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## Introduction



Clients and designer discuss the project designs

After finalising the design and receiving building consent approval, the next step is to choose a build team. The procurement option you chose in the Plan stage will affect how this is achieved.

### **How the right builder can help achieve your project objectives**

The process described in this stage should help you choose a builder that constructs the house and delivers the quality of building outlined in your Design Brief. By now you will have established measurable objectives in terms of quality, time and cost. Engaging a builder who understands these and has a demonstrated ability to work within timeframes and budgets will have an impact on the overall cost and time it takes to complete your project.

# Key Activities



You may wish to undertake some work yourself to reduce the cost of the project

Depending on your chosen procurement option, some activities described below may be more relevant than others, and some may have already been carried out in previous stages. The main implications on engaging a build team resulting from the different procurement options are highlighted in the table below.

## Custom Design

There are various decisions to be made with regard to engaging the build team. Typically you will work with the designer to get tender proposals from several builders. Once all the tender proposals are in, each one should be assessed against the builder's ability to fulfil the aims of the Design Brief. You will make the final decision on which builder to proceed with.

## Design & Build

Clients choosing this option are buying a package that includes design, build, and administration so should read this stage and the Engage Design Team stage together.

The builder plays a large part in these projects, therefore research about the quality of the builder's work and their ability to deliver is essential.

## Group Housing

Clients choosing this option are buying a package that includes design, build, and administration so should read this stage and the Engage Design Team stage together.

## Clients

### Understand the impact of changes at this stage

Drawings produced by designers may need to be refined at this point, but they will have a high level of detail and any change is likely to affect not just one but many of them. Drawings from sub-consultants which are already integrated may have to be updated as well. Therefore, any alterations will have significant impact on the cost and schedule of the project. A smooth-running design process with good communication channels should reduce the chance of needing to make modifications at this stage.

### Understand the different types of construction contracts

If you have opted for a Custom Design home, there are three main contract options for engaging builders. Differences between them lie in the level of commitment and responsibility the builder is willing to assume or delegate:

1. **Full contract:** The builder is responsible for most of the activities carried out on site including sourcing materials, dealing with subcontractors and architects, and arranging inspections.
2. **Labour-only contract:** The builder is only in charge of the construction work. You have to undertake supervision, hire subcontractors, and provide materials when required. You should have knowledge of the building process to take on these responsibilities and the associated liabilities and risks.
3. **Managed labour-only contract:** This option allows for flexibility to decide which tasks the builder will undertake and which will be your responsibility. It is useful when, for example, you have a preferred subcontractor or special discounts with a materials supplier.

Within the three main types of contract there are options for setting prices based on whether the cost of items within it are fixed or based on those incurred as the project progresses. This can apply to materials, labour, or both. You will need to agree with your builder how the project should be priced and it may also be necessary to discuss the pricing structure with the bank.

In addition to agreeing a contract type with your build team, you should consider including retentions as a way of ensuring commitment. You will need to discuss this option with prospective builders and agree on a percentage and the length of time to withhold payment.

### Decide who will administer the contract

Regardless of the type of contract used, someone needs to administer it for the project. Architects, architectural designers and project managers can undertake this task for you, and some design teams will only work on projects where contract administration is included in the scope of work. The type of contract used will determine the complexity of this contract administration.

Labour-only contracts are the most complex to administer as all the subcontractors and suppliers are contracted directly to you. You or the person you employ to administer the contract is responsible for coordinating all activity and delivery of materials to the **site**. You should understand that managing even small construction projects can demand a great amount of knowledge and time. It can also mean accepting responsibility for safety and liability – both in the present and the future – for faults or issues such as leaks or failing paintwork. Failing to adequately manage the project can result in delays, cost increases, and even legal implications.

With a full contract, contract administration can be simpler as there is one contract between you and a main contractor. That main contractor will then be responsible for contracting all subcontractors and suppliers, and coordinating all activity and delivery of materials to the **site**.

