PROJECT DELIVERY METHODS

A HOMEOWNER'S GUIDE

the OPENDOOR

How your project is designed and constructed and by whom are some of the most important decisions you will make as you embark on a construction project.

THE BASICS...

What is project delivery?

Project delivery is the method by which you plan, design, and construct a building and the how you organize and execute the necessary services to make it happen.

Your chosen delivery method will affect:

- Procurement strategies (how & when you hire your contractor)
- Contractual arrangements (type of contract and when to sign)
- Compensation methods (lump-sum, guaranteed maximum price, stipulated sum, etc)

Parties generally involved in the process include:

- Owner
- Architect/Designer
- Builder/Contractor

MOST COMMON PROJECT DELIVERY METHODS FOR HOMEOWNERS:

1. Design-Bid-Build
2. Design-Negotiate-Build
3. Design-Build
4. Owner-Build

ABOUT THIS GUIDE...

While not intended to be an exhaustive analysis of each delivery method, this guide provides:

- A description of each project delivery method
- An outline of the advantages and disadvantages of each
- A framework for comparision to help you decide which method is right for you

Let's look at each delivery methods one at a time...

1. DESIGN-BID-BUILD

Design-bid-build delivery method typically involves three sequential project phases: The design phase, when the design is created (typically by an architect or designer); the bid phase, when a contractor is procured; and a build or construction phase, when the project is built by the contractor.

Typical Process:

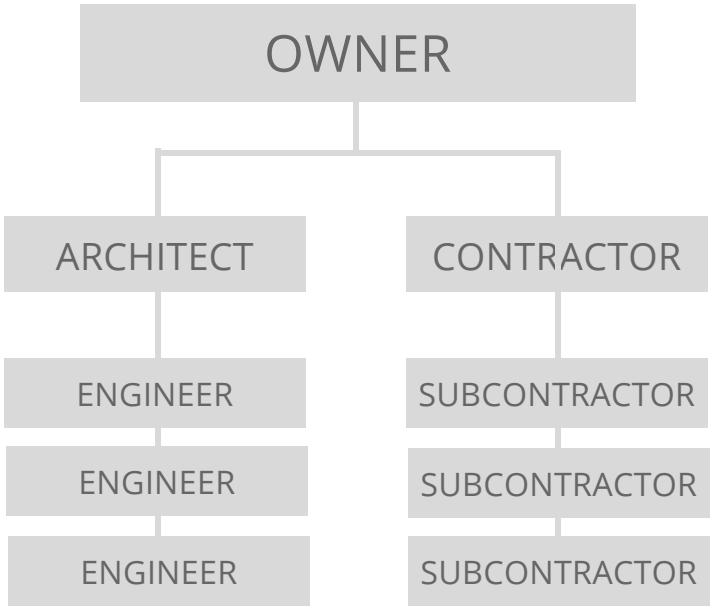
1. You'll typically first hire a designer/architect to design your project.
2. After the design is complete, you and the designer will solicit bids from qualified contractors.
3. Then, you'll select a contractor based on their competitive bid and your specific selection criteria to build the project.

1. DESIGN-BID-BUILD

Characteristics:

- Two contracts with the Owner (architect & contractor)
- Contractor is usually selected based on price
- Linear sequence of work/project phases

Contractual Relationship Diagram



Advantages

- Clearly defined roles for each party
- Architect acts as Owner's advocate during construction
- Competitive construction cost
- Popular (laws are well defined for this method)

Disadvantages

- Long timeline (due to bidding phase and linear sequence of phases)
- Less likely to function as a team to solve problems and can result in more finger pointing
- More likely to become litigious since owner accepts liability for design in contract
- Contractor has little input in project planning or design phase
- Change orders are common due to the literal interpretation of drawings during the bidding phase

2. DESIGN-NEGOTIATE-BUILD

The design-negotiate-build delivery method is similar to the design-bid-build method with the exception that instead of a bid phase, there is a negotiation phase where you negotiate the project cost with one specific contractor and award the contract.

Typical Process:

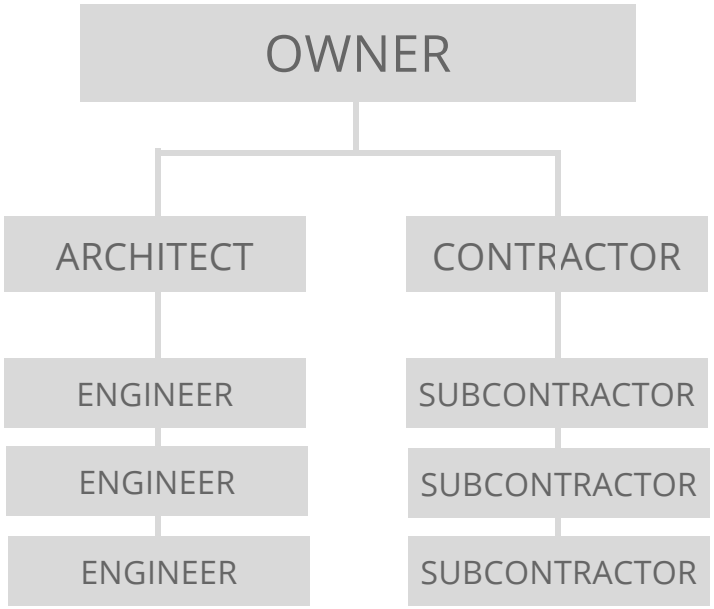
You'll hire a designer/architect to design your project. During the process or after you finish designing, you and the designer will select a qualified contractor for the job based on your selection criteria and negotiated price. Then the contractor will build the project.

