

CHOOSING THE RIGHT CONSTRUCTION CONTRACTOR

One of the critical decisions Mission Critical facility executives must face is determining who will be retained to construct a new facility. Unless a contractor with the proper qualifications is selected, the project can be in serious trouble from the very beginning. By taking a few preliminary steps, however, managers can avoid the unpleasant and expensive experience of realizing halfway through construction that the

contractor is not up to the job.

Selecting the best contractor for the planned project will depend, in part, on the type of construction contract that will be executed. There are three available alternatives: a negotiated contract, a design-build contract and a contract won by competitive bid. Each offers distinct advantages. Generally, a negotiated contract gives you more flexibility.

A design-build contract provides improved communication, and accelerated project delivery. A competitive bid contract consumes more initial time and effort, but the winning contractor is offering the lowest price.

If getting construction started as soon as possible is important, then a design-build contract is the answer. The Design Build team must well understand the design-build procurement process that establishes a single point of responsibility for the design and construction of a facility from the Owner's standpoint resulting in improved communication, design and construction accelerated project delivery. This approach allows a collaborative, concurrent, and cooperative relationship between design and construction professionals.

In comparison to the traditional design/bid/build process, the Design Build team brings the experience to the owner regarding the management of construction and design schedules that can be accelerated and streamlined, where cost and quality control can be better maintained, and construction claims and disputes have been significantly reduced. In terms of providing influence during the design phase, a Design Build team's goal is to take the concepts that have been established during the programming phase of a project and evaluate early on the feasibility and construction implications associated with these ideas.



The Design Build team investigates proposed alternative methods to achieve the most efficient design which will fulfill the owners' needs. The Constructor must be a specialist in design-build construction and project management and the Architect must be a specialist in the design of projects that meet owner's programming requirements and budgetary requirements.



With a negotiated contract, an experienced contractor will be able to provide you with 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 assure that the project stays within the estimated budget.

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 is essential to select a contractor with experience in working under the scheduling and contract options adopted.

Scheduling

The Mission Critical executive who needs the new facility not only started quickly but also completed in a hurry, is likely to favor a "fast-track" schedule. This kind of timing requires a negotiated contract, with the mandatory timeframe 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 during fast-track construction, the costs can be high.



Financial Considerations

It is important to consider the financial qualifications of any contractor considered for your project. Such financial information may be obtained from banking references provided by the contractor. The firm's net worth and credit limits will tell much of

the story. If the firm is not 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 cost of the planned project.

Other Considerations

The history and professional background of any firm considered for your project should be thoroughly evaluated. 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 ten years,

chances are that it has not had sufficient time to develop a consistent management policy. In any event, it is especially important that 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 of the head of the firm is as important as obtaining information on the organization's financial stability.

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 that you understand what is going on during the construction process, and that there is a way you can be kept informed without interfering with the contractor's ability to do the job well.

Once you are 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.

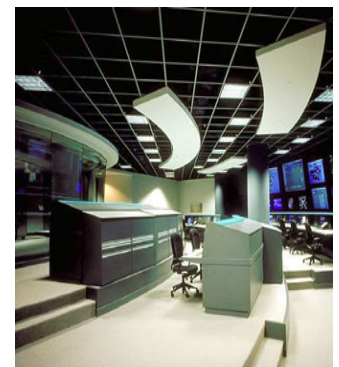
It is also important that any contractor that is considered for the project be aware of the detailed and specialized requirements of Mission Critical facilities, and the potential mistakes that architectural and construction personnel may make. The best way to avoid problems is to make sure the contractor has been through the process before. Ask how many Mission Critical facilities the firm has constructed. Request a list of at least ten past projects, along with the location, year of completion and construction budget of each.



Get the name of a person to contact at each facility, and check all references. Ask how easy the firm was to work with and how well it knew its business. Do not let a contractor without Mission Critical experience construct your project.

You should also research the firm's reputation with former subcontractors. Contractors who consistently have problems with their subcontractors or have a reputation for litigation should be avoided. 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.



Managing the Construction

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 does not 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 other with comparable experience 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 are 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.



The Final Product

Keep in mind that your architect can be very 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 kinds of information outlined here, you should be able to evaluate accurately 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.
