THE UNSPOKEN DANGERS OF BUYING LOWEST COST CONSTRUCTION

PART OF THE TRANSPARENCY SERIES, BY HORST CONSTRUCTION

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We get it. As a business leader, construction can be a daunting consideration. Not only is construction a costly investment, but it also requires time and energy - which you may not have an abundance of. Additionally, today's economic conditions create funding and cost-driven headaches that can be obstacles to even getting out of the starting block.

For all these reasons, it is increasingly common for project owners like you to conclude that selecting a contractor based on lowest cost is your best bet. Afterall, it makes sense that having contractors bid for your project will make them all reduce unnecessary costs to get you the best possible price, right?

The truth that most in the industry don't share is that buying construction based on the lowest cost will usually burn the owner in the long run.

In this e-book, we will outline some of the major risks associated with selecting a contractor based on dollar value alone, as well as providing some alternative solutions to get the best value when it comes to construction projects of all sizes.

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CHAPTER 1:
Setting the tone for your project

Your project is more than just a building; it's an opportunity. A chance to expand your presence, serve your community, and impact your organization's reputation. The building itself will become home to something important – otherwise you would not be building it.

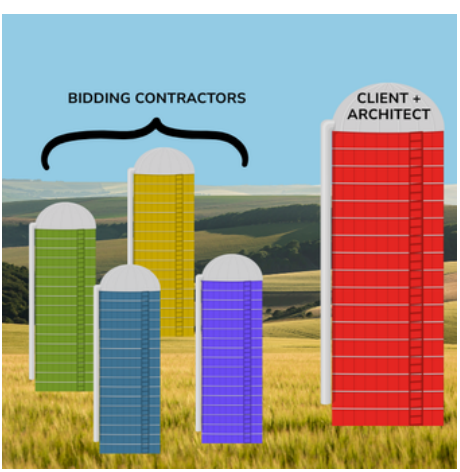
Why, then, would you set the tone for your project as a race to the bottom? While that may sound harsh, creating a project from a design-bid-build model[1] communicates to potential partners that the primary factor for selection is lowest cost. This sets an extremely specific tone (cost over everything) that does not necessarily align with the desired result.

In this design-bid-build model of construction, you begin the process by collaborating with an architectural partner to communicate your vision for the project. You work together to outline the functional and aesthetic factors that are important to you as well as the overarching needs for your space. This exciting process builds momentum as your space comes to life in architectural renderings.

1 Design-Bid-Build is the construction method wherein the project owner first works with an architect to design the project, then puts the project out to bid to contractors to solicit the lowest price.

Unfortunately, this process has potential to quickly create problems. This is not to speak negatively about architects – we admire, respect, and require their expertise. But rather, the process becomes problematic because once the documents are complete, you and the architect have created the first siloed team of your project.

Once the architectural documents have been prepared for bidding, you and the architect have defined the framework for your project. While not entirely rigid, this framework will set the anticipated result for your project and create the basis for how the costs will be determined. The relationship you hold with your architect creates a silo, where you share a mutual definition and understanding of the project's vision. The architect's priority moving forward will be to keep contractors aligned with the plan, because their end goal is to bring the design you co-created to life.



The contractors who come to the table to bid the project must blindly follow the documents provided with little context or deeper understanding of your goals, needs, and concerns. This leads to each contractor becoming their own independent, siloed team, with the initial goal being simple: win the work. Their process will be self-serving, setting themselves up to be the lowest cost provider and get the contract. You can see how the focus is removed from the owner's vision and goals, because the contractors must focus on pricing the project as low as possible on bid day to win the work.

Regardless, contractors are businesses that need to make money to continue operating. They cannot give away their services or work for free, as they would go out of business quickly. At the end of the day, they must pay their teams and keep the lights on in their own offices too. While each of the independent teams may be wonderful, honest, and care about the work they do – they are in it to win it. Each individual entity has their own goals and will make interpretations that align with their interests. In the end, it is truly no wonder that project owners are frustrated and weary when it comes to construction. It feels contentious from the start.

Bottom Line: A design-bid-build project sets the tone of an 'us vs. them' mentality.