### Consider DIY opportunities

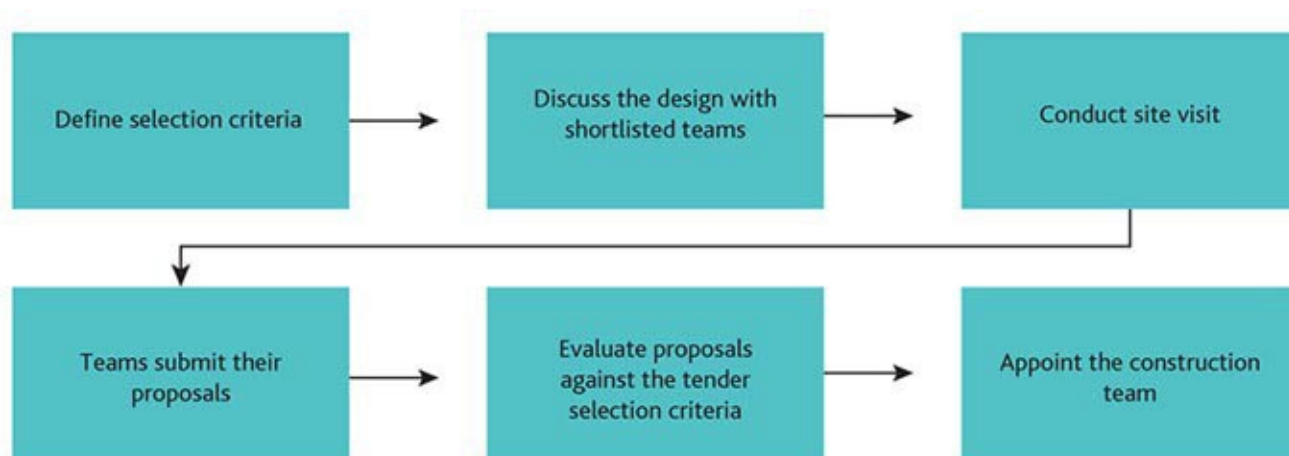
You may wish to undertake some work yourself to reduce the cost of the project. This should be discussed with prospective builders and you should weigh the potential savings against the risk of holding up the builder (which might have cost implications), delaying completion, the time involved, and the likely quality of the outcome.

### Draw up a shortlist of building contractors

This may be based on recommendations from friends or family, your design team, or home construction companies that work in your neighbourhood. Ensure that prospective builders have references, ideally from someone you know,

and that you check each builder's previous work to ensure they have experience in delivering the level of quality that is expected.

## Manage the tender process and select a builder



### The tendering and selection process

Tender documents should be prepared for a selected group of builders to submit their proposals. To achieve the best outcome you should ensure each builder is given the same information and any clarifications made with individual builders are communicated to the group.

Based on the information submitted by builders and on your research about each builder, you should select one that will best contribute to the overall vision of the project. It is important to avoid making a decision based solely on price as there are many other factors to take into account. Some builders, for example, may offer more guarantees or include tasks others have excluded. It is worth interrogating a tender or quote that is significantly lower than the others to ensure it includes everything and no items have been forgotten. There are also some activities on site that must be executed by skilled professionals. A good, skilled builder will always save time and money over the life of the project compared with a cheaper, less skilled builder. Learn from builders about **Restricted Building Work** (<http://www.aucklandcouncil.govt.nz/EN/ratesbuildingproperty/consents/buildingconsents/Pages/restrictedbuildingwork.aspx>) and ensure the selected one is providing qualified labour.

If you are aiming to achieve certification from one of the sustainability schemes such as **Passive House** (<http://www.phinz.org.nz/>), it is important that the builder you select has experience with this type of building. Requirements for certification can be very stringent and require knowledge outside of what is considered traditional.

### Ensure the contract is clear and comprehensive

There are standard templates for contracts available through architects (**New Zealand Institute of Architects** (<http://www.nzia.co.nz/>)) or builders' associations (**Master Builders** (<http://www.masterbuilder.org.nz/>), **Certified Builders Association of New Zealand** (<http://www.certified.co.nz/>)). It is also recommended you seek legal advice to outline the contract. Before signing it, take time to read it carefully and ensure everything is understood.