2. DESIGN-NEGOTIATE-BUILD

Characteristics:

- Two contracts (architect & contractor)
- Contractor is selected based on qualifications & experience
- Linear sequence of work

Contractual Relationship Diagram



Advantages

- Clearly defined roles for each party
- Less costly from a design perspective since designer doesn't have to draw every detail
- Architect acts as Owner's advocate during construction
- Contractor can be brought onboard early in the process and can offer constructability advice or cost analysis

Disadvantages

- Can become litigious since owner accepts liability for design in contract
- Contractor has little input in project planning or design phase unless brought on early

3. DESIGN-BUILD

The design-build project delivery method combines design and construction services under one prime contract with the owner.

Design-build teams come in a variety of forms:
1. Joint venture of a contractor and a designer
2. Contractor with a designer as a sub-consultant
3. Designer-led team with a contractor as a subcontracted entity
4. Single firm entity capable of performing both design and construction

Typical Process:

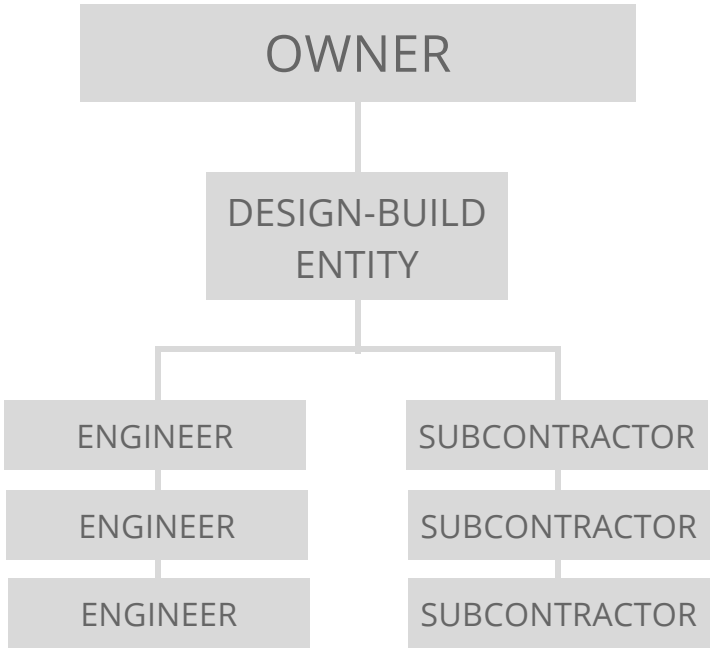
You'll select and hire a design-build team. You'll then work with that team to design and build your project.

3. DESIGN-BUILD

Characteristics:

- Single point of contact/responsibility
- Often is the fastest delivery
- Responsibility falls on the owner for quality control

Contractual Relationship Diagram



Advantages

- Experts in design & construction contribute to ALL phases of the project
- Cost efficiencies can be achieved since the contractor and designer work together throughout the entire process.
- Shorter schedule (= cost savings)

Disadvantages

- Owner doesn't have the benefit of the checks and balances that exist when contracting separately with a designer and a contractor. (=Need more trust)
- Owner lacks control and input in design, construction management, and chose of project team; especially if a certain design aesthetic or iconic design is wanted

4. OWNER-BUILD

The owner-build project delivery method has the owner acting as the general contractor for the project.

Typical Process:

You'll hire a designer/architect to design your project (or you'll do the design yourself). After the design is complete, you will be in charge of soliciting quotes and hiring various contractors to complete the job. the project. You'll be responsible for planning, coordinating, scheduling, and executing the construction project.

4. OWNER-BUILD

Characteristics:

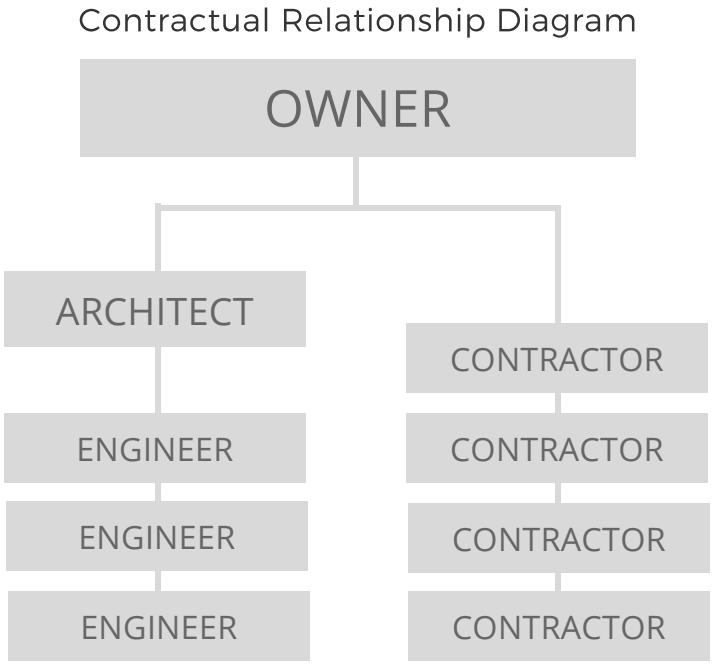
- Many contracts (designer & one for each contractor performing work)
- More time and effort involved for Owner to coordinate construction
- More design and construction expertise is required of the Owner

