



**American Institute of Architects (AIA) Releases
Integrated Project Delivery Agreements**

New IPD Agreements Provide Two Levels of Design and Construction Integration

Contact: Nicole Mudloff

Peppercom

212-931-6168

nmudloff@peppercom.com

For immediate release:

Washington, D.C. – May 15, 2008 - The American Institute of Architects (AIA) today introduced two types of Integrated Project Delivery (IPD) agreements. These new standard form contracts, which implement the principles and concepts laid out in *Integrated Project Delivery: A Guide (IPD Guide)*; www.aiacontractdocuments.org, provide two levels of design and construction integration. The first type is transitional, and serves as a comfortable first step into integrated project delivery; the second type introduces a fully integrated way of delivering a construction project.

“We are excited to introduce these agreements, which provide a clear set of guiding principles to implement the business models and objectives we laid out in the *IPD Guide*,” said Suzanne Harness, managing director and counsel, AIA Contract Documents. “By providing both the transitional forms and a full integration approach, parties can select the format that works best for their projects.”

The Transitional Agreements:

The transitional agreements provide a comfortable step into IPD because they utilize a familiar, contracting model: B195™-2008, an owner-architect agreement; A195™-2008, an owner-contractor agreement with a guaranteed maximum price amendment; and A295™-2008, a shared “general conditions” document. Here, however, the general conditions document takes on a more substantial role because it includes not only the terms and conditions for construction, but also the architect’s design services and the contractor’s pre-construction services. Both B195 and A195 are very short agreements that provide only the business terms for the parties’ agreements. The A295 general conditions document establishes not only the owner’s, architect’s, and contractor’s respective duties, but also describes in detail how the parties will work together collaboratively at each phase of the project.

Both types of the AIA’s IPD agreements require the use of Building Information Models (BIM), and they both implement the design and construction phases identified in the *IPD Guide*. The IPD phase names reflect the need to cast off conventional phase names associated with linear processes, such as schematic design and design development, in favor of phase names that more closely reflect the integrated processes taking place. In the transitional agreements, design and

construction are completed using IPD phasing, as follows:

- **Conceptualization Phase (expanded programming)** – This phase determines what is to be built, who will build it, and how it will be built. The architect, contractor, and key consultants are on board; the program is finalized, schedules are prepared and key subcontractors and suppliers are identified.
- **Criteria Design Phase (expanded schematic design)** – In this phase, the design takes shape, with significant input from the contractor regarding cost, scheduling, and constructability.
- **Detailed Design Phase (expanded design development)** – During detailed design, all key design decisions are finalized. At the conclusion of this phase, the contractor will prepare a guaranteed maximum price proposal for the owner's acceptance.
- **Implementation Documents Phase (expanded construction documents)** – The traditional shop drawing process is merged into this phase, and that information is added to the BIM.
- **Construction Phase** – Because of the greater effort put into finalizing all design decisions and incorporating shop drawing information prior to construction, the construction phase under IPD will be much more efficient. Unlike the traditional approach where dispute resolution procedures between owner and contractor and owner and architect may be separate, A295-2008 contemplates completely consolidated proceedings.

Due to the active participation of contractors, subcontractors and fabricators during the design phase, the IPD transitional forms provide the dual benefits of better informed design decisions, and fewer contractor claims based on construction documents. Also, utilizing BIM, the parties have the opportunity to resolve design questions prior to construction, thereby avoiding the collisions between building systems that often arise under the traditional, linear process. The contractor may also use BIM to order and fabricate materials with greater accuracy, resulting in less waste.

The Single Purpose Entity:

The AIA's second type of IPD agreement allows for complete sharing of risk and reward in a "one-for-all-and-all-for-one" approach where the owner, architect and construction manager work together from the beginning to design and construct the project to achieve mutually agreed-upon performance and cost goals. In this agreement, C195™-2008, the owner, architect and construction manager form a limited liability company with each of the three as a company member. The single purpose of the company is to plan, design, construct, and commission the project. This Single Purpose Entity (SPE), which may include other members beyond the three identified here, follows a more revolutionary contracting approach and incorporates:

- **Mutual, unanimous decision making** – The SPE makes its decisions through the unanimous vote of its members, acting through a governance board; for day-to-day operations, a Project Management Team makes all decisions unanimously on a "best for project" basis.
- **Mutually agreed-upon target cost** – Prior to the conclusion of the criteria design phase, the members agree upon a target cost to complete the design and construct the project. If they cannot agree upon a target cost, the SPE dissolves.
- **Mutually established performance goals** – The members mutually agree upon performance and schedule goals with associated compensation for goal achievement, and establish them in an exhibit to the agreement. If a goal is achieved, all members benefit; if a goal is not achieved, no member benefits.

- **Cost-based compensation** – Non-owner members earn profit only through the achievement of performance goals, or from sharing any savings achieved by completing the project for less than the amount of the target cost.
- **A waiver of claims** – Members waive claims against the company and against other members, except for willful misconduct; the company exculpates and indemnifies its members on the same basis. As a result, all disputes are resolved through the SPE's dispute resolution procedures, rather than in court.

The benefits of the SPE include:

- **Greater Efficiency** – The formation of the SPE provides simultaneous participation of members for maximum, early information sharing. Just as in the transitional forms, the use of BIM permits early resolution of design conflicts, before they are cast in concrete and costly to correct, and allows for more efficient ordering and fabricating of materials.
- **Optimal Project Outcomes Based on Goal Achievement** – Members are motivated through incentive compensation to achieve the project goals they set by mutual agreement, including the project's cost and schedule. Therefore, individual member success