



Project Delivery Methods: Pros and Cons

Michael Kenig

Holder Construction Company

mkenig@holder.com

October 26, 2012



Typical Delivery Methods

GEORGIA CONSTRUCTION PROJECTS DELIVERY OPTIONS with Solicitation Methods for Design and Construction Professionals		
Project Delivery Method	Solicitation Method	
	Construction Professional	Design Professional
Design-Bid-Build (DBB)	ITB or BVS	QBS
Construction Manager/ General Contractor (CM/GC)	QBS	QBS
Design-Build (D/B)	QBS Design-Build Firm (one combined contract)	

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

Typical Approaches in GA



DELIVERY METHOD Common Nicknames	Low Bid	Best Value: Total Cost	Best Value: Fees	Qualifications Based Selection (QBS)
Design-Bid-Build Competitive Sealed Bid; Low Bid; Inv. to Bid (IFB)	X	X	n/a	n/a
CM at-Risk CM/GC; GC/CM; CMc; ECI	n/a	n/a	n/a	X
Design-Build Engineer-Procure-Construct (EPC)	n/a	n/a	n/a	X
IPD Multi-party; Alliancing	Not Typical	Not Typical	n/a	n/a

OPEN BOOK VS. CLOSED BOOK



DELIVERY METHOD	Low Bid	Best Value: Total Cost	Best Value: Fees	Qualifications Based Selection (QBS)
Common Nicknames				
Design-Bid-Build	X	X	n/a	n/a
Competitive Sealed Bid; Low Bid; Inv. to Bid (IFB)				
CM at-Risk	Closed Book		n/a	X
CM/GC; GC/CM; CMc; ECI				
Design-Build	n/a	n/a	Open Book	
Engineer-Procure-Construct (EPC)				
IPD	Not Typical	Not Typical	n/a	n/a
Multi-party; Alliancing				

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

Office of Real Estate & Facilities

Typical Approaches in GA



DELIVERY METHOD

Common Nicknames

	Low Bid	Best Value: Total Cost	Best Value: Fees	Qualifications Based Selection (QBS)
Design-Bid-Build Competitive Sealed Bid; Low Bid; Inv. to Bid (IFB)	X	X	1	n/a
CM at-Risk CM/GC; GC/CM; CMc; ECI	n/a	2	n/a	X
Design-Build Engineer-Procure-Construct (EPC)	n/a	n/a	3	X
IPD Multi-party; Alliancing	Not Typical	Not Typical	n/a	n/a



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?



PROJECT DELIVERY OPTIONS

Volume 2 of 2

***Selecting the Appropriate Project
Delivery Option***

Recommended Guidelines



Georgia State Financing and Investment
Commission
Version 2.0

May 2003

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 advisers 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

- ◆ Regulatory/Legal or Funding Constraints
- ◆ Owner’s Internal Resources
- ◆ Necessity to Overlap Phases
- ◆ **Ability to Define Scope**
- ◆ Desire for Single Contract

