

Selecting and Building Out Commercial Space

A Guide for Small Businesses

2026



**METRO-WEST
CONSTRUCTION
ALLIANCE**

This practical, step-by-step guide is designed for small businesses interested in selecting a commercial property and building it out to meet their business needs. It provides business owners with key information about how to select a project team and what role they play in the construction process. It emphasizes coordination among the many construction professionals working towards the common goal of completing the project to the business owner's satisfaction.

When the process outlined in this guide is followed, projects move more smoothly, owners experience better communication and fewer surprises, and most importantly, projects are completed on time and within budget.

A cross-section of engineers, commercial real estate brokers, general contractors (GCs), architects, and city and county officials participating in the Metro-West Construction Alliance Sector Partnership collaborated to co-create this guide. This collective expertise ensures you have practical, applicable guidance from all perspectives of the construction process.

If you have questions about this guide, please contact the co-facilitators of the sector partnership:

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Project Timeline and Process	2
General Tips	5
Common Mistakes for Owners to Avoid	6
Key Questions When Interviewing Specific Project Team Members	7
Appendix: Budget vs. Bid	9
Appendix: Project Delivery Methods	11
Appendix: Summary of Terms	12

Disclaimer: This guide provides general best practices and educational information. It does not constitute legal, financial, or professional advice, nor does it guarantee any specific project outcome. Each owner, design professional, contractor, and other project participant remains solely responsible for their own decisions, compliance, and project results.

PROJECT TIMELINE + PROCESS

PHASE 1: PRIOR TO BUYING OR LEASING PROPERTY

Estimated Time: 3-12 months

(dependent on how many properties are considered, owner pace, etc.)

Owner Actions:

- 1. Come up with your initial idea.** Create a feasibility and business plan.
- 2. Interview architects and brokers.** Select who you want to work with.
- 3. Work with the bank to establish an allowable budget.** Be able to explain how the project is being financed and be able to show proof of funds. If through a bank, be able to share their requirements.
- 4. Work with the architect, in conjunction with a General Contractor (GC), to understand your goals and budget for the project.**
- 5. Work with the broker and the city's/county's economic development team to find sites that meet your needs.** Know the municipalities'/county's Authority Having Jurisdiction (AHJ) Timeline and Process. Verify allowable uses. Understand neighborhood dynamics, and if you need to go through additional approvals for use. See if there are incentives, grants, or tax credits that apply to your site.
- 6. Work with the architect to review prospective sites to evaluate viability (zoning, fire, etc.).** Discuss with the architect how you envision using the space. Understand what existing infrastructure there is and isn't (tapsize, utilities, etc). Look into water law and where the water runoff is going. Potentially involve an engineer for viability (structure, utilities, zoning, fire districts, soil tests, asbestos test., etc.).
- 7. Once a property is selected, work with the architect or landlord to do a test fit.** Note: You could save money if the landlord does it.
- 8. Involve a few GC's to verify the budget.** Identify your hard (physical) and soft (non-physical) costs with each vendor. Understand the difference between budget vs bid. If you hard bid at this point, you'll end up with incomplete drawings and expensive change orders. Narrow your GC pool early if you can.
- 9. Contact the municipality/county to confirm use is allowed, learn about any permit requirements,** process, zoning, previous Certificate of Occupancy, who you might need on your team, and see if a pre-application meeting is advised. If needed, request another use on site.
- 10. Connect with an architect/broker about ordering a Property Condition Assessment (PCA)** and confirm they have the permission to do it. Include a building assessment/inspection for existing properties. Specialty assessments may be recommended by a structural engineer, mechanical engineer, etc.
- 11. Before you buy or lease your property:**
 - Get a geotechnical, environmental, and Improvement Location Certificate (ILC) survey. Your architect will guide you and connect you with a geotechnical engineer to ensure appropriate scoping. A civil engineer may get involved, too.
 - Build a 10-15% buffer into your budget. Final costs for the project will be provided during pre-construction.

PHASE 2: DESIGN

Estimated Time: 4-12 months

(depends on project complexity)

Owner Actions:

Interview GCs and Select One

- Be honest and open regarding project budget and funding. Avoid surprising the team with a budget after a lot of work has been completed.
- Ensure the budget aligns with your vision. Make sure the architect and GC are working hand in hand on the budget. If the architect draws something, make sure they run it by the GC. It will cost you time and money if you don't.

