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Tips for Managing Capital Projects in Housing Co-operatives

Part of managing a housing co-operative is undertaking capital projects to either repair or replace components of the co-op's buildings. These projects are usually funded by a co-op's reserves or from external funding sources and not funded by a co-op's annual operating budget. Managing capital projects requires special skills and expertise. And unless a co-op is undertaking a small project or has specialized management assistance, a consultant or project manager should be hired. For small projects experienced maintenance workers or co-op managers may be selected as the project manager.

These tips are designed to assist co-op staff to manage smaller projects. While the tips are important for larger projects as well, co-ops should contact CHF Canada for more information about hiring and working with consultants for large projects.

1. Preparing contracts, tendering documents and bidding

Tender documents and preparing a scope of work

Good preparation is the key to ensuring that your capital project is successful. Plan your project carefully. For large capital projects, a tendering process is good business practice. In some cases funding programs require that co-ops undertake a tendering process. In any case, a tendering process will assist a co-op to choose a contractor.

Before you prepare your tender package, plan your project carefully and be clear about the work you are undertaking. The project manager will develop the project's tender documents including a comprehensive statement of work. This is the basis upon which contractors will submit a bid to carry out a project. Be thorough, any work or material not included in the scope of work will be an extra to the contract and will increase project costs.

Your tender package should include

- information about pre-bid site meeting and bid closing information
- length of time bids remain open
- specifications about contractor insurance and worker safety coverage
- WSIB clearance certificate (Ontario)
- a conflict of interest declaration
- sub-contractor instructions or allow ability
- specification of building code compliance for contractors and any subcontractors
- a list of contractor's responsibilities including obtaining all building and other permits
- contractor responsibilities under the appropriate provincial Construction Lien Act and other controlling acts or legislation
- bid security, if required
- contract security, if required
- notice of proposed use of CCDC Contract documents
- a requirement for a construction schedule and projected completion date
- a requirement for a pre-construction meeting
- information on protocol for access to member units
- contact information for contractor on-site staff
- designation of allowable on-site work space
- information about expectations for the protection and restoration of work space
- supply and/or use of utilities
- information about access to and/or use of washrooms
- allowable work start and finish times
- site safety requirements and daily clean-up standards
- specifications on days or hours notice required prior to contractor marshalling equipment and workers to site
- name and contact information for the co-op's representative who is responsible for communicating with the contractor
- project plans and specifications.

The tendering document should clearly state the date, time, and place for tender submissions. See "Bidding process" section below.

Scope of work

The scope or statement of work describes in detail the requirements of the capital repair or improvement project. This includes any demolition and site preparation, detailed

specifications of materials acceptable for the job, and a complete description of construction methodology.

(a) Demolition

Most capital projects in housing co-ops will include some demolition of existing building components. The extent of demolition will depend on the nature of the project. In your scope of work, specify all demolition conditions including protecting adjacent property and compliance with all disposal requirements.

Require the contractor to contact all relevant utilities and service providers to locate utilities on site and obtain permissions before demolition commences. Itemize demolition activities and specify careful storage of any parts to be re-used. Arrange for inspection of final exposed surfaces or sub-surfaces and approve preparation before beginning new work.

(b) Materials

Your scope of work should identify standards and requirements about materials to be used during construction.

- Specify all materials' product standards and Canadian Standards Association (CSA) specifications.
- Specify any Energy Star or other required environmental standards.
- Where necessary, specify specific products and ask for additional pricing for alternate products of equal standard.
- Specify all materials to be used including small ware (fasteners, caulking, flashing material etc.).
- Require submission of samples (e.g. sample shingle colour, drip edge, eave protection membrane etc.) for co-op selection.
- When materials are delivered to the co-op, ensure the inspection of the shipment to make certain the co-op is receiving the materials that were specified.

Execution of work

Your scope of work should

- specify that all installations will strictly comply with manufacturer's published instructions and reference standards
- describe environmental conditions where work will not be permitted (rain, frozen surfaces etc.)

- describe, in detail, installation requirements (e.g. “install two full 36 inch width strips of waterproofing underlayment membrane as eave protection beginning at outermost edge of eave”)
- describe detail of finishing standards
- require notice by contractor at each stage of construction and inspect work as it progresses.

(c) Drawings

If your capital project involves new construction or complex remedial repairs, construction drawings are recommended. Hire a qualified professional to create or review and confirm drawings and specifications. These drawings should be part of the scope of work. Later, the co-op’s project manager will be able to use the drawings to assist with the project inspection process.

2. Bidding process

Co-ops should use a competitive tendering process in order to make certain they receive the best value for their capital spending investment, and the best quality of work. Advertising a project tender can be done through invitations to pre-qualified contractors or by public tender. Identifying pre-qualified contractors can help insure that bidding contractors have the financial, material and human resources necessary to see large projects through to completion and provide warranty service in subsequent years. Public tender maximizes competition but may result in submissions from unknown contractors. Co-ops must practice a high degree of due diligence when identifying and selecting contractors.

