

HOME ARCHITECTS ®



# How to Hire a General Contractor

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# HOW to HIRE a GENERAL CONTRACTOR

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# HOW to HIRE a GENERAL CONTRACTOR

## Preface

You notice that the title of this little e-book is about a GENERAL Contractor. Not just any sort of “Contractor” and not just a “Builder.” A General Contractor is the “general” leading the construction effort: he or she oversees the physically built improvements on the site. This is the company that hires everyone else involved with the construction and monitors & coordinates their work to insure that your project is completed properly.

This mini-e-book is NOT all-inclusive. There are hundreds, if not thousands of things that need to occur to hire a General Contractor and to get your project under construction. This small e-book is more of a summary and does not purport to contain everything required to successfully make these events happen. It is rather a broad overview.

There are good Contractors, bad Contractors and in-between Contractors, just as there are a range of abilities and ethics of any particular group of people. This e-book is trying to prepare Clients for a range of what might happen and in no way is attempting to portray Contractors or any group of people as all bad or all good. Rather, we are trying to give a cross section of various circumstances that can occur during the course of project and to provide information to help the Client prepare themselves accordingly. Some of the HOME ARCHITECTS ® best friends are General Contractors (those that we consider as outstanding). Contractors can vary widely in their abilities, attitudes and approaches. We prefer those that respect the entire project team, as we do. We believe in having those people who are educated, trained and experienced in a particular work category performing those activities.

## LESSON 1: HIRE YOUR ARCHITECT FIRST

### **Hire the Architect first.**

(See HOME ARCHITECTS® “How to Hire an Architect” in this series.)

What's first? Chicken or the egg? Cart or the horse? Well, in the architectural and construction world, things are clearer than that. Architect or General Contractor? Design or construction?

How can you build anything worthwhile if you don't have a design to guide you? Either paper sets of drawings & specifications or electronic documents or both: with detailed dimensions, locations, instructions for assembly, material type & qualities, layouts and other information? Okay: obvious answer: you can't. Otherwise you have a bunch of guys stomping around aimlessly, randomly gesturing about where things should be placed and arguing about it and making a mess of things.

Of course: you first need a DESIGN before you can build it. So the next question is: “who is the most skilled professional educated, trained, experienced and licensed to provide architectural designs?”

Answer: an Architect.

Seems obvious, once you sit down and think about it, doesn't it? And in addition to being in the proper, logical sequence, your Architect knows how to qualify your interested General Contractors who will bid your project and your Architect can help you plan future phases, so that what you build first properly coordinates and fits together with future improvements. That takes a lot of brain power, technical planning and precise computerized documents. These are just a few of the capabilities

your Architect brings to bear on your project, starting at the beginning, to get things moving in the right direction. Having that expertise in your corner will give you the warm fuzzies.

Therefore: your Architect will help you hire your General Contractor.

Your Architect is your first consultant, to help guide you through this interesting process.

Why? Because the process is very complex and the inexperienced (probably you) will be confronted with all manner of issues to deal with and you simply won't be prepared to handle them correctly unless you have the advice and counsel of an experienced Architect. Don't proceed without your Architect.

You may think, for instance, if you are contemplating a residential project, "It's only a house..." Well, most architectural organizations and others (like ArCH, AIA and even Wikipedia) all agree that the design and construction of a residence is one of the most complex building types today. Why? Because there is more happening per square foot in a house than any other building type, including hospitals, office buildings, high-rise structures, mercantile facilities or schools.

You will need the guidance your Architect can provide. Make it easy on yourself: engage your Architect first.

Then, have your Architect design & detail the project. You will then have CDs (Construction Documents) that the bidding GCs can use to price the project and then permit and build it on your land.



Wait a minute...you are thinking that you can find a builder that has some existing design and he has a person of dubious qualifications in the back room that can make a few modest revisions to that to suit you...THINK AGAIN! Most Contractors do Not like to prepare "plans" for clients. They are Not likely licensed in any design profession (which means there is no official oversight for what they are doing in that regard). They don't earn much doing that and they are not trained and experienced at doing that. Builders build. Architects design. And builders aren't going to want to spend untold time and resources trying to create something just for you (that's what Architects do). Many builders will attempt to convince you to accept some existing "plans" that they have already built multiple times, so what you would be receiving would not be unique. And even if the builder does prepare some "plans" for you, guess who is now controlling the quality and materials? You guessed it: the builder! Not you. Doesn't it make more sense to have what may likely be the largest investment of your life (your home) designed by a professional, skilled in the design of that type of project? The best licensed General Contractors will recommend that you hire an Architect to design your project; those are the sorts of wise GCs that you want to consider using to build your home or building.

