

HABITAT

Serving New York Board Members & Property Managers of Co-ops & Condos

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PROTECTING YOUR PROJECT

There are no guarantees in a renovation project, except that there will be surprises. Some buildings have taken to hiring construction-only managers to handle overseeing projects and ensure that everything goes as smoothly as possible, but even then, unexpected problems can arise.

By Bill Morris

For a co-op or condo board, managing a construction project can feel like battling the many-headed Hydra of Greek mythology. Every time you eliminate one problem, two more seem to sprout in its place. While seeing a construction project to a successful conclusion might seem like a Herculean task, it's not impossible – provided the board follows some simple rules. First, hire quality workers who are right for the job – architects, engineers, contractors and subcontractors. Second, supervise, supervise, supervise. Third, expect the unexpected because surprises will happen. And fourth, remember that with a construction project, as with everything else in this city, you get what you pay for – and you must pay for what you get.

Cooper Square Realty places so much importance on supervising construction projects for its clients that the management company has its own in-house subsidiary devoted strictly to managing construction projects.

“Our philosophy is that managers are not experts in construction projects,” says Dan Wurtzel, president of Cooper Square. “What happens when a property manager tries to oversee a construction project is that he gets distracted from the job he's supposed to be doing – walking the halls, running the building. In the end, nobody's happy.”

Tal Eyal heads the subsidiary, Cooper Square Project Management. The seven people who work for him come from varied backgrounds – architecture, engineering, accounting, and property management.

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For a fee that usually ranges from 4.5 to 10 percent of the construction project's total cost, Cooper Square Project Management gets involved early and marshals every facet of the job until it is complete.

“We ask boards to hire us before they hire the architect and engineer,” Eyal says, “because we know which architects and engineers are right for which jobs. We're not here to substitute for

the architect and engineer. We let them set the specifications, then we work with them to develop a project budget. We divide this into three groups – what's mandatory, what makes sense, and a wish list.”

After the board decides on the scope of the job, the project manager sends a bid package out to between seven and ten contractors. Interested parties are invited to walk through the building.

Meanwhile, the project manager is meeting the contractors' foremen, checking references, and visiting other job sites. “If I'm going to work with a contractor,” Eyal says, “I'd better know everything about him.”

When the board opens the bids, the four or five most attractive are put on spread sheets. The bids are reviewed and refined, usually resulting in a cost reduction of anywhere from 9 to 17 percent. The prospective contractors are whittled down to the two or three best suited for the job. Finally, after making sure that all insurance and bonds are in order, the architect, engineer, and project manager offer their first and second choices to the board.

Eyal believes all this painstaking preliminary work is crucial. “My argument is that success depends on what happens before the work starts,” he says.

Once the work starts, the project manager meets every week with the contractor and prepares a weekly e-mail briefing for the board on the project's

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progress and a monthly accounting of expenditures.

When the project is completed and the contractor has received the final payment, the board is presented with something Eyal calls “The Book” – all the paperwork involved in the project. Sometimes, “The Book” runs to several volumes, and it can be a valuable source of historical information for future boards.

Our Guarantee: No Guarantee

But having a full-time project manager is no guarantee that the job will run smoothly. Oswald Bertolini, owner of Bertolini Architectural Works, has worked with many project managers and the results have been varied. “Some were extremely useful,” Bertolini says, “and others made the job more complicated than it had to be. The important thing is the person’s competence and knowledge.”

Bertolini agrees with Eyal’s contention that preparation is critical to the success of any construction project, especially in older buildings. “The fewer unknowns you have, the greater your chances of success,” Bertolini says. “If you know how the building is built and what’s wrong with it, you’re much better off.”

To this end, Bertolini frequently hires a contractor on a per-diem basis to give the building a thorough physical before the actual work begins. The contractor will poke holes and probe beneath surfaces, looking for problems that are not evident to the naked eye.

“For me,” says Bertolini, “the key is communicating to the board what they’re up against. Then, I find out what they want to do – anything from a quick fix up to something that’s going to be good for 20 years.”

Once the scope of the job is established, the architect works with the board and the property manager to put together a job description, including the priority of each facet of the

project. That goes out to prospective contractors – usually to three companies for smaller jobs (in the \$250,000 range) and to six for bigger jobs. Before the bid set goes out, the architect vets the potential contractors, checking their references, visiting other construction sites, trying to determine which contractors are the best fit for the job.

Once the board has hired a contractor and the work has begun, the architect’s job changes. “Probably the main role we fulfill is to translate what the contractor is saying to the board and property manager, and then take what the board and manager say back to the contractor,” Bertolini says.

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It’s important to have a system for dealing with surprises. Usually the property manager can approve paying for minor changes. Bertolini urges boards to designate one or two members who follow the project from the beginning so that when a major change order arises, the board liaisons are up to speed. “They speak to the rest of the board and explain why we need to do it a certain way,” Bertolini says. “This way the board is not in fear that somebody’s cheating them.”

