



EARLY INTEGRATION

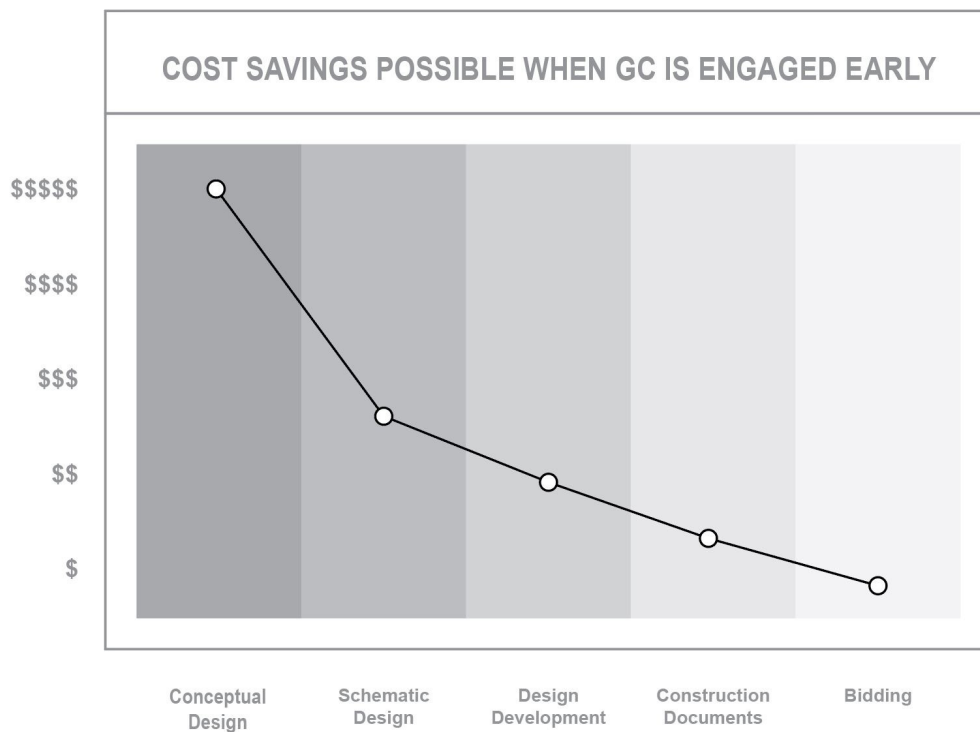
The Value of Integrating a General Contractor at the Start

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Introduction

It is no secret that real estate development costs are at unforeseen levels. Current market conditions are driving land prices high. Trade wars are moving material prices up and the labor shortage adds another challenging aspect to the market. Although these factors are out of any one person's control, there are still opportunities to control costs and ensure project success. The biggest opportunity is to use an integrated approach to design management. Early and continuous integration of the owner with the design team, construction team and key subcontractors from the start of the project will not only produce the most efficient design, but will deliver the highest value to the project. Simply put, the best way to cost control is early team integration.

