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Change is in the Air

By Leslie M. Kusek

Springtime has officially hit Michigan - and as we enjoy 30 degree temperature swings over the course of an hour or so, we also enjoy new green, more sunshine and the promise of summertime on the horizon. Spring certainly is the season of change, and we Michiganders probably are more tuned into this seasonal event than our colleagues in the south, who have been using their A/C for about 2 months now.

But more is changing in Michigan than the weather, and I think most of us are keenly aware of that as well. We are watching our markets continue to shift - away from development, away from state-funded environmental programs, away from K-12 facilities and away from large municipal infrastructure projects. Certainly these will return, but thought-leaders are not so sure when.

Change is in the air. But this is not a seasonal change, which is historically established and predictable. It is different. And it is causing many architectural,

(Continued on page 5)

Construction Management Roles, Responsibilities & Risks

The following material is provided for informational purposes only. Before taking any action that could have legal or other important consequences, speak with a qualified professional who can provide guidance that considers your own unique circumstances.



In search of additional revenue streams, design firms often consider offering construction management services. Providing such services can generate income and increase the value delivered to the project owner. However, construction management can also bring additional liabilities, including those often associated with contractors. For this reason, any design firm considering construction management services must be prepared to identify and manage those risks.

The term "construction management" generally relates to services provided by a consultant acting as a representative of the project owner. These services typically involve administering the design and construction contracts and may include responsibility for managing or coordinating the planning, design and construction phases of the project. Construction management services can be performed by an independent party on a standalone basis, or by an architect or engineer who also provides design services on the project. Work scopes for the construction manager (CM) can be tailored to meet a variety of owner needs, project types and project delivery methods.

The scope of services provided, as well as the associated liabilities that result, depend greatly on the construction management role performed by the design firm. The two primary roles are CM-Advisor and CM-Constructor.

(Continued on page 2)



Construction Management Roles, Responsibilities & Risks

(Continued from page 1)

CM-Advisor

In the CM-Advisor role, the design professional serves as a consultant to the project owner. The primary responsibility is administering the construction contract through the design and construction phases of the project. Duties may also include pre-construction services such as cost-estimating, scheduling and constructability reviews.

The CM-advisor typically has a contractual agreement with the client only, not with the contractor or other parties to the construction. CM-Advisors do not award contracts, direct construction means and methods, or arrange for materials or labor.

The CM-Advisor may or may not also be a designer on the project. When the CM only provides advisory services and does not design the project, the role is sometimes called CM-Agent.

CM-Constructor

The CM-Constructor role (also called CM at Risk) entails responsibilities typically associated with contractors. In addition to the advisory roles described above, the CM-Constructor typically:

- Holds all subcontracts for construction
- Is responsible for tasks of contract management and construction
- Assumes the same warranties as the general contractor, taking responsibility for the entire construction project
- Assumes the same risks as a general contractor, including jobsite safety
- May promise the owner a guaranteed maximum price for the project.

Licensing Issues

To our knowledge, no state or province licenses construction managers. However, the Construction Management Association of America (CMAA) does provide instruction and training and issues a “Certified Construction Manager” certificate.

You could likely provide most, if not all, of the services of a CM-Advisor under your architecture or engineering license or registration. If, however, you're acting as a CM-Constructor, you may be required to obtain a contractor's license, depending on your jurisdiction and duties. Regardless of your role, check with your local contractors' licensing board, professional licensing board and/or professional association to see whether a license is required.

Insurance Issues

Most professional liability (PL) policies will cover any claims arising from the *professional services* a design professional renders as a CM. However, most PL policies won't cover construction risk -- i.e., faulty workmanship. This would include problems with fabrication, erection, installation, assembly and the supplying of products and materials. In addition, there is no coverage available for the economic risk of providing a guaranteed maximum price.

PL policies may also specifically exclude claims relating to jobsite safety. Some may even contain a general exclusion for claims arising out of services not “usual and customary” to the practice of archi-

(Continued on page 3)



Construction Management Roles, Responsibilities & Risks

(Continued from page 2)

architecture or engineering -- or they may cover only those professional disciplines specified in the policy. Unless these exclusions can be modified or construction management is specifically listed as a covered service, there may not be professional liability coverage in force for such services.