To compare: would you even remotely consider buying your next vehicle from some unlicensed mechanics down the street from you, who work out of their garage, throwing together a vehicle for you, then you driving that vehicle, with your family, across the Country at a high rate of speed? Of course not. Then why would you even want to consider having unqualified people providing questionable documents defining the design of your proposed house? Your house is where you may live the rest of your life with your loved ones. Your house has to resist high winds, heavy rainfalls, snow, ice, burning sun and other environmental forces (just ask the people whose houses blew down in Hurricanes Sandy, Katrina, Andrew and others). Your energy efficiency will be better in an Architect-design house. Your house

health will be better in an Architect-designed house (Architects know how to specify materials with less toxic off-gassing and related health improvements). Your durability will be better in an Architect-designed house. Your Architect's fee will be offset by the savings you enjoy, year after year in your Architect-designed house. Your resale aesthetics will be better in an Architect design house. Your views will be framed better in an Architect designed house. And on and on.

Get a professional. Hire an Architect first. Have your Architect design your house. That's what they do for a living. Let your builder build. That's what they're good at doing. Have each of your professionals do for you what they are best at doing.

## LESSON 2: LICENSE

### **Hire only a licensed General Contractor.**

A REAL General Contractor will be licensed by the State in which your project is being built (assuming your project is taking place in the United States of America). Because that is required in order to comply with the law. And to insure that you are less likely to have problems. You NEVER want an unlicensed person or company to design or build your project. To insure that you are dealing with the proper firms and people: hire a REAL Architect (not just a "designer") and hire a REAL General Contractor.

Why do you want a LICENSED General Contractor (GC)? Because that means that the State monitors what he or she does. The State also records



any complaints. It is possible to perform online research and discover any issues with licensed people. Not so with unlicensed “builders.” Licensed GCs have to comply with adopted building codes, energy codes and other legislation affecting construction passed by the State. Your Architect knows how to perform this research and can determine if your GC is licensed and if there are any outstanding complaints.

## LESSON 3: COMPLAINTS

**Investigate complaints made against any General Contractor you are considering using.**

Complaints for what? Well, Rand Soellner, Senior Staff Architect for the HOME ARCHITECTS ® discovered in one instance, that the preferred Contractor one of his clients wanted to use had a history of severe complaints on file with the State, in which he did not typically pull building permits (which is illegal) and had one home nearly collapse because the soil around the foundations was not protected and stabilized. Who would want such a person running their job? So: lesson #3 for hiring your GC: Have your Architect investigate the GC and see if he/she is licensed and what, if any complaints are on file with the State and review those with the Client.

In most states, it is illegal for unlicensed “builders” to construct homes for anyone other than themselves (a home in which they intend to occupy). Some unscrupulous builders say that they are building a home for themselves, then turn around at the end and sell it to someone else. This means that an unlicensed person has built the house and there may be a

laundry list of defects in the home waiting to jump out and surprise unsuspecting buyers. Buyer beware: find out who built the house. Are they a licensed GC?

## LESSON 4: BIDDING

### **Have your Architect manage the Bidding process for you.**

Your Architect can manage the BIDDING phase of the project process for you. Currently, you really want to have your project bid. Why? Some General Contractors (GCs) may prefer that you just hire them, without comparing their prices with other GCs. They may also suggest a “Cost Plus” form of agreement. Well, that may be what THEY want (who wouldn't?), but that may not necessarily be in YOUR best interests. Note: Cost Plus agreements can work well, in certain circumstances, such as where the Architect knows the preferred Contractor and trusts them.

However, in the current economic climate, you may obtain better pricing for your project through a competitive bidding process between a very few, prequalified licensed General Contractors. How few? 3 or 4. No more. Any more and the best of them may decline to participate, once their statistical chances go below 20% to 25%. It costs a good General Contractor around \$2,500 to prepare a bona fide bid and untold time and efforts of all of his 50+ subcontractors. It is a very big deal and Contractors do not undertake such an effort lightly. We highly respect this effort on the part of all Contractors.

Almost always, at least one of the bidders will decide not to bid, meaning that if you start with 4, you likely may end up with 3 bids, which is the amount you want. The reasons for this are not important, but often are the result of them obtaining some other new work, or them understanding the detailed nature and superior quality level of your Architectural documents and them deciding that they really would prefer to be in control of your quality level rather than you and your Architect, or they may simply prefer to want to do things their way (which may not be in your best interests).

