



Tough Times call for Tough Questions

How to Evaluate Potential Design-Builders for your Project

The economic climate in our country has a good side for the Church. With construction costs down by twenty to thirty percent, if money is available, it is a great time to build. On the darker side, today's economy makes the challenge of evaluating design and build services exponentially harder. Struggling builders are becoming increasingly "creative" in how they represent themselves. Evaluating and contracting design and build services have never been an easy task for the church. For most church building committee members, the selection of a quality design and build firm for their church will be the most important decision, with the most financial risk, that they may ever make. Tough questions asked during the interview process will greatly increase the probability that your project will become a great success story.

The key areas that beg for the Tough Questions are:

- The References of the Team
- The Financial Stability of the Firm
- The Transparency of all Project Costs
- The Financial Protection provided to the Church
- The Chemistry with the Team

The References of the Team

Check references. Really, check the references! The attitude of "they wouldn't give us the reference if it wasn't good" needs to change. Any design and build firm that claims to build problem free, either has not built, or is less than honest. The issue is not "if" you are going to run into a problem, but "when". That is why you owe it to yourself and the church to check, extensively, the firm's references. There is a saying that companies have resumes, and people have references. Without a doubt, the people that you will work with will make your project a success, or something less. When speaking with the firm's references, ask six simple questions:

1. Who were the people that you worked with on your project?
2. What were the problems that took place on your project?
3. How were the problems resolved?
4. Who paid for the problems?
5. How is your relationship with the people that worked on your project?
6. Would you hire them for your next phase?

The local building permit office and the local building inspectors are an additional reference point. Questions for building officials include:

1. What were the problems that took place on the project?
2. Did the firm respond immediately to rectify the situation?
3. Would you hire them for your own church?



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The Financial Stability of the Firm

The financial stability of the firm you will work with is important not just to get your facility designed and built, but also to back up various warranties and service requests. The financial group that you partner with for your construction and permanent financing will cover, not just the church's finances, but also the design and build firm's financial situation. The following questions posed to the design and build firms that you are considering might narrow down the list a little. If any of the following requests are met with resistance, you should proceed with extreme caution.

1. Will you supply the last two years of Financial Statements?
2. What is your Dunn & Bradstreet rating?
3. What is your firm's Bondability and Capacity?
4. Who were the last three clients your firm served?
5. Will you arrange for a meeting with our church and your banker to review Financials?
6. What other industries/markets does your firm serve and what percentage of your corporate volume is accounted for in each? Diversification is good.

The Transparency of all Project Costs

Open Book bidding and accounting of your project costs is a must. Construction accounting is not always as straight forward as it appears. Be sure to that you have firm commitments from your design-builder on what his monthly general conditions costs are, along with his overhead and profit percentage. Often firms gain attention with a low overhead and profit figure, only to find later that a large amount of non-project related "costs" have been moved into general conditions. The result of this "creative accounting" is a much higher actual project cost to the church. When evaluating your design and build team, make sure that the general conditions costs and the overhead and profit are identified and carefully compared. If you secure both figures from your design-builder, a quantitative analysis can take place. The other major component of your project costs are the subcontractors who will actually build your building. Make sure that your builder allows your team to review the bids and select qualified subcontractors for your project. The simple act of making the numbers open for review alleviates any perception of misappropriation of God's resources.

1. What is your Overhead and Profit percentage?
2. What are your monthly General Conditions costs?
3. Will your entire bidding process and subcontractor selection be open to our review?
4. Will there be any "reimbursables" on our project?
5. Will there be any "allowances" on our project?
6. Will there be additional "general condition costs" for schedule delays on our project?



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The Financial Protection provided to the Church

Construction still remains the number two most litigated industry in America today behind medical. Almost \$.20 of every construction dollar goes towards claims and litigation. So how does a church protect themselves from becoming a statistic, while building positive relationships with their designers and builders? Your insurance agent can supply several risk management ideas and devices to protect you and your church. Most of the risk that a church faces can be mitigated by a design-build firm that has systems and processes to reduce, and better yet, totally protect the church. The primary areas of risk for the church are: financial default of your builder or your builder's subcontractors, injury on the jobsite without proper insurance coverage's, and errors on the building plans resulting in change orders. Risk management is probably the most important area of financial protection for the church. The following questions are probably just the tip of the iceberg, but a great start to finding a design and build firm that protects you from many of the risks that exist.

1. Will you supply a written program on how you will qualify all bidding subcontractors?
2. Will you hold all of the subcontractor and supplier agreements on our project?
3. Will you supply a Two-Tier Mechanics Lien Waiver with every invoice?
4. Do you have a written, OSHA approved safety program?
5. What are your insurance coverage limits and what do you require of your Subcontractors, suppliers and vendors?
6. Will there be any Change Orders on our project? Why would they happen?
7. What amount is your Design Errors & Omissions Insurance for?
8. Where is our church at financial risk in your process of building for us?

The Chemistry with the Team

The chemistry and relationship that exists between you and your design-build team is critical. The last set of questions for you to consider deals directly with the relationship side of the equation and are purely subjective, but extremely important.

1. Do you like the design and build team with whom you will work?
2. Are they the individuals with whom you will be working directly?
 - You want knowledgeable and personable team members leading this venture. The people that will actually manage the pre-construction, design and construction of your project may not be the flashiest salesmen in town, but they will be the people that you are about to make a long term commitment to for the design and build of your new facility. Make sure that the people you interview for your project are also the people who will design and build your new facility.



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The tougher the questions, the better your chances for a successful project. A great design and build team, with a heart to serve the Lord, can make what could be a time of ministry distraction a time of ministry focus. The selection of that team who will serve you becomes the critical decision that every church building team must make. The people that you will work with will make all the difference in the world. Be prayerful. Be diligent. Be thorough. Ask the tough questions.

Kurt Williams is a Design/Build veteran at T&W Church Solutions (www.tw-church.com) with over 25 years in the industry, 20 of those years guiding over 100 churches through the various stages of Discovering, Designing and Building their new facilities. T&W Corporation is a Design/Build firm dedicated to serving the churches of Central Indiana and is an active contributing member of the NACDB (www.nacdb.com). Kurt can be reached at kwilliams@twcorp.net.