

# For Commercial and Residential Building Owners

## How to make a **Successful Construction Investment**

Taking time to read this small booklet can save you thousands of dollars and a lot of unnecessary heartache.

### **Evaluating the 4 P's of a Construction Project**

#### ***PROBLEMS***

How do you determine what is the best solution?

#### ***PRODUCTS***

How do you select the appropriate products or installation procedure?

#### ***PEOPLE***

How do you qualify a contractor?

#### ***PRICE***

How do you determine what is a fair, competitive price?



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Certified Contractors Network  
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This booklet has been prepared to assist you during the contractor selection process of your construction project. The material contained in this booklet is based on information provided by Architectural, Manufacturer, and Trade Associations, as well as Consumer Protection groups. They provide this Information as “**Contractor Selection Criteria Guidelines**” for Building Owners.

CCN serves to provide guidance and training for It’s networked independent contractor members, so they can provide Building Owners the highest quality construction services at the lowest possible competitive rates.

CCN networked members commit to our “Code of Ethics” to provide professional service for their Building Owner Clients.

CCN provides you with a toll free number 800-237-2395 so you can access the following information:

- Specifications for contracting projects
- Consumer tips
- A member’s standing within our organization
- Arbitration service

In the unlikely event you are ever dissatisfied With the service of one of our members, CCN can Serve as an arbitrator helping bring the dispute To a quick, friendly resolution for all parties. All construction projects end with the customer

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being either satisfied or dissatisfied. CCN has discovered that there are clear-cut patterns in both the satisfied and dissatisfied situations.

This handbook has been written to help you identify the tell-tale patterns so that you better understand the contracting progress.

If you do your homework and take the time to make the proper decisions, you will be one of the satisfied owners and not one of the victims.

Generally, most dissatisfied construction project Victims limited their focus to...

**“How Much Will The Project Cost“  
and  
“When Can The Work Get Started“**

However, authorities have suggested focusing on many other questions before awarding your project to anyone.

Contracting is not a process that most Building Owners are familiar with. There is a lot to learn before awarding your project, such as, what products are available and which procedures to use.

Therefore, it's vital to know that you can rely on the contractor you choose to give you good advice about those products and procedures that may be new to you.

The critical factor in a  
Successful contracting project is  
**Selecting the right contractor.**

That's why CCN has put together this booklet on selecting a contractor. The questions contained in this booklet are designed to help you determine reliability, reputation, and experience of the contractor, as well as, his dedication to delivering a project to your satisfaction.

Architect Associations, Building Material Manufacturers, Trade Associations and Consumer Protection Agencies have published guidelines for selecting a contractor.

In this booklet, CCN has condensed that wealth of information into for critical areas, which today we call:

#### **4 P'S OF OWNER PROTECTION**

- 1. PROBLEMS:** What are the problems that are causing the need for construction?
- 2. PRODUCTS:** What products and procedures solves those problems?
- 3. PEOPLE:** Who is the contractor to install the products and how do you qualify him/he?
- 4. PRICE:** How do you determine if the price quoted is fair & competitive?

At CCN, we suggest that you evaluate your contractor as carefully as you would choose your doctor or lawyer. You will want to select a contractor who can perform the work to your expectations and satisfaction.

This booklet contains very straight forward Questions that you should ask contractor in order To protect yourself from the non-professional or Unqualified contractors. Then you can be assured That you will be satisfied at the completion of your Project and for years into the future.

A professional contractor will have no problem Working with you to answer these questions so That you can proceed with trust and confidence. Ask these questions of all bidders.

You will need to evaluate the quality and Completeness of the proposal before you award The bid. Does the proposal include everything you Need and discussed with the contractor? Is the Price in-line with the value being delivered? Be Forewarned about the low-price contractor.

Carefully determine if the low-bid contractor is  
Providing a fair value for that low price.

Studies clearly show  
That most dissatisfaction  
Involves the low-bid contractor.