Understanding how to properly read and review your bid documents will be your responsibility, so legal team advocacy is a necessity. Your lawyer will need to review each of your contracts and consider all loopholes or unwritten gaps, as well as ensuring clarity of expectations.

Unfortunately, lawsuits can become commonplace in these design-bid-build situations as project owners navigate misunderstandings between contractors and design partners, advocate for their own best interests in conflict, and carefully read between the lines as finger-pointing and team infighting takes center stage.

It does not have to be this way. A construction project can be set up for success and should be an exciting fresh start for you and your team. But buying construction services based on lowest cost alone sets an unnecessarily combative tone from the start.

CHAPTER 2:
Cutting Corners

Construction projects can initially seem deceptively simple. Start by inviting reputable contractors with experience building similar projects. Provide them with the documents created by your architect and give them a deadline. Then pick the one that comes in cheapest.

The inherent problem is in the model itself: asking contractors to give you the ***cheapest*** possible project. Is that truly what you want for your building – the cheapest solutions that will check off the items on your list?

The design-bid-build method outlined here is one of the most popular approaches to selecting a contractor - especially when numerous stakeholders are involved who want to ensure your organization is getting the most affordable solution to your building needs.

On the surface, it seems like you would be encouraging potential construction partners to sharpen their pencils and give you the most inexpensive cost they can while still accomplishing your project goals. However, under the surface there is much more to it.

The truth is that this method encourages contractors to substitute quality to get to the lowest bid to win the work. Your project starts by pitting contractors against one another in a race to the bottom. They will vie for ways to economize, find cheap alternatives to the more tried and true methods and materials, and create opportunities for change orders later by omitting details.

While this competitive nature might sound positive, you will find this puts you as the owner in a sticky situation. Unless you know all the right questions to

ask and how to truly read between the lines in construction documentation, there is a very good chance you'll end up with a cheaply built, substandard building that falls short of meeting your expectations.

Whomever you end up partnering with won the project not based on their qualifications, reputation, quality, or expertise – but rather based on successfully cutting corners to submit the least expensive bid.

Questions for reflection:

- Is selecting the cheapest the best way to buy something of this magnitude?
- How can you ensure that contractors are not cutting corners, especially in quality or scope of work?
- Does the way you are purchasing construction for this project reflect the goals you have?

CHAPTER 3:
Bidding on documents alone

When you put your project out for bid to a list of contractors, you supply them with the construction bid documents co-created with your architectural partner. The drawings and specifications created for this purpose have a dire importance that cannot be overstated.

Since they know that they must be the lowest cost provider to win the work, potential contractors must take everything at face value. This encourages a very strategic approach to the bidding process, framing low cost as the sole objective.

Consider the following bidding scenario. A contractor you've invited to bid the project notices there are specific constructability issues in the provided bid documents; something that doesn't quite work the same in real application as it appears on paper. What incentive does the contractor have to vocalize their concerns during the bidding process? Instead, the situation sets you up for bidders that ignore constructability issues, design flaws, or missed scope in favor of accomplishing the lowest bid.

Once these areas of interest come up post-contract, the contractor will give a change order or put their hands up as having "bid based on documents provided."

Ultimately, it is you as the owner who shoulders the impact. Your project costs more and takes longer, not to mention starting the process in battle mode. Instead of building excitement, engagement, and a renewed sense of organizational identity along with a new physical space, by the time construction is complete you may feel so frustrated and wary you hope to never face another construction project.

This also sets up a contentious relationship between your selected architect and the winning low-bid contractor. Once the contract is executed, you can expect the two parties to have conflicting definitions of the work to be completed, the cost to do so, and/or what was missed in the documents provided.

The team is set up as a combative and siloed enterprise, with every individual party focused on their own interests alone. There is no room for the contractor to view the documents through the lens of the designer. They must put on blinders and focus on winning the work, then on executing according to the contract. This leaves loopholes on either side of the equation, allowing exploitation of the gaps - with or without intent. The design-bid-build method leaves no room for looking at the big picture or focusing on your vision.

It is easy to see how this process can result in costly infighting on your project team with no one truly looking out for you as the owner. It leaves you in the unfortunate situation of navigating the process solo and trying to figure out who you can trust.