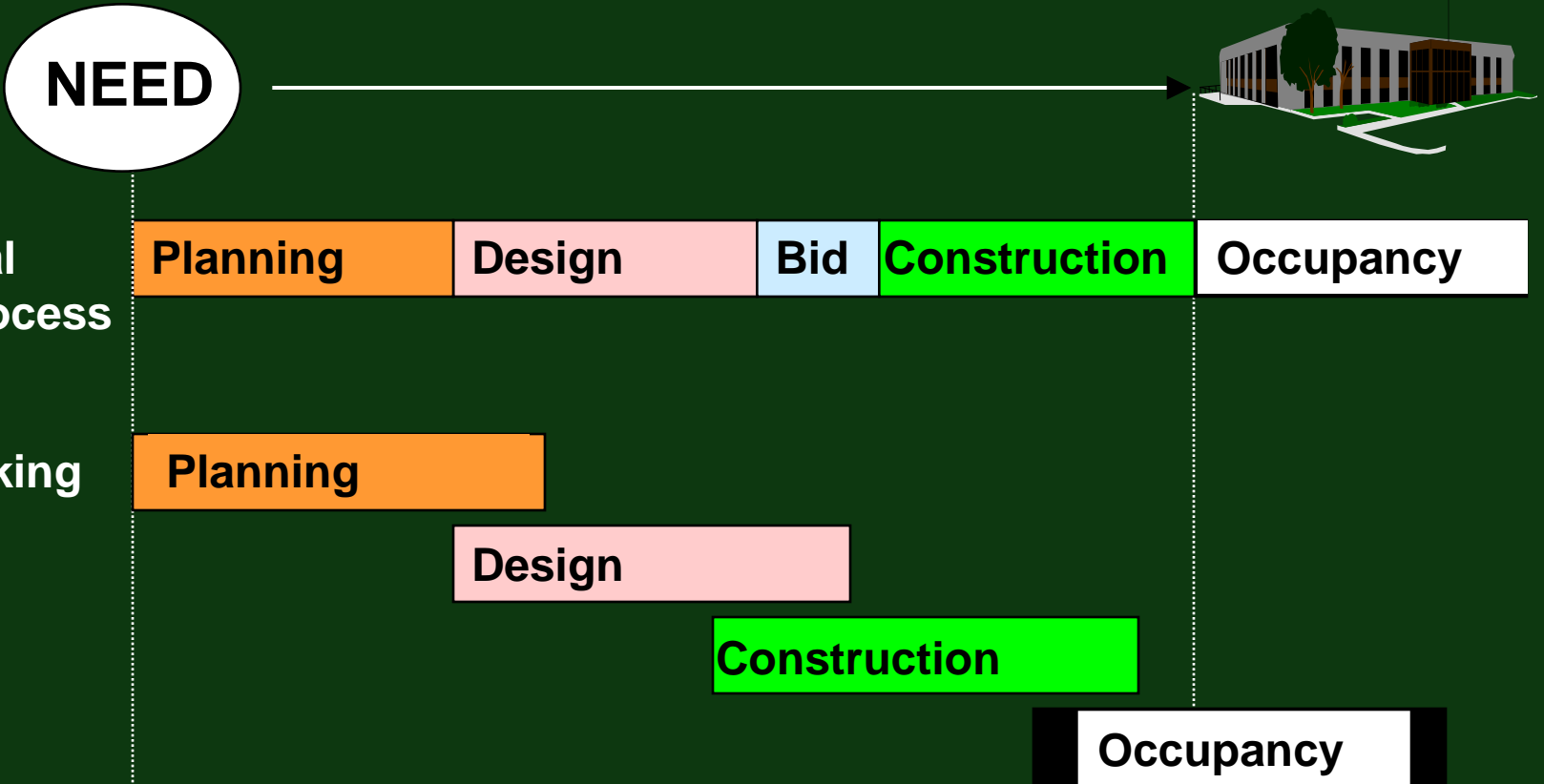


“Major” Factors

- ◆ Regulatory/Legal or Funding Constraints
- ◆ Owner’s Internal Resources
- ◆ **Necessity to Overlap Phases**
- ◆ Ability to Define Scope
- ◆ Desire for Single Contract



Schedule





GA: Three “Questions” Discussion

2. If Closed: ITB or Best Value?



Typical Approaches in GA



DELIVERY METHOD Common Nicknames	Low Bid	Best Value: Total Cost	Best Value: Fees	Qualifications Based Selection (QBS)
Design-Bid-Build Competitive Sealed Bid; Low Bid; Inv. to Bid (IFB)	X	X	n/a	n/a
CM at-Risk CM/GC; GC/CM; CMc; ECI	n/a	n/a	n/a	X
Design-Build Engineer-Procure-Construct (EPC)	n/a	n/a	n/a	X
IPD Multi-party; Alliancing	Not Typical	Not Typical	n/a	n/a



GA: Three “Questions” Discussion

3. If Open: CM at-Risk or Design-Build?



Typical Approaches in GA



DELIVERY METHOD Common Nicknames	Low Bid	Best Value: Total Cost	Best Value: Fees	Qualifications Based Selection (QBS)
Design-Bid-Build Competitive Sealed Bid; Low Bid; Inv. to Bid (IFB)	X	X	n/a	n/a
CM at-Risk CM/GC; GC/CM; CMc; ECI	n/a	n/a	n/a	X
Design-Build Engineer-Procure-Construct (EPC)	n/a	n/a	n/a	X
IPD Multi-party; Alliancing	Not Typical	Not Typical	n/a	n/a



“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

**“Design” Risk!!
Schedule!
Performance!**

Occupancy

Warp Speed or Flash Tracking

Planning

Design

Construction

Occupancy

“Promoting the Value of Education Environments”

Office of Real Estate & Facilities



“Other” Approaches in GA?