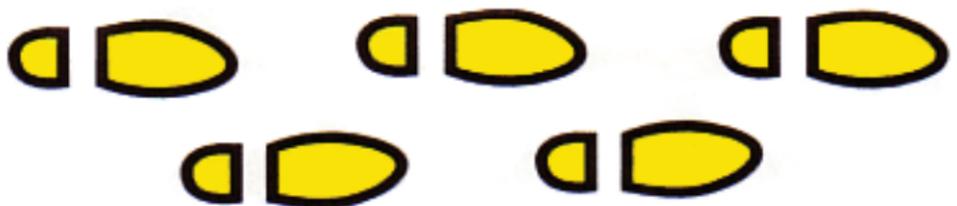
The dilemma for most owners is:

- What criteria should be used to qualify a proposal and contractor?
- How do you tell if the contractor is a professional and will deliver what is specified?
- How do you determine if he will stand behind his work or will be financially responsible if there is a significant flaw in his work?
- How do you determine if the price is right?

While there is no clear-cut simple answer to these questions, there are a number of indicators that will help you qualify certain contractors and reject others in order to protect yourself and get the best return on your investment.

CCN hopes that this booklet will be helpful to you. We strongly encourage you to take these suggested “ACTION STEPS” to protect your interest.

## ***ACTION STEPS***



## SELECTING A CONTRACTOR

The critical success factor in any construction project is the contractor. A qualified, professional, experienced contractor knows what results are required for Owner Satisfaction, as well as, what will lead to dissatisfaction down the road.

Allow yourself a minimum of **1 hour** to sit down with each contractor, Both of you need to explore the **problems, products and prices**. You will be surprised at how many options and questions can be discussed with a professional contractor.

Taking only **1 hour** of time getting to know and qualify the contractor prior to awarding your project can save endless hours of time dealing with dissatisfaction.

Most dissatisfaction involves an Owner who did not fully know what they selected or committed themselves to. A professional contractor will take pride in his work and will have no problem discussing your options, his previous experience, and his list of satisfied customers.



# 1 WHAT IS THE FULL NAME AND ADDRESS OF THE COMPANY?

All Contractor Selection Guidelines start with this question because most dissatisfaction involved low-bid undercapitalized contractors.



*Automatically reject any contractor without a permanent place of business*

If the contractor is not permanently established, how can you be confident he will complete the work? How can you be confident he will be in business if the work needs service in the future? What do you do if the project fails and you are financially harmed or the contractor is not financially responsible?

The courts are full of dissatisfied Owners with worthless judgments against insolvent contractors. While there is no way to guarantee any business is financially stable, there are some tell-tale signs and ACTION STEPS you can take to protect yourself, and assure your satisfaction.

Visit the contractor's place of business. Does it look like it has been established there for a long time? Does it appear that the equipment, manpower and wherewithal is available to complete your project in a professional and timely manner?



*Automatically reject any contractor without Substance*

Do not be swayed by a personable contractor or his attractive low price. It is not worth the risk. Select only a contractor that is financially committed to the business. Select someone you can call if a problem arises in the future.

A professional contractor will have no problem giving you a tour of the facilities and provide whatever financial proof is required for your peace of mind. Don't be timid about asking. The professional respects these questions and knows that time is being well spent with an intelligent buyer.

## **2 DOES THE COMPANY CARRY INSURANCE AND IS THE COVERAGE ADEQUATE?**

This is the second most important question. Owners have been financially harmed by uninsured or inadequately insured contractors.



*Automatically reject any contractor without proper and adequate insurance.*

A contractor should provide you with a Certificate of Insurance for Comprehensive Liability, Worker's Compensation, and Completed Operations Insurance that protects you in the event of an accident or provides financial coverage for a failed project. The insurance should be adequate to cover the property.

Contractors may also carry other forms of insurance, such as health insurance and vehicle insurance. Do not be confused by these policies. Do not allow the contractor to pass them off as his proof of "contractor's" insurance.

**ACTION STEP** Call the insurance company and verify coverage.

Contractor insurance policies are for one year and unscrupulous contractors have been known to modify the dates.



Carefully check the dates on the **Certificate of Insurance**. Is it current?

**Worker Accidents:** Be aware that Owners are sued for injuries on their property. Most Owner Insurance Policies exclude outside contractors, so it is critical to make sure there is proper and adequate coverage. Don't be fooled by the contractor who says he doesn't need insurance because he is self-employed.

A tell-tale pattern on an uninsured or underinsured contractor is the low-bid. **Be very wary of the low-bid.** Also be wary of multiple low bids. You may have several uninsured contractors bidding the project.

Today, insurance to protect the workers and your property is a significant cost of a construction project.