Your Architect knows these things and will guide you accordingly. You do not want to handle the bidding phase without your Architect. Why? Because all sorts of things can happen: groups of local builders can talk amongst themselves (called collusion) and agree who among them will get this contract and then stack irregular bids to make that happen, possibly with one of them having a higher than reasonable bid. The experienced Architect can probably recognize such chicanery and even decide to rebid the project using a new slate of contractors from a different area. This appears to have happened to the HOME ARCHITECTS® in some rural areas. They ended up having a firm or firm(s) they trusted rebidding the project, providing a more realistic price that adhered to project requirements.

Do you think you would recognize such an event? When you start hearing builders bad-mouthing Architects, that's a sign that something like this may be going on behind the scenes. Some builders even attempt to "throw the Architect under the bus." This is a circumstance in which builders do not like the required better quality levels, specifications and quality details the Architect's documents demand of them. Some of these unscrupulous builders would prefer to do business as usual, with themselves in charge of what they want to give you, rather than what you want or the quality level that you have requested of your Architect, or what your Architect is trying to accomplish on your behalf and in your best interests. When such

questionable builders attempt this, you may hear such things as the builders suggesting that the Architect's documents be redone, or replaced, having much or all of the detail, notes & specifications removed, or having only a few measly drawings provided, like the floor plans and elevations only. To agree with such biased suggestions on the part of these uncooperative builders would transfer the power of authority for your quality level from you and your Architect to the shoulders of the builder. And often violates the rules, regulations and firm policies under which your Architect has to operate. And that may not be in your best interests. Why? Because such a builder may be motivated more by profits, and in such a situation, their profits can be obtained by making you think that they are building a quality project, while in fact, they are cutting corners on things you can't readily discern (such as concrete mix design density, wood material grades, lack of proper fill material and lack of proper compaction, pressure treatment (or not) on exterior wood trims (or the wrong type of pressure treatment), lower quality windows and doors that leak energy or rot faster, inferior quality siding materials, inferior insulation materials, lower structural capabilities, lower energy rating for HVAC equipment (Heating Ventilating and Air Conditioning) and much more).

You want licensed General Contractors that are team players who respect other members of your professional team, including your Architect. That's the key to a successful project. You want GCs who will work with your Architect to help you meet your objectives.

We could go on about HOW the Bidding process is managed by Architects, using spreadsheets, questionnaires (having up to 50 questions or more about the GCs practices and experience), the obtaining of insurance forms and more, but that's the subject of another book. Suffice it to say that you will likely end up with "apples to oranges" for your bids if you don't have your Architect managing this for you. You want: "apples to apples." Your Architect wants everyone on a level playing field,

providing honest numbers for your project. Your Architect helps this to happen by providing a required set of Bid Forms that all bidders are to use.

Your Architect will help you evaluate the results, with spreadsheets comparing a multi-division CSI (Construction Specification Institute (not Crime Scene Investigation)) breakdown of proposal numbers. This will help him explain to you, possibly including colored graphs, of where the bidders are proposing to spend your money on what. This can be compared with historical percentages that your Architect will know to help him and you understand the bid numbers and how realistic they are.

The main purpose of Bidding is of course to obtain BIDS from the various final GCs. Your Architect will no doubt provide some sort of ranking and commentary about the proposals received, including some number crunching spreadsheet comparisons.

Note regarding bid amounts:

EVERY client on every project will always be surprised, if not shocked, by the proposed bids. This is normal. This is because of human nature: people seem to have some basic survival instinct that makes them believe that they will receive the lowest numbers ever, in the history of the world to build their project. Even this author has this tendency. Recognize this and deal with it. Experienced architectural firms like the HOME ARCHITECTS® include about 10 or so Optional Owner Upgrade bid items to which the bidders are requested to assign numbers, to help the Client have multiple a la carte items to accept or reject, to assist them in having a total, final number that they may find acceptable. The HOME ARCHITECTS® unique method of document creation has what they call BASE BID items which are included, being those core, essential items that are required to allow the GC to build the most reasonable priced basic level of project. Then, the Client can decide which, if any of the Owner Optional Upgrades they might wish to add to the BASE BID to result in the total price. The

cooperation of the GC Bidders in this regard is critical. They need to provide this pricing information to allow you (the Client) to make these decisions, which is why Architects should construct their documents in this fashion. Now you may start to understand the importance of the Architect's participation in managing the Bidding.

