

## Property owners follow five keys to construction project success

For many business owners, buying, building or renovating commercial property means venturing into the unknown. Veterans of the commercial construction industry know the path will be a little smoother if business owners who contemplate undertaking a commercial real estate project follow several guidelines.

• **Focus on business needs.** Whenever the decision to relocate or expand is made, many business owners focus on the bricks and mortar immediately.

That may be great for the contractor and the architect — at least in the short term. Everyone is eager to jump in there and start turning dirt. But it's far preferable to start by asking questions: not "What color?" or "How high?" but "Why?"

The first goal of those involved in a construction project should be to ascertain the underlying business needs of the owner and the potential future requirements.

For example, Moorhouse Construction recently was brought in by an architect with a problem renovation project in the programming stages.

It was not difficult to respond with pricing and solutions to the construction details, but it became clear that this was not getting to the heart of the matter. In a face-to-face meeting with the owner, who was based in another city, it became clear that the owner had become frustrated as he watched the renovation budget climb with no clear direction on how to proceed.

After listening carefully to discover what the business really needed and examining the cost-benefit ratio of various options, Moorhouse

Construction offered to provide what the owner really needed — a less drastic alteration. The owner appreciated the business sense that had been brought to the conceptual planning phase.

• **Budget all costs.** Once the business needs are established, it's important to develop a preliminary budget for the entire project.

Someone new to this process may balk and claim that the furniture or land budget is none of the builder's business. However, this process puts all items on the table for discussion. Many times, an owner sees some line item or expense that was left out, or perhaps one that was over-budgeted. This exercise will also reveal what is "left over" for the contractor to build the project.

During a condominium project on South Padre Island, the preliminary budget made it clear that the owner had under-budgeted his sales price. He was surprised — and a little embarrassed. But it was better for him to find out early, when he could change his plans, than to charge ahead and try to make up the loss later in the process.

• **Pick a great team leader.** Private owners often ask a builder, especially on design-build projects where the construction company serves as the single source of responsibility, what is needed to be successful. The answer can be stated in one word: "decisions."

It is imperative that all projects have an internal leader who has authority, responsibility and accountability to both the team and to the owner's company. A contractor's dream is to have a single point of contact for decisions. That will not always happen, of course, but it is important for a project owner to have an empowered leader on board.

• **Choose the right financing.** The options available for financing a project are numerous these days. Sometimes a sale-leaseback transaction is the right choice for a company's balance sheet. Other times, the real estate itself is a wise investment. And there are times when a

builder who has the best interests of a potential client in mind will advise the owner to consider a traditional lease — even if it means there will be no construction project.

The key is to never let the real estate define the business (unless real estate is the business). Carefully evaluate what is right for the company and involve financial advisers early in the process.

• **Go with the best. The way is clear:** The company's business needs are well-established. A couple of great contractors have spent some free time on the budget. The owner has empowered a project leader. And the appropriate financial structure is in place.

Now is the time to make sure the best contractor is chosen to move forward with the project. The owner wants a company that is reliable, that pays its bills on time and that has a track record of satisfied customers. The owner also wants someone who is on top of the latest thinking, not just in construction techniques, but in other areas that will affect the building — logistics if the building will be a distribution or receiving center and technology if it is a communications center.

In one case, a recent bakery project for a Texas-based grocery chain, the contractor went as far as bringing in a 38-year veteran baker to get the hands-on experience needed for its team.

A business owner with a construction project on the table wants to make sure to have a best-in-class project, from planning through execution. With the right concept, an appropriate budget, the right financing and the right team, the project is well on its way to success.

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