

Spring Semester 2016

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# Professional Practice 544

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# Professional Practice 544

## 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

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## 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**

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## **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**

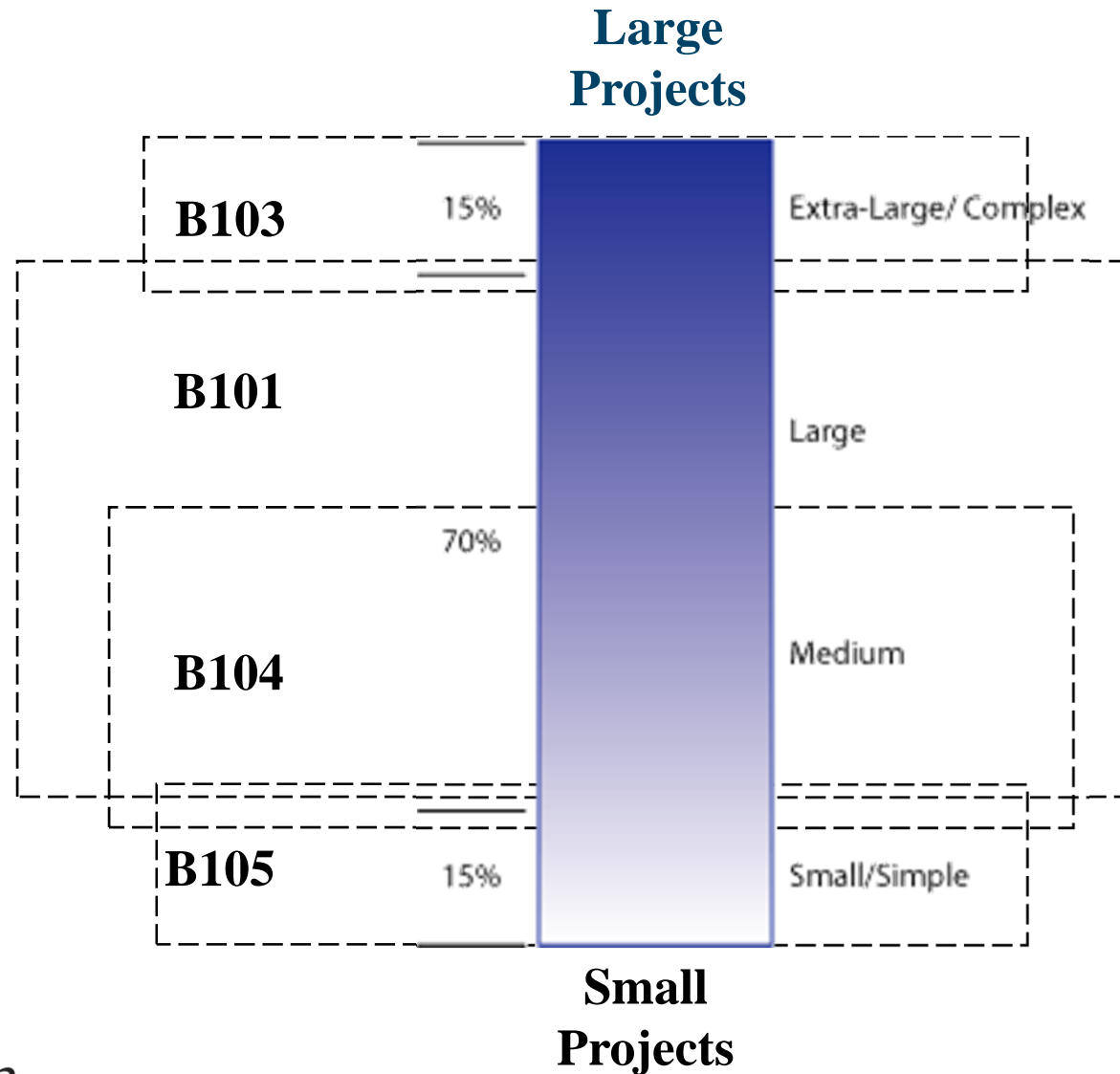
- Standard Form of Agreement for Project of a Limited Scope

## **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

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# PRICING VARIATIONS IN CONSTRUCTION CONTRACTS

# Pricing Variations in Construction Contracts

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## 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

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## 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

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**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

