NOTES FROM

The Project Delivery Symposium

at the

Texas Society of Architects 72nd Annual Convention and Design Products and Ideas Expo

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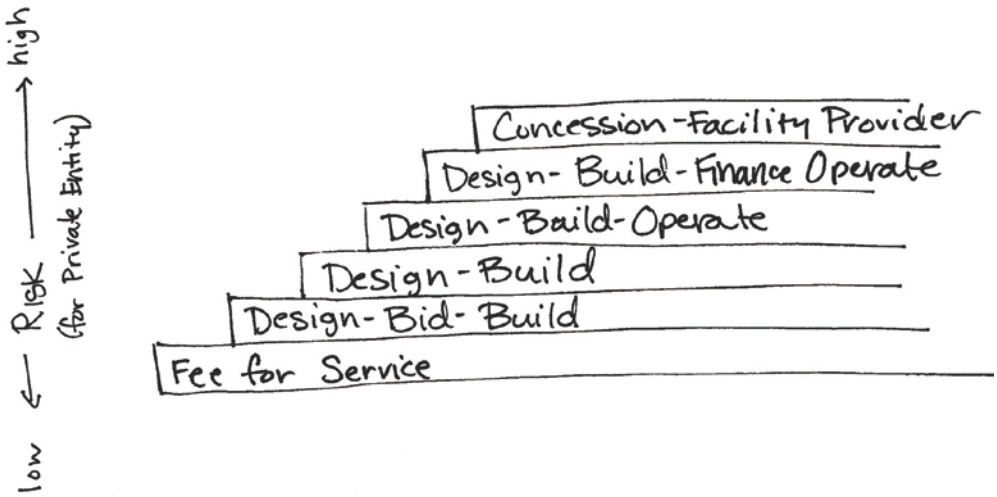
Notes Taken by: Morgan Robberson, Associate AIA

Public Private Partnerships (P3)

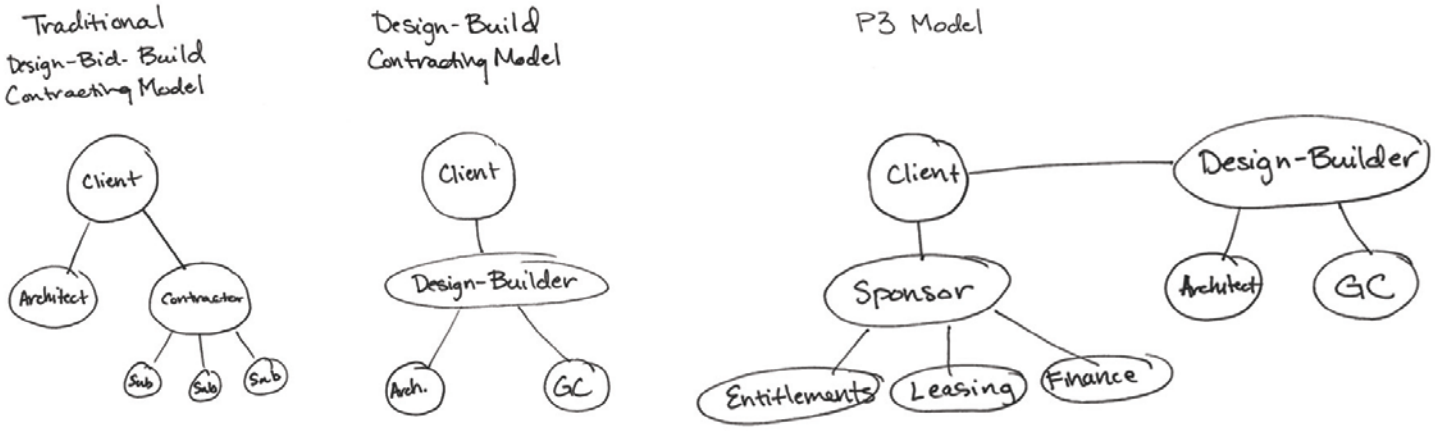
Presented by: **Geoffrey Stricker, of Edgemoor Real Estate Services**
Tim Merriweather, of Longbow Partners
Curtis Martin, of Ford Nassen & Baldwin
Corbin Van Arsdale, of AGC-Texas Building Branch

