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Professional Practice 544

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Contracting Methods

Alternative Project Delivery Methods

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* The provisions contained herein are taken directly from the AIA Document
A201 – 2007 General Conditions of the Contract for Construction.

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AIA DOCUMENTS

AIA A201

- Project General Conditions – Integrated with most forms

A Series

- Owner – Contractor Documents (including bonds)

B Series

- Owner – Architect Documents

C Series

- Other Agreements (construction manager, consultants)

G Series

- Payment documentation, Change Orders, RFIs

The Various 2007 A-Series Owner-Contractor Contracts: Related to Project Payment Type

AIA A101

- Standard Form of Agreement Based on a Stipulated Sum

AIA A102

- Standard Form of Agreement Based on the Cost of the Work Plus a Fee with a Guaranteed Maximum Price.

AIA A103

- Standard Form of Agreement Based on the Cost of the Work Plus a Fee without a Guaranteed Maximum Price

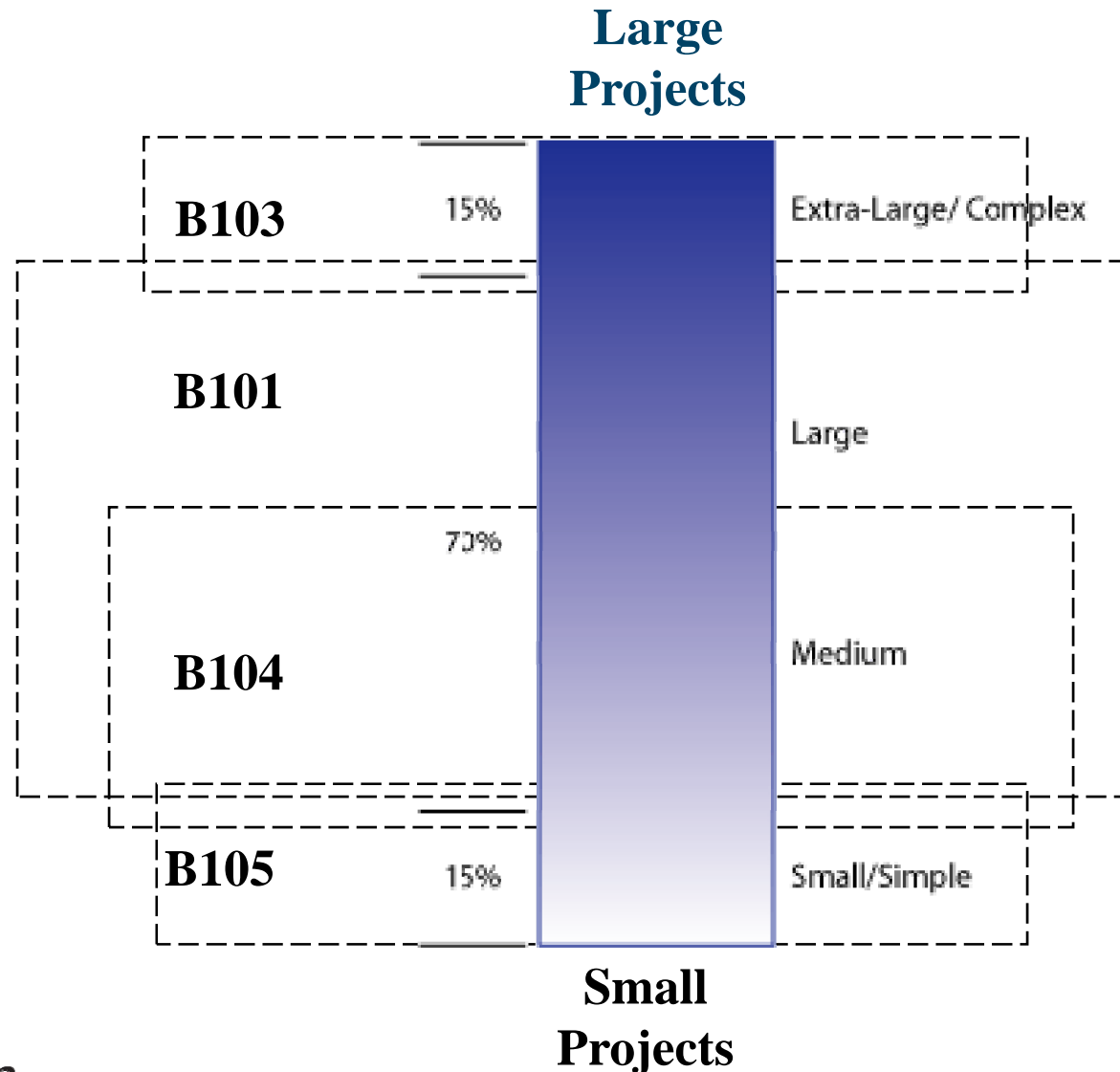
AIA A107

- Standard Form of Agreement for Project of a Limited Scope

AIA A141 141/2 - 2004

- Standard Form of Agreement between Owner and Design-Builder

The Various 2007 B-Series Owner-Architect Contracts: Relationship to Project Size