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## Bidding errors

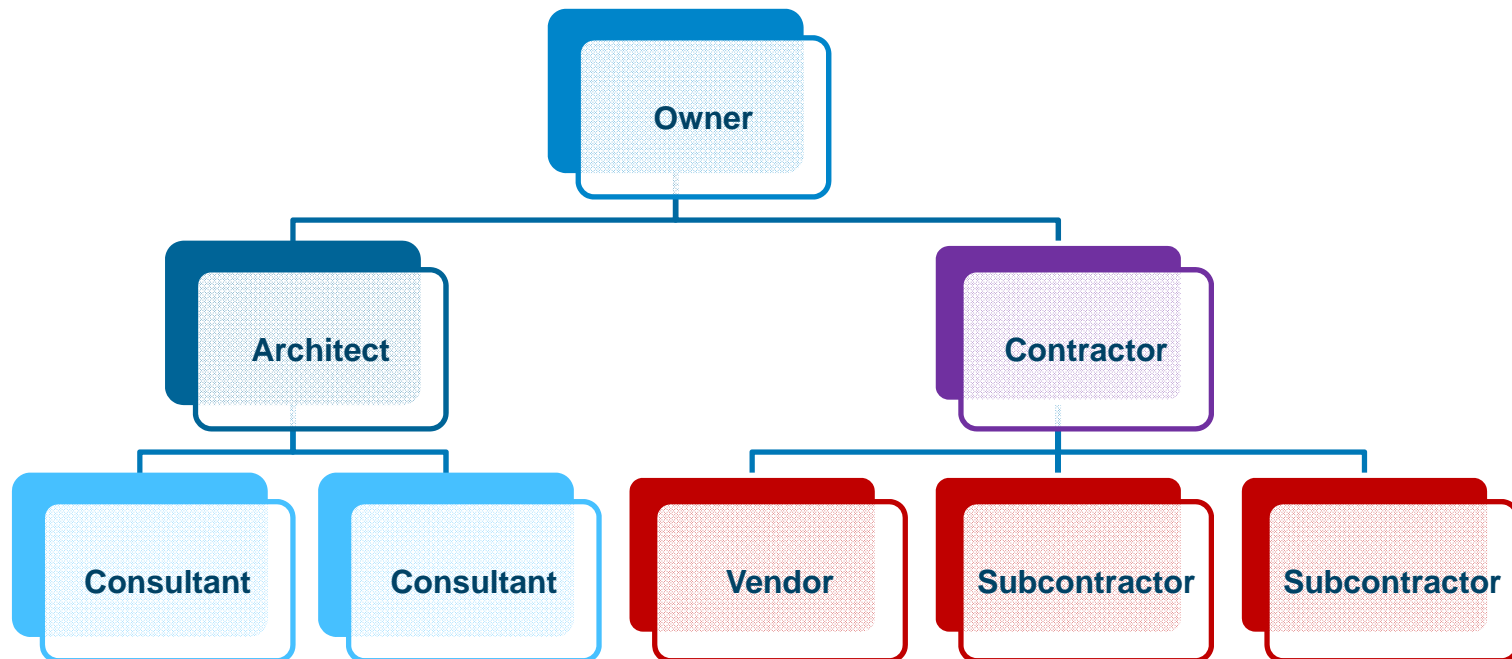
- Bids with clerical/arithmetic errors can be withdrawn (but not modified)
- Bids with judgment errors cannot be withdrawn
- Exception: the “snap-up” rule (where owner should have known of the bidding mistake by comparison to other bids)

# DIFFERENT TYPES OF CONTRACTING METHODS

# TRADITIONAL CONTRACTING MODEL

# Traditional Owner-Architect-Contractor

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# Traditional Owner-Architect-Contractor

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## 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

