

Solving the Reconstruction Puzzle

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WHEN AN ASSOCIATION is facing the need for reconstruction – in essence, a major renovation project – it seems a daunting task. So many moving parts, so much to consider. What to do? How can a community that is run by volunteer board members and led by a professional management company know that they’re going about it in the best, most cost efficient way without experiencing a construction nightmare?

There is good news. The industry is full of great resources to lead you through the sometimes-muddy waters of a major reconstruction project, no matter what type or size of project you are faced with. Success rates and results will vary, of course, but the most successful projects are carried out with the guidance of a professional. The process of reconstruction, if organized, well-communicated and collaborative, can be very rewarding indeed.

Reconstruction projects can be differentiated by two types:

Now the important task of carrying out the project can commence: the construction phase. Although from inception to this point can take months to achieve, the real heavy lifting still lies ahead.

1 *Post-litigation defect work:* This type of reconstruction project follows a construction defect lawsuit and/or settlement, which usually occurs within the first 10 years of a property's life. These types of projects have many built-in benefits: tremendous volumes of data and investigative work already completed; funding (sometimes sufficient, sometimes not) that was borne from the litigation or settlement; and a board and community that are more in tune with the facility, its components and problems, and the problems that face them.

2 *Aging properties with excessive deferred maintenance:* This type of project is often much more difficult to tackle. Elevated structures such as stairs or balconies could be visually worn out and may be unsafe or nearly unsafe; roofs could be leaking prematurely; exterior cladding could be falling off of the buildings; roads could be full of potholes or other hazards. Your reserve analyst and reserve study may be telling you that it's time to paint, but you know that you can't paint over what you don't know is wrong (but you know that you have problems). The priorities, issues and problems must be identified, quantified and priced out, but you don't know what the problems really are and whether you can afford to fix them with the reserves and money in the bank.

Are all big projects considered "reconstruction" projects? That determination is sometimes in the eye of the beholder. A major complex-wide re-roofing project may be considered as a reconstruction project. A major balcony or decayed wood repair project followed by a complex-wide repainting effort may be considered a reconstruction project. The bottom line is the same for both: professional management companies and volunteer board members are not trained to tackle such work, nor are they able to effectively organize such an effort. So, what is the most effective way to avoid disaster when faced with a major renovation or reconstruction project?



THE PRE-CONSTRUCTION STEPS

Major projects, no matter what type or size, do not happen overnight; they require a great deal of planning and due diligence prior to execution. There is hope, however. Many successful projects have been developed and executed by following some rational and careful steps and utilizing the various industry resources that are available to board members and managers. In order to set up a project for success, consider the following:

Step 1: "Hire an expert" (consultant). Your consultant should be a construction professional such as a construction manager, an architect or an engineer. A "project leader," so to speak, who will draft specifications and drawings, write a clear scope of work and assist the association in determining the priorities for repair.

Step 2: Research the history of the structure(s) and perform investigations. In the case of post-litigation projects, much of this work has already been done; in the case of aging properties, it is a key element to assist the consultant in determining deficiencies, priorities and "right-sizing" the project scope. New technologies such as Infrared Thermal Imaging can minimize disruptions to the residents, while collecting some valuable data during this investigative phase.

Step 3: Prepare the scope of work. This should be prepared and authored by your consultant, in collaboration with the board, management and the data collected during the investigative phase. This is the body of work that the bidding contractors will utilize to price out the work, and it allows them to bid more confidently when they know they are bidding “apples to apples” on a level playing field. It’s a key element in keeping project costs down.

Step 4: Solicit bids. The consultant usually solicits the bids. Once a list of contractors has been agreed upon between the consultant, board and management, the chosen contractors are invited to bid the work – sometimes referred to as an “RFP” (Request for Proposal). A pre-bid conference should be held on site, wherein the construction documents (drawings and specifications) are distributed, a site walk is conducted with the bidders, and a review of the project

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scope and specifications is performed with the selected bidding contractors.

Step 5: Receive and analyze bids and create a project budget. Once bids have been received, a thorough review must be performed of all bids and data collected. The consultant must analyze all bid submittals for inconsistencies, accuracy, completeness and substantiating information provided by the bidding contractors. The consultant should then prepare a project budget that includes, but is not limited to, the contractor bid prices, construction management, contingencies for unforeseen/hidden conditions that are typically discovered, permits, legal fees and any other miscellaneous project costs that might be incurred.

Once these steps have been carried out in a controlled and well-communicated manner, board members can make informed decisions about the project. The final project scope must be determined based on either available or reserve funding. Or other methods of obtaining funding for a desired project scope can be pursued. Regardless, it is important that the board members be decisive and concise.

Now that the bids are in, the following decisions and determinations must be made by the board:

- Finalization of the project work scope and budget
- Selection of contractors
- Selection of a funding model (existing reserves vs. loan/line of credit vs. special assessment, or any combination)



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THE CONSTRUCTION PHASE

Reconstruction in Common Interest Developments is never easy. It seems intrusive and is dirty, loud and unpleasant at times. The goal is to make the construction experience as pleasant as possible while being mindful that the work is being performed in and/or around our residents' homes. In order to have a successful experience, the board should once again retain the services of your project leader to oversee, coordinate and manage the work. Ultimately, the best project leader would be the consultant who specified the work, but that is not mandatory. For the purposes of our discussion, we'll refer to the project leader as the association's "construction manager" or "consultant."

There are a few hard-and-fast rules that lead to a successful reconstruction project: communication, communication and communication.

There is a saying: "a homeowner who is well-informed is a much less stressed-out homeowner!" Any – or better yet all – of the following communication methods should be deployed by your construction manager:

- a. Newsletter articles and/or website posts
- b. Town hall meetings and written hand-outs of information
- c. Written notices to residents and face-to-face meetings as needed
- d. Posted schedules and other project information on a community posting board

Once the residents are prepared for the work that lies ahead, the construction manager should remain as the community's central voice and advocate for the membership – the first point of contact for all project matters. This will keep the communication consistent and familiar. Other important responsibilities of the construction manager will be to control inspections, budget and schedule compliance monitoring; document work in progress; and contractor

payment application and mechanics lien release processing. Very importantly, the construction manager will communicate progress about all aspects of the work to the board.

As the work winds down, the construction manager should ensure that all of the details of finalization are carried out:

- Punch list inspections and cleanup
- Final sign-off of permits from the contractor
- Obtaining of final lien releases

- Receipt of all contractor and product warranties
- Assembly of maintenance instructions for work performed
- Transmittal of project close-out documents/archives to the association

The journey from inception to cleanup is a long one, but the end game for the entire process should create safe, clean, refreshed and updated homes, with a pleasant, maintenance-friendly community. Enjoy the journey! ■

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