The Design-Build Debate

Design-Build or Not Design-Build: That Is the Question

By S.S. Saucerman

In his autobiography, Mark Twain said there are “three kinds of lies: lies, damned lies... and statistics” so it’s with some trepidation that I begin this piece with a statistic, but the numbers regarding design-build are certainly worth noting.
You see, according to the Design Build Institute of America and also in a recent U.S. News & World Report feature, the use of design-build as a project delivery vehicle has enjoyed a steady, rapid ascent (as a percentage of total construction projects) in recent years and is still climbing. In fact, both sources estimate that DB now makes up about 30 percent of commercial construction contracts and will likely rise higher in the future, predicting a 50 percent market share by the year 2005.

The design phase still includes the creation of plans and specifications, budget estimates, mechanical/electrical/structural/civil engineering, zoning/code adaptations, projected schedules and other items that commonly go into a conventional architectural package. The big difference with DB is that now the GC (or a subcontractor acting as a prime) is on board and is comfortable with the costs, and the client is feeling more comfort knowing that the cost element is under control, along with being more content knowing that the GC is “on his side.”

**Design-Build’s main adversary is the conventional competitive-bid scenario.**

### What Is Design-Build?

Design-Build is a contractual relationship where a lone general contractor works directly with the owner, who is generally accompanied by an architect/designer who is hired by the GC from the very beginning of the project, and notably in the planning and design phases—a critical time. Working as a team, the trio defines a budget for the project early on and then is obliged to do what whatever they can to deliver the project for the original budget.
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an estimator, it is not at all uncommon for competitive bid situations to generate results that are 10, 20, 50 and (yes) even 100 percent over the architect’s budget.

No, unfortunately I’m not kidding. I recently quoted a competitive bid project (a public works building), where I ended up being the low bid out of the five bidders. I was $2,300 under the second place finisher and the entire pack of five were all within $50,000 of one another. My number: $1,236,000. The architect’s budget (and the number that he told the poor owner) was $550,000. Ooops!! This, of course, led to all bids being thrown out (wasting everyone’s time) and the documents being monumentally redesigned. Three months later the much-downsized project came out for bid again—under the another architect’s name. This time, the bids came in only $250,000 over budget (I wasn’t low this time).

Yeah, but That’s the Way We’ve Always Done It . . .

So if DB is so great, why is the majority of the construction awards still the result of competitive-bid? Well, the answer is nebulous and likely involves varying elements ranging from the desire of the architect to control the construction process to that all-too-human condition of old habits dying hard. And there are probably situations
where competitive bid is indeed a better delivery vehicle. It ultimately comes down to the individuals and the project.

So, how does the average person make the right choice? Well, like so many other things in life, to make an informed, intelligent decision on whether or not to go with DB, you need to sit down and weigh the good against the bad . . . and then make your final decision based on the results and your situation. What are some of these considerations—the pros and cons—of design-build?

Well, let’s examine a few:

**The Pros**

- **DB fosters a team atmosphere**, eliminating the adversarial relationships inherently spawned by competitive-bid scenarios. DB allows for less of a “me versus them” attitude. The owner, architect and builder make a commitment early on to work together to find solutions as partners.

- Communication problems are reduced as a result of the DB forum being far more conducive to open, substantive debate and brainstorming, unlike the old “arm’s-length” competitive-bid process. With greater communication, conflict is reduced.

- DB reduces blame-passing from one entity to another. In other words, it’s no longer as easy for the builder to blame the poor design by the architect when he was part of the design process himself? and, better still, keeps the owner from being caught in the middle of disputes between architect and builder.

- With all the players involved from the beginning, errors and conflicts in architectural and engineering design are minimized, eliminating costly delays required for correction and alteration of documents. Specifications also are more tailored to the project and include less “boiler plate” entries.

- Change orders are minimized greatly, and if changes (that require additional cost) do arise, DB offers a far more agreeable atmosphere for negotiation than does competitive-bid.

- DB helps to eliminate purposely inaccurate contractor and supplier proposals or (as it’s known on the streets) “lowballing.” This is where a firm bids purposely and artificially low at bid time in order to win the job, all the while confident that he can make up his lost difference in change orders by exploiting ambiguous or erroneous direction and/or details in the bid documents (that are almost always present).

- The GC’s attitude is better when the job is DB, and he’s more willing to offer voluntarily cost-saving advice that unfortunately is not the case with competitive-bid. I can relate from experience that there is very real (and understandable) ambivalence toward the competitive-bid process and its intrinsic hit-or-miss nature. GC’s simply don’t get as excited about their prospects and therefore aren’t as willing to offer assistance such as cost-saving ideas. After all, why would we, when another contractor may well end up with the job only to run out to exploit our own ideas?”

- A big advantage for the owner is that he now enjoys a single source of warranty responsibility. It no longer matters whether it’s a design error or construction error; the owner can simply pick up the phone, call the GC, and say, “Fix it!”

- The overall project schedule (encompassing the planning, design,
contract negotiation, construction, and project close-out phases) is now abbreviated. This is also sometimes called fast-tracking (getting a running start). DB also allows for the submittal and shop-drawing process to commence earlier than normal, giving the team the critical ability to release special-order and long lead-time items (a killer in conventional schedules) before ground is actually broken.