Schematic Design (1-2 months)

- Work with the architect on schematic design
- The architect may start to involve consultants for initial site observation to establish baseline design expectations.
- Before design development, ask the selected GC for a ballpark budget based on the schematic design.

Design Development (2 months)

- Review plans with your project team, including your GC, architect, landscape, structural engineer, civil engineer, and subcontractors.
- The Project Team will work with municipalities to ensure permitting requirements are met.
- Work with GC to develop or refine the estimate
- Respond to the project team in a timely manner and meet regularly to keep the project on track.

Construction Documents (2-4 months)

- Plans are prepared by the architect, landscape, structural, civil, and subcontractor
- Begin the permitting process with your municipality/county
- GC set tentative final budget, agree with owner, and move into construction. Revisit what is nice to have vs what you need to have with your architect and city planners/bids department, if needed.

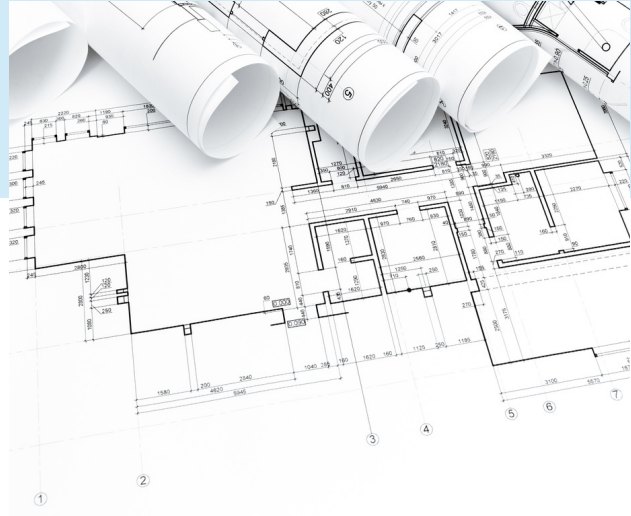
PHASE 3: PRE-CONSTRUCTION

Estimated Time: 1-3 months

(varies by project scope)

Owner Actions:

Provide as much detail as possible to GC's requests for information (RFI). The architect will also inform this process. Final costs will be set. Schedule developed with GC after RFI responses. Understand limitations to cost up-front and contingency.



PHASE 4: CONSTRUCTION BEGINS

Estimated Time: Varies widely

(depends on project size and complexity)

Owner Actions:

- **Complete Construction Materials Testing** (coordinate with 3rd party if not completed through the architect)
- **Understand Construction Materials Testing (CMT)** needs and coordinate with the team on the scope.



GENERAL TIPS

- **Be prepared from the beginning that the project will take longer than you think it will**
- **Factor in that design fees and GC fees are in addition to construction costs**
- **Interview your team**
 - What is your current workload and timing expectations?
 - What constitutes a change order, and what is the process?
 - Have you done a project like this before?
 - Ask for a Certificate of Insurance
 - Tip: Interview your team in person to assess communication
- **Set limits for work without additional authorization**
- **Clarify the roles and expectations of yourself and your team.** How much do you, as the owner, want to be involved?
- **Pick a team (broker, architect, GC, engineer) that you trust to share your budget with at the beginning.** Your team can build the vision for that budget.
- **Pick a team (broker, architect, GC, engineer) early** so they can communicate at the beginning of the process and avoid redesign and delays.
- **Ensure the project team has the time and all necessary information about the scope of the project to put together a thorough set of plans to facilitate permit review and a smooth construction process**
- **Build in contingency for unexpected issues (typically 10-15% of budget)** and build in some design alternatives
- **Consider using a critical path method (CPM) schedule to track the project timeline**
- **Ensure regular cadence of team meetings** to communicate vision, updates, and mitigate conflicting plans
- **Don't hard bid your project too early.** See the Budget vs Bid document in the Appendix for more information.
- **You may and likely will incur costs before you finalize a deal.** You may also spend money, and a deal won't work.
- **Identify whether any members of your project team have successfully worked together before on similar projects**