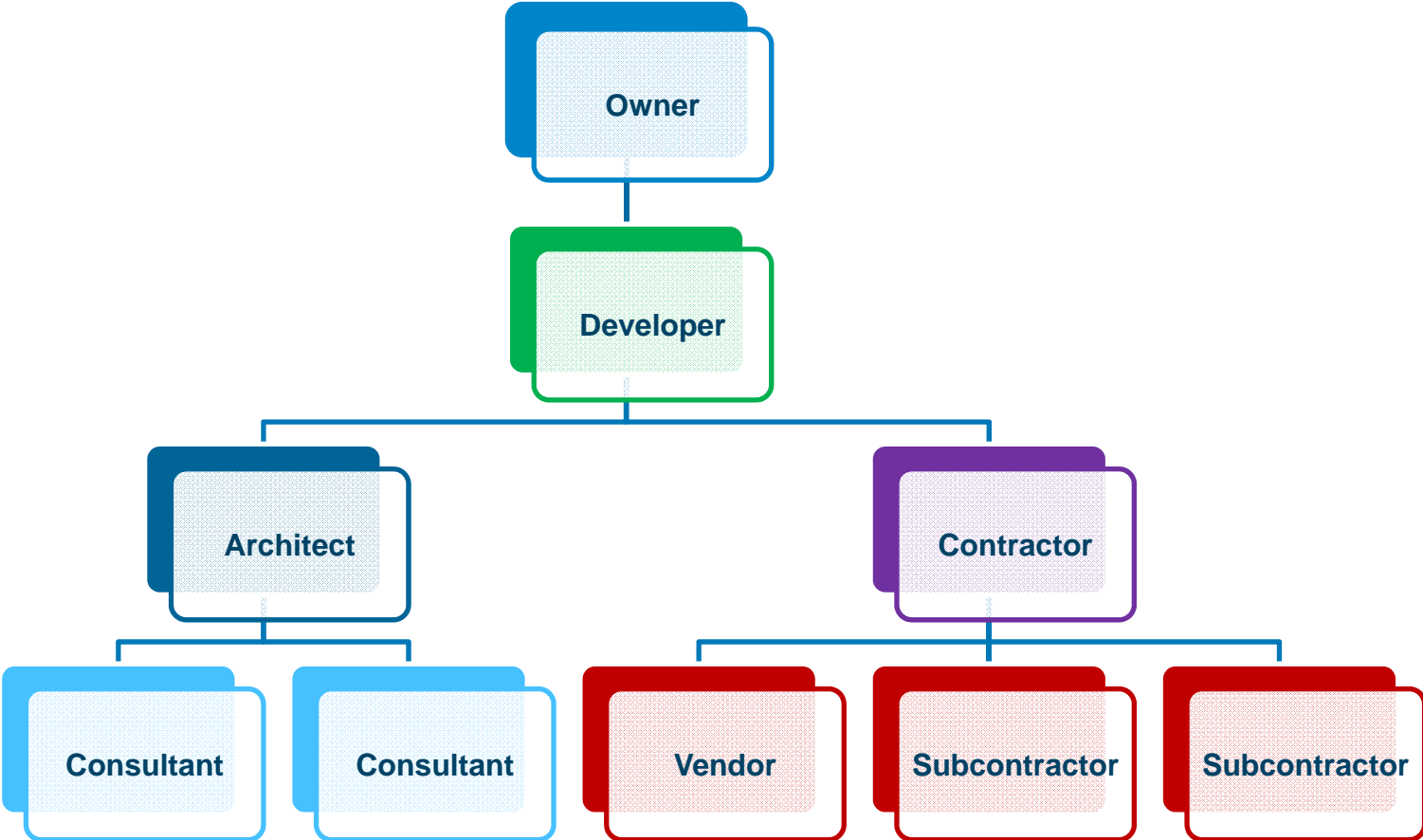
- Often little input from contractor during design.
- Slower delivery time due to back-to-back phasing.
- Often adversarial relationship between G.C. and A/E.
- Price competition reduces profits or renders some projects unobtainable.
- Other problems.
  - Claims Contractors
  - Truth in Bidding.

