



12/9/2022

Joint Legislative Commission on Government Operations:

The Honorable Senator Brent Jackson

The Honorable Representative John Bell

Chairmen and Committee Members,

I write this letter to share our experience within the Rebuild NC program. As a disaster recovery construction company, DSW Homes has successfully rebuilt over 13,000 government funded homes and participated in over 45 federally funded programs throughout the United States. DSW has operated in over 13 states and U.S. territories, including North Carolina, South Carolina, Florida, Texas, and Puerto Rico.

Immediately following Hurricane Matthew, DSW activated and participated in the Sheltering and Temporary Essential Power (STEP) program completing more than 215 homes. In 2018, DSW was selected to participate in the Residential Construction Services for the State's Hurricane Matthew Housing Recovery Program.

Unfortunately, due to the inability of the program to move applicants to the construction ready stage, DSW was forced to close our offices in North Carolina and focus our efforts on other state disaster recovery programs with work assignments ready to proceed.

#### **DSW's reengagement in the Rebuild NC program**

After leaving the state for more than 3 years, I was curious to see if the leadership and organizational structure had improved within ReBuild NC. To that end, DSW submitted and won a limited number of contracts. Working with NCORR Director of Program Delivery, Trace Allard, and Superintendent Supervisor Kevin Walsh we gained confidence in the ability of both men to manage the NCORR program honestly and with integrity.

With renewed trust and confidence, DSW decided to fully re-engage with the State of North Carolina. Since rejoining the program in the fall of 2022, DSW has become the most active builder in the program, with over 100 active assignments. With our work starting to kick off, we currently have multiple jobs under construction and have completed more than 30 job walks within the last 20 days. We anticipate completing the majority of our current assignments by the end of the first quarter of 2023.

#### **Remaining program concerns**

While DSW is dedicated to fully participating in the ReBuild NC program, a number of systemic items caused by North Carolina Procurement laws will likely continue to negatively impact the build quality and speed of the programs.

##### *Bids instead of assignments*

A bid-based program takes more time than an assignment-based program. In assignment-based programs contractors are able to start pre-construction activities the first day upon receiving an assignment. In contrast, with a bidding system there is at minimum a one-month delay each time a bid is released.

##### *Limiting scalability*

Due to the uncertainty of the number of jobs that we will receive within a bid system, we are unable to preposition offices and hire local staff until a bid is awarded. Only when contract is awarded do we have the financial certainty to expand our workforce. Additionally, due to the large geographic footprint of this program we are unable to strategically place offices.

In order to mitigate these negative consequences, we request the program provide more transparent forecasts regarding future RFPs, including expected timeline, location, number of assignments, and type of work. This information improves our ability to submit more accurate bids and decrease build times.

### *Low bids, less qualified contractors*

Participants in the Rebuild NC program have waited far too long for their homes to be repaired, reconstructed, or elevated. Solely focusing on low bids without properly taking into account a firm's demonstrated ability to perform leads to additional delays in programs. Less qualified firms often struggle to meet strict build times or comply with federal requirements. Sadly, I have witnessed dozens of reputable small construction firms fail in programs due to these requirements. The low bid aspect of this program only increases the likelihood of contractor failure. The goal of any state program should be ensuring the highest level of workmanship, at the fastest time possible, for a reasonable price.

### **Recommendations for future programs**

As this committee evaluates the current program and how to ensure future programs are managed effectively, I offer the following recommendations:

- Create **qualified bidder pools** through a Request for Qualifications (RFQ), to ensure construction management firms have the demonstrated ability to complete work on time and in accordance with state and federal requirements.
- Establish **cost reasonableness** for construction services through a Request for Information (RFI).
  - Establish fixed costs for construction related activities.
    - *Note: NC procurement law needs to be modified to allow for this type of contract for disaster recover contracts.*
- Manage **Assignment-based work orders** through a **report card** based on quality of build, customer service, and schedule.

Due to the complex nature of scattered lot residential construction programs, construction companies need reasonable clarity on costs and number of assignments. This clarity is necessary to justify the significant investment required to participate in large reimbursement-based state managed disaster recovery programs.

DSW looks forward to completing all currently assigned work and hopes to be awarded many additional jobs to help the good people of North Carolina return to their more resilient and safer homes. Please direct any follow-up questions to our Vice President of Government Affairs, Jed Webb. [Jed.Webb@dswhomes.com](mailto:Jed.Webb@dswhomes.com).

Regards,



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CEO, DSW Homes