DELIVERY METHOD Common Nicknames	Low Bid	Best Value: Total Cost	Best Value: Fees	Qualifications Based Selection (QBS)
Design-Bid-Build Competitive Sealed Bid; Low Bid; Inv. to Bid (IFB)	X	X	n/a	n/a
CM at-Risk CM/GC; GC/CM; CMc; ECI	n/a	n/a	?	X
Design-Build Engineer-Procure-Construct (EPC)	?	?	?	X
IPD Multi-party; Alliancing	Not Typical	Not Typical	n/a	n/a



“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?

Collaborative



DELIVERY METHOD Common Nicknames	Low Bid	Best Value: Total Cost	Best Value: Fees	Qualifications Based Selection (QBS)
Design-Bid-Build Competitive Sealed Bid; Low Bid; Inv. to Bid (IFB)	X	X	n/a	n/a
CM at-Risk CM/GC; GC/CM; CMc; ECI	n/a	n/a	n/a	X
Design-Build Engineer-Procure-Construct (EPC)	n/a	n/a	<div style="background-color: white; padding: 5px; display: inline-block;">Collaborative</div>	
IPD Multi-party; Alliancing	Not Typical	Not Typical		



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!

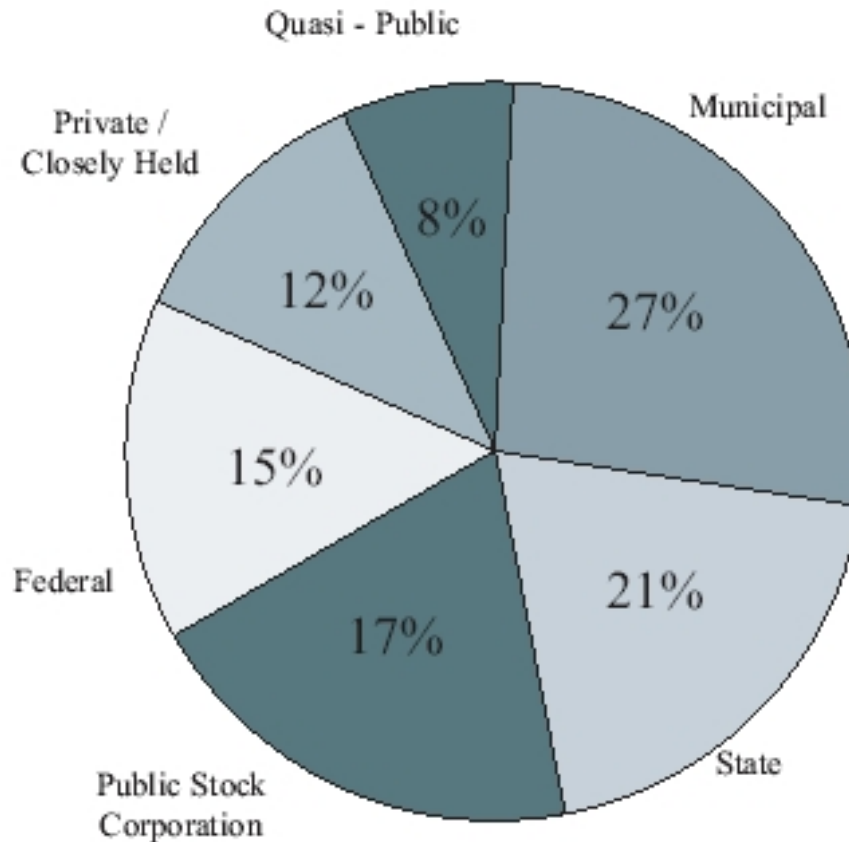


Industry Perspectives

6th Annual FMI/CMAA Survey of Owners

Exhibit 3

Which of the following best describes your organization?