For example, Worker's Compensation premiums are typically no less than 20% on top of the worker's wage, and can go as high as 100%, depending upon the type of work.

The contractor working without insurance saves between 20% and 100 % if his labor cost by operating without insurance, **but he puts you at great risk.**

The contractor working without insurance generally has no assets and nothing to lose, so you as the Owner, are totally exposed to any losses.

A professional contractor will readily provide you with a Certificate of Insurance and phone numbers you can call for verification.

**Job Site Safety:** Safety Violations are now causing Projects to be shut down and penalties are levied against involved parties. Some Owners have been stuck with incomplete projects due to violations and the contractor's unwillingness to pay fines or return to the site. In some cases, the Owner can be classified as the employer and they can or have been found responsible for the fines.

**ACTION STEP** Ask the contractor about their Safety Plan, which is required by OSHA/WSIB.

Professional contractors will readily provide you with a **Safety Plan** so you are protected. The Safety Plan is another tell-tale sign of professionalism or the lack of same.

### **3 IS THE COMPANY A LICENSED CONTRACTOR?**

**IS THE CONTRACTOR A MEMBER OF A TRADE ASSOCIATION AND IN GOOD STANDING?**



*Automatically reject any contractor who is not licensed.*

However, do not be fooled by a contractor with a license. Generally, the license requirements are minimal and the law is generally poorly enforced. A better test is to question the contractor's commitment to his trade. Is he a member of the trade association?

**ACTION STEP** Call the association and verify the answer. Ask if the contractor is taking Continuing Education Training, similar to other up-to-date professionals.

Ask to see certificates.

A professional contractor will only be happy to respond to these questions.



*Automatically reject any contractor who blows off your questions as not being important. There are probably a lot of other issues he deems unimportant and will blow off, maybe one being your satisfaction.*

## **4** HOW LONG HAS THE CONTRACTOR BEEN IN BUSINESS?

Needless to say, the more experienced the better. Under five years is often a tell-tale sign of an unstable business. Most contracting businesses (90%) fail within the first five years. Examine new businesses with extra care before awarding the project.

**ACTION STEP** Check references carefully.  Current references are only valuable to see if the Owner is happy with the contractor's work, but only long term references are proof of actual performance of the contractor's work.

Most failed construction projects do not happen quickly, but deteriorate over a period of years. New project references should carry minimal weight in the decision making process vs. long term projects.

A professional contractor will gladly provide references and want you to speak with his past customers.



*Automatically reject any contractor who can not provide areference list of customers.*

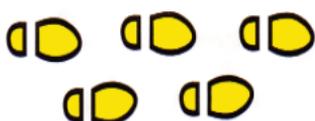
# 5

## WHAT IS THE CONTRACTOR'S TRACK RECORD FOR HANDLING COMPLAINTS?



*Automatically reject any contractor who says they never had a complaint. The best of contractors fund themselves in disputes for one reason or another.*

### **ACTION STEP**



Ask the contractor for the name of a problem account and explanation as to how they rectified the complaint.

Be forewarned that many quality contractors, in business for a long period of time, and with thousands of completed projects, are exposed to disputes. The question is not if they have had disputes, but what was done about the dispute after it occurred.

# 6

## WHAT IS THE COMPANY'S WORKMANSHIP WARRANTY?

Typically, contractor workmanship warranties are for one year or more. Longer warranties are not more valuable than shorter warranties. The length of the warranty is less important than the intent and ability of the contractor to stand behind his warranty. The professional contractor often performs well beyond the written warranty period because he knows that his is what builds customer loyalty and referrals.

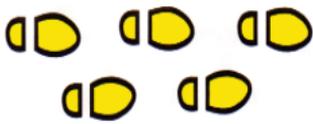


*Automatically reject any contractor with an unbelievable warranty. The warranty is just a sales tool to that contractor and you don't know what other "bill of goods" you have been sold.*

The long-term warranty is provided by the manufacturer. It is critical to be assured that the product will be installed according to the manufacturer specifications, or there will be no warranty regardless of the document you were provided. With many materials, the warranty

is often only valid if the contractor is “certified” to install the product.

## **ACTION STEP**



Ask to see the contractor’s training and certification certificate from the manufacturer. Call the manufacturer to determine if it is valid

and the contractor is still in good standing.

Professional contractors will have no problem providing this proof, in fact, they will usually present their credentials before being asked.

