Progressive Design-Build
A Smart Alternative to Lease/Lease-back?

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Presentation Outline

- Value of collaborative/progressive Design Build
- Variations of Design Build models
- Structure of Progressive DB process
- Selecting the DB Team
- Process Post Selection of DB Team
- Owner Responsibilities
- Challenges of Progressive Design Build project delivery model
- Discussion
Why a New Way?

Introduction

- Deliver Exceptional Project Outcomes
- Develop Programs that meet all Owner and Stakeholder Requirements
- Create an Environment of Collaboration
- Develop a Partnered Approach
- Facilitate Resolution & Problem Solving
- Promote Creativity & Innovation
- Fully utilize most advanced design and construction techniques
- HAVE FUN!!!

Why Design-Build?

Introduction

- Single point of accountability
- Qualifications focused selection
- Performance warranty from design-builder
- Enhanced risk allocation
- Fewer claims
- Faster delivery
- Earlier guarantee of project costs
- Different variations can be tailored to the unique project and client needs
Design-Build Variations

“Bridging / Prescriptive DB”

- Owner must provide sufficient design (usually 10-30%) to support bids
- Selection is based on some combination of qualifications, schedule & cost (GMP)
- Reduced collaboration: DB not involved in early decisions
- Owner is responsible for any changes required to meet performance requirements
- Opportunities for innovation by DB Team are reduced

Design-Build Variations

“Performance / Design Competition DB”

- Proposers provide design during proposal based on Owner’s performance/design criteria
- Includes standard construction specifications while allowing proposers greater flexibility in the design & approach
- Often requires some level of design completion much like the prescriptive approach (can be as much as 10-30%)
- Design is completed with limited participation from the owner during design competition with the exception of performance objectives detailed in procurement docs
- Owner provides higher honorarium or stipend (critical to success)
- Expensive for proposers
- Owner provide one-on-one input to proposers during competition
Progressive Design-Build
A New Way

- Design-Builder selected at the outset of the project based on qualifications and previous performance
- Allows for enhanced collaboration from the beginning
- Fastest procurement and least expensive for proposers
- Design-Builder is responsible for performance
- Quicker, more cost effective project

“Progressive Design-Build”

- Growing in popularity amongst owners & practitioners
- Design to budget
- Distinction begins during procurement: Owner selects based on design-builder’s qualifications
- Qualification based selection allows Owner to invest in project vs. lengthy and costly procurement approach.
- True collaboration of construction and design
- Results in a more cost effective and constructible design
Procurement Steps

Statement of Qualifications Score Based On:
- Written Technical & Qualifications
- Team Qualifications
- Key Personnel Experience
- Experience with “Projects of Similar Scope and Complexity”
- Oral Interviews (Scenario based interview)

Proposal Score Based On:
- Overall management approach
- Project controls, scheduling, cost tracking, GMP development
- Design Development
- Collaboration and integration

Projects of Similar Scope and Complexity

- Describe the perfect project experience
- Size of the project
- Design-Build or other collaborative delivery method
- Be specific if it helps: type of hospital, category of airport
- Be general if specific would limit competition
- Proposers receive more points if the project meets more of the criteria
Design Excellence

- Important part of every procurement
- Owners do not need to conduct a design competition

“Design excellence is present in memorable design solutions that meet the owner’s budget, exceed the owner’s vision and defined functional requirements, and create state of the art structures and facilities that are high performance and sustainable while considering context, site and the environment.”

“The Finalist should discuss at least five examples of projects exhibiting design excellence in which Key Team Members had a substantive role. Additional points may be awarded for design excellence in Projects of Similar Scope and Complexity. In addition to photographic renderings of the designs, Finalists should describe how the design a) met the definition of design excellence set forth above and b) furthered the owner’s goals for the project.”

Cost Evaluation For Procurement

Example Cost Calculation

<table>
<thead>
<tr>
<th>Description</th>
<th>D/B Team 1</th>
<th>D/B Team 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programming Service (Lump Sum)</td>
<td>$1,000,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Design Builder Management Cost (Lump Sum)</td>
<td>$12,000,000</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>Overhead &amp; Profit Fee (Percentage of Trade Packages)</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Estimated Trade Package Value (Lump Sum)</td>
<td>$300,000,000</td>
<td>$300,000,000</td>
</tr>
<tr>
<td>Budget for Design Services (Lump Sum)</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Overhead &amp; Profit Calculated (Lump Sum)</td>
<td>$15,000,000</td>
<td>$21,000,000</td>
</tr>
<tr>
<td>Total Evaluation Cost (Lump Sum)</td>
<td>$338,000,000</td>
<td>$347,500,000</td>
</tr>
</tbody>
</table>

Percent Difference: 2.81% Higher

Percent of Points to be Awarded: 100%

Point Awarded: 194.38
Example Cost Evaluation For Procurement

1.1 The Design-Builder’s Fee will be inserted in Section 6.2.1 of the Standard Form of Progressive Design-Build Agreement between Owner and Design, and its Exhibits, attached hereto as Attachment C. For scoring purposes, the Design-Builder’s Fee shall be multiplied by the estimated budget for the Project set forth above ($13,500,000.00).

1.2 The Proposed Validation Period Not to Exceed Amount shall be inserted into Section 6.1.1 of the Standard Form of Progressive Design-Build Agreement between Owner and Design, and its Exhibits, attached hereto as Attachment C.