## LESSON 5: ORGANIZE YOUR FINANCES

**Get your money. Be ready to spend it on your project.**

Verify your financial resources. You now have typed bids. Use the one that you feel is the correct amount and verify your cash, your bank loan or other requirements to obtain the money to pay your upcoming GC to build your project. Your project will not move forward without this. This is one of the most essential, critical items of the entire effort, if not the most important: get the money to pay for it. Some banks may require you to include a complete set of Construction Documents along with a signed contract with your selected GC. If that is the case, you will need to wait a bit. But: get this going now! You should be able to give any financing source an IDEA of the cost by now, at least in a range. Borrow MORE than you think you will need, not less. Everything always costs more by the time you are done. Make sure you have a financial cushion. Have your credit run. Do all the pre-approvals you can do so that this will be done when you are ready to proceed with construction. This may take a month or more.



## LESSON 6: SEE FOR YOURSELF

**Personally investigate the built projects of the proposed builders.**

After your Architect has produced the Construction Documents (CDs), and during the Bidding process, you and your Architect will find a select “Short List” of finalists licensed General Contractors (GCs) to be considered to bid your project. This list may be anywhere from 4 to 8 construction companies.

What do you do to help you understand the qualifications of these firms? Your Architect and you have examined their websites, letter of reference (if any) from satisfied clients, insurance forms and possible brochures and the like. What now?

Your Architect will, through his/her Bidding efforts, obtain a list of references from each of the finalists that include the email, mailing addresses and phone numbers of supposedly happy clients of the various GCs. Each of these references (hopefully electronically) will include digital photos of the homes (or other facilities) tuned to the nature of your project. These references will be available for you to contact them and talk with them and schedule a date and time to travel to their home/building and see for yourself the final results of each of the considered GC's construction efforts.

This is something that you, yourself will want to do. Check out the tightness of the various trims, levelness of doors, windows, flashings. Look at the roofing. Do you see any interior ceiling wet stains (usually indicative of

leaks)? Talk with the owners. Do they like the GC? Did they have a positive experience? Take digital photos to remind yourself of who and what you saw and what you liked and what you did not like. Take notes. Number each of the homes and name them by the last name of the people occupying the home/building, so that you can understand and remember, later what your perceptions were when you toured those projects. Check out the paved surfaces and landscaping. Do you see any cracking of the foundation walls? Any materials deteriorating? How about the energy bill costs the current owners are experiencing? Ask. Look at plumbing fixture (do you see any leaking)? Check out the tile work (any cracks?). Do the cabinets and counters look properly installed? Railings: push against them: do they bend a lot or do they feel safe and solid? There's a host of other things that you can investigate if you have a mind to do and your Architect can help you make a list.

When you are done with your tours, inform your Architect of your impressions. You will probably prefer the work of some GCs over others.

## LESSON 7: MEET WITH THE GCS AFTER THE BIDS

### **Interview the final bidders in person.**

After you and your Architect obtain the bids and have ranked them in order of preference, schedule personal interviews with your finalists. Do Not do this before you obtain the bids. There is no amount of personality that should enter into the equation before you have the numbers. Then, and only then, when you know what the prices are, should you spend your

valuable time sitting down and talking with the people who are proposing to build your home (or building or other facility).

There are some builders who desperately want to meet with you before they submit their pricing, in hopes that they will be able to say something that will make you want to give them the project before bids are submitted or in some way sway you to pick them. Of course. However, you should not do such a thing until you understand what they propose, in writing, in the form of a bid, based on your Architect's documents.

When you do meet with each of the finalists, you should ask certain questions, but in reality, the GCs have already answered such questions otherwise they would not have been invited to bid. The real reason for such interviews is for you to get a feel for the personalities and types of people with whom you will be dealing, should you select them to be your GC. So, in essence, your interviews should have a laid-back casual atmosphere about them. Find out about what motivates your possible Contractors: their values. When you engage in conversations, do they leave "gaps" in their discussions to allow you to speak? Or do they monopolize the conversation? Do they say positive things about the architectural documents, or do they imply anything negative? Watch out for this: those documents represent the design that your Architect created for you, customized for your lifestyle and wishes. Any negative comments like that are in a sense, criticizing you and your choices and could be a sign of future problems with that Contractor during construction. You want a team player. And since they've already submitted their pricing, there is no secret savings anywhere. They should have already disclosed that, using the Architect's bid forms, which require the bidders to furnish any suggested cost savings as part of their bidding information.