# DEVELOPER AS PRIME MODEL



# Owner-Developer Model

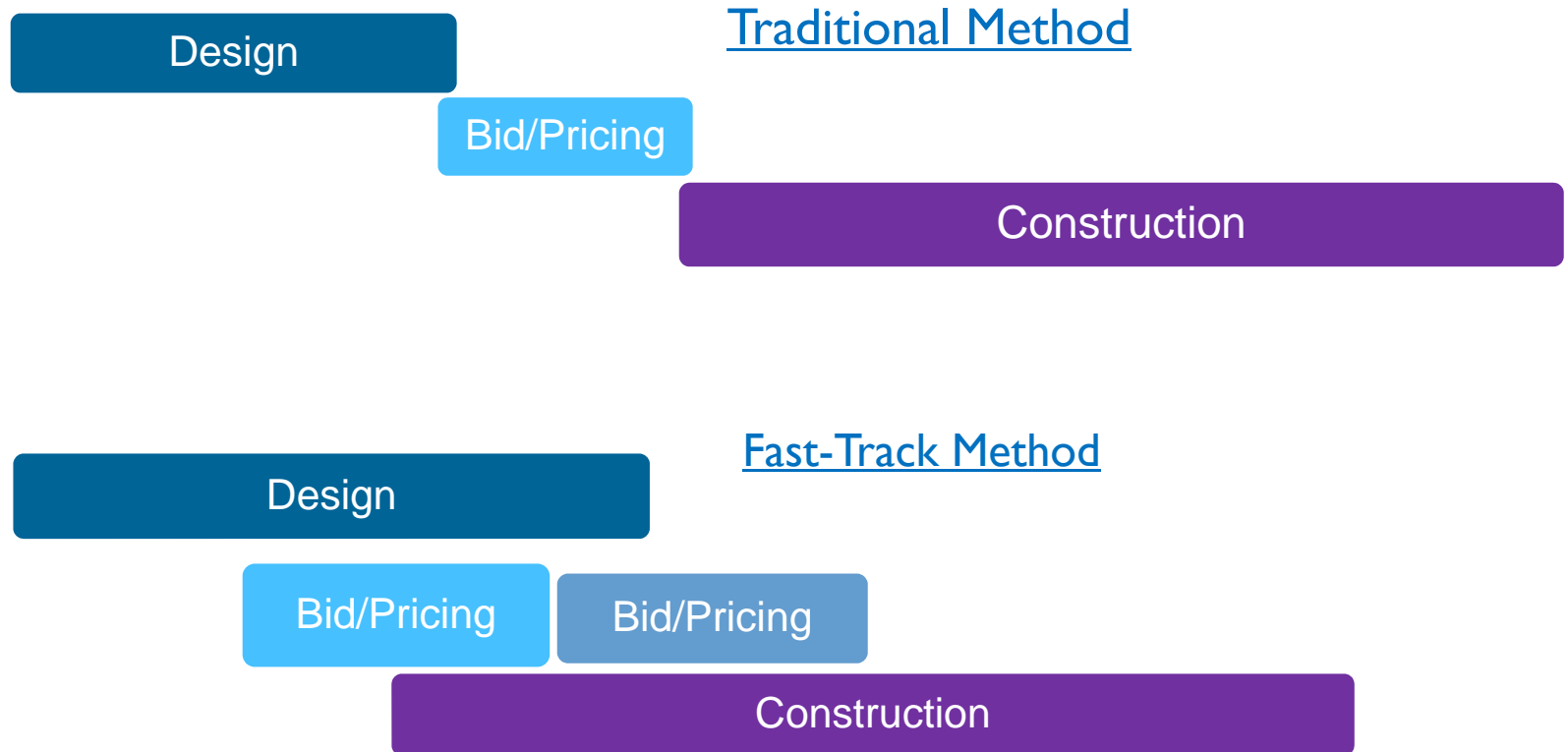
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# FAST-TRACKING

# Traditional v. Fast Tracking

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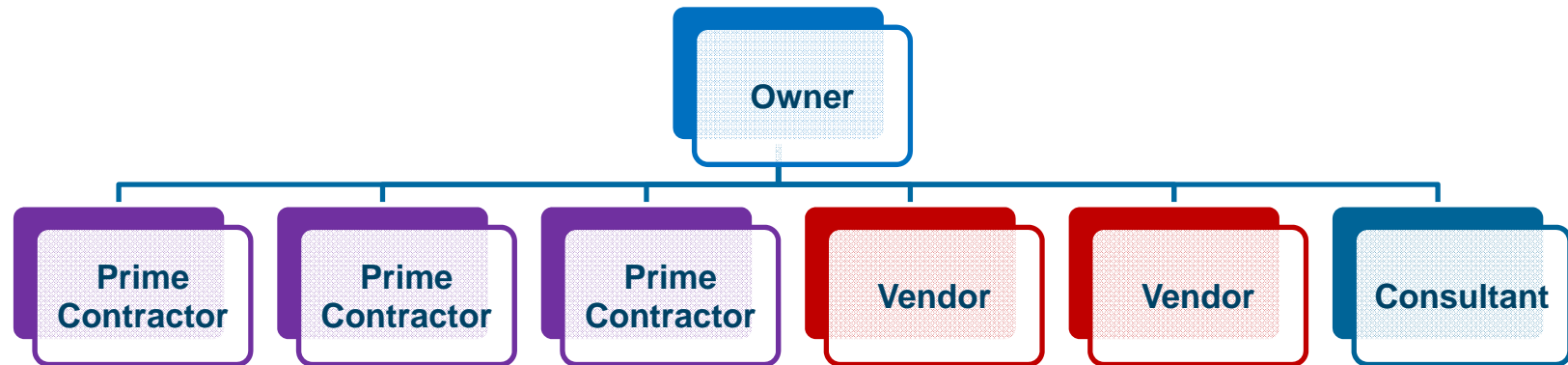


- Advantage – Delivery speed of a completed project.
- Disadvantage – More difficult to control cost estimating and construction costs.

