MEMORANDUM

TO:	Board of Directors, Massachusetts School Building Authority
FROM:	Maureen G. Valente, Chief Executive Officer John K. McCarthy, Executive Director, Deputy Chief Executive Officer
SUBJECT:	Staff Recommendation to Remove Incentive Point for Construction Manager at Risk Methodology
DATE:	November 2, 2016

Based upon review of project data and discussions with the Board of Directors, staff recommends that the incentive point for the use of the Construction Manager at Risk methodology be removed, effective for all districts receiving an invitation into Eligibility Period on January 1, 2017 or later.

Background

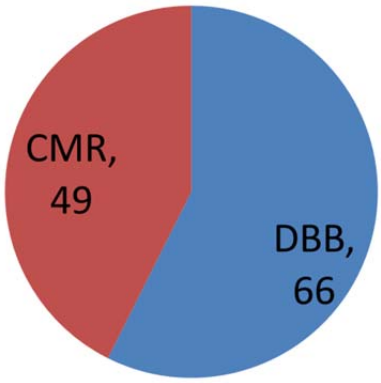
The Massachusetts School Building Authority (the "MSBA") partners with school districts to create affordable, sustainable and energy efficient schools across Massachusetts. Since 2007, the MSBA has looked to the district, with the guidance of its Owner's Project Manager and Designer, to consider during the feasibility study the construction method best suited to complete its school project. If the estimated construction contract cost is $5 million or more, the district can select between Design-Bid-Build and Construction Manager at Risk. Selecting the construction method includes an evaluation of many factors including the condition of the existing building and site, project complexity, the district's academic calendar, and the project budget. The MSBA provisionally adds one incentive point to the base reimbursement rate should a district choose the Construction Manager at Risk construction delivery method, subject to the district receiving approval from the Office of the Inspector General to utilize this method. The incentive point was instituted to encourage communities to consider Construction Manager at Risk, newly established through Massachusetts General Law Chapter 149A in 2004, and to spur new contractors to participate in the public school building industry.

As part of its ongoing effort to review MSBA incentive points, MSBA staff reviewed 115 major projects that were authorized for a Project Funding Agreement between April 2008 and July 2014 by the MSBA Board of Directors to understand any trends between projects using either the Design-Bid-Build (Chapter 149) or the Construction Manager at Risk (Chapter 149A) methodologies. Staff presented this information at the March 16, 2016 Board of Directors meeting, April 20, 2016 Facilities Assessment Subcommittee meeting, and the May 25, 2016 Board of Directors meeting. The information has been summarized in a report dated June 3, 2016, included as Attachment A.

Recommendation

To assess whether the incentive point has served its originally intended purpose of encouraging districts to consider the Construction Manager at Risk contracting method, staff reviewed 115 major projects to further understand the trends including the rate of utilization for the two different construction methods.

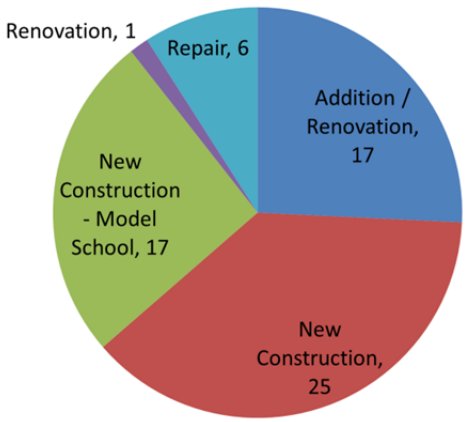
A review of the data indicates the following regarding utilization:



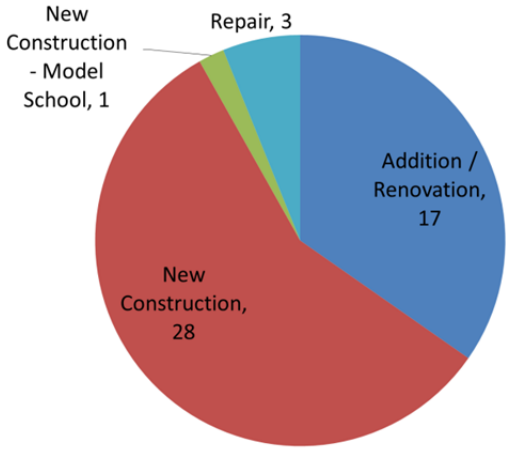
Of the 115 Core Program projects authorized for a Project Funding Agreement between April 2008 and July 2014, 66 projects utilized the Design-Bid-Build method and 49 utilized the Construction Manager at Risk Method.

