

CCDC Lunch and Learn

What Lenders Should know about construction risk—and how to minimize it.

5.12.2026

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Lincoln Construction

- 55 years in business
- Based in Columbus, Ohio
- Family-owned company focused on a private negotiated project model where we can join teams early and collaborate for better, more predictable results

Project stages

1. **Pre-Construction**: How feasibility is determined (site, zoning, utilities), when budgets are first created, timeline for permits and approvals.
 1. Due diligence period for property or existing buildings—push for enough time to properly evaluate a site.
 1. Initial fit test and zoning review
 1. Don't forget detention and parking requirements
 2. Comprehensive due diligence (see attached)
 2. Importance of contract types and language—AIA documents.
 1. Legal Review
 3. Financial review of project partners. Audited statement/ Surety relationship?
2. **Design & Budget Finalization**: Difference between schematic/conceptual, Design Development and final construction document pricing, common gaps in early budgets, when a budget becomes "lender ready"
 1. Role of Construction Manager versus hard bid approach.
 1. Open book process
 2. Estimating:
 1. Role of escalation in estimate projections
 2. Soft costs can be substantial—construction cost + soft costs = project cost and what clients want considered by the lender.

3. Lenders:
 1. Provide a comprehensive list of what will be required for closing. Can be an opaque process and requirements vary depending on the lender.
 2. Provide a timeline for closing that sets realistic expectations for all involved. Best in class CM cannot finalize contracts with subs until financial confirmations are completed, including closing and lender letter confirming funds are available for construction.

3. **Construction Phase:** Typical timeline expectations, common causes of delays, how issues are identified and managed
 1. Third party delays/ material delays in the current market
 1. Pre-purchase process
 2. Project Change Order log/ importance of weekly/ biweekly meetings.
 3. Communication is key

4. **Draw process and fund control:** How draw requests are prepared and justified, what documentation supports a draw (lien waivers, invoices), inspections, retainage practices
 1. Open book versus hard bid work and information sharing
 2. AIA Documents—G702/ G703
 3. Partial Lien Waivers/ notice of furnishing

5. **Change orders & cost overruns:** Why change orders happen (owner changes, site conditions, design gaps), how they are priced and approved, how often they occur in real projects
 1. Change orders will occur on even the best run projects. Industry standard is 8-14% of value depending on the study.
 1. State of the drawings at bid time has a significant impact
 2. Owner contingency
 3. Delivery model
 4. Construction contingency
 5. Role of allowances

6. **Project completion and Closeout:** Punch list process, certificate of occupancy timeline, final lien waivers/closeout docs

Thought starter questions:

1. Where do lenders most often underestimate risk?
 1. Understanding the clients' construction/ design team and experience level. More important as project complexity increases. How experienced is the borrower in completing a construction project?

2. Where in the construction process do you most often see projects stall or get delayed?
 1. The last 10 yards to mobilization
 2. Commercial appraisal process
 3. Term sheets versus loan commitment
3. What are the biggest misconceptions lenders have about the construction timeline?
 1. What's a realistic timeline vs an optimistic one?
 1. The time of year for mobilization makes a difference in Ohio
4. What are the most underestimated cost categories?
 1. MEP trades
 2. Modern sites are complex—costs before you ever get to the building
 3. Bid timing can make a big difference/ completeness of plans
 4. Costs do not go down.
5. How often do projects exceed budget in today's environment?
 1. How should lenders evaluate whether a project budget is realistic?
 2. What are the most common causes of cost overruns?
6. How often do change orders occur, and what typically drives them?
 1. At what point in the project do change orders usually spike?
7. When do projects typically run out of contingency?
8. What are early warning signs that a project is going off track?
9. How does risk differ between renovation and new construction?
 1. What hidden issues tend to arise in renovation projects?
 2. How should contingency differ between the two?

Due Diligence Suggestions

1. Goal

- a. How to best utilize a due diligence phase
 - i. Tasks to complete to gain better information about the site and opportunity.
 - ii. Information and studies to support a go/ no go decision prior to the end of due diligence on the property.
 - iii. Negotiate an adequate due diligence period for the size and complexity of the project. Build in extensions during initial contract negotiation.