# MULTIPLE PRIME CONTRACTING MODELS

# Owner – Multi-Prime

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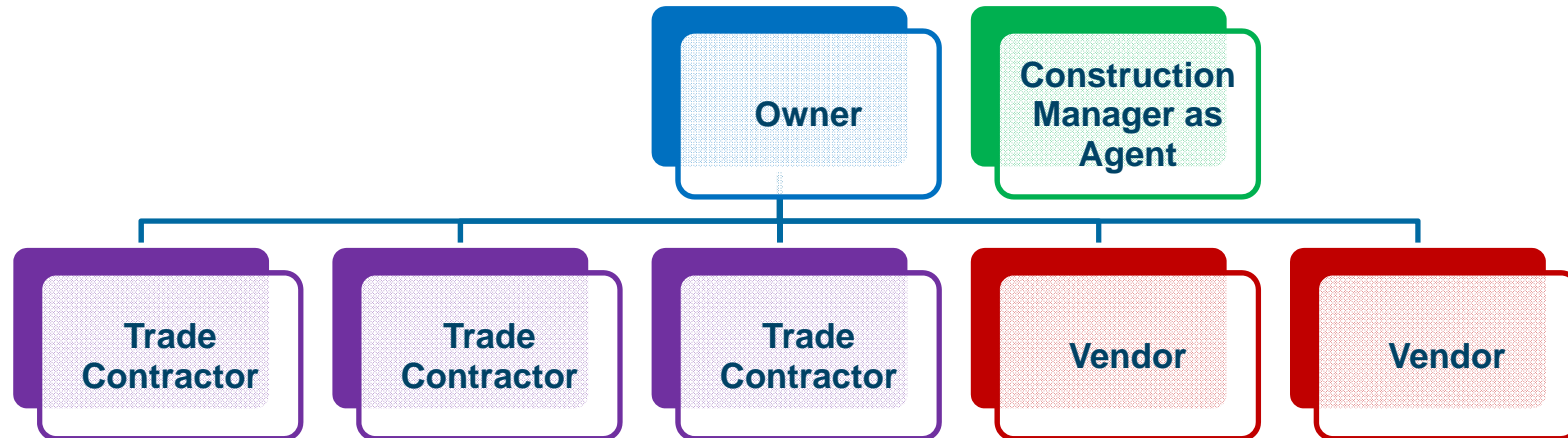


- No role for the general contractor
  - Owner has all contracts directly
  - May be legal reasons for this contracting method
- Owners rarely able to manage and coordinate project successfully
- Owner liable for management and coordination problems during construction
  - Time and cost management

