

# THE BROAD DIMENSION

## the newsletter of tbd consultants - 4th quarter 2010



### tbd consultants

Construction Management Specialists  
 111 Pine Street, Suite 1315  
 San Francisco, CA 94111  
 (415) 981-9430

4361 35th Street, San Diego, CA 92104  
 (619) 550-1187

8538 173rd Avenue NE, Redmond, WA 98052  
 (206) 571-0128

[www.TBDconsultants.com](http://www.TBDconsultants.com)

#### In this Edition:

Integrated Project Delivery .....	1
West's Grand Central .....	3
The Growth/Debt Debate .....	4

## Integrated Project Delivery

### Gordon Beveridge

Much has been written in the technical press in the last few years on how to define IPD and what advantages may ensue from the implementation of IPD principles. Is it really a new method of Project Delivery or a twist on established formats? And what may be the advantages

or disadvantages? We hope to answer some of these questions in this two part article.

Definitions are not always easy to extract however the most recognizable is from the draft of an AIA document (AIA/AIACC Integrated Project Delivery Guide anticipated in 2010) and is as follows: "Integrated Project Delivery is a project delivery method distinguished by a contractual agreement between a minimum of the owner, design professional and builder where risk and reward are shared and stakeholder success is dependent on project success".

The AIA has endorsed two excellent publications which are referenced at the end of the paper mentioned above. These two prominent publications are 1) Integrated Project Delivery: Case Studies, and 2) Integrated Project Delivery: A Guide.



The "Guide" is a comprehensive study which examines the evolution and parameters of IPD, whereas the "Case Studies" examines seven real projects and elicits feedback on what was accomplished.

Firstly the idea of IPD is not entirely new and has been used in various forms and sectors in both the UK and Australia with good results. There are claims of superior efficiency and total cost savings ranging from 2-20% over more traditional set ups.

Clearly the move for widespread adoption of IPD may not suit all projects or owners. The thrust for change in the US has derived in many cases from the medical sector, where projects can be very technical, large and with high risks for all parties given the variables and potential problems. Traditionally the Owner, Designer and Contractor would have well defined contracts which attempted to move risk from one party to the other. Prudent parties would build in appropriate levels of risk into the pricing which in the end the owner would end up paying for, whether these risks came to pass or not. It also sets up entrenched positions which add to the defensive amount of administration required to execute a contract.



Owners and all parties recognized there could be a better model for project delivery that brought all parties together, and bound them in some legal format to align them all with the common goal of reducing uncertainty/risk, administration, and at the same time take advantage of the evolution of Building Information Modeling (BIM). This calls out that all parties must be adaptable to change and embrace a transparency and unity of purpose which requires a significant mind shift.

The characteristics of IPD are well defined in the Case Studies and include most if not all the following:

- Early involvement of the Owner, Designer and the Contractor to set goals and parameters

- Some form of multi party contract
- Some form of sharing risk and rewards
- Liability waivers among the principal parties
- Definition of how the parties as a group were to make decisions

To enable the above to be implemented it was also desirable to define in fine grain where the teams would meet or co-locate, how to deliver open communication, and how transparent the financials of each party would be.

The traditional roles and parameters needed a mind shift to engender a more interactive, embracing process, where the typical boundaries are dismantled and much more effort is put in at the early phase of design. The owner however, unlike the typical role, must be more involved in the process and accordingly the time demands will require their input on a continuous process. This process is not for the owner who is passive.

From the contractors perspective the team will demand more cost information early in the process to make informed decisions and in tandem more design time will also be spent up front to generate what the contractor/subcontractors require.

Making well informed decisions early in the process assists in removing many of the inherent risks in the traditional delivery methods

Conclusions from Study Projects were as follows:

1.0 The projects all met clients' expectations with respect to budget, schedule and sustainability.

2.0 Risk: By synchronizing goals of the owner/design team/contractor and making them jointly responsible there was lower risk for all parties.

3.0 Contingencies for Risk: Traditional contracts try to shift risk from one party to another and attempt to narrowly define roles and responsibilities. Each party works in their own "silos" which limits collaboration and alignment of focus. The owner often ends up paying for these hidden contingencies.

4.0 Financial incentives: The merit of financial

incentives has little consensus. Some said that common incentives are essential to focus all parties for common goals. Others perceive incentives have the effect of creating conflicts between team members.

5.0 Umbrella Insurance: It is desirable but very expensive to implement and accordingly may only be suitable for larger projects. However IPD should reduce claims and disputes and eventually insurance companies will become familiar with it, and give premium reductions.

6.0 It is recognized these are still early days for IPD and many clients and participants will have to go through experiments to decide what will work effectively.

This article will be concluded in the next newsletter.

## West's Grand Central Geoff Canham

Wednesday, August 11, 2010, marked the official ground-breaking for what has been dubbed the Grand Central Station of the West. As a light drizzle fell, the Transbay Transit Center project officially started, with the temporary terminal already in operation, utility relocation work in the surrounding streets progressing nicely, and demolition work on the bus ramps and terminal ready to start a week later. It was almost hard to believe this project (that this writer had been connected with for over a decade) was finally actually under way.



Back in the 1990s, the Transbay Terminal project was initially seen more as one of seismic upgrade and expansion, and

the idea of bringing Caltrain to it, or at least closer to it, was being considered again (this project has been talked about for a long time). However, it did not progress at that time, but the boom years (remember those?) demonstrated clearly the need for improvement in the transit systems, and the feasibility of the Transbay Terminal project was again under study. There were budget restraints, but there was a marked lack of restraint in the bidding market at that time, so it was decided to break the terminal replacement project into two, with the above grade bus terminal to be built first, and the train station being constructed later by tunneling under the bus station.