- There is more contract flexibility. In real life, unfortunately sometimes things just “don’t work out.” DB contracts can be structured to give all the players certain “outs” should the project begin to go sour. Contract wording can be included that allows for a civil and organized parting of the ways, often with a caveat for payments being made up to that completed point. This is likely a rare situation (I’ve actually never seen it happen), but it’s nice to know the option is available.

- The owner can avoid the dreaded “double-mark-up.” It’s common in competitive-bid situations for a subcontractor or supplier proposal (already marked up by that company) to be rendered to the GC during bid time, only to be automatically marked-up again when added to the GC’s spreadsheet. With DB, the subcontractor and supplier quotes are generally shared openly with the owner. These quotes may or may not (depending on the owner’s arrangement with the GC, often a flat fee) be marked up again. Again, at least the owner has the option.

- The cost for the project is often less. With DB, value engineering (cost-saving alternative) is a continual part of the process. “Rolls-Royce” and single-source products are avoided and replaced with more commodity or standardized counterparts—early in the process. Additional savings may also be realized through a reduction in the GC’s overhead cost and interest savings for ‘interim construction notes, now that the project has a shorter schedule.

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ized through value-engineering is the elevated quality of craftsmanship out on the job. Now stay with me on this one. It goes like this: now that the GC’s crew and subcontractors are installing products with which they are more familiar, fewer mistakes are made in the field. With fewer mistakes come less correction, fewer schedule interruptions, and decreased warranty problems (due to faulty installation) once the project is complete.

- The building process is more fun! Yeah, I know we’re all not in this for the giggles, but when given the option, wouldn’t you rather conduct the building process in the less stressful, less apprehensive atmosphere of DB as opposed to the more adversarial and mercenary surroundings of competitive-bid? Put another way: Wouldn’t you rather be working with someone you like than someone you don’t like?

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Why?
Because architects have to relinquish control—and they don’t like this.

The Cons

- The owner loses the benefit of collecting three, four or five (or whatever number) general construction bids for his project and no longer enjoys the historically comfortable “checks and balances” system inherent in competitive-bid. Entrenched in a doctrine of total trust in his teammates (particularly the GC), the owner does potentially leave himself open to abuse, through puffed-up pricing, sub-standard construction or just a general skirting of a thorough construction process. This is, of course, a particular peril when the owner lacks adequate construction knowledge and/or unluckily finds himself in the hands of a less-than-reputable contractor (and unfortunately, there are one or two out there).

- This next one is a hybrid of the “con” above—but not so scheming. Being no longer employed directly by the owner, the architect tends to fade into the background, allowing the GC greater latitude to run the show. Therein lies the risk to the owner. With the architect not continually and doggedly monitoring the owner’s interest throughout the project, the owner conceivably could end up with less of a project than he’d intended-through lapses in detail, specification, installation procedure and overall quality. What’s worse is that this degradation can be quite subtle and hidden, more the product of lack of attention to detail than premeditated deceit.

- Then there’s the “What happens if the owner fires the GC” question.
Depending on the type of project and where you live, there may possibly be laws that require your job to employ an independent designer, an open competitive bid process, or a GC who’s properly licensed to perform DB.

the architect (whom, you remember, is now employed by the GC) fired too?

This next one is not so much a “con” as it is a habit to be broken. You see, with DB, the owner now has to learn to trust. This isn’t necessarily a bad thing, but it can be understandably difficult to do in the sometimes nefarious world of construction.

Many architects aren’t enthralled with design-build. Why? Because, as we spoke of earlier, the architect relinquishes control—control over the construction process—and they don’t like this. The architect is no longer the first in line, enjoying free rein to create an unencumbered take-it-or-leave-it construction package only to coldly thrust it onto a competitive market to live or die come bid time. The line of thinking seems to go, “Over-budget? Who cares? I’ll just draw it again . . . and I can charge the owner for my additional time.” Only in America.

Depending on the type of project and where you live, there may possibly be laws that require your job to employ an independent designer, an open competitive bid process, or a GC who’s properly licensed to perform DB (if the architectural/engineering is performed in-house). Courts have found in the past some DB contracts to be illegal and/or unenforceable, particularly if the contractor is not a licensed design professional, so be sure you understand your responsibilities and requirements.

The owner may conceivably lose strategic legal and insurance advice now that the architect is employed by the GC. There are a variety of pre-printed contracts and supplements that are available to owners for design-build projects (published through different professional construction associations and organizations), but there is still a need for interpretation according to your own state laws, insurance and legal requirements, and the practical applications for your particular project. And there are other considerations, such as insurance for architectural and engineering errors (that the GC probably doesn’t have) and whether bonding protection should still be applied. These are holes that would need to be filled.

So, as you can see, there is more to the design-build decision than first meets the eye. It does seem likely however, that regardless of the road you take, there is going to be some investigation and consternation that will surely arise. If you’d like more information on design-build, you can find it as close as your library and the Internet. Or you can contact the Design-Build Institute of America at 1010 Massachusetts Ave. NW, Suite 350, Washington, D.C. 20001; phone (202) 682-0110; www.dbia.org.

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