



CONCORE INSIDER

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THE TIME HAS COME TO BUILD AND COMPLETE IT!

Construction, Marketing, Occupancy Permits & Property Management

If you've been following previous issues of Concore Insider, you'll know that this is now the moment everyone involved in a typical real estate development would be waiting for.

The August issue of Insider covered the final steps — design, budgets and securing entitlements — all leading to this point of breaking ground and finally commencing the construction of a project.

In this issue of Insider we'll focus on the highlights of the construction of a project, with a parallel discussion about the marketing of the development, as well as the importance of obtaining occupancy permits and how successful property management can ensure that a project meets all objectives going forward.

From The Ground-Up — Building The Project

Let's face it, the construction phase of a project is complex and loaded with levels too numerous to get into specific detail here — I'll save that topic for other issues! But you'll quickly find that your general contractor (GC) will be the "sherpa" to make your

project become a reality. Everything that is physically executed on the project will be executed by your GC. Don't hire a GC based on the lowest bid. The old adage, "Go cheap, get it cheap," couldn't be more

true. Hire your GC based on their strengths — not their price.

It's critical to contract with a firm with a sterling track record and one that has a team, equipment and dedicated subs, suppliers and vendors that collectively have more than sufficient chops to make your project truly

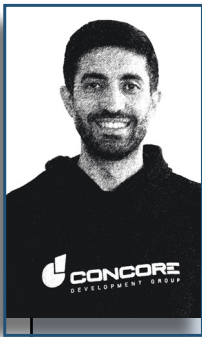
a work for all involved to be proud of.

Although the work performed on the job will be defined by your contract, in today's environment, there will inevitably be situations where you'll need to work-out various issues that will jump out of nowhere, requiring working together with your GC.

Here are some potential situations that can arise:

Get Ahead of The Game — Cost fluctuations are another matter that, in the current market, happen way too often. One way we've found to mitigate this is to build an adequate contingency fund into the budget. Another might be if a GC or a sub finds themselves to be in a bind with unanticipated





ASK MEHRAD

**GOT A QUESTION ABOUT
CONSTRUCTION OR
REAL ESTATE DEVELOPMENT?**

David P. Asks . . .

"How do you deal with a GC going under mid-project?"

Great question! It is never fun to go through this experience. Preventing that issue is one of the most important jobs as a CM/owner. That is why it is critical to understand what it takes to build a project and not just look at price; and ensure that the GC has a good enough balance sheet so you can go after them (legally) if this would happen. But even if you do a good job of vetting out the GC for your project, you don't have control over the GC's other projects so this scenario can still happen. Chances are very low, but it could happen. To answer your question, if you control the invoices properly (not overpay the GC or give them any deposits or advances), and if your project doesn't have any work deficiencies, you'll just have to find someone else to take over.

Like I said it won't be fun; you'll likely lose some time, but financial damages should be small. If you have not done a good job of controlling the payables and there are deficiencies, you'll likely deal with more financial damage. Either way, it is always good to obtain a list of all subcontractors working onsite and reach out to them individually and re-assign their subcontracts to the new GC.

Submit Your Questions

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Look for answers to appear in a future issue of CONCORE INSIDER

increased material costs and they ask for additional funds. A proven way to avoid such a situation is to purchase materials, framing lumber for example, in advance of when needed and store it securely in a leased warehouse. Additional materials, like fixtures, cabinetry and similar items can all be handled in the same manner.

One of your biggest virtues will be to have plenty of patience.

Contract Negotiations — Has all of the scope of work been included in a GC contract that includes a responsibility matrix that clearly identifies who is responsible for what? Most inexperienced owners think that when they hire a GC, their job is done and the GC is responsible for everything. But what if the GC fails? The project fails, and no one wants to go through a legal battle. As construction managers, we always check the GC's documents, such as procurement logs, the subcontractor status log, look ahead schedule, etc. — just to ensure they are on the right track.



Lastly, we always need to make sure that the drawings are well coordinated and the GC and their subs cannot come back if coordination issues arise between the drawings. Realistically, no set of drawings is perfect. There are always going to be flaws, but the pre-con phase mitigates those issues. Even with pre-con, there will still be issues, so it's important to have the GC look ahead and identify the issues so they do not impact the schedule, and

caught early enough to mitigate financial damage.

Some of the best advice that I could give to anyone, is to “know your drawings and project documents inside out.” This will help greatly to manage change orders and questions during the project. No matter what you do, there will be changes and you’ll need to learn how to manage them. It takes experience and skill on how to keep the project moving without too many battles every single day.

