Project Delivery Methods: Pros and Cons

Michael Kenig
Holder Construction Company
mkenig@holder.com
October 26, 2012
## Typical Delivery Methods

<table>
<thead>
<tr>
<th>Project Delivery Method</th>
<th>Solicitation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Design-Bid-Build (DBB)</strong></td>
<td>ITB or BVS</td>
</tr>
<tr>
<td><strong>Construction Manager/ General Contractor (CM/GC)</strong></td>
<td>QBS</td>
</tr>
<tr>
<td><strong>Design-Build (DB)</strong></td>
<td>QBS Design-Build Firm (one combined contract)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Construction Professional</th>
<th>Design Professional</th>
</tr>
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<tbody>
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<td>ITB or BVS</td>
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</table>

ITB = Invitation to Bid | Competitive Sealed Bids  
QBS = Qualification Based Selection | Non-priced Proposals  
BVS = Best Value Selection | Competitive Sealed Cost Proposal

Figure 24: Georgia Project Delivery Options

“Promoting the Value of Georgia’s Higher Education Environments”
Office of Real Estate & Facilities
## Typical Approaches in GA

<table>
<thead>
<tr>
<th>DELIVERY METHOD</th>
<th>Common Nicknames</th>
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<td>CM at-Risk</td>
<td>CM/GC; GC/CM; CMc; ECI</td>
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<td>n/a</td>
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<tr>
<td>Design-Build</td>
<td>Engineer-Procure-Construct (EPC)</td>
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<td>Multi-party; Alliencing</td>
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**DELIVERY METHOD**

- Low Bid
- Best Value: Total Cost
- Best Value: Fees
- Qualifications Based Selection (QBS)

**“Promoting the Value of Georgia’s Higher Education Environments”**

Office of Real Estate & Facilities
## OPEN BOOK VS. CLOSED BOOK

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**Common Nicknames**: Competitive Sealed Bid; Low Bid; Inv. to Bid (IFB)

**Closed Book**

**Open Book**

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“Promoting the Value of Georgia’s Higher Education Environments”
Office of Real Estate & Facilities
GA: Three “Questions”

1. Closed Book vs. Open Book?

2. If Closed: ITB or Best Value?

3. If Open: CM at-Risk or Design-Build?
GA: Three “Questions” Discussion

1. Closed Book vs. Open Book?

✓
✓
✓
✓
To be able to recommend the most appropriate option, experience with going through the thought process of applying the factors outlined in this chapter is essential.

It is even better and widely considered to be good practice to use the counsel of a group of trusted advisers who can help to be sure that all the factors and their interrelationships can be as fully evaluated as possible.

Your trusted advisors should be experienced not only with going through the thought process of applying the major factors, but ideally are also experienced with implementing all of the different delivery options.
“Major” Factors

- Regulatory/Legal or Funding Constraints
- Owner’s Internal Resources
- Necessity to Overlap Phases
- Ability to Define Scope
- Desire for Single Contract
“Major” Factors

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Schedule

Traditional Linear Process

- Planning
- Design
- Bid
- Construction
- Occupancy

Fast-Tracking Process

- Planning
- Design
- Construction
- Occupancy

“Promoting the Value of Georgia’s Higher Education Environments”
Office of Real Estate & Facilities
GA: Three “Questions” Discussion

2. If Closed: ITB or Best Value?
## Typical Approaches in GA

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**Common Nicknames**
- Competitive Sealed Bid; Low Bid; Inv. to Bid (IFB)
- CM/GC; GC/CM; CMc; ECI
- Engineer-Procure-Construct (EPC)

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"Promoting the Value of Georgia’s Higher Education Environments "  
Office of Real Estate & Facilities
3. If Open: CM at-Risk or Design-Build?
# Typical Approaches in GA

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“Promoting the Value of Georgia’s Higher Education Environments”
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“Major” Factors

- Regulatory/Legal or Funding Constraints
- Owner’s Internal Resources
- Necessity to Overlap Phases
- Ability to Define Scope
- Desire for Single Contract
“Fast Tracking” vs. “Warp Speed”

NEED

Fast Tracking
Planning
Design
Construction
Occupancy

Warp Speed or Flash Tracking
Planning
Design
Construction
Occupancy

“Design” Risk!! Schedule! Performance!
### “Other” Approaches in GA?

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“Promoting the Value of Georgia’s Higher Education Environments”

Office of Real Estate & Facilities
“Other” Factors
Why aren’t these Major?

✓ Size of Project ($)... small $ vs. large $

✓ Type of Project... warehouse, research, office

✓ Type of Construction... wood frame, steel, concrete

✓ Economy... booming period?, recessionary downturn?
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“Promoting the Value of Georgia’s Higher Education Environments”
Office of Real Estate & Facilities
Mike Kenig:

1. Schedule?

2. Place a Value on Collaboration?
   a) Ability to define the scope
   b) Likelihood for changes (during construction)

NOT, the size of the project!
Industry Perspectives
Exhibit 3
Which of the following best describes your organization?

- Quasi - Public: 27%
- Municipal: 17%
- State: 15%
- Federal: 12%
- Private / Closely Held: 8%
- Public Stock Corporation: 15%
6th Annual FMI/CMAA Survey of Owners

Exhibit 5
Which construction delivery methods do you use?

- Design / Bid / Build
- Design / Build (with or without bridging)
- CM-at-Risk (aka CMC, CM/GC, GC/CM)
- Turnkey
- Other
6th Annual FMI/CMAA Survey of Owners

Exhibit 7
Which delivery method do you believe offers the best value, whether you have used that method or not?

- Design / Bid / Build
- Design / Build (with or without bridging)
- CM-at-Risk (aka CMC, CM/GC, GC/CM)
- Turnkey
- Other
Global
Total Revenue by Project Delivery
(Includes Domestic and International)

Source: ENR Top 100 Firms Ranking
International
Total Revenue by Project Delivery

Source: ENR Top 100 Firms Ranking
Project Delivery Methods: Pros and Cons

Michael Kenig
Holder Construction Company
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October 26, 2012
Selecting the most Appropriate Project Delivery Method...

Construction Strategy: Selecting Contracting Strategies

• Published by CURT
• User Practice #1001
Critical Factors to Consider

- Schedule requirements
- Scope clarity
- Likelihood of change
- Level of Risk
- Degree of owner control
- Relative cost
- Local Market conditions
- Level of innovation
- Concurrent projects
- Corporate preferred strategy
- Availability of owner personnel
- Confidentiality
- Specialized Work
- Proprietary technology

Source: Construction Users Roundtable (CURT) User Practice #1001