

Maximizing the Value of Lease-Leaseback

..... QUATTROCCHI KWOK ARCHITECTS



1 **Pre-Construction Services: Involve the Construction team during the design process**

The Construction team can provide valuable input on schedule, phasing, constructability and project cost. We recommend involving the Construction team during the Design Development phase of the project. Construction teams can provide a variety of Pre-Construction services, including cost estimating, design assistance, constructability review and scheduling. Utilizing their expertise during design can also help fast track projects. It is important to clearly define the role of the Construction team through an agreement for Pre-Construction services. We recommend discussing the scope of Pre-Construction Services with the Design Team to avoid any duplication of efforts or responsibilities. We have found well-structured Pre-Construction Services to be of great value on a variety of projects.

2 **Project Contingencies and the Guaranteed Maximum Price (GMP)**

One of the advantages of the LLB delivery method is that it provides a Guaranteed Maximum Price (GMP), which provides the Owner with greater cost certainty during the project. The GMP includes the cost of the work as well as project contingencies. It is important all parties agree to the contingencies included in the GMP, their use and value. The District may also choose to carry contingencies outside of the GMP. There are many ways to configure project contingencies and the right solution should be determined for each project. The LLB Agreement should clearly describe how the contingency will be organized, how eligible contingency expenses will be determined and what will happen to the remaining contingency remaining at the end of the project. QKA recommends discussing the contingency strategy with potential LLB teams during the selection process.

3 **Sub-Contractor Bid Strategy**

Since the GMP is based in large part on the pricing received from the sub-contractors the bid strategy can have a significant effect on the GMP. Each team and project may have a different strategy to deliver the best value for the project. It is important that the Owner and the Construction team discuss and agree upon the sub-contractor selection process. Important factors to consider are the size of the pool of sub-contractors, minimum qualifications, selection process and criteria. QKA recommends Owners discuss the Sub-Contractor Bid Strategy with potential LLB teams during the selection process as well.

Key Takeaway

Lease-Leaseback supports a collaborative and positive working environment in construction projects. In QKA's experience, this often results in projects that are finished on time, on budget and with less headache. By taking these three factors into consideration you can maximize the value from your Lease-Leaseback construction project.

IF YOU HAVE
ADDITIONAL QUESTIONS
PLEASE CONTACT US