

EchoJournal

A Journal for Community Association Leaders

So, You Think You Don't Need A Construction Manager?

By Richard Tippett

The construction industry has its own set of rules and special areas of expertise, just like any other industry. These rules take time and effort to learn. The amount of expertise required in different branches of the industry in order to complete major projects successfully is more than any one person can master. Some of us have grown gray in this industry trying to do so.

In California and most of the West, there are four different sets of codes that attempt to codify and regulate only the basics:

- Uniform Building Code,
- Uniform Plumbing Code,
- Uniform Mechanical Code,
- National Electric Code.

These four codes fill over three thousand pages of text. They still don't cover the exact details of how to make a building waterproof, fireproof, reasonably rot-free, sweet-smelling, with toilets and tubs that drain freely and lights that don't dim when you turn on your computer while your spouse is ironing and the dishwasher is running.

General contractors know of these details. At least, their managers and supervisors do. They also have estimators on staff who are experienced enough to guess at the unknowns when asked to bid on your projects, and smart enough to hold the unknowns close until a contract is signed that requires extra payment of unspecified amounts for taking care of those "unknowns."

For those of you in a hurry, here's a quick summary of the following article:

CONTRACTOR (n) from the Latin, *con*, in opposition to or in disagreement with, plus *tractus*, to pull against.

Ergo, your relationship with any contractor that you hire will be a tug-of-war over pricing, change orders and scheduling with frequent disagreements. Contractors are in business to make a profit. The less you know about their field of expertise, the greater will be their profit on your project.

Homeowners don't know these things. All they may know is that the painting contractor found some dry rot in a wall.

The moment that an association signs a contract for replacement of that rot, the board begins to play in a game where the rules are against them and largely unknown to them. Many boards (and property managers) don't even know there are rules. And, it is a game they've never played before.

Contractors, on the other hand, know the rules. They know the game backwards and forwards; they've played it many times. The longer the contractor has been in business, the better he has become at the game.

What is the game? It is the game of extracting the largest payment possi-

ble for the least amount of labor and material.

Onto this testosterone-filled playing field every year a hundred and more boards of directors blithely walk, wallets open, certain that they are ready to play. Unfortunately, as in learning poker, they will all "pay to learn."

How does it work? Here are a few examples. In all instances, the names have been changed for the protection of all. In no instance was a construction manager retained to maintain even a semblance of control.

Case 1 Reconstruction after litigation "The bad taste of poor workmanship"

The Maison du Jour Association received a settlement from the developer that, after paying their attorney, wasn't adequate to do all of the stucco repair, window and door flashing and roof repair work required. Rather than do a special assessment to make up the difference, the association hired their expert's general contractor to do the work for the funds that were available.

The general contractor at first tried to get out of doing the work but was pressured into it by the board, their expert and their attorney.

The general contractor corrected the roof condensation problem but broke a lot of tile in the process. When told to replace the broken tile, the contractor refused, saying they were not responsible for the defective (???) tile.

No claim had been made during the suit that the tile was defective. The homeowners replaced \$23,000 in broken tile at their own expense.

The contractor “solved” the stucco and flashing problems with a liberal application of caulking instead of removing stucco and installing flashing at window and door heads. Since his contract didn’t specifically say he had to install metal flashings, the board couldn’t force him to install the flashing instead of the caulk. A construction defect has now become a maintenance cost.

The complex was to be painted when the stucco work was completed. The painter that the contractor brought in applied one coat of paint and got overspray on several of the tile roofs. The painter claimed that the overspray wasn’t his fault as the wind had come up suddenly. The association again had to replace tiles (they couldn’t be cleaned) at their own expense.

Case 2 “Doing it twice”

SeaView Terraces is a 22-year-old contemporary California design with large timber walkways connecting buildings at all levels. Some of the siding is stucco integrated with the walkways and with balconies at individual units. The rest of the siding is diagonal tongue-and-groove wood sheathing.

Twelve years ago SeaView completed litigation against their developer, took the proceeds from the suit, and hired a general contractor to eliminate all the rot.

The general contractor completely rebuilt the walkways and balconies and replaced the diagonal siding. In the process he perfectly replicated almost every construction mistake made by the original builder.

How did this happen? The contractor didn’t properly supervise his workers. *Because they didn’t have any other guidance, they used the original construction details as the pattern to follow in the rebuilding!*

SeaView Terraces is now faced with a second complete round of reconstruction at a cost well into seven figures.

Case 3 “A little excess profit”

Elk Mounds, a 180-unit association, replaced their wood shake roofs with 40-year composition shingles.

A regular, normal, everyday part of such a reroof is to install new plywood sheathing to properly support the new shingle roofing.

