

PKA NEWSLETTER

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Finish Cabinetry at The 35. Quilted maple hardwood cabinets and satin nickel hardware are two examples of flexible costs



OVER-BUDGETING

Why do projects inevitably go over-budget?

Do projects have to go overbudget?

The unfortunate answer is partly economic, partly human nature, and ultimately “yes,” projects do have to cost more than planned or desired. There are two types of costs in any project and the interaction between the two does expand the total project cost.

The first cost type is the *flexible cost*. These costs are peppered throughout a project’s design selections and eventually the construction. A good example of a flexible cost is bathroom tile. While finishes in general are almost always flexible costs, bathroom tile is a great example of cost problems because there are so many levels of tile quality, design, and therefore cost.

The tendency on flexible costs, such as tile, is to pick the best on the affordable scale per

tastes and needs. Manufacturers and vendors know that this desire is a lot like a “closest-to-without-going-over” game show, and they price their products accordingly.

Over the long run, there are hundreds of project selections that are flexible costs like tile, and consistently each selection is made at the upper limits but within the budget, ensuring no significant savings on flexible costs.

The second type of project cost is the *inflexible cost*, or the inevitable cost. These costs are the dreaded moments in any project when the unexpected is uncovered or the anticipated has changed and the cost goes up. While pleasant surprises may save money mid-project, often these savings are only reallocated to flexible costs, eg. better tile.

So when inflexible costs change, they almost certainly go

up like uncovering rot, or code updates which require increased expense.

The end result is flexible costs consistently expended at or near their budgets (sometimes over), and inflexible costs which almost certainly increase the budget, and in total the project always costs more.

Rather than expend large amounts of time and energy trying to drive construction costs into submission, a superior strategy then is to overbudget a project in an organized and designed way early in the design process.

The simplest way to overbudget is to re-budget at 75% of the actual intent, thus insuring the project a safety net.