



Construction Procurement 101

Review of Selected Methods of Construction Procurement

November 2013



Variations with Special Capital Authorities (State Agencies)

Prior to 2005:

- All state agencies followed DGS' construction procurement policies as defined in the Construction and Professional Services Manual (CPSM)

After 2005:

- Tier 3 Institutions (VT, UVA, CWM, VCU) & Tier 2 Institutions with Capital Authority (VCCS) create their own version of the CPSM and have different requirements for approval
- Department of Corrections can use Design-Build procurement without approval from DGS
- Tier 1 and Tier 2 Institutions (JMU, ODU, VMI, GMU, RU, CNU)
 - Follow the CPSM
 - Have different requirements for approval in an NGF project



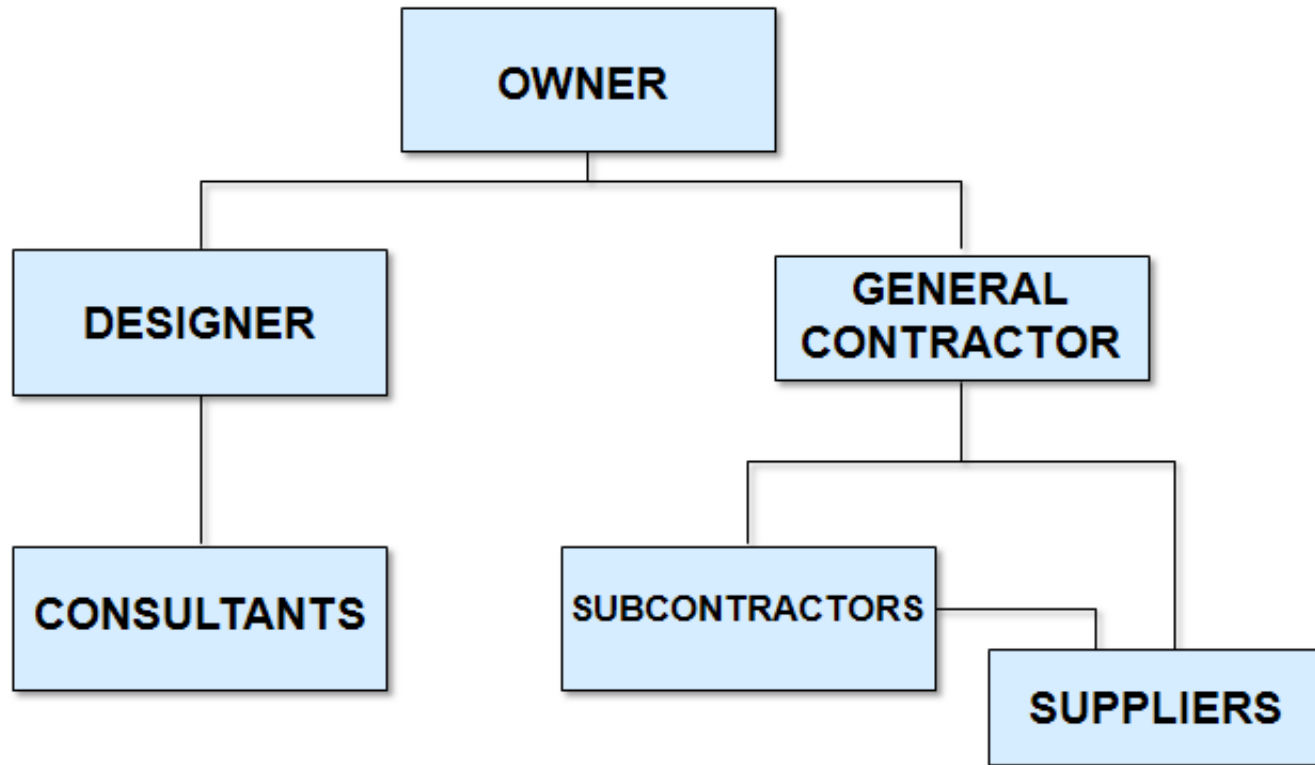
Construction Procurement Methods

- **Design-Bid-Build (DBB)**
- **Construction Management (CM)**
- **Design-Build (DB)**
- Job-Order-Contracting (JOC)
- Energy Services Companies (ESCO)
- Public Private Procurement Act (PPEA)
- Pre-Qualified General Contractors
- Negotiated (< \$2m) Tier 3 only
- Small, Women, and Minority Owned Businesses (SWaM)
- Change Order (CO-11, CO-11ae)