The contract should be simple and include all the necessary elements to avoid conflicts in the future (see **Contract for construction works** in the Deliverables section for this stage). In addition to information regarding responsibilities, fees and warranties, the contract should include clauses specifying retentions as well as incentives and penalties for contractors to deal with issues speedily during the Defect Liability Period.

#### Designer

### Finalise drawings

Some final details may need to be refined to ensure all the necessary information is provided to builders. Few things, if any, should be left to personal interpretation so that the end result is the expected one. A construction set of drawings should be ready to submit to the builder once the tendering process is completed.



## Review builders' quotes and construction programmes

This activity is only applicable to projects where the design team have been engaged to undertake contract administration. Due to their experience and the knowledge gathered during the design process about the project, designers are in a good position to recognise the most suitable tenderer. They can assess each builder's capability to respond to the brief and can point out failures or gaps in their quotes. Additionally, they can review the submitted schedules to make sure they are not setting unrealistic targets just to please you.

## Prepare contract documents

If designers have been engaged to undertake contract administration it is their responsibility to lead the tendering process and to prepare contract documents once a builder has been selected. Designers should ensure all the important aspects are covered and fair conditions are offered to both you and the builder.

# Deliverables

## Construction drawings

It is the designer's responsibility to update the detailed design documentation and produce a final set of drawings that are fully coordinated and adjusted to comply with council regulations. These will serve as the main reference documents during construction so should have adequate detail, dimensions, and be manageable and readable on site.

## Contract for construction works

This legally binding document seals a working partnership between you and the builder. It should include the following documents and any additional documents containing information useful to the builder:

- a full description of the work, including materials and products to be used
- a statement assuming responsibility for building work that is compliant with Building Code requirements
- dates when the work will start and be completed
- warranties and guarantees detailing what is covered and for how long.
- information about how any disputes will be resolved
- a clear payment schedule with conditions and timings for money to be disbursed
- a definition of what is considered practical completion.

## Construction schedule

A detailed construction schedule with completion dates for main the main activities of the project should be submitted by the builder and agreed by all the parties. This document allows coordination between the tasks being carried out and the equipment, materials and labour needed for them. It should also include key council inspections.

# Who should you be talking to?



Engage legal advice to outline and review contracts

## Insurance

The main contractor should acquire a Contract Works Policy that covers the full replacement value of the project. This will protect the project from hazards like fire and malicious damage. In addition to providing safety, the insurance will be needed for the bank to release any funds.

## Bank

You should finalise arrangements for the required loan or mortgage with the bank before starting any construction work. This includes ensuring that the release of funds aligns with payment milestones set in the building contract and schedule.

Note that during the construction phase valuations may be required for the bank to release funds. This depends on the mortgage agreement and it is important the project budget allows for these.

## Legal

Engaging legal advice to outline and review contracts will ensure clarity and the inclusion of all necessary information.

# What to look out for

## Not understanding types of procurement or contract

Failing to understand the implications of different procurement and contract options may lead to unexpected delays and rising costs. As you did during the Plan stage, you should again consider if you have the required knowledge and time to undertake the tasks you are committing to, or if it is better to let others help out.

You should be aware that using contracts without fixed pricing carries more risk than those with, as costs may increase over the course of the project.

It is very important to fully understand what is, and is not, included in the contract, how the contract covers disputes, and what happens in case of any delays.

### **Selecting a builder based solely on cost**

There is also great risk in choosing a builder based solely on price. Lower bidders may, for example, include fewer guarantees if the job is unsatisfactory and may have excluded items that higher bidders did not. You shouldn't assume coverage by a builder's guarantee, as cover is not always automatic and might not be fully comprehensive. Usually a premium based on a percentage of the works will need to be paid. Master Builders and the Certified Builders Association of New Zealand can provide comprehensive private building guarantees that are only available to builders that belong to these associations. Make sure these items are clear and specifically listed in the contract.