# CONSTRUCTION MANAGER CONTRACTING MODELS

# Construction Management – Agency CM

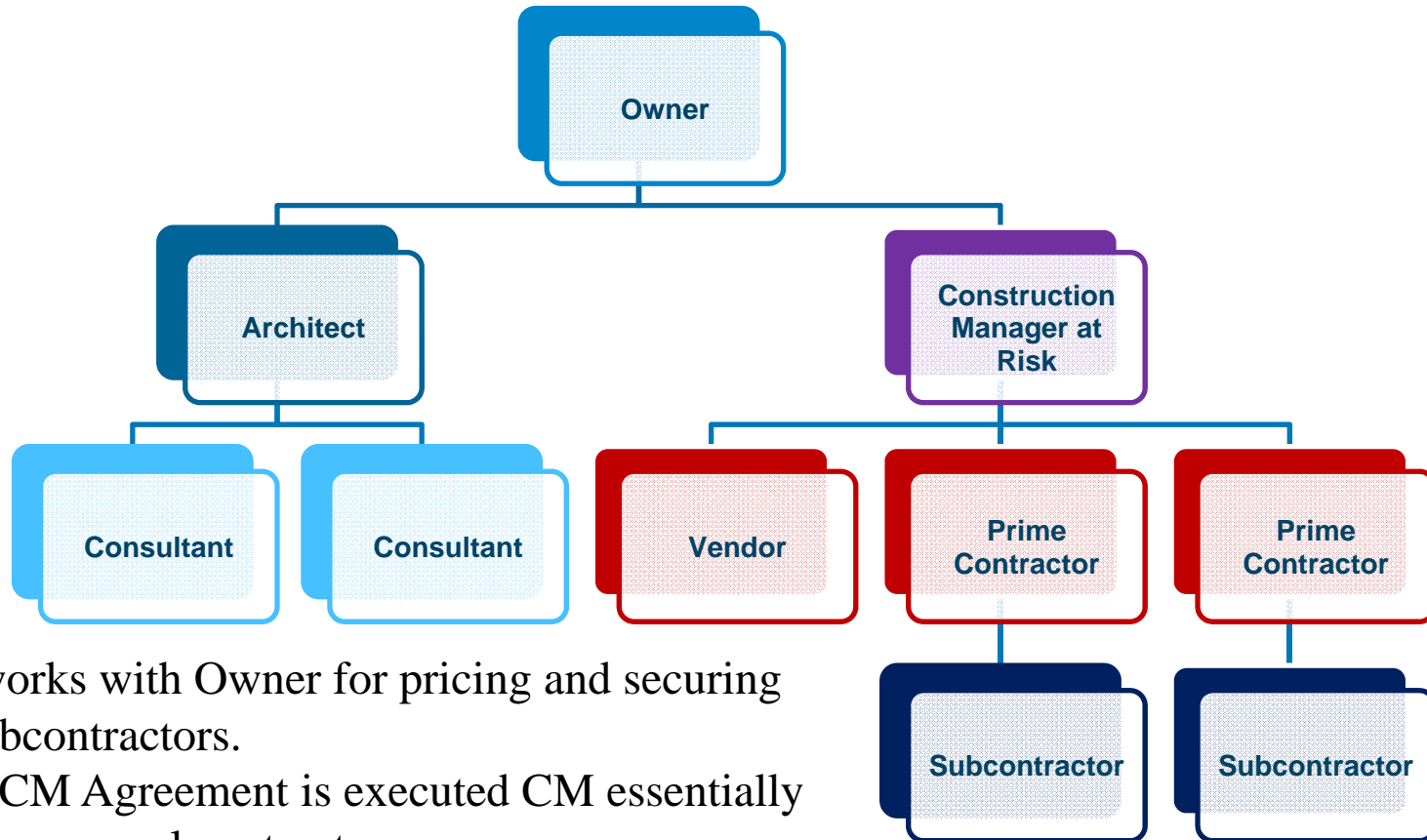
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- Retained to manage the construction
- Does not enter into the agreements with the trade contractors
- On-site observer – similar to architect’s role
  - Time and cost management

# Construction Management – At Risk CM

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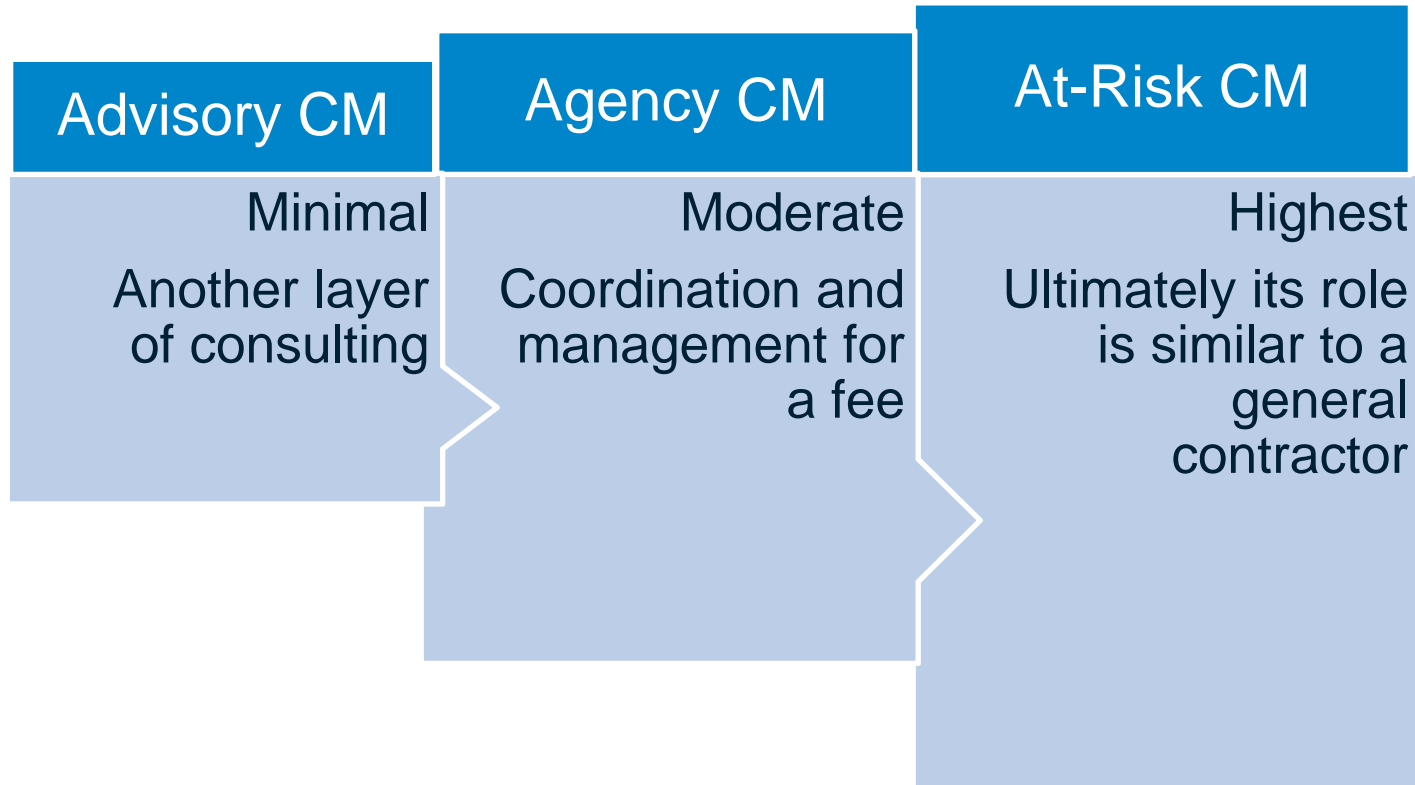


