

Who's Building Your House: Tips for selecting the contractor for your job

By Frank W. Rees, Jr., ArD, AIA

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One of the most critical decisions senior living executives face is choosing a company to build a new facility. When you choose a contractor that lacks the proper qualifications, your project may be in serious trouble from the very beginning. By taking a few preliminary steps, managers can avoid the unpleasant and expensive experience of realizing halfway through construction that the contractor isn't up to the job.

Choosing the best contractor for a planned project will depend, in

part, on the type of construction contract to be executed. There are two available alternatives: a negotiated contract and a contract won by competitive bid. Each offers distinct advantages. Generally, a negotiated contract and a contract won by competitive bid. Each offers distinct advantages. Generally, a negotiated contract provides more flexibility, while a competitive bid contract requires more time and effort initially.

Negotiated Versus Competitive Bid

If getting construction started as soon as possible is important, then a negotiated contract is the best choice. With a negotiated contract, an experienced contractor can provide a guaranteed maximum project cost, based on the architect's early, incomplete drawings. Obtaining this guaranteed maximum up front is essential. This process also allows the contractor to monitor the completion of the architect's drawings to ensure the project stays within the estimated budget.

A developer that needs a new facility to break ground quickly and be completed in a hurry likely would favor a "fast-track" schedule. This kind of timing requires a negotiated contract, with the mandatory time frame clearly set forth. Once the contract is finalized, building construction can get underway, before the final drawings are complete. Fast-track scheduling also introduces an amount of risk, however. If an owner decides to make any changes in the building details on a fast-track project, the costs can be significant.

A conventional project schedule provides the opportunity to complete design drawings before construction starts, and the owner has the option of bidding or negotiating the construction contract. This takes some additional time but eliminates much of the risk.



Regardless of the project schedule or contract details selected by the owner, it's essential to select a contractor with experience working under the scheduling and contract options adopted. damage from Hurricane Hugo.

Check them Out

Consider the financial qualifications of any contractor. You can obtain such financial information from banking references provided by the contractor. The firm's net worth and credit limits will tell much of the story. If the firm isn't a corporation, look carefully at the net worth and credit limits will tell much of the story. If the firm isn't a corporation, look carefully at the net worth of its proprietor or general partners, as well as that of the business itself. As a rule of thumb, it's best to select a firm with a net worth of at least half the project's cost.

In addition, thoroughly evaluate the history and professional background of any firm considered for your project. How long has the firm been in business? If the company is family-owned, how many generations have owned the business? If the firm has not been in business for at least 10 years, chances are it hasn't had sufficient time to develop a consistent management policy.

In any event, it's especially important you feel comfortable with the professional expertise of the president or principal of the organization. That is the person you ultimately will look to for assurance of a successful project. Determining the reputation and qualifications for the head of the firm is an important as obtaining information on the organization's financial stability.



At-A-Glance

Thoroughly evaluate the financial qualifications, history, and professional background of any contractor considered for your project. Ensure contractors under consideration are aware of the specialized requirements of retirement and assisted living facilities, and the potential mistakes architectural and construction personnel may make. Discuss budget control thoroughly and ask how the firm will manage the project to

To determine the extent of a contractor's knowledge, provide the principals with information on the scope of your project and the requirements you have in mind. Then ask them to describe how their experience relates to your facility and why they think their firm is qualified to build it.

Get a detailed description of how the firm would approach the construction. In particular, be sure to find out how the firm will maintain communication with you and your architect. It is important you understand

what is going on during the construction process, and the contractor can keep you in the loop without undermining its ability to do the job well.

Seek Experience in Your Field

Once you're satisfied that a firm has a solid reputation, is financially stable, and is headed by a person capable of providing the attention your project deserves, examine closely some of the company's past projects. Ask

for an annualized list of projects the firm has completed over the past five years, including the total cost of construction for each project.

It's also important that any contractor considered for the project be aware of the detailed and specialized requirements of your type of facility and the potential mistakes architectural and construction personnel may make.

See checklist at end of article.

