Construction management

Definitions affect how money may be spent, and lost

There are two principal forms of construction management, and not knowing the difference between the two can be an expensive problem for building owners and their projects.

"The two types of construction management are "construction manager at-risk" or "construction manager agency."

Of the two, construction management agency gets the nod for client protection and value from the Construction Management Association of America, says Sandy Loy, president of Construction Plus Inc. and a CMAA member.

Sandy Loy

"CM at-risk benefits the construction company," Loy said. "CM agency benefits the client. Not knowing which is which or why one is superior to the other is a problem for people who hear the term 'construction management' and think it means one thing."

Loy's company, in its 2oth year, builds and renovates schools, office buildings, houses of worship and other construction projects. He regularly sees bid requests and construction presentations that create a distorted picture of construction management.

"Quite often, the definition of construction management is interpreted by the contractor," Loy said.

CM agency (according to the CMAA) is a process through which the construction manager acts as the owner's agent throughout a project. CM at risk is supposed to deliver a guaranteed maximum price.

"'CM at-risk' sounds as if the contractor is responsible for anything over the agreed-upon price," Loy said. "In reality, the contractor's No. 1 goal can become protecting the price to make sure the 'at-risk' part never comes true in terms of the contractor eating any of the cost of the project.

"Someone working in that capacity cannot be acting as the owner's advocate and construction management benefits are lost. Project owners must be able to have complete faith in the construction manager from start to finish."

Loy said that construction management agency gives the owner the benefit of having a construction professional leading the design team and the cost advantages of bidding the packages of work identified by the construction manager.

Owners or committees tasked with a construction project and who want to use construction management may visit the Construction Management Association of America Web site, at www.cmaa.com.

Question of the Week

What is a 'short sale?"

By Don Rose

A short sale is one way, with the help of a knowledgeable Realtor, to relieve the financial strain on families due to changes in the housing market.

The "nothing-down" 80/20 mortgages that were used to purchase a home over the last few years may have made sense at the time, but now the home may be worth less than what's owed, due to declines in market values. Unfortunately, some owners can't wait for the problem to resolve itself over time through property appreciation. They need to sell now, either because of financial hardship, a job loss, divorce or relocation.

One option is a short sale, which occurs when the net proceeds from the sale of a home are not enough to cover the seller's mortgage obligations and closing cost, and the seller is unable to cover the difference.

The Realtor's job is to negotiate for the seller and show the lender that it is in the lender's best interest to accept the short sale vs. foreclosing on the property. Since the short sale process involves a lot of detailed paperwork, problem-solving skills and persistence, a homeowner should utilize a professional who understands the process. Some sellers think they can't afford a Realtor, so they try to sell the home on their own. Many don't realize that in a short sale, the lender pays the broker's commission.

For more information or to confidentially explore a short sale option, contact Don Rose at Assist-2-Sell, 675-7283.