6th Annual Survey of Owners

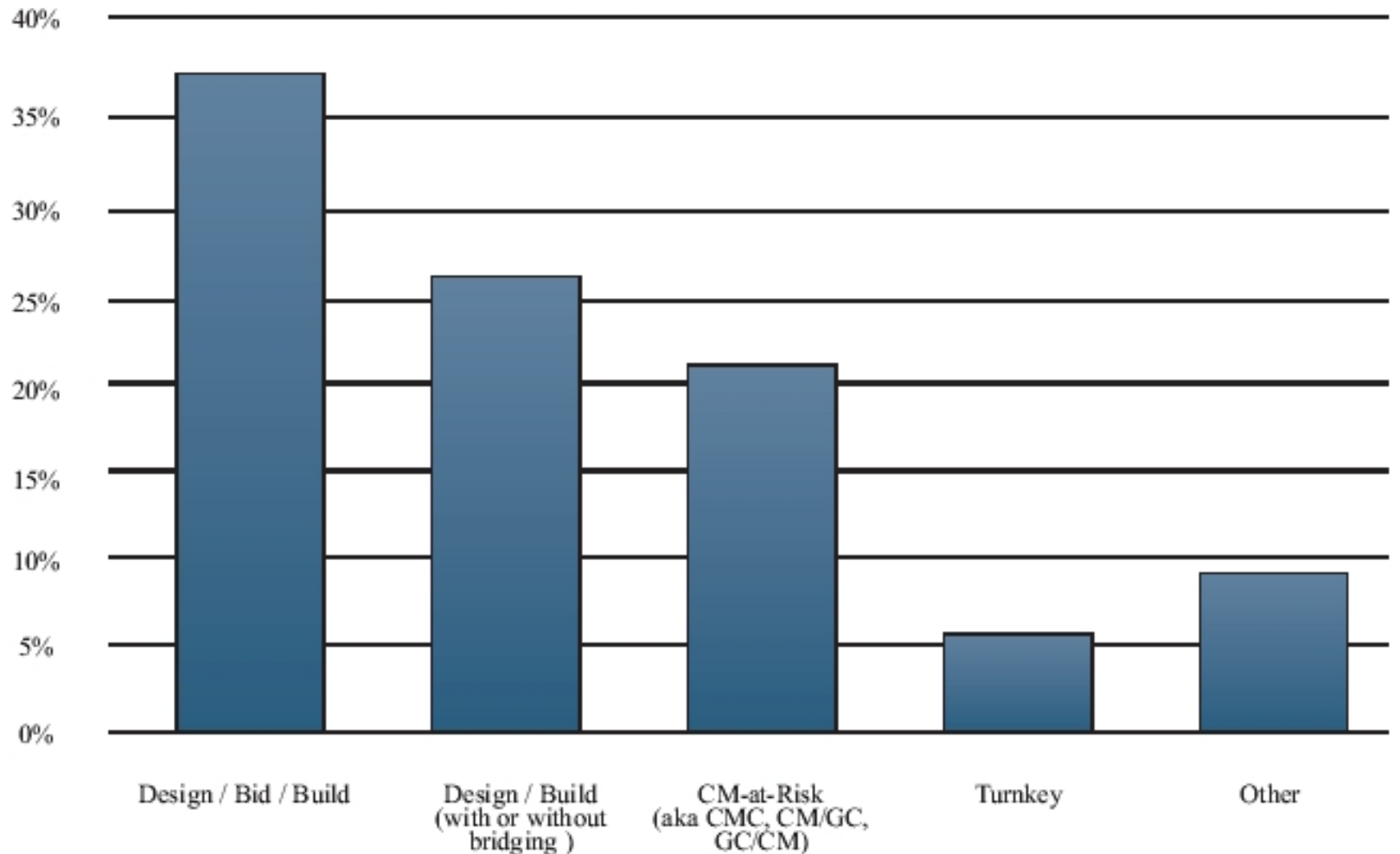


Industry Connections • Development Balance
For the CONSTRUCTION INDUSTRY

6th Annual FMI/CMAA Survey of Owners

Exhibit 5

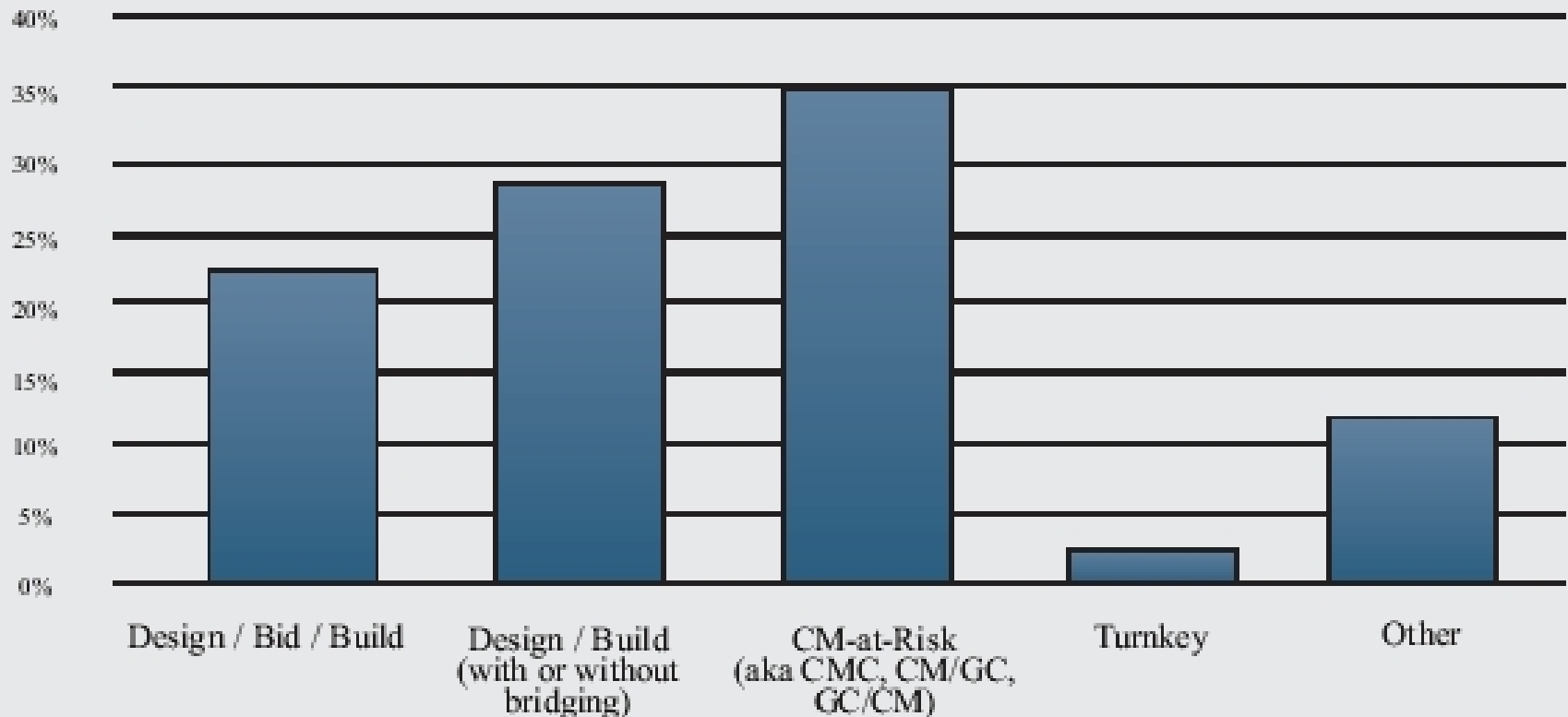
Which construction delivery methods do you use?



