



THE IMPORTANCE OF GENERAL CONTRACTOR SELECTION

General Contractor Qualification

There are many things to consider when selecting a general contractor (GC) for your small business construction project. Live Oak specializes in providing loans to small businesses across the country, with a dedicated construction loan team that works with you every step of the way.

When selecting a GC these questions are important to ask to ensure you make a solid choice.

- Is the GC appropriately sized for your project?
- Does the GC demonstrate active listening and communication skills, and do they proactively share information with the entire construction team?
- Does the bid include allowance line items? Has the GC gone out to the market and bid the project with local subs?
- Have they worked with the design team (architect, engineer, etc) before?
- What is the GC's past job experience or adjacent experience?
- Are they well capitalized? Do we have concerns about whether the GC will use loan proceeds to float other projects where payments may be delayed?
- Does the GC's bid align with the plans? Are there any major gaps or scopes missing from the bid?
- Does the GC have industry experience?
- What's their relationship like with their subcontractors?
- Do they have a solid list of references that are able to communicate in detail about their experience with the proposed GC?
- How does the GC add value to the team? Will they help you achieve your objectives and priorities?
- Will they self-perform any of the work?

Owner-Builder Contractors

Owner-Builder or Self GC qualification requirements are the same as those for independent third-party GCs. For SBA loans, GCs that are owner-builders (or GCs closely affiliated to the borrower, such as a spouse) must collect two outside bids to confirm the project cost is below market cost. No profit can be made by the owner-builder per the SBA's Standard Operating Procedure.

In addition to the questions above, your construction loan team will also need to explore the following:

- Does the state allow owner-builders for commercial projects?
- They must be a licensed contractor in the state they are building, if applicable. Project management experience is not the same as being a general contractor and is not a substitute for GC experience.
- They need to be able to demonstrate they have the adequate office and accounting staff.
- The owner-builder will need to show that they have completed/built a comparable project in the past 12 – 24 months.
- The borrower/owner-builder will need to evidence they build similar projects for a living (themselves + 3rd party)
- It is not required but would be preferred that they show the capacity to be bonded up to the contract amount.

Contractor Qualification Requirements at Live Oak

To start the process of contractor qualification, start gathering these items. This is a preliminary list — there may be additional documentation required for qualification.

- Two years tax returns **(for construction of \$1.5MM+)**
- Interim financial statement including profit & loss and balance sheet within 90 days **(for construction of \$1.5MM+)**
- Past 3 years project lists
- General contractor's license information
- W9 form
- Contractor Due Diligence Form