be done, what materials are to be used and the way in which the materials are to be install or applied.

Specifications for major projects are neither small nor simple documents. They can easily be more than 100 pages in length. They set parameters for job safety, care of the property and residents during work, quality control, control contractor access to the

site, set payment, insurance and lien requirements, and many other conditions in addition to the work itself.

They also set forth warranty requirements for the work. These should be realistic and should be backed by material manufacturers whenever possible. The State of California requires a three-year warranty; the uniform commercial code requires five years.

Do not rely solely on specifications prepared by the contractors bidding the work. They will not be complete, and they will not favor your association. Have the specifications prepared by your project team.

## **PRE-QUALIFYING THE BIDDERS**

Not every contractor is qualified to do every type of major project. Some don't know how. Some are too small. Some are too large. Some contractors are not temperamentally suited to doing work for associations and prefer commercial work. Some don't carry sufficient insurance. Some can't/won't provide the specified warranties. Others are "cash poor" and simply don't have the financial resources to do major projects and carry the retention required.

Some may be large enough, willing enough and knowledgeable enough and may also be more unprincipled or more questionable professionally than you want to deal with.

It is far better to send your work out for bid to a pre-qualified list of bidders than it is simply to advertise the work publicly and hope for the best.

Things to be considered when pre-qualifying bidders include and are not limited to the following types of information.

### **License status:**

Is it current?

Is it clear of complaints?

Is it held by one of the firm's principals?

**Length of time in business.** Companies must have been in business at least five years.

**Experience** doing the type of work that you want done. The company must

have at least three years' experience doing the type of work to be done.

**Insurance.** Companies must have at least \$3,000,000.00 general liability, plus workman's compensation and vehicle insurance.

**Professional reputation.** Do past clients going back several years report favorably on the contractor's work and service record?

**Financial strength.** Is the contractor capable of doing two or more projects of your size or are you about to become his sole means of support?

Does he have sufficient financial reserves?

Payments to subcontractors/suppliers.

Does he make these payments in a timely manner?

Does he have a long-term working relationship with both?

**Compatibility.** Are the contractors you are considering people with whom you would feel comfortable working if they are the low bidders?

## **CONSTRUCTION MANAGEMENT**

### **Communication**

Once work is underway the need for clear, frequent communication between team members becomes even more important. There are changes in conditions and change orders to deal with, owner complaints, payments to arrange, changes in the schedule due to many things, access to units to be arranged and a myriad of other things to be taken care of.

The construction manager and general contractor's superintendent both need a daily point of contact with the board who can act for the association.

There should be at least monthly meetings between the board and the construction manager including a full report of what has been accomplished in the past month, what is scheduled for the next month, what schedule changes have developed and what change orders are in process.

There should be weekly meetings between the construction manager and the general contractor addressing the same topics.

All schedule changes, change orders and meeting minutes must be in writing. This is the absolute bare minimum of communication that is required for successful accomplishment of major repair projects.

### **Change Orders**

These should always be in writing, should always be approved *before* the work is done and should always be for a fixed amount.

### **Submittals by Contractor**

Some of the details of assembling different parts of the work cannot be economically prepared by the architect prior to the bid or job start. Some can't even be determined until the work is underway.

Some of the products that the contractor wants to use may be different from what was specified.

There are always existing colors, materials and textures to be matched or new colors, materials or textures to be selected.

The only way to ensure that there is agreement between the board, manager and contractor is for the contractor to submit shop drawings of construction details and samples of materials for the board or the manager's review and approval.

## **LEVEL OF DOCUMENTATION**

Everyone knows that "time is money" and documenting what occurs on a major repair/reconstruction project takes time. The more detailed the documentation, the more money is required. The board and Construction Manager should discuss and agree on the extent of the documentation and the concomitant cost at the time that the manager is hired.

## **PAYMENT**

The payment schedule should be agreed upon between the board and the general contractor prior to the start of work. On major projects payment should be made at least monthly.

Retainage of 10 percent should be held on all payments until the end of the project as protection for the association against poor workmanship or bills not paid by the contractor.

All requests for payment should be accompanied by conditional lien releases from subcontractors and suppliers for payments now due them, and unconditional releases for payments already received.

Once the contractor submits his progress billing with all the correct documentation, payment to him should be prompt. Delaying payment increases project costs, complicates the contractor's cash flow, reduces the contractor's good will, causes the price of change orders to go up as the contractor attempts to recoup real or perceived losses and generally makes life on the project difficult. There is no reason with proper financial planning, that he cannot be paid within fifteen days

## **PROJECT CLOSEOUT**

There are several parts to this item. Essentially, all are directed at ensuring that the project is fully complete, that the work is now under warranty and that the association has a record of what was done.

1. All punchlist work must be completed and accepted
2. All change orders and back charges must be documented, agreed to and the contract sum modified to include them.
3. Any maintenance or operating manuals that were specified or required turned over to the association.
4. A complete set of plans, specifications, shop drawings and submittals turned over to the association.
5. Final unconditional lien releases from subcontractors and suppliers received by the Construction Manager prior to release of the final retainage to the general contractor.
6. Arrangement made to receive all specified warranties as soon as final payment is given to the contractor.
7. A final meeting of the board, the construction manager and the general contractor to discuss and com-

plete any last remaining item or issues.

From sheer necessity and lack of space this article only touches on each of the topics included, but each one is worthy of a separate article.

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