CHAPTER 4:
Interpretations and change orders

When an architect or engineer creates construction plans, they are based on their understanding of your needs and their viewpoint for best creating a beautiful building that fulfills those needs. No matter how talented or knowledgeable an architect may be, creating construction documents in a vacuum without input related to constructability and current market pricing is never a good start.

Designing a project independent of constructability input will inevitably lead to a gap between expectations and results. Particularly concerning costs, design partners may not have full current knowledge of the constantly changing market. Many will refer to something called RS Means data, which provides general averages for construction projects in various regions of the United States. While this data is a good place to start, it can fall short of telling the whole story and is highly dependent on proper use and understanding of methodology. The data is not always a cut-and-dry solution and is intended only for general budgeting purposes. This practice leads to overshooting an owner's targeted budget. Creating a beautiful design that matches what you envision is only half the battle.

In the design-bid-build scenario we are discussing in this e-book, your architectural partners will have sole responsibility to capture all your wants and needs in the bid documents. You are entirely reliant on one professional silo to set your project up for success.

Unfortunately, as your project moves into construction, your selected contractor will issue change orders each time they find inaccuracies, undefined scope, or conditions that require deviation from the documents. Your design partner can have the absolute best intentions, but the design-bid-build method is rife with loopholes that create breeding grounds for costly change orders.

Loopholes created by this method provide low-bid contractors an opportunity to capitalize on what is ***left unsaid*** in the construction bidding documents. The ones who have built successful careers in the low-bid market have practiced and attuned capabilities to identify areas where they can save dollars on bid day without an impact to their own bottom line. Their understanding of weak spots in documentation works to their advantage ***- even if their intent is not malicious.***

Projects that utilize this method require you as the owner to dedicate resources to ensuring you have coverage of your needs and to advocate for your best interests. The fine print must be carefully reviewed to ensure the contractor is on the same page as your

architect and with your own vision. This means utilizing an internal staff that is competent in legal language, administrative processes, contracts, compliance, and documentation. Not many organizations have this type of bench strength on their team to devote to construction project management.

A common thought process that hurts owners is the belief that selecting the lowest bidder gives them "X" dollars in change orders to get to the next highest bidder's cost. If the lowest bidder makes a mistake, the owner assumes they'll pay slightly more but still stay under cost goals. Once the change orders have piled up, that may be far from the reality of the situation. In fact, according to a recent study from Dodge Data & Analytics[2] change orders account for an average of 10% of the total contract value, with some projects experiencing as much as 25% in change order costs. Safe to say, unexpected change orders can impact your timeline and your bottom line in a hurry.

EXAMPLE ONLY

	Bid Day Cost	10% Chg. Ord.	25% Chg. Ord.
Contractor A **CHEAP CO LLC**	**$900,000**	**$990,000**	**$1,125,000**
INEXPENSIVE, BUT CHANGE ORDERS KEEP COMING!			
Contractor B **TOO PRICY INC**	**$956,000**		
MAY SEEM PRICY, BUT HAD SCOPE COVERED, SO MINIMAL CHANGE ORDERS			

2 Information about this study can be found at this link: Rhumbix study

CHAPTER 5:
Subcontractors can make or break your project

Most, if not all general contractors (GCs) will subcontract at least some portion of the work within their general contract. Part of being a GC is owning the responsibility of managing the subcontractor's performed work, which means they are putting your project out to bid to their network of subcontracting partners.

A lowest bid project scenario means potential GCs want to obtain the lowest cost subcontractors that can complete the work. But don't underestimate it: the subcontractors on your project could make or break it. Using cost as the determining factor for selecting a construction partner opens the door for unqualified subcontractors who can potentially wreak havoc on the completion of your project.

It's not just one factor at play, either. A subcontractor can achieve lowest cost in a variety of ways. They may be short staffed and run their crews ragged, leading to turnover and gaps in work force. Perhaps their tools and materials are subpar, they have bare-bones insurance coverage, or inconsistency in meeting their schedules. You as the owner won't know any of this going into the project – you selected the GC and who they subcontracted with is not your problem, right?

In reality, the choices made by your GC can quickly become your problem, as the schedule and costs are impacted. Safety concerns could pop up, or you could find the GC needing to replace the subcontractor altogether. Needing to re-work items that haven't been completed correctly also drives up cost and pushes your schedule. The frustration and productivity loss can easily trickle into other work being performed on your project as much of the work builds on one another sequentially.