- CM works with Owner for pricing and securing the subcontractors.
- After CM Agreement is executed CM essentially become general contractor.
- CM at Risk is liable for management and coordination problems during construction.



# Risk Spectrum of Construction Management

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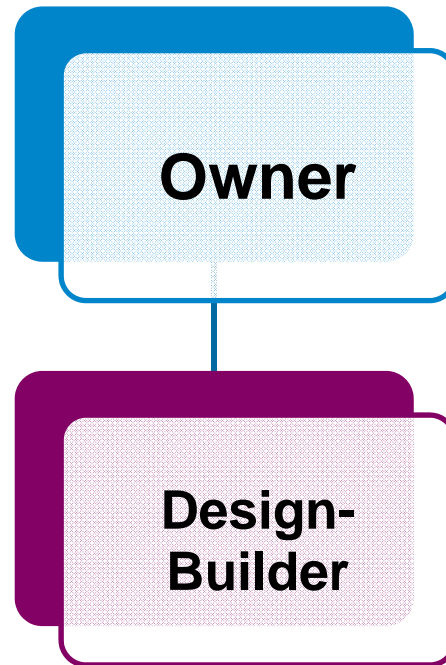


- Biggest benefit of using CM is CM's role during the design process.

# DESIGN-BUILD CONTRACTING MODELS

# Traditional Design-Build

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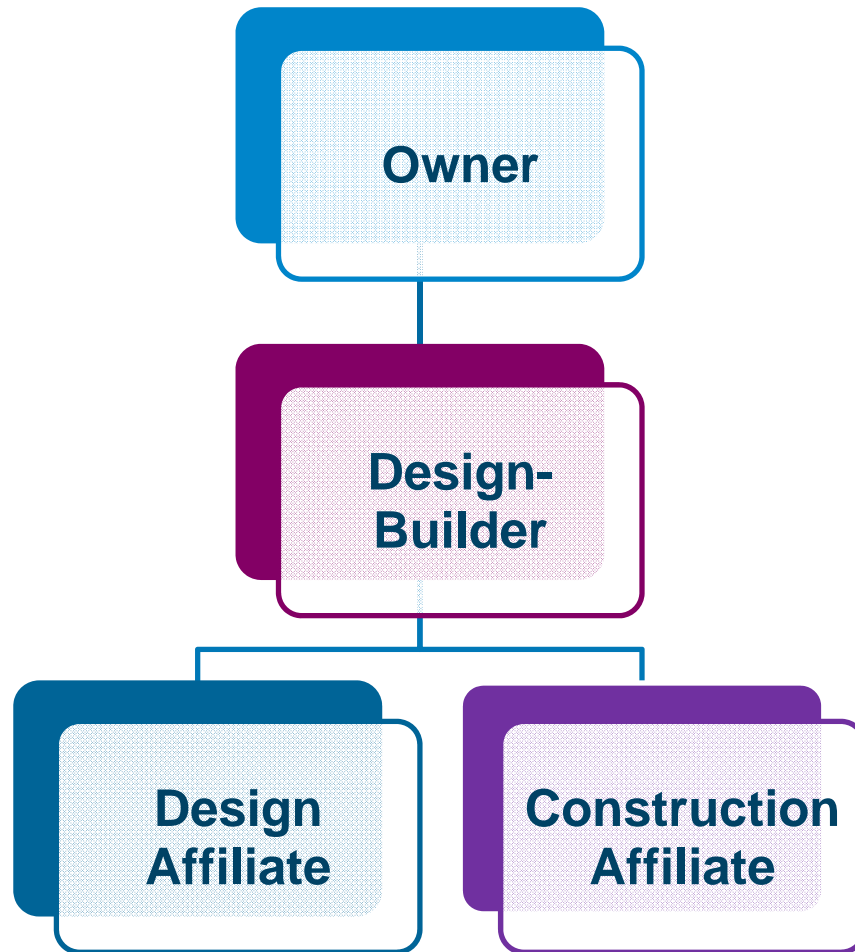
# Types of Design-Build Relationships

