



MARCUM MEDIA – PHOENIX, AZ

YOUR GUIDE TO A SUCCESSFUL TENANT IMPROVEMENT BUILD-OUT

**WHAT DO YOU NEED TO KNOW ABOUT THE
CONSTRUCTION PROCESS?**

**WHAT SHOULD YOU EXPECT FROM YOUR
CONTRACTOR?**

**HOW TO PROTECT YOUR INVESTMENT THROUGHOUT
THE BUILDING PROCESS.**

COURTESY OF THE CONTRACTOR YOU CAN TRUST!

HORIZONS COMMERCIAL CONTRACTING, LLC
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(480) 734-3086





FIVE STEPS FOR A SUCCESSFUL TENANT BUILD-OUT

- 1. SPACE & BUILDING DESIGN AND
CONSTRUCTION COST ESTIMATING.**
- 2. SELECTING THE CONTRACTOR.**
- 3. THE CONSTRUCTION PROCESS.**
- 4. CONTRACT PAYMENTS, FINANCIAL
PROTECTION AND LIEN WAIVERS.**
- 5. PROJECT TURNOVER.**

1. SPACE & BUILDING DESIGN AND CONSTRUCTION COST ESTIMATING.

SPACE & PLAN DESIGN:

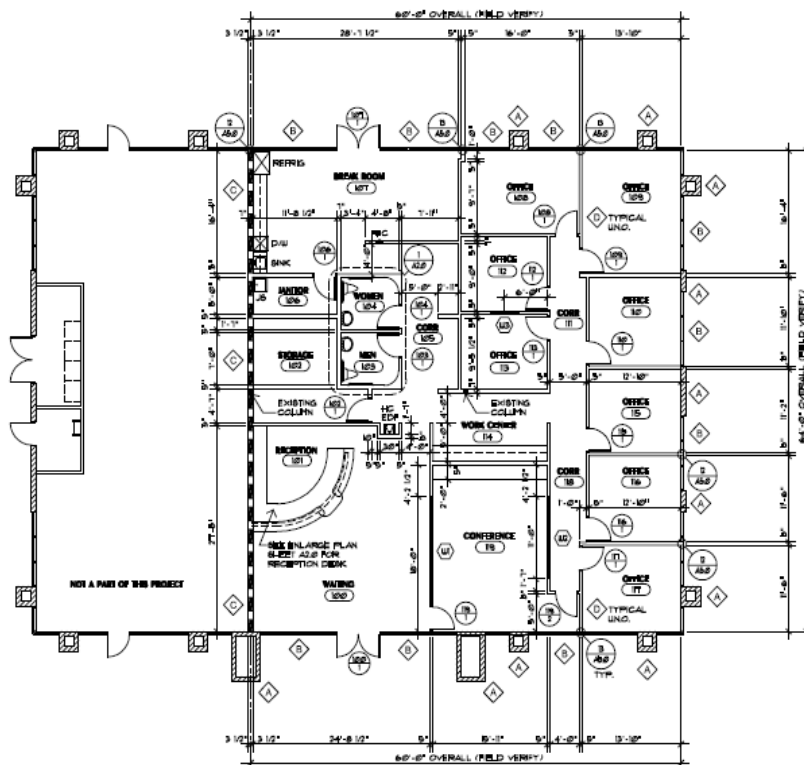
A licensed architect will need to be hired to satisfy the municipality's requirements for plan design and permitting. Typically, local architects will have a better understanding of what the jurisdiction will require for plan and building code requirements. We can refer several architects for your consideration if you do not already know one.

The architect will act as the “quarterback” for the design team which can include several engineers, depending on the project requirements. Once a design is settled, the work will begin on final drawings and related engineering. It can take a month or two for completion depending on the design complexity and current work loads.

The architect will guide you through all of the Building Code and ADA requirements, but don't forget to communicate any of the landlord requirements if this is a tenant situation. Construction time and costs will be minimized if these requirements are a part of the construction documents.

“What really sets Horizons apart from the pack is their willingness to be part of our team and their knowledge of the construction industry. Time and time again Tom Nun has helped us solve a design problem, offered a better or more cost effective product option, or worked out a feasibility issue. This isn't his ‘scope of work’ but he knows it will help us create a successful project.”

Dene Bleeker, The Design Team



CONSTRUCTION COST ESTIMATING:

Horizons Commercial Contracting is always willing to offer a “preliminary cost estimate” for your project. These estimates will typically get you in the ballpark of the final costs. Some architects are willing to offer their opinion of costs as well. Keep in mind that the true final costs will be derived from the detailed drawings and engineering. It is usually best to wait until the construction plans are ready to be submitted to the City for first review before asking for firm pricing. The more your plans change the more price changes you will have as a result, so try to wait until your plans are complete for final pricing.