The Construction Manager at Risk methodology has been used approximately as often across project type (e.g., new construction, addition/renovation, etc.) as the Design-Bid-Build methodology has been used, with the exception of model schools.

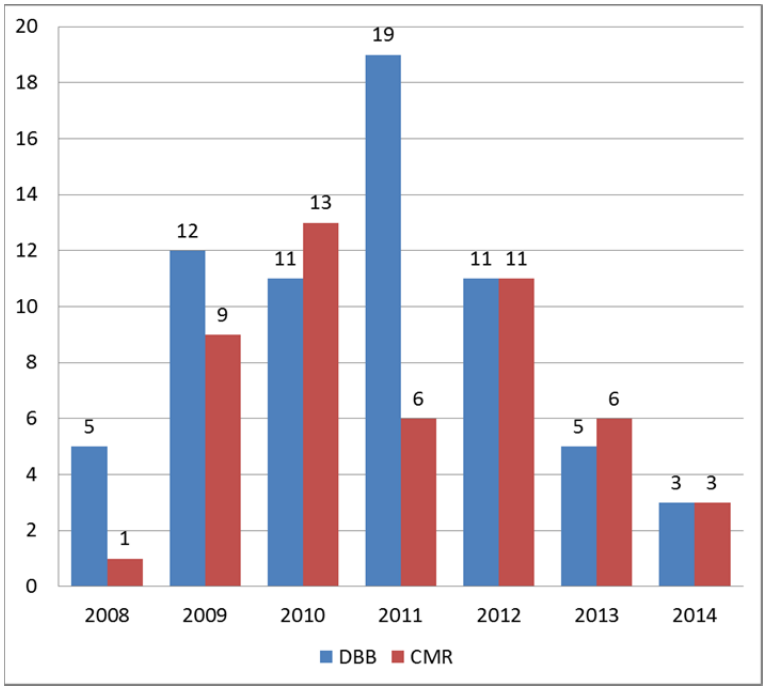
Design-Bid-Build



Construction Manager at Risk



With the exception of 2011, during which the majority of Model Schools bid, the number of Construction Manager at Risk Projects per year since 2010 equals or exceeds the number of Design-Bid-Build projects.



Prior to 2015, the pool of Construction Manager at Risk projects continued to grow with at least one new contractor each year, illustrating that new contractors are participating in the school construction industry.

Contractor	2010	2011	2012	2013	2014	2015	Total
Consigli Construction Company, Inc.	2	3	3	2	2		12
Gilbane Building Company	2	5		3		1	11
Shawmut Design and Construction	1	1		3	1	2	8
Skanska USA Building, Inc.	1			1			2
Turner Construction Company	1			1			2
Agostini Construction Co., Inc.		1					1
CTA Construction Co., Inc.		1					1
Dimeo Construction Company		1	1				2
W. T. Rich Company, Inc.		1	2			2	5
Morganti/Aquadro & Cerruti			1	1			2
Bond Brothers, Inc.				1			1
Fontaine Brothers, Inc.					1		1
Walsh Brothers, Inc.					1		1
Total	7	13	7	12	5	5	49

Based upon review of project data for utilization, MSBA staff note that the incentive point has served its originally intended purpose to encourage districts to use the Construction Manager at Risk methodology and that new contractors are participating in the school construction industry. Therefore, staff recommends that the incentive point for the use of the Construction Manager at Risk methodology be removed, effective for all districts receiving an invitation into Eligibility Period on January 1, 2017 or later.