**Alternative Project Delivery: Boom or Bust**

**Curt:** Welcome. Thank you for coming to the “Alternative Delivery – Boom or Bust” presentation. I’m glad to have you here. What we hope to do today is go through and talk about some things. We know Alternative Delivery is here to stay. There’s a lot going on, a lot of different projects, and what we aim to discuss is what are some things that we can do that make it a better process for the architects and make it a better process for us operationally speaking? We have some project examples and things we’re going to talk about.

The panel today is Bill Prindle, CGL, Mike Brenchley with HDR, and myself, Curt Parde with HOK. We have a few slides here we’re supposed to go through. It’s copyright laws with the AIA material. This presentation is not information that the AIA says is absolute, but it’s information that we’re presenting for them.

**Mike:** They’re disowning us, in other words.

**Curt:** The course description for what we’re talking about:

Oftentimes architects are on the outside looking in. When it comes to Alternative Delivery projects, things are broken apart into parts and pieces, and a lot of times, things are done in the beginning and we have to come in at a different phase. As opposed to years ago, an architect was hired and we developed the project all the way through, and we had a lot more continuity on projects as they developed throughout the process.

Now, it’s different. We see that there are a lot of projects that were coming out with Alternative Delivery that already have a lot of stuff done, a lot of design done, in some cases, bridging documents done to different levels. There are a lot of different variables in the way that projects are delivered today.

What does that do to us? We would like to have a discussion and talk about that: the pros and cons of Alternative Delivery and the types of things that we’re seeing out there.

**Learning Objectives**

1. Understand Alternative Delivery options

The things we want to go over are to help out understand the different Alternative Delivery methods that are out there.

2. Risk identification

3. Risk mitigation

When you team up for a Design/Build or any type of Alternative Delivery project, there are a lot of risks. We need to be able to identify those risks as architects and engineers, know what they are, and then how to mitigate those. We’re going to talk about those types of things.

4. We need to talk about a different way of doing business, get the message to owners, clients, contractors, teaming partners.

We also need to think about, as architects, we do business a lot differently than we used to and it’s all because of the Alternative Delivery methods that we currently are working with. We need to talk with owners, clients, contractors and make sure everyone understands what our responsibilities are on a project team as we go forward. You’ll see throughout the presentation, I think, the advantage of that.

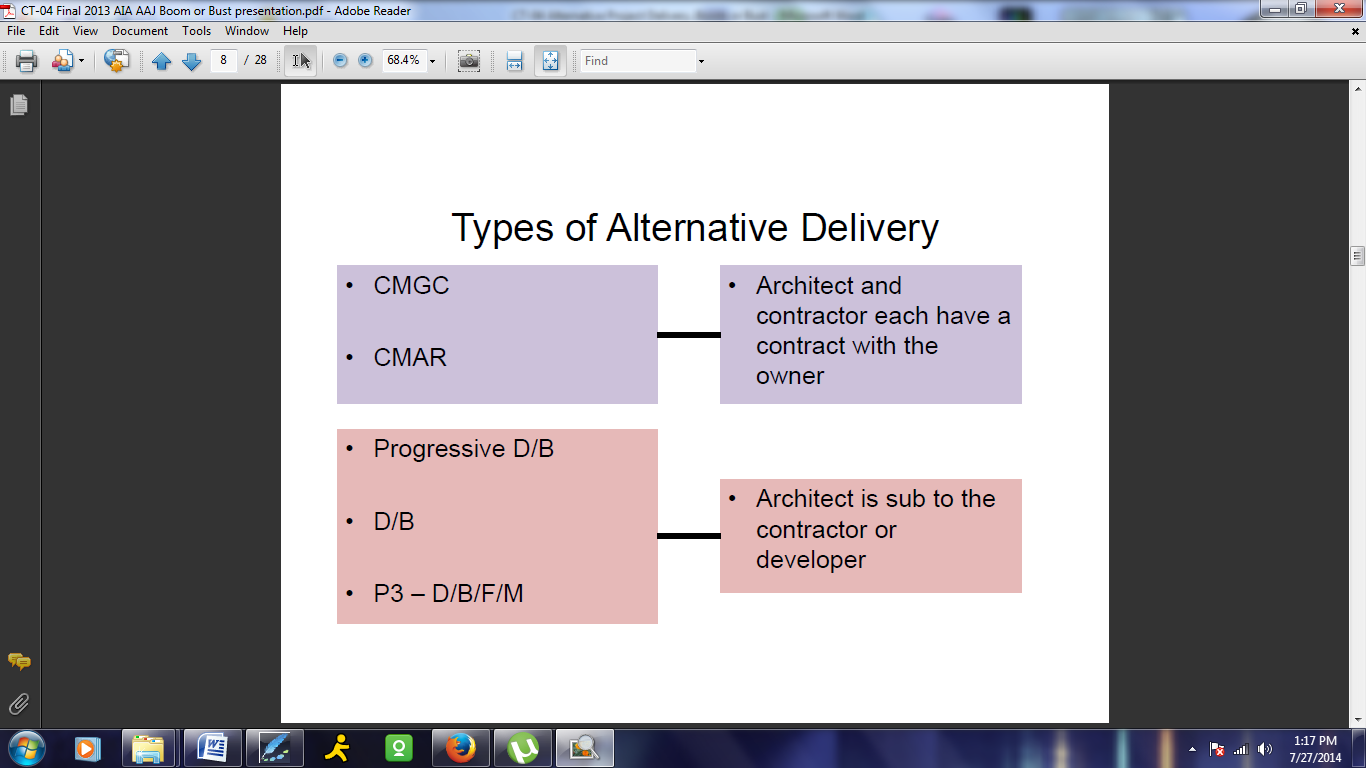
5. How to be successful on Alternative Delivery projects

I just attended the presentation on the Ontario project. It was a great presentation. It’s a large project, and many of these projects are very large. I think when that happens, there are so many opportunities for things to go wrong, and if you don’t establish clear contractual direction in the beginning and if not everybody knows what’s going on and who’s doing what, it can be a project fraught with problems as you go through it.

Those are the objectives that we aim to help you understand. To start off, Mike is going to talk.

**Types of Alternative Delivery**

**Mike:** Thank you. In terms of types of Alternative Delivery projects, we’re going to focus on two basic contract structures: (1) where the architect and the contractor each have a contract with the owner, and (2) where the architect is either a sub to either the contractor or the developer. The bottom three there is where we’re going to focus most of our time and our effort today.



* Progressive D/B

Progressive Design/Build, for example, is something that’s really more analogous to what we’re used to and more of a traditional approach. It’s a qualifications-based selection then joint development of scope in the first base of the project, followed by a guarantee maximum price on the second end of the project as more definitions are added.

It’s a contract type that we see a lot in municipal architecture and one that we don’t see quite as much in county work but I think it’s probably got some applicability. I think it’s something that we’re used to more as architects.

