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Mitigating Risk in a Progressive Design Build Environment

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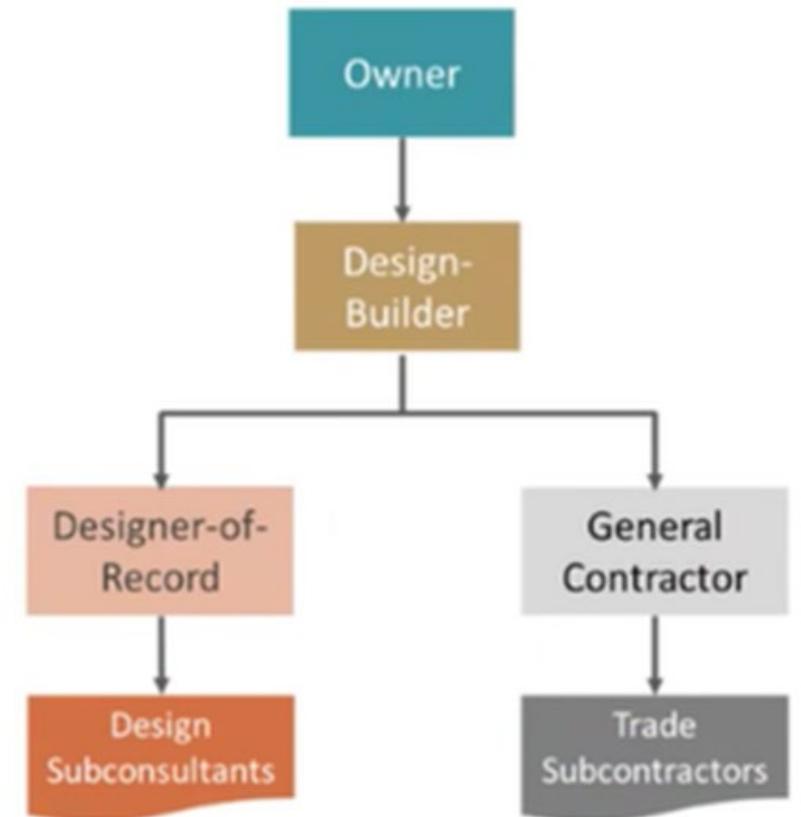
Presentation Overview

- Introduction to Progressive Design Build (“PDB”)
- The Differences Between PDB and Design Build (“DB”)
- PDB Contractual Strategies
- PDB Benefits and Opportunities
- Managing PDB Challenges