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- 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)

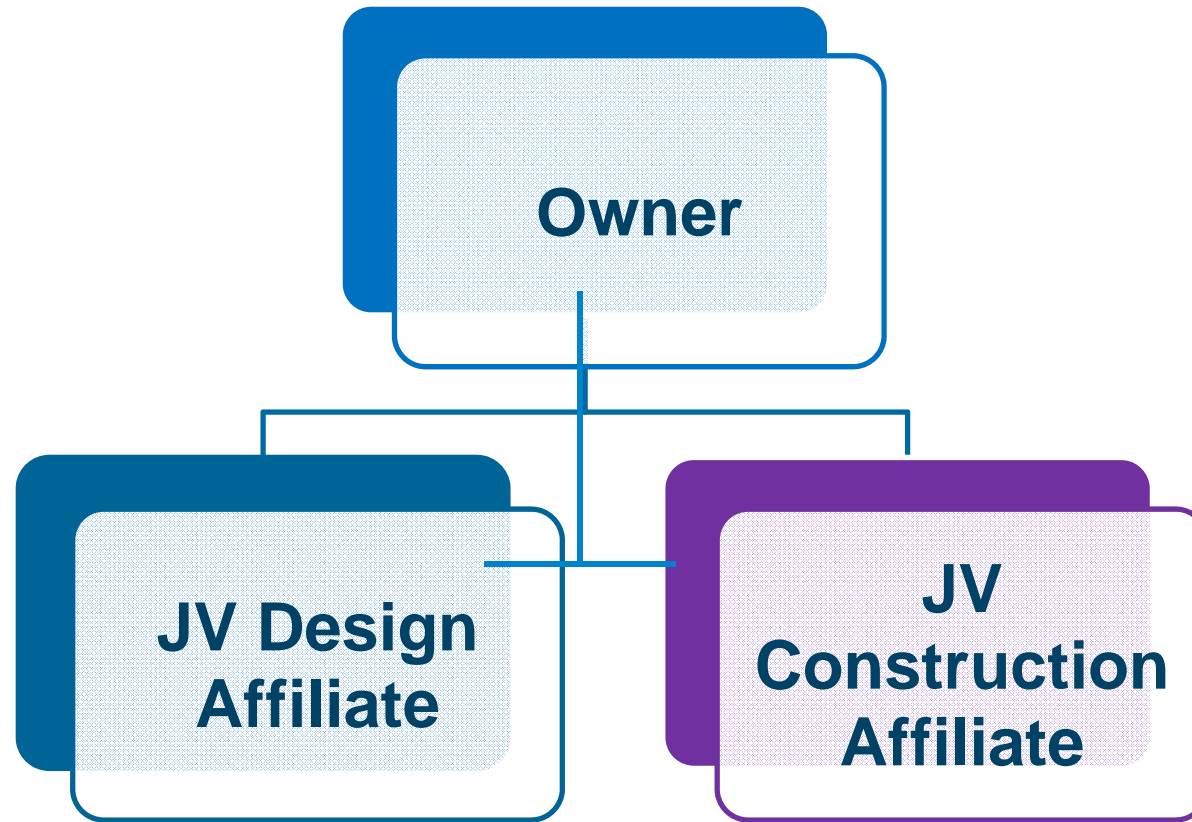
# Multiple Integrated Company Model

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# Multiple Integrated Company Model

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# Advantages of Design-Build

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- 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

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- 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

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- 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

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- 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

# Spectrum of Project Delivery Methods

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