6th Annual FMI/CMAA Survey of Owners

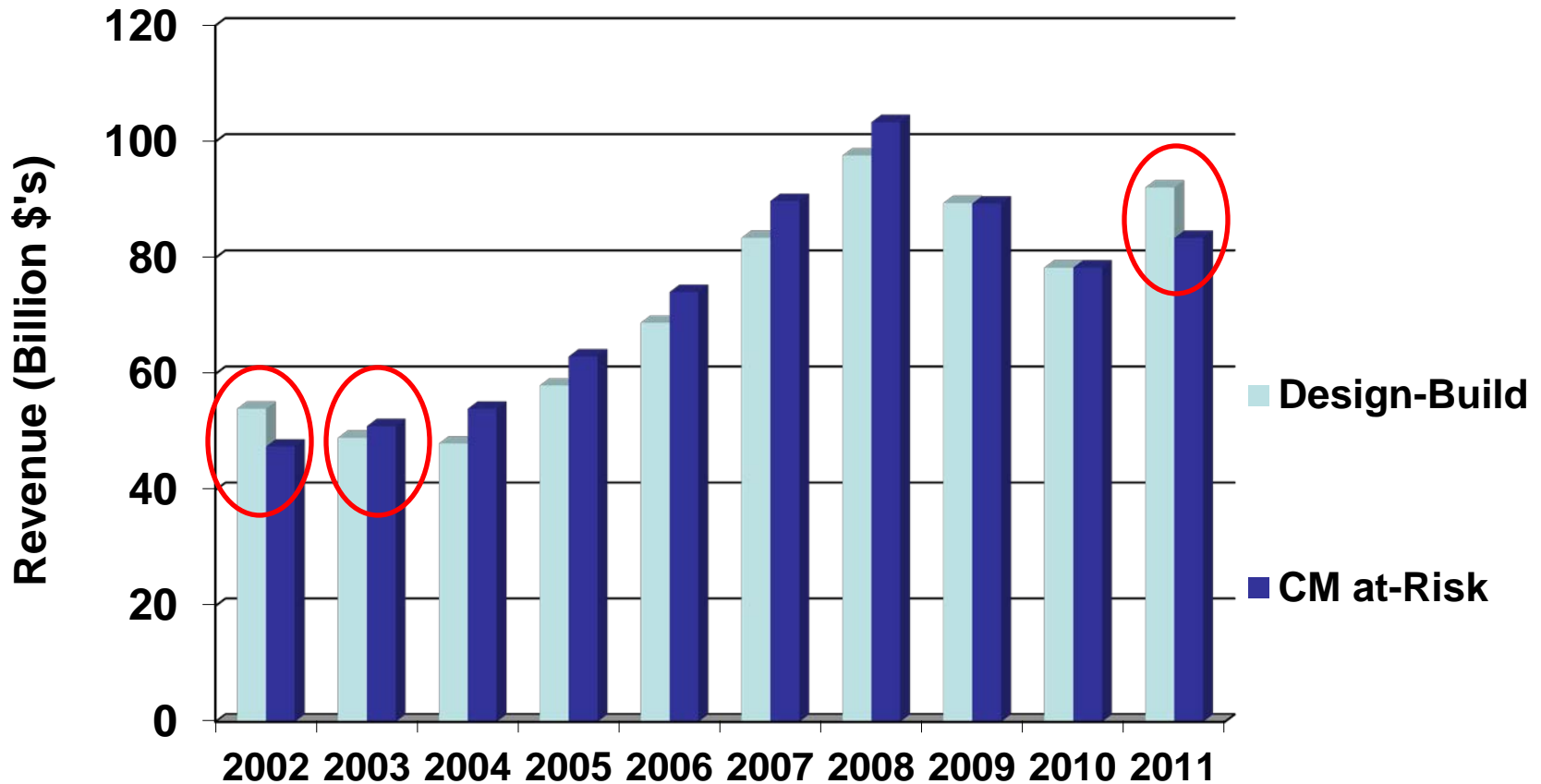
Exhibit 7