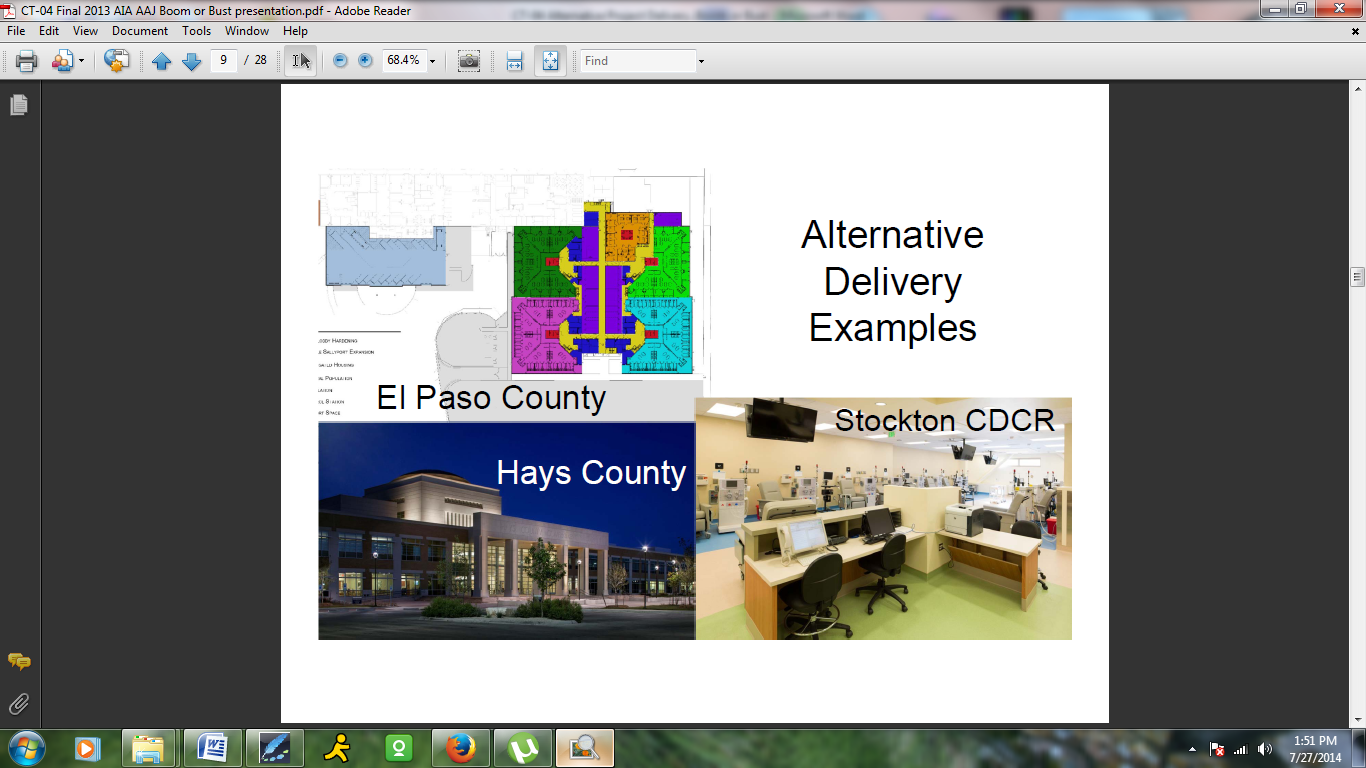
* D/B

Design/Build – firm, fixed price typically either based on performance criteria or very prescriptive criteria. You could have a very limited pricing phase or you can have an extended period with the best and final offer.

* P3 – D/B/F/M

There are a number of sessions this morning discussing P3 and that whole turnkey approach, where in our case we would have either a contract with the developer or the contractor, typically.

**Examples of Alternative Delivery**



We used three projects to use as case studies to develop the material today. The first is in El Paso County, Texas, a county jail using the Progressive Design/Build approach with pricing established in the middle of the second phase of the contract.

The Hays County Court and Government Center was a Design/Build approach with performance criteria and a target price, and after award, refined the scope and set the guaranteed maximum price at the design development level.

The Stockton Correctional Health Care Facility was a large mega project pursuit – over $500 million. It was a very complex pursuit using very prescriptive Design/Build criteria, docs, and a stipulated sum.

* Hays County Government Center

Design/Build with the program manager hired by owner. The owner assessed their internal capabilities and decided they needed some additional help. That was a good move in many respects because they were allowed to help facilitate the process and help facilitate timely decision making.

It was a two-step process with very limited bridging documentation. It was about a four-week or so phase-two response period so that allowed all the parties to keep their cost controlled, which is a good thing in many of these situations.

A couple of other takeaways is that from the start, the A/E staff and the contractor staff had to work in as integrated of manner as possible. The ability to conceptually estimate was really important, and that was one of the things that the contractor brought at the table. That allowed everybody to communicate quickly and to work through concepts and ideas very quickly to find the most optimum approach.

The other takeaway that we had from this project was as we were approaching the pricing stage and we were monitoring subcontractor pricing, we were brought underneath the tent, so to speak, and we worked closely with the contractors as they validated the sub-scopes of work and pricing.

We would go through together, and if there was a part of the project that wasn’t fully scoped, we said, “Okay, you understand you have concept drawings here and they’re going to be completed a certain date. Do you have scope in dollars in order to bridge that gap, and do you have a reasonable anticipation what’s coming?” If they said, “Yes,” then we would go ahead and go with that price. If not, we gave them 24 hours to come back and refine their price. That allowed us the ability to feel really confident on the number as we went forward.

* El Paso County Jail

Again, a Progressive Design/Build approach and RFQ based, so we had very limited cost in pursuing that project. It was very similar to the traditional pursuit. The owner had very loose performance goals so that first step of that contract was very important where we actually sat down with him and worked out the definitive scope of the project, and then as we went into phase two, established the price.

It’s a slower process because that phase one piece, especially if you have very limited information to start with, takes a long time to work through. The price is established at the D/B phase or you can do it even later. In this case, the A/E team really needed to help lead the owner through that discussion and through that evolutionary process of scope definition. Again, it’s very analogous to what we would typically do as architects – leading the owner and the stakeholders.

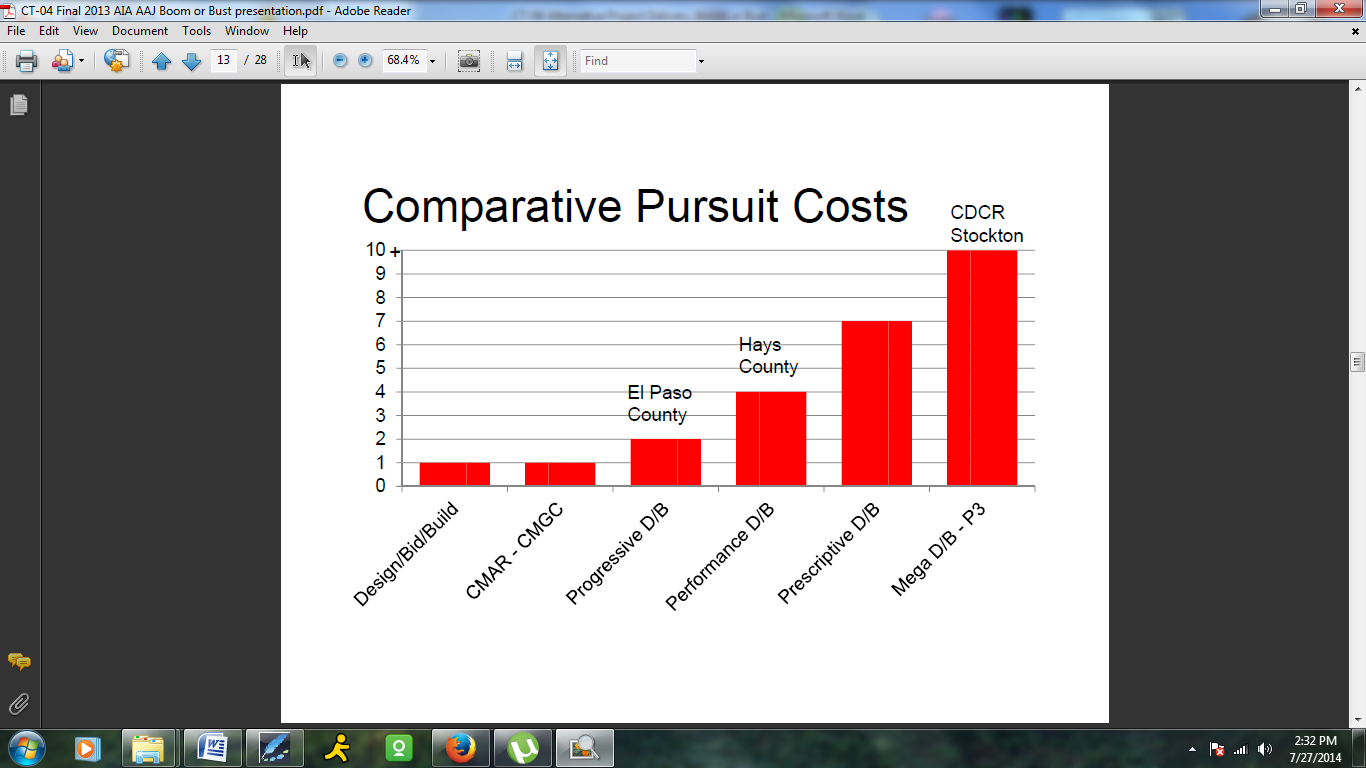
* Stockton Correctional Health Care Facility

The third project was the California Health Care Facility in Stockton. We termed this a Mega Design/Build pursuit, a $512 million stipulated sum contract.

