

The North Star Development Method

Executive brief

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The method

North Star Group lowers the cost of a building two ways and tracks the result with one discipline.

The first lever is design. Before a drawing is fixed, North Star selects the building systems that deliver the same function for less money: panelized envelopes, ductless heating and cooling, shop-built plumbing and bathroom assemblies, and similar choices. This is value engineering in its original sense, designing cost out at the start, not cutting quality out at the end.

The second lever is procurement. North Star prices a building from its components, owns the bill of materials, buys those components owner-direct, and contracts installation as a separate scope. That shortens the chain of margins a conventional delivery stacks between the manufacturer and the installed component.

The discipline that ties them together is a component database. Each measure and each component is classified by how well its saving is proven: established, conditional, or projected. The base case counts only what the model, the engineer, the vendor, and the jurisdiction support. This is a screening method, not a promise of a fixed percentage, and the savings do not simply sum, since some measures overlap and some trade first cost for labor or capital for operating cost.

Two papers stand behind this brief. One sets out the procurement side. One sets out the design side. The worked numbers below are from the procurement side, where the method is furthest along.

The number

On an illustrative quadruplex completion package of about \$60,000 in furnished components, the conventional delivery chain carries those components to the installed bid at roughly \$99,000. Bought owner-direct and installed under an Owner-Furnished, Contractor-Installed scope, the same components land at roughly \$67,000. The same parts reach the building at about 1.65 times their direct cost through the chain, and most of that difference pays for handoffs, not for work on the parts.

These are survey figures. The \$67,000 is not yet a landed-cost figure: freight, tax, and where it applies tariff have to be added line by line, which narrows the gap without closing it. Committed pricing comes from dated vendor quotes, the next step before the figure is treated as underwritten.

How the procurement side works

- **Own the bill of materials.** A component-level database holds the parts, prices, and quantities for each model, which turns owner-direct procurement from a coordination burden into a purchasing list.
- **Buy owner-direct.** The procurement function is priced as a fee in the low single digits of percent, by an outside firm, a purchasing group, or North Star performing it in-house. That fee is the cost of the function, against a stacked margin many times its size.
- **Install under OFCI.** The owner furnishes the materials and contracts installation as a separate, defined scope, which removes the markup a contractor adds on materials it furnishes.
- **Compress the schedule.** Materials staged ahead of the crew keep the work continuous, which shortens the schedule and the financing carry.

The savings case does not rest on any one procurement path. A public cooperative, a commercial purchasing group, an outside firm, and in-house purchasing are different doors, and not all of them are open to every owner. What the case rests on is keeping the procurement function near a few percent of material cost rather than paying the stacked channel and contractor margins it replaces.

How the design side works

The design side chooses lower-cost systems before the cost is locked, and grades each choice by evidence. Some are established practice: panelized envelopes that cut framing labor, ductless mini-splits that delete ductwork, and shop-built manifolds and bathroom pods that move plumbing labor off site. Some are conditional, such as downsizing the

electrical service, which depends on the design and the code path. Some are product-development paths, such as an embedded-joint floor panel and dry-stack brick, which are not counted until engineering, testing, and a production route are in hand. The companion paper sets these out in full, with each claim sourced and graded and a one-page table of which measures count in a base case.

Who captures the most

A government, school, nonprofit, or church owner reaches two savings a private owner cannot. It buys through public cooperative purchasing contracts, which are free to join and supplier-funded. And it can escape sales and use tax on the materials by purchasing them directly, where the state, the entity, and the project qualify. In Florida, an Owner Direct Purchase program lets a government entity or a qualifying 501(c)(3) buy materials tax-free, provided the owner issues the order, is invoiced directly, pays directly, takes title, and bears the risk of loss. Those last conditions are the same ones the owner-furnished structure already carries, so the structure that captures the margin chain captures the tax as well. Governmental public-works purchases can carry additional procedure, such as a certificate of entitlement. The exemption is state-specific and condition-strict, and should be confirmed with a tax professional. North Star Group is not a tax advisor.

What it requires of the owner

The savings are earned, not free. Every margin removed is a function the owner takes on: procurement coordination, material specification and warranty, receiving and staging, and the risk of loss on material it owns before installation. A disorganized owner-furnish raises bids and slips schedules rather than saving money. The database and a disciplined process are what keep the function near its floor cost and make the owner a buyer an installer will price sharply for.

Status and next step

This brief states the method and an illustrative result. Two papers carry the detail: the procurement paper, with the component schedule, pricing sources, procurement groups, and legal and tax interfaces; and the design paper, with the value-engineering measures, each sourced and graded. The step that moves the procurement figure from survey to committed is a vendor quote log: dated quotes, with freight and tax, on the largest and least-certain lines first. On the design side, each measure is confirmed against a specific model, its engineer, and its jurisdiction before it is counted.