COMMON MISTAKES FOR OWNERS TO AVOID



- **Choosing a contractor who asks for money up front:** Pay for deliverables as they are met, especially for commercial projects.
- **Choosing low-bid contractors:** Their practice is to submit a change order after they receive the project as a way to make up for their estimate
- **Insufficient Research:** Not conducting adequate research on the market or property can lead to uninformed decisions.
- **Ignoring Due Diligence:** Skipping inspections or overlooking crucial checks (e.g., environmental, structural) can result in costly surprises.
- **Not Understanding Lease Terms:** Failing to read and comprehend the lease terms can lead to financial obligations that were not anticipated.
- **Underestimating Total Costs:** Neglecting to account for all costs (e.g., maintenance, utilities, property taxes) associated with property ownership or leasing.
- **Overvaluing Property:** Sellers may overvalue their property based on emotional attachment rather than market realities, leading to a lack of interest or low offers.
- **Poor Negotiation Strategy:** Entering negotiations without a clear strategy or understanding of leverage can result in unfavorable terms.
- **Lack of Professional Guidance:** Attempting to navigate complex transactions without the help of a broker or real estate attorney can lead to mistakes.
- **Focusing Solely on Price:** Looking only at the price without considering location, property condition, and potential growth can be detrimental.
- **Not Planning for the Future:** Neglecting to consider long-term needs or changes in the business can result in a property that no longer meets their requirements.
- **Communication Issues:** Failing to communicate openly and effectively with the broker or within the team can lead to misunderstandings and missed opportunities.
- **Submitting Under-Developed Plans** to the municipality/county will delay the permitting process

By understanding these roles, terms, and potential pitfalls, clients and new prospects can better navigate the complexities of commercial real estate transactions.

KEY QUESTIONS WHEN INTERVIEWING SPECIFIC PROJECT TEAM MEMBERS

Full Project Team

- Have you worked in this municipality/county before?
 - If not, do you know about any of their licensing?
 - If yes, are there any pitfalls I should consider?
- Can you provide at least three references who can speak to the quality of your past work

Commercial Real Estate Broker

Tips:

- It's never too early to reach out to a broker! 18+ months out is ideal
- Use a commercial broker for business-oriented, non-residential decisions.
- Look for a commercial broker who has experience with your specific planned use (i.e. restaurant vs. office; leasing vs buying and selling)
- Prepare Ahead before Working with your Commercial Broker:
- Know your product or service, audience, target market, and overall budget (business start-up, plus real estate, construction, etc.)
- Prepare a 2-year proforma (if a start-up) or be prepared to share your actual financials for the past two years
- Talk with a lender about your plans

Questions:

- How familiar are you with the local market and zoning requirements?
- Can you connect me with other professionals (architects, contractors, etc.)?
- What is your fee structure?
- What type of real estate do you focus on?
- How will you help me evaluate potential sites?



KEY QUESTIONS WHEN INTERVIEWING SPECIFIC PROJECT TEAM MEMBERS

Architect

- Are you an architect or a designer?
- Do consultants, such as engineers, fall under your scope for this project, or do I need to work directly with them?
- What does the architect's proposal include? (ex: permit processing, construction administration, work with engineering consultants)? Does it include checking and approving contractor payment requests throughout the project?
- What is your design process and timeline?
- How do you handle changes during the design process? How are fees established for changes to plans and scope?
- Will you be involved during construction to answer questions?
- Do you provide any cost estimating or reference pricing as a check/resource for a GC? Do you review pricing?
- Do you provide alternate concepts?
- Additional Resources: [Find an AIA-Credentialed Architect](https://aiacolorado.org/find-an-architect) (aiacolorado.org/find-an-architect)

General Contractor (GC)

- Will you work with me to specify interior finishes, or do I need to hire an interior designer?
- Do you anticipate using subcontractors for this project, and can you provide references for them?
- How do you handle project scheduling and delays?
- What is your communication process during construction?
- How do you manage quality control?
- What warranty or guarantee do you provide?
- What will your involvement be throughout pre-construction and design? What is your fee structure for this phase?
- Will you educate me on how alternative materials impact the design?

Engineer

Tips when engineers don't fall under the scope of the architect, and the owner works with them directly:

- What is included in the scope? (permitting, subconsultants such as sub-surface utility engineering (SUE), survey, ground penetrating radar (GPR), etc.). Can we review inclusions/exclusions so I understand them?
- Can we review the limits of liability in the contract?
- Is there a delegated design scope? Who is expected to pick that up? How will that be clearly communicated?
- Is there any anticipated specialized testing?
- How will additional services and 'value engineering' be handled?
- What key issues do you see for project success?