All in all, you as the owner will find yourself out of the loop and frustrated as these subcontractor issues arise – but without the ability to do much about it. The lowest cost provider selection scenario is truly what will be to blame, and your project will pay the price – quite literally.

Questions for reflection:

- Which is more important to you when it comes to subcontractors: qualifications or costs?
- How can you ensure your contractor is selecting the right subcontractors based on the total package of factors?
- In what ways would you like to be involved in selecting or vetting subcontractors?

To learn more about Horst's subcontractor process, check out this article.

CHAPTER 6:
Maintaining a cheaply built building

When an owner decides to select a contractor based on low-cost, the initial results may be deceptively positive. Even if you manage to escape the costs related to change orders or shifts to schedule during construction, the truths of 'cheap' buildings come out sooner rather than later.

This is because a primary driving factor is the full lifecycle cost. This analysis considers initial costs, anticipated longevity of each item, cost to properly maintain, and schedule for replacement. Inexpensive, low-quality materials may seem like a good solution to keeping costs down. But the look and feel of those materials will deteriorate sooner. When installed during construction, you may not notice anything significant, but as time goes on, low-cost materials and fixtures show wear and tear more quickly. This could mean something as minor as fading of a color or could be much more major like breakdown of materials leading to replacement costs sooner than anticipated.

Additionally, the costs of operating a cheaply built facility are higher. Taking proper care of your facility requires attention and intentional designation of responsibility for the various needs to be addressed on a consistent basis. Someone will need to implement

preventative maintenance, perform frequent inspections to identify and prioritize repairs, facilitate regular cleaning, and track energy efficiency. From small things like changing out light fixtures when needed for more time-consuming or specialized tasks, the cost to manage and maintain your building may surprise you.

Not only do you need to factor in lifecycle cost and anticipate when you'll need to replace various items, someone will have to perform those updates. Whether you have someone on staff who can maintain the building and complete small improvements, or you have to enlist outside help from a contractor, there is a cost associated with this work.

When you assume you may need to replace your HVAC system in 15 years, and instead you need to replace it in 8 due to subpar material selection, it is easy to see how frustrating and costly the situation can become.

See chapter 12 for more about lifecycle cost analysis and how to use it to your advantage.

CHAPTER 7:
Building trust and partnership

A construction project is generally, at minimum, going to take a few months to complete from start to finish

– even when it's a smaller project. You'll need to maneuver through the process beginning with ideation and design, selection of your contractor, and the physical completion of the construction itself. It can be a tricky process with unexpected twists and turns, uncertainty, and feeling lost in a world you may not feel all that comfortable with.

Growth requires us to step outside of our comfort zones; but the support of a trusted ally and guide is crucial. Navigating construction without one can – and will – cause you to burn out quickly and despise construction. Instead, you can avoid some of that pain by aligning yourself with partners that have an open and transparent approach to construction.

We have already covered in depth the message that is communicated when using this method to solicit a low bid contractor. You are setting the tone for an 'every man for himself' type scenario, with cost being the driver of all important decisions. The information you receive from potential contractors in the bidding process could be carefully designed to provide vague generalized processes that allow wiggle room for the contractor to garner change orders and increase their profits at your cost.

Many owners include an interview portion of their selection process to help vet GCs. This offers an opportunity for deeper evaluation of potential partners. Pay attention to how you receive information and how they describe their methods. Honest and clear information sharing should be prioritized from the beginning to set up a trusting partnership that will bring your project to completion in the least painful way possible. Ask questions to dig into how they view your project's goals and read between the lines. Do they understand the fundamentals of what you are hoping to achieve? Do they ask good questions to clarify and define areas of interest?

