

Construction Manager-at-Risk vs. Competitive Sealed Proposals



Timing Of Contract Award



CMR

- Retained at the beginning of or during design phase
- Performs cost estimating, feasibility and constructability reviews throughout design process

CSP

- Retained upon completion of design phase
- Responsible for construction of the project as designed, but not for reviewing feasibility or constructability issues

How Do They Compete?



CMR

- Submits RFQ/Competitive Sealed Proposal
- Proposes competitive pricing for pre-construction services, general conditions (job costs) and CM fee for overhead and profit
- Guaranteed maximum price (GMP) of construction not known until later in design phase

CSP

- Submits Competitive Sealed Proposal
- Proposes one lump sum price inclusive of all labor, materials, general conditions, overhead and profit
- Lump sum cost known at time of contractor selection

Design/Pre-Construction Phase



CMR

- CMR prepares written, detailed cost estimates for the Owner throughout design process
- CMR can pre-order long lead items and commence certain portions of the work prior to establishment of Guaranteed Maximum Price (GMP), if necessitated by construction schedule or market conditions
- Can perform work in phases using multiple GMPs

CSP

- Architect prepares statements of probable cost for Owner throughout major design phases, but does not warrant that proposals will conform to such estimates
- Long-lead items or early work needed on the project prior to award to GC time must be separately procured by Owner or delayed until hiring of GC

Pricing and Payments



CMR

- At agreed upon point in design phase, CMR proposes a GMP, subject to Owner's review and approval
- GMP is all inclusive, change orders only allowed for unforeseen conditions not discoverable during design or owner initiated scope changes

CSP

- GC proposes an all inclusive lump sum proposal
- Any materials or labor needed beyond drawings and specifications requires a change orders

Subcontractor Selection



CMR

- Subcontractors competitively procured (with public advertising requirements) either before or after GMP is accepted
- CMR must compete against subs for work it wishes to self perform
- Owner participates in sub selection
- CMR contracts with subs

CSP

- GC selects obtains cost commitments from most subcontractors and suppliers prior to submission of lump sum proposal to Owner
- Most subcontractors are known at the time of contract award to GC
- GC contracts with subs

Construction Phase



CMR

- Project generates fewer change orders
- Since CMR is involved in development of drawings, specifications, assumptions and investigation of project conditions, CMR bears the risk of increases in costs beyond the GMP (other than unforeseen conditions)

CSP

- Project generates more requests for change orders, particularly when actual conditions, events or quantities differ from those architect assumed in design or those GC assumed in proposal

Auditing and Payments to the Contractor

CMR

- Owner has the right to audit CMR's records of actual project costs to verify accuracy of all invoices
- Auditor should assist with procurement and contract terms
- Should audit actual costs throughout project at each payment and prior to final payment
- Any cost savings below the GMP belong to Owner, unless otherwise agreed

CSP

- GC does not have to "true up" actual costs to contract lump sum
- If GC's actual costs are lower than the contract lump sum, the GC retains the difference as additional profit
- Can audit for overpayments to GC, but not recovery of actual costs savings