IMPROVING CAPITAL IMPROVEMENT PROJECTS

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PLANNING

Assemble the appropriate project team.

- The skills of each team member must be appropriate for the project.
- Don’t forget to introduce the parties.
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PLANNING

Know your priorities.

- Is this your most important project?
- Have all the building systems been surveyed?
Establish the scope and objectives.

- Where are you going? How do you get there?

- Clearly defined construction documents are essential.
Set a realistic budget.

- Include contingency allowance.
- Contingency amount depends on project scope (typically 15%).
- Don’t forget incidental items, such as filing fees, overtime, extra security, etc.
Thoroughly research the bidders list.

- Select firms with specific experience in the project being undertaken.
- Limit the number of firms (4 to 6) to maintain interest.
BIDDING

Provide comprehensive pre-bid instructions.

- Thorough specifications avoid confusion.
- Get manufacturer’s rep involved.
- Hold pre-bid site meeting for all bidders.
- Bidders must have easy access to site for investigation.
- Above all: Don’t reveal the budget.
BIDDING

Insist on a sealed bid process.

- Have bids sent to two locations.
- Hold to a strict deadline.
- Complete a bid opening report with witness for the record.
BIDDING

Confirm the legitimacy of the bids.

- Have pre-bid budget estimate.
- Itemized bids easier to analyze.
- Don’t be seduced by too low a bid.
- Don’t dismiss any bids out of hand.

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Negotiate for bid bargains.

- Contractor may have lost another job and have a crew on hand.
- Contractor wants to establish relationship with your building, agent, engineer/architect.
- Contractor has another project nearby.
- Don’t be afraid to haggle.
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BIDDING

Maintain standards for bidders.

- Interview bid finalists.
- Get references from similar projects.
- Be aware of union demands.
Avoid a unit-price nightmare.

- Get a fixed-fee contract for specific work items.
- No additional work without formal change orders.
- AIA 101-201 contract (1997 version) or AIA 107 for small projects.
CONTRACT

Obtain advantageous payment terms.

- Refuse down payments.
- Keep retainage of at least 10%.
- Get at least 20 days to review invoices.
- Insist on liquidated damages (0.1% to 0.3% a day, minimum $500 a day).
- Be wary of non-specific clauses.
Insurance and Bonding.

- Insurance requirements depend on your building: Commercial space? High-traffic?
- Get occurrence-made, not claims-made basis.
- Insist on “hold harmless” clause and additional insureds.
Insurance and Bonding.

- Contractor should have $2 million per occurrence; $5 million aggregate.
- Less need for a bond with no down payment.
- Performance and labor-and-material bond (1½% to 3%) suggested for large projects.
- Consult your insurance broker.
CONTRACT

Establish a firm schedule.

- Assume winter shutdowns (if applicable).
- Allowance for adverse weather days should be figured in schedule in advance.
- Have liquidated damages kick in two to four weeks after scheduled completion date.
IMPLEMENTATION

Project Coordination.

- Communication is the key.
- Project initiation conference with engineer, manager, and contractor.
- Daily calls and weekly faxes/e-mails on project progress.
- Engineer/architect site visit reports.
- Weekly or biweekly meetings between engineer, contractor, and manager.
IMPLEMENTATION

Project Supervision.

- Supervisor should be full-time person responsible for entire project (not engineer or architect).
- Keep construction documents on hand.
- Daily log documenting completed work.
- Large projects may need full-time construction manager.
Both contractor and owners should be upfront about discussion of subcontractors.

Contractor must get prior approval from owner.

Owner doesn’t pay for replacing unsatisfactory subcontractor.
IMPLEMENTATION

Site Safety.

- Contractor must follow OSHA guidelines.
- Sidewalk shed needed for most exterior work.
- Motorized (not rope-hoisted) scaffold.
- Use common sense.
- Don’t assume liability as owner.
IMPLEMENTATION

Stay in financial control.

- Waiver of lien with subclause on responsibility for removing any liens.
- Itemized bills, with updated timeline.
- Work should stay ahead of payments.
- Engineer approves payment requests.
- Contractor can’t stop work over payment disagreement.
IMPLEMENTATION

Guarantees and sign-off.

- Get manufacturer’s guarantee; keep manufacturer’s rep involved.
- Certificate of Substantial Completion signed by all parties.
- Engineer’s punch list of unfinished items.
- No sign off until all work is completed.
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Speaker Information

Stephen A. Varone, AIA, is President of Rand Engineering & Architecture, PC. Founded in 1987, Rand is a 47-person firm specializing in consulting services for evaluating, renovating, upgrading, and restoring residential, commercial, and institutional properties. Rand’s services include design, specification, and construction administration for new and upgraded exteriors; roofing and structural systems; and HVAC, electrical, and plumbing systems.