



# Tough Choices, Good Decisions

*“Go get bids” – But what about “The Process?”*

••• By Dennis Brooks

**The board of directors debates—but “The Process” is even more important!**

The board knows they are facing a project that can't be put off any longer. The time has come to get it done! Past boards may have put it off because of a lack of funds, or because some of them were terrified by the thought of going to the homeowners, or just overwhelmed at the thought of dealing with the mess of a construction project. Maybe the current board doesn't even need to go to the homeowners. Can they make these repairs using the reserve funds? Or can they just increase the monthly assessment slightly and have the funds to pay for the work? So many decisions to be made, but where to start? With that roundabout discussion and with great anxiety building, one board member takes control and states “Well, we really don't know what this is going to cost until we get bids.” And with that, they all agree to direct the community manager to “go get bids.”

I can assure you that most of the time this is the wrong decision. With that decision, the stage is set for a lengthy and uncertain path forward. Although these board members have the best of intentions and are doing the best they can with what they know, they could make a much better decision if they just had some professional direction and expertise available to them during this early discussion.

It is at this point that an experienced and well-qualified construction manager can guide the discussion through *The Process* that lies ahead so that everyone understands all of the issues and an informed decision can be made at the appropriate time. There are numerous issues that should be addressed up front and questions answered that will

help to determine the next steps in *The Process*. Without this discussion, the costs obtained by “getting bids” is often meaningless. Here are a few of the issues and questions that should be asked at the onset:

- ✓ Do we really need to make this repair? Is there a better method to deal with these issues (i.e., value engineer other materials or methods?)
- ✓ Is the HOA responsible for this? (Could it be a homeowner issue or even a construction defect?)
- ✓ If we do this work what else will be affected? (i.e., painting and wood repair frequently damages landscaping)
- ✓ What is the life cycle of the materials that we are replacing and what is the life cycle of the immediately adjacent materials? (Should we do it all at once to avoid homeowners going through two rounds of construction?) What about future warranties?
- ✓ What does our reserve study say about the life cycle of any of our components (assuming that the reserve study is up to date and accurate)? Depending on how the project is funded, should we include other components whose life cycles are at or close to their ends?
- ✓ What is the proper material to use for this project? What are our options concerning the life cycle and maintenance requirements and costs of the materials that are available? What about the functionality and aesthetics? Are the materials readily available and/or are there manufacturer restrictions as to who can install the materials that will limit our ability to obtain competitive pricing and warranties?
- ✓ Will we need permits for this work? What do we need in the way of plans or specifications to get the permits?
- ✓ How do we develop a proper Scope of Work that will help us to obtain true “apples-to-apples” bids? Who will create the Scope of Work independent of any bias concerning the selection of the materials to be used?
- ✓ Who will create a proper bid form so that all bidders are bidding the exact same work? Are the contractors qualified, and do they have the right insurance and licenses to bid on this work?
- ✓ Who will check the most current qualifications concerning the contractor's capabilities as a business, financially, company size and experience?
- ✓ How will we fund this repair? Will an assessment and/or loan be required? If so, what kind of an assessment is appropriate? (Is this considered an “emergency” under the Davis-Stirling Act?) Can we get a loan, and if so, who will obtain the possible loan options for the board to review and assemble the numerous documents required by the lenders?
- ✓ Will we need to conduct one or more town hall style meetings to facilitate the homeowners' understanding of the project costs and benefits?

This list could go on and on, but for the purposes of this article we will stop here to keep the readers' heads from exploding.

The point is that *The Process* that a board of directors goes through to answer all of these questions is very important to the final outcome and success of the project. *The Process* should be a methodical, step-by-step guide helping the board to make good choices and giving the homeowners confidence that the decisions being made are all well-researched, understood and planned out. Obviously there are certain questions that need to be answered ahead of other questions, which is why a well-defined process is so important.

How does a board know all of the questions that need to be answered and which questions need to be answered first? Most boards do not have the years or breadth of experience nor the construction knowledge to formulate a seamless path through this process. Simply directing the community manager to "go get bids" short circuits the entire process and most often leads to much confusion about why the bids are so far apart and what is the right bid for the project. This short circuited process also sadly leads to many other future frustrations with change orders, contract disputes, blown budgets and even construction defects. Most, if not all, of these problems could have easily been avoided had a more thoughtful and thorough process been carried out from the start. Most community managers, although well-

intentioned with a genuine desire to be helpful, do not possess the construction experience and knowledge, nor do they carry the correct insurance to make many of the necessary recommendations. This is what organizational project management is all about and the very reason to hire someone who has the experience and the breadth of construction knowledge to provide the leadership to carry the project to a successful conclusion.

The next time you hear a board member say they can't afford a construction manager you should respond that you can't afford not to seriously consider this option. Beside the fact that the board will likely be making decisions that they are not technically qualified to make, they are taking on the potential liabilities that could have been passed along via the business judgment rule to a qualified construction manager who has the proper experience and the liability insurance. *The Process*, when well-planned, can save the HOA more than the construction manager's fees, all the while helping to protect the Board's and the HOA's best interests—not to mention preserving the board's sanity along the way!



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