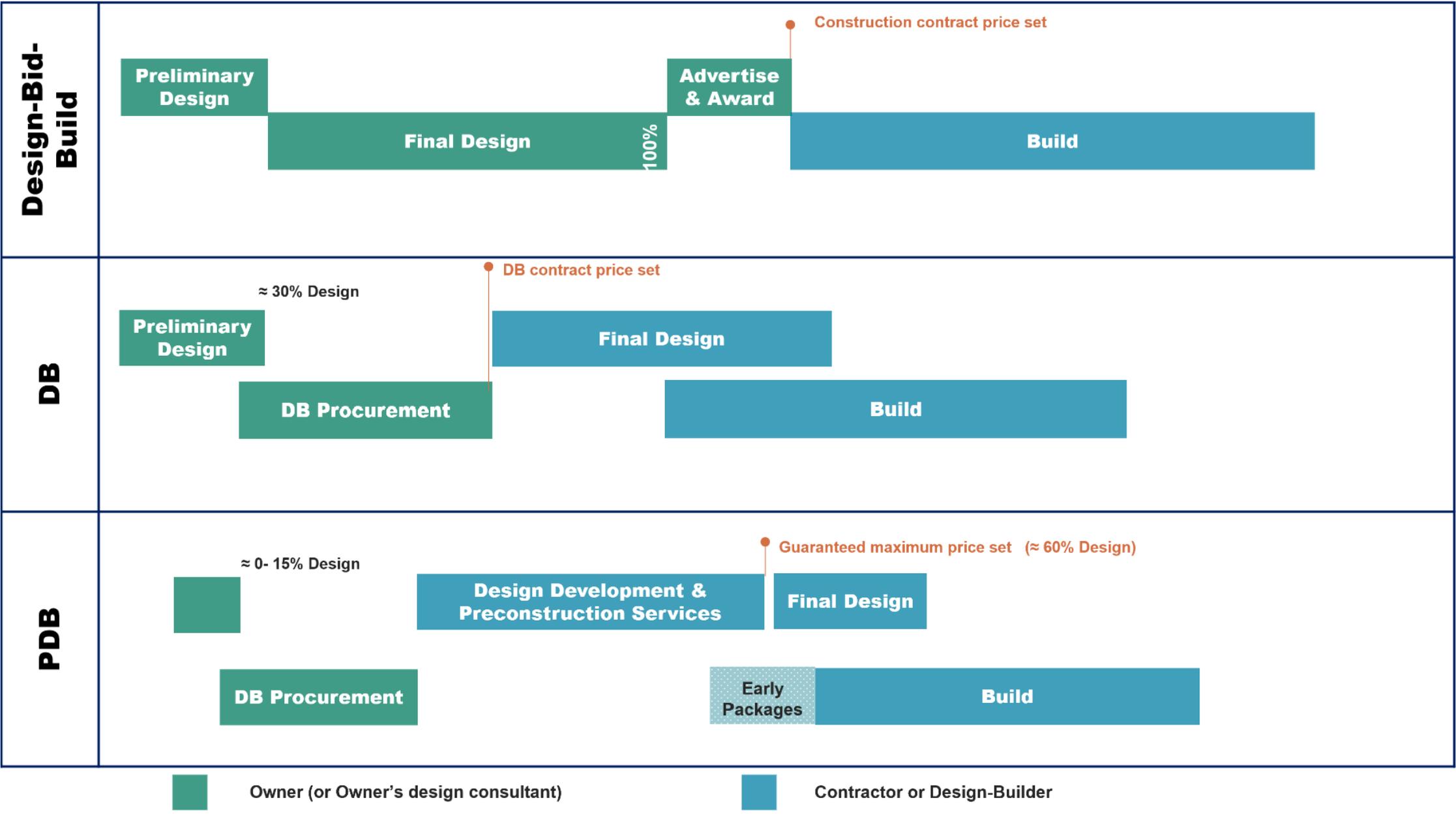
Introduction to Progressive Design Build

What is PDB?

- PDB is a collaborative-focused delivery model
- Integrates the owner, engineer, and contractor into one team
- Allows the owner to elect the design-build contractor before developing a baseline design



Optimized Project Timelines and Execution



Stage 1: Design Phase

- **Initial Planning and Design**
 - Establish the project foundational plans and designs
- **Collaboration between Owner and Design Builder**
 - Foster close cooperation between the owner and design builder
- **Key Activities**
 - Develop pricing level design
 - Provide preconstruction services
 - Negotiate a firm contract price for Stage 2



Stage 2: Construction Phase

- **Execution of the Construction Plan**
 - Implement the Construction strategy
- **Finalizing Project Details**
 - Complete all project specifics
- **Key Activities**
 - Finalize the design
 - Carry out construction
 - Commission the project



Off-Ramping

- If Parties can't agree on the construction phase price or terms (e.g., project schedule), they have a way out.
- This critical decision point in the PDB process is called the "Off-ramp".
- Parties must understand their obligations and liabilities.