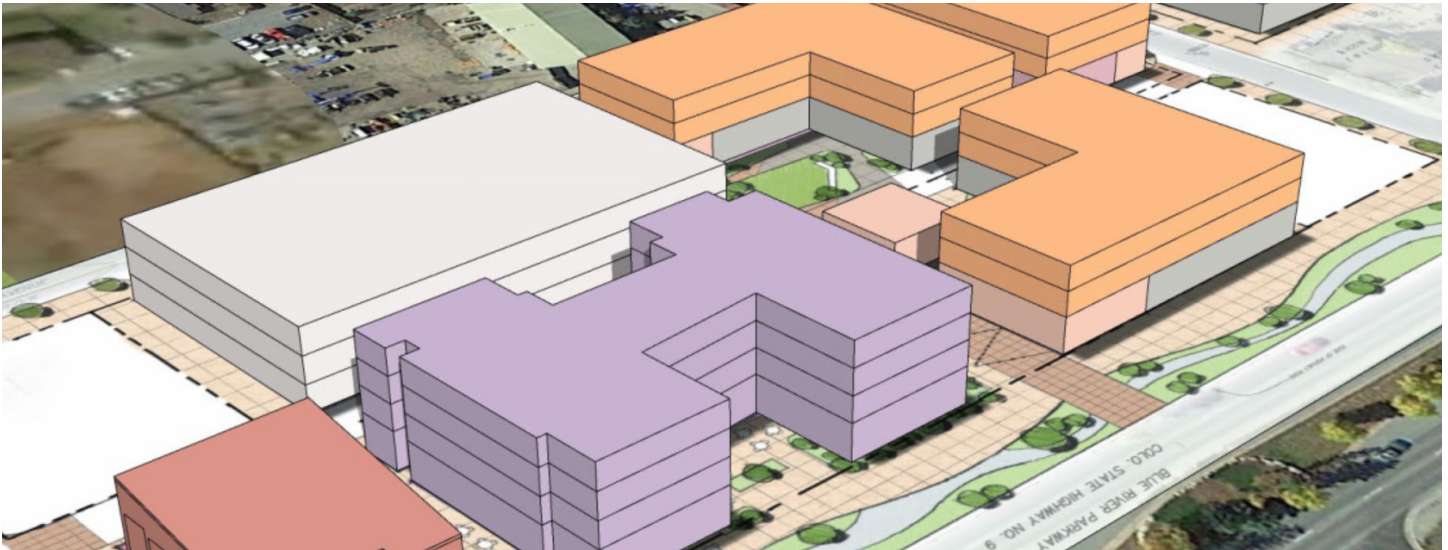


A Holistic Approach

Integrated Project Delivery (IPD) is the term used by the American Institute of Architects to explain the approach, calling IPD "a project delivery approach that integrates people, systems, business structures and practices into a process that collaboratively harnesses the talents and insights of all participants to optimize project results, increases value to the owner, reduces waste, and maximizes efficiency through all phases of design, fabrication, and construction" (AIA's Integrated Project Delivery guide (2007)).

This *holistic* approach to the design and construction process improves efficiency and eliminates risks from the start of the project. Though the term has been used for years, it is a fact that increasing communication between teams through integration brings value and improves results. It does not mean inferior design or cheap materials; it means a superior cost-to-benefit ratio, maximizing "value" to owner.

Example: Owner A of a well-positioned property will take a survey to an architect, explain the vision and task the architect to design a building to match the owner's vision and personal tastes. From there, Owner A shares the design documents with a contractor for pricing and is shocked to see the cost of building the vision. The plans are then distributed to other general contractors with the hope to get better pricing. Owner A then realizes that the cost of the vision is encompassed into the design and cannot be cured by a competitive bid process between contractors. Realizing the original plans are not financially viable, the project stalls because only a drastic redesign will save it. Facing months of redesign at a significant expense, Owner A decides to shelve the project and/or sell the property. *Early integration and a team approach to design management avoids this entire situation for the owner.*



Start It Right

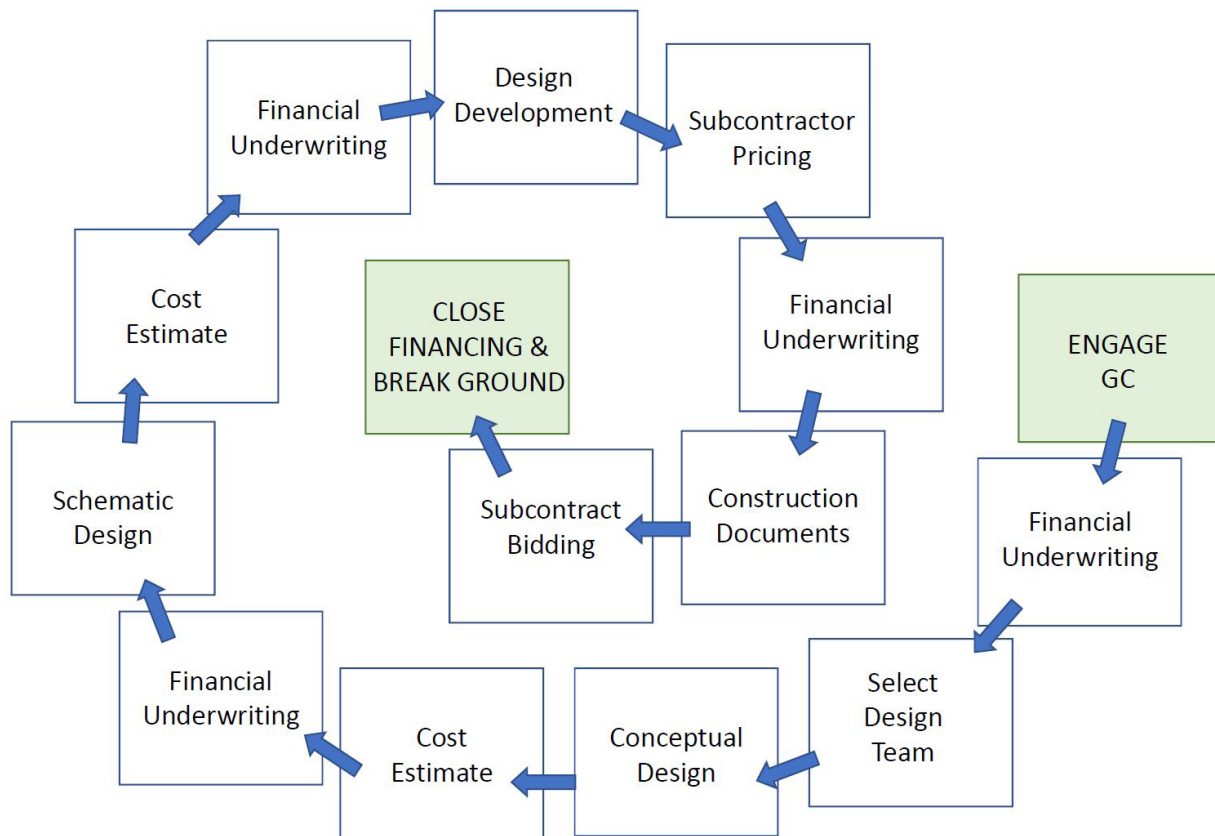
Before engaging the design team, owners should integrate financial underwriting in the process. IPD is not just about synching the architect, contractor, and owner. It's also critical to complete financial underwriting before design commences. At Milender White, we start with the proforma and let that drive the selection of building systems and design.