In short, if you’re able to establish a working relationship — not just a contractual agreement — with a GC that’s on the same page as you are, who shares the same goals and has concurrent principles of doing business with honesty and integrity at a high level of quality — your project will have an excellent chance of meeting successful completion, one-time and on-budget.

Marketing Your Development

The involvement of a real estate broker can occur very early in the development of a project, and sometimes they’re closely aligned with the developer, or they actually are the developer. Sometimes a broker comes in a bit later in the schedule.

When contracting an outside real estate broker to sell or lease units in a development it is essential to thoroughly perform due diligence to ascertain their reputation and track record, sales performance, knowledge and experience with the specific kind of property offered, reliability and customer service attributes.

The location and the type of intended use — whether it is multi-family, single family, affordable housing, multi-use or strictly commercial — often provide inherently attractive features that assist in a property practically promoting itself. But in most instances, a new property needs to be marketed aggressively at one level or another.

Once a broker is engaged, they will manage the marketing of the project, usually addressing typical circumstances as demonstrated in these two example situations:

• *For instance, a multi-unit, market-rate beach-front condominium with a comprehensive list of amenities and on-site resident benefits in a location where it only rains 10 inches in a year and the temperatures range from the mid ‘50s to the low ‘80s — can virtually sell-out long before the project is completed.*

• *Other properties, like say, a multi-family affordable housing complex in a slightly less attractive location in a lesser-known zip code, but with a full complement of amenities, can sell-out just as fast to a different market that may qualify for purchase or lease with specific income and asset criteria.*



Sales and leasing of both types of properties referenced here can be facilitated further by model units being completed first, soon after construction begins. Sales and leasing can be even further supported with professional, appealing and honest sales literature — a formula that most often leads to units going into contract quickly in even the most average of markets.

Project Completion

Items necessary to officially complete the project can range from getting final sign-offs from the local planning and building departments for all construction-related facets of the job, from finished plumbing, mechanical and electrical — to compliance with local fire marshal requirements and approvals of sprinkler systems, placement and location of fire extinguishing equipment and functionality of alarm systems.

Meeting mandates required by the Americans with Disabilities Act (ADA) can include wheelchair access, the number and locations of handicapped parking stalls, public rest rooms, elevator specs and their locations as well as sizes, specifications and

locations of fire-safe emergency exit doors that comply with both fire and ADA requirements.

When everything is signed-off, occupancy permits can be issued. And along with those permits, fixture, equipment and appliance manuals, sign-offs and punch lists are then delivered to the property management team.

Nothing beats having experienced and professional property management.

Managing The Property

No matter what the type of developed property — whether it's affordable multi-family or luxury condos with some high-end mixed-use commercial — nothing beats having experienced and professional property management.


Sometimes the real estate broker that has

handled the sales and leasing of the property have a property management team who remain on-site after completion. In other instances, a third-party property management firm is brought in to manage. In either case, it's the property manager's responsibility to ensure that the ongoing needs of the occupants are met in addition to the property being properly maintained over the life of the development.

For residential properties with individual owners of respective units, property managers work hand-in-hand with the residents' homeowners association (HOA) with the management fee included as a part of the HOA's budget with homeowners bearing the cost of management and maintenance of the property.

And it's not uncommon for the lead member of the management team to actually reside on-site with living accommodations included as a part of the management compensation package.

Nobody has ever said that developing property into a completed structure or development is easy. It takes a certain degree of vision and stamina, combined with existing and accrued knowledge, the willingness and desire to work with a number of people representing a wide range of fields and professions to complete a real estate development successfully. And, as I have said a number of times along the way to this moment of completion — aside from being sharp with numbers and a keen communicator, one of your biggest virtues will be to have plenty of patience.

I hope this series on real estate property development has provided you with some insight as to how to turn your vision into reality. In the end, it will be worth it! Best of luck! 

CHOOSE THE RIGHT TEAM

***"Getting A Successful Deal Launched
Can Be Pretty Straight Forward
— But You've Gotta Have The Right Team"***

Concore plays a critical role as a key project advisor to investors and developers, serving as their expert guide and counselor from the moment ideas for a development are conceived, to the final day of completion.

Along with comprehensive management services for sensible, practical and sustainable real estate developments in the greater San Francisco Bay Area, Concore dedicates its vast construction knowledge and experience to the contracting and management of interior commercial tenant improvement projects, ranging from warehouse conversions and professional office spaces, to a variety of retail and restaurant sites.

So when first considering your next real estate development or, if you're looking for an experienced, quality-driven commercial contractor to take charge of a design-assist or design-build project, look to Concore for comprehensive, tailored construction solutions.

Make Concore A Member of Your Team!

**Contact Us For A Complimentary
Project Review**

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