Always ask for and expect a detailed and itemized cost estimate. A single price bid, with no details can be a sign that things are being hidden or omitted from the estimate. Expect category breakdowns of General Condition Costs (supervision, equipment, etc.) Construction Costs, Overhead & Profit and Taxes. All contractors have those costs and should be willing to disclose the specifics.

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RETAIL STORE PHOENIX, AZ									
3/26/2009									
S.F. Rentable = 4,903									
S.F. Gross = 4,903									
Duration =									
Construction Estimate Tenant Improvement									
General Conditions									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% Photography	01-011	2	MO	25.00	50.00			50.00	
0% Supervision	01-040	7	WKS	900.00	6,300.00			6,300.00	
0% Burden	01-041	7	WKS	175.00	1,225.00			1,225.00	
0% Common Labor	01-045	30	HRS	12.00	360.00			360.00	
0% Super. Phone	01-511	2	MO	350.00	700.00			700.00	
0% T. Toilet	01-512	2	MO	150.00	300.00			300.00	
0% T. Power	01-513	1	MO	500.00	500.00			500.00	
0% Drinking Water	01-515	0	MO	0.00	0.00			0.00	
0% Project Sign	01-580	0	EA	0.00	0.00			0.00	
0% Super Expenses / Travel / Truck	01-595	1	EA	500.00	500.00			500.00	
0% Misc. Tools & Material	01-600	1	EA	250.00	250.00			250.00	
0% Rental Equipment	01-650	0	EA	0.00	0.00			0.00	
0% Printing Costs	01-700	1	EA	325.00	325.00			325.00	
0% Deliveries	01-701	4	EA	25.00	100.00			100.00	
0% Final Clean	01-710	1	EA	910.00	910.00			910.00	
0% Dumpsters	01-800	3	EA	375.00	1,125.00			1,125.00	
0% Punch List / Close Out	01-910	0	EA	0.00	0.00			0.00	
					12,645.00	0.00		12,645.00	
DIVISION TWO									
% Description	Cost Code	QTY	Unit	Cost	Bid Amt.	Owner CO	Adj.	Bud. Amt.	
0% Floor Cut & Demolition	02-050	1	EA	1,275.00	1,275.00			1,275.00	
0% Barricades	02-531	0	EA	0.00	0.00			0.00	
					1,275.00	0.00		1,275.00	
DIVISION THREE									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% Concrete Saw cut	03-045	0	EA	0.00	0.00			0.00	
0% Concrete Pour Back	03-045	1	EA	1,876.00	1,876.00			1,876.00	
0% Concrete Stoop	03-045	1	EA	0.00	0.00			0.00	
					1,876.00	0.00		1,876.00	
DIVISION FOUR									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% Unit Masonry Bldg.	04-200	1	EA	0.00	0.00			0.00	
					0.00	0.00		0.00	
DIVISION FIVE									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% Steel Fab.	05-100	0	EA	0.00	0.00			0.00	
0% Fasteners	05-510	0	EA	0.00	0.00			0.00	
					0.00	0.00		0.00	
DIVISION SIX									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% R. Carp. Material	06-100	1	EA	225.00	225.00			225.00	
0% R. Carp. Labor	06-100	1	EA	250.00	250.00			250.00	
0% Millwork	06-220	0	EA	0.00	0.00			0.00	
0% Sign Installation	06-250	2	EA	125.00	250.00			250.00	
					725.00	0.00		725.00	
DIVISION SEVEN									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% Building Insulation	07-200	1	EA	675.00	675.00			675.00	
0% Roof Patch Allowance	07-250	1	EA	500.00	500.00			500.00	
0% Caulking / Fire Caulking	07-900	1	EA	230.00	230.00			230.00	
					1,405.00	0.00		1,405.00	
DIVISION EIGHT									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% Hollow Metal Doors & Frames	08-100	1	EA	2,082.00	2,082.00			2,082.00	
0% Door & Hardware Install	08-105	1	EA	1,150.00	1,150.00			1,150.00	
0% Glass / Storefront	08-700	1	EA	5,810.00	5,810.00			5,810.00	
					9,042.00	0.00		9,042.00	
DIVISION NINE									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% Drywall	09-250	1	EA	7,552.00	7,552.00			7,552.00	
0% Acoustical	09-500	1	EA	6,635.00	6,635.00			6,635.00	
0% Carpet	09-650	1	EA	9,450.00	9,450.00			9,450.00	
0% Ceramic Tile	09-650	1	EA	1,800.00	1,800.00			1,800.00	
0% CT Wall Tile	09-650	0	EA	0.00	0.00			0.00	
0% Rubber Wall Base	09-650	1	EA	550.00	550.00			550.00	
0% FRP	09-750	1	EA	775.00	775.00			775.00	
0% Painting	09-900	1	EA	2,375.00	2,375.00			2,375.00	
					29,137.00	0.00		29,137.00	
DIVISION TEN									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% Fire Extinguishers	10-220	2	EA	231.00	462.00			462.00	
0% Restroom Partitions	10-600	0	EA	0.00	0.00			0.00	
0% Restroom Accessories	10-800	2	EA	645.00	1,290.00			1,290.00	
					1,752.00	0.00		1,752.00	
DIVISION FIFTEEN									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% HVAC & GSM	15-050	1	EA	11,200.00	11,200.00			11,200.00	
0% GSM Flashing	15-050	0	EA	0.00	0.00			0.00	
0% Plumbing	15-400	1	EA	7,421.00	7,421.00			7,421.00	
0% Condensate Lines	15-400	1	EA	425.00	425.00			425.00	
0% Fire Sprinklers	15-500	1	EA	4,900.00	4,900.00			4,900.00	
					23,946.00	0.00		23,946.00	
DIVISION SIXTEEN									
% Description	Cost Code	QTY	Unit	Cost	Budget Amt.	Owner CO	Adj.	Bud. Amt.	
0% Electrical Power & Lighting	16-050	1	EA	42,680.00	42,680.00			42,680.00	
0% Fire Alarm	16-500	0	EA	0.00	0.00			0.00	
					42,680.00	0.00		42,680.00	
Total Construction Costs					111,838.00	0.00		111,838.00	
COST SUMMARY									
General Conditions					12,645.00	0.00		12,645.00	
Construction Costs					111,838.00	0.00		111,838.00	
General Liability Insurance	01-662				725.00			725.00	
Builder's Risk Insurance	01-661				675.00			675.00	
Contingency	0%				0.00	0.00		0.00	
Sub - Total					125,883.00	0.00		125,883.00	
Overhead & Profit @	10%				12,588.30	0.00		12,588.30	
Tax - State & Local TPT	5.4%				7,477.45	0.00		7,477.45	
Total Estimate					145,948.75	0.00		145,948.75	
Cost Per Gross S.F. =					29.77	0		29.77	
Cost Per Rentable S.F. =					29.77	0		29.77	