The project's building systems are often the greatest area for improved efficiencies. Mass timber construction (e.g. cross-laminated timber – CLT, and glulam), Prescient, and modular construction all require consideration early in the process. Before design, it's imperative to complete a cost/benefit analysis of the preferred building type and use this knowledge to produce several iterations of the conceptual design. Before design begins, general contractors can estimate costs and provide that information back into the project's underwriting, therefore determining the best design for the project. The goal is a superior solution that meets the owner's objective at a buildable cost.

Integration goes beyond the developer, designer, and contractor. The concept extends to the larger design team: engineers with the architect, subcontractors with the general contractor, preferred suppliers with the subcontractors. Engaging major trades at the start under a design/build approach will provide significant savings. These partners know their systems best, and together can design the most efficient structure from the start.

Follow the Process

- 1: Engage the general contractor before starting the design process under a preconstruction agreement.
- 2: Use your contractor to assist in choosing the best design team for the project.
- 3: Underwrite the project in a “back of the envelope” fashion or engage an integrated development company, like Milender White, who has in-house underwriting capabilities.
- 4: Use the financial underwriting to propose several different “programs” for the project. For example, one option would be to build the project using podium construction with parking below the primary use. The second option might be a “wrap” of your primary use surrounding a parking structure. Both options have pros and cons, but only a financial proforma coupled with cost estimates from the general contractor will provide the best direction for the project.



Reap the Benefits

- **Predictability:** By integrating financial underwriting with design and the general contractor's insight, the owner achieves predictability that the designed project is financially viable before producing full construction documents. This can prevent costly and time-consuming redesign.
- **Performance:** When integrated teams design with the end product in mind, owners typically receive a superior product for the money. Selecting efficient building systems early in the process and using key subcontractors to assist in advancing the design of those systems, builds efficiency into the process. Construction experts who build the structures bring an elevated understanding of building technology to best achieve the desired result.
- **Simplicity:** Engaging a full-service development and construction firm that can assist in financial underwriting and design management simplifies the process for the owner. Often an outside perspective from another development firm can often introduces unique ideas to the process. Milender White offers a turnkey approach, greatly simplifying the owner's life and offering greater certainty of success.
- **Partners:** Integrated project delivery builds partnerships across the design, construction, and ownership teams. All parties have a common goal of project success and will benefit from the exchange of expertise and constructability solutions that result in the team effort.



Conclusion

The construction industry is cyclical in nature. Today construction volumes and prices are peaking, making delivering projects on time and within budget a challenge. Integrating the general contractor, owner, and the design team at the start of the process is the best path to achieving results. Milender White takes pride in our successful, team-based integrated approach that has delivered great results.

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