Design firms considering providing construction management services should get a complete insurance review. We'll be happy to help you examine your needs for PL, general liability, workers compensation and other types of coverage.

Managing CM Risks

Once you understand the risks of construction management, you can make an informed decision as to whether or not to offer such services. If you decide to offer construction management services, keep the following in mind:

- Select your projects and clients cautiously. Because the CM will no doubt be brought into any significant claims, it is important to avoid clients with a litigious history or project types that are likely to have problems.
- Choose your CM role with care. Offer only those services you and your staff are qualified to provide.
- Be aware of your jurisdiction's licensing requirements. Obtain all licenses required by your state or province to provide the services you intend to offer -- and then operate within the scope of your licenses.

(Continued on page 4)

General Risks to Consider

Design. When CMs conduct design and constructability reviews, they may, along with the architect or engineer of record, be subject to claims involving design errors and omissions.

Selection of materials. CMs may have exposure arising from the selection and timely delivery of construction materials and subsystems.

Cost estimates. Project owners typically have high expectations that a CM's construction cost estimates are accurate. If costs exceed a CM's estimate, there is substantial risk of a claim.

Jobsite safety. CMs may assume responsibility for construction means and methods, as well as the contractor's jobsite safety program and safety plans. OSHA rulings have generally concluded that a CM-Constructor's responsibilities for jobsite safety are akin to those of a GC.

Scheduling and coordination. Work not performed on schedule or not well coordinated can lead to claims for project delays, increased overhead expenses and added overtime costs.

Hazardous site conditions. If not careful, the CM-Constructor can assume liability for existing hazardous site conditions. In addition, if toxic materials on the site must be disposed of or transported, the CM can be deemed an "operator" of the site or an "arranger" of the disposal and thus subject to severe (and sometimes criminal) sanctions in the event of an illegal dumping or accident.



Construction Management Roles, Responsibilities & Risks

(Continued from page 3)

- Negotiate solid contracts. The AIA, AGC (Associated General Contractors), CCA (Canadian Construction Association) and CMAA have all published standard form agreements for CMs that can be tailored by you and your attorney to fit your specific project needs.
- Develop a clearly-defined scope of services. With the client, put together a detailed work scope that describes precisely the specific responsibilities of each party to the project, including the owner.
- Charge adequate fees in consideration to the level of risk you must assume.
- Make sure that your words and actions, particularly on the jobsite, are in keeping with your role. If you are the CM-Advisor, for instance, your job is to recommend and advise, not to direct or supervise.
- Check your insurance. Talk with us to be sure you have appropriate coverage. We'll help you ascertain whether your professional liability policy covers the professional services you intend to provide. If you perform as a CM-Constructor, we will need to address bonding, workers-compensation and general-liability issues.
- Limit your exposure to claims involving jobsite safety. Include appropriate "means-and-methods" disclaimers in your contract.

Allocate health and safety risks through indemnities and insurance. Train your field people so their actions don't undermine these protections. Ask to be named as an additional insured on the contractor's liability policies and request certificates as proof that appropriate workers compensation coverage is in place.

- Consider, with advice from legal counsel, establishing a separate corporate entity for your construction management services. This can help limit your liabilities for these riskier services.

Dealing with a Third-Party CM

If you are a designer on a project for which the owner has hired a third-party CM-Agent, your chances of facing a claim may increase. Not only do you have another pair of eyes critiquing your design services, there may be a greater chance of error or omission due to confusion regarding duties, responsibilities and authorities. Talk with your attorney about including a contract clause that addresses this risk. We can provide sample language for you to consider.

Can We Be of Assistance?

We may be able to help you by providing referrals to consultants, and by providing guidance relative to insurance issues, and even to certain preventives, from construction observation through the development and application of sound human resources management policies and procedures. Please call on us for assistance. We're a member of the Professional Liability Agents Network (PLAN). We're here to help!