APPENDIX

BUDGET VS. BID: CORE DISTINCTIONS

Budget (Preliminary Estimate / Conceptual Estimate / Preconstruction Budget)

A high-level cost range provided early in the process when information is limited (e.g., general concept, bullet-point requirements, rough square footage, intended use like retail store or restaurant, location).

- **Based on:** Historical costs from similar past projects (e.g., Colorado retail/restaurant builds), current market rates for labor/materials, basic assumptions about scope/finishes/site.
- **Does not include:** Site-specific unknowns (behind-the-walls conditions, existing issues, soil/geotechnical surprises, hidden utilities, code variances) unless a full field inspection has been conducted by qualified subcontractor professionals, and structural engineers. Without inspections, these remain unaccounted risks, budgets are educated guesses, not guarantees.
- **Accuracy:** Usually within 20–40% of actual costs (or more if it's early on in the process). The budget evolves as design progresses.
- **Purpose:** Test project feasibility, guide initial decisions (e.g., lease viability, financing, concept refinement), set realistic expectations before investing in full design/engineering.
- **When provided:** Before the owner buys the property or during early schematic phase.

Bid (Hard Bid / Competitive Bid / Firm Proposal):

A detailed, firm pricing commitment from a GC (or subcontractors) based on complete, finalized documents.

- **Based on:** Full architectural/engineering plans, detailed specifications, site surveys, subcontractor/structural drawings, permits (or permit-ready documents), quantities, subcontractor quotes, clarified scope/exclusions.
- **Does include:** Assessment of known site conditions (via inspections/drawings), allowing more precise pricing.
- **Accuracy:** Usually within 5–10% of actual costs, depending on market/completeness. The bid becomes the contractual baseline once accepted.
- **Purpose:** Enable fair comparison of GCs (apples-to-apples where possible) so you can secure a committed price and move to contract and construction.
- **When provided:** After design completion and bid package issued. Multiple GCs may compete, or the owner can negotiate with one.

BUDGET VS. BID: KEY DIFFERENCES TABLE

Aspect	Budget	Bid
Timing in Process	Early: Concept, site selection, lease eval, initial feasibility	Late: After full design, engineering, and specifications are identified.
Information Required	Limited: bullet points, rough sketches, program needs, no/full inspections	Complete: detailed drawings, specs, site investigations, inspections
Handling Unknowns	Does not account for behind-the-walls/site unknowns unless subcontractor/structural field inspections completed	Based on known conditions via drawings/inspections, unknowns are minimized
Accuracy Range	Within 20–40% of actual costs (or more if very early in the process); high uncertainty from assumptions	With 5–10% of actual costs; much lower uncertainty
Flexibility	High-Adjusts as design evolves, inspections reveal issues	Low-Changes = change orders, potential cost/time impacts
Purpose for Owner	Feasibility check, expectation setting, avoid pursuing ideas that aren't viable	Contractual price commitment, GC selection
Risk Level	Lower early (guides decisions); surprises possible without inspections	Higher if attempt to do early in the process; lower when documents/inspections are thorough
Typical Provider	GC	Multiple GCs (competitive) or selected GC (negotiated)

PROJECT DELIVERY METHODS

There are several different ways to organize how design and construction responsibilities are organized, contracted, and coordinated. Each method balances risk, cost certainty, speed, and collaboration differently.

Design-Bid-Build (DBB): Design First, Price Second

- Pricing is completed based on construction documents
- Design and Construction roles are clearly separated
- Best when there needs to be clear contractual boundaries
- Trade off is longer timelines and limited collaboration during design

Design-Build (DB): One Team, One Contract

- Design and construction teams work together to problem-solve
- One contract, one point of accountability
- Strong alignment between cost, schedule, and design decisions
- Best for projects requiring speed, cost certainty, and integrated decision making
- Less separation between design and builder roles. Requires high trust.

Construction Manager at Risk (CMAR or CM/GC): Contractor Helps with Design, Then Guarantees Cost

- Early contractor involvement in design
- Best for complex projects needing more cost transparency to reduce risk
- Trade-off is that it can be trickier for an owner to manage



SUMMARY OF TERMS

These are terms that you will likely encounter during the construction project. Clarifying these terms early helps avoid common misunderstandings between business owners, GCs, sub-contractors, designers, and city/county staff, making projects faster and more successful for everyone.