Your primary conversation should center around one thing: the GC's proposed contract between the Owner (that's you) and the General

Contractor to build your project. You should ask to have at least two copies so that you have scribble notes on one of them and leave the other clean. Have each of the GCs review every clause, every word of every paragraph with you in person. Ask questions if you don't understand something and do NOT sign anything on the spot. Tell them, when you are done, that you will have your attorney review the proposed agreement and that, if you select them to be your GC, that you will be getting back to them to discuss any issues in the agreement. Make sure to take at least 2 of the contract forms with you.

When you leave the GC interviews and you return to wherever you mainly operate, send/give copies of the agreements to your attorney. Your attorney should have experience litigating construction cases. Don't use legal counsel that writes wills and expect them to handle this properly. Use a specialist. You mainly want to pay your attorney to review those contracts from those GCs with whom you feel the best about doing business. Don't waste your money on reviewing contracts with firms about whom you don't have a good feeling.

Also, do not think that any GC is going to be interested in signing any agreement that you might provide from your attorney. Most experienced GCs have been burned so many times over the decades that they will probably insist on using their own contract that protects them. You are welcome to TRY using your attorney's suggested form of agreement, but don't expect that to always be successful. Expect resistance and with good cause. Many GCs have been defrauded by some of their clients over the years, after they have worked themselves to the bone, building a wonderful project for them. So: this works both ways: at some point you have to allow the GC to control his business in a reasonable manner.

Also mention to the GCs that your Architect (if you had him or her manage the Bidding for you) has the GC's insurance company Acord form(s) that

indicates the GC's General Liability Insurance and Workers Compensation Insurance. And that YOU will be providing your own Builder's Risk insurance (because you will own whatever gets built on your land, no matter what the stage of the construction is and YOU should be the one to receive any insurance payments for any construction period disasters, not your GC). They should take this in stride. If they don't ask them why. Write down their comments and share this with your Attorney, Architect and your insurance provider and ask them their opinions.

And ask to meet the actual construction site job foreperson: the guy or gal that will be on-site on your project, running things with people there on your land. Get to know them. Do they seem like knowledgeable, reasonable people? THAT is the person with whom you will be engaging the most, one-on-one. Ask who will be administering your project in their office: a clerical person and/or the licensed GC who owns the company? Have a talk with them. Who will be preparing your invoices? On what do they base the charges? Hours spent or percentage of total contract value? How to they judge the percent complete? Do they try to bill for materials that are not yet incorporated into the project that are stored off-site (not what you want to do)?

## LESSON 8: FINAL GC EVALUATION

### **You & your Architect evaluate GCs.**

Quite likely, by this time, your Architect has already provided his number crunching of the final GC bids, ranking them in the order he perceives them to be in terms of value. Now, you add the additional dimension of

your personality interaction with the submitting GC bidders and your attorney's evaluation of their contracts.

You should rank your GCs based on their likability factors, contractual fairness, insurance readiness, manpower availability and on their perceived ability to cooperate with your Architect. Then, you should review your Architect's number crunching ranking. Ultimately, you should have a conversation with your Architect about your perceptions and whether you feel the ease of dealing with a particular GC over another is WORTH paying them some more. This is likely going to be a year-long construction (perhaps more) and your GC will become, in a sense, married to you for that duration and you want a willing and reasonable partner to build your project. Make sure that you will have as enjoyable an experience as possible.

Discuss your feelings and attorney's evaluations with your Architect and then you MAKE YOUR CHOICE. Pick your selected licensed General Contractor to build your project. Exciting! Time to move forward!

## LESSON 9: HIRE YOUR GENERAL CONTRACTOR

### **Hire your selected General Contractor.**

Sign the agreement with your selected General Contractor. Make sure there is a clause that you add that says you intend to proceed "Subject to funding." See the next step.



## LESSON 10: FINALIZE CONSTRUCTION FUNDING

**Get your money ready to be used now.**

If you weren't able to proceed at your bank or trust fund or other cash source for this effort (per a previous step in this process above) you need to do it NOW. If your bank or other cash source demands that you submit a copy of the signed agreement with your General Contractor, you now have that. Hopefully by now you have already had your financing capability reviewed and approved by your lending source, so all that they will be reviewing is the fact that you have now added the actual contract to build the project.

Make sure that your Builder's Risk insurance policy is in place and ready to protect your improvements.

Wait until the lending source approves your final loan forms and your cash is available. Verify that you can reach out and pull cash from that funding source at a moment's notice.

Pull the trigger: tell your General Contractor to PROCEED both by phone and in an e-mail.

YOU ARE NOW UNDER CONSTRUCTION.

Enjoy!