

THE RIGHT TEAM

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THE RIGHT TEAM

- Introduction
 - Delivery Methods
 - Contract Considerations
 - Building a Team
 - Making it Work
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Introduction

- What is the most appropriate form of contract?
 - No single, simple answer
 - Many factors to be considered
 - It depends...
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Introduction

□ Project Goals

- Deliver on Function
 - Operationally Efficient
 - Timely
 - Safe and Secure
 - Sustainable
 - Flexible and Adaptable
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Introduction

□ Three Wishes

- Speed
 - Economy
 - Quality
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Delivery Methods

□ Choices:

- Stipulated Price Contract
 - Construction Management
 - Design-Build contract
 - Design-Build-Finance-Maintain (DBFM) contract
 - Also known as PPP, P3 and AFP
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Delivery Methods

Stipulated Price Contract

Owner Requirements

- Detailed drawings and specifications
 - Adequate professional review of the Work
 - Proficiency in planning, cost control, construction feasibility
 - Marketable project
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Delivery Methods

Stipulated Price Contract

Owner Benefits

- Objective General Contractor selection
 - Economy of Contractor effort
 - "Final" price known at construction start
 - Minimal accounting and auditing effort
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Delivery Methods

□ Stipulated Price Contract

■ Owner Disadvantages

- Opposing financial interests
 - Cannot start construction until contract documents completed
 - Heavy reliance on consultants
 - Complex procedures in processing documents, e.g., change orders
 - Adversarial relationships can develop
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Delivery Methods

□ Construction Management

- Owner contracts with Design and Construction Manager (CM) simultaneously
 - CM is often the Constructor
 - CM tenders out and hires individual trade contracts
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Delivery Methods

Construction Management

Owner Requirements

- Staff to conduct Manager selection process
 - Must select compatible consultant(s)
 - Staff involvement in administration
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Delivery Methods

Construction Management

Owner Benefits

- Create cohesive team with common goals
 - Contractor expertise available early to design team
 - Can overlap design and construction
 - Public tendering of trade contracts
 - Friendlier to changes, opportunities
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Delivery Methods

Construction Management

■ E&M Benefits

- Learn building as it is designed and constructed
 - Continuous consideration of maintainability
 - Team values input from E&M staff
 - Participation in commissioning
 - Consistent, quality documentation
 - Hit the ground running
 - Facilitates CMMS data base population
 - Project team support following occupancy
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Delivery Methods

Construction Management

Owner Disadvantages

- Burden of selecting appropriate CM
 - "Final" price unknown at construction start
 - Not all CM remuneration subject to bid
 - Scope and coordination of packages
 - Responsibility shifted to Subs
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Delivery Methods

Design-Build Contract

Owner Requirements

- Must produce program requirements
 - Preliminary drawings and specs
 - Must monitor costs and provide auditing
 - Astute evaluation and cost/benefit analysis of proposals
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Delivery Methods

- Design-Build-Finance-Maintain
 - Turnkey delivery to defined standard
 - Annual service payment to service debt and cover annual charges over the term
 - Off balance sheet
 - Owner works directly with one contract entity
 - Extensive Legal Agreements
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Delivery Methods

Design-Build-Finance-Maintain

Owner Requirements

- Must define program requirements and project parameters
 - Manage input into design
 - Must monitor costs and provide auditing
 - Astute evaluation and cost/benefit analysis of proposals
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Delivery Methods

Design-Build-Finance-Maintain

Owner Benefits

- Risk transferred for design, construction, lifecycle, time and cost of money
 - Potential for truly integrated design
 - Strict performance standards with penalties
 - Long concession to 30 years, defined handback
 - Payments only start on completion
 - Oversight by many parties
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Delivery Methods

- ❑ Design-Build-Finance-Maintain (DBFM) Contract
 - Owner Disadvantages
 - ❑ Owner has to select qualified "PROJECTCO"- 30 year marriage scenario
 - ❑ Potential lack of flexibility and design control
 - ❑ High costs to offset risk transfer and financing
 - ❑ Best design or operations may lose to low \$\$\$
 - ❑ May handcuff owner to certain providers
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Contract Considerations

- How to decide on the method of delivery?
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Contract Considerations

Influencing Factors

■ Location

- Urban, suburban, remote
- Regional preferences

■ Size of Project in Market:

- General contractors to bid stipulated sum?
 - Trades contractors to bid to the generals?
 - Teams for DBFM schemes
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Contract Considerations

- Influencing Factors (cont'd.)
 - Schedule:
 - Is the schedule attainable using traditional means or is it necessary to fast-track?
 - Can final design decisions be moved closer to occupancy?
 - Cost:
 - How important is it to have early confidence in the final cost outcome?
 - Flexibility to manage scope to control cost
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Contract Considerations

Influencing Factors (cont'd.)

■ Political Mandate

- Capital vs Operating

- Balance sheet considerations

■ Appropriate Risk Factors

- Management of changes

- Life cycle

Building a Team

- Getting started...
 - Define a selection process
 - Explicit goals and objectives
 - Enlist key stakeholders in the process
 - Draw out talent in market
 - Insist on commitment
 - Pay a fair reward, seek value
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Building a Team

- How to put the pieces together?
 - Weigh each piece vs package deals
 - Take the time to input into the selection of each important component
 - Right firm, right people
 - Make sure you have all the right parts
 - Effective Project Management
 - Leadership
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Building a Team

□ Key factors:

- Practical, not idealistic
 - Diplomatic
 - Good communicators
 - Technical experience and knowledge
 - Must want to be involved, able to tolerate meetings
 - Variety of trades
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Making it Work

- Why are some projects successful and other less than optimum?
 - Examples in all types of Contracts
 - Correlation between well run projects and successful outcomes
 - Lots of things to get right
 - Keep your eye on the ball
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Making it Work

- Do you have to get lucky, or can success be planned?
 - Clear roles and responsibilities
 - Define scope
 - Keep tabs on cost
 - Track schedule
 - Lead by example
 - Adjust approach
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Making it Work

- What can be done to promote teamwork?
 - Integrated approach
 - Open vs closed processes
 - Supportive environment
 - Formal vs informal initiatives
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Making it Work

- What to do when problems arise?
 - Deal with issues
 - Go back to the goals
 - Replace a bad fit
 - Easier to resolve with good documents
 - When to call in the lawyers?
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Making it Work

- ❑ Share common goals
 - ❑ Share mutual respect
 - ❑ Often the most competent members relish suggestions & debates aimed at solutions
 - ❑ Recognize that the best buildings result from the synergy of many diverse minds
 - ❑ Members build on one another
 - ❑ Continuity of learning from project to project
 - ❑ Avoid thinking in terms of us and them
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Making it Work

□ Benefits of E & M Involvement

- Avoided supervised power plant at ACH
 - Accessible sewer clean outs
 - Sizing diesel generators for future once future became clearer
 - ACH flood => curtain wall improvements for SHC
 - Sleeves at floor penetrations
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THE RIGHT TEAM

QUESTIONS