The Differences Between PDB and DB

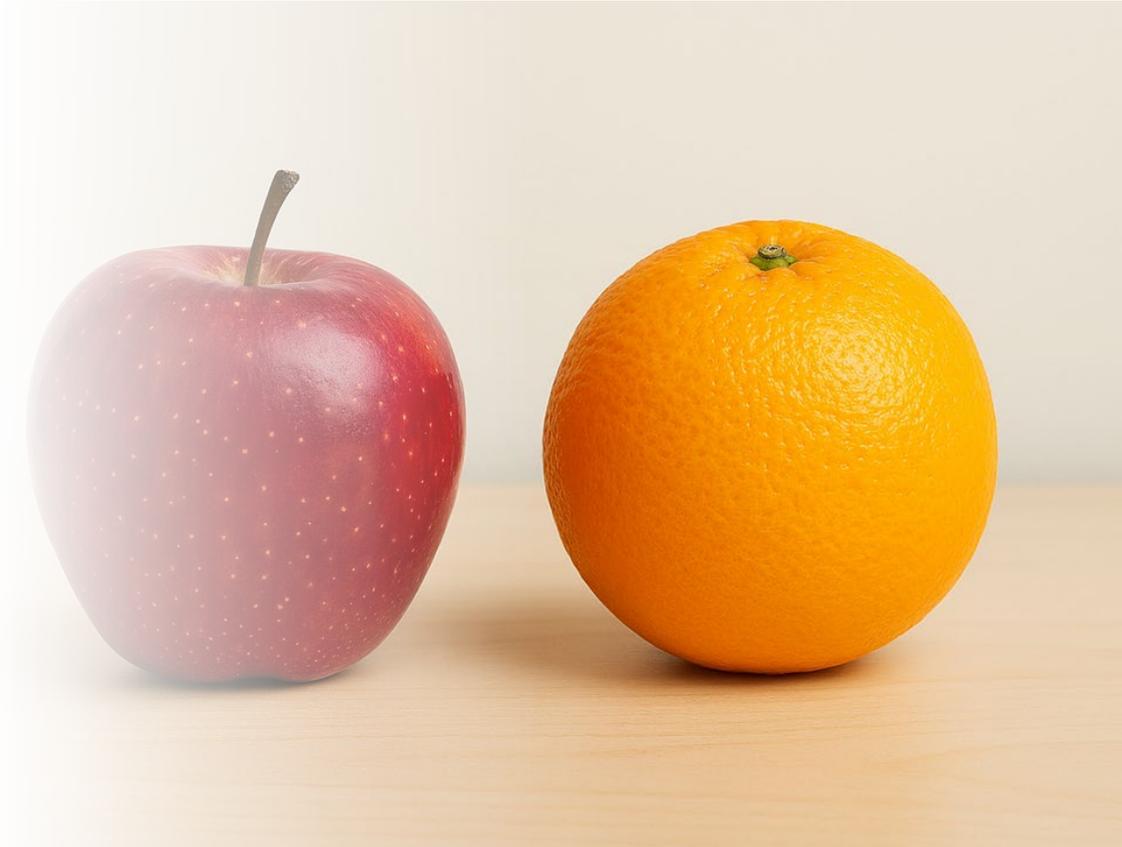
The Differences Between PDB and DB

PDB

- Qualifications based
- Scope, design and cost not finalized
- Design begins with the PDB team on board

DB

- Cost/value based
- Defined end product (target scope & target cost)
- Bridging docs / pre-conceived design, often by a third-party