Today's focus is on DBB (as a point of reference), CM and DB



Design-Bid-Build (DBB) – Default Method





Design-Bid-Build (DBB) – Default Method

Sequence:

- Owner Engages Designer (A/E Contract)
- Designer Designs Facility
- Owner Engages Contractor (GC Contract)



Design-Bid-Build (DBB) – Default Method

Benefits:

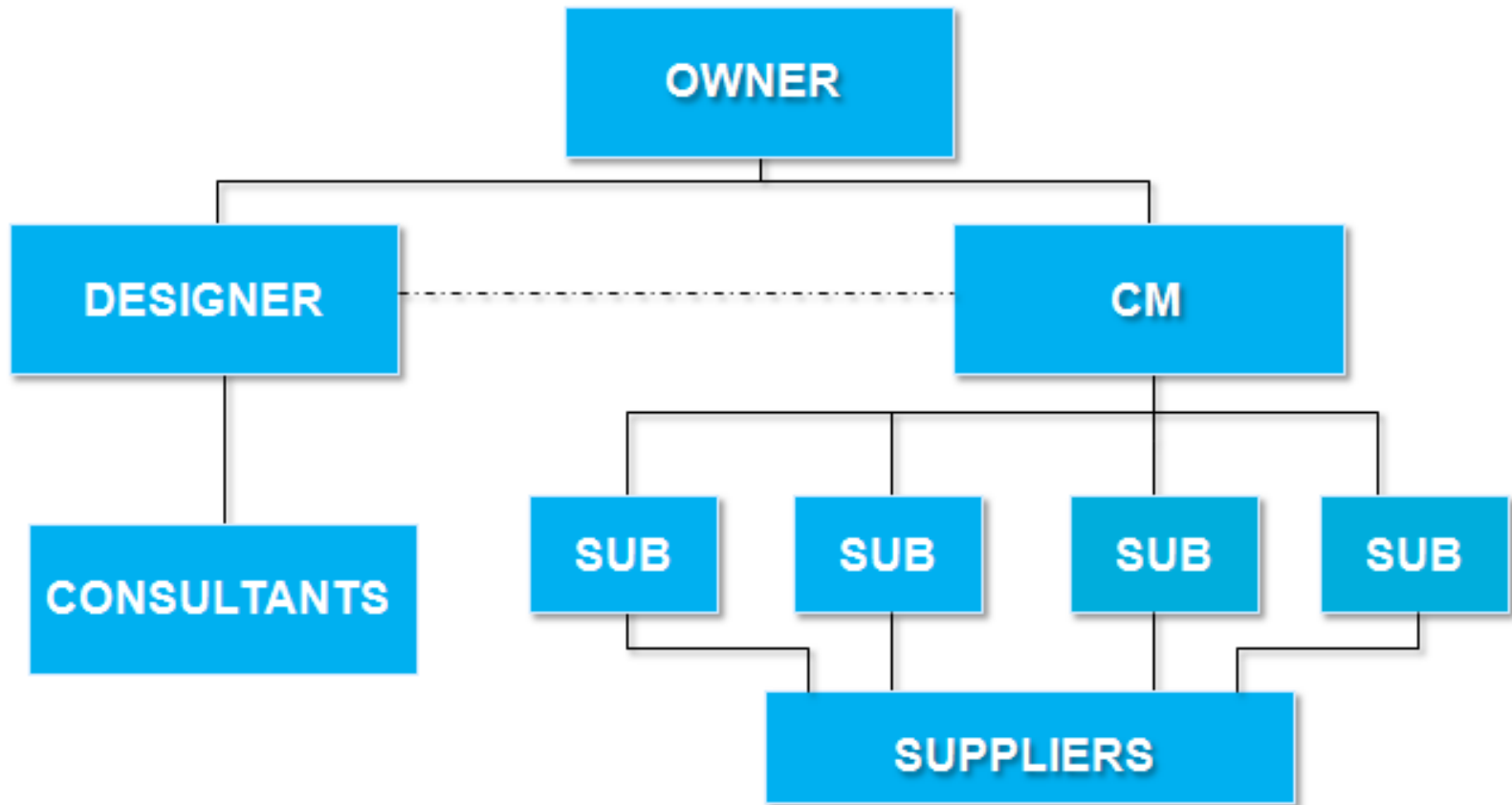
- Maximum competition
- Cost-efficiency (with appropriate/complete design & specifications)
- Ideal for projects that do not require specialized expertise