2. Step 1: Master Planning/ Discovery Phase:

a. Activities:

i. Purchase Contract:

1. Negotiate due diligence period with built in extensions—will likely include non-refundable earnest money for each extension.

ii. Architectural:

1. Define roles of team members so clear direction on who is doing what—discuss roles.
 - a. Develop timeline
 - b. Know how the property is zoned/ likelihood to modify and timelines
 - c. Other consultants

iii. Site/ Civil:

1. This will drive some decision making—should on board a civil to provide initial conceptual feedback on storm detention/ lay back and grading/ wetlands/ streams/ utility locations/ traffic study needs/ etc.

iv. Pre-con Coordination:

1. CM on board to help push schedule/ meetings/ answers/ track down other proposals for review and pricing/ drive soft cost review/ initial constructability.
 - a. Initial budget once team is done with concept.
 - i. Post budget modifications to make the project work
 - b. Soft Cost considerations

v. Municipality:

1. Understand how long it takes to get zoning/ area commission approvals/ etc. often this is several months and requires public readings.

vi. Other Consultants and Studies:

1. Soil Borings:

- a. Does seller have information?

2. Phase 1 and 2 ESA:

- a. Does seller have information? Typically required for bank closing process.

3. ALTA/ Topo/ Boundary Survey:

- a. ALTA is typically required for closing and title work. Get this early to understand restrictions and encumbrances to the property.

4. Utilities:

- a. Identify service providers and have initial conversations.

5. Flow Test:

- a. Need to understand water capacity to determine fire suppression and generator/ pump requirements.

6. Financial Consultant:

- a. Needed for buyer to help with review and proforma work?

7. Existing Buildings:

- a. Hazardous materials survey and review.

- b. MEP systems age and recommendations/ roof warranties and age of system/ envelope review/ suitability for renovations/ tax considerations
- c. Backfill requirements if demolition is occurring or by others.

vii. Financial:

- 1. Proforma work/ incentive conversations/ initial or more formal municipal feedback?
- 2. Parking conversation and initial ideas?
- 3. Identify variances needed to ensure the project works for you.
- 4. Bank—initial conversation with lender to share proforma and understand terms of any loan required.

viii. Master Plan/ Discovery Phase Total Timeline:

- 1. Design: TBD
- 2. Budgeting: TBD
- 3. **Total before moving to schematic design phase: TBD**

- b. Goal: Ok to move into Schematic phase or not/ property purchase make sense?

G702 - APPLICATION FOR PAYMENT

| | | |
|------------------|------------|--|
| TO OWNER: | PROJECT: | APPLICATION NO.: 3 |
| | | PERIOD TO: 04/29/2026 <input type="checkbox"/> OWNER |
| | | PROJECT #s: <input type="checkbox"/> ARCHITECT |
| FROM CONTRACTOR: | ARCHITECT: | CONTRACT DATE: <input type="checkbox"/> |
| | | CUSTOMER #: <input type="checkbox"/> |
| | | OUR JOB #: <input type="checkbox"/> |
| CONTRACT FOR: | | INVOICE #: |

CONTRACTOR'S SUMMARY OF WORK

Application is made for payment as shown below.
Continuation Page is attached.

| | |
|--|--------------|
| 1. ORIGINAL CONTRACT AMOUNT | 1,194,480.00 |
| 2. NET CHANGE BY CHANGE ORDER | 14,977.00 |
| 3. CONTRACT AMOUNT TO DATE | 1,209,457.00 |
| 4. TOTAL COMPLETED AND STORED TO DATE | 815,320.83 |
| <small>(From Continuation Page)</small> | |
| 5. RETAINAGE: | |
| a. 8.00 of Completed Work | 44,017.24 |
| b. 0.00 of Stored Material | 0.00 |
| Total Retainage (Line 5a + 5b) | 44,017.24 |
| 6. TOTAL EARNED LESS RETAINAGE | 771,303.59 |
| <small>(Line 4 minus Line 5 Total)</small> | |
| 7. LESS PREVIOUS APPLICATIONS FOR PAYMENT | 548,881.07 |
| <small>(Line 6 from prior Application)</small> | |
| 8. CURRENT PAYMENT DUE | 222,422.52 |
| 9. BALANCE TO FINISH, INCLUDING RETAINAGE | |
| <small>(Line 3 minus Line 6)</small> | 438,153.41 |

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: **LINCOLN CONSTRUCTION, INC.**

By: _____ Date: 04/29/2026

State of: _____
County of: _____
Subscribed and sworn to before
me this 29 day of April 2026

Notary Public:
My commission Expires:

ARCHITECT'S CERTIFICATION

In accordance with the Contract Documents, based on on-site observation and the data comprising the above application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, and the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the Amount Certified.

