



Questions and Answers Undertaking Capital Projects



THE AGENCY
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Sooner or later, your housing co-operative will need to undertake a major capital project. Help and advice are available from the Co-operative Housing Federation of Canada and many local federations.

However, your Board of Directors is sure to be looking for information before you sign any contracts or begin your project. Here are the answers to some questions that Agency clients have asked our staff in the past.

Our housing co-op needs to replace the asphalt shingles at all townhouse blocks (40 units). Should we do anything else at the same time?

As good attic ventilation increases the life of asphalt shingles, you'll need to check this. If the ventilation is deficient, add improving it to your roofing project.

Make sure

- eaves are properly vented and not obstructed
- roof ventilation meets code requirements
- exhaust ductwork from bathroom and kitchen fans is discharging to the exterior and not within the attic.

Your current Building Condition Assessment (BCA) report should have looked at attic ventilation and stated any concerns. If you have no recent report, we

recommend that you hire a consultant to find out if your co-op's attic ventilation is of concern.

A roofing project is the ideal time to increase attic insulation to a rating of R60 (approximately 21 inches in thickness). A contractor can blow insulation into the attic space from the exterior by removing a section of roof sheeting during the roofing project. Accessing the attic from outside the unit is less disruptive for the residents.

This is also a good time to consider replacing the eavestrough and downspouts, depending on their condition, although this does not need to be done at the same time as the roof replacement. The eavestrough and downspouts generally last 30 years or more.

Should we hire a project manager to oversee the work on our building envelope? What would they do for us?

Construction projects require special supervision, and a qualified project manager will see that the project is done on time, on budget and as planned.

The project manager can provide all or part of the following consulting and contract-administration

services required for a complex project involving work on your co-op's building envelope.

In short, a project manager's responsibilities include the contract administration and inspection of all remedial work required to bring the project to 100 per cent completion. Their detailed responsibilities appear below.

ASSESSMENT OF DEFICIENT BUILDING COMPONENTS

The project manager will

- carry out a review of the available construction drawings, documents and reports, including the Building Condition Assessment and Reserve Fund Study, to determine the characteristics of the building components to be replaced
- review previously completed repairs and/or replacements related to the new project
- complete a visual building and site review to determine the repairs and/or replacements required
- identify any additional defects related to the project.

REMEDIAL REPAIR PLAN AND BUDGET REPORT

The project manager will

- develop a Remedial Repair Plan and Budget Report for the planned and potential remedial work
- identify the repairs or replacements needed to restore the components of the building envelope
- detect any related repairs that fall within the available capital budget, including any health and safety items.

The project manager will provide a comprehensive Remedial Repair Plan and Budget Report that addresses the required repairs and/or replacements. This plan will

- outline the project manager's findings, recommendations and estimated costs

- list the repairs in order of their importance
- indicate repairs that can be completed within the available budget.

PREPARATION OF SPECIFICATIONS AND TENDER DOCUMENTS FOR REMEDIAL WORK

The project manager will use the approved Remedial Repair Plan and Budget Report to develop specifications and tender documents for the replacement and repairs within your co-op's project budget.

TENDERING OF THE REMEDIAL WORK INCLUDING TENDER RESULTS ANALYSIS AND RECOMMENDATIONS

The project manager will

- administer the tendering process together with your co-op
- invite pre-qualified contractors to tender for the remedial work
- analyze the tenders received
- present findings and recommendations to your co-op
- help your co-op negotiate and sign the contract with the successful contractor.