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



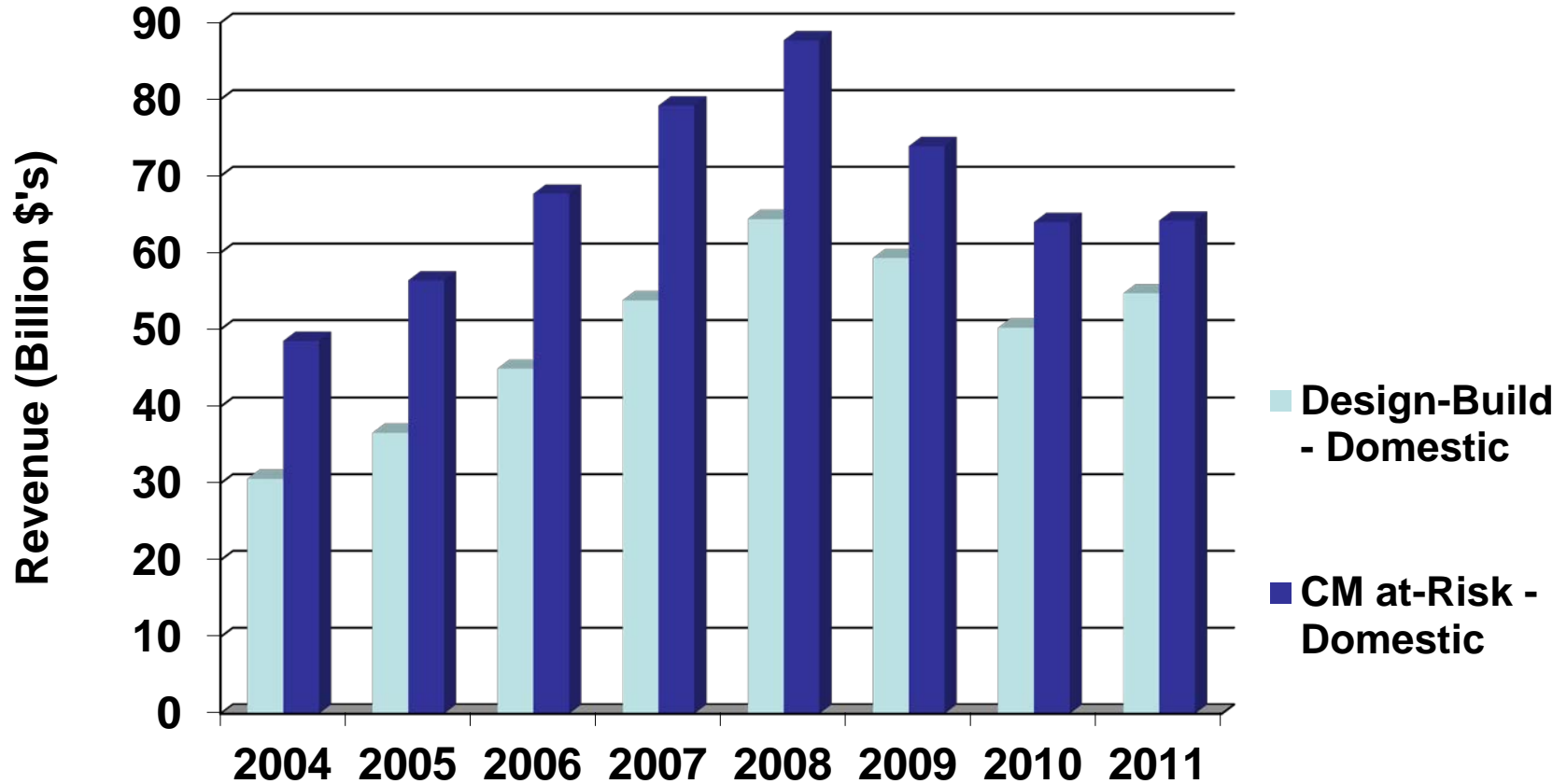
Global Total Revenue by Project Delivery