Issues:

- Higher probability of litigation
- Potential for increased change orders



Construction Management (CM) or CM @ Risk





Construction Management (CM)

Sequence:

- Owner's A/E designs project as usual.
- CM/GC Hired Early in Design Process to Assist With System Selection, Schedule, and Budget. CM/GC typically hired via a Request for Qualifications (RFQ; step 1) and a Request for Proposal (RFP, step 2)
- CM provides a “Guaranteed Maximum Price” (GMP) before design documents are complete
- GMP includes
 - ✧ CM General Conditions Fee and profit
 - ✧ Cost of Construction (subcontract pricing)
 - ✧ Construction (CM) contingency.
- Owner has A/E Project Manager/Project Inspector to perform construction period services



Construction Management (CM)

Benefits:

- CM/GC selection is both qualifications and cost-based
- CM is engaged early to review documents to reduce conflicts and keep within budget
- CM is responsible to Owner to finish on time and within GMP
- Owner's A/E designs project and may produce trade packages for CM to bid out to begin construction earlier
- Provides excellent small business participation and development opportunities; often exceeds 40% participation



Construction Management (CM)

Issues:

- Potential Overuse
- Justification for use of CM is not included in the RFQ
- Construction Manager selected too late
- Guaranteed Maximum Price (GMP) is accepted too early or too late



Construction Management Survey

- Surveyed group: state agencies only; this does not include localities
- Survey period: 1 Sept 2008 – 1 Sept 2013
- Of the 108 CM @ Risk projects reported
 - ✧ 52% were greater than \$20M
 - ✧ 27% were between \$10-20M
 - ✧ 21% were less than \$10M
- The average number of Request for Qualification respondents (typically step 1 of the CM selection) is 14
- The average number of Request for Proposal respondents (typically Step 2 in of the CM selection) is 5



Virginia Community College System (VCCCS)

