

Long before the first girder is put into place, firm cost estimates must be made to assure the project's viability.

# Builder's earliest hurdle: getting a handle on cost

By Gerald Frawley  
Staff writer

Sometimes constructing a building costs more than anticipated.

When that happens, people lose big time. Cost overruns can mean either financial hardships, or in a worst case scenario, a project goes uncompleted.

Paul Holt, chairman of Construction Cost Consultants Inc. in Southfield, said after 40 years in the construction business he has witnessed numerous projects where a construction project was severely underestimated.

"There are 30 or so steps to building something — the first is find an architect, the second is get a cost estimate — that's before starting construction or preparation."

Holt said he has seen numerous occasions where an owner spends thousands of dollars for drawings and specifications for projects that were never built because bids came in higher than the owner could afford or wanted to pay.

It occurred to Holt and his partner, James H. Holt, that a construction cost estimating service that takes an extremely complex task and does it quickly and accurately could be a potentially lucrative business.

"We know through years of doing this what (construction) costs were," he said. "I guess the reason I can do it is after all those years in construction (is) you learn to read between the lines."

NOT EVERYONE needs a construction cost estimator. Contractors and subcontractors generally do their own estimates when they bid for a job.

Holt's customers, he said, are the architects who need a price to give their clients, people who are building their own houses, business owners who are considering an addition and sometimes subcontractors.

"What it all boils down to, though, is you do it so the owner knows what he's getting into."

Construction estimates also prove useful as a management tool, so the building owner knows how close he is to budget — to control overruns

and for hiring contractors — so the building owner can gauge how much he should expect from subcontractor bids.

As a management tool, the construction estimate can be helpful in preventing "tremendous expense or even lawsuits. If a bid comes in far below estimates, it may be because the bid was given on the wrong equipment — a non-commercial hoister was suggested instead of the proper unit."

"That will cost you 10 times as much later on," he said.

CONSTRUCTION COST Consultants develops both comprehensive and simple budgets, depending on what is needed. "I had an architect call me at 8 in the morning once telling me he needed a construction estimate for a meeting with his client, by 9 o'clock."

"I didn't make it by 9, but I did have it done by 9:20," he said.

Something like this is not meant to replace a comprehensive cost budget. Holt said. Instead, it provides a starting point for planning a project before any money is sunk into it.

Holt said in cases like this the trick is to provide an accurate cost estimate with very little information. Oftentimes, his firm provides cost estimates with merely a phone call or a fax, he said, but of course the more information he has the better.

A building doesn't have to be drawn. "It can be drawn with words," he said. Some time spent on the phone can turn in a surprisingly

close estimate — usually plus or minus 5 percent.

"It's really not that difficult if you have the experience," he said. Someone with experience can look at the engineering specifications and architectural drawings and see how many windows there are and make a pretty good estimate of the final cost.

For actual construction, a more detailed construction estimate should be used to plan out the project, can be brought to the bank to help obtain a loan, or can be used to determine if a project should be accomplished.

A commercial building of roughly 1 million square feet would take approximately two weeks to estimate. The average house would take one or two days. Cost for the service varies depending on the project.

Construction Cost Consultants can also work as a project manager for a construction project.

THOMAS KURMAS, president of Thomas W. Kurmas & Associates Inc. in Bloomfield Hills, said he's been using Construction Cost Consultants for more than a year to do preliminary budgets.

"One of the most critical areas for any project is the budget," Kurmas said. The big advantage of going to a service like Construction Cost Consultants is that someone in the building industry can give better estimates based on current prices.

Prior to using the service, Kurmas said his company relied on publications that helped estimate costs by building type and size.

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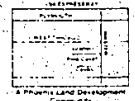
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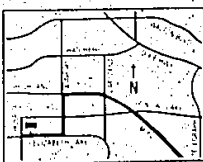


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