Advantages

- Retain control of design & construction
- Most cost-effective if done correctly (no general contractor markup)

Disadvantages

- Owner assumes a lot of risk in completing project
- Big time investment for the Owner
- Owner responsible for planning, scheduling, and coordinating (& sometimes performing) construction
- Owner responsible for hiring subcontractors, ordering materials, & getting inspections



How your project is designed and constructed is one of the most important decisions made by every future homeowner embarking on a construction project.

Let's look at what to consider when selecting a delivery method...

KEY CONSIDERATIONS IN SELECTING A PROJECT DELIVERY METHOD

BUDGET

How price sensitive are you? Do you need to adhere to a strict budget?

SCHEDULE

How important is adhering to a specific schedule or meeting a specific timeline?

DESIGN

How much assurance do you want in making sure your project meets your goals, needs, wants, and style preference?

INVOLVEMENT

How much time and effort can you and do you want to have in the process?

EXPERTISE

How knowledgeable are you in understanding and performing duties during the design and construction processes?

RISK

How much control/risk do you want in ensuring a quality design & construction proces at a cost and schedule that works for you?

BUDGET

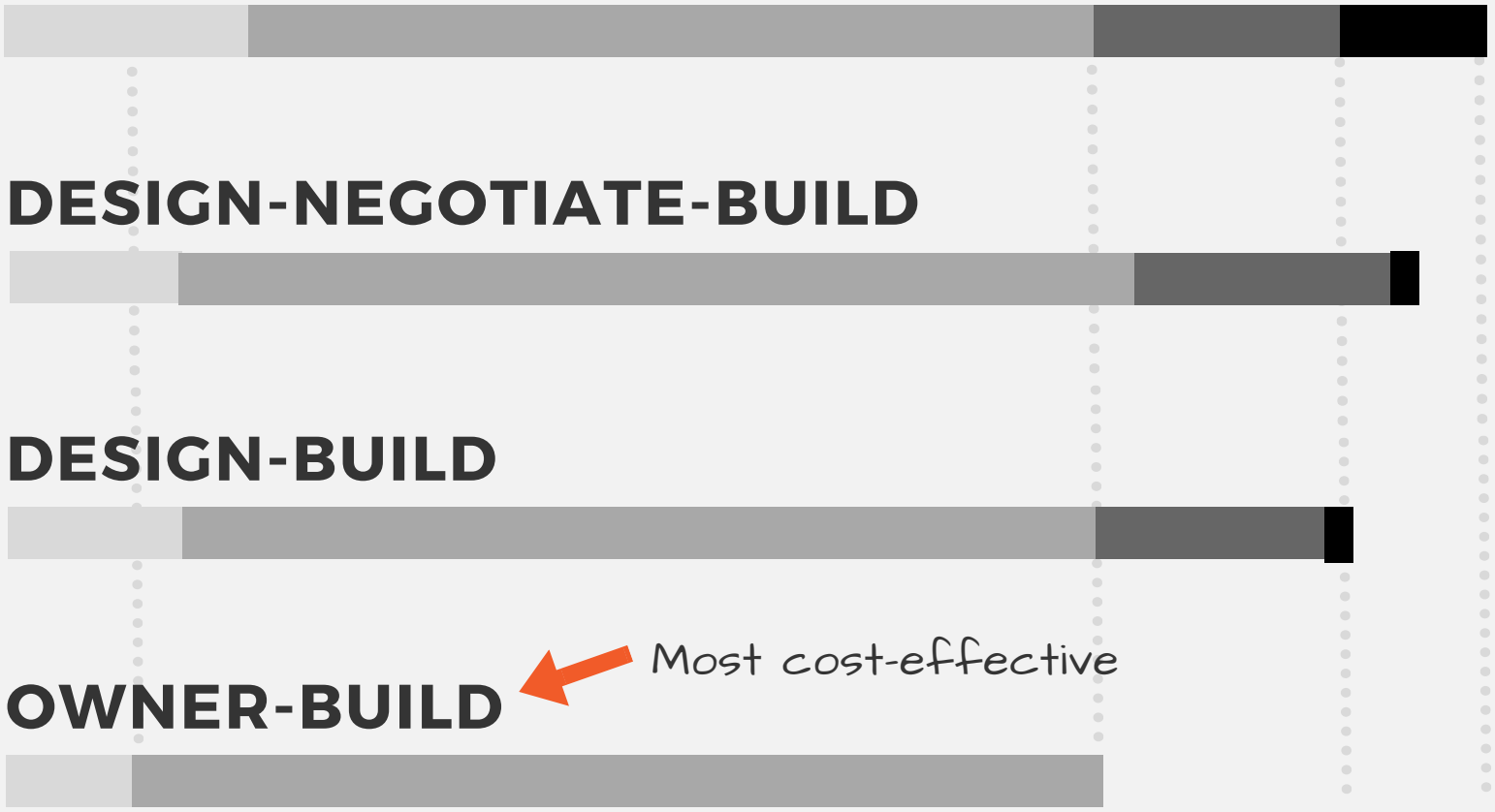
DESIGN-BID-BUILD

DESIGN-NEGOTIATE-BUILD

DESIGN-BUILD

OWNER-BUILD

Most cost-effective



Design Fee

Construction materials & labor

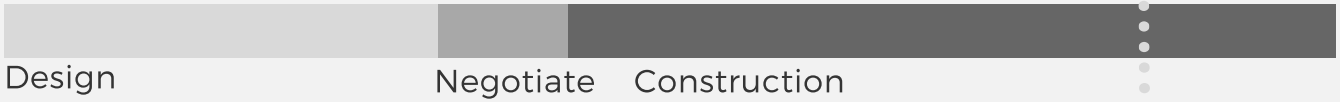
Contractor Fee

Change Orders (Potential)

