



CONSULTANTS AND THE IMPORTANCE OF MONEY MANAGEMENT FLOW FOR ROOFING PROJECTS

BY BRIAN WHELAN

Management of money for roofing projects may never be more important than it is right now.

The bad economy and its effect on the construction market in 2009 are well documented. The best estimate is that the commercial roofing market was down 35% in 2009. With the slowing of the overall economy, companies and building owners reduced their capital expenditures. A very obvious decline in new construction took place in late 2008 and throughout 2009. The National Roofing Contractors Association (NRCA) has estimated 28% of the overall market came from new construction in 2007. In 2009, the commercial roofing market was clearly a reroofing market. Some estimate it will take three to five years to return to contract levels of 2007.

These difficult times create some very significant challenges for our industry. The commercial roofing market is very competitive. Many manufacturers have invested heavily in state-of-the-art production equipment within the last five to ten years, resulting in an overcapacity in many product categories. Roofing contractors are bidding projects that in the past have had three to five bidders and now find ten or more bidders. The result will be very competitive material and labor pricing for some time to come. At the same time, unfortunately, materials and labor costs (labor rates, insurance, etc.) continue to rise. This squeeze will result in pressure on all parties involved. Within the last few months, a number of contractors have gone out of business due to financial challenges.

DRAFT AIA® Document G706A™ – 1994

Contractor's Affidavit of Release of Liens

PROJECT: <i>(Name and address)</i> Clean documents	ARCHITECT'S PROJECT NUMBER:	OWNER: <input type="checkbox"/>
TO OWNER: <i>(Name and address)</i>	CONTRACT FOR: General Construction	ARCHITECT: <input type="checkbox"/>
	CONTRACT DATED:	CONTRACTOR: <input type="checkbox"/>
		SURETY: <input type="checkbox"/>
		OTHER: <input type="checkbox"/>

STATE OF:
COUNTY OF:

The undersigned hereby certifies that to the best of the undersigned's knowledge, information and belief, except as listed below, the Releases or Waivers of Lien attached hereto include the Contractor, all Subcontractors, all suppliers of materials and equipment, and all performers of Work, labor or services who have or may have liens or encumbrances or the right to assert liens or encumbrances against any property of the Owner arising in any manner out of the performance of the Contract referenced above.

EXCEPTIONS:

SUPPORTING DOCUMENTS ATTACHED HERETO:

1. Contractor's Release or Waiver of Liens, conditional upon receipt of final payment.
2. Separate Releases or Waivers of Liens from Subcontractors and material and equipment suppliers, to the extent required by the Owner, accompanied by a list thereof.

CONTRACTOR: *(Name and address)*

BY:

(Signature of authorized representative)

(Printed name and title)

Subscribed and sworn to before me on this date:

Notary Public:

My Commission Expires:

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Waiver and Release of Lien Upon Progress Payment

The undersigned lienor, in consideration of the progress payment of \$_____ hereby waives and releases its lien and right to claim a lien, to the extent of this payment, for materials furnished to **CONTRACTOR** on the job of **JOB NAME** to the following described property:

JOB NAME AND ADDRESS

This waiver and release does not cover any retention for material furnished after **DATE**.

Dated on:

Lienor's Name: _____
Address: _____

By: _____
Printed Name: _____
Title: _____

State of: _____
County of: _____

The foregoing instrument was acknowledged before me this _____ day of _____, 2010
by _____ who is personally known to me.

Notary Public

Attachment #2

With new construction, the general contractor typically manages the payment flows throughout a project. On reroofing projects, we have found the payment process is quite loose, at best. In the last six months, we have had numerous situations where a building owner has released all monies due for a reroofing project to the roofer without requiring a lien waiver signed by the roofing system manufacturer. The roofer then claims he does not have the money to pay for materials. The owner, having paid in full, is then looking for a warranty.

The purpose of this article is twofold:

1. Raise awareness of the potential for money issues on projects without proper money management.
2. Provide some suggestions for roof consultants to reduce the potential for money management problems.

In speaking with a few roofing and waterproofing consultants, we find that they all deal differently with project money management. In many cases, the consultants have used a proven systematic approach to ensure proper money flow management. In other cases, consultants seem to be removed from the money flow management of the project. Recent experience tells us consultants taking charge of the money flow of a project are providing

their customers with a valuable service.