## **7 SPECIFIC QUESTIONS FOR SPECIFIC PROJECTS.**

**Compliance with local ordinances** - *Question the contractor about what is required. Contact the local building department for verification. Question if the permit is included in the cost and who is responsible for obtaining the permit.*

**Product Selection** - *Make sure the proposal includes a specific reference to the product and color you have chosen. Your proposal will be your proof of purchase in later years.*

**Manufacturer Warranty Specifications** - *If the project is to be warranted by a manufacturer, confirm that the agreement states that the work will conform to the manufacturer specifications.*

**Clean-up** - *Call for daily clean-up to help minimize safety issues or exposure.*

**Payment Terms - Schedule, terms and method of payment should be clearly** *detailed in the agreement. Establish an agreement regarding retainage if a certain portion of work is left incomplete or there is a “punch list.”*

**Preliminary Inspection** - *Plan to meet with the Job Foreman who will be responsible for your satisfaction. Make sure he fully understands the specification. Make sure he fully understands the specifications and promises made by his company. Establish the condition of the property before the work starts in the event there is property damage during construction.*

## UNDERSTANDING THE CONTRACTOR

Just as you are qualifying a contractor, the contractor is qualifying you. If you seem unreasonable, he may not bid. For example, if you do not allow the contractor ample time to explain the project to all involved parties, so that he is confident you understand everything about it, the professional will often not bid. Professional contractors fear a bad experience or lack of referrals from a non-satisfied Owner who has misperceived expectations. The professional knows he is not a mind reader and the Owner is not a qualified contractor. He recognizes the critical importance of this first step of the process so he will not take the risk. Show the contractor you are looking for both his and your best interest.

## GETTING A CONTRACTOR TO BID YOUR WORK

Some Owners are confused when contractors are not overeager to bid the work. If contractors believe you are not ready to buy the work, or you are just a price shopper, they may feel that you are not worth their time. Here is how you can get them to bid.

- Tell the contractor you are getting only three bids. You are not looking for ten.
- Tell the contractor you are not looking for the lowest bid, but the best value for your dollar.
- If you were referred to the contractor or you saw his work and liked it, make sure to mention that.
- Tell the contractor all involved parties will attend a meeting and will set aside adequate time to discuss details so the contractor is confident everyone is in alignment and he/she will be able to achieve 100% Client Satisfaction.

# DISPUTE AVOIDANCE AND RESOLUTION

Construction work is not an exact science. The contractor and the project are exposed to numerous uncontrollable conditions such as unforeseen weather delays, material delays, working projects expanding the scope and impacting the schedules of pending projects, manpower problems, etc. Any one of these conditions or a combination of them can trigger a dispute.

## WHAT TO DO IF YOU HAVE A DISPUTE WITH A CONTRACTOR...

Independent studies of contractor/consumer disputes indicate that most disputes are caused by:

- 1) Communication Problems;
- 2) Unrealized Expectations, and
- 3) Unforeseen additional costs, not actual contractor negligence (wherein the contractor would be 100% responsible), or product failure.

Because you perceive the situation to be in dispute, do not allow that thinking to erode the initial trust and confidence you had in the contractor. What initially appears as contractor negligence may not be.

### *Problems - Communication & Unrealized Expectations*

**A contractor is negligent if** he fails to perform the work as specified in the contract. The contract is the Critical Deciding Factor for resolving disputes. In order to avoid communication problems, or unrealized expectations, protect yourself by making sure the contract clearly specifies your expectations.

If you have a special request never rely on verbal communication. Get it written into the contract document.

“The palest ink is better than the best memory”



*Automatically reject any contractor who refuses to allow you to modify his proposal in order to clarify specifications to a mutually fair understanding.*

## **Problems - Unforeseen Additional Cost**

A contractor is negligent if the work in dispute could be installed by another contractor without additional cost.

However, a contractor cannot bid or include in the specifications unforeseen conditions.

***“What you can’t see you can’t bid”***

If unforeseen conditions are anticipated, if possible, have an anticipated fixed cost or formula for calculating additional cost included within the contract so you are prepared for the unexpected and you avoid the feeling of being taken advantage of by the contractor when the work is in progress.

You may also wish to negotiate into the contract the “option” to use a different contractor for the additional work phase.