If construction specifics are unidentified in a given area, an “Allowance” line item will help identify cost increases or decreases when that items final price is identified.

Expect an estimate of “Time to Construct” at the same time the costs are estimated.

2. SELECTING THE CONTRACTOR.

Several areas should be reviewed and considered when selecting your contractor. The contractor should be licensed, however it is important you verify the type of license being carried and check with the Registrar of Contractors for past complaint and any action taken against them. Our license number with the ROC is 222600, Class KB-01.

Insurance coverage is an important item as the type and amount of insurance are what provide for you in a law suit and damage due to their operations. The contractor must carry General Liability insurance and it should be issued to you as an “Additional Insured” and “Certificate Holder”. Policy limits should be at a minimum of \$1,000,000.00 per occurrence and be issued by a highly rated insurance company. Builders Risk Insurance should also be in place as it protects against the loss of work and material that you have already paid for and is completed. It is important that the policy coverage be issued for the value of the contract with the builder. This policy can be carried by either party. Be sure it is agreed upon as to who will provide this policy before contracts are executed. A lack of proper insurance coverage should be a concern and could create a possible risk to your investment.

It is always a good idea to ask for several references that have used the contractor in the past. Call them and check with the Better Business Bureau for past complaints.

Clearly, the price for the work is important. You should expect to receive a fair price for the work to be performed. Keep in mind that the cost to correct poor work can easily exceed the low price offered at the beginning. **Additionally, the work should be guaranteed for one year post completion, so you want to use a contractor that will still be in business and has the ability to back up that guarantee.** The adage “you get what you pay for” is especially true in construction. Buyer Beware and do your homework should be your guide.



The “Low Bid” contractor!

“I have worked on hundreds of construction projects and the Horizons team is one of the most responsive firms that I have worked with. The staff of Horizons Commercial Contracting responded to my requests and was proactive on potential issues.”