With respect to money flow management, we offer the following specification language and required submittals as part of the payment process.

PAYMENTS

- Payments made to the contractor shall be made in accordance with Article 9 of the AIA Document 201-2007, modified to meet a project situation.
- A contractor's pay request template or form should be provided in bid documents. AIA Documents G702-1992 and G703-1992 are more or less the industry standard.
- A contractor's Affidavit of Release of Liens should be provided with each pay request. AIA Document G706A-1994 is widely used (see Attachment #1).

In addition to the contractor's release of liens, it is highly recommended that the contractor be required to provide a release of lien(s) from the roof system manufacturer indicating payment for material to date (see Attachment #2, Waiver and Release of Lien Upon Progress Payment form). A Final Waiver and Release of Lien form (see attachment #3) should also be required

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Final Waiver and Release of Lien

The undersigned lienor hereby waives and releases its lien and right to claim a lien for materials furnished to **CONTRACTOR** on the job of **JOB NAME** to the following described property:

JOB NAME AND ADDRESS

Dated on:

Lienor's Name: Roofing System Manufacturer's name
Address:

By: _____
Printed Name: _____
Title: _____


State of:
County of:

The foregoing instrument was acknowledged before me this _____ day of _____, 2010
by _____ who is personally known to me.

Notary Public

We would suggest, however, that just because there have been no issues to date does not mean there will be none in the future. Review contracts and bid documents to make sure a process is in place and that it is working well.

We estimate we receive a request for lien waivers on 20% of the projects with which we are involved. This would indicate many projects do not have a payment money flow management process in place, or the process has left out the critical step of having the roofing system manufacturer involved.

The idea of money flow management will be a concern to some, although it is in everyone's best interest to have a process in place for every project. It is important for everyone involved to understand this process. Trust, professionalism, and communication are critical should the process break down in any way. 

The author thanks Gary Mays, president of Mays Consulting & Evaluation Services, Inc., of Delaware, Ohio, for sharing his thoughts and experience regarding money management flow for roofing projects.

Attachment #3

prior to the release of final payment. Generic examples of these forms are provided. However, requirements for release of lien vary by state.

cess described above is just one example. Consultants may already have a process that works for them and their customers.

NOTES

The amount of percentage retained until project closeout should be made clear in the bid documents.

Many manufacturers offer "early bird" warranties (warranties supplied by the manufacturer to the roofer prior to final completion and payment for materials supplied). Obtaining the warranty from the contractor is not necessarily an indication that materials have been paid for.

Most manufacturers state as an exclusion in their warranty that the warranty is not valid until all materials have been paid for.

The payment/money management pro-

Brian Whelan



Brian Whelan has been employed by Sarnafil Inc. (and now Sika) for 29 years and is currently senior vice president of the business unit roofing department. He is a graduate of Harvard University's Business School PMD program and has a degree in architectural technology. Whelan is a board member on the Center of Environmental Innovation in Roofing and was one of the original members of the Single Ply Roofing Institute (SPRI), later becoming a member of its board of directors and chairman of its Thermoplastic Subcommittee. He has also been a member of RCI since 1989. He is a member of CSI and has participated on ASTM committees on roofing and waterproofing. Whelan was an original director for the Roofing Industry Committee on Weather Issues (RICOWI). He jointly owns three patents on hot air welding of thermoplastic membranes and profiles. Whelan has participated in various committees for NRCA, most recently the Industry Advisory Council, and he sits on the Steering Committee for Performance Criteria for Constructed Roof Systems.

NRCA REVISES POLYISO R-VALUES

The National Roofing Contractors Association (NRCA) has updated its design R-value recommendation for polyisocyanurate roof insulation. In its 2011 *NRCA Roofing Manual: Membrane Roof Systems*, the association recommends designers determine thermal insulation requirements using an in-service R-value of 5.0 per inch of thickness in heating conditions and 5.6 per inch of thickness in cooling conditions. Previous recommendations (since 1987) called for an across-the-board in-service R-value of 5.6 per inch of thickness. The in-service value should be based on the dominant conditions for building use and climate where the building is located. This can be done by comparing heating degree-day (HDD) values with cooling degree-day (CDD) values provided in the *ASHRAE Fundamentals Handbook*. NRCA also recommends designers specify polyisocyanurate insulation by its desired thickness, not its R-value, to avoid possible confusion.

— Professional Roofing