Unpleasant Surprises

Even boards that do ample preparatory work and hire quality contractors can find themselves getting ambushed by unforeseen – and unpleasant – surprises.

A classic example took place recently when Martin Kera, a property manager attorney, and owner of Bren Management, began supervising \$1 million worth of work on the brickwork, cornice, parapet, roof, and windows at a Manhattan co-op.

Kera, with 25 years in the business, stresses to boards the importance of hiring an established contractor with a solid reputation who is a good fit for the job.

“Boards always want to do it the cheapest way, but you’ve got to have a reputable contractor who’s been around and will stand by his work,” Kera says. “If you start fooling around with these fly-by-night companies, you get guys who don’t know what they’re doing. There’s no way to supervise those guys. The reputable companies come back when there’s a problem. The fly-by-nights you can’t find.”

As if to prove Murphy’s Law, the co-op board followed Kera’s advice and hired a contractor with a solid reputation who seemed to be ideal for the job. But when inspectors from the city’s buildings department visited the construction site, they issued 11 safety and insurance violations. The job was temporarily shut down.

“I fired the contractor,” Kera says with the world-weary sigh of a man who understands that the only sure thing on a New York construction project is that there’s no such thing as a sure thing. “I figured anybody with that many violations could endanger the building.”

Safety inspections are one area where size definitely matters. Buildings 15 stories or taller are now required to have an independent safety inspector on the job at all times, a new regulation that stems from the series of crane collapses in 2008 and 2009. At \$70 an hour, these inspectors can be a significant expense. In the case of the Upper West Side co-op, a safety inspector might have spotted viola-

tions before the city inspectors arrived, but since the building is less than 15 stories tall, an on-site inspector was an expense the board decided to forego.

After firing the original contractor and re-bidding the job, the board hired Preserv Building Restoration from Brooklyn, and work resumed. The work has progressed smoothly, according to Kera, because of rigorous, hands-on oversight by the board, the architect, and the property manager.

“Our philosophy is that managers are not experts in construction projects,” says Dan Wurtzel, president of Cooper Square. “What happens when a property manager tries to oversee a construction project is that he gets distracted from the job he’s supposed to be doing – walking the halls, running the building. In the end, nobody’s happy.”

“We have a meeting with the contractor every Monday morning,” Kera says. “Board members and shareholders are welcome to come. Someone from the architect’s office comes. They prepare weekly reports and we check off what’s done and what’s not done. This keeps you in control of the project and keeps it moving. It’s the best way to do the job. If you do it without an architect or engineer supervising, the contractor is pretty much free to do what he wants. A board member or shareholder is not savvy enough to pick up on these things.”

The key is having someone with technical expertise stay close to the work as it’s being done. “The architect gets up on the scaffold with the contractor,” Kera says. “On a project of this scale you have to do it this way.”

But there are no fail-safe guarantees against unpleasant surprises. “What happens is you make discoveries as you go along,” Kera says. “Every time you remove something that’s old, you discover something underneath it.”

The tar waterproofing on one of the exterior walls was a case in point. When workers started to remove the coating so they could re-point the bricks underneath, they learned – surprise! – that the tar was laced with asbestos.

“So now we have an asbestos-removal job on our hands,” says Kera. “The law says that the owner – not the contractor – has to hire an air-monitoring company. We chose Airtek Environmental Corp. That was \$12,000 over and above the construction cost – and they gave us a discount because I’m Airtek’s attorney, and in this economy contractors are more amenable to negotiate.” With a shrug, he adds, “You can’t predict all the unknowns.”

Finally, it’s important for boards and property managers to remember that a construction job isn’t over until it’s over – and frequently it’s not over even then.

“The tail end of the job is usually where people drop the ball,” says Bertolini, the architect. “People who live in the building want the work crews out. There’s pressure on the board to get it over with, and the contractor wants to go. Everybody gets a little tired at the end. That’s when you need to make sure you’ve done everything you need to do.”

He stresses the importance of having the architect prepare a punch list to make sure that even the smallest details are tended to, and he urges boards to make sure that the proper

people have signed off on inspections of workmanship, such as plumbing.

“Figure those things out before you make the final payment and release the contractor,” Bertolini says. “It doesn’t hurt to walk through the building and ask the contractor intelligent questions. Once they’ve taken down the scaffolding and the sidewalk bridge, then they can’t do any more work without filing for new permits. That’s very expensive. You can’t rush a job just because somebody’s yelling at you to get out of the building.”

In the end, the importance of communication should never be underestimated.

“You can’t ignore people,” says Bertolini. “If you explain to unit-owners or shareholders why you’re doing something a certain way – because it’s the only right way to do it – then they generally realize it’s a good deal for them and it’s going to make their life better. They’re happy to be part of the process. There’s a very human aspect to managing construction projects.”



Cooper Square Project Management
6 East 43rd Street
New York, NY 10017

T (212) 634-8900
F (212) 634-3946
E info@coopersquare.com
W www.coopersquare.com