AMOUNT CERTIFIED

(Attach explanation if amount certified differs from the amount applied for. Initial all figures on this Application and on the Continuation Page that are changed to conform to the amount certified.)

ARCHITECT:

By: _____ Date: _____

Neither this Application nor payment applied for herein is assignable or negotiable. Payment shall be made only to Contractor, and is without prejudice to any rights of Owner or contractor under the Contract Documents or otherwise.

| CHANGE ORDER SUMMARY | ADDITIONS | DEDUCTIONS |
|---|-----------|------------|
| Total changes approved in previous months | 14,977.00 | 0.00 |
| Total approved this month | 0.00 | 0.00 |
| TOTALS | 14,977.00 | 0.00 |
| NET CHANGES by Change Order | 14,977.00 | |

G703 - CONTINUATION PAGE

APPLICATION FOR PAYMENT

PROJECT:

APPLICATION NO.: 3

containing Contractor's signed Certification is attached

APPLICATION DATE: 04/29/2026

PERIOD TO: 04/29/2026

PROJECT #s:

| ITEM # | WORK DESCRIPTION | ORIGINAL CONTRACT | CHANGE ORDERS | REVISED VALUE | COMPLETED WORK | | TOTAL COMPLETED AND STORED | % | BALANCE TO COMPLETE |
|--------|---------------------------|-------------------|---------------|---------------|---------------------------|-------------|----------------------------|------|---------------------|
| | | | | | FROM PREVIOUS APPLICATION | THIS PERIOD | | | |
| 01000 | General Conditions | \$109,025.00 | \$0.00 | \$109,025.00 | \$37,318.50 | \$25,480.14 | \$62,798.64 | 58% | \$46,226.36 |
| 02110 | Demolition | \$14,161.00 | \$0.00 | \$14,161.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$14,161.00 |
| 03300 | Concrete | \$10,000.00 | \$5,000.00 | \$15,000.00 | \$14,110.00 | \$457.78 | \$14,567.78 | 97% | \$432.22 |
| 06100 | Rough Carpentry | \$25,484.00 | \$779.00 | \$26,263.00 | \$2,174.90 | \$11,046.67 | \$13,221.57 | 50% | \$13,041.43 |
| 06400 | Architectural Woodwork | \$70,776.00 | \$8,713.00 | \$79,489.00 | \$34,600.00 | \$25,750.00 | \$60,350.00 | 76% | \$19,139.00 |
| 07250 | Fireproofing | \$1,000.00 | \$0.00 | \$1,000.00 | \$0.00 | \$284.04 | \$284.04 | 28% | \$715.96 |
| 07400 | Roofing | \$16,400.00 | \$0.00 | \$16,400.00 | \$0.00 | \$9,300.00 | \$9,300.00 | 57% | \$7,100.00 |
| 07900 | Caulking | \$1,000.00 | \$0.00 | \$1,000.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$1,000.00 |
| 08150 | Doors & Hardware | \$13,977.00 | \$0.00 | \$13,977.00 | \$1,926.58 | \$59.57 | \$1,986.15 | 14% | \$11,990.85 |
| 08360 | Overhead Doors | \$13,500.00 | \$250.00 | \$13,750.00 | \$0.00 | \$13,750.00 | \$13,750.00 | 100% | \$0.00 |
| 08400 | Storefront & Glass | \$8,950.00 | \$1,250.00 | \$10,200.00 | \$0.00 | \$8,950.00 | \$8,950.00 | 88% | \$1,250.00 |
| 09250 | Drywall | \$63,239.00 | \$0.00 | \$63,239.00 | \$17,930.00 | \$23,110.00 | \$41,040.00 | 65% | \$22,199.00 |
| 09600 | Flooring | \$40,120.00 | (\$135.00) | \$39,985.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$39,985.00 |
| 09900 | Painting | \$14,000.00 | \$0.00 | \$14,000.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$14,000.00 |
| 10400 | Signage | \$390.00 | \$0.00 | \$390.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$390.00 |
| 10520 | Fire Extinguisher Cabinet | \$885.00 | \$0.00 | \$885.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$885.00 |

