



Navigating the Construction Period

Mitigating Construction Risks

Once building designs have been completed, community approvals have been obtained, financing loans have been closed, the construction contract has been executed, and the building permit has been issued, it is time to begin construction or rehabilitation activities. During this development phase, it is critical for the development team to remain focused and for the project manager to monitor the construction process and stay in close communication with the project's funders.

Construction can be a very risky business. Development activities generally, and construction activities in particular, involve two kinds of risks:

- 1) Risks that are largely unknowable in advance and therefore *inherent* to the development process, and
- 2) Risks that are well understood and therefore are generally *avoidable* with diligent management and oversight of the process.

Risk management is the process of taking all possible steps to eliminate avoidable risks and to prepare for inherent ones. It is the job of the developer of the project to know what to expect during construction in order to mitigate all types of risks associated with the process. Key strategies for successful risk mitigation include:

- Careful contractor selection - thorough pre-qualification and due diligence is the best protection.
- Clearly identifying who is overseeing the construction activities on the owner's behalf and what specific steps will be taken to protect those interests.
- Clearly identifying who will be approving requests for payments, change orders, etc.
- Developing a plan for communication to ensure that the owner (not just their representative) is always in the loop.
- Planning for the worst - make sure terms of insurance policies, performance/payment bond(s), and/or letters of credit will provide sufficient resources to get the project back on track should the contractor default.
- Visiting the site at random intervals - it is not necessary to know anything about construction to assess the level of activity, organization and progress and the project site. Establish cordial relationships with all of the key players, communicate high expectations for the finished product, and always ask questions.

Note: This document is included within the *Development and Finance* section of CSH's *Toolkit for Developing and Operating Supportive Housing*, which is available at www.csh.org/toolkit2.

Planning Beyond Construction

Being unprepared for the completion of the construction or rehabilitation of a supportive housing project can be a costly mistake. During the construction period, all project partners should be making the final preparations for occupancy and operations. The goal should be to make the time from when the contractor completes the building and secures a certificate of occupancy to full occupancy as short as possible. Among the many tasks for the owner, property manager and service provider to complete during the construction/rehabilitation phase are:

- Finalizing rent-up procedures, verifying marketing and tenant selection requirements of government funders, initiating any required advertising or outreach so as not to delay rent-up, and determining whether it is possible to pre-select or pre-screen tenants in advance.
- Finalizing the service plan.
- Finalizing operating procedures and policies – especially protocols governing cooperation between property management staff and support service staff.
- Selecting and ordering appropriate furniture and supplies.
- Hiring and training both property management and services staff.
- Planning tenant orientation approaches.

Note: CSH's *Toolkit for Developing and Operating Supportive Housing* includes additional documents that provide information regarding planning for the development and operations phases of supportive housing projects. For additional information:

- See the tools under *Deal Structuring and Beyond* within the *Development and Finance* section of the Toolkit, available at www.csh.org/toolkit2development,
- See the tools within the *Housing Operations* and *Supportive Services* section of the Toolkit, available at www.csh.org/toolkit2.