The best way to avoid problems is to make sure the contractor has been through the process before. Ask how many retirement facilities the firm has constructed. Request a list of at least 10 past projects, along with the location, year of completion, and construction budget of each. Get the name of a reference at each facility, and call them. Ask how easy the firm was to work with and how well it knew its business. Don't let a contractor with no experience in your facility type construct your project.

Also take the time to research the firm's reputation with former subcontractors. Avoid contactors who consistently experience problems with their subcontractors or have a reputation for litigation.



Finally, determine the firm's bonding limit, and make sure this amount is at least twice what you expect on your project. Get the name of the insurance company that guarantees the performance of the contractor, as well as the name of the person who wrote the firm's policy. Call that person and discuss the firm's performance history. This contact can be extremely valuable.

Determine whom the firm will assign to manage your project. Obtain resumes on these individuals and, if possible, interview the proposed project manager and construction superintendent (keep in mind that if your project doesn't start within 60 days, the firm may have to assign these employees to other projects).

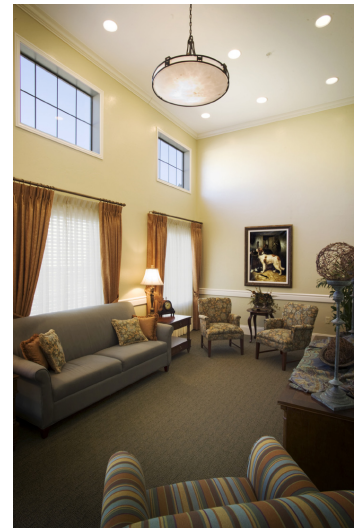
Once your job starts, make sure the firm assigns the personnel you discussed or provides others with comparable experiences in directing the construction of your senior living facility.

Ask how the firm will approach your job with regard to schedule control. Request a copy of the schedule for a recent project and have the contractor explain how the firm uses a schedule as a management tool. When you have selected a firm, make sure you're provided with a copy of the schedule for your project.

Discuss budget control thoroughly with each contractor under consideration. Ask how the firm will manage the project to assure a reasonable profit, with cost overruns. This is even more essential if the job will be approached on a cost-plus or negotiated basis. In any event, you want to avoid situations that cause either you or the contractor to lose money.

Ask the Right Questions

Keep in mind that your architect can be valuable in all phases of the contractor selection process. He or she can help to develop a list of contractors for you to consider, assist in the analysis and evaluation of each firm and, if appropriate, make recommendations about which contractor to select.



If you take the time to obtain and analyze the information outlined here, you should be able to accurately evaluate a contractor's ability to construct your project without problems. The key is to ask the right questions and weigh the answers against your particular needs.

Frank W. Rees, Jr., ArD, AIA, is president and CEO of Rees Associates Inc., an international planning, architecture, and interior design firm that serves its clients from offices in Dallas, Oklahoma City and Atlanta.

Contractor Checklist

History/Organization of construction firm _____

Name, address of construction firm _____

Type of Organization (corporation, partnership, other) _____

Name of CEO _____

Number of years in business _____

Legal/Financial Profile

Gross revenues for the past five years _____

Net worth of the firm _____

Bonding capacity _____

Name, address of bonding agent and insurance company _____

Name, address of banker _____

Specialization Profile

Number of facilities constructed by firm:

Senior Living _____

Assisted Living _____

Alzheimer's care facilities

List at least five prior senior living projects (name, location, construction budget, year of construction, person to contact)

1. _____

2. _____

3. _____

4. _____

5. _____

Evaluate the relationship of the contractor's experience to the requirements of your proposed project.

Key personnel to be assigned to the proposed project (with specific ALF experience).

Project Superintendent: _____

Project Estimator: _____

Project Manager: _____

Project Approach

Contractor's approach for managing the construction process:

A. Schedule Control C. Subcontractor Coordination

B. Budget Control D. Communications with client

Five subcontractor references (including name, phone number, location and completion of project, experience)

Contractor's "order of magnitude" estimate of project cost _____

Contractor's estimated time to complete project _____

Contractor's reasons why it is the right choice to build your project