Mike Shimanski, LMS Management

3. THE CONSTRUCTION PROCESS

As a means of protection against a loss of time and possible mistakes, the construction progress should be monitored. Architects and construction management firms will offer this service for a fee. If you are going to monitor the work yourself, ask for weekly reports to compare against the originally submitted Project Schedule. The weekly reports should include Building Department Inspection Results, Progress Pictures and Schedule Updates. This progress report will allow you to be informed as to potential delays or satisfactory progress.

Don't forget to open all necessary utility and phone company accounts as these can delay completion if they are not in place before completion of the project.



PLACITA DE ORO – ORO VALLEY, AZ



OFFICES AT 82ND PLACE – SCOTTSDALE, AZ

“Horizons Commercial Contracting was quick to respond to our requests and an absolute pleasure to work with. From the first day to the last day Horizons was a team player.....they were on schedule and even slightly ahead of our deadline. Tom Nun and the Horizons Team will be our only recommendation to do the job.”

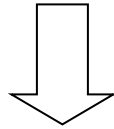
Travis Marcum, Marcum Media

4. CONTRACT PAYMENTS, FINANCIAL PROTECTION AND LIEN WAIVERS.

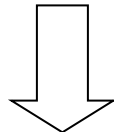
There are several areas for you to be attentive to when it comes to payments to the contractor. Occasionally, there is a valid reason to make a down payment to your contractor. If there are specialty materials or equipment required that a contractor has to pay for up front, it may be fair to provide for that expense. Only do this after verifying the expense and actual supplier. A down payment without work or material being completed can leave you at risk for a loss. Typically, the industry standard is that work is completed and then billed for on a monthly basis. With the weekly progress reports as your guide it becomes easier to verify the percentage of work completed and the percentage of work being billed for by the contractor. Be careful that the percentage billed for is not in excess of the percentage completed.

When a billing is submitted, and when a payment is made you will need to track the lien waiver process. The ability to file a mechanics lien is the contractor and suppliers protection against not being paid for goods and services provided to you. The lien waiver process effectively eliminates, or “waives” those rights as you make payments for those goods and services. If you do not understand this process you are at risk of having unpaid vendors and sub contractors that can file a mechanics lien on the building at the end of the project. Be sure you understand the process and verify it carefully.

CONDITIONAL LIEN RELEASES SUBMITTED



PAYMENTS MADE



UNCONDITIONAL LIEN RELEASES SUBMITTED

Our Project Coordinators monitor all Preliminary Lien Notices and submit Full and Final Lien Releases with your Project Close Out documents.

5. PROJECT TURNOVER

Now that the work has been completed you should expect several things from your contractor. First, you need to have a Certificate of Occupancy issued by the local jurisdiction. This certificate verifies that the building work has been inspected and approved by the Building and Fire Departments. You are now allowed to occupy the building and the general public is welcome.

PUNCHLIST:

Before the contractor receives their final payment and leaves the project, you should arrange for a final walk through with them. The purpose of this walk through is to identifying any items that are not yet finished or need correcting. This “Punch List” should be agreed upon by both parties and put in writing. As completed, the items should be signed off of the Punch List. It is not unusual to have a few punch list items and they should be corrected quickly without issue.

Once the contractor is complete with their work and does not require access to the building, you should re-key all access doors. You will now have full control of the building.



XEROX OFFICES – PHOENIX, AZ

“Tom Nun made the construction process as painless as possible. You could not choose a better contractor! I would definitely recommend Horizons Commercial Contracting and hope I can work with them again in the future”.

Betty Jane Hernandez, Havana Café

FINAL DOCUMENTATION:

Record keeping will be important for future reference and your financial protection. There are two items that you should expect from your contractor. First, would be a set of “As Built” construction drawings. These drawings will represent any changes made from the original set of construction drawings. These changes should be marked in red for easy reference. If additional construction work is done in the future it is very helpful to know what is behind that wall or underneath the concrete. The last item you will want is a “Close Out” Book which includes all of the permit information, warranty information, list of suppliers and sub contractors as well as signed and notarized Unconditional Final Lien Releases from all suppliers, vendors, subcontractors and the General Contractor.



ORANGEWOOD PLAZA – MESA, AZ

We hope that you found this guide helpful and have great success with your business. If you would like the Horizons Team to protect your investment with a *timely, safe* and *cost-effective* construction project, contact us today. For a limited time and at no charge, we will provide you with an on-site space plan review and preliminary pricing!

For further assistance, please call us or visit our web site at WWW.HORIZONSCC.NET

“DOING WHAT WE SAY WE ARE GOING TO DO”

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