There the owner worked in as much an integrated process as they could legally. They couldn’t sign a contract to tie you into a typical IPD arrangement, but their actions were as close to that as possible. Every major issue was discussed between the three parties trying to figure out what was the absolute goal that needed to be provided, and then we worked to the decision and worked to a response that was amenable to everybody.

A lot of partnering went on with that project. Numerous partnering sessions at strategic milestones in the project, but everybody had to have the right mindset – from the architect staff to the contractor staff to the owner staff. It really is about mindset, especially on these large pursuits.

The contractor’s ability to integrate scheduling and conceptual estimating is heightened in a situation like this and their ability to understand an iterative design process in the midst of a fixed deadline. This project had a fixed completion deadline, so any change from the bridging documents, any alteration created a ripple effect throughout the entire team.



**Bill:** This slide created a lot of controversy when we’re putting it together, so I’m sure it will still have some. What are the comparative costs? Basically, it’s like a $100 and $150 million project.

Design/Bid/Build pursuit cost, not including the prepositioning and all that kind of stuff, just the marketing, responding to the RRP, getting shortlisted, going to the interview, preparing all the stuff. There’s a value of maybe anywhere from $35,000 to $50,000.

CMAR-CMGC has about the same amount of effort.

Progressive Design/Build is slightly more than that.

Performance Design/Build – I had a controversy on this. Hays County is the Performance-based Design/Build. It’s really determined on what the deliverables are. On the Hays County project, basically it was blocking and stacking diagrams, a site plan, and some artistic renderings on what this building may look like. So it had a very limited amount of work you had to do and very tight timeframes, so those costs were held down.

When you get into the Prescriptive Design/Builds and, my god, you can see where we’re at – seven times it would’ve cost to do a standard Design/Bid/Build response, and then when we get into some of these Mega jobs, 10 plus. It is huge.

I think our design team had about $1.8 to $2 million wrapped up just on the architects and engineers. The contractors probably had an equal amount. It’s very costly in pursuing some of these very large Mega Design/Build projects. So when you take a look at this stuff, “Okay, I’m an architect. How many projects am I going to pursue in a year? How many am I going to interview? 10 or 12? What’s going to happen? One a month?”

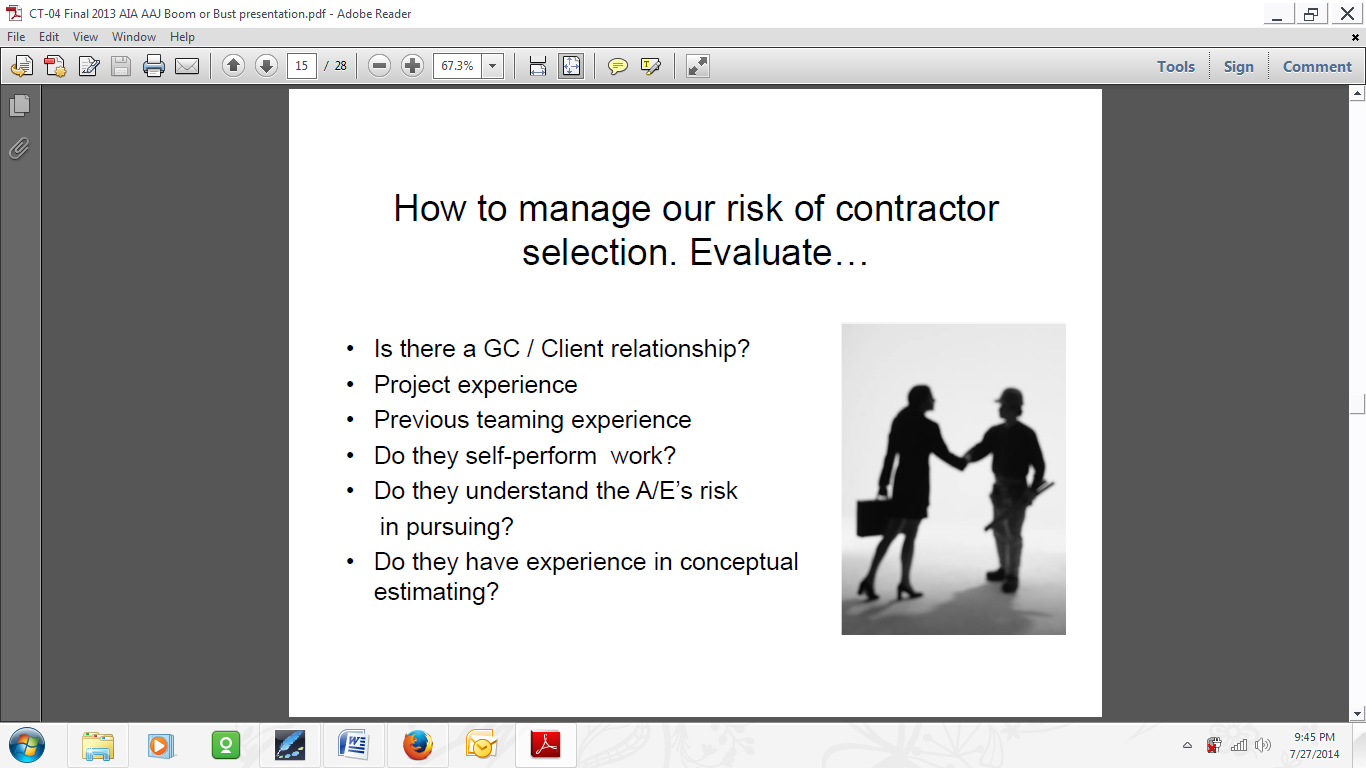
You can see what happens here is, your choice is “Do I do one Design/Build pursuit or do I do ten Design/Bid/Build ones?” The risk and reward is not there currently in our structure, and you can blow an entire year’s marketing budget just pursuing one project.



**Risk Identification**

We have identified five areas of risk identification. I think architects and engineers really need to look at the Design/Build process as risk analysis and mitigation, because if you don’t understand that, I think that’s where people get into trouble.

Contractors understand risk perfectly. That’s what they do. They manage risk. They spread it out. They do other things. They have been managing risk their entire lives, and here we, as architects, have been giving time-card contracts in terms of hourly projects or lump-sum type agreements and those kinds of things. We haven’t had to cover that kind of risk that we’re talking about when you look at a Design/Build team. We’ve identified five areas of risk and we’ll proceed through these here.



One thing is the selection of the contractor. In an earlier meeting, I said, “Is there a great relationship between the GC and the client?” That’s my number one. My number two is, “Is there a great relationship between the GC and the client?” You can probably go down three.

It’s very important to have the contractor have a good relationship with the client, because I’ve heard some clients say in the beginning days of the Design/Build, one of the reasons they’re foreseeing that area is they wanted to work with the contractors who performed well for them over the years. They didn’t want the guys who were **[15:23 inaudible]** them to death and creating claims and other kinds of things. I think we’ve moved past that now in the industry, but I think it’s still important.

What kind of project experiences the contractor had? Does it line up with the particular project?

Do they have any previous teaming experience? That’s always an issue that’s looked at.

Self-performing work: I believe that the contractor who self-performs a good portion of the work has a better opportunity of controlling the schedule and their cost.