Nevertheless, the roofing contractor insisted that he had not included the cost of the new plywood sheathing in his bid. The contractor asked for, and got, a \$250,000 increase in his contract.

When we reviewed the job files, we found that the contractor really had included the cost of the plywood in his original bid. *He simply saw an opportunity to make extra money—and took it!*

Case 4 “Doing it twice, redux”

Harmony Farms is a lovely 22-unit complex tucked in a grove of oaks in Palo Alto. It has, or had, pressed wood fiber shiplap siding.

After receiving a small settlement from the siding manufacturer, the board planned to do an additional assessment to replace all of the siding. One board member had the idea of painting all of the buildings with an elastomeric paint, and replacing only the most badly damaged siding instead. The board followed his lead, as his plan would cost almost the same as their settlement.

The painting contractors needed the work; no one told the board that elastomeric paint used on wood fiber trapped moisture within the siding and, in the shade of the trees, created an incubator for mold and fungus growth.

After only three years Harmony Farms has siding that is bowed, rotted and covered with fungus. They are now faced with replacing all of their siding, abating mold growth in five of the units and then repainting. And they don’t have any money. The board hadn’t increased the reserve assessment, counting on the settlement money/elastomeric coating instead.

Case 5 “We’re paying for it twice”

Camino Real rebuilt and recoated all of their 120 balconies and several hundred feet of walking deck. The

expense of the project emptied their reserve account but they gladly paid.

Less than two months after the work was completed, the association received lien notices from the coating subcontractor, who had not been given his last two payments by the general contractor. A week later the sheet metal supplier, who also hadn’t received his final payment, liened the job as well.

What should have been a simple, straightforward project is now enmeshed in suits and countersuits. The board president resigned and moved away. Half of the rest of the board also resigned. Relationships between the remaining board members and the other owners are poisonous at best. Further, because of the liens, owners cannot sell their units, refinance or even take out second mortgages.

Case 6 “The job without end”

The board at the Alders contracted with a general contractor for replacement of rotted balconies and outside staircases, using the contractor’s proposal form rather than spending the money to hire an attorney to draw up a proper contract in their favor.

The board never asked for a schedule for the work or set a completion date.

The contractor began work almost one year ago. The project is roughly half finished. Work at a given unit is left untouched for days at a time.

The board believes that the contractor is understaffed and is working on another project besides theirs, but has no way to force him to complete their project.

In the meantime, the complex is cluttered with construction material, and residents’ tempers are frayed.

Case 7 “Property damage”

The Willow Park board contracted to replace privacy fences. The contractor would not accept any responsibility for damage to walkways and landscaping. The board accepted the exclusion, although such damage is easily avoided.

The contractor’s method of removing the old fence posts was to chain them to his truck bumper, then drag them out of the ground along with the concrete that they were set in.

Damage to sidewalks, lawns, sprinklers and landscaping was extensive and unnecessary. Repairs and replanting added \$9,000 to Willow Park's cost for the project.

Case 8 "But we put him in business"

Monterey Vistas, faced with extensive maintenance of balconies and walkways, advertised for a general handyman. They interviewed several and hired a semi-retired former general contractor. The board furnished him with a complete suite of power tools, a golf cart and two garage spaces as a shop. They also pay him a weekly salary.

The gentleman promptly renewed his license, spends half his time working for other clients and still receives his full salary. Projects assigned to him are sometimes left undone because he is making more money doing work for others, using the tools and the shop that Monterey Vistas bought and paid for!

These are just a few of the nightmare scenarios we have run across in doing construction management. They are far from being the worst.

The worst are when unsupervised contractors go bankrupt in the middle of the project, leaving behind unpaid subcontractors and suppliers.

Something to think about

We'd like to leave you with the following thought. It is based on typical contract management procedures followed by better general contractors, and is this:

For jobs under \$100,000, a foreman runs the project and a supervisor looks in occasionally and helps with change orders.

For jobs between \$100,000-300,000 the foreman becomes full time and may be non-working and the supervisor checks on the work daily.

For jobs between \$300,000-500,000 the supervisor is on site daily and a project manager in the office also checks the project schedule and costs a couple of times a week.

Jobs worth \$500,000-\$1,000,000 get at least a half-day attention from the supervisor and daily attention from the project manager who monitors sched-

ule, staffing, change orders and payment.

Jobs worth more than a million dollars will probably have two non-working foremen and supervisor on site in addition to a project manager back in the office who oversees everything. A company officer will also monitor the project.

All of these staff people have one goal in common: protecting their employer and maximizing their employer's profit. They do this work full time. They are very experienced. Most are good at what they do. They are not working for you, even though they are working on your property.