SCHEDULE

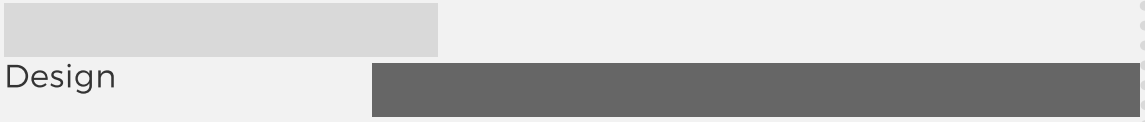
DESIGN-BID-BUILD

DESIGN-NEGOTIATE-BUILD

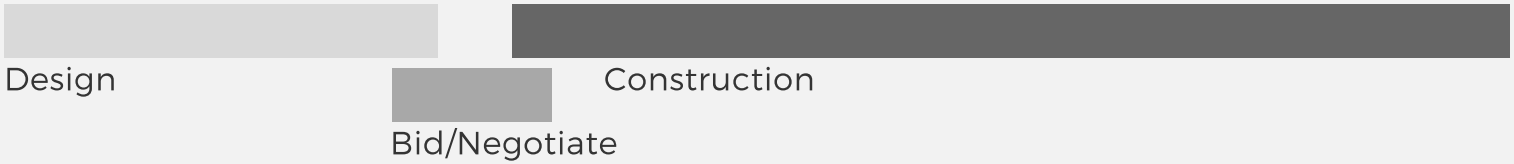


DESIGN-BUILD

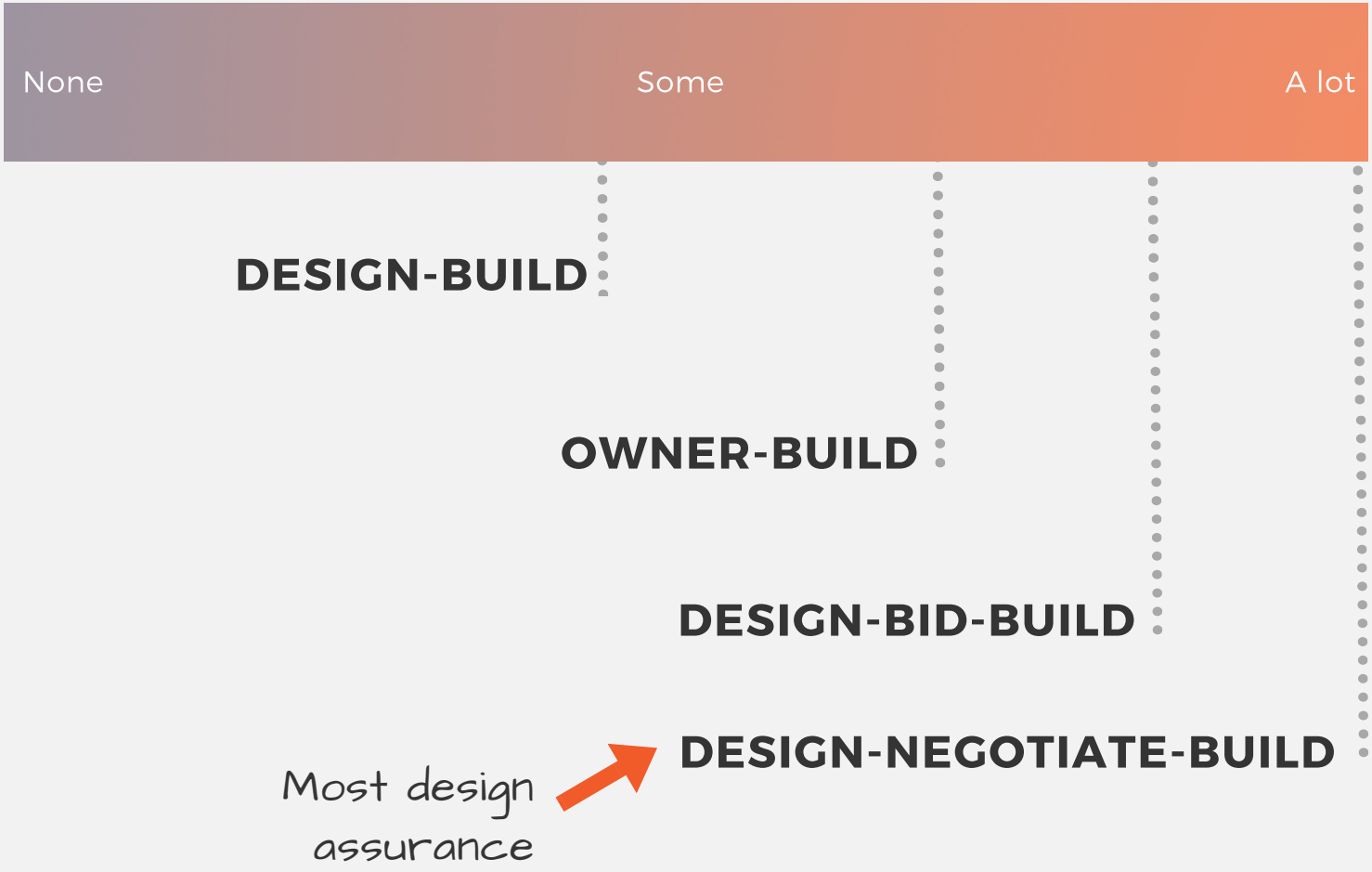
Shortest



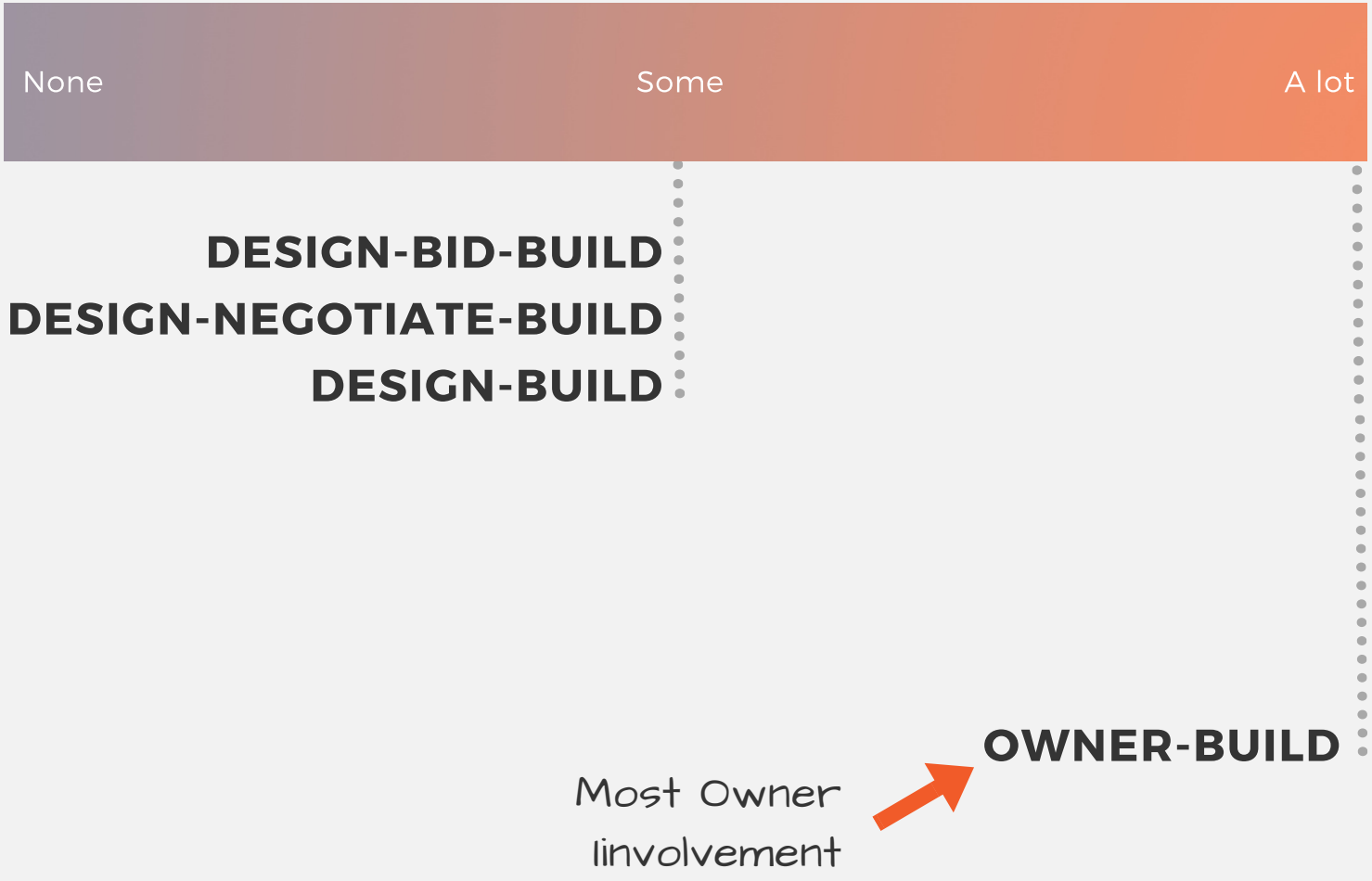
OWNER-BUILD



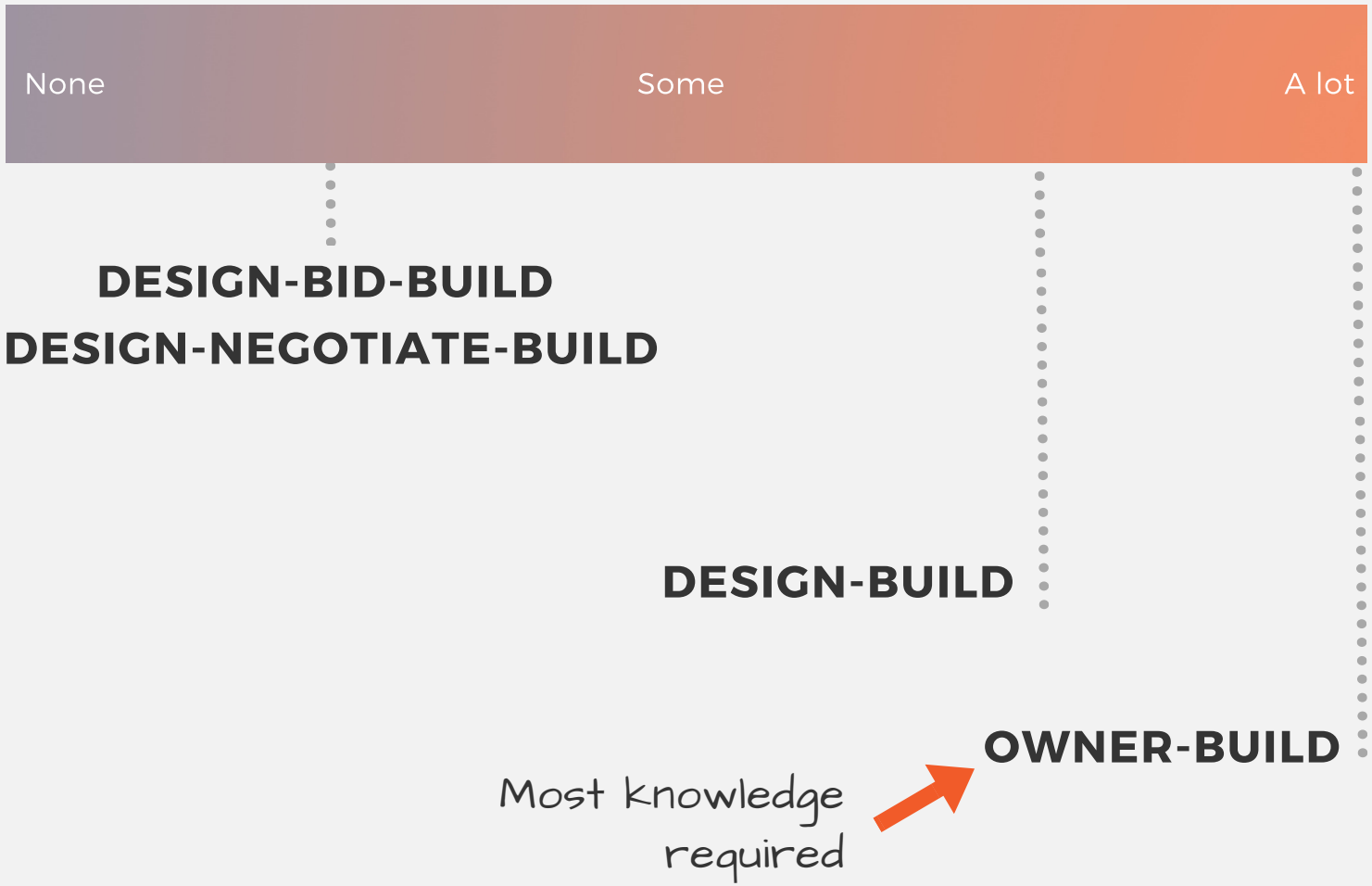
DESIGN ASSURANCE



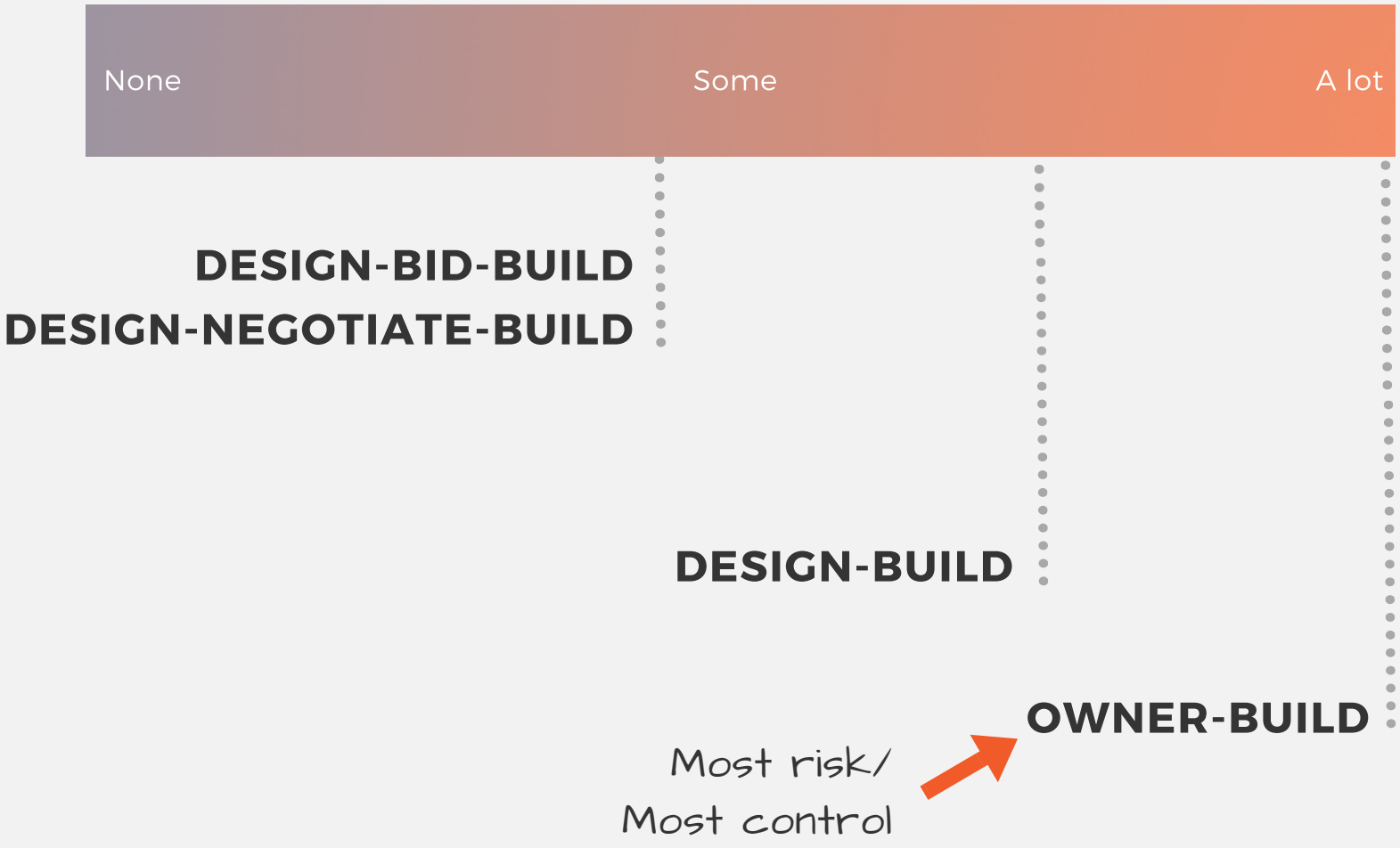
INVOLVEMENT



EXPERTISE


None
Some
A lot
DESIGN-BID-BUILD
DESIGN-NEGOTIATE-BUILD
DESIGN-BUILD
OWNER-BUILD
Most knowledge required

RISK


None
Some
A lot
DESIGN-BID-BUILD
DESIGN-NEGOTIATE-BUILD
DESIGN-BUILD
OWNER-BUILD
Most risk/
Most control

COMPARISON