If you notice that a potential partner is deflecting questions or immediately responding with affirmative but unclear language, that should signal to you that they are not a good fit on your project. You want a teammate and partner who you can build with – not just your physical building but also build a relationship of trust. You need someone who will advocate for your best interests even when you are not around, and that can only come from a place of trust and understanding your unique needs and desires. The siloed mentality of needing to win the work on cost, then defend the cost they provided to you and fight for change orders – that mentality will cause you so many headaches in the long run. ***You don't want an us vs. them battle, you want a partner and an advocate.***

Trustworthy partners in the construction industry will demonstrate a clear communication style, transparency of information, and a solid understanding of what you wish to accomplish with your project. They should ask you good questions that provide context and give a fuller picture of your goals, as well as supplying feedback that strengthens your approach to completing a successful project together. You need to be able to trust that they are going to do what they say they will. While trusting relationships aren't built overnight, key indicators such as these can help you choose someone who fits your needs. Always ask for references and speak with them to gain an understanding of past clients' experiences to ensure a match between words and actions.

CHAPTER 8:
Schedule and Delays

We all know it – time is money. In business, any amount of downtime is undesirable and has potential to affect your bottom line. So, it's no surprise that meeting schedule deadlines ranks among top concerns for project owners. Construction projects interrupt your normal daily activities, and of course it is important that you have accurate information to appropriately plan. Even in instances where you don't have to shut down to complete your project, there will be moving parts that require adjustment and flexibility during construction, from you and from your contractor.

It would be great to have a crystal ball that gives you that clear answer on how long your project will take to complete, but the best you can hope for is a contractor who is clear and transparent about what to expect.

Many factors come into play with schedules, from unexpected weather impacts to long lead items that extend your timeframe. Your selected contractor is responsible for creating a viable schedule for the work to be done, and to incorporate flexibility where possible to allow for the inevitable delays or minor inconveniences that may occur.

Planning for adversarial conditions is not only wise. It's a necessary part of creating accurate schedules that owners can rely upon. Contractors should understand common delays and pain points and anticipate as many potential areas of concern as possible. Use of data from past completed projects can help a contractor define schedule impacts and adjust accordingly and should be part of their process.

The earlier a construction partner is involved in your project, the more likely you are to see a positive impact on timeline. This is because including a contractor during design will provide invaluable expertise related to constructability concerns, long-lead items, permitting, and appropriate anticipatory

scheduling to factor in seasonal weather patterns. Pursuing a bid-buy-build construction scenario means this early involvement is generally missing from the project, since the contractor comes in just before the project breaks ground. The outcome of this type of buying practice is less accuracy in scheduling, delays that can derail progress, and lots of passing the blame. By selecting a partner earlier in the design process, you can benefit from their knowledge and wisdom as it pertains to best scheduling practices and what to expect.

CHAPTER 9:
Paying the cost with safety

When it comes to commercial construction, every owner understands the importance of budgets, schedules, and design quality. Yet one factor often overlooked during contractor selection is the one with the highest potential impact on all three — safety.

Safety isn't just a compliance issue for the contractor; it's a direct reflection of how your project will be managed, how efficiently it will run, and how much risk your organization will ultimately assume. On paper, every contractor claims to "make safety a priority." But as an owner, your responsibility doesn't stop at reading the statement; ***it starts with verifying the proof behind it.***

A contractor's safety record tells a story about discipline, planning, and accountability. A company that truly invests in safety is one that also manages its people, schedules, and quality with care. Conversely, a weak safety culture often signals broader management problems — the kind that can cost you in delays, change orders, and reputational damage. When a worker is injured or a serious incident occurs, it doesn't just affect the contractor's outcomes; it affects yours. Projects can be shut down for investigations, insurance costs can rise, and your organization's name can end up in headlines.

To avoid challenging – and costly – safety concerns, ensure you are doing your due diligence in assessing your potential contractor's safety program. Ask for details about how their employees are trained, how subcontractors are held accountable for safety compliance, and specific recordable incident rates. These are some indicators of whether a company runs a reactive or proactive operation. A contractor that treats safety as a system instead of just a paperwork requirement will be organized, transparent, and able to produce evidence of their safety record and materials.

A team that spends time educating their employees on safety topics may cost more and therefore not be lowest on bid day. A good contractor will work with you to understand logistics and identify areas of interest that require planning. They will collaborate to create a project specific safety plan that addresses

expectations, processes, and management guidelines to keep everyone safe on site. When considering a low-bid contractor's safety programming, don't just take their word for it. Ask for specific feedback on how safety would be prioritized on your project.

