



WHAT TO DO WHEN A PROJECT STALLS

Considerations for a Successful Restart

How to think and plan for putting a project on hold in a way that protects your initial investment.

No one sets out for their project to go on hold – but there are things outside our control that dictate a project’s continuation. COVID-19 is one such event. In the last several months an untold number of projects have either gone on hold as a result of COVID-19, or will in the near future, but that doesn’t mean all work has to stop, or that you must lose your investment in permitting and planning.

We know that projects that are shovel-ready when construction costs are down will save money, and those that wait will risk cost premiums and shortages, so how can you prepare your projects to come back to life, or stay in some way living, so that they resume the moment it is safe to return to the job site? How can you remain in control and shovel-ready to take advantage of lowered costs? And should all projects even remain shovel-ready? How do you prioritize and plan successfully for an unknowable black swan event?

No one can predict when or where restrictions will be lifted, but we have put together the list of factors you’ll need to calculate to make the most informed decision and make the most successful plan for your projects.

Step One – Making the calculation: is this project worth maintaining?

Review the Status of your Documents

What state are the drawings in? Ready for permit? In permit? If permitted, what will be the cost to extend the permit? Documents such as ALTA surveys that capture information at a specific point in time may need to be renewed to avoid surprises during construction.

Analyze your Investments

How much has been spent, what is the potential return, and what is the cost to completion now vs after a pause. Include in this analysis any entitlements that might be lost due to nonactivation and the cost of obtaining the entitlements.

Research How Your Jurisdiction is Operating During COVID-19

The review process in most jurisdictions has slowed due to COVID-19, with many departments working with minimal personnel. Other jurisdictions are experimenting with new processes such as electronic submittal. Funding challenges may also become a consideration as COVID-19 stretches on, so access to timely reviews may become a challenge. Do some digging to discover the state of your jurisdiction so you can make reasonable assumptions on how to work with them.

Consider Renegotiating Contracts

In a slow economy construction costs may decrease, try to renegotiate for contracts that are relative to the current market conditions.

Consider Selling

If necessary, consider selling the project with the plan for maintaining the permit, this can have value beyond the existing bricks and mortar.

Consider Sunk Cost

Projects that “must happen” in a specific time-frame should continue design efforts through permitting. The costs to stop and restart a design on many projects is far greater than seeking a permit extension.

Consider Money Lost if the Project Doesn’t Complete on Time

Some projects may have government financial support that requires a tolling of an event or multiple events (permitting, start of construction, substantial completion, certificate of occupancy, etc.) to trigger the funding. Identify how COVID-19 will affect your schedule, and if the government agency is willing to extend timelines due to the delay.

Consider the Staffing

Projects considered for delay should work with the design team to identify the time and cost required to restart a project, it’s wise to consider several timelines in these discussions. If specific team members are desired, it may be a roll of the dice to count on their availability after stopping a project.

Know Your AHJ Timelines

In each phase of the approval and permitting process, the Authority Having Jurisdiction (AHJ) has established time frames for moving through the process. To reactivate a canceled permit could entail a new plan review and approval process and repayment of application and permit fees.

Know Your Codes

Another consideration is plan code updates and when they take effect. If the project has been designed under a certain code edition and that code is scheduled to be updated, the new code requirements will become effective for the project unless the documents have been submitted to the AHJ prior to the new code update. Once the plans are submitted for plan review the code they were submitted under is “locked in.”

It may be appropriate to have the documents completed and submitted to the AHJ in order to not have the documents amended relative to a new code edition later. Similarly, if a project is under construction and construction stops for a period longer than allowable by the AHJ, then when the project resumes it must comply with the code edition then in effect. The same is true if the project is in plan review.



Know Your Goals

This method has the potential to keep a project permit active for years with minimal work. However, it is important to note that the longer a project is extended the more likely the initial project goals and objectives may change. This can complicate the project when it is reactivated due to programmatic changes requiring redesign. Consider these goals and how they may become fluid when performing this initial evaluation.

Step Two – Saving Your Investment

The best approach to saving your investment without wasting effort will depend on what phase the project is in. Obviously, the intention is to extend the overall project schedule and spread out expenses so a minimum will be spent to keep the project alive until you’re able to complete it more conventionally. Your ability to do so will depend on how thoroughly you treat the considerations above and how well you plan.

Many a successful project has been kept on life support for over a decade, and just as many have failed or not continued at all; it requires careful planning and research at the outset. Some of these are easy to calculate, others may require more nuance.