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## **Minimize Risk in Renovation Projects**

**By Lawrence Bartelemucci**

A renovation project, whether it be a storefront on Madison Avenue or back-office in the suburbs, must be properly planned and coordinated in order to achieve the owner's goals. An inefficient renovation project risks losses, not just from increased construction costs, but also lost revenue if a store cannot timely open. Likewise, if a business needs to rent alternate space during the renovation, a delayed project will result in increased rental costs. Four basic steps can help minimize the risk that projects will go over budget or beyond the scheduled construction period: give clear design guidance, hire the contractor, plan the work sequence, finish the project.

### **Step 1: Give Clear Design Guidance**

A successful renovation project must have a clear scope of work. All other aspects of the project depend on this scope description. If an owner is hiring an architect or engineer to design the project, the engagement agreement must clearly define the design professional's scope of services. The design professional must not make an early exit – as the owner's eyes and ears on a project, he must remain involved until the project is completed. The design professional must aid the owner in closing out the project and obtaining any required governmental approvals.

### **Step 2: Hire the Contractor**

Once the project's scope is determined, the owner must next engage the party responsible for developing and executing the project plan – the contractor. When hiring a contractor, it is important that the agreement specifically describe the contractor's scope of work. The agreement must also, among other things, ensure that (1) the contractor has the proper insurance, (2) risk is properly allocated through indemnification clauses and other contract provisions, and (3) the contract price is structured so that there is enough money left at the end of the project to complete all remaining work. Clearly delineated risk and responsibility allow the renovation work to start off as a team effort, where the parties do not treat each other as adversaries.

### **Step 3: Plan the Work Sequence**

Sequencing renovation work in a manner that minimizes disruption to portions of the building still in use is essential to a successful project. Each of the parties must understand its role in this process and how its work fits within the project plan. Contract documents must clearly set out how the project team foresees the phasing, starts and stops, and other timing considerations arising during renovation. Lack of coordination creates stoppages in the work and increased costs.

### **Step 4: Finish the Project**

Closing out a project will require a coordinated effort from all of the parties: the architect for approvals and sign-offs, the contractor to complete or correct remaining work, and the owner to accept the project and complete payment. But the contract must specifically require all characters to remain involved in the process until that time.

The typical form construction contract used for renovation projects is inadequate to address the complex issues involved. Instead, owners should craft their own specific agreements containing the sufficient detail, role definition, and incentives/disincentives that promote timely and coordinated performance.

### ***About the Author***

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