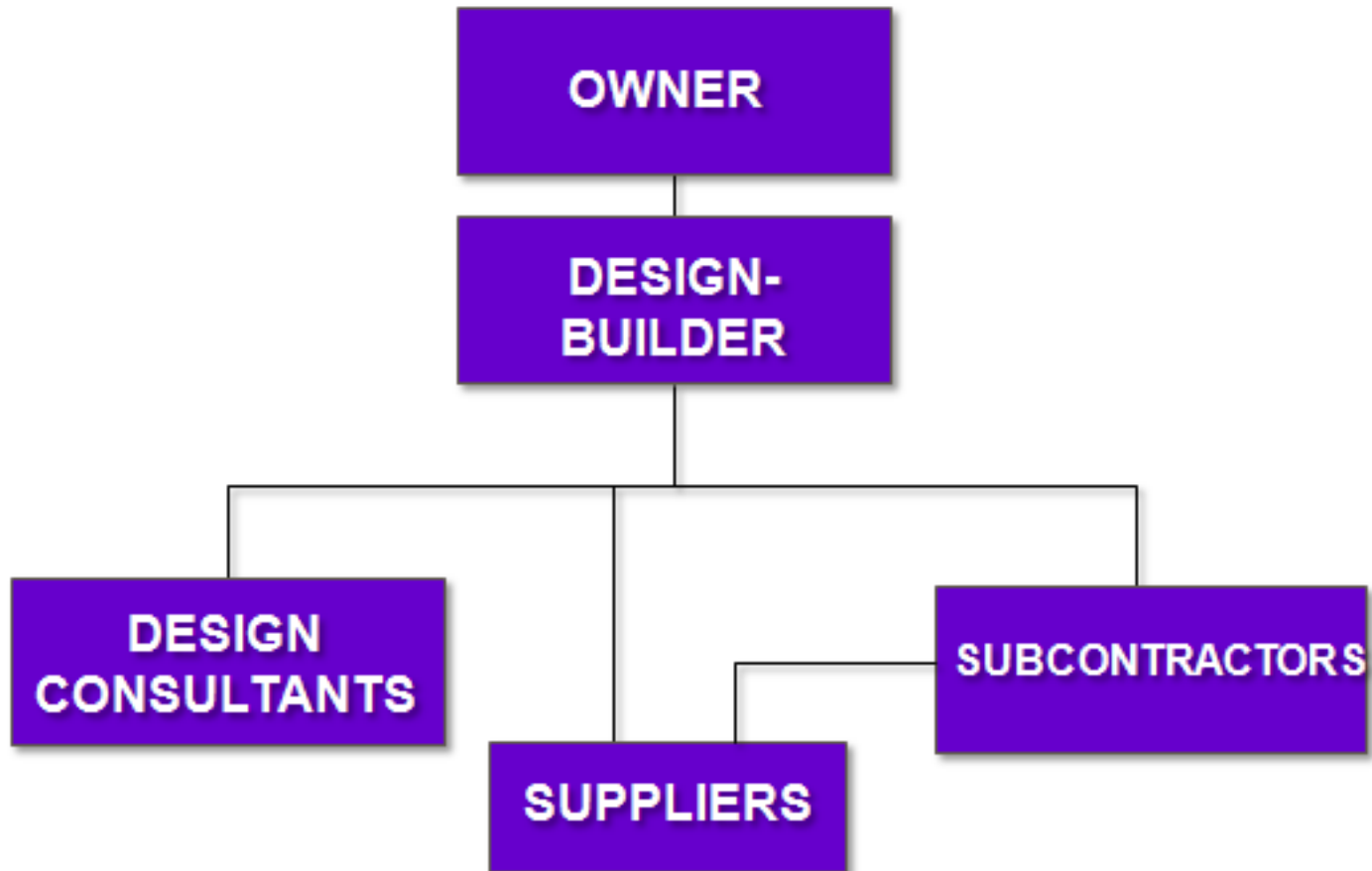
Analysis of the use of CM and DB vs. Design-Bid-Build:

March 2011 – September 2013 VCCCS solicited 135 construction projects, excluding smaller projects procured at the individual college level:

- 125 were solicited using Design-Bid-Build with a total construction value of \$92M
- 10 were solicited using CM (9) or DB (1) with a total construction value of \$154M



Design Build (DB)





Design Build (DB)

Sequence:

- Agency / A/E prepares Bridging Documents/RFQ/RFP
- Proposers submit “Technical Proposal” and separate sealed “Cost Proposal”
- Technical proposals evaluated
- Cost proposals opened
- D-B Contractor selected for award



Design Build (DB)

Benefits:

- Single Point of Responsibility for Project Delivery
- Owner must define basic project requirements
- Selection is a 2 step process
 - ✧ Qualification of proposers
 - ✧ Competitive Negotiation
- 2 minimum / 5 maximum receive “Request for Proposal”



Design Build (DB)

Issues:

- Scope of work and project requirements are not adequately defined in the RFP
- Prequalification selection criteria is not customized to the specific project, makes the RFP unclear
- Owner does not have benefit of the A/E independently overseeing the work



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