CONTRACT ADMINISTRATION AND INSPECTION OF THE REMEDIAL WORK

The project manager will

- administer the terms and conditions of the contract between the contractor and your co-op
- review and approve the construction schedule prepared and submitted by general contractor



- conduct pre-construction meetings and ensure all permits, insurance, bonds, etc. are in place
- perform site visits throughout the project based on the critical parts of the repair program
- prepare site observation reports after each site visit
- submit proposed changes to the co-op for approval before authorizing the work
- inform the co-op of the costs before giving instructions to the contractor
- chair bi-weekly site meetings, prepare minutes and issue them to all parties
- review and approve shop drawings, etc.
- verify completed work and issue necessary certificates/documentation to facilitate the lender's release of funds and the co-op's payments to the contractor
- close out the contract with the contractor by ensuring that all documentation is in place and that all deficiencies have been corrected
- carry out the necessary warranty reviews.

Your co-op's buildings and property are your most important assets. You need to protect them and your investment in them, by hiring a project manager and including this cost in the budget for your project.

What process should we follow in hiring a project manager?

First, you'll need to develop a detailed Request for Proposals (RFP) to make sure you secure competitive proposals from project managers. The RFP must

- outline the proposed scope of work and related estimated costs

- include a timetable of the capital work the project manager will administer
- summarize the services the project manager will provide.

The Agency has developed an RFP template for project management services that your co-op can use. If your co-op still has an active operating agreement, you can ask your relationship manager to send you a copy.]

Our housing co-op is completing a two-year capital plan based on our recent BCA report. Some of the estimated costs in the BCA seem low. Are there other costs that we should include in the plan?

The recommended repair or replacement costs shown in a BCA are typically Class D estimates that may vary by plus or minus 30 per cent! We recommend that a contingency allowance of 20 per cent be included at this planning stage.

Make sure to include a further allowance for project management fees, which can vary from five to 15 per cent, depending on the scope and cost of the project. Consider including a 10 per cent allowance in the plan for full project-management services if your project's estimated cost is \$1M or less. As the project's estimated cost increases, the project management percentage fee should typically decrease, depending on the scope of the project.

Don't forget to include the provincial sales tax in your budget.



Our project manager is now finalizing tender documents for our building envelope project. They recommend asking for surety bonds from the general contractors at the tender stage. What are the different types of surety bonds and their benefits?

A surety bond is a legal guarantee from an insurance company that protects your housing co-op if the contractor

- defaults on a bid
- defaults on a job
- does not complete the project in time
- fails to deliver the quality agreed on.

There are three main types of surety bonds.

BID BOND

A bid bond is the bond normally used at the tender stage. It assures the housing co-op that the bidder is qualified to do the work, takes the tendering seriously and will follow through on their commitments.

A bid bond guarantees the co-op that the bidder will honor its bid and sign the contract if selected. If the bidder refuses to honour its bid, the bond will cover the costs the co-op has incurred by awarding the contract to the second lowest bidder. Costs could also include a penalty paid to the housing co-op—usually 10 per cent of the bid amount.

PERFORMANCE BOND:

A performance bond guarantees the housing co-op that the general contractor will complete the contract according to its terms, including price and schedule. If the general contractor defaults, or is terminated for

cause, the housing co-op can use the bond to get the contract completed. The amount of a performance bond is usually 50 per cent of the contract amount but can also be 100 per cent.

PAYMENT BONDS

A payment bond is also called a labour and material payment bond. It guarantees that the contractor will pay for all the goods and services supplied for the project. A subcontractor or supplier who has a contract with the general contractor will make a claim against the bond if they have not been paid for their work or supplies. This protects the co-op from having to pay them and further prevents a claim against the property (a lien).

Housing co-ops usually ask for a labour and material payment bond of 50 per cent of the contract amount but can also ask for 100 per cent coverage.

Does our housing co-op need a Designated Substance Survey before any capital work begins?

A Designated Substance Survey (DSS) is a legal requirement when renovating or demolishing a building. The DSS identifies the designated substances (such as asbestos) present, along with their locations and concentrations within your housing co-op.

In Ontario, section 30 of the Occupational Health and Safety Act requires a property owner to identify designated substances in the building and provide a list to prospective builders before contracts are finalized or any work takes place. Similar regulations are in place in other provinces.



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