

CM-at-Risk with a Twist

An alternate project delivery method combines with a creative procurement approach.

By Vinay Uchil and
Josh E. Rowan

In areas of significant infrastructure growth, larger general contractor companies have been in high demand and short supply because they are tied up on major state projects. That leaves smaller contractors (that typically act as subs to the larger contractors) to pick up the slack and handle relatively smaller county, city, and local municipality road and highway projects. While the smaller contractors typically do good work, they generally aren't equipped to assume all the responsibilities associated with these projects.

Contractors in general, and particularly smaller contractors, do not want to take on the performance risks (actually, non-performance risks) associated with hiring and managing subcontractors. In fact, smaller contractors commonly refuse jobs that would require them to sub more than about 25 percent of the work, or they charge premium prices in exchange for assuming the risk associated with subcontractor non-performance.

Many counties, cities, and local municipalities are unwilling to deviate from the traditional design-bid-build business model for building public works projects, and most must adhere to strict (and time-consuming) procurement procedures. These lengthy procurement processes have worked for these smaller agencies because they save money, and the extra time involved is built into the project schedules. However, for many areas in the southeast U. S. that are experiencing major population influxes, the need for significant public infrastructure improvement and growth is urgent. Time has become an important element of the project

delivery method. PBS&J (www.pbsj.com) found that an alternate project delivery method, Construction Manager-at-Risk (CM-at-Risk), and a creative procurement approach can provide the solution.

Under design-bid-build, the traditional project delivery method that is used for most public works projects, the design and construction responsibilities are segregated under two separate contracts, one between the owner and the architect/engineer (A/E) and the other between the owner and the general contractor. The owner often hires a construction management (CM) firm to administer the construction contract.

CM companies are typically reluctant to take on the relatively high level of risk associated with general contracting, but PBS&J proposes a twist to their CM-at-Risk role that allows them to control their risk.

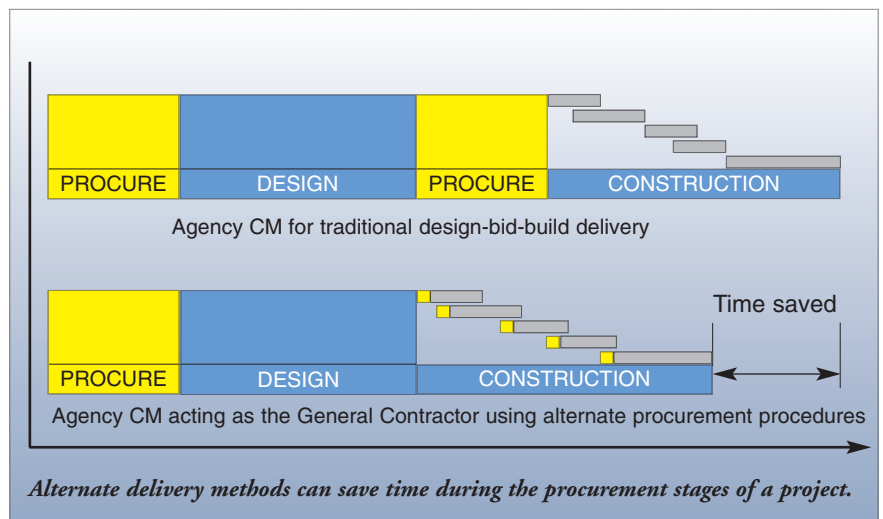
Under CM-at-Risk, the construction manager, selected on the basis of qualifications, serves as the owner's agent. The construction manager provides plan-

ning, estimating, scheduling, and other consulting services during the design phase. The construction manager then changes hats and serves as the legal general contractor during construction.

When the design phase is nearly complete, the construction manager and the owner may negotiate a Guaranteed Maximum Price (GMP) and schedule. If there is a GMP, the construction manager is required to share all cost information with the owner, and the owner will pay only for the agreed-upon work up to the GMP.

Advantages of CM-at-Risk are many. The owner retains control during the design phase while being able to receive preconstruction input from the constructor. The procurement phase between design and construction is eliminated, potentially trimming months from a project's schedule; the potential for change orders is minimized. The owner is able to choose the constructor; and the construction cost can be guaranteed.

CM-at-Risk isn't perfect; it does have



some disadvantages, such as potentially higher cost, because the project fees are based on negotiation, not lowest bid. These costs can often be offset by the cost savings associated with expedited project completion times. Another disadvantage of CM-at-Risk is that conflicts can arise if the design is not 100 percent complete before construction begins. Good communication among the owner, the construction manager, and the designer or architect reduces the potential for this problem.

How it Works

“When we know our client wants to expedite a project, but the procurement requirement calling for bidding out everything over a certain value, say \$20,000, has the potential to draw the process out, even with us acting as CM-at-Risk, we propose legally bypassing the procurement process by dividing the project into smaller tasks, each worth less than \$20,000,” says Mark Weatherby, PBS&J’s senior project manager in Atlanta.

PBS&J acts as the owner’s agent, providing the design, coordinating land

acquisitions, and helping with solicitation and procurement of bids from the client’s list of approved contractors. Then, they take over the “at-risk” part of the job, acting as the general contractor. The twist—PBS&J avoids the risks associated with hiring and managing subcontractors. How? They don’t contract with the primary contractors. Under informal arrangements, they manage the primary contractors, who do preliminary work like grading, but the primes work under contracts with the client.

“Using CM-at-Risk, we’re able to begin construction before the design is completed. That and having multiple contractors working simultaneously allows us to wrap projects up as much as six months ahead of schedule,” says Weatherby. The client can avoid the potential pitfalls of beginning construction before completing the design by doing the design in-house.

Using CM-at-Risk, risk is shifted from the owner, the architect/engineer, and the subcontractors to the construction manager. “At-risk” refers to the chances the construction manager takes

that the subcontractors’ performance will be inconsistent with the design. But, on the balance, there’s reduced risk for the construction manager, too.

Under CM-at-Risk, the construction manager is selected on the basis of qualifications, which brings quality to the project. The construction manager works as a collaborative member of the project team, along with the A/E and the owner. Having been selected on the basis of qualifications, construction managers are apt to do their best, not only to win repeat work, but also to secure good references. The construction manager can review the A/E’s drawings, and the A/E and the constructor can exchange information and review one another’s work, catching errors and making the most of their common knowledge. **GE**

Mr. Rowan, PMP, is a Senior Group Manager/Associate Vice President for PBS&J, based in Marietta, GA. He can be reached at 770-422-1902 or jerowan@pbsj.com. Mr. Uchil, PE, PgMP, CCM, is a Project Manager for PBS&J, based in Atlanta, GA. He can be reached at 770-933-0280 or vuchil@pbsj.com.