Construction Management at Risk

Incentive Price Revision – Successive Targets
The Heartland Engineers

"Breaking the Cycle"

Design → Changes → Cost & Time Growth → PA Bust → Re-scope → Award → BCOE → Big

Kansas City District
415,000 SF  4 Floors

Ceiling Price: $105.5M

Classrooms, labs, conference rooms, 2 auditoriums, latest IT, plasma screens, parking, connecting bridge
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Aerial View
Construction Management @ Risk

- Selection of Contractor – Evaluation Factors
- Awarded Preconstruction Services @ 35% design – w/ceiling price on construction
- Award construction services as mod @ 95%
- Objective @ 100% - settle as FFP w/incentives
- Escape clause prior to award
- Special Clause: contractor responsible for changes due to dimension problems, coordination and similar issues. Code violations, calc problems, etc., = modification.
- FAR Clause 15.216-17 (REVISED) – Incentive Price Revision-Successive Targets
FAR 52.216-17 (Revised)

Incentive Price Revision – Successive Targets

- Pricing includes: Initial Target Cost + Initial Target Profit (not to exceed 3%) + Construction Reserve (not to exceed 2%) < Ceiling Price

- Construction Reserve (CR) – use defined and requires CO/ACO concurrence

- Incentive – Contractor retains 45% of CR balance

- Objective is to establish Firm Fixed Price – alternative uses successive target pricing and reconciliation at project end.
“Set for Success”

- AE Design
- Contractor Design Reviews
- IGE
- CM@Risk Proposal with schedule
- PA/CWE Reconciliation
- Differing Site & User Requested Changes
- Customer
- Select Contractor – Preconstruction services
- Construction Reserve
- Quality Control
- Award
- IGE
- Charette
- PMP
- Contractor Design Reviews
- Select Contractor – Preconstruction services
More Information?

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