PROJECT DELIVERY METHODS

	Project Budget	Project Schedule	Design Quality	Owner Involvement	Owner Expertise	Owner Risk
Design-Bid-Build	Highest	Long	Better	Average	Least	Least
Design-Negotiate-Build	High	Average	Best	Average	Least	Least
Design Build	Average	Shortest	Average	Average	Average	Average
Owner Build	Lowest	Longest	Better	Most	Most	Most

Note: These are largely generalizations. Actual results may vary depending on several factors including: your project requirements, the selected project team, location, skillset, and complexity.

HOW TO CHOOSE THE BEST PROJECT DELIVERY METHOD:

1. Determine your project goals.
   (cost, timeline, design, quality, functionality)
2. Outline specific project constraints & factors affecting your project.
   (budget, schedule, design, involvement, expertise, risk, availability of companies/firms to work with)
3. Evaluate & rank your project goals and constraints.
4. Select the delivery method that best aligns with your project needs and goals.

WHAT FOLLOWS ARE SAMPLE QUESTIONS TO HELP YOU DETERMINE WHICH DELIVERY METHOD IS RIGHT FOR YOU:

(starting with the biggest two)

Project Goals:

What are the priorities, project goals and objectives most important to you?

Project Constraints:

Which of the following areas is considered the highest priority for this project: quality, cost or schedule?

SAMPLE QUESTIONS TO ASK YOURSELF:

Budget:

- How important is it to minimize cost?
- How important is it to complete the project on budget?
- How important is it to not exceed a specific amount?
- How important is it to maximize the project scope within the project budget?

Schedule:

- Do you have a specific life event or timeline you need to meet?
- How critical is it to complete the project on schedule?
- How important is an accelerated construction schedule?
- How important is it that the project not exceed a certain date?