PRICING VARIATIONS IN CONSTRUCTION CONTRACTS

Pricing Variations in Construction Contracts

Fixed price (lump sum) contracts

- Contractor bears risk of cost overruns
- Contractor has possibility of windfall profits
- Encourages adversarial relationships

Cost-plus (time & materials) contracts

- Fee can be a percentage, fixed sum or any formula
- Difficult for owner to control costs
- May have a Guaranteed Maximum Price (GMP)
- May have a savings sharing clause with a GMP or target price
- Change orders only change GMP or target price

Pricing Variations in Construction Contracts

Unit pricing –

- Owner pays a specified cost for a particular quantity of work
- Best for repetitive types of work (concrete, roadways, etc.)

COMPETITIVE BIDDING

Competitive Bidding – Traditional and Fast-Track Methods

Required for public projects

Purposes: To achieve the lowest cost, and an impartial forum for contractor selection

“Short-listing” bidders (pre-qualification)

The typical process

- invitation to bidders
- submittal of bids/proposals
- opening of bids/proposals
- evaluation of bids/proposals
- notification and award of project
- signing a formal contract

Competitive Bidding – Traditional and Fast-Track Methods

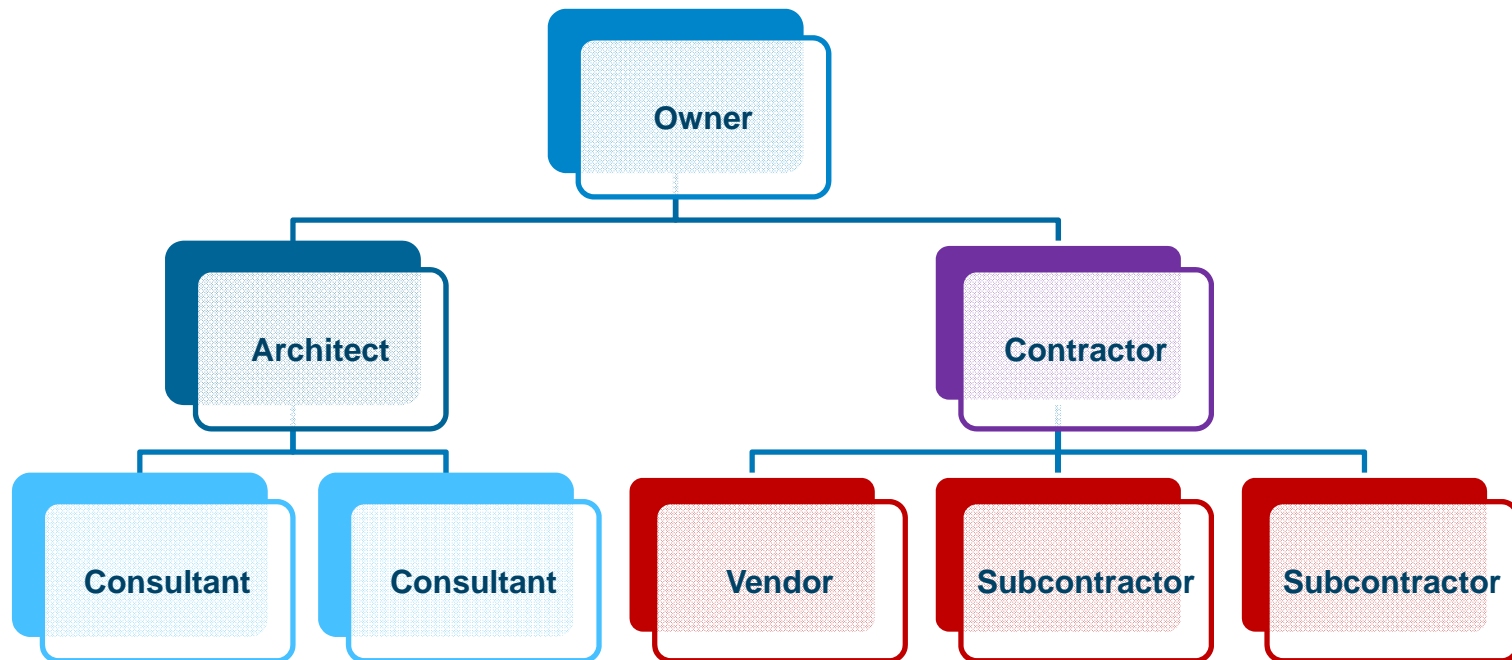
Bidding errors

- Bids with clerical/arithmetic errors can be withdrawn (but not modified)
- Bids with judgment errors cannot be withdrawn
- Exception: the “snap-up” rule (where owner should have known of the bidding mistake by comparison to other bids)

