

“Construction Cost Update” And What You Can Do About It

*Written by Ken Newell, AIA NCARB
Stewart-Cooper-Newell Architects*

We all know that current construction costs are ugly...really ugly. Since there is little we can do individually to steer this global economy, what can you do to mitigate how these high costs limit your station construction project?

Two years ago we discussed the effects that rising construction costs were having on fire and rescue facilities. If you like, you can view this article on our website at www.fire-facilities.com. The pace of the cost increases was unprecedented at that time, and unfortunately, the costs have only gotten worse. So far in 2006, our firm has received construction bids on ten stations. An evaluation of the numbers show that construction costs are up 20% to 30% from just twelve months ago. A larger evaluation reveals that construction cost have doubled since the increases started four years ago.

Let's revisit a few ideas you may want to consider when designing your new station so you can limit the impact to your construction project.

Consider a Scope Change

Plan, design, and price only the station you need *today* as your base bid. From here, take “growth” and “extras” as alternate bids. This allows you to get at least what you need to have a functional new station. If the prices come in good, then you can accept the extras as your budget allows. For example, you could base bid the three vehicle bays you need and take an alternate bid on the fourth bay you want for growth. If the bids fall within your budget, you can possibly accept the fourth bay alternate at the same time. If not, the fourth bay has been designed to build later. This approach requires a design that allows easy expansion of the facility now and in the future.

Consider a Construction Type Change

Steel, masonry, wood, pre-cast concrete, tilt-up concrete, pre-engineered structures, etc. all have their advantages and limitations. Knowing which of these construction types will fit your program needs *and budget* is critical. There can be as much as a 25% spread in the costs of these different types of construction for the same basic building.

Design Wisely (Frugally)

Make sure that you and the rest of your design team know how to maximize your program needs in the minimum space. Every wasted or unnecessary square foot will cost you more today than it did last month. For example, a recent department expressed a desire to accommodate their pool table in their new dayroom. Once we explained that the additional square feet would add \$52,000 to the project they realized this money and space was better spent on another part of the station.

The difference in a meeting/training room that will hold 100 people, versus one that will hold 50 people, is approximately \$180,000 of construction cost in today's climate. If you are only going to have 100 people in this room twice a year, you can rent the nicest banquet room in town for many years for the money saved.

The expandability described under the scope change heading above could help facilitate this frugality. It is more important than ever to select designers who know rescue facilities extremely well.

Consider Delaying Your Construction Bids

Many departments that I talk to are currently taking this approach, however, based on the data we do not recommend it. There is very little promise that prices will ever be back to the levels we saw around 2002. In fact, costs are forecasted to continue to rise for the next 12-24 months. Every month over the past year we have witnessed a 2% increase in construction costs. The Departments that took the "wait and see" approach five years ago will now be paying twice as much for their facility as they would have when they decided to wait .

If you are struggling with budget concerns about your new facility, you are not alone. Think about these strategies as you review your current or planned station and hopefully they will provide you with some cost savings. As we mentioned above, the reason for the higher construction costs are due to the growth in the global economy and not a local market concern. These prices are here to stay and anyone telling you differently is guessing. However, as long as you are realistic in your budget planning and design intelligently- you should still be able to get your new station built.