Design:

- Have you clearly defined the scope of your project?
- Does the project have a high level of complexity that requires a lot of design or construction expertise?
- Does the project require a high degree of performance quality?
- How important is it to meet or exceed project requirements?
- How important is it to select the best team of designers and builders?
- Do you have a design firm in mind that you want to work with & are they available
- How important is high quality design?

SAMPLE QUESTIONS

Involvement:

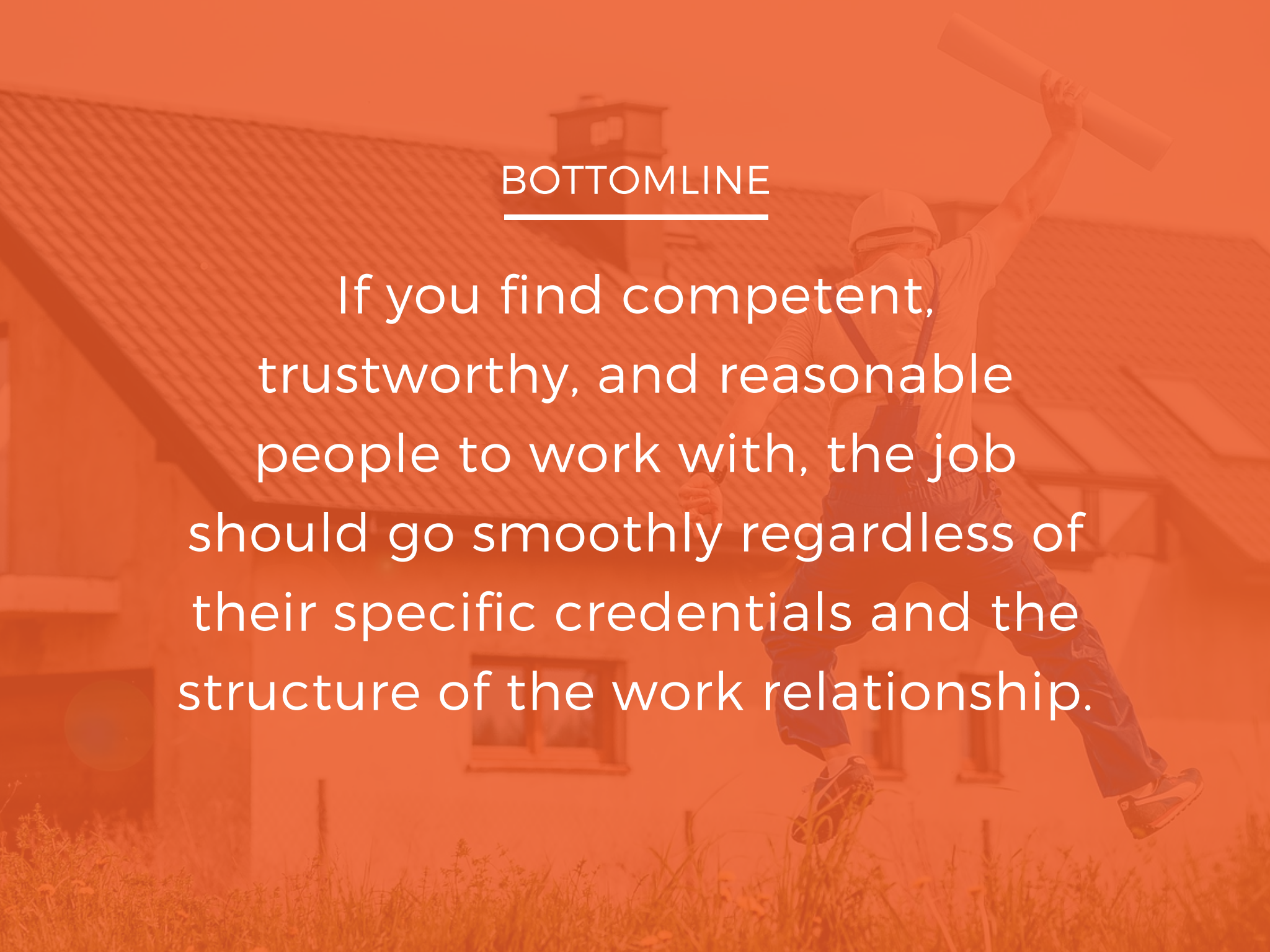
- How involved do you want or need to be during the design and construction of the project?
- How much involvement do you want in making sure the project gets built properly?

Expertise:

- How much experience and knowledge do you have in the homebuilding process?
- Will the project require specialized knowledge or resources to complete? Do you possess this knowledge and resources, or will they need to be obtained?
- How eager are you to learn more about the process?

Risk:

- How much control do you wish to have over the project's design and construction?
- What level of risk will be introduced by this project and how adverse are you to taking on this risk?
- Risk factors include issues related to: site conditions and hidden conditions, utilities, drainage, environmental, 3rd party involvement, design, construction, and safety.



BOTTOMLINE

If you find competent, trustworthy, and reasonable people to work with, the job should go smoothly regardless of their specific credentials and the structure of the work relationship.

THANK YOU!

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http://www.the-opendoor.net/

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