DIFFERENT TYPES OF CONTRACTING METHODS

TRADITIONAL CONTRACTING MODEL

Traditional Owner-Architect-Contractor



Traditional Owner-Architect-Contractor

Advantages

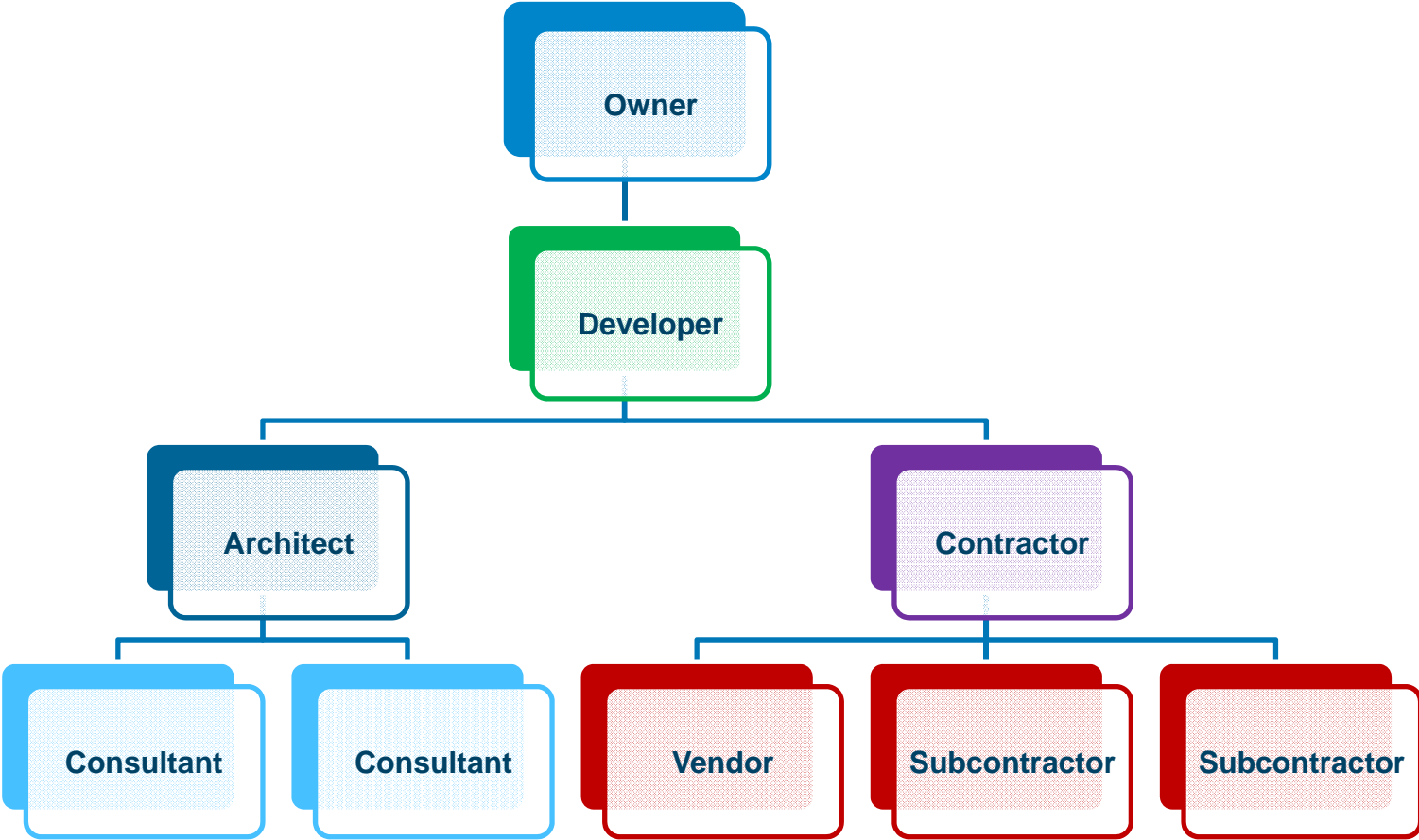
- It is common, so the marketplace is comfortable with it.
- Plans are usually complete prior to bidding or final pricing.
- Architect remains independent.

Disadvantages

- Often little input from contractor during design.
- Slower delivery time due to back-to-back phasing.
- Often adversarial relationship between G.C. and A/E.
- Price competition reduces profits or renders some projects unobtainable.
- Other problems.
 - Claims Contractors
 - Truth in Bidding.

