

The Fears and Risks of Tariffs and the Impact on Design

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Top 10 Takeaways

1. **Impact of Tariffs on Material Costs:** Tariffs will increase the cost of essential materials such as steel, lumber, and aluminum, affecting overall project budgets.
2. **Challenges for Fixed-Price Projects:** Contractors working on fixed-price projects are particularly affected, as they face higher material costs without the ability to adjust prices accordingly.
3. **Supply Chain Disruptions:** Sudden introduction or increase in tariffs can interrupt supply chains, leading to delays, material shortages, alternative sourcing needs, and labor disruptions.
4. **Professional Liability Risks:** Substitution of materials and systems can increase a Design Professional's Professional Liability risks, especially if changes affect project compliance or quality.
5. **Project Cost Estimating and Budget Obligations:** Design professionals providing Project Cost Estimating must be aware of their contractual obligations for redesigning to meet budget constraints.
6. **Sector-Specific Challenges:**
 - Public Works: Review budget timelines and sufficiency of funds considering evolving costs.
 - Commercial Projects: Increased costs may render projects unfeasible; teams must collaboratively adjust project scope.
 - Residential Projects: Higher construction costs could impact financing qualifications; maintain quality despite cost pressures.
 - Infrastructure Projects: Assess the extent of non-domestic materials subject to tariffs and the impact on federal funding validity.
7. **Legal and Contractual Challenges:** Address who will cover additional costs and the potential severe consequences of project delays. Design professionals should include a Mutual Waiver of Consequential Damages.
8. **Professional Liability and Claims:** Be aware of cost overruns, project delays leading to negligence or breach of contract, and regulatory compliance issues when changing material sourcing.
9. **Risk Mitigation Strategies:** Proactive communication, thorough documentation, diversifying suppliers, leveraging industry data, and aligning client expectations with market realities are crucial for mitigating professional liability risks.
10. **Contractual Protections:** Incorporate escalation and force majeure clauses, change-in-law provisions, and mutual waivers of consequential damages. Clearly state that cost estimates are judgments and not guarantees, acknowledging variables outside the consultant's control.