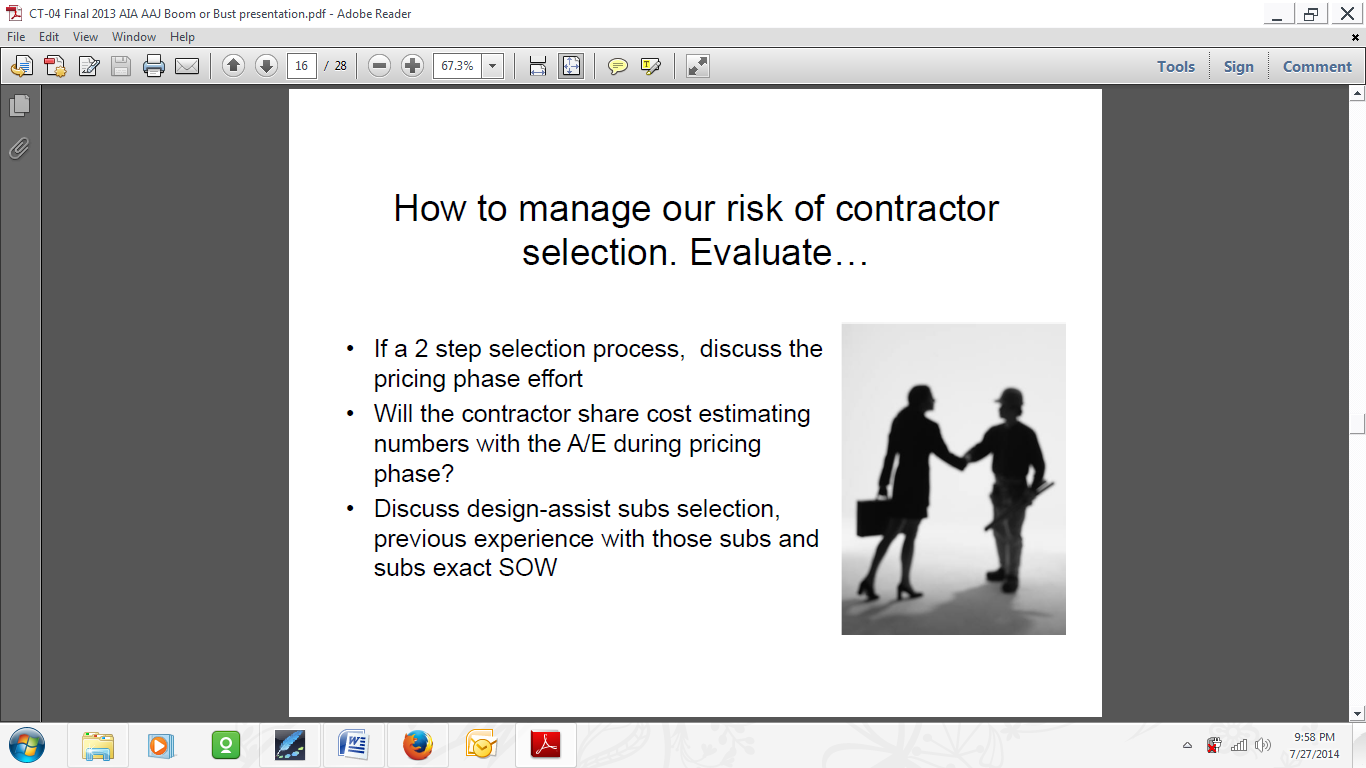
I met a contractor in Ohio, and I was just blown away. I said, “This guy is incredible.” He actually has the sand and gravel operation, he has a concrete plant, he has asphalt plants. They do everything. They’re completely vertically integrated. The only thing they sub out is the MEP work, but they do everything else in-house with their own forces.

In my mind, it’s important. But there are also the contractors that typically don’t self-perform a lot of work and you had to take a look at it. “Was that contractor competitive in the last three projects that we bid and he bid on? Did he win any of them? Are they able to get low?”

One of the things I look at is self-performing work. The other thing is if they don’t self-perform work, how are they doing on bid day? Are they winning projects? That seems to be another step I take a look at.

Does the contractor understand the A/E’s risk in pursuing these projects? It’s risk and reward. I know the contractors look at projects, if they’re very risky, their reward is proportionate to the risk. As architects, we need to understand our risk and make sure that we’re getting compensated appropriately for the reward portion.

Another piece that’s important in my mind is the conceptual estimating. It’s been mentioned before, but the contractor who can put together a conceptual estimate based on very limited drawings is going to require much less from the architect than the contractor who typically takes everything off or goes out and bids the work or has somebody else take a look at it. The conceptual estimating in Design/Build I think is incredibly important.



The next step is when we’re in the phase two thing – and this is really relating to pricing. Some of my experiences have not been so good in this particular thing. Others have been fantastic. I think there’s something lost if you don’t have the contractor and A/Es sitting around the table working on the price together.

It’s like, “What do you have in there for this?”

“I have this in here for that.”

“What does it include?”

“Well, it includes this, this, and this.”

“What about that, that, and that?”

“Well, I don’t have that.”

I think the more successful projects and the ones that we win are when the A/Es are sitting with the subs and the general contractors working on the pricing. It’s not a big secret. We’re not going to go out and blab it around town and post it on Twitter or anything like that, what the pricing is looking like. I think there’s something lost if the A/Es and the contractors and the subs are not working on their pricing together.

The other thing is on the design-assist subs. Some of the mechanical, electrical, and plumbing subcontractors say they’re Design/Builds, but in reality. they don’t have the production capabilities. They can design things, but they don’t have the production capabilities that you need in a very fast-track project.

One of the strategies is to use your mechanical-electrical engineers as a sub to the MEP subcontractors so they can crank out the work and get it done, but you have the MEP subcontractors directing the work and making sure everything’s coming in just right. The MEP subcontractors sometimes need a lot of help in the production effort to be able to get these things done on time.

**Staff Qualifications**

I mentioned this earlier: you need to have the right mindset. Mike mentioned the same thing, too. We have to have the right mindset in terms of working together as a team, and I think, unfortunately, there are too many architects and engineers who have not quite gotten on that boat in terms of the contractors or our client.

We’re here to serve our client. We’re a team, we’re in this together. We’re not enemies. Forget what happened on the last job with that particular sub. They’re a partner on this one. Let’s work together. Getting the right mindset among all the team players is very important.

We already mentioned that we have pricing with the architect and contractor working together. The same thing goes with the schedule and sequencing of the work.

The other piece is if the team is on the hook for the price, everyone needs to be there when decisions are made, so that things aren’t being made in a vacuum or there’s a decision that’s made to change this material to something else and information doesn’t get to the architecture and engineering teams. The next thing you know you’re wondering why this metal went in with this big mistake. The idea is if we work together, communicate regularly, things ought to work.

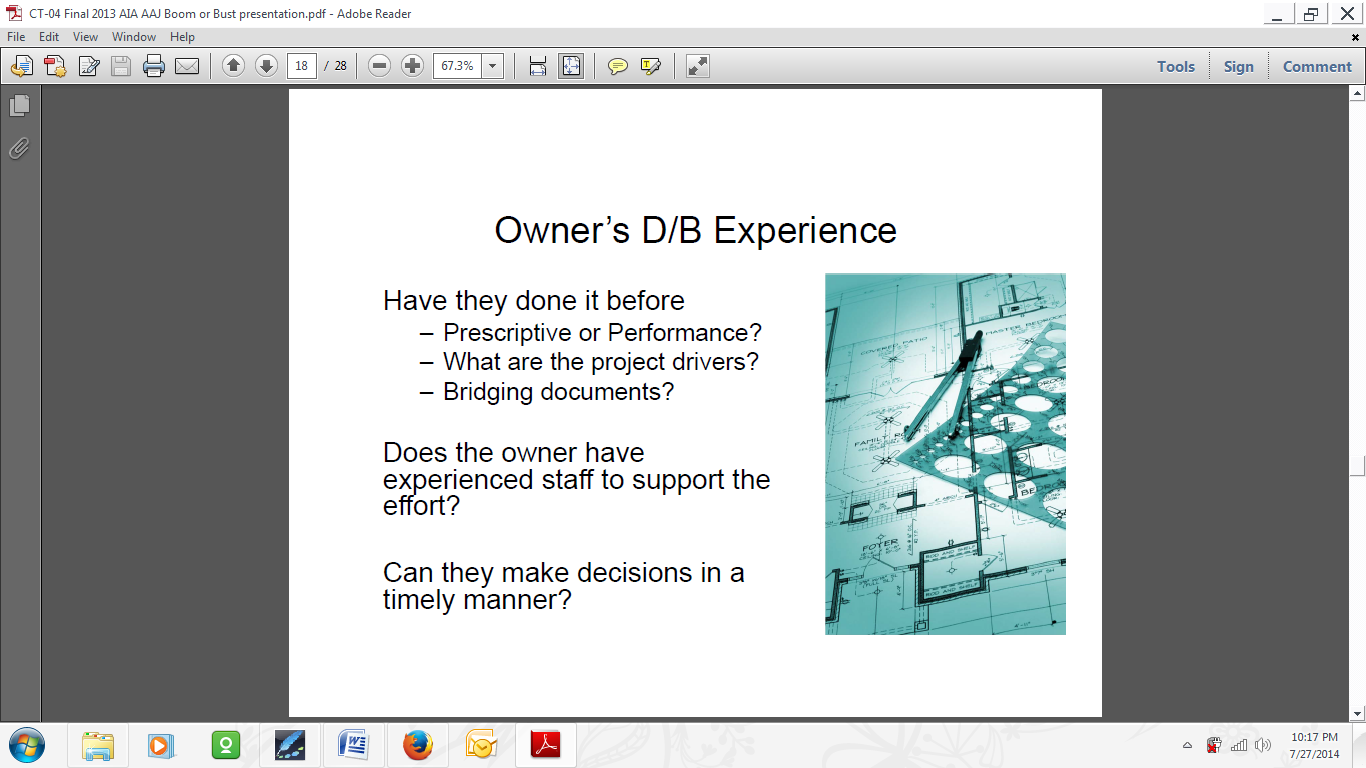
In the execution phase, everyone needs to guard against scope creep. The scope creep will kill a project, and it’s the client out there saying, “Could I have this? Can I have that?” I really need a contractor friend mine to go, “No, you can’t have that,” or “Maybe you can have that. We’ll have to find a way to trade it out.”