1.3 The Design-Builder’s Fee and Validation Level of Effort shall be scored as follows:

<table>
<thead>
<tr>
<th>Price Element</th>
<th>Adjustment</th>
<th>Scored Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Design-Builder’s Fee (%)</td>
<td>$13,500,000.00</td>
<td>2</td>
</tr>
<tr>
<td>b. Proposed Cost for Validation Not to Exceed Amount</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Total Scored Amount</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

The Finalist with the lowest Scored Amount will receive all ten points. The remaining Finalists will receive a proportionate share of the ten points, based on the proportion that the Scored Amount for their proposals exceeds the lowest Scored Amount. By way of example, if the Scored Amount for the second low Finalist is ten percent higher than the lowest Scored Amount, the second low Finalist shall receive 9 of the 10 allotted points. The points will be rounded to the next lower point. Likewise, if the Scored Amount for the third low Finalist proposes is 75% of the lowest Scored Amount, the third low Finalist shall receive 7 of the 10 allotted points.

Pricing In A Progressive Design-Build

- Validation of project metrics early in the project
- Transparent open book pricing with Design-Builder providing continuous information
- Options for fixed fee and/or general conditions for Design-Builder
- Final GMP is developed between 40-60% design completion
- Contract provides variety of pricing options, including lump sum, not to exceed, unit pricing, competitive trade bids.
- In the event owner finds the design-builder’s (LS or GMP) unacceptable, the owner can opt to proceed in a traditional manner
- Complete flexibility
Managing Risk Through the Contract

Validation/Proposal Development Period
- Subject to a guaranteed Not To Exceed amount
- Design-Builder verifies Owner provided information
- Design-Builder and Owner collaborate to develop final scope
- Deliverables From Design-Builder:
  - Contract Price and Schedule
  - Final Scope
- Contract Amendment with commercial terms

Contract Execution Period
- Design-Builder completes design and constructs the project
- Design-Builder must meet the schedule and price
- The Owner’s engineer will oversee testing

Contract Protections
- Design-Builder will always be subject to a Not to Exceed ceiling.
- Design-Builder will be required to provide designs consistent with the agreed project scope and budgets.
- Design-Builder provides robust financial and project information, including weekly updates on budget and schedule.
- With a GMP, the Owner has the right to audit the Design-Builder’s books.
- The Design-Builder collaborates with the Owner to determine final scope, schedule and cost.
Incentives

- Periodic performance incentive
  - Rewards behaviors where breach of contract is difficult to determine
  - Timeliness, collaboration, submission of designs responsive to the BoDD
- Savings incentive tied to score on performance incentive

Goal

Encourage practice of collaboration early in the project and the behaviors will create their own reward.

Owner Responsibilities

Owner creates the project definition & objectives...
the project funding or financing

Provide a supportive & collaborative project environment
  - Owner or Owner’s Rep Team that knows Design Build
  - Co-Locate with Design Builder

Provide well Defined Project Program
  - If this is not possible, then identify a project contract phase for programming

Respect Design Builder schedule
**Owner Responsibilities**

Make timely decisions – Develop a Process & Parameters for Decision Making

- Not a micro manager
- Not missing in-action

Stay engaged during project development & execution to meet the owners objectives

Educate Upper Management about DB and how it is different from other project delivery methods

If a Project “Off-Ramp” is provided in the contract, understand consequences

Owner’s Team must understand all components of a project GMP.

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**Owner Program Required**

Regardless of DB Delivery Method – Owner’s program is essential

- Strategic Plan: Business Model/Master Plan/ Other Plans
- Space and Functional Program
- Design Criteria (Parameters)
- Performance Required/Expected
- Campus Standards/Guidelines
- Reliable Target Value Budget
Collaborative 360 Degree Risk Management

• Risk Management Teams
• Transparent and Collaborative Risk Identification
• Proactive and Continuous Risk Assessment
• Timely and Measurable Risk Mitigation
• Informed Decision Making Process
• Best Practice Tools
• Integrated Workflows
• Decision Making
• Communications

Progressive Design Build Challenges

• Owner may have a culture that is not familiar with a shared risk model
• Owner’s Team needs to have a deep knowledge of GMP development
  ✔ Agreement on contingency, general conditions, escalation, etc.
• Delay in agreement on GMP can impact project schedule
• Creation of Common Vision
• Trying on TRUST
Top Critical Success Factors

Institutional factors:
1. Leadership Committed to Success of Design Build
2. Complete Program Requirements & Design Decisions
3. Program Change Policy
4. Leadership Role in Budget and Schedule Management
5. Clear Project Governance Structure and Mechanism; Clear Authority

Project Management factors:
1. Design-Build
2. Partnerships – Pre-qualifications
3. Applied Lessons Learned
4. Utilize Technology
5. Early Selection of Equipment or Systems
6. Budget and Schedule Management (Including realistic alignment with scope expectations)

Partnering Program

Partnering is a structured process which two or more organizations, also known as the Project Team, collaborate together to create a high performing team by:

Committed to teamwork communication, trust transparency, respect, and fairness.

Creating a Collaborative environment that sets goals and objectives to produce an exceptional project outcome.

HIGH PERFORMING TEAM
Progressive DB - "A Refreshing Approach"

- Timely & cost effective delivery
- Greater control of the design decisions impacting, scope, quality, cost & schedule
- Enhanced risk allocation
- Ability to select preferred equipment, trade contractors and vendors
- Guaranteed price either using the GMP or LS approach
- Guaranteed schedule
- Guaranteed performance
- Quicker & more cost effective procurement

Discussion

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