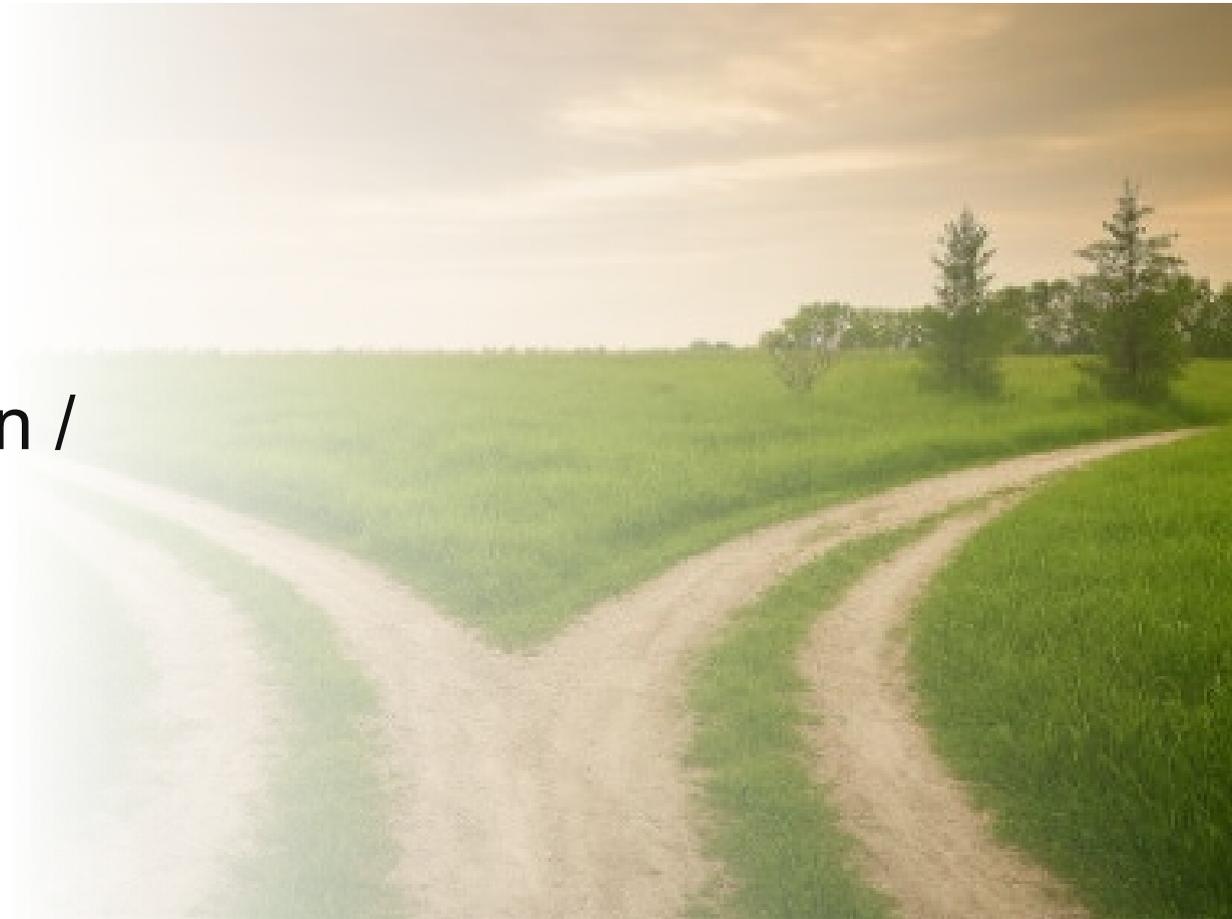
When should PDB and DB be used?

PDB

- Knowledgeable and participative Owner
 - More design and buyout options
 - More time for decisions and input
 - Transparency in design and cost
- Projects with more time and room for innovation / experimentation

DB

- Owners who cannot or do not want to actively participate
 - Looking for a “one-stop shop”
 - More concerned with the end product
- Projects with pre-established budgets or scopes
- Projects with limited time



PDB Contractual Strategies

PDB Contractual Strategies

1. Experience of project team / training
2. Target price and gain share mechanisms
3. Delay
4. Differing site conditions
5. Supply chain issues
6. Force majeure
7. Insurance coverage



PDB Benefits and Opportunities

PDB Benefits and Opportunities

- De-risking during Phase 1
- Design innovation and decision-making
- Collaborative value engineering
- Streamlined decision-making and communication
- Active participation and ability to accommodate adjustments without disruption