As a designer, I love it when I have a contractor who’s sitting there right on top of the pricing – he’s monitoring the pricing and the scope as you move through the design process and it makes it a much better process.

We also need to work within an integrated schedule. By that, I mean there are some pieces of the work that are starting construction, there are other pieces of work that are just under design, and what does the contractor want first of all? He wants the foundation. What’s the last thing the structural guy designs? The foundation. He starts at the top and then works down.

As designers, we need to understand what the contractors need to perform their work and then work our design schedule in the manner that supports that integrated schedule.

**Owner’s D/B Experience**



**Mike:** Another risk is the owner and the owner’s experience with Design/Build. If it’s not part of our evaluation process on a pursuit, it probably needs to be. We need to think about that.

Have they done Design/Build before? If they haven’t, there’s going to be a huge learning curve there that we are probably going to have to help bridge.

Do they know what they want? If they do, then that should help inform how they’re going to deliver that project even in an alternative mode.

Will they use prescriptive information? Will it be performance-based information? How creative can we be, based on that decision?

What are the project drivers? Typically, you hear schedule and cost, but is it something else? Is it long-term performance? Those are the things that they need to really have a handle on so they can provide us proper information so that we can make an informed response.

Do they understand the goal? Do they have people on their side of the table who are going to be experienced and understand how to monitor and administer a Design/Build contract? If they don’t have much experience, we’re probably going to get someone who’s used to a traditional method and can end up being really restrictive, really punitive on the team. That, again, is an education process in how to take the client through the Design/Build process.

Can they make decisions in a timely manner? It’s critical, especially in fixed price Design/Build. Can they make decisions? Do they have a process? If so, what it is so that we can know this ahead of time and schedule and tee that up and make this process as smooth and uninterrupted as possible.

**Architectural Contractual Risk**

Contractual risk is probably a whole session in and of itself. Here’s where we can help make or break our business deal and guard against things like flow-down **[24:24 ?]** provisions from the master agreement and the like. Most of the time, contractors are going to live in a world of guarantees and warranties. We live in world of standard of care – normal and customary standard care and care based on a standard of negligence.

Those are very two radically different concepts, so what we really probably need to think about is upfront in the memorandum of understanding (the MOU), your teaming agreement, start to get some of the key points out on the table ahead of time before you go too far down the road and have to cross these bridges later.

For example, standard of care: talk about errors and omissions and contingencies for errors and omissions, whether it’s a betterment issue or whether it’s just a non-negligence E&O issue. Somewhere along the line, somebody has got to carry a contingency for that. If we’re going to use Design/Build and the owner is going to transfer some of the risk and some of that responsibility elsewhere, it’s going to land with the Design/Build entity. So between the two of us, how are we going to work that out?

That’s a very important conversation that needs to happen, and it’s a conversation that people tend to push off until the end or they don’t even do it. I think that’s something we, as architects, need to pay attention to.

We need to take a look at the master agreement, the contract that they are going to sign as the contractor or the developer, because there will be guarantees and warranties and liability and indemnification issues that maybe we can’t react to through our insurance carriers.

We need to understand what those are and talk through what some of those restrictions may be and maybe put a clause in our design contract between ourselves and the contractor that says, “We can accept the other risks but this one we can’t.” I can guarantee you: they want us to have insurance, so they don’t really want to do anything that’s going to harm our ability to maintain our insurance coverage. We definitely need to look at that, and if somebody does not want to share that information with you, then that’s a red flag as to, “Are we really talking with the right folks?”

The issue that Bill mentioned before maybe was phase-two cost. What we do has value, and we have to at least broach the idea of compensation for extraordinary efforts that we may have to put forth in the pricing phase of a job. We have to cross that bridge. At the very least, it’s going to open a discussion between the parties.

The contractor will say, “We really don’t do that.”

“Okay. Maybe you don’t, but here’s what’s the requirements are. Here’s what we typically do. For the type of return that we’re looking for, i.e. fee, here’s what we can put into this job.”

Now what do you need to be able to respond? Can we work out a scope of work that works within those parameters and makes everybody happy, or if we have to have more, then we have to talk about some sort of compensation even at a reduced multiplier because it’s really important and it’s a huge business decision for us as architects.

The other thing would be to understand that we are taking on risk even if we get compensated even at a reduced multiplier. There’s still additional money at risk. The concept of a risk fee is not something that we should shy away from. I think we should open that discussion. Contractors, as Bill mentioned, they understand risk, they understand reward. We should be no different.

**Financial Risk/Reward to the Firm**

**Curt:** Financial risk and a reward to the firm: that’s a big deal. When you start designing in a Design/Build project, you’re at risk because you’re developing design, and that’s we do for a living. We create designs for buildings to be paid, and all of a sudden, we are in this paradigm where we have to design buildings and do it at risk, and if we don’t get selected, we don’t get paid for that project.

Lost productivity is an issue when you look at Design/Build projects, so you need to really pay attention to that as a firm and understand what your risk is when you’re looking at that. When your architects in your office are working on a Design/Build pursuit, they’re marketing and they’re not doing billable work, so you need to consider that when you take on a Design/Build project.

As a consideration, a $500,000 marketing effort really is $1 million to the firm when you look at it because instead of doing billable work, those people are not on the boards. They’re designing something that you can’t invoice for. There’s a lot of cost associated with these kinds of pursuits and it’s something that you really need to pay attention to on your bottom line.

Both Bill and Mike talked about pricing package cost. Marketing cost is obviously more for a Design/Build pursuit, and discussing that with the contractor before you get started is very important. Everyone on the team needs to understand what the architect and the engineer’s costs are to do a Design/Build project before you get started.

You don’t want to get caught in the middle of a Design/Build pursuit, and all of a sudden, the contractor’s asking you to develop to the nth degree these design details or floor plans, and you weren’t planning on it. Then, all of a sudden, you have a lot of additional effort you hadn’t planned on. You have to pull people off of the billable work to get that done.

That can be a huge issue for your firm, so you really need to pay attention to that. The way to do that is to work that out, work the deliverables out with the contractor or with your teaming partner, developer, or contractor, whoever it is, before you get into the middle of that phase.

Architects, we love to draw, we love to make pretty buildings. Sometimes we may do too much in a Design/Build project. Yes, it’s important to win. Obviously, you have to develop conceptual drawings and develop the projects so that everyone can understand what you’re trying to get across. But be smart about how much effort you’re putting into it and figure out that important point where you don’t have to go past, because you can really spend a lot of money developing conceptual drawings and designs.

In some cases, that’s not what really is helping the owner select the project. On a Design/Build/Finance/Manager or a Design/Build project, a lot of times it comes down to the lower fee. You may have the best design and the best drawings out there, but in the end, it’s really the low fee that generally is what gets the project. Consider that, and as you’re working through your solution and developing your proposal, pay attention to that.

