

# The Developer Model for Delivery of Public Projects

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## What is “The Developer Model”

The Developer Model is a project procurement strategy particularly suited to large capital facilities projects such as administrative buildings, medical/research centers and university and athletic venues. The State of Washington has achieved significant savings, notable value improvements and timely completion of projects using the Developer Model. Examples include:

- Edna Lucile Goodrich Building (Department of Corrections HQ)
  - Delivered in 2005 on schedule and 7.5% under the final budget.
  - Despite the State’s 10-month delay in authorizing the project, the developer maintained the budget during a period of high construction cost escalation.
- 1500 Jefferson Building (Department of Enterprise Services HQ)
  - Delivered in 2011, 3.5 months early and 12.5% under the final budget.
  - After being selected, the developer assisted in reducing the scope of the project so that the final project budget was reduced by 14% from earlier budgets.
- Husky Stadium at UW
  - Delivered on scheduled and on budget in 2013

## How Does The Developer Model Work?

The proponent State agency (and DES) acts as the project’s “Sponsor” to conduct a public solicitation (typically an RFQ followed by an RFP) for a project developer at an early stage in the project’s formulation. As opposed to containing a full design, the solicitation needs to only include critical performance measures and criteria the project must meet (typically a programming document is adequate). The Sponsor can either designate a State owned project site or consider proposed developer owned sites within a specified boundary (or both).

- The competing developers assemble design and construction teams, submitting their collective qualifications as part of the RFQ and prepare a project concept plan, budget and schedule as part of the RFP.
- The Sponsor selects a developer (and their team) and the developer then advances the project design (with its own funds) for approval by the Sponsor.
- Once the design is adequately developed, but prior to the preparation of construction drawings, the Sponsor approves the project and the developer guarantees the cost and completion timeframe.
- The developer assists the Sponsor’s financing team in evaluating a range of public and public/private financing options.
- With approved financing, the developer completes the design, engages the contractor, obtains building permits, oversees construction and commissions the project.
- The developer provides property and facility management services during the early years of operation and beyond.

The Developer Model is associated with a range of Public-Private financing mechanisms (63-20 lease revenue bonds, Certificates of Participation, or special legislation enabled financing). Prevailing wages are mandated in all cases.

### Why is the Developer Model Better than Design Build or GCCM Methods?

The Developer model is a more flexible strategy because it engages the private sector before a design concept is selected (or if an existing concept needs to be re-evaluated.) Design Building and GCCM methods are limited by a one pre-selected design concept. Private developers bring a fresh and unvarnished perspective to the project enabling the Sponsor to select from a range of conceptual plans. yielding

Developer submitted concepts are generally more creative, cost effective and viable; yet retain good reliability because the developer must guarantee their cost and delivery.

The Sponsor is able to employ private market expertise continuously throughout the design and development process to achieve the best value with a highest degree of risk protection

- The developer guarantees the cost and completion of the project with its own balance sheet, shifting the ultimate cost and schedule risk away from the Sponsor. (Under Design Build or GCCM, the Sponsor retains the ultimate cost and schedule risk)
- The Sponsor maintains the control it needs through its agreements with the developer.
- The developer (or the PPP financing entity) contracts with the general contractor and suppliers, further shielding the Sponsor and the State from liability.
- Shared savings provisions provide strong incentives for the developer to bring the project in under budget.
- The developer has the flexibility to go beyond traditional value engineering methods by employing a range of supply and labor procurement methods such as sole source negotiation, bidding, or design-build (always at prevailing wage).
- The developer can time its purchases to take advantage of market efficiencies of limited duration.
- The developer can leverage its existing vendor relationships to manage both cost and risk with any savings being passed on to the Sponsor instead of being retained by the Design-Build or GCCM contractor.

### Conclusion

The Developer Model is a good strategy to employ for procurement of State facilities because it engages the private sector to achieve the highest value for the State at the lowest project cost (while still paying prevailing wages) and shielding the State from cost overruns, delays, claims and litigation.

### Other Key Points about the Developer Model

Guaranteed Project Cost: The developer identifies a guaranteed maximum price (GMP) near the middle of the design development stage, far earlier than other procurement methods.

**Protection from Project Delay:** Developer Model projects can be delivered much more quickly than the traditional design-bid-build, design-build or GCCM procurement and delivery methods because the developer is free to procure its design and construction services using efficient market based mechanisms.

**Fewer State Generated Changes:** The Sponsor can use the developer (and the developer's guarantee of cost at an early design stage) to manage its internal constituents to reduce unnecessary changes that would otherwise bog down a GCCM or Design Build project.

**Better Risk Sharing:** Development Risks are appropriately shared to generate the greatest efficiency:

- Construction Cost risk – private sector
- Schedule Risk – private sector
- Occupancy and Financing risk - public sector

**Better Flexibility:** Trade-offs regarding budget, schedule and quality can be assessed in light of alternatives that the private sector developer presents to the Sponsor.

**Development & Market Expertise brought to bear for the State:** Reliance upon (and guarantees by) a private sector developer that is actively engaged in substantial and ongoing development projects.

**Better Coordination:** Developer acts as central coordinator of all aspects of project development with sharp focus achieving the Sponsor's programmatic requirements.

**Better Pricing:** Ongoing developer relationships with contractors, architects, engineers, and consultants are invoked on behalf of the project and its Sponsor.

**Alignment of Interests:** Guarantees and shared savings are spelled out in the development contract and based upon the Sponsor and project requirements.

**Open Book:** All aspects of the development project are entirely open book & subject to audit.

**Property Commissioning and Management:** The Developer Model enables property and facility management of the finished project to be outsourced easily to private sector contractors or blended with Sponsor management.