Architect-Led Design-Build: Return of the Master Builder

Mark Friedlander
Schiff Hardin LLP

Session FR59
Friday, May 4, 2007, 4 - 5:30 pm
AIA DISCLAIMER

This program is registered with the AIA/CES for continuing professional education. As such, it does not include content that may be deemed or construed to constitute approval, sponsorship or endorsement by the AIA of any method, product, service, enterprise or organization. The statements expressed by speakers, panelists, and other participants reflect their own views and do not necessarily reflect the views or positions of The American Institute of Architects or of AIA components, or those of their respective officers, directors, members, employees, or other organizations, groups or individuals associated with them. Questions related to specific products and services may be addressed at the conclusion of this presentation.
Learning Objectives

• Create and establish a feasible, profitable, and personally rewarding business structure, reverting to the architect’s traditional role of master builder

• Bifurcate your design-build practices into separate design and construction companies that reduce your overall liabilities to less than what you presently incur in traditional practice

• Structure and organize an effective design-build team with contractors to perform the construction for your projects using your newly developed design-build capacity to market and sell your services more effectively
The “Flip Side of the Coin”
Create The Architect’s Design-Build Company

- Architect
  - Professional Design Firm
  - Non-Professional Design-Build Company
Architect-Led Design-Build
The Single Contract Approach

Owner

Architect’s Design-Build Company

Architect

G.C.

Consultant

Sub

Consultant

Sub
“Sequential” Design-Build Structure of the Relationship (Private Sector)

Owner

Architect

Consultant

Consultant

Architect’s Design-Build Company

G.C.

Sub

Sub
The “Teaming” Agreement

**Step 1**

- **Architect’s Design-Build Company**
- **General Contractor**
  - (100% Subcontractor)

Teaming Agreement
Preconstruction services
Agreement to subcontract
“Purchase Order” form for a specific project
Architect’s Contract

Step 2

Standard Architecture Contract
E.g., AIA B141 form
Guarantee form is exhibit

Standard Consulting Agreement
• Assumption: trade contractors to finalize design of engineered systems
The Design-Build Proposal: “Price/Schedule Guarantee”

Step 3

Architect’s Design-Build Company’s guarantee contingent on building project
Architect’s Design-Build Company supplants Architect during construction phase
Legal safeguards included re budget and estimating
Construction Contract eventually supersedes Proposal
Construction Agreements

Step 4

Owner

Construction Contract

Architect’s functions during construction phase provided by Architect’s Design-Build Company

Architect’s Design-Build Company

Subcontract for Particular Project

• “Purchase Order” from Teaming Agreement
• Attaches construction contract and subcontracts 100% of it

General Contractor (100% Sub.)
Pro’s and Con’s of a 100% Subcontractor

**PRO’S**
- Construction risks virtually eliminated
- Contractor’s presence may assist marketing or sales
- Contractor likely to refer projects back to Architect
- Architect not perceived as competing with contractors
- Contractor may be source of financial security for owner
- Contractor may be additional source of management expertise
- Contractor may negotiate better deals with subcontractors

**CON’S**
- Reduces available profits
- May be harder to explain to owner
Advantages to the Owner of Architect-Led Design-Build

Architect is best trained to balance design quality vs. cost
Owner can delay the design-build decision
Owner and Architect often have pre-existing relationship
Architect has less conflict of interest than when contractor leads team
Common complaint of Architect lacking cost discipline disappears when Architect must construct to a fixed cost
Contractor as 100% sub can still be source of financial capitalization
Advantages to the Architect of Architect-Led Design Build

Additional profits
- Mark-up on the construction cost
- Savings accrue to architect
- Reduced labor costs in production

Marketing advantages
- Guarantee of price and schedule
- Owner can delay design build decision
- Contractor becomes source of work

Control over construction
- Avoid unwise design changes
- Allow necessary or advisable changes – quietly

Reduced liability
- Construction accidents insured by contractor
- No claims from obvious design omissions
- Cooperative resolution of design problems
Source of the Architect’s Construction Fee (i.e., Contractor’s Savings)

- Larger profit margin in negotiated vs. competitively bid contracts
- No marketing overhead for project
- Cost analysis certain to result in project or compensation
- Minimal contingency for bidding errors/oversights
- No contingency for adversarial administration
Seminar Evaluation

Please take a moment to complete the evaluation form.

Thank You.

Mark C. Friedlander
Schiff Hardin LLP
6600 Sears Tower
Chicago, IL 60606
t: 312.258.5546
f: 312.258.5600
Email:
mfriedla@schiffhardin.com
COPYRIGHT NOTICE

This presentation is protected by US and International Copyright laws. Reproduction, distribution, display and use of the presentation without written permission of the speaker is prohibited.