PDB Benefits and Opportunities

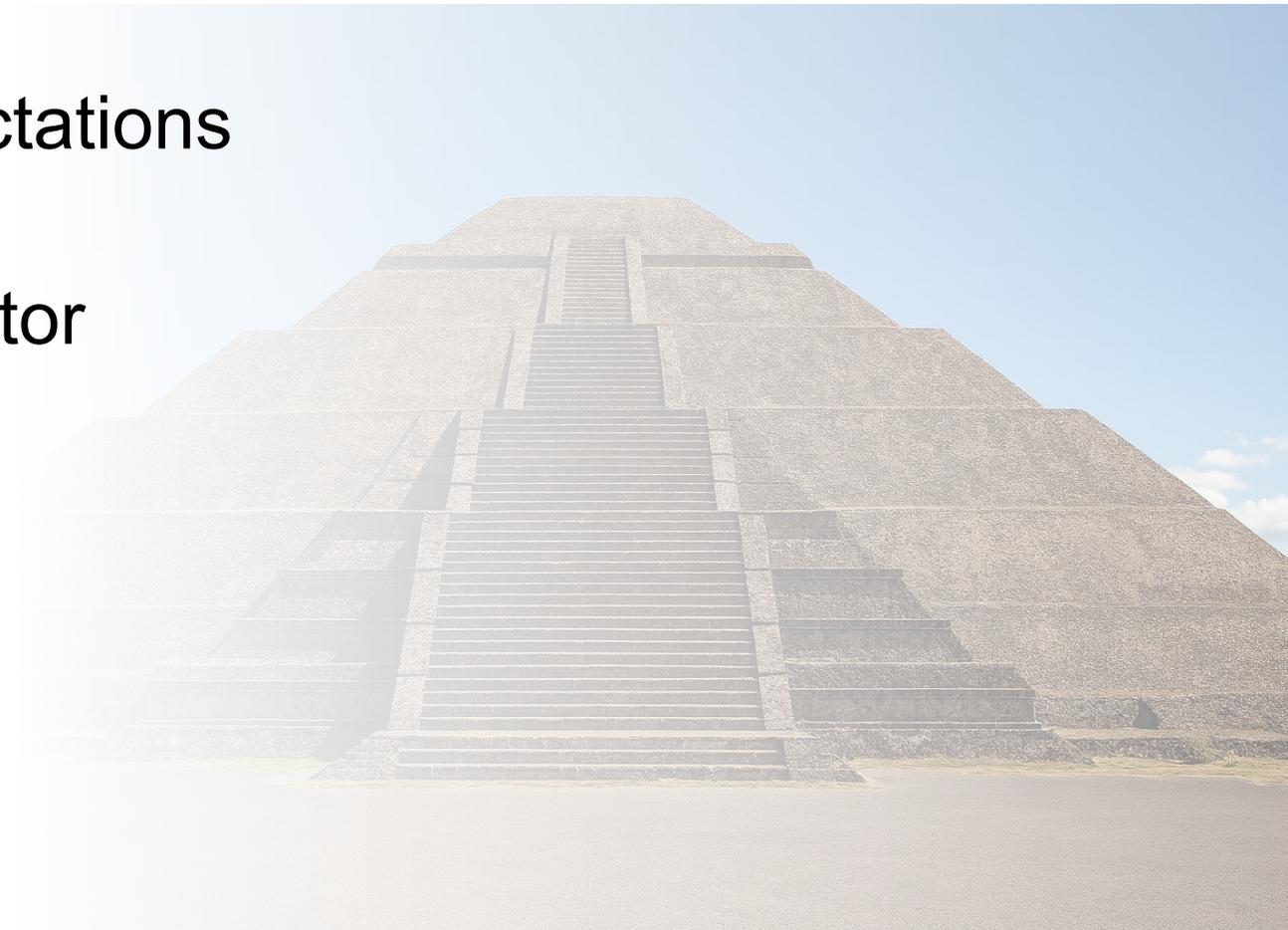
- Flexibility for all participants / reduced commitment
- Precise scope definition = cost certainty and transparent pricing
- Shortened schedule and streamlined project execution
- Managing price volatility



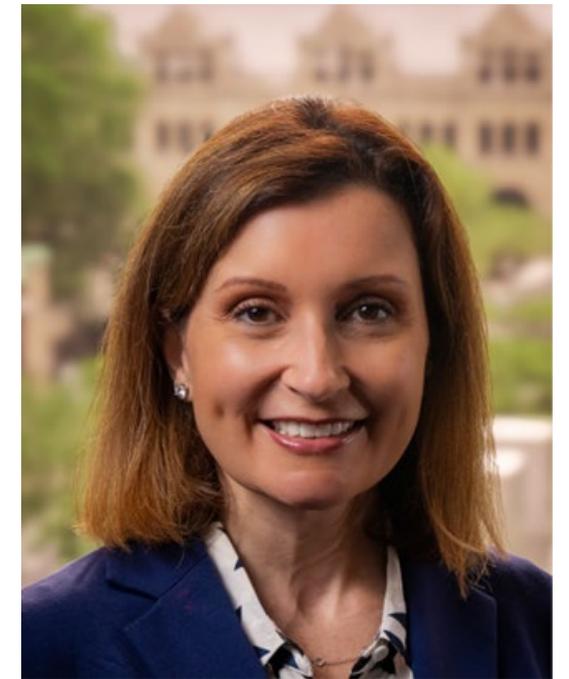
Managing PDB Challenges

Managing PDB Challenges

- Requires more active participation
- Collaboration and aligning stakeholder expectations
- Qualification of the Independent Cost Estimator (“ICE”)
- Negotiation challenges
- Off-ramping
- Risk of project cancellation



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