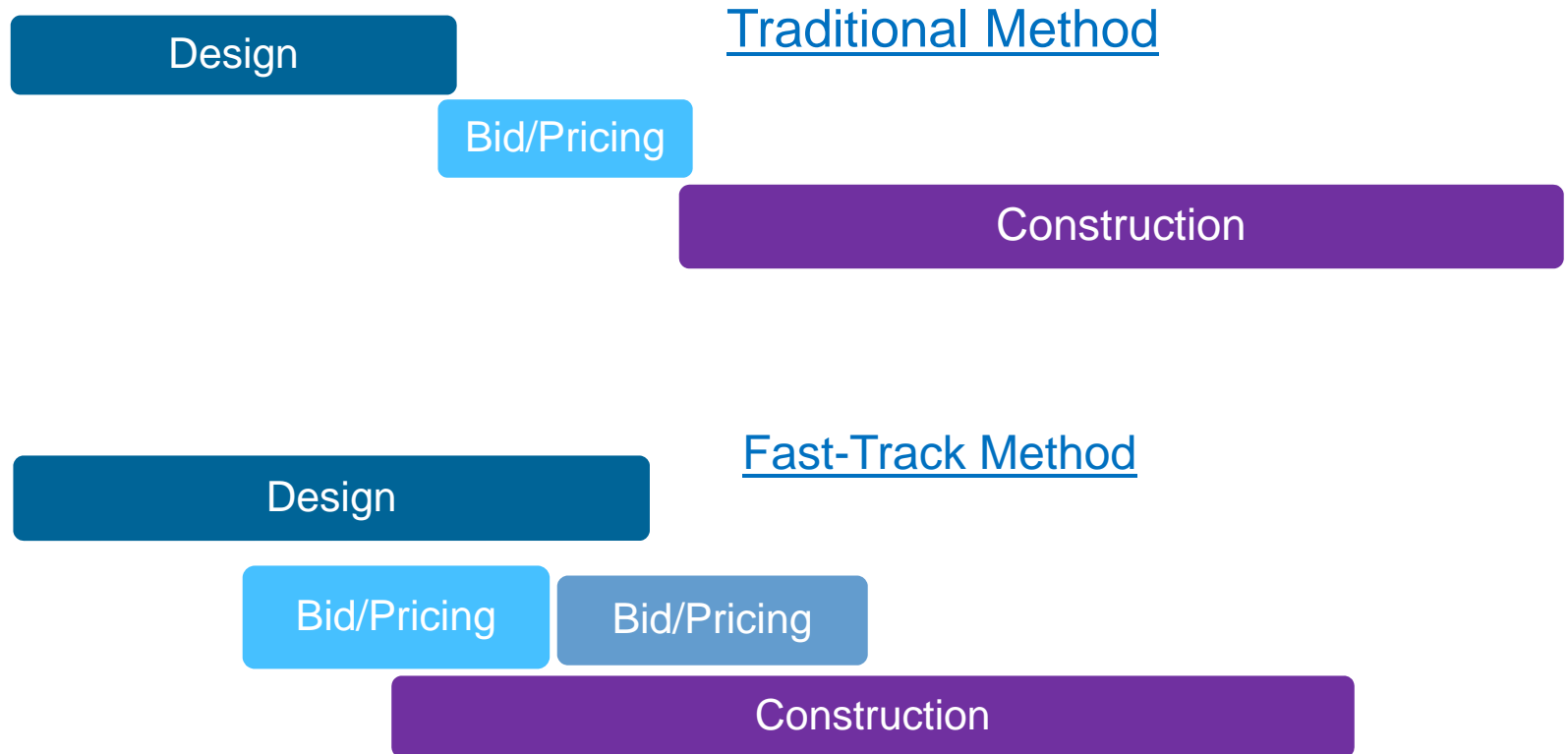
DEVELOPER AS PRIME MODEL

Owner-Developer Model



FAST-TRACKING

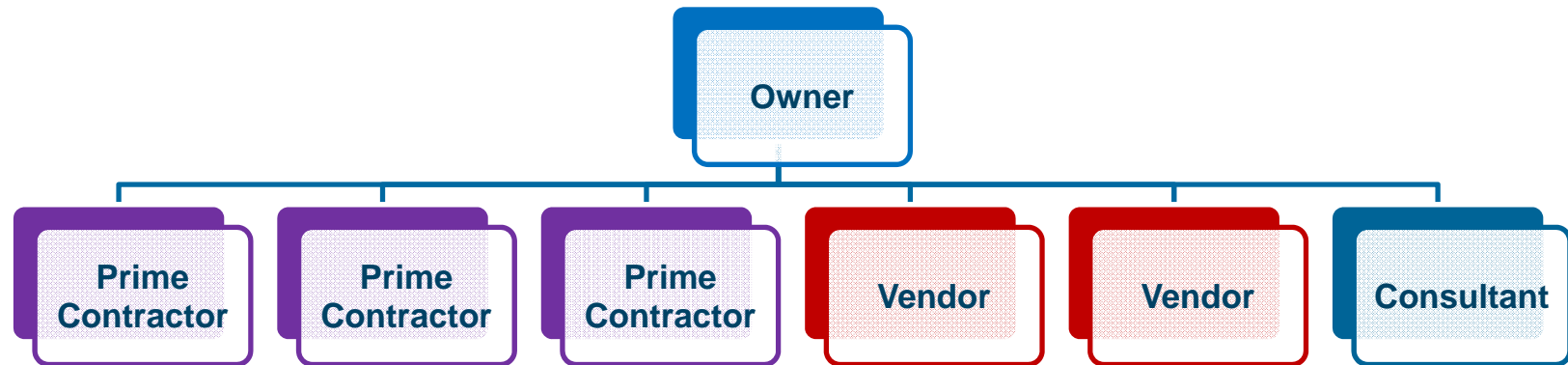
Traditional v. Fast Tracking



- Advantage – Delivery speed of a completed project.
- Disadvantage – More difficult to control cost estimating and construction costs.