It is important to set out the time lines of the bidding process including:

- date of issue
- date for site visit
- submission deadline
- tender opening
- contract award.

The project manager should be the co-op’s representative. All bidders should only speak to one representative of the co-op. It is important that all bidders receive the identical information about the project. If additional information is requested by one bidder, send an addendum with the information to all invited bidders.

It is important that the closing time and place for submissions is clearly specified and adhered to. The date and time of each submission should be stamped on all submissions. No submission should be opened before the scheduled tender opening.

Your project manager will need to check bidders' references for similar projects of similar scope. Visiting other project sites may be desirable in some circumstances. Your project manager will need to develop a process for evaluating bids prior to beginning the tender process. Remember that all bidders must be treated fairly and equally.

When you award the bid

- Award the contract to a valid bid only.
- Do not award the contract to a bidder that has made an obvious error or has asked that their bid be withdrawn.
- If a valid bidder wishes to withdraw a bid, the co-op should review the bid security requirements. Valid bidders that refuse to sign a contract may be required to forfeit the bid security at the discretion of the co-op.
- If a bidder makes a mathematical error or transfer error the bid information should be restructured to correct the error. The co-op cannot take advantage of a contractor's obvious error.
- Finalize the contract award only after receiving all required documentation from the successful bidder (proof of insurance, worker safety or other coverage, conflict of interest declaration, clearance certificates, contract security, etc.).

Contracting

Contracts should be used for capital projects. A contract sets out the relationship and responsibilities between the contracting parties. When a project has been awarded, prepare a final contract with the successful bidder. The Canadian Construction Documents Committee (CCDC) stipulated price template contracts can be used. The CCDC website includes document templates and guides. <http://www.ccdc.org/>

The project's detailed scope of work should be inserted into the CCDC contract and the bidder's successful submission should be attached as an addendum.

Ensure that the contract clearly states the conditions of payment to the contractor and the conditions of any holdbacks. Holdbacks are designated under provincial laws about construction liens. Holdbacks help to ensure that any sub-trades of the contractor are paid in full. Holdbacks are not intended to cover the cost of deficiencies.

Any holdback retained to cover the resolution of deficiencies should be in addition to the holdback required by the applicable Construction Lien Act.

3. Contract Administration

Communication

The project manager should always be the primary contact between the co-op and the contractor on all issues. This will assist the development of clear and open communication between the co-op and the contractor.

Once a contract is awarded, a pre-construction meeting should be held. Regular meetings should be scheduled during the project. Ensure that the contractor provides a construction schedule and projected completion date prior to starting the work.

Part of the project manager's responsibility is to keep the co-op's board informed during the project. It is also important to keep the co-op's members informed about the impact of the project on members. This can be done through regular bulletins to members and by communicating directly with affected members.

More tips

- The project manager should inspect materials at delivery, and check the progress of the work regularly and before each construction meeting.
- Sometimes changes to the initial contract will need to be made. This may occur because once work begins the extent of the work may change.
- Don't nickel and dime the contractor. Stick to the contract requirements. Your contractor needs to be successful and you will get a better outcome if you avoid cutting corners. Monitor costs but be fair.
- Ensure there is a written process in place for authorizing any changes (change orders) or site instructions given to the contractor.
- Authorize progress payments, extras or credits only when the project manager is clear on the work completed, changed or deleted.

Substantial Performance

Determining the point of Substantial Performance is important. It establishes the release period for the release of the 10% hold back. The date is confirmed by a Certificate of Substantial Performance issued by the project manager.

Across the country the rules about substantial performance and substantial completion of a project are different. Check the rules in the applicable legislation for your province.

a) Ontario

In the Ontario Construction Lien Act, Substantial Performance is defined as below.

Substantial Performance

The improvement being made under the contract is ready for use or is already being used for the purpose intended.

And

The improvement is capable of completion or any remaining defects can be corrected at a cost of not more than:

- 3% of the first \$500,000
- 2% of the next \$500,000
- 1% of the contract balance.

Contract Completion

Contract completion is reached when the cost to complete or correct remaining defects is not more than the lesser of 1% of the contract price or \$1,000. If a certificate of substantial performance has not been issued the date of contract completion begins the 45 day period for the release of the 10% holdback.

b) British Columbia

In the British Columbia Builders Lien Act the following rules apply:

Substantial Performance

A head contract, contract or subcontract is substantially performed if the work to be done under that contract is capable of completion or correction at a cost of not more than

- 3% of the first \$500 000 of the contract price,
- 2% of the next \$500 000 of the contract price, and
- 1% of the balance of the contract price.

An improvement is completed if the improvement or a substantial part of it is ready for use or is being used for the purpose intended.

Once a certificate of completion is issued the holdback must be released within 55 days.

Contract Completion

When the capital project is completed, the project manager should provide the co-op with the following:

- as-built drawings
- sketches, schematics
- warranties
- operating manuals
- specific maintenance instructions
- repair or replacement materials (paint, trim, shingles) as specified in the contract.