Safety and project performance are inseparable, as well. Companies that plan for safety are also more likely to plan for efficient scheduling and quality-focused methods. In good contractors, safety builds structure, discipline, and communication. When you are spending a sizable amount of capital on a project, it makes good sense to ensure you are selecting a contractor that meets your needs for safe and high-quality workmanship. You can still be a good steward of your resources while selecting on factors other than cost alone.

CHAPTER 10:
The challenge of comparing apples to oranges

Ultimately, your construction project will be full of decisions to make. It can feel like a heavy responsibility, and for good reason. Making large capital expenditures and investments will always be something to carefully consider from all angles. When it comes time to make these big choices, the number one piece of advice that will help set your project up for success is this: make sure you are comparing apples to apples instead of apples to oranges.

You may be familiar with this saying, but in construction it means to ensure the scope of work, materials provided, services proposed, clarifications and exclusions are the same across contractors from whom you've solicited a bid. Before you sign any contracts or make any selection, take the time to understand what you are looking at and identify a system for comparing on a level playing field. It is hugely important to enter into a construction contract with full awareness and clarity in expectations.

There are many areas to pay attention to when trying to compare bidding contractors, and we've covered several already in this e-book. Perhaps the most crucial is scope coverage, meaning the contractor is covering all the work you anticipate being completed within their estimated cost. When left unclear, scope of work miscommunication can lead to rampant change orders and schedule impacts that can quickly derail your project's momentum and success.

Scope is hugely important for project owners to invest in understanding, particularly if you have gone the route of a design-bid-build construction project method. As we discussed in chapter 3, missed scope is a common challenge imposed when contractors bid 'based on the documents.' Making sure to do your due diligence in comparing the scope coverage, inclusions, and exclusions of a contractor's bid will help manage your expectations so you aren't disappointed in your end result.

Aside from scope, you will also want to closely evaluate contractors' policies for insurance and bonding capacity to make sure you are covered. Request documentation that demonstrates financial stability, as well as key factors that can impact your project's finances such as safety, history of meeting schedules, and long-lead item identification. Seek the assistance of a professional, if necessary, just be sure you have thoroughly investigated beyond taking a contractor's word when it comes to these important matters. Ask for references that can speak to their work ethics, quality, processes, and overall client experience.

Find a way to perform a truly fair apples-to-apples comparison of your potential contractors and quantify differences between them to ask the right questions. Invest the time and energy into truly grasping all that each is bringing to the table and where gaps may exist between your options. Remember, arming yourself with knowledge and transparency is the most effective way to make the best decisions for your construction project.

CHAPTER 11:
Value Engineering

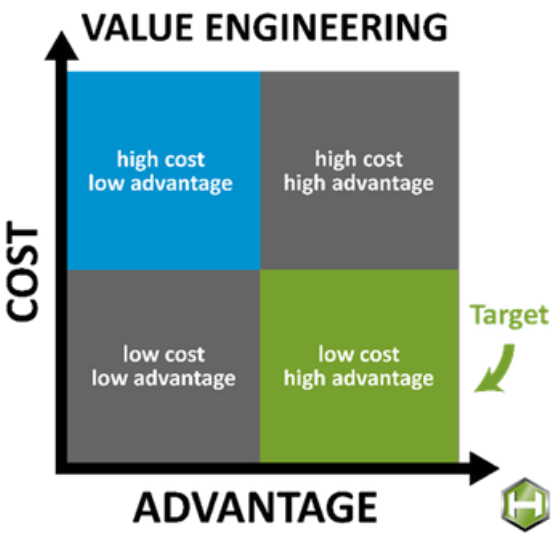
The term value engineering describes the collaborative evaluation of your project to bring costs down. That said, value engineering that is done well is not as simple as just selecting cheaper options to cut costs. In construction, Value Engineering (often called "VE") should be shaped by analyzing all your project's factors – costs, upkeep, wear-and-tear, aesthetic value, lifecycle costs, performance and more.

When done well, Value Engineering optimizes the value of your project to make the most of your budget, providing a long-term investment that suits the goals of your organization.