MULTIPLE PRIME CONTRACTING MODELS

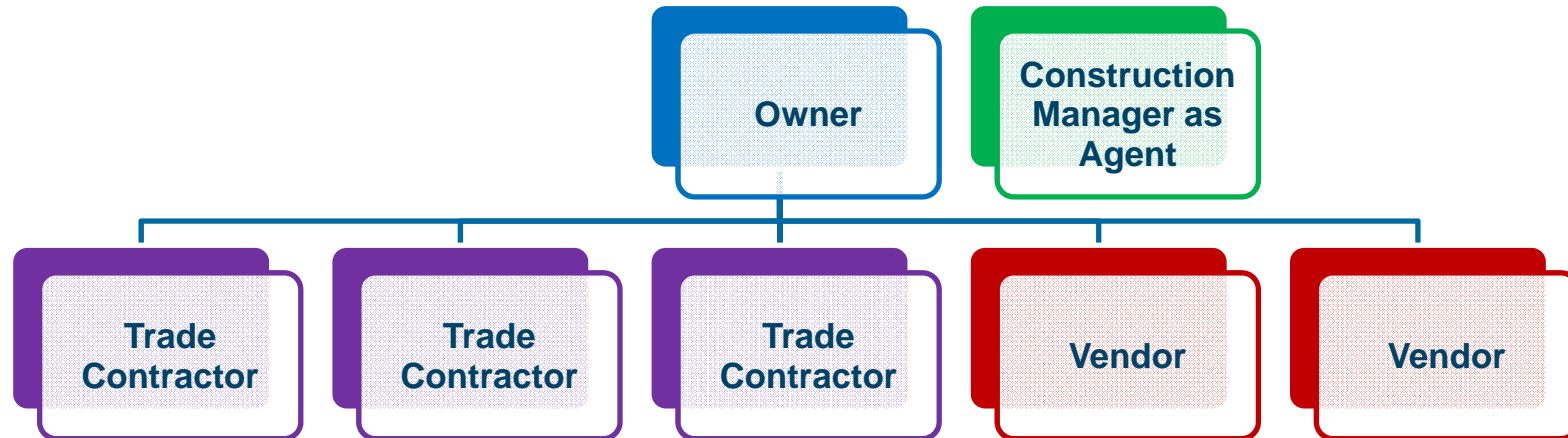
Owner – Multi-Prime



- No role for the general contractor
 - Owner has all contracts directly
 - May be legal reasons for this contracting method
- Owners rarely able to manage and coordinate project successfully
- Owner liable for management and coordination problems during construction
 - Time and cost management