Draw only what is required. Make sure your staff understands what the differences are between a Design/Build proposal in a Design/Build project and a Design/Bid/Build project. There are a lot of people I know I’ve worked with – I was probably one myself at one point – who draw more than they need to in certain areas. I always try to tell people it’s the same amount of effort to do a Design/Build project as a Design/Bid/Build project, but it’s a different type of effort.

In a Design/Build, you’re working a lot more with the contractor, you’re developing pursuit drawings and ideas, and they’re taking a lot of information and developing their cost from it. You don’t have to draw the same types of details, but you have to spend the same amount of time with them, getting your ideas across to them. It’s a different type of effort, and you need to have your staff understand that.

During the Design/Build pursuit phase, a lot of times you’ll get asked by the contractor to provide all this information. Question that. The Design/Build team is oftentimes are going to ask for things. They have inexperienced people just like architects have inexperienced people, and it’s important to realize that and pay attention to that. If they’re asking for something that doesn’t necessarily have to be done during the Design/Build pursuit phase, question them on it, and you don’t necessarily just do it without asking why and making sure it’s something that needs to be done.

Identify the scope in schedules or narratives when possible. If there’s something you can do now with them in all of our modeling that we do… These are smart drawings. You can put a lot of information in those and you can set them up so they can spit that information back out into a format that’s scheduled or something like that.

Really, a lot of that stuff does save time and effort, but be smart about it. Don’t take that information and try to put into another different format. There are better ways to do things and take advantage of the software programs that we have now in terms of BIM modeling.

**Mike:** I’d like to add on there. There’s the classic example is, “I need a reflected ceiling plan.”

“Why? It’s already scheduled – acoustical tile, 2x2 lay-in ceiling. We already know the type of light fixtures. It’s coming from the electrical folks. The mechanical guys identified their diffusers, supply and return. What do you need to see up there? Do you need to see grid lines? We already know it’s an acoustical tile lay-in ceiling.”

There are some things that you can get off schedules that would help you reduce the amount of drawings that you need to do. You just have to think a little bit differently.

**Curt:** Getting back to the BIM modeling. We own that BIM model. We hand it over to the contractor in the Design/Build format, and it’s important for them to understand they can’t take dimensions off that BIM model. Make sure they understand that. Don’t get yourself in a situation where they’re out there building the project off the BIM model and not your drawings. That can be a huge issue.

Clash detection: they do a lot of those kinds of things with their subcontractors and so forth. That’s very helpful in getting contracts and construction underway quickly and effectively. But again, just make sure they’re aware of who’s responsible for managing that model, and that they cannot take dimensions off the BIM model.

**How Do You Maintain a Strong Client Relationship When We Are a Sub?**

The next thing I wanted to touch on is: how do you maintain a strong client relationship when you’re a sub? I’ve seen this multiple times on Design/Build projects I’ve done, and it’s just the nature of the way things are going. If we’re a subcontractor to the contractor or developer, whatever the case may be, we’re a step removed from having that contract with the owner the way we used to always have. That doesn’t have to be a bad thing, but you really have to pay attention to that.

I’ve been on projects where we had a program manager and a contractor and I’m the architect It’s three entities who the owner now has a contract with and everyone’s vying for attention with the owner. I think it’s important to recognize that and make sure that you’re able to keep that strong relationship with the owner, with the client.

Bill always mentions, as well, that our client now is the contractor, and that is the case. But also there’s the end client, the owner who owns the building. You want to be able to go back to them after the project is complete and say, “You’re my reference for the next project.” You want to make sure you have that reference so that you can go out and pursue more work. It’s important to keep that client relationship and not let it languish and not follow through. I see that happen.

The way to do that is strong communication. Strong communication pretty much is the answer for most things, and in this type of alternative delivery where things were moving so quickly, you have to have your project team understand they have to work closely with each other and talk continually throughout the whole design and construction process.

Also, I think some owners don’t understand now with the new Design/Build or Design/Build/Finance/Manage process who really does what. I think it’s up to the architect to make clear to them what our responsibilities are. If we don’t do it, probably other team members aren’t going to do it. Make sure that they understand what you’re responsible for so they don’t expect you to be doing something that maybe they saw their architect do back when they did a Design/Bid/Build project five years ago, because it’s different now.

Make sure they’re clear on that, because that can help clear up any confusion they have. Maybe they think you’re not performing in a certain area but, in fact, you’re doing everything your contract says you need to do. Just make that clear to them.

I find the owner usually wants the A/E heavily involved in the design phase. We have been on projects where sometimes you’re kept at arm’s length from the owner. Team members, contractors sometimes want to control how much you design, how much you put into the project. They don’t want one of the designers mentioning that they’re going to put gold-plated plumbing fixtures in the bathroom – as an example. They try to control the information that’s going from the designing team to the owner.

The bottom line is my experience is that owner really looks to the architect as being the leader from the design phase. They understand that we’re the design professional and we understand what they need. We’re trained to understand and to work with them and develop a design that functions and does what they needed to do. They’re usually looking for us to be a strong leader in the design phase. Don’t let that go, because that’s how you really keep that bond with the client who becomes your next reference.

**Mike:** I’d like to add on if I can on that. I talked earlier about getting the architects, the engineers, the contractors, and the subs all in the room when this pricing effort is going on. That will help the design team as you’re moving forward in the next phase of work knowing what’s actually in the project.

I had it happen several times where, “Oh yeah, yeah. That’s going to be a precast concrete,” and then they say, “No, we changed that out to dry wall and studs.”

Sometimes things happen in the pricing and you don’t know about it as your architect and you’re in there at the follow-on review meetings with the client and you do something that’s embarrassing for the entire team – not only yourself but the rest of the team. That kind of involvement is really helpful.

**How Can Architects Successfully Work on Alternative Delivery Projects?**

**Curt:** Finally, with all this said, we’re throwing some stuff out there, how do we successfully work on Alternative Delivery projects? We know that we need positive references for the future. The way we get future work, it’s by the past work that we did, so we need those references. We need to stay actively engaged with our clients, with the owners, so that they understand that we’ve done a good job for them. So if we ask the next entity to give them a call and give them a good reference, they will. Make sure you keep that up.

Make sure your architectural team members understand what is important on an Alternative Delivery project. It’s different. Make sure that they are not doing things that they don’t really need to be doing in terms of developing drawings and additional effort during the marketing phase. That’s one phase where you’re developing the initial design effort, the concept. Are they communicating regularly and completely with the contractor, getting information back and forth for pricing and during the concept phase?

During the pricing phase, open dialogue so that everyone understands what you’re putting in the specifications, so the contractor knows it, so there’s not that gray area. You have to be vocal. You have to have a lot of regular meetings with your contractor teams as well with the owners so that everyone understands what’s going on.

Execution during design and construction: what I usually see on Design/Build projects is you have to keep your technical people involved throughout the design and construction phase. It’s a different effort. It’s not less effort. it’s just a different type of effort that you need to provide on a Design/Build project.

Keep your project architect, that guy who really understands the building technically. Make sure you plan for him to be involved during the construction phase quite a lot, because you’re going to get a lot of questions from the contractor and you need to be able to respond. If you don’t respond quickly during the construction phase, they’re going to look at you and say that you didn’t really perform the way you needed to perform. Make sure that you understand that.