(Includes Domestic and International)



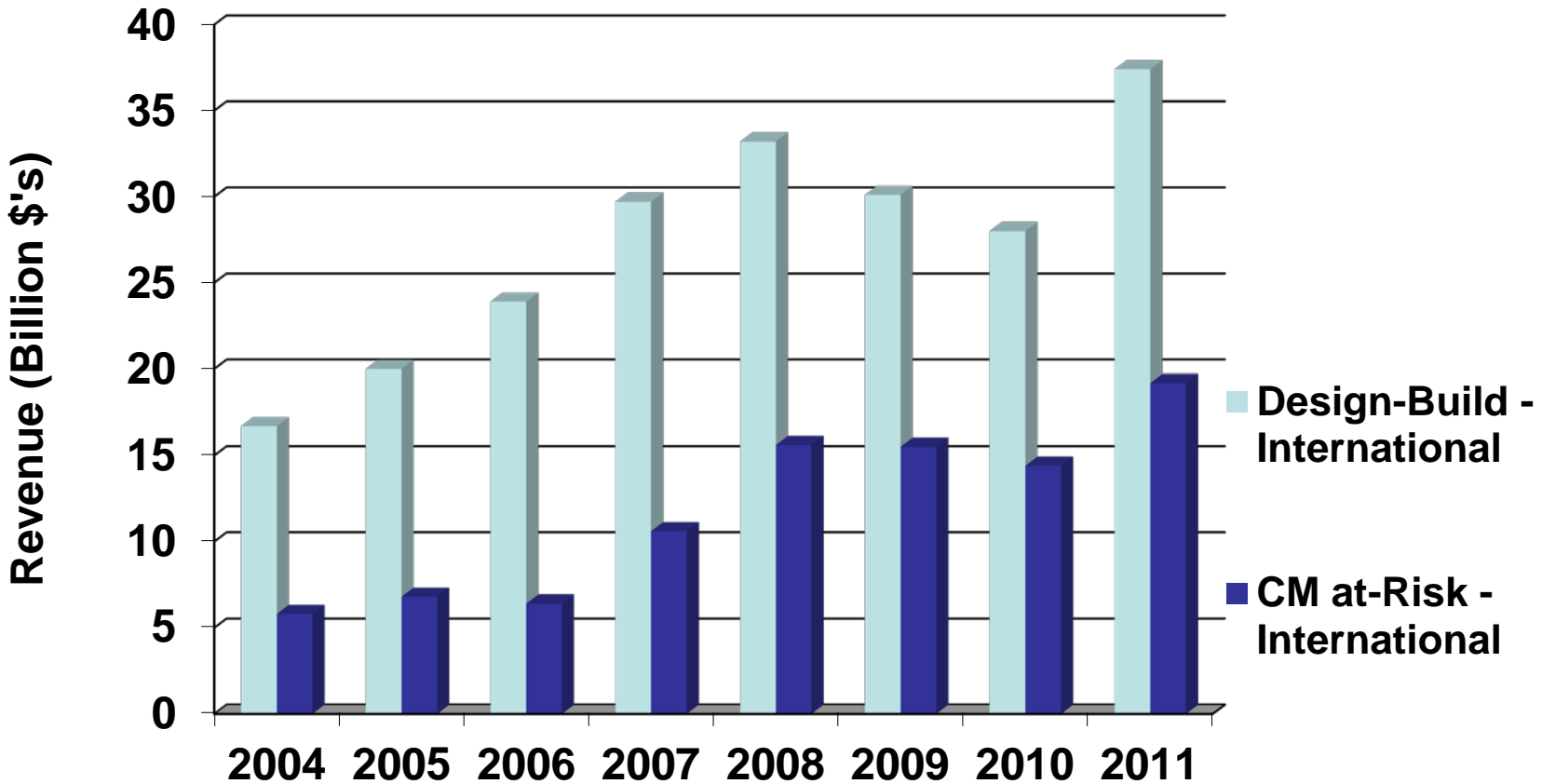
Source: ENR Top 100 Firms Ranking

US Domestic Total Revenue by Project Delivery