- Why P3s?
  - Deficits/Budget Balance
  - Infrastructure demand is constant
  - The need to do more with less
  - Different outcomes need a different process
- What are P3s?
  - Public entity joins with a private entity
  - They share goals, pool resources, and divide responsibility
  - The private entity usually brings capital/resources
  - There is a transfer or reallocation of risk
    - Design/Build
    - Operation & Management
    - Financing
    - Ownership



- "Value for Money"
  - The construction cost for a P3 project may be higher, but the overall cost may be lower because of reduced risk through financing
  - Lower project costs (10%-60% savings for municipalities)
  - Shorter project schedules
- Where can P3 be used?
  - There are 31 states with P3 legislation
    - Began in Virginia in 1995

- P3 Models
  - Turnkey Development
  - Real Estate Development Partnerships
  - Design/Build/Finance/Ownership
    - Private partner owns and operates for a set time, leasing the property to a public entity
  - Availability Payment



- Risks
  - Pursuit Costs
  - Design Build Cost fixed
  - Permits/Design Approval
  - Zoning
  - Schedule
  - Utilities
  - Court Standards
  - Payment/Performance Bond
  - Parent Guaranty
  - Retention
  - Liquidated Damages
  - Operations Risk
  - Service Fee Risk
  - Lease Space Risk
  - Client Risk

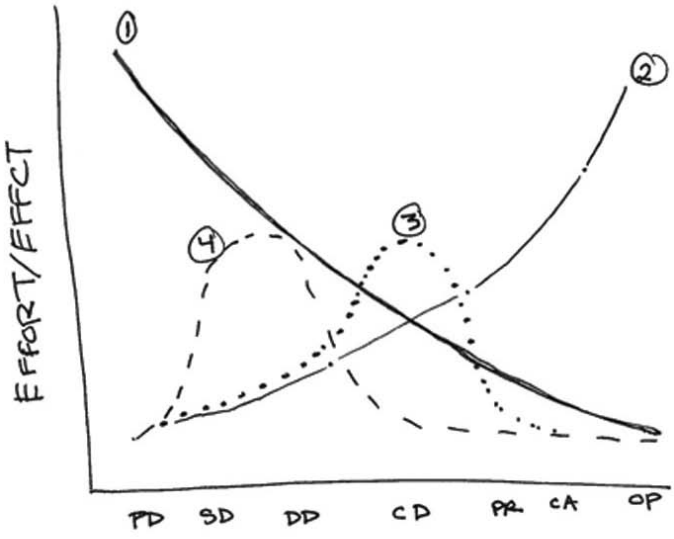
- P3s don't have to go through bond elections or approval of constituents
- Many Higher Education Projects are engaging in P3 development
  - Private Sector money subsidizes public sector development
- P3 legislation allows municipalities and other government agencies to raise revenue to fund public projects without increasing taxes.

Summary: A Public Private Partnership is a financing mechanism where a private entity funds a public project in exchange for profit that can be attained through interest payments, ownership of the project, leasing fees, etc. The public and private sector share the risk.