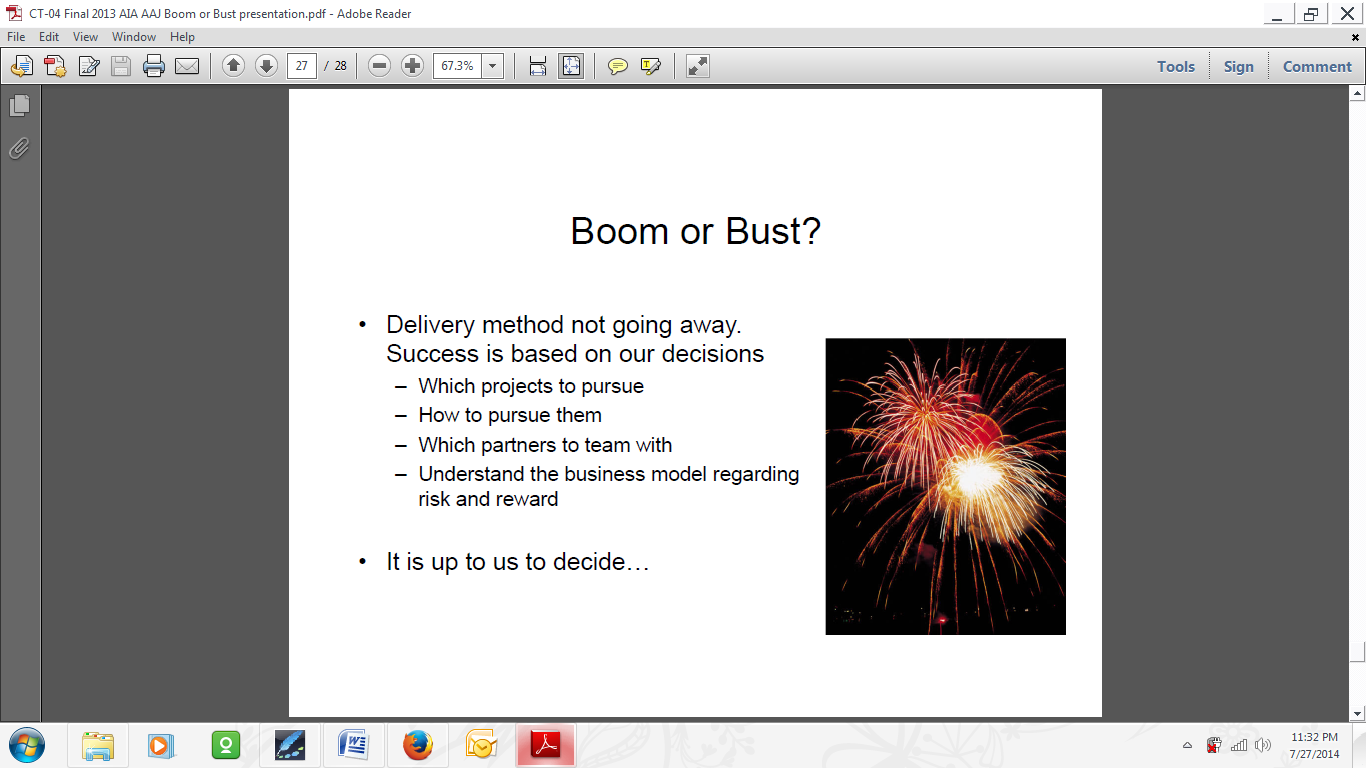
Subcontractor design assist involvement: again, that’s a way to get subcontractors involved with you during the pricing effort, making sure they understand the design. That can work very well. You can have your engineering team work with design assist team members to make sure they figure out the details of who’s stamping the drawings and who’s in charge of the design effort as it moves forward. It’s very important that you have that discussion early on so that everyone knows what they’re doing.

**Mike:** Know your contract limits. Don’t be afraid to set limits on the contract, be it a deliverable, a number of value engineering cycles, BIM support in regards to clash detection, or what have you. Don’t be afraid to set a limit on anything you think you might have a risk exposure on.

Remember that we are part of the Design/Build entity. We are tied to the price – hopefully, we helped create it. Make sure that we have the right mindset when challenges come and we have to work together collaboratively as a team to overcome hurdles that are going to invariably happen.

Communicate regularly, communicate often, and communicate internally. It’s easy in the heat of battle as we get a little siloed on how we’re going to produce certain elements that sometimes we may not communicate internally, let alone with our client or a contractor. Make sure we communicate. Communicate often.

Be a good partner. At times, you may have to consider aligning yourself a little bit with how the contractor is aligned in terms of his leaders and his team leaders and the like. That’s going to make communication easier between the two entities. It may put a little burden on us internally to make sure we’re talking to each other internally, but I often find that proper alignment is critical in executing these Design/Build agreements.



**Bill:** I’m not sure what that graphic has to do with “Boom or Bust?” but it fills some space on a blank page.

Speaking for myself, I think the architectural and engineering communities need to be smart about how we do these things. I think we haven’t successfully or thoroughly enough assessed the risks and those kinds of things, so we need to be careful about how we pursue these projects and make sure that things align so we have that opportunity to succeed.

But, for myself, I love it. It is absolutely the best form of project delivery. I started off doing CMGC work here in Oregon back in the late ‘80s. I had great relationships with the contractors who worked on that, and then we moved into the Design/Build, which was almost the same thing except the contract was with the contractor. I actually love it.

When I do a Design/Bid/Build job now, I feel like I have one arm tied behind my back. Where’s my partner I can bounce these ideas off and get the best bang for the buck? I love the project type. I think we just need to be smart business people about how we pursue these things.

God bless. I love it. I think that concludes the bulk of our presentation. If there are any questions or comments, feel free to ask.

**Participant:** That was very thorough. I wouldn’t expect less from any of you three. Evaluating risks and looking at the way you go forward, I think for courthouses especially, the client’s not the client. We have the owner and the user, and sometimes that user is multi-headed. Maybe you would like to address how… I’ve heard it. The contractor on a Design/Build says, “I’m not letting you talk to the judges.”

**Bill:** Basically, whether it’s a jail or a prison or a fire station, or whatever, you still have the contracting piece of that agency and then you have the users. The courthouse is not much different than a prison. What makes it different is you have judges. For the life of me, I don’t understand how a group of people who are paid to make decisions can’t make a decision! It’s just phenomenal.

When we were interviewing for the Stockton CHCF project, at the end of the interview, one of the selection committee members said, “Bill, what’s your fear on this job? What’s the stumbling block we need to look after?”

I said, “As far as I’m concerned, it’s indecision. We have to be able to make a decision and move forward.”

He said, “Rest assured. We’re great at making decisions. The problem is we can’t make our decisions stick from one week to the next.”

It’s the same type of thing. You’re going to have part of that, and I think any architect knows that it’s going to be an iterative process. The contractors, I think, are coming to understand that, too.

But judges are a different animal altogether. I completely agree, and I don’t have a good answer for that.

**Curt:** I have one way to look at it. My experience has been – this can’t happen always – if you have a contractor you’ve worked with in the past, they understand you as an architect and your process. To me, on a Design/Build pursuit, the best situation is if you have a teaming partner who you’ve done work with together before. They are going to trust you. It’s really an issue of trust. They don’t want to sit you in a room afraid of what you’re going to offer. Where are you going to give up?

However, if they have worked with you in the past and done a project with you, then they understand that they can trust you. I think that goes a long way in them allowing you to do those design meetings the way they need to be done.

**Participant:** I think Bill made a fantastic point earlier. Sometimes it’s good to have a bad guy sitting there with you – good cop, bad cop. You can try to help the judge, but the contractor is going to sit there and say, “You know, I don’t think you can do that.”

**Mike:** That requires our contractor to have communication courage, as well. They have to be able to sit in that room and say, “Hold on. I don’t think we have that,” or “Let me check on that.” But you have to have those meetings – the owner and the stakeholders – and to look for architects to lead them through that process. That’s what they’re used to. That’s what they’ve experienced before.

We have to have the trust. Whether we’ve worked with them or not, ideally it’s better. But either way, the contractor and the architect have got to trust each other. They have to know that we’re not going to make a commitment on scope or dollars unless they are there to be able to chime in.

They have to chime in. We have all experienced situations where we may have sat in the same room together, and we may have gone through a scope discussion where somebody says, “Yeah, let’s raise the building a foot.” “Great! Alright, fine.” Contractor silent. We just added 20% to the grading on the project. Then whoa, we’ve got an issue and so then we’re scrambling to try to make up money somewhere else.

**Participant:** I’m just curious. You talked about the risks in your contractor selection. But what I didn’t hear was understanding the contractor’s backlog and pipeline, because if they’re busy, you want assurances that if you’re going to a competitive situation, you’re going to get their A team and everyone shows up with the resources to proceed. To me, that’s one of the biggest risks with contractor.

**Bill:** I think the contractors – god bless you –do a much better job at that than the architects. The architects never want to turn work down. The contractors say, “We’re committed. Our best people are tied up on this other project. We won’t be able to put our A team out there. We really don’t want to go after it.”

