

CM MULTI-PRIME TRANSITION

How Does CMMP Compare to LLB?

CM Multi-Prime (CMMP) and Lease-Leaseback (LLB) are both best value alternative delivery methods frequently used by California Community College Districts; that is they are an alternative to the traditional public low bid process for hiring a builder. The primary structural difference between the two delivery methods is that under LLB the district is hiring a general contractor who will bid the project and hire subcontractors to perform the work. Whereas under CMMP the district hires a construction manager, whose role is similar to a general contractor, however the construction manager will not contract directly with those performing the work. Instead the construction manager provides professional services to the district and manages the prime contracts, which are similar to subcontracts.

Transparency

Both delivery methods are transparent but they are managed much differently. LLB has a guaranteed maximum price (GMP) that is informally competitively bid and includes allowances and contingencies for known and unknown challenges. Therefore, only if the GMP will be exceeded does a change order move forward to the board. With CMMP initially the hard cost (sum of the prime bids) goes to the board and all subsequent change orders must go to the board for approval under public contract code. The owner carries and controls the contingency to fund changes in the work, but because all contracts require board action it can give the perception of too many change orders. With CMMP the board sees more accounting of multiple contracts and they must be prepared to understand the difference and measure success based on the performance of the contracts inclusive of funds managed from the district's contingency.

Flexibility

LLB allows for the contractor, subcontractors and the district to collaborate and dial in the scope and cost initially at bid time as well during construction. The general contractor has the ability to move things forward quicker with formal documentation from designers, inspectors or owners following any change to keep the project moving.

Since CMMP is performed under multiple prime contractors and under the public contract code the team must give prime contractors written directive for everything and many primes will not move forward until directed to do so in writing which can slow things down. More planning is required prior to bid.

Cost Differences

The cost differences between the two can be difficult to ascertain. Generally LLB is a safer delivery method to achieve a guaranteed result, but typically comes with a higher initial price. Whereas CMMP carries more risk of cost increase; however if properly managed can achieve the same results.

What are the Impacts Transitioning between the two Deliveries?

When transitioning from using LLB to using CMMP, there are some considerations that must be understood. First, it is generally accepted that there is additional risk to the district under the CMMP delivery method. This is due to the fact that the district will be holding the prime contracts direct with each prime contractor, which could be over 20 contracts. These contracts are awarded under the public low bid framework, and the construction manager will have less control to direct the prime contractors. These risks are real, however public agencies have implemented many controls over the last two decades of utilizing this delivery method in order to mitigate these risks. The primary mitigating factor is hiring a quality construction manager with active experience as a general contractor and who will manage the project similar to a general contractor role.

CMMP will also increase the administrative workload of district to process documentation for each contract. This additional effort is mostly, but not entirely, absorbed by the construction manager in most circumstances.

The job of the construction manager is the same as the job of the LLB contractor. Management and supervision on the project is very similar. The construction manager will lead at a higher level to keep a positive tone on the project. Prime contractors are operating under low bid pressure and the construction manager must show them they can be successful when they follow the contract documents, show them respect, make timely decisions and pay them timely.

CM MULTI-PRIME TRANSITION

Mt. San Antonio College

Perceived Challenges and Solutions

What is CM Multi-Prime?

CM Multi-Prime is popular alternative delivery method utilized by schools and colleges throughout California which enables owners to hire their builder based upon best value, similar to LLB. The on-site Construction Manager replaces the general contractor's role during construction by providing scheduling, supervisions, change order negotiations, and other activities required building the project.

Multi-Prime is bid out similar to the design-bid-build method, but in individual trade bid packages for trade contractors, not general contractors. Rather than subcontractors bid and selected by a general contractor, each package of trades is bid as a prime to the District. This delivery method significantly changes the trade contractors' relationship with the District by working directly with the District rather than with a general contractor. The Construction Manager will prepare bid package summaries for all trades and the coordination of all of the bid packages required to build the project. The number of trades and bid packages can vary by project scope and size. The trade bid packages are bid pursuant to traditional public works low bid selection project.

Perceived Challenge / Question	Solution / Answer
1. What added administration and planning will be required of the College utilizing CMMP vs LLB.	<p>Added administration workload is mostly absorbed by the CM. The added workload of the College will largely be in approval processes throughout the project.</p> <ol style="list-style-type: none">1. Multiple contracts must be prepared, board approved and closed out.2. There will be many monthly payments that will have to be made by the College. The CM will prepare all paperwork necessary for payment approval.3. Architects will have to respond more formally to all documentation.4. Increased preconstruction planning because it's bid under public contract code with low bid. LLB allowed the District to negotiate over time.5. Projects will take 6-8 weeks longer to bid after DSA approval as more planning needs to happen to limit changes through writing prime scopes of work prior to bid.

