A Tale of Two Hospitals, Higher Education, and Changes to Construction Delivery Models in the State of Louisiana

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Public Work

- The erection, construction, alteration, improvement, or repair of any public facility or immovable property owned, used or leased by a public entity. *La. Rev. Stat. §38:2211*(12).
Traditional Design-Bid-Build

- All public work working the contract limit [$150,000.00] including labor and material, to be done by a public entity shall be advertised and let by contract to the lowest responsible and responsive bidder who had bid according to the bidding documents as advertised, and no such work shall be done except as provided by this Part. La. Rev. Stat. §38:2212.A.(1).
Advantages of Design-Bid-Build

• Familiar delivery method
• Simple process to manage
• Fully defined project scope for design and construction
• Both design team and contractor accountable to Owner
• Lowest price proposed and accepted
• Creates most opportunities for general contractors and subcontractors
Disadvantages of Design-Bid-Build

• Linear process equates to longer schedule duration
• Price not established until bids are received (may require redesign and rebid if exceed budget)
• Quality/competency of contractor not a factor in contract award
• No design input from contractor on planning, budget or estimates
• Change orders and claims may increase final project cost.
Emergency Situations

• In General. An unforeseen mischance bringing with it destruction or injury of life or property, or the imminent threat of such destruction or injury, or as the result of an order from any judicial body to take any immediate action which requires construction or repairs absent compliance with the formalities of [La. Rev. Stat. §38:2212 et. seq.] where the mischance or court order will not admit of the delay incident to advertising. La. Rev. Stat. §38:2211(5)(a).
Emergency Situations

• Extreme. A catastrophic event which causes the loss of ability to obtain a quorum of the members necessary to certify the emergency prior to making the expenditure to acquire materials or supplies or to make repairs necessary for the protection of life, property or continued function of the public entity. *La. Rev. Stat.* §38:2211(5)(b).
Exception to Design-Bid-Build in Emergency Situations

- The formalities of advertising and compliance with La. Rev. Stat. §38:2212 do not apply where an emergency or extreme emergency has been certified to by the public entity and notice of such public emergency has, within ten days thereof, or, in the case of an extreme emergency, as soon as practicable, been published in the official journal of the public entity proposing or declaring such public emergency. La. Rev. Stat. 38:2212.P.(1)(a) and (b).

- Every contract negotiated by a public entity in response to an emergency or extreme emergency shall be supported by a written determination and findings by the public entity justifying such use. La. Rev. Stat. 38:2212.P.(2)(a).

- When contract action is taken as a result of an “emergency” a record shall be established by the public entity containing, at a minimum, the following information of each offer: a description of the work to be performed, the name and address of each offeror, and the performance time and terms of each offer. If quotations lower than the accepted quotation are received, the reasons for their rejection shall be recorded and made a part of the contract case file. Such records shall be retained for a minimum of six years following the purchase or completion of the public work.
“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way - in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only…”

Charles Dickens, *A Tale of Two Cities*, Book the First, Chapter I.
• Rethink
• Reform
• Rebuild
New Delivery Methodologies Authorized for Public Works

- Design Build
- Construction Management At-Risk
Design-Build

• Contractor and architect are hired by the Owner to deliver a complete project.
• A guaranteed maximum price (GMP) is provided by the design builder early in the project based upon design criteria prepared by the owner and moderately developed design by the architect.
• Design builder develops drawings to fulfill the criteria and complete the design within the GMP.
• Design builder awards subcontracts to subcontractors.
• Well suited for highly time sensitive.
Advantages of Design-Build

• Single point of responsibility for design and construction.
• Selection of design builder based upon qualifications, experience and team.
• Design builder provides design phase assistance in budget and planning.
• Quicker project delivery.
• Guaranteed price earlier in process.
Disadvantages of Design-Build

• No check/balance between contractor and architect.
• Difficult for owner to determine whether best price has been achieved for the work.
• Initial costs may be higher than design-bid-build due to increased risk
• Reduced competition in contractor overhead, fee and subcontracted costs.
• Staff and users required to make quick decisions and have reduced time for reviews/input.
Construction Management At-Risk

- Owner to interview and select fee based construction manager at-risk (CMAR) firm based upon qualifications and experience before design and bidding documents are fully completed.
- CMAR and design team collaborate to develop and estimate the design.
- CMAR establishes a GMP and procures prime and subcontractors.
- GMP is sum of CMAR’s fee, overhead, contingencies and awards to primes/subcontractors.
- Unused contingency reverts back to owner at end of project.
Advantages of CMAR

• Best suited for large, complex, schedule sensitive projects requiring a high level of management due to phasing, technical complexity or multi-disciplinary coordination.
• Selection based upon qualifications, experience and team.
• CMAR assists in design phase, budget and planning.
• Continuous budget control.
• Quicker schedule than design-bid-build.
• More ability to handle change in design and scope.
• Theoretically, reduced changes and claims once construction commences.
Disadvantages of CMAR

• Potentially difficult for owner to evaluate GMP to determine best price for the work.

• Reduced competition in pricing of contractor overhead, fee and subcontract costs.