Integrated Project Delivery

Presented by: **Betsy del Monte, FAIA of the Beck Group**
Denton Wilson, of the Beck Group

- Drivers of Change
  - Inefficiencies
  - Cost and budget
  - Transparency
  - Lack of trust
  - Too much Conflict
  - Defensive behavior/finger pointing
  - Communication and Collaboration
  - Publicity on an alternative solution
  - Need for a better quality product
- Many firms have been using front-end teaming/partnering to collaborate on projects early on. IPD solidifies this process in a contract.
- IPD has been slow to be adopted because many belive that it is only appropriate for complicated projects
- IPD is a complex project structure. If you have a client that asks for IPD, ask them for <u>their</u> definition
- For IPD to work, the teams must be co-located
- IPD allows "re-work" or Value Engineering (VE) to be part of Schematic Design (SD) and Design Development (DD) rather than after Bidding when changes become more costly



#1: ABILITY to Impact cost & FUNCTIONAL CAPABILITIES
#2: COST OF DESIGN CHANGES
#3: TRADITIONAL DESIGN PROCESS
#4: PREFERRED DESIGN PROCESS

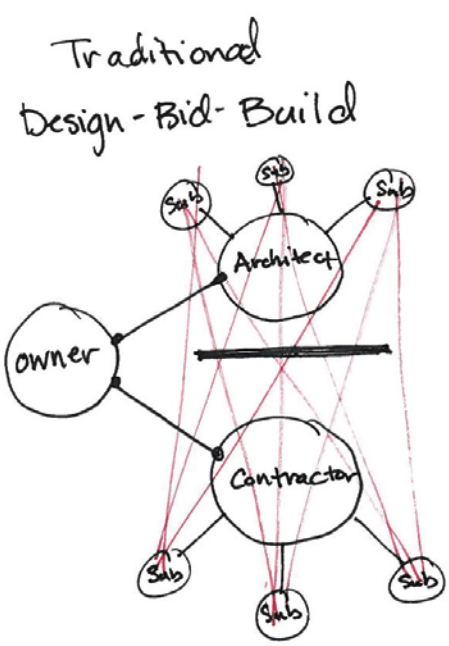
- Reasons that IPD is becoming more attractive:
    - Sustainable Design
    - Risk (P3 development)
    - BIM
    - Manufacturing Processes (Lean or Pre-Fab)
    - Digital Technology allows for Virtual Work
    - Generation Y
- IPD removes that barriers that limit action; it confronts the "silo mentality" and forces all parties to work together toward a common goal
- Target Value Design
    - IPD allows the team to design to a budget, not budget a design
- All parties are brought to the "table" early, and are compensated for their participation. This makes IPD expensive at the outset.
    - When bringing parties to the table you must ask: "What is the purpose of bringing this entity to the table early?"
- IPD will make Design Build stronger.

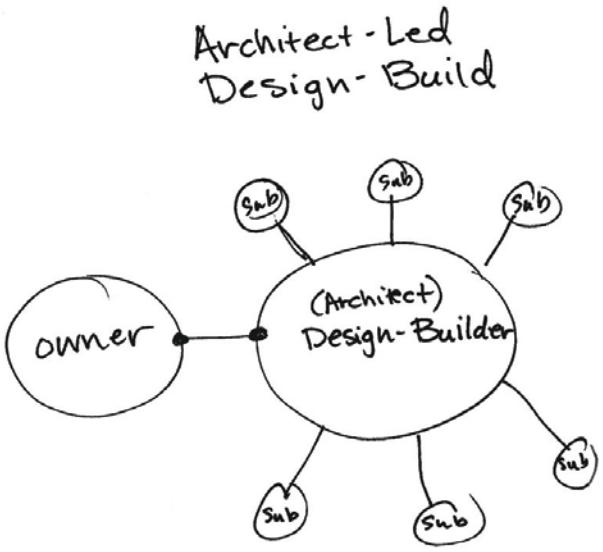
Summary: IPD is a contractual relationship that defines the communication strategy of the project team. It allocates risk, reward, and responsibilities. Its complex nature lends itself to complex projects (particularly healthcare), but its means and methods can be applied to other projects (even if only in part). These are often referred to as "IPD-ish" Projects.

