

HOW START UPS AND NEW OWNERS SHOULD SELECT THE BEST TEAM FOR COMMERCIAL CONSTRUCTION PROJECTS

Part 1 – The Project Delivery Method

When starting a commercial design & construction project, selecting the right contractor can save time, money, and unnecessary stress. Additionally, unrealistic expectations, poor management, or a misunderstanding of the process as a whole, will cause much more of it!

Over the years we have received about every question and comment you could think of, but the most common misconception, goes something like this....

SCG: Have you given any thought to how you are going to put together your project team?

Client: Of course, I am going to have an architect, maybe SCG, design it and then bid it out?

SCG: Sounds good. Are you creating a bid package? Do you handle RFI's yourself?

Client: Package who? What is an RFI?

SCG: What is your criteria for selecting a contractor?

Client: Criteria? Lowest price wins. ... Right?

And this goes on and on. The client's goals become apparent. They want to save time and money while having little involvement and maintaining the highest of quality.

(obviously) However, the best approach to achieve these goals is often misunderstood. The first step is to determine which objectives are most important and which objectives are flexible. For example, is time crucial? Are there deadlines approaching? Is the most aesthetically pleasing design and finishes all that matter? Is the budget tight? Unlimited? Does the owner have building experience and free time? All of these are important to know before starting.

What I would like to layout are a few key pieces, some industry standards, and an explanation of multiple approaches that will greatly reduce the uncertainty in your course of action and assist with getting your business open on time, within budget, and without you pulling your hair out. I guess you could say, a Development Made Simple.

This week, we'll be outlining the first step in building your project team and determining which project delivery method is most appropriate for your specific project.

Project Delivery Method

Before you can start sifting through qualifications and weighing your options between construction teams, you first want to make sure you choose the best project delivery method

for your project. This is important because the type of project delivery method you choose determines the relationship between your architect and your construction team. There are many project delivery methods, but historically, 3 are the most common. The most common project delivery method is design-bid-build with focuses on construction cost savings. This does not always prove to be true and if time savings in the main objective, many project owners have begun to realize the benefits of design-build because it is much quicker. A third project delivery method, construction manager at risk, gives the lowest amount of headache, which we'll explain in further detail below.



1. Design-Bid-Build

In Design-Bid-Build projects (DBB for short), the project owner hires an architect to draw designs first, and then hires a general contractor afterwards. Usually in a design-bid-build scenario, the project owner will choose the contractor who is willing to take on the project for the lowest cost. The contractor will agree to construct the project exactly to the specifications of the architect's drawings.

The benefit in this is that since the architect works for the owner directly, the owner's vision is taken as a priority when constructing whatever is being built. Once the vision is complete and construction documents are created, a bid package can be created and sent out to multiple general contractors for pricing. If done properly, the DBB method allows the owner to compare bids, apples-to-apples, and choose the best value for the price.

However, DBB is not without its downfalls.

Although it sounds advantageous at first, the fact that the architect draws the owner's exact vision can also be a negative, especially because the architect is not in contact with the general contractor when he or she is drawing the plans. Because of this disconnect between the architect and the contractor, many times the architect will overlook necessary elements in project plans or create design elements that are over the Client's budget, and unfortunately this will not be discovered until the project is being bid out or already started. If the common DBB method is not executed properly, it may force the entire team to back track or will result in change order after change order, adding astronomical costs to your project.

Another flaw in the Design-Bid-Build is qualifying the team bidding on the project, This can be difficult regardless of the project owner's experience, and even more so for a first-time restaurateur. Qualifying and Quantifying a bid is a skill and service provided by many architects, but you might not have the necessary experience to determine if the contractors they choose are charging the right prices for the right services.

2. Design-Build

A common-project delivery method alternative to Design-Bid-Build is Design-Build, or DB for short. Design-Build was specifically created to address the problems with Design-Bid-Build. In Design-Build, the owner hires one capable company who takes on both the architect role and the general contractor role simultaneously, creating a seamless relationship between all three parties. This way, any type of miscommunication or discrepancy between the design plans and the contractor's questions will be ironed out before the project begins as one company is taking the liability of both the design plans and the construction of the project.

Also, in Design-Build, the owner's budget and pricing requirements are set forth before the architectural design even begins. Meaning that the plans are drawn into the owner's budget that was already established.

On the negative side of design build, due to the fact that the one entity or company is acting as and taking liability for the architectural design and the construction build-out, there is no bidding process or the chance for comparison with other construction pricing. This can make some owners who are inclined to price shop uneasy. However, the bidding process can take on average about 8 weeks and skipping this process will save the owner time and money. This makes the design-build project delivery method most suitable for an owner who needs to finish their project as soon as possible and wants to go into the project knowing, within 5-10%, the cost of the project.



3. Construction Manager at Risk

In Construction Manager at Risk projects, commonly referred to as CMAR, design and construction are handled separately, but the construction manager is hired first. The construction manager acts as the owner's representative and a single point of contact throughout the project. They are essentially a hired gun. They oversee the entire project, all vendors, all suppliers and work alongside the architect during the design phase to make sure they remain on track and on budget. They also have the expertise to complete feasibility studies, preliminary budgets, and handle the bidding process. During the construction phase, the construction manager then acts as what the title would suggest, the construction manager. They manage the general contractor and all other vendors not under the GC. The method is called the Construction Manager at Risk because the construction manager gives a guaranteed maximum price to the owner. This means that if the project ends up costing more than the guaranteed maximum price that the construction manager originally gave, the construction manager can be liable for cost overruns from errors or omissions on their side. This puts less risk on the owner, and results in a smoother construction process.

As Good as the CMAR sounds, like every delivery method mentioned before, there are elements that may be considered downsides. Choosing CM at Risk and hiring a construction manager is often viewed as an additional cost that is not needed on smaller projects. I believe this is a misconception and if a good CM does their job correctly, they should find project savings and pay for themselves multiple times over, but sometimes this is not the case. One negative to the construction manager at risk method is that it will take more time than the other project delivery methods. However, a common way to combat this is to get an earlier start on your project, which will eliminate this issue.

Summary

In Summary, there are different project delivery methods to choose from and determining the best delivery method for your project is paramount to a successful outcome. The goal is

to plan, assemble a great team, set the project up for success, and achieve the end result that you want. Development Made Simple.

Look for our post next week, where we'll continue with Part 2, which will outline Procurement Method and Contract type.