If possible, try to avoid engaging another contractor because it triggers “split responsibility” and could cause problems with the project coordination, project performance and damage liability.

**A contractor is negligent** if there is damage to the Owner's property that would not normally occur with another contractor.

If there is damage and it would have happened regardless the contractor, then that damage is considered an unforeseen or unavoidable condition, not contractor negligence, and would be repaired as a Change Order. In many cases, this additional work would be covered under your homeowner's insurance.

**STEP ONE...** Stay cool! Evaluate the situation from both the Owner and Contractor's position. You need to look at the situation from both sides, because if the dispute is arbitrated or litigated, that is what the other party will do.

**STEP TWO...** Establish positive ground with the Contractor. Discuss what is right about the project so that the dispute can be put into its proper perspective and that it does not overshadow the entire project.

*“You can get more with honey than vinegar”*

**STEP THREE...** Discuss the Owner/Contractor relationship and how a mutually agreeable resolution would be beneficial for both parties.

*A Satisfied Owner* pays his invoice in a timely manner, writes letters of satisfaction, and refers his/her preferred contractor to others.

*A Satisfied Contractor* goes the “extra mile” for his customers and remains in business to provide service after the sale.

Also recognize that contracting is a highly competitive business and contractors work on extremely thin margins. That is why most contracting businesses fail.

If there are unanticipated extraordinary profits in a project, a contractor would normally “absorb” the additional unexpected cost rather than risk a dispute triggering a dissatisfied customer.

However, if the contractor is requesting more money, it is safe to assume he has no room for absorption in his initial contract price.

**STEP FOUR...** In some cases, the contractor may perceive that the Owner is “nit picking” or triggering the dispute to avoid payment.

The best way to eliminate the concern from the dispute settlement is to establish an escrow account with a mutually agreeable third party.

Thereafter, the escrow is released to the contractor upon resolution of the dispute as outlined in a mutually agreeable “Settlement Agreement”

**STEP FIVE...** Reexamine initial negotiations and contract discussions with the new data that is triggering the dispute.

Is it possible that if both parties knew in advance that the dispute would occur that the contract would be different?

Is so, the Owner is not damaged by the dispute. The dispute is then an unforeseen condition and should be handled as a Change Order to the initial contract.

**STEP SIX...** Reduce the dispute resolution to writing. In many cases the dispute becomes a Change Order to the initial contract so that the completed work meets the Owner’s expectations. In some cases, no action is taken by either party. It is critical that the “no-action” resolution is reduced to writing so that each party is in clear alignment with the resolution.

We at CCN hope this booklet will help you make a wise contracting decision. Sure it seems like a lot of work, but if you ever had a bad contracting experience, or know someone who has, you can appreciate the value of time.

The time required to do your homework is minuscule compared to:

The problems you can have if you select the wrong contractor

The time and money it takes to rectify a bad situation

***“Only the extremely wealthy can afford to make a poor contracting decision... because they have the money to do it again”***

Please feel free to call CCN’s Free Dispute Resolution Service, in the event you have a disagreement with one of CCN’s member, who have pledged to the enclosed Code of Ethics.

# CODE OF ETHICS

CCN Members have pledged to observe the highest standard of Integrity, Frankness and Professional Responsibility in dealing with their Owner Clients.

1. By making no false promises or claims in advertising.
2. By providing Professional Courteous Reception when the Owner calls with an inquiry, or Request for Bid.
3. By keeping appointments at the agreed scheduled time. (If a conflict arises to call the Owner and reschedule prior to appointment.)
4. By providing adequate time to meet with all involved parties assuring there is a clear understanding and mutual alignment with the proposal and specifications.
5. By providing a Professional Appraisal of the Owner's needs.
6. By providing Written Specifications for the required project according to Manufacturer Specifications and Industry Standards.  
By encouraging only projects that are Structurally and
7. Financially sound.
8. By being Licensed by Local Authorities and following Local Requirements.
9. By being a Certified Installer by Manufacturers when applicable.
10. By providing Proof of Insurance to Owners.
11. By providing Customer Reference List to Owners.
12. By fulfilling Contract Obligations.
13. By providing Manufacturer's Long Term Warranty when applicable.
14. By providing Contractor Labor Warranty.
15. By maintaining Communications with the Owner regarding any changes in schedule, scope of work or unforeseen conditions.



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