Perceived Challenge / Question	Solution / Answer
<p>2. How do we ensure cost control like we did when we used LLB?</p>	<p>Some cost control/avoidance measures will continue through preconstruction services such as constructability review. Other preventative measures include quality scope packages developed by the CM. Because the College cannot procure design intent through the bid process, and receive a guaranteed maximum price like when using LLB, we must budget for potential change orders through the use of prime contractor allowances. The CM will review, and negotiate any request for change during construction.</p> <p>CM will continue to write specific scopes of work so prime contractors bid the correct scope.</p> <p>CM will forecast ahead for challenging scope in contracts.</p> <p>CM will direct bidders to bid and perform unclear or incomplete scope to avoid future change order/claims.</p> <p>CM and Owner will assess typical and/or project specific risks and will collaborate to define appropriate trade package allowance values to be included in bid categories.</p> <p>District will communicate a complete budget to the Board at the time of approving multi-prime contracts.</p> <p>CM will manage the project in the field very similar to current LLB projects.</p> <p>CM will act decisively when dealing with prime contractors positioning for claim.</p>
<p>3. What is the cost difference between CM Multi-Prime and LLB?</p>	<p>There is no specific and definitive answer to this question. However, as a contractor we educate our clients on the pros and cons of both delivery methods.</p> <p>LLB will typically have a higher initial construction cost at the time of bid, because 1) the procurement is best value and the College is paying for high quality and results and 2) the contractor is guaranteeing a maximum price for the project. CMMP will typically have a lower initial bid values due to the public contract code low bid requirement, but will increase throughout construction through change orders which are inevitable through the design-bid-build method. LLB is a safer delivery method to achieve a guaranteed result, whereas CMMP carries more risk of cost increases, however if properly managed can achieve the same results.</p>

Perceived Challenge / Question	Solution / Answer
<p>4. Do we need to bring all change orders to the board for approval?</p>	<p>Not necessarily. If the Owner chooses, Through the use of allowances included in the prime contracts, we have flexibility to approve changes without increasing the contract amount. This allows us to plan for issues and respond quickly to keep the project moving. All use of allowances will go through strict review by District, CM and architect similar to how current LLB subcontractor changes are handled. Instead of contract increases, we anticipate many deductive changes when the project is complete.</p> <p>There may be instances where the value of the trade contracts may be exceeded by unforeseen conditions or added scope, where formal change orders may be necessary and thus may require formal Board review and approval. We expect that these instances will be infrequent.</p>
<p>5. How do we get quality primes contractors?</p>	<p>Through a prime contractor prequalification process implemented by the CM (after Business Project).</p>
<p>6. What are the risks associated with CMMP to the college?</p>	<p>Summary of risks:</p> <ol style="list-style-type: none"> 1. Increased risk to the College simply by holding more construction contracts 2. No general contractor shielding the district from a contractor failure 3. Less control of the work by the CM/builder 4. Required to select the low bid prime contractor <p>There will be increased risk to District being under contract with multiple primes. This is offset with lower initial price with public bid and relying on selected builder (CM) to manage. The Board will approve more contracts and may see a higher volume of changes. District staff will need to communicate the entire budget to the BOT and report on budget progress anytime a change is requested. In other words, there may be more transactions with the Board where we'll need to explain the entire budget and contingency usage. Right now they don't see the details they just see the end results.</p> <p>Risk mitigation measures include quality scope packages developed by the construction manager; strictly pre-qualified prime contractors; insurance/bonding requirements; and hiring a construction manager who is a builder that will manage projects similar to a general contractor.</p>

Perceived Challenge / Question	Solution / Answer
<p>7. How much flexibility do we have with CMMP?</p>	<p>When compared to LLB, there is less flexibility by the College to change and add scope to the project once it has already bid.</p> <p>But there is still great flexibility when hiring a construction manager, and also how the district phases the bid process. We will have to do a better job planning changes prior to bid.</p> <p>There is less flexibility with documentation. Owner, CM, architect and IOR will need to be more formal and timely directing changes and approvals. With LLB we had more flexibility with negotiated subcontractors who were willing to move forward while paperwork was forthcoming.</p>
<p>8. How does the team dynamic change?</p>	<p>With CMMP the entire team will need to lead at a higher level to keep a positive tone on projects. Prime contractors are operating under a low bid live or die mindset and we must show them they can be successful when they follow the contract documents and we must do the same. We need to show them respect, make decisions timely and pay them timely for changes.</p> <p>Management and supervision of the project by CMMP vs LLB is the same team and philosophy, but with less flexibility mostly for changes in the work.</p>

Description of Cost Categories between Delivery Methods

1. **Cost of the Work** – Because selecting prime contractors through CMMP is a public low-bid, and selecting a LLB contractor and subcontractors is a best value selection process, CMMP trade bids received can be perceived as a lower initial price (at the time of bid). It is important to communicate the differences between hard cost and total project cost so that CMMP isn't perceived to cost more in the long haul with the transparency of all the changes.
2. The lower bid day value of CMMP usually comes with a price. Allowances for unforeseen issues and changes should be planned for in the bid.
3. **General Conditions & Requirements** - General conditions and general requirements are very similar as the team will be the same. There may be a slight spike in management time if challenged with a claim oriented prime(s).
4. **Contingency** – Typically carry more contingency with CMMP based on low bid requirement, but it is carried by the District not the builder. In addition, we recommend the district include specific allowances within prime contracts for known challenges or changes which would cause an increase in costs. The College should also budget for its own contingency for added scope change orders. We also recommend that the entire project budget be communicated to the board as a higher volume of CO's are ran through the board. With LLB most issues are handled through the GMP.
5. **Bonds and Insurance** – Nominal difference between the two deliveries in regards to insurance bonding. There is a slight increase for the added professional liability insurance a CM procures as a professional service provider. However this minor increase is offset by the savings in general liability insurance. This is due to the fact that GL insurance is paid for based upon revenue. As a CM, the only revenue the builder receives is the fee and general conditions.
6. **CM/GC Fee** – There is no difference or cost advantage to CMMP vs LLB in this regard. Tilden-Coil will honor the fee as previously negotiated, and the preconstruction fee adjustment will be made on the sum of primes at the time of bid. We will not charge for the additional overhead to re-bid the project.