I think contractors are better self-regulators, again, because I think they manage risk better than architects and engineers do.

**Mike:** The resource identification is critical on both sides. We go through that every time.

**Participant:** That’s an excellent presentation. I thought you guys captured Design/Build and what goes into it, especially from the architect’s perspective and what’s important to us and what we need to think about really well. I just wanted to start by saying that.

I especially like the graph where you show the cost comparison between the pursuits or types of projects. I was wondering, when you start to look at the Design/Build where you have to put a lot of documentation, particularly the Mega Design/Build that you showed, how often are you seeing stipends by the owners for the shortlisted teams that do have to put that effort in? And generally, roughly speaking, how much does that stipend tend to cover the actual effort that you put in when you do this stuff?

**Bill:** It generally covers the bar tab. But, seriously, the stipends… I don’t know why they didn’t put them out there. I think it’s probably to encourage people, but it might be 10 cents on the dollar or 20 cents on the dollar that people put in collectively – the entire the team. It’s chump change, actually.

**Mike:** It’s about 25% probably.

**Participant:** I just moved to Canada. I was amazed at the level of stipend that was paid on a D/B/F/M pursuit. I think that’s one of the reasons the gentleman this morning was talking about pursuing jobs and actually still being able to make money, even if you don’t win them all.

If you look at a stipend on an IO **[52:42 ?]** project for the design team, if you follow the “I’m going to draw the least amount possible in order to win” philosophy, you’ll get your cost cut. You’re not going to make a profit, but it’s more than a bar tab. I think the stipends I’ve seen thrown around in the States fall into your category, Bill. It’s like, “Well, that’s the model cost.”

**Participant:** I think the real P3 tend to cover much more. We like to look at it as developers that the architect should get **[53:15 inaudible]**. We want to align them with the rest of the team, so if we lose, it hurts and it hurts everybody equally. But you need something to survive, as well.

**Mike:** It’s a most sophisticated process.

**Bill:** What they have going in Canada is wonderful. I wish they could bring it here. Seriously, we whine and cry and complain about how much this costs in the A/E team. The contractors, they’re out an equal amount or more. This stuff is very expensive stuff to pursue.

I just think what they do in Canada is much more humane than the bloodbath that we go through here in the States.

**Participant:** It’s not perfect up there either.

**Bill:** Yeah. But it’s more humane. I didn’t say it’s perfect.

**Curt:** I think another thing that comes into play there a little bit is Performance Design/Build versus Prescriptive Design/Build. I think in the Performance Design/Build model, you just don’t have to develop as much, and if you have a relationship with a contractor you worked with before, that model can work really well and it can really reduce your cost, because you understand each other. You can have a quick meeting and they can understand what you want to develop.

On a Prescriptive method, it’s a whole lot different. That’s what this Mega pursuit that we talked about was.

**Bill:** You still go back. It depends upon the deliverables. If a Performance-based thing wants to see the reflected ceiling, then you’re going to do it. It’s really on the deliverables. I think any qualification-based selection process that we can get into… Like some of these Progressive Design/Build, we’re in situations where it’s all based with the Design/Build team. They’re getting 60 days to work with the user groups and the client to come together with the design and a price. It’s presented, and it’s either thumbs up or thumbs down, or you negotiate where it needs to go. But if they can’t reach some type of negotiation, they go onto the number two team.

Some people might say, “That takes a lot of time if you do it that way.” Not really. When you talk about working all the way back to developing the bridging documents, the advertising, the shortlisting, and all the other stuff like the proprietary meetings, and so on and so forth, my guess is you can probably go through two or three failed offerings before you would exceed that timeline.

I don’t think it’s ever going to happen. I’ve seen it so much in the CMGC work. I don’t know of any situation where the contractor had to walk away because they couldn’t come to a price. We worked together as a team in a CMGC environment to get to that price, and then the architect is required to work with the contractor to get to that price.

I think if we can get more on the quals-based selection process, it’s going to be better off for the constructors, it’s going to be better off for us. We’re all going to be happier.

**Mike:** Some of that is educating the owner early on in the early marketing stages. Getting out there, talking to the owner, understanding what their issues are, maybe helping advise them on delivery methods to use. If we’re reactive, then we are going to be stuck in the paradigm that we’re in, by and large.

**Curt:** Part of that issue of being reactive today is there’s not really a standard down here in terms of the way we do Design/Build. A lot of times, we’ll submit on a two-phase project and we really don’t know what the second phase is going to come out as. It puts you on a quandary.

We’ve made agreements with teaming partners who say, “If it comes out this way, it’s going to be a whole lot more on my part and I’m going to have to jump out. I can’t afford if it’s a Prescriptive method and it’s just going to cost a whole lot more.”

Because it’s not standard, we really oftentimes just don’t know how it’s going to come out in the phase two process. I think as we move forward and as that becomes more standard, it certainly helps us all know where we’d be.

**Participant:** Great comment right there. That’s usually the hardest part that I see. I need to back out and not destroy the relationship with a contractor when you really don’t know what the deliverables are and you agreed to X, and now the second phase comes along and they want X, Y, and Z.

**Mike:** You have to talk that through in the MOU and the teaming agreement. You have to have enough open and honest communication back and forth. “These items are deal killers for us. If it comes out this way, we have to bail, unless you’re going to pay us or whatever.” Or it may come out in a contract term. The master agreement may not ever be changed and there may be consequential damages in there or something else that’s a red flag corporately that you can’t swallow. You have to tell them, “If it’s any one of these things, I’m sorry. But that’s it.” Everybody has to go on with their eyes wide open.

**Bill:** The teaming agreement has to have some type of mutual exit strategy, because there are things in there that a contractor would take a look and say, “Hey, this is too much risk. I can’t take on this on.” We understand that.

I’ve been involved in some Design/Build pursuits where we get all the way to the final pricing and no one could get to that price. You don’t submit and you don’t get the stipend and you get that – zero. The project is either budgeted wrong or they were so prescriptive that they weren’t allowed to change anything to get to the budget, and so on and so forth.

I think you have to be upfront with the contractor and the contractor be upfront with the design team to say, “We’re a team until we find something that torpedoes it for one or both of us.”

**Participant:** One of the red flags during that two-stage process is oftentimes you’ll go into stage one not knowing how many teams are going to shortlist for stage two. That can be a big red flag and a deal-breaker, as well. If they shortlists three and you’re one of the three, then you’re all in. If the shortlist is six, I don’t know if the risk is worth it.

**Curt:** You really need to analyze that. In some cases, owners/clients who put RFPs and RFQs out that way I don’t think really understand the process real well. That may be a red flag right there – a risk that may make you back away from that particular project because they’re probably not going to evaluate it fairly. It’s just not going to be an open-book type of process, and maybe it’s something you don’t want to be involved with. It’s just a business decision you have to make.

**Participant:** They don’t talk about the second phase.

**Participant:** If they don’t talk about it, that’s a red flag.

**Mike:** That’s a red flag and you have to ask.

**Curt:** Because they haven’t done it.

**Mike:** Exactly. They’re coming from a traditional bid world and they want seven or eight bids to go through, because they don’t understand the process.

**Participant:** That’s where the stipend conversation gets very meaningful.

**Mike:** Yeah, absolutely.

**Participant:** Are they going to pay all 17 of us the stipend?

**Participant:** I think the worst ones are the single-step technically acceptable low price or low bid Design/Build where you might be competing against 15 to 20 teams, and if you look at the breakdown of the teams, you’ll find out that there may be specialty contractors on nine or ten of those different teams. That’s obviously a red flag.

**Bill:** Again,it’s being upfront with each other at the very beginning, talking about some of the break points for your side and understanding what their break points are. It’s all business, folks.

**Mike:** It’s a business model.

**Bill:** It’s a business decision. The contractor, sometimes you’re going to have to back out, and sometimes the architects will have to back out. But, hey, we’re all grown adults and understand these things.

**Curt:** It’s pre-marketing. It’s knowing that client, knowing that project. If you haven’t talked with them before the RFP is on the street, then…

**Mike:** You’re toast anyway.

**Curt:** Get to know them and understand what they’re looking for. That helps you understand where they’re coming from, too. That helps you understand what the red flag is in that case.

**Mike:** Thank you very much.

**Bill:** Thank you.