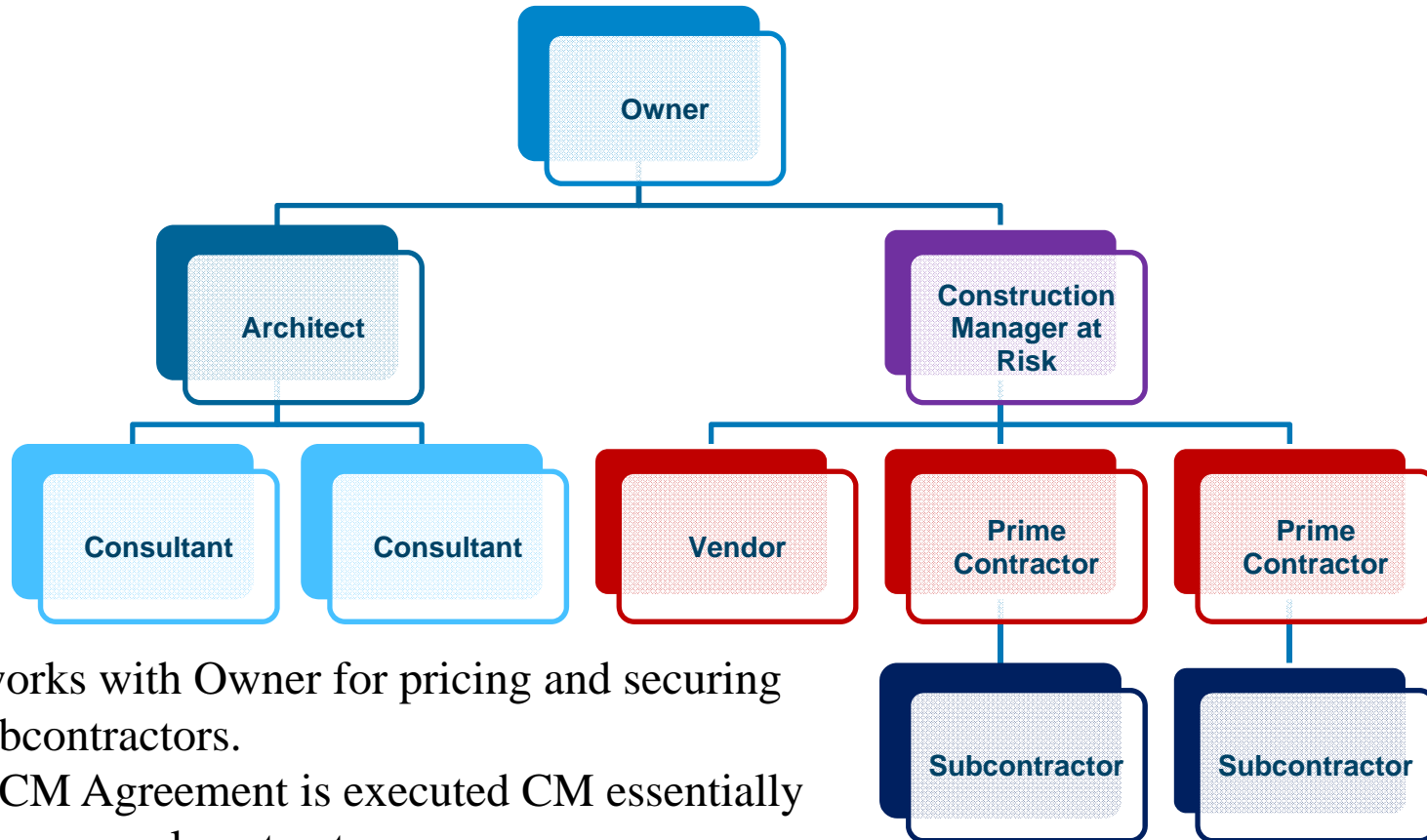
CONSTRUCTION MANAGER CONTRACTING MODELS

Construction Management – Agency CM



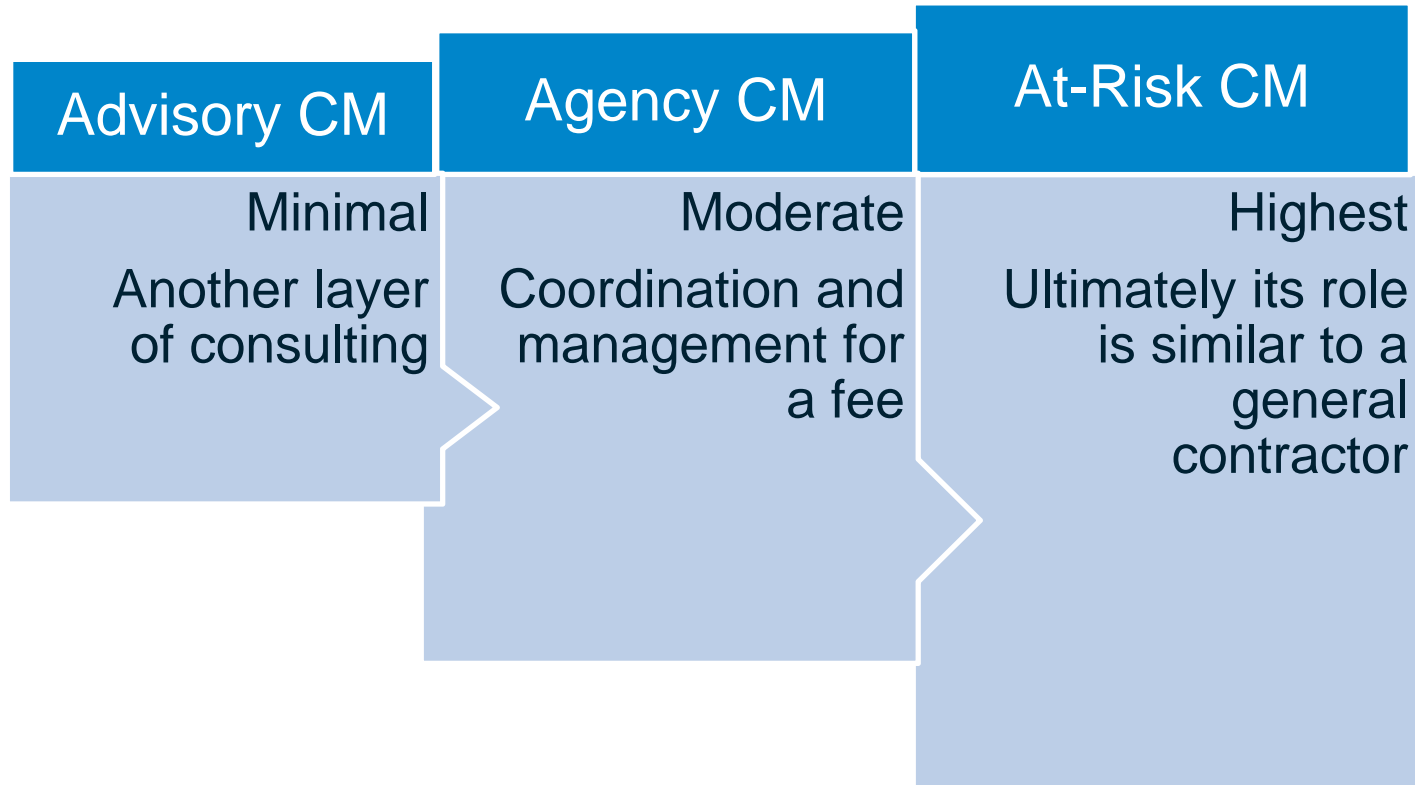
- Retained to manage the construction
- Does not enter into the agreements with the trade contractors
- On-site observer – similar to architect’s role
 - Time and cost management

