RMI Basalt
Integrated Project Delivery (IPD) – Multi Party Agreement (MPA) Value Cost Model
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The two most unique aspects of our IPD MPA methodology compared to a traditional design/bid/build contract is that it created (1) a shared risk/reward framework and (2) a highly integrative design process. The shared risk/reward framework has an incentive compensation layer (ICL). This ICL motivates the design, construction and owner team to provide pivotal innovative strategies early during the design phase (planning) and drive cost and schedule efficiencies during construction. All parties are financially rewarded for success. The team works in a front-loaded, trust based and highly collaborative design process that revalues the value of a high functioning, integrative design effort.

The Base Target Cost (BTC) is the total estimated project cost that the team designed to. It was set early in the process, at the time the MPA was signed. The BTC included all project costs that the team could influence; design and preconstruction fees (including design sub consultant fees and construction trade partner design fees), hard construction costs, contingency and escalation. The BTC did not include land costs, permitting or certification fees, owner driven soft costs (such as the commissioning agent, owners representative, land planner and legal costs) and Furniture, Fixtures and Equipment (FFE).

The Incentive Compensation Layer (ICL) is separate bucket of costs that consists of the profit from of the design, sub consultants, preconstruction and trade partner fees. The amount was set at the time the MPA was signed and got added to as additional trade partners were brought on board and design savings accrued. Per the agreement, during the planning/design phase, any innovative measures that provided cost savings against the BTC were split -25% was added to the ICL and the remaining 75% was added back into the project in the form of other program additions from the owners ‘add list’. The Add List is a list of additional items desired by the owner but not included in the base design or BTC. At the end of construction, the ICL will be distributed on a pro-rata share to team members included in the ICL (architect, general contractor, sub consultants and trade partners).

Construction permits were attained and we broke ground in October 2014. The Final Target Cost (FTC) was set in January 2015. At the end of construction, if the team is able to drive the actual project costs below the FTC, all project cost savings will be split with 50% going to the owner and 50% going back into the ICL. There is no cap on the amount of savings during construction that can go back into the ICL. Should the actual project costs exceed FTC, the owner will pay labor and materials costs and will get reimbursed dollar for dollar from the ICL. When the ICL is exhausted, the owner will pay the remaining overages. Any cost disputes that arise will go through the PMT, but can be overridden by the owner, which would then become a change order and the owner would be responsible for any incurred materials and labor costs as a result of the change order. The owner guarantees to pay variable costs without a cap. Profit is divorced from variable costs (labor and materials).

The owner, architect and contractor actively and jointly manage the project. The waiver of liability prevents finger pointing. This is very important since we were jointly managing the budget within the BTC/FTC. There is a sharp limit on change orders (i.e. owner driven change in scope, unforeseen site conditions).

The diagram below shows this model.
1. At the conclusion of the Validation period, Base Target Cost (BTC) and Incentive Compensation Layer (ICL) are set.

2. If the projected costs are lowered through innovation, additional scope is added (yellow) and a portion of the savings (green) is added to the ICL. The BTC is adjusted (- savings and + scope).

3. At the conclusion of the Planning period, the FTC is set.

4. If the actual cost exceeds the FTC, the ICL is reduced dollar-for-dollar. If the actual cost is less than the FTC, the ICL is increase by a percentage of the savings.