The approach to VE can vary greatly from company to company, but the ultimate goal is to reduce project costs while maximizing the project's efficiency and value. To truly provide advantageous value engineering, your construction and design team need to first understand the project as a whole: your vision and goals for the project. Every project is different, as is every client's definition of value. Communicating with you to define your most important goals and understand where you place value is an instrumental first step in your construction partner's process. Once they have a clear estimation of your vision, they can

evaluate and analyze your project from the lens of what is most important to you while ensuring alignment with your goals.

This is not to suggest your construction partner should make any assumptions or decisions for you. The point is to offer you options that meet your criteria without sacrificing quality or user experience. They should utilize their knowledge and bring in expert opinions for specialized input where necessary. Options provided to you must be clearly communicated so that you have full awareness of the big picture and are not blindsided by creeping cost from operation or quick wear down the road. VE should reduce unnecessary costs and drive conscientious decision-making for your project.



Some partners may take a basic approach to VE, primarily focusing on swapping materials for less expensive options or removing aesthetic preferences to save cost. Others may consider alternative methods or bring new ideas about changes to sequencing or scheduling that can save on cost. But the best will be so entrenched and understand your project so deeply that they can suggest ways to design your project around your core desires, goals, and ultimate use of the space. Their expertise should help create an efficient and beautiful environment without sacrificing on the things you value most.

One important note is how critically important timing is for successful value engineering. While it can be done at any time leading up to the start of construction, maximum efficiency requires your construction partner to be involved as early as possible. They will need the time to truly understand your unique project's intricacies, challenges, and requirements. Early involvement can also allow for options such as project phasing or long-term capital improvement planning to maximize your budget. Getting your partner on board early is one way to ensure thorough planning considerations and allow for more flexibility in offering strategic value engineering suggestions.

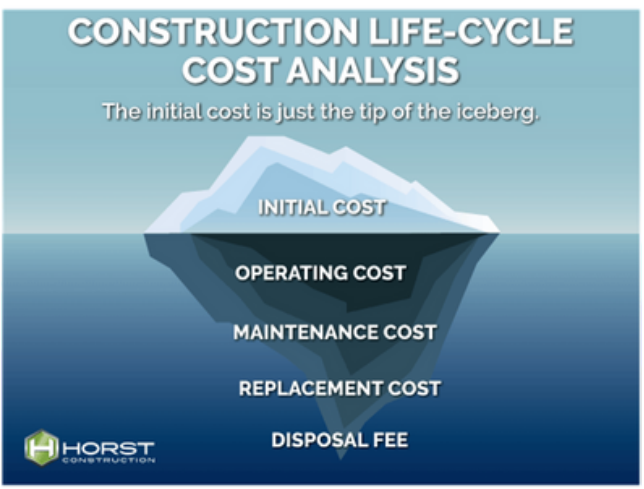
CHAPTER 12:
Lifecycle Cost Analysis

In construction, lifecycle cost analysis refers to the assessment of a project's total ownership cost from beginning to end. The method compares various alternatives based on their total long-term costs, not just their upfront price. This identifies the most economical option over the building's entire “life.” Key elements include accounting for initial costs, operational costs (like energy and utilities), maintenance and repair costs, and end-of-life costs such as re-sale value or demolition.

Construction project costs, as you may have noticed by now, are a complicated and nuanced matter. The litany of options for everything from materials to construction delivery options can create conditions for owners to misunderstand what they are getting themselves into until the project is well underway. This leads to more short-sighted decision making that may not prepare you for future unpleasant surprises and creeping costs.

Conversely, approaching your building project from a long-term perspective helps you recognize the costs and benefits of the choices you will need to make throughout preconstruction while your project is in design stages. This provides a more complete view of

a project's economic viability by evaluating not just initial construction costs, but also including future anticipated expenses over a defined timeframe. Determining the costs you will need to allocate for facility upkeep and maintenance to properly care for your building will help keep perspective on how your finances will be impacted longer term. Managing your expectations for how much time and energy will be required to keep your facility looking fresh can help prevent frustration as time passes and maximize the best use of the building throughout its "life."



One area for additional consideration while looking at lifecycle cost analysis is evaluation of materials for longevity and understanding normal wear-and-tear cycle. You will want to have a solid understanding of the quality, appearance, and feel of the materials you select to avoid surprises. Weigh the pros and cons of your options and keep in mind how quickly the years tick by when you're busy just living life.

