

Early Planning is Key to Maximizing the Equity in Your Construction Investment



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In today's tough economic climate, we are all too familiar with the financial difficulties you may face when trying to start a new business, expand your current facility, or build a warehouse to better manage your inventory and maximize your sales capacity. New construction, especially in the commercial and retail sectors of the marketplace, are avenues that make it possible for increased consumer spending. However, lending institutions – leery about providing credit in an uncertain market - are unwilling and, in many cases, unable to provide the credit you need for your next construction project.

The situation that you, like many of your peers, are facing is confirmed in the hard numbers reported by McGraw Hill Construction; in 2008, total construction starts were down 15% to \$542.8 billion, marking the second straight year of reduced contracting after the 7% decline reported for 2007.

While you may be sitting tight in a “wait and see” mindset, the best solution is to begin planning now, so that when financing frees up, you are, literally, “shovel-ready” to hit the ground.

Read on to discover how, with careful planning and creative construction alliances, you can realize the many upsides to a down economy.

Upside #1 Utilize a Project Delivery Method to Assist in Planning

According to Jon Gilmore, President and CEO of Tonn and Blank Construction, detailed planning is a function that you

should be diligently pursuing to maximize your investment...even if you have not yet obtained financing from conventional sources that would have enabled you to build right away.

The design/build project delivery method gives you the flexibility, opportunity, and most importantly, the time necessary to research, analyze, and formalize a detailed plan. This detailed planning process also gives you a solid indication of today's construction costs as well as a good prediction of future costs to operate your facility.

With regard to your company's processes and operations, the extra planning time also gives you an opportunity review your internal processes. The ability to reconfigure your equipment or streamline your operations can result in less square footage required to perform the same business functions, which reduces the costs of materials and labor. Combining processes and operations into a single facility may require a simple addition versus the construction of an entirely new structure. A good rule of thumb is to determine and analyze your process, and then build a “box” around the process.

This longer design phase can also provide you with minimal up-front expenses while maximizing the long-term value of the final product. Case in point: take the time to work with your design/build team so that they can conduct an accurate cost-benefit analysis, which offers an in-depth look at the cost-effectiveness of different design and/or construction materials in order to see whether the benefits outweigh the costs. Also, work with your design/build

team to structure a contract that gives the construction team incentives for exploring and implementing ways that can save you money. For example, some contracts carry incentives for the team to come in under budget or construction within a specific time frame. This enables you to save more money and gives you the opportunity to get into your building and begin operations sooner than expected. By locking into your design/build team now, all of your options can be reviewed at a minimal fee with most costs billed at the beginning of construction.

“Just as owners and developers must look at a down economy and use the time between project design and construction as an opportunity for site analysis, facility planning, and cost-benefit studies, design/build firms must also be innovative in their overall approach,” said Paul Dwyer, Vice President of Marketing and Business Development, Tonn and Blank Construction.

Dwyer explained a project in which a cost-benefit analysis enabled the client to achieve a premier new facility while staying within the budget parameters.

“A client of ours had a finite amount of money to spend, and the original design called for brick masonry, which had skyrocketed in price over the past two years of project development,” explained Dwyer. “Through a cost-benefit analysis that compared the cost of brick masonry to several other construction materials, we were able to provide a solution that was financially viable and highly compatible with the aesthetics of the facility.”

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Upside #2 Make Sure Your Design/Build Team Performs the Due Diligence

Nothing is more frustrating than finally receiving the “green light” to begin the construction process, but unmet permitting issues or governmental requirements pose the possibilities of huge construction delays.

This is where working with an experienced design/build team comes into play. The team, working in concert with you and your team, will conduct a thorough site investigation, noting and documenting any wetland requirements; will perform soil borings to assure soil strength and identification of poor soil conditions that may require additional earth moving; and will identify and mark utility lines and property easements.

Performing all due diligence site functions and identifying and applying for all appropriate permits are critical steps in the planning process. And, to get you infinitely closer to being shovel-ready, design/build firms, in performing a thorough scope of project and detailed design preparation, can save money in the early stages by reviewing value engineering options. They can also help you reduce actual construction costs, because even the smallest of details, when overlooked, can result in change orders that will cost you more during the actual building phase.

The best way to achieve cost advantages in the long run? When working with your design/build firm, make sure that, when you get your finalized plans, you also get a finalized, guaranteed “not-to-exceed” cost. The only way that you could incur costs that go beyond the guarantee is, of course, if the project goes significantly out of its original scope.

Upside #3 Build for Future Energy and Maintenance Cost Savings

The economic crisis presents an opportunity to build better – greener buildings, vibrant communities, solid infrastructure, and projects that are more energy efficient and sustainable to help create healthy and safer communities.

When working with your design/build team, ask them to perform comprehensive value-engineering, which may result in the integration and specification of “green” building materials, and/or systems into the building. Also ask them to review possible LEED guidelines for the purpose of recommendations to help with future energy savings. For example, a highly efficient HVAC system, UVA/UVB blocking glass, renewable and sustainable resources, and an array of other methodologies can save energy costs throughout the life of the building

while enhancing the environment: creating less waste, reducing the carbon footprint, and offering value that is virtually unlimited.

Another consideration that may save energy costs is through your IT systems. By creating programmable functions within your building’s technology, you may be better able to maximize your lighting while managing energy costs.

Additional considerations revolve around the upkeep of the exterior aspects of your facility. Your design/build team may recommend exterior construction materials that are virtually maintenance free. They may also create a landscape plan that makes an impressive statement without an expensive crew to keep it that way.