People

Architect: A licensed professional who is legally authorized to design buildings. They are trained, tested, and held accountable to protect public health, safety, accountability, and welfare, and take legal responsibility for code compliance, life-safety (fire alarm systems, etc), and structural systems. In Colorado, architects must meet specific requirements each year to keep their license in good standing with the State Board of Licensure of Architects, Professional Engineers, and Professional Land Surveyors, including continuing education and adherence to ethical conduct and adherence to codes and regulations governing their profession. You can verify an architect's license on the [Colorado Department of Regulatory Agencies website](#).

Commercial real estate broker: Helps you strategize based on your goals, find, evaluate, and secure a property or site (lease, purchase, sell, etc.), and connect you with other vendors along the way. Their roles include:

- **Market Analysis:** Conducts comprehensive analyses of the commercial real estate market to provide clients with insights on pricing, trends, and demand.
- **Property Valuation:** Evaluates and appraises properties to determine fair market value.
- **Client Representation:** Represents either the landlord (lessor) or tenant (lessee) in lease negotiations, or the seller or buyer in property sales.
- **Negotiation:** Negotiates terms and conditions of leases or sales agreements to achieve favorable outcomes for clients.
- **Market Research:** Gathers and analyzes data on properties, conditions, and competition to inform clients.
- **Listing Properties:** Creates listings for available properties on various platforms, showcasing them to potential buyers or tenants.
- **Due Diligence Coordination:** Assists clients in conducting due diligence, ensuring all necessary inspections and assessments are completed.
- **Networking:** Builds relationships with other industry professionals (e.g., lenders, attorneys, investors) to facilitate transactions.
- **Transaction Management:** Oversees the entire transaction process, ensuring all timelines and responsibilities are met.
- **Advisory Services:** Provides strategic advice regarding investment decisions, market entry or exit strategies, and asset management.

[Click here](#) to see the Colorado Department of Regulatory Agencies' definitions for a seller's agent, buyer's agent, and transaction broker.

Designer: A designer includes architects, interior designers, and other design professionals with strong creative and technical skills who do not have a license. They typically focus on layout, finishes, and user experience and can support architects in defined scopes that do not require legal sign-off.

SUMMARY OF TERMS

People

Engineer: Licensed design professional providing technical plans and calculations to support the project, and providing observation during construction. Disciplines include geotechnical, structural, mechanical, electrical, plumbing, and civil engineering.

- **Geotechnical:** Engineer providing design recommendations based on site soil conditions
- **Structural:** Engineer providing design for the foundation and building structure
- **Civil:** Engineer providing design for grading and utilities outside of the building
- **MEP:** Engineer providing design for mechanical, electrical, and plumbing

Estimator: Builds the cost proposal. Reviews plans, does quantity take-offs, gets subcontractor bids, analyzes pricing, and assembles the total project cost.

Foreman: Leads a specific crew/trade (e.g., framing foreman, drywall foreman). Directly supervises workers and gets their scope done right and on time.

General Contractor (GC): The main company the owner hires to deliver the whole project, legally and financially responsible for completing it on time, within budget, and to the required quality/safety standards.

- **Self-Performing GC:** GC uses its own crews to do a significant portion of the actual hands-on work.
- **Non-Self-Performing GC:** GC subcontracts almost everything and mainly manages/coordinates the project

General Superintendent (Gen Sup): Top field boss. Oversees all site superintendents, sets safety/quality/productivity standards across the project (or multiple projects).

Project Engineer: Technical support role. Handles drawings, submittals, RFIs, change documentation, material tracking, and quality records.

Project Executive (PX or PE): Senior leader who oversees big-picture items, maintains strong owner relationships, handles major decisions, and ensures profitability/client satisfaction.

Project Manager: The day-to-day leader of the project, tracks budget/schedule, coordinates subs, manages change orders, RFIs, submittals, and owner communication.

Project Team: Architects, engineers, and contractors working together on the project

Subcontractor (Sub): Specialized trade companies (electrical, plumbing, HVAC, concrete, etc.) hired directly by the GC — not by the owner.

Superintendent (Sup): The on-site daily leader. Runs field operations, coordinates subs, enforces safety, checks quality, and keeps work flowing per schedule.