1.800.969.4041 or www.pciaonline.com.



Harley Ellis Devereaux: One-Stop Shopping... with a very large cart



Lawrence Tech, Southfield MI

Harley Ellis Devereaux has enjoyed a successful practice since 1908, earning a reputation for excellence in all facets of architecture—from planning and design to construction. Today, we’re a firm of more than 500 people in seven office locations throughout the U.S. In collaboration with our partner companies, our capabilities extend to strategic planning, program management, real estate services, sustainable design, quality review and construction services.

From the beginnings of an idea crudely scratched on the back of a napkin to the grand opening festivities for your new facility, a full service architecture/engineering firm is there for you every step of the way. What’s “full service?” Think of it as “one-stop” shopping, with everything you need right in one place. But think big...

A new structure, an addition to an existing facility or an overall renovation can be a daunting thought, accompanied by a dizzying array of questions. Where do you even begin? We have all the services in place to help you decide what you really need and make sure you get it, from support with your initial concept (remember the napkin?) to planning to design to engineering to construction services to landscaping...to the slice of the scissors through the ribbon, and beyond.

On the threshold of 99 years in business, Harley Ellis Devereaux has attended more than a few groundbreaking and celebrated its share of ribbon cutting ceremonies, forging relationships with clients who somewhere along that timeline became so much more. That’s because the business of design is personal. After all, it’s more than just a building. It’s a dwelling, it’s a destination, it’s a home away from

(Continued on page 6)

(Continued from page 1)

engineering and environmental firms in Michigan to do things differently too.

Michigan is experiencing a “single state recession.” While this can be emotionally deflating, it presents opportunity that we have not had historically when we have experienced national recessions. Work is out there. Firms like ours in other states cannot find the staff to meet their workload demands.

Michigan firms need to change to meet these new conditions. Waiting for the phone to ring won’t work. Four key strategies can help firms to grow in this difficult economic climate:

- Mine your existing clients for additional work.
- Follow your clients to other geographic markets.
- Partner with firms in other geographic regions that need help serving their clients.
- Identify viable Michigan markets and potential clients and expand your client base.

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(Continued from page 5)

home, it's a dream fulfilled. It takes on the personality of its inhabitants and defines their identity. It leaves an impression.

Getting to know you

Our work is produced through expertise-based studios comprised of dedicated design professionals who focus entirely on facilities for their particular client segment. This allows us to bring not only the most up-to-date knowledge and understanding of current design trends and practices to each assignment; it also gives us the opportunity to understand our clients' business from their point of view

The more things change, the more they stay the same

Undertaking the construction of a skyscraper or a two-story office building--and the ultimate end result--is a mutual effort of many, each with a unique focus. The wide-ranging talents of design professionals, engineers, contractors and other specialists each provide a critical component to the process. But while today's projects and processes may have increased in complexity, the basic need for old fashioned, face-to-face interaction never wavers. It's no surprise that nothing would get off the ground without communication, cooperation and mutual respect for all.

Steps to success

Our comprehensive approach to a project benefits our clients by taking the "mystery" out of the magnitude of the process:

- *Make a plan*
- *Connect with the community*
- *Integrate engineering*
- *Walking the talk or, speaking through interior design*
- *An outside perspective, well-designed landscape*
- *All eyes on site, supporting construction process*

Harley Ellis Devereaux Corporation offers its clients a broad range of facilities and real estate services from strategic consulting to design and construction, with offices in Los Angeles, Chicago, Detroit, Riverside, San Diego and Bakersfield. The 500-person organization works extensively throughout the United States and offers services through its partner companies: **Harley Ellis Devereaux**--a full array of planning, architecture, engineering, interior architecture, landscape architecture and construction services; **Spectrum Strategies**--strategic planning, operational consulting, program management, technology and asset management; **Green-Works Studio**--sustainable design and building commissioning; **iQ-Investment in Quality**--plan review and value engineering; **Crime Lab Design**--forensic facilities design; and **HED Build**--construction and design/build services. To learn more, go to www.harleyellisdevereaux.com.



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