



Criteria to guide your general contractor selection: Experience, reliability, bonding, due diligence

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While the economic downturn has affected construction, many commercial/industrial projects are being built. The U.S. Census Bureau reported that during June 2011, nationwide construction was estimated at a seasonally-adjusted rate of \$772.3 billion. For the most part, these projects proceed smoothly with property owners satisfied that they received a quality project built to their specifications, on-time and on-budget. Achieving that outcome, however, depends on selecting the right general contractor (GC). Following are key criteria to consider in your GC selection.

Experience and Reliability

It is important to establish that a GC has a proven track building similar projects based on the project category (e.g., office building, retail, industrial, medical, multi-housing, etc.), size and scope. There is no better road map for success. Additionally, the GC should be able to present a portfolio of diverse projects demonstrating a broad base of construction expertise and skill.

It is also important that the GC have experience in the particular geographic territory in which the project will be built. Going into a new market without familiarity with the area and the key players (i.e., subcontractors, architects, engineers, utilities, municipalities, etc.) can lead to difficulties. Construction is challenging enough without full working knowledge and relationships within a region. As for reliability, it can be gauged based on the satisfaction of prior clients, and by inquiring about the building team (i.e., project executive, supervisors, managers, estimators, etc.) and how long members have been working together. It is vital that a property owner be assured that the GC has a building team who can work together in order to achieve the end goal.

Bonding Matters

Given today's tough economic times, a GC's financial capability is paramount to keeping a project proceeding on time. Federal construction projects valued over \$100,000 already require surety bonds under the Miller Act, and in New York State, bonds are required by federal agencies for projects whose values are \$250,000 or more. The private sector too should recognize the importance of a GC's ability to secure the right type of surety bond, whether a bid bond, performance bond or payment bond.

Business Processes

How a GC works is also important. For instance, does the company employ sound internal business processes? Top notch policies, procedures and internal controls reflect a company whose projects too, are likely to run in an organized, efficient manner.

Who's in charge of your project? GCs which place an experience executive at the head of the building team help ensure project success and should be weighed heavily. Additionally, it is important that the GC's project team members have the proper education, training and on the job experience. To gain affirmation that the GC does follow sound procedures, is accountable as

evidenced by the hands-on involvement of a top executive, and does employ qualified staff, ask for referrals. There is no better way for an owner to get details on how a firm operates. By speaking to a GC's former customers, a property owner can gain candid answers to address any of their potential concerns.

Due Diligence Counts

The biggest mistake property owners make when awarding contracts is not performing essential due diligence to thoroughly screen the GC. They need to make sure they have a strong level of comfort with the GC and its team. They will be working closely, for a long period of time, and need the relationship to be fluid. A successful project requires a partnering approach where all parties are focused on the common goal. While competitive pricing is important, selecting a GC solely on price is a mistake. Often, the reason for a price disparity is a difference in project scope. Experienced builders are less likely to miss costs that impact a project.

The bottom line is, when selecting a GC, experience is a must.

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