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

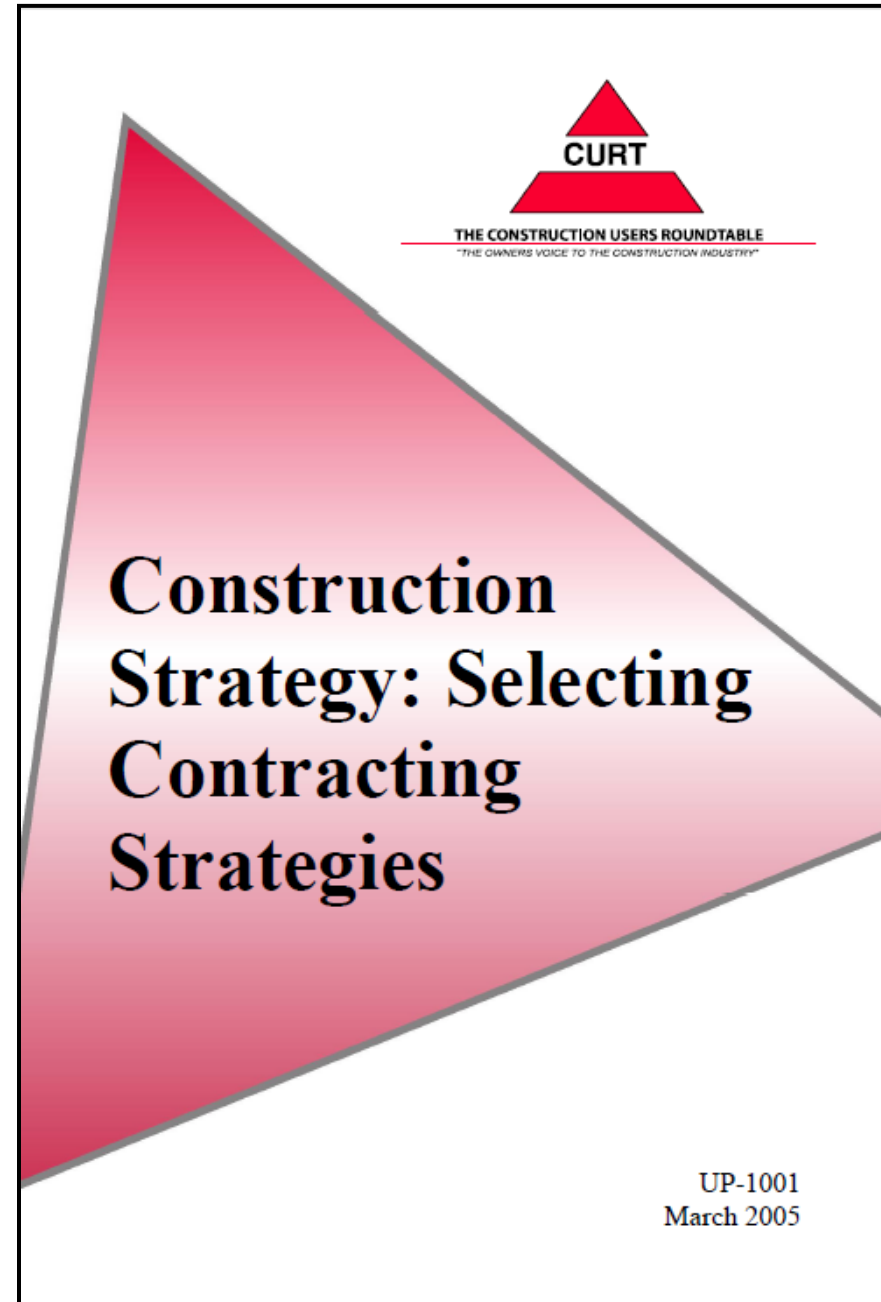
mkenig@holder.com

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