

Minimizing Risks associated with Construction Projects



**MCCUNE CONSTRUCTION
SERVICES GROUP, LLC**
Risk & Funds Management /Construction Consulting /Construction Management



Looking out for You!

KEYS GOALS

- For a construction project to be considered successful, four key goals must be achieved. These four goals are **TIME, QUALITY, MONEY AND SAFETY**.
- By focusing on and achieving these goals we can assure the success of the project and minimize the risks.
- Conversely, falling short in any one of these goals will increase the risks and compromise the success of the project.

THE RISKS

Minimizing the Risks on Construction Projects

- **Identify the Risks & Explore Solutions**

- The Risks:

- The Parties – Qualifications & Experience
- Contractual Elements
- Going Over Budget
- Insufficient Funds
- Claims & Unpaid Bills (Liens)
- Untimely Completion
- Defects & Quality Issues
- Safety Hazards

Why Do Project Go Over Budget?

- **Budget Issues**

- Never enough funds

“Most often, the low bidder is simply the bidder who made the most mistakes”

- Too much advanced, too soon
- Misappropriation of funds

Why do Projects not Finish on-time occur?

- **Untimely Completion**

- Didn't start early enough
- Not enough time originally established
- Weather & resulting site conditions
- Changes
- Delays beyond GC's control
- No schedule or schedule / trades not properly managed

Why do Quality Issues occur?

- **Quality Issues & Defective Work**
 - Lack of Supervision or Qualified Supervision (by GC)
 - Lack of Supervision (by Subs)
 - Lack of Qualified Trades
 - Inferior Quality of Materials
 - Substitution of Products
 - Insufficient Planning
 - Design Errors

Why do Accidents occur?

- **Safety Hazards & Accidents**

- Leadership's unwillingness to invest in Safety (*starts at the top*) and /or lack of knowledge
- On-site Safety Management
- Cooperation by Workers

Solutions

The Legal STUFF - The Details

Contractual Relationship (Delivery Method)	Design – Bid – Build (GC)
	Design – Build (D/B)
	Construction Manager (CM)
Type of contract agreement	Stipulated Sum
	Cost Plus a Fee with a GMP
	Cost Plus without a GMP

Qualifying the Borrower

Past experience record

Is Borrower engaging an Architect?

Acting as own GC?

Engaging GC or CM?

Providing material or equipment?

Work outside of GC contract?

Qualifying the Contractor

Experience and reputation

Financial condition

Lack of financial ability indicators

Work in Progress (WIP)

GC organization structure

Status of the Design Documents

- Stages of Design (Plans & Specifications)
 - Schematic Documents (SD)
 - Design Documents (DD)
 - Contract Documents (CD)
- Ability for Everyone to Understand
- Ability for GC to Understand Scope of Work
- Ability for Subs to Understand Scope of Work
- Ability to Permit
- Ability to Construct correctly

Design team (A&E) Involvement

- Is Architect's Job to only prepare Drawings & Specifications?
- Construction Administration "CA" Services
 - Facilitate Weekly Project Meetings & Review Progress
 - Verify Work is performed per the Contract Documents
 - Quickly Resolve Issues
 - Dispute Resolution
 - Collaborate with Owner & Funds Manager on Payment Applications
 - Review Shop Drawings & Product Submittals
 - Punch-list & Certificate of Occupancy Issues
 - ADA and Energy Code Compliance

Cost/Budget verification

- Confirm the GC's bids / proposals
 - Review Bid tabulation
 - Obtain Cost Opinion from 3rd Party Cost Consultant
 - Review Qualifications, Exclusions

Challenges facing the Construction industry TODAY

- Challenges having a huge impact on the TIME, QUALITY, COST & SAFETY goals of today's Projects:
 - Rapidly Rising Material Costs
 - Shortage of Qualified Supervision & Manpower

Q & A



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- Thank you for the opportunity to be a part of MALC 2019.
- For a copy of this presentation, contact Stephanie Taylor stephanie@mccunecompanies.com
- **McCune Construction Services Group provides construction funds management services to lenders on construction loans.**