G703 - CONTINUATION PAGE

APPLICATION FOR PAYMENT

PROJECT:

APPLICATION NO.: 3

containing Contractor's signed Certification is attached

APPLICATION DATE: 04/29/2026

PERIOD TO: 04/29/2026

PROJECT #s:

| ITEM # | WORK DESCRIPTION | ORIGINAL CONTRACT | CHANGE ORDERS | REVISED VALUE | COMPLETED WORK | | TOTAL COMPLETED AND STORED | % | BALANCE TO COMPLETE |
|--------|--------------------|-------------------|---------------|----------------|---------------------------|--------------|----------------------------|------|---------------------|
| | | | | | FROM PREVIOUS APPLICATION | THIS PERIOD | | | |
| 10800 | Toilet Accessories | \$1,926.00 | \$0.00 | \$1,926.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$1,926.00 |
| 15300 | Fire Protection | \$11,500.00 | \$0.00 | \$11,500.00 | \$3,375.00 | \$7,918.75 | \$11,293.75 | 98% | \$206.25 |
| 15400 | Plumbing | \$134,925.00 | \$1,351.00 | \$136,276.00 | \$101,671.20 | \$1,470.00 | \$103,141.20 | 76% | \$33,134.80 |
| 15500 | HVAC | \$299,750.00 | (\$554.00) | \$299,196.00 | \$239,915.00 | \$39,816.80 | \$279,731.80 | 93% | \$19,464.20 |
| 16101 | Electrical | \$172,057.00 | \$1,380.00 | \$173,437.00 | \$81,688.15 | \$32,906.35 | \$114,594.50 | 66% | \$58,842.50 |
| 17105 | Inspections | \$800.00 | \$0.00 | \$800.00 | \$800.00 | \$0.00 | \$800.00 | 100% | \$0.00 |
| 17202 | Prints & Reports | \$650.00 | \$0.00 | \$650.00 | \$260.21 | \$111.70 | \$371.91 | 57% | \$278.09 |
| 17777 | Tax | \$3,098.00 | \$0.00 | \$3,098.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$3,098.00 |
| 95000 | Contingency | \$51,226.00 | (\$4,696.00) | \$46,530.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$46,530.00 |
| 98000 | PreConstruction | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | 0% | \$0.00 |
| | | | | | | | | | |
| | | | | | | | | | |
| | TOTALS | \$1,194,479.00 | \$14,977.00 | \$1,209,456.00 | \$593,364.77 | \$221,956.06 | \$815,320.83 | 67% | \$394,135.17 |

CONTINUATION PAGE FOR APPLICATION FOR PAYMENT

PARTIAL WAIVER AND RELEASE OF LIEN

FROM: GC NAME

To: OWNER NAME

PROJECT : JOB NAME & NUMBER

Contract Date: May 15, 2025

Waiver Date: April 29, 2026

Whereas the undersigned contractor has provided labor, services, materials, or equipment for the above project, under an agreement with OWNER NAME

PARTIAL WAIVER AND RELEASE: Upon receipt of partial payment for labor, services, materials, or equipment in the amount of **\$222,422.52**

Covering the following application for payment:

Application #: **3**

Application Date: **April 29, 2026**

Together with any previous payment(s) already received, but excluding any retainage or any labor, services, materials, or equipment provided after the date of April 29, 2026

The undersigned does hereby waive and release all liens, claims, or right of claim, or right of lien, statutory or otherwise, against the property, project, Owner, or any sureties, for labor, materials, or equipment, as provided by the undersigned, but only to the extent of payment received, as indicated above.

Unconditional Release: Upon receipt of payments as indicated above the undersigned will grant this release unconditionally.

The person signing below does hereby certify that he/she is fully authorized and empowered to execute this instrument and to bind the undersigned hereto, and does in fact so execute this instrument.

Lincoln Construction, Inc.

State of Ohio
County of Franklin
Subscribed and sworn to before me this
April 29, 2026

Notary Public