Construction Management – At Risk CM



- CM works with Owner for pricing and securing the subcontractors.
- After CM Agreement is executed CM essentially become general contractor.
- CM at Risk is liable for management and coordination problems during construction.

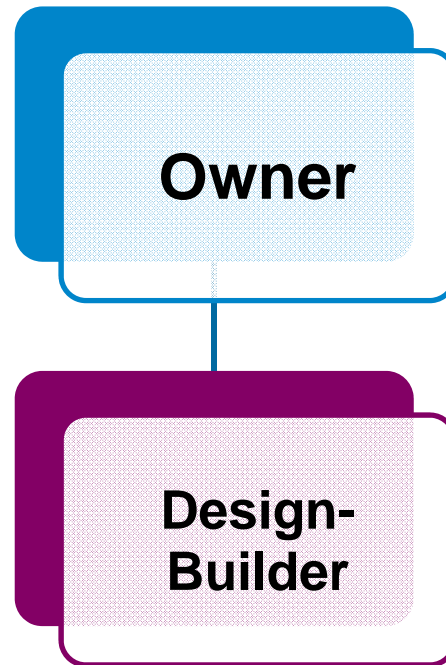
Risk Spectrum of Construction Management



- Biggest benefit of using CM is CM's role during the design process.

DESIGN-BUILD CONTRACTING MODELS

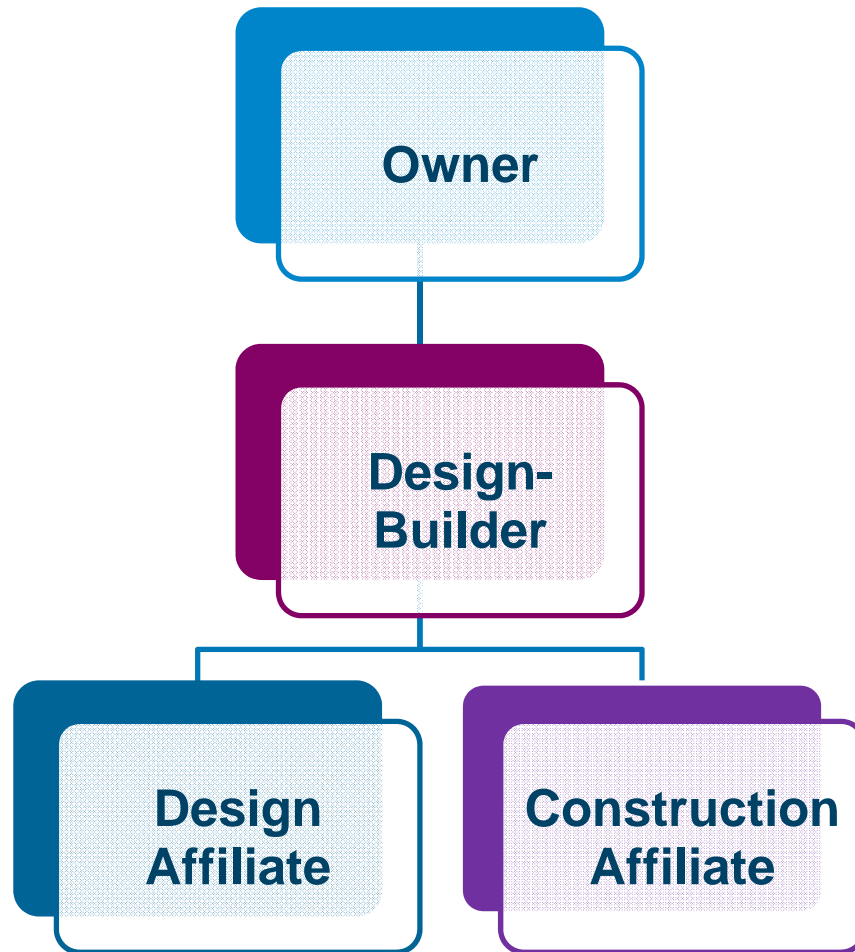
Traditional Design-Build



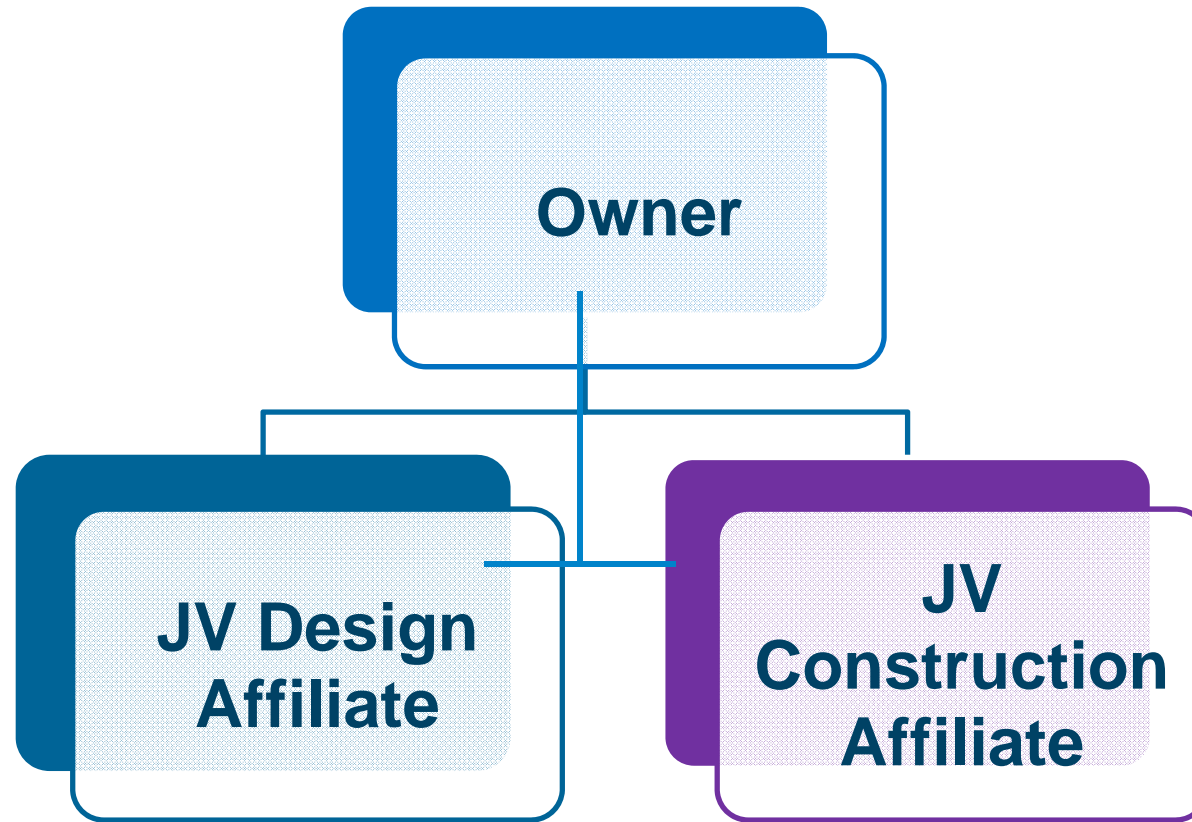
Types of Design-Build Relationships

- Integrated Company
- Contractor is the Prime, A/E is the Sub
- A/E Prime is the Prime, Contractor is the Sub
- A/E is the Prime, Multiple Trade Subs retained
- Design-Builder Prime, A/E and Contractor Each Subs (Multiple Integrated Company)
- Joint Venture between A/E and Contractor (joint and several liability)

Multiple Integrated Company Model



Multiple Integrated Company Model



Advantages of Design-Build

- Speed of project delivery.
- Owner can look to design-builder for single-point responsibility.
- Obtain cost-certainty earlier and with better results.
- Better communication of design intent from design arm to constructing arm.
- Less litigation and disputes.
- Greater control of information by design-build team.
- Negotiated pricing.
- A/E and GC not adversarial.
- Need to learn new relationships.

Disadvantages of Design-Build

- Loss of architect as independent decision maker or “policeman” on the project.
- Pricing may be suspect depending on when the fast-tracking take place.
- May be more of an economic risk depending on the design-builder entity.
- Who is back-checking for the owner?

Design-Build: Differences in Architect's Design Phase Services

- System-by-system design with “looping” feedback
 - Each system designed semi-independently
 - Design of each system constantly modified by feedback from the construction team
- Informal communications rather than “defensive detailing”
- Greater incentive to explore alternative design concepts
- MEP/FP only schematic, design-built by specialty contractors

Design-Build: Differences in Architect's Design Phase Services

- Greater than usual pricing constraints and pricing input
- Out-of-sequence provision of design details to meet contractor's need to price the project
- Heavier than usual reliance on performance specifications