• Design fees may be higher due to multiple subcontract packages.
Critical Path Management

• Identify, schedule and deal with tasks that directly affect a project’s end date.

• Critical path tasks have absolutely no float.

• If a critical path task deliverable is late, the entire project is at jeopardy of not being completed on time.
Critical Path Management

• Basic assumptions behind critical path management (CPM) are efficiency and cost control.
  – Efficient scheduling translates to project deliverables and strict adherence to deadlines. Scheduling efficiencies also reduce project costs.
  – Applying differing scenarios to vary the timing of completion of critical path items allows key stakeholders to see how tasks affect the project budget to optimize the project schedule.
  – CPM also is a tool for determining financial consequences if a project falls behind schedule.
Critical Path Management

• Basic Project Characteristics:
  – Project must include tasks that are performed independently of another.
  – Individual tasks must be critical to a project’s successful completion.
  – Some critical tasks can be performed at the same time while other must be performed in a particular sequence.
Act 373 of the 2007 Regular Session of the Louisiana Legislature

- La. Rev. Stat. §2318.1. Louisiana "No Bidding of Design Professional Services" policy states, “It is the policy of the state of Louisiana, its political subdivisions, and agencies to select providers of design professional services on the basis of competence and qualifications for a fair and reasonable price. Neither the state nor any of its political subdivisions or agencies may select providers of design services wherein price or price-related information is a factor in the selection.”

George Washington Carver High School

Photo courtesy of Manning Architects. 2015.
http://manningarchitects.com/projects/portfolio/architecture/education/george-washington-carver-high-school
Act 493 of the 2012 Regular Session of the Louisiana Legislature

- Law previously prohibited a construction manager, or any other third-party consultant employed by a public entity, from managing a construction project as a general contractor or act in the role of the general contractor to oversee, direct, or coordinate individual trade contractors on behalf of the public entity, or accept bids or itself bid on the public work or components of the public work with respect to which the manager or consultant is employed or contracted to manage or consult. La. Rev. Stat. §38:2212.L(1).

- Act 493 Authorized Construction Management at Risk. It stated, “The provisions of [La. Rev. Stat. §38:2212.L.(1)] shall not apply to the initial construction of a hospital, medical facility, or a combination of both, constructed by the Orleans Hospital Service District, but shall apply to the construction of any additions or modifications of a hospital, medical facility, or a combination of both, constructed by the Orleans Hospital Service District following the completion of the initial construction. The provisions of this Paragraph shall not relieve the Orleans Hospital Service District from complying with all other applicable provisions of this Title.” La. Rev. Stat. §38:2212L.(2).
New Orleans East Hospital

- 16 acre site of the former Pendleton Methodist Memorial Hospital in Eastern New Orleans.
- Redeveloped as an acute inpatient hospital with a full complement of emergency, inpatient and outpatient services.
- Project components:
  - 200,000 gross square feet, 80 beds
  - Short Stay Unit
  - Pharmacy/Lab
  - Emergency Department
  - Imaging Suite
  - Surgery Suite
  - PT/OT/Cardiac Rehab Suite
  - Kitchen and Dining Areas
  - Administrative/Materials Management Support
  - Central Utility Plant
New Orleans East Hospital

Key Stakeholders:

• Owner - Parish Hospital Service District for the Parish of Orleans, District A, a political subdivision of the State of Louisiana.
• Program Manager – Navigant
• Construction Manager at Risk – The Lemoine Company
• Lead Architects – MAEDR, a joint venture between Manning Architects and Eskew+Dumez+Ripple
• MEP, FP Engineers, Medical Equipment Planning – Mazzetti
• Lender – United States Department of Housing and Urban Development (HUD)
  – City of New Orleans also contributed certain FEMA Hazard mitigation funds to the project.
New Orleans East Hospital

Key Project Schedule Milestones:

• August 2010 – owner acquires site
• November 2011 – engaged architect
• August 2012 – September 2012 – procured and engaged CMAR
• September 30, 2012 – received HUD approval
• February 2013 – construction commenced at site
• May 2014 – substantial completion
• July 2014 – hospital commenced operations
New Orleans East Hospital

Approximately 14 months of construction.

Original GMP: $67,038,048
Change Orders: $6,602,401
Final GMP: $73,640,449
Photo courtesy of Manning Architects. 2015.
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Louisiana Revised Statutes

- La. Rev. Stat. §38:2212 [Advertisement and letting to lowest responsible and responsive bidder]
- La. Rev. Stat. §38:2225.2.1. [Design Build Contracts; authorized use by certain public entities in areas damaged by Hurricane Katrina, Hurricane Rita, or both]
- La. Rev. Stat. §38:2225.2.3 [Construction Management At Risk] [Limited to use by New Orleans Aviation Board]
- La. Rev. Stat. §38:2225.2.4 [Construction Management At Risk; Public Entity]
  - La. Rev. Stat. §38:2225.2.4(3) establishes a state-wide Pilot Program limited to 10 projects valued at $3,000,000 or more.
- La. Rev. Stat. §38:2225.2.5 [Design-Build Contracts; authorized by use by any regional transit authority for new ferries on the Mississippi River]