Next, a design competition was held, and the innovative design submitted by the Pelli Clarke Pelli team was selected. The project always had LEED goals, but this design not only met those, but had what must surely be the ultimate in green roofs - an actual city park to top-off the building!

Then the recession hit, with the result that construction prices reduced and also the California High Speed Rail project received funding through ARRA. And with the rail station portion of the Transbay Transit Center project being the terminal for the northern end of the high speed rail system, it became viable to recombine the two phases of the project.

So, on a day when the words of Samuel Clemens (otherwise known as Mark Twain) about 'a summer in San Francisco' rang very true, not only did the long-awaited Transbay Terminal replacement project get under way, but the first step in the California High Speed Rail project also began.

Like too many projects these days, funding is still an issue for the rail project, even for the DTX (DownTown Extension, that will bring Caltrain and high speed rail from the existing Fourth and King Station to the Transbay Transit Center),



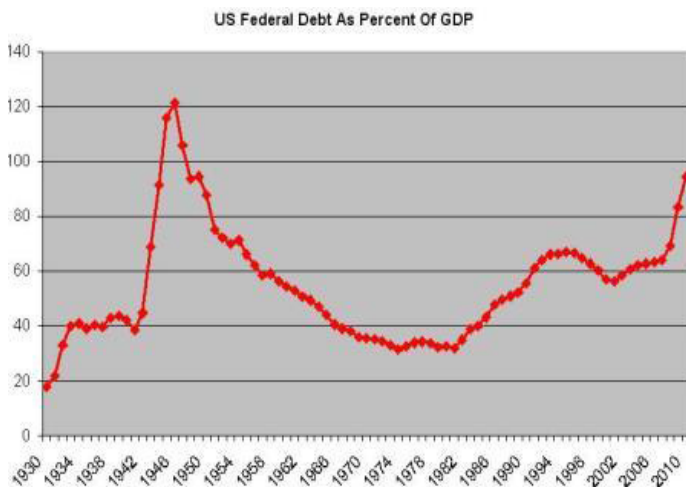
but the project is picking up momentum and should be able to overcome these final obstacles, bringing rapid, non-polluting transit for most of the length of the state.

## The Growth/Debt Debate

Geoff Canham, Editor

It is not often this writer feels sorry for politicians, but it is hard not to feel some sympathy for them in the current situation. The recovery from the Great Recession is limping along, and pressure is on those in power to speed things up and get the unemployed back to work. But the efforts to limit the effects of the recession have already created a mountain of debt that needs to be addressed, and any further incentives that the government might offer to help the recovery is only likely to compound the debt issue, creating more problems for the future. Caught between a rock and a hard place!

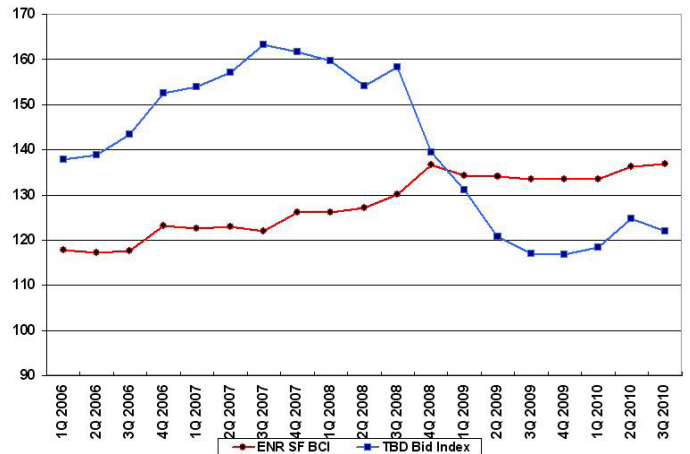
According to CNN, the median personal share of the debt owed by the individual states (not the Federal government) is almost \$1,000, and in California it is over \$2,300 (which doesn't even put it in the top three states for per capita debt). But as bad as that might sound, it only leaves the median state debt to gross state product at around 2%. For comparison, Federal debt to GDP is over 90%. I would use exclamation marks after that statement, except that the percentage does not stand out that much compared to many other nations.



The G20 meeting at the end of June came out with a statement pledging to cut national budget deficits while

endeavouring to promote economic growth, in other words to play a delicate balancing game.

These burdens of debt are making it more difficult for Federal and state governments to invest in projects that will create jobs. Instead, they are facing budget deficits and looking to cut jobs. So the burden of job creation is falling to the private sector, where it really should be but for the fact that that sector is still too shell-shocked from the economic downturn to risk employing additional staff.



So we are caught in a trap: until employment takes off, and people start to feel more confident so that they start spending freely again, there will not be any major improvement in the economy; but until there are signs of real improvements in the economy, companies will not be inclined to ramp up the employment levels.

These are trying economic problems, and one might expect politicians to be wanting to play politics, not to become economists. Oratory, rather than prowess with a spreadsheet, is probably more in their line, but we have to hope they can take the strain for a while longer.

Spending cuts and tax increases are the methods seen for improving the debt situation, but both are politically unpalatable and tend to be counter to encouraging growth.

So we go slow and steady across the tightrope, and hopefully do not find ourselves dangling from the rope too often after making a misstep. But we are still progressing towards the solid ground on the other side, and slow progress is far better than being stuck out in the middle, dangling, especially when the safety net is wearing thin.