All in all, evaluating lifecycle costs for your project is a smart and effective way to make more informed decisions. In a large expenditure such as this, strategic comparison allows you to investigate the available designs, methods, and building systems to select what provides the best long-term value to your organization. The effectiveness of the process is maximized when performed early in capital improvement planning, helping you prioritize investments that offer the best value and return. When used to inform strategic decision-making, lifecycle cost analysis is an invaluable asset to your investment strategy.

CHAPTER 13:
Contractor Led Design-Build

Design-Build is a project delivery method for construction projects that is organized with one point of contact for the project owner, allowing for a streamlined and efficient process that emphasizes value and efficiency. Your Design-Build partner will manage all the project details, including value enhancements, quality, safety, and client advocacy to keep your vision centrally focused throughout. Your Design-Build partner will become your one sole point of contact who oversees the team of architects, engineers, contractors, and suppliers. This unique project team structure unites everyone under a shared goal – the success of the whole project, not just each respective portion.

The Design-Build method offers you a partnership; someone to own the challenges and lead your project through advocacy on your behalf. It does not eliminate your ability to control and drive the project, but rather empowers you to stay focused on the most important things. Your partner will take on the bulk of the administrative burden, handling individual subcontracts, coordination of logistics and schedule, team communication, and project documentation. They will also be responsible for performance, safety, and efficiency on site while construction takes place.

While the Design-Build method looks different from contractor to contractor, with Horst Construction a key element of the process is creating a trusting partnership through transparency. For us, this means a commitment to open-book policies that allow you to review all preconstruction information, detailed estimates, subcontractor costing, and project accounting audits. Our goal is to always keep you in the loop so there are no surprises. That is one of the primary reasons we utilize a Guaranteed Maximum Price contract, bringing clarity to expectations for total costs and defining scope of work. Furthermore, we have a shared savings program to incentivize efficient and cost-effective practices that put money back in your pocket at the end of the project.

Key Differentiators with Horst's Design-Build Program

Responsibilities	Design-Bid-Build	Design-Build w/ HORST CONSTRUCTION
Contracts *Hold individual contracts with each party*	Owner	*We are single point of contact & hold all other contract responsibilities*
Communication *Keep all parties in constant communication*	Owner	*Horst organizes & maintains communication w/ entire project team*
Administrative Burden *Handle administrative tasks and paperwork*	Owner	*We handle the documentation for you*
Guaranteed Maximum Price *Price guaranteed within established scope*	Owner	*Horst supplies GMP at 90% document completion stage so you know what to expect*
Risk *Insurances, Legal, Bonding, etc.*	Owner	*We take on the risk & hold necessary coverages*
Open Book *Open to see financials, billings, quotes*	Owner	*Our open book policy keeps you in the know throughout your project*
Project Logistics/Coordination *Ensure all parties performing properly*	Owner	*Horst is responsible to smoothly run your project*
Shared Savings *Receipt of shared savings at end of project*	Owner	*You receive money back at the end per agreed upon terms*

Obviously, not every project benefits from such a deep, advocacy driven methodology. But it is important to note the value and reduction of risk - and stress - for you as the owner with this method. Approximately 98% of Horst's Design-Build projects saved money for the owner as well as accomplishing project completion around 33% faster than when using a general contracting method.

In Conclusion, there are many factors in play when it comes to making decisions in construction partnership selection. No matter which project delivery method you select, it is imperative to self-educate and find a partner that earns your trust through clear and transparent communication and sharing of information. By making the decision to buy construction based on lowest cost, you could set your project up for failure in the form of unexpected costs, delayed schedules, and subpar quality. For better results and a sharper return on your capital investment, consider Design-Build construction seeped in value engineering, lifecycle cost analysis, and partnership you can trust to bring your vision to reality.

We sincerely hope this e-book was helpful in guiding you through the pitfalls and intricacies of selecting a construction partner based on cost. We would love to hear from you!

Readers of this e-book are eligible for a free, no obligation consultation to review your project with our team of professionals. We can help you determine your next steps - even if they aren't with us.

Claim your free consult!

HORST CONSTRUCTION