SUMMARY OF TERMS

Terms

Bid/Construction/Permit Set:

- **Permit Set:** A sufficiently developed set to be submitted to permit review agencies (Authority Having Jurisdiction - AHJ). Focus on showing compliance with building codes, zoning laws, life safety, and accessibility. May lack a fine level of detail. Typically delivered in the Construction Document phase. This is not for construction.
- **Bid Set:** A complete set from all disciplines detailing project requirements to get an accurate price/ cost estimation. It freezes the scope of work so contractors can provide hard quantities and costs. It needs to be detailed enough that a contractor isn't guessing on materials, but some specific (non-budget impacting) information might still be pending. Typically delivered toward the end of the Construction Document phase. This is not for construction.
- **Construction Set:** This is the set that will get built. It incorporates everything: original design, changes required by the AHJ through permitting, answers to questions raised during the bid process, and final coordination between disciplines. This is delivered at the end of the Construction Document phase. This is for construction.

Bid: The formal price and proposal the GC (and subs) submit to win the work, based on provided plans/specifications

Budget: A high-level cost range provided early in the process when information is limited (e.g., general concept, bullet-point requirements, rough square footage, intended use like retail store or restaurant, location).

Cap Rate: Capitalization rate, a formula used to estimate the return on investment for a property

Certificate of Occupancy: Use of Space

Commercial: Property where the primary use is a business

Contingency: A clause in a contract that makes the agreement dependent on certain conditions being met.

Default: Failure to fulfill the terms of a lease or mortgage

Delegated Design Scope: Something that is not included in the scope of work. Examples include: non-load bearing structural framing, interior non-structural framing, retaining walls, light pole bases, etc.

SUMMARY OF TERMS

Terms

Design Phases/Drawings:

- **Conceptual Design / Programming Services / Test Fit:** The very first step in designing a building or occupied space. An architect will sketch what a building or space should be or how it should feel, but the drawings are not technical or specific in nature. These artful sketches are often used to align on vision and answer the question of “what are we trying to build and why”? Project estimates are typically a range.
- **Schematic Design (“SD”):** This is the second phase of design where ideas begin to take shape in a more workable layout. The architect will more formally establish things like building height, square footage allocations, key systems, basic mechanical needs, and circulation, ensuring the programming fits with zoning requirements. The output is more precise and answers the question of “Does this meet our goals”? Project estimates are gaining more clarity.
- **Design Development (“DD”):** This is the third phase of design documents that are fully thought through and refined so everyone understands what is being built. Room sizes and layouts are finalized, materials are selected, and key systems (mechanical, electrical, plumbing, structural) are finalized. The project budget is accurate.
- **Construction Documents (“CD”):** These drawings are a precise instruction set for building the project and serve as a rulebook for the contractor.

Escalation Clause: A clause that allows rent increases based on certain conditions (e.g., inflation)

Exclusive Right to Sell: A listing agreement that gives the broker exclusive rights to market and sell a property

Gross Maximum Price (GMP) Proposal: GC commits to a maximum (“capped”) price the owner will pay. If actual costs plus fee come in under the cap, savings usually go to the owner (or are shared). If costs go over, GC typically eats the overrun.

Hard costs vs soft costs

- Hard costs include things like building materials and labor.
- Soft costs include things like architecture, engineering, interior design, and surveying

Improvement Location Certificate (ILC): Shows where existing buildings sit in relation to property lines as described in the deed

Lease: A contract granting use of the property for a specified time in exchange for rent.

Net Lease: A lease agreement where the tenant pays rent plus some or all property expenses.

SUMMARY OF TERMS

Terms

Preconstruction (Precon): The early phase before groundbreaking. GC collaborates with owner/architect/engineers to: Provide early cost estimates & value engineering, develop detailed schedules, identify long-lead items, help refine design decisions, secure permits & early subs, and reduce risks and surprises during actual construction

Preconstruction Bid (Precon Bid): An early pricing commitment from the GC during the Preconstruction phase. It is usually presented as a budget range, target cost, or initial GMP based on conceptual or partially complete plans. It's not the final price (since design isn't finished), but it gives the business owner a realistic ballpark early on so they can decide whether to move forward, adjust scope, or seek financing. Many GCs treat this as a "soft" number with room for refinement as drawings progress.

Pro Forma: Financial projections for a property, often used to assess potential profitability

Residential: property where the primary use is a home

Tenant Improvement (TI): Customizations to a rental space to meet the needs of the tenant

Value Engineering: Iterating through design to reduce construction costs/adjust a project to meet a certain budget.

Zoning: Regulations that dictate how a property can be used or developed





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