Design Build Status Report

Presented by: Peter Gluck, of Peter Gluck and Partners

- Peter Gluck owns a practice based on Architect-Led Design-Build, as opposed to "Build-Design" as he called Contractor-Led Design-Build
- Architects assume less risk management, less supervision, and therefore have less control.





- Architects have been eliminated from the jobsite because of liability.
- The division between design and construction is Risk management
- In the early 20th Century, architects decided they wanted to be considered "professionals" so they moved from the jobsite, to offices.
- Full risk = full control
- "If something bad happens on a construction site, you are responsible. Why wouldn't you want to be there?"
- Eliminate Contingency
    - Building packages t are broken down by trade (not simply structural vs. MEP)
    - Gluck's office is staffed entirely by architects. They do all the drawings (including structural, MEP, landscape, etc.) and therefore coordinate the drawings better.
    - By giving exact figures, the architect eliminates the need for contingencies during bidding, but it also opens him up for more risk
    - Architect does the layout on-site. This takes the risk off of the subs therefore eliminating more contingency

- Insurance is often lower for Design-Builders because there are only two parties in the contract (owner and Design-Builder) (the architect won't sue the builder and vice versa)
- Architects must understand what does (and does not) cost money. This allows them to design better.
- Design Tightly, this requires more coordination
- Use craftsmen and tradesmen when possible; you'll get better quality
- How do you start an Architect-Led Design-Build Company?
    - Buy a construction company
    - Do a smaller project and put your office on the job-site
    - Once you learn to design, then build, it's not a big leap to developer
- Usually operate with a guaranteed maximum price (GMP)
- Don't design the structure or systems until the architectural design is done. Include other disciplines in the early discussions about theoretical systems; but they need not be designing and re-designing their systems until the architectural design is set.
- Bring subs in at DD to help design and bid the final package

Summary: Architect-Led Design-Build is a way for the architect to reclaim the construction site. It requires that the architect be well-versed in construction methods. The greater the risk; the greater the reward.

Project Delivery Summit

Panelists: **(P3) Curtis Martin, of Ford Nassen & Baldwin**
(D/B) Peter Gluck, of Peter Gluck and Partners
(IPD) Betsy del Monte, FAIA, of the Beck Group
(Owner (O)) Denton Wilson, of the Beck Group
Moderated by: **Carlos Cardoso, AIA of Beyer Blinder Belle Architects**

Q1: What issues or tasks should an architect be versed in, before entering into a P3, D/B, or IPD Project?

P3: Financing
D/B: Hunger to see the results of his design; desire for feedback
IPD: Communication; issues that inform the other person/entity's success
O: Thick skin; an understanding that you must slow down in order to speed up

Q2: How did you put your business together?

D/B: A small architecture firm expanded services to include construction. Now has 9-10 employees. The company is run as a construction company and therefore requires a large chunk of capital.
IPD: A small architecture firm merged with a large construction company

Q3: What are the deficiencies of the other methods?

IPD: IPD is limited by the scope of the project. Under Threshold ($1 million); Threshold ($1-5 million); Super-threshold ($5+ million); IPD has to have a client that is completely involved and driven. Client must understand building projects
D/B: Architect-Led Design-Build is appropriate for projects that are to be DESIGNED

Q4: Who controls the purse?

P3: We're all in this together.
D/B: The architect (if he's knowledgeable).
IPD: Designer has to be able to design to a budget; everyone has to buy-in

Q5: The Public doesn't think alternative methods of delivery can produce an excellent design. Rebuttal?

IPD: Design excellence is an attitude.
O: They can't be innovative if you don't give them time to be innovative.

Q6: Insurance Concerns?

A6: D/B and IPD get better rates on Errors and Omissions Insurance. Construction Insurance is the same regardless of the type of company doing it.

Q7: How do you get started?

D/B: You just start...on a small project

Q8: What about bonds?

D/B: I don't do projects with clients that require bonds.

Q9: How do you deal with the traditional mindset (combative)?

A9: Time & Experience; word-of-mouth