You, a part-time member of a board of directors, cannot realistically compete with these full-time players on an even basis. Nor can your property manager, who must divide his/her time between several properties.

If you are planning any project of more than \$100,000 in value, you should consider hiring a construction manager.

A good construction manager can save you more than the cost of his fees just by controlling the size and scope of the inevitable change orders.

If he is competent to write specifications and/or prepare drawings for the work, he can smooth out your bidding process by obtaining apples-to-apples bids and setting unit prices for change orders and setting a standard of quality for the work.

He can also keep you from doing or paying for work twice, and ensure that things are done in a timely manner.

Last but not least, he can be the one who has to deal with the complaints from the rest of your membership that will not end until the job is complete. That, by itself, is worth something.

Dick Tippett is the president of ERTECH, Inc. one of the original condominium construction management companies. He is a member of ECHO's Board of Directors and former chair of both the Maintenance and the Central Coast Resource Panels.



“Twenty Questions” to Ask Before Hiring a Consultant

by Richard Tippett

1. How long has the company been in business?
2. What type of projects do they consult on?
3. Does the company specialize in working with homeowner associations?
4. What professional organizations does the company belong to?
5. Does the company have a full-time office staff?
6. What types and amounts of insurance does the firm have?
 1. Errors & Omissions \$ _____
 2. Property Damage \$ _____
 3. Personal Injury \$ _____
 4. Workman's Compensation \$ _____
 5. Vehicular \$ _____
7. Will the firm provide you with references for both current projects and projects more than two years old?
8. Who will be the person on their staff assigned to your project?
 1. How long has he/she been employed by the firm?
 2. How many years experience does he/she have with projects similar to yours?
9. Will a firm representative be available to attend board meetings to give periodic progress updates?
10. Does the company charge for any of the following?
 - Letters to the board or management company
 - Notices to homeowners
 - Change Order preparation
 - Board meeting attendance
 - Job schedule updates
 - Mileage
 - Copying
 - Telephone calls
11. Do they require a retainer fee or deposit? If so, how much?
12. What is their federal tax ID number?
13. Will the company analyze your problems and present alternatives?
14. Will the company develop cost estimates for the alternatives?
15. Do they conform their design work to local building code requirements? To the CSI format?
16. What is their estimate of the length of time that it will take to complete your project?
17. What will they do to minimize the disruption of life at your association while work is underway?
18. Do they provide any form of construction quality observation or auditing? Please describe.
19. Has the firm ever been let go from a project by a client? What was the reason?
20. What do they believe separates them from their competition?

Prior to retaining a construction manager or consultant, you should satisfy yourself that the firm you are considering is the best for your project. To help in making up that decision, invite each candidate, individually, to a board or committee meeting, sit with him or her and conduct your interview. Their answers to the questions in the table will help you choose the individual or firm that best meets your needs.

Other questions may come to mind as you read this list. Be sure to write them down and ask them of your prospects.

Interview your prospective consultants carefully and compare their answers. You will be relying on the results of their work well into the early part of the next century.

Remember, also, that the least expensive consultant may not always be the best choice; a little extra money spent on knowledge and experience can often produce savings in the cost of the construction of the project itself. Look for a consultant who wants to work with you, is willing to meet your special needs and schedule, and with whom you feel comfortable.

Enjoy the process!

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**“Maintenance Pays”
or
Not Doing Maintenance Costs Real Money**

Typical Costs

Item	Maintain	Replace
4' X 8' T-111 plywood siding	\$4.00/yr.	\$150.00 1 st story
		\$200.00 2 nd story
		\$240.00 3 rd story
2" X 10" X 10' fascia board	\$1.25/ yr.	\$85.00-95.00
Asphalt paving		
Sand/slurry coat	\$0.03/yr./sq ft	\$2.00-5.00/sq ft
Ground planting (Vinca Major/Minor)	\$0.15/sq ft/yr.	\$1.75-2.75/sq ft
8' X 12' wooden patio decks		
1 st story	\$0.02/sq ft/yr.	\$24.00-34.00/sq ft
2 nd story	\$0.03/sq ft/yr.	\$45.00/sq ft
Builtup Roof	#0.04-0.08/sq ft/yr.	\$3.50-4.00/sq ft
Shake Roof	\$0.02-0.03/sq ft/yr.	#4.00-4.50/sq ft
Gutters	\$0.25-0.45/ft/yr.	\$8.00-10.00/ft
Large (30-50') trees		
Thin/shape	\$80.00-120.00/yr.	
Remove/replace with 25 gal tree	\$500.00-1,500.00 removal cost	\$550.00-600.00
Remove/replace with Like size tree	\$500.00-1,500.00 removal cost	\$1,800.00-12,300.00

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