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## Turnkey vs. TI: A Project Manager's Perspective

**T**oday's real estate market is broadening a Tenant's opportunity for choice on how to structure his lease transaction. It goes without being said that every Tenant should continue to be concerned about "spend" and truly maximizing dollars available for the build-out of new space. A defining factor in a project's profile is the decision between structuring the resultant project build-out as a Tenant Improvement (TI) allowance project or a Turnkey project. Partnering with the brokerage team and weighing the pros and cons with the Tenant of each model is critical at early stages of the lease negotiations.

A Project Manager's role involves increasing awareness of how the overall process affects project success – and promoting quality, accountability and effectiveness. The goal of maximizing value, while balancing cost to value is a defining metric. Both TI and Turnkey and methodologies bring value to the table for a Tenant. However, as the old adage goes – it's important to level the playing field – and level setting the nuances between the two available models will help to determine the best project profile for a Tenant and his project needs. Therefore, it is imperative that a Project Manager outlines the risk and reward value scale of each model – and help navigate and educate the Tenant to oversee the financials of a project diligently, creatively and respectfully for his clients.

A Tenant Improvement (TI) project delivery method creates a platform whereby the Tenant is given an allowance on a rentable cost per square foot basis specifically to be used for the build-out of the suite. The Tenant is provided a negotiated sum that the Landlord is willing to provide for the Tenant to customize the space for its specific needs. The



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TI allowance is used to complete construction utilizing the Tenant selected/Tenant contracted Architect/Engineer and General Contractor, with a certain dollar amount often allowed for use for cabling, professional fees and the move itself. Construction expenses in excess of the TI allowance must be paid by the Tenant. This model allows for the Tenant to build their own team, take ownership of the project, control the accounting – and provides for budget and schedule accountability to the Tenant's customized needs. It also allows for overall integration of the construction and non-construction work streams. In this model, Tenant assumes accountability for the ownership of the construction contract and the resultant construction process/build-out delivery of his space. It is in this model that a Tenant Project Manager assists the Tenant with all construction and non-construction work streams (such as security, audiovisual, low voltage cabling, furniture and the move) – and, typically, the Landlord's Property Manager will attend the weekly meetings to stay abreast of the project and ensure all building needs are being met. The Tenant Improvement model allows for a Tenant's Project Manager to provide advocacy on their behalf to the overall project process. It creates an integrated project delivery methodology with full Tenant advocacy provided.

A Turnkey project delivery method enables Landlord's inte-

grated delivery of the construction to the Tenant. While "integrated" is a term of many connotations – and there are equally as many levels of meaning – "integrated" in this sense means that the Landlord will hire the general contractor and build to a pre-established space plan and pricing notes by Landlords' Architect/Engineering team (usually in the form of an exhibit to the lease) for the Tenant. This model transfers accountability for the ownership of the construction contract and the resultant construction process and build-out delivery to the Landlord. However, it is important for the Tenant to remember that he has responsibility and ownership of all non-construction work streams via Tenant's consultants for security, audiovisual, low-voltage cabling, furniture and the move. It is in this model that a Tenant Project Manager assists the Tenant with all non-construction work streams and may provide third-party integration with Landlord's construction process on behalf of the Tenant by attending construction meetings, reviewing budget and schedule, and ensuring Tenant's overall expectations for quality, specifications and performance are met – and partnering with the Landlord, on Tenant's behalf, to deliver an overall functioning facility for the Tenant per the space plan and pricing notes established during lease negotiations and memorialized in the lease. Construction expenses considered outside of base building standards, added after the fact or considered add alternates, must be paid by the Tenant. The Turnkey model allows for a Tenant's Project Manager to provide advocacy on his behalf to the construction process by the Landlord, while managing the Tenant vendors and ensuring seamless coordination overall with the Landlord.

It creates a great partnership of Landlord support plus Tenant advocacy and paves the way for a successful lease term post project completion.

Both models are effective and efficient – and partnership and collaboration are key. A well-managed project benefits not only the Tenant, but also the people supporting that project. Teamwork creates a great undertone for a project and establishes a supportive baseline. Project Managers should be keenly aware of the culture of a project and empowering all partners to be successful – regardless of the delivery methodology and scope of services being provided. Courtesy and respect of the model allows a project to be effective and not compromised.

Finally, in either model, a Project Manager should prove that his value is measurable. Regardless of the delivery methodology and whether the project is Turnkey or TI, this should be illustrated via several key project-related metrics: Tenant advocacy, creative solutions, value-driven opportunity and spend management. A Project Manager should fully understand the varying models' impact on the project as a whole. It is important that the Project Manager you hire can collaborate and partner with both internal and external partners and resources who are experts in this field to ensure that all "i's are dotted and t's are crossed" for the Tenant.

Catalyst Planning Group is a Project Services company specializing in Project, Construction & Move Management services. The Catalyst Team has worked in 35 states and eight countries and continues to assist Clients with their project needs on a national and international basis. The Catalyst Team has more than 75 years of combined Project Management experience in multidisciplinary industries.