In short, according to a recent article, “design/build is perhaps the best suited delivery method to minimize the adverse environmental impact of any project.” In the ideal design/build model, the design/build team engages the owner in the earliest stages of the project to conduct cost-benefit analysis which weight the cost of “green” building materials to the more traditional. When working with your design/build firm in such practices, you may be surprised to discover that these alternative building materials are becoming the “new standard;” increased market demand drives cost-efficiency, which lowers the cost to you.

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Upside #4 Study and Utilize Governmental Assistance

President Obama stated that, although there are some legitimate philosophical differences, the main message to the House Republicans was that “statistics every day underscore the urgency of the economic situation.”

Therefore, the House bill – the Federal Economic Stimulus Package that may get the American economy “back on track” – features some very attractive incentives that may positively impact your business.

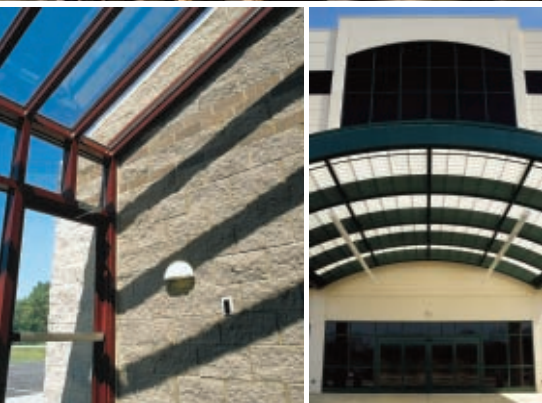
Under the bill, businesses can write off 90% of losses incurred in 2008 and 2009 against taxes assessed over the past five years. Businesses will receive assistance to recover costs of new capital investments, and small business can double the amount of tax write-offs for capital investments and for purchase of new equipment in 2009.

With regard to new construction or construction additions to your existing facility, the bill can also take advantage of the opportunity to do more than recover from past losses. Designed to spur the growth and re-emergence of existing business, the economic stimulus package may also offer financial benefits to help you think in a future forward manner.

It's in your best interest to work with your financial advisor to study the details of governmental assistance to determine how the stimulus package can positively impact your business.

According to the American Institute of Architects' “Rebuild and Renew America” – a plan for restoring our economy and “greening” our communities – the best way to meet the goals of revitalizing and invigorating the design and construction industries is for governmental agencies to provide funds for the design/planning process for new projects as well as those that are shovel-ready.

Also, contact a firm that knows all of the ins and outs of local and state governmental tax incentives. There may be a nearby state or city that offers tax incentives to establish your business there. There may even be specific locations within the city in which you currently operate that may offer you some very attractive incentives to relocate your business to a new location.



How Do I Find a Design/Build Contractor That's Right for Me?



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In good times, work is plentiful, and most construction companies that offer design/build services have their project pipeline full. Tough economic times, however, usually mean tighter margins and increased competition; you find the same number of design/build firms competing for a smaller pool of owners, investors, and developers.

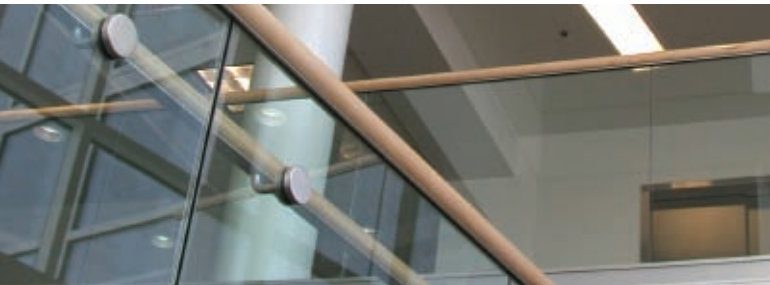
As to how to find a design/build firm that's right for you? It all comes down to your comfort level. Who do you feel can deliver when they say they will? Who will deliver a project at a guaranteed price established at the onset of the project? Who has the insight, experience, and financial stability to follow through, to communicate effectively with your team? Who has the in-house resources to self-perform work to accelerate the delivery schedule? When choosing a design/build firm, you need to ask the right questions and be satisfied with each and every response.

"We recognize that the relationships we build today will extend into the future when we place 100 percent customer satisfaction at the forefront of our business agenda," concluded Gilmore. "Our opinion and practice is that a business relationship doesn't end at project close-out; it represents an opportunity to build a trusted partnership that will provide a greater return on investment for all involved."

About Tonn and Blank Construction



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Exceeding clients' expectations with award-winning construction, Tonn and Blank Construction brings a proven project delivery method gleaned from nearly nine decades in the General Construction, Design/Build, and Construction Management industries. Today, with headquarters in Michigan City, Indiana, substantial market presence through our Indianapolis office, and an emergence in the Chicagoland area, Tonn and Blank brings over 300 dedicated, skilled employees – many of whom have been with the company for upwards of 40 years – to meet the demands of the most challenging projects.

Through controlled, strategic growth, Tonn and Blank operates on a zero-debt basis and is uniquely positioned to offer the flexibility, innovation, and dedication to fulfill the role as your trusted partner backed by a solid foundation.

Find out how Tonn and Blank can work with you to provide the innovative solutions – design/build, general construction, or construction management – you need now and the expertise you need when you're ready to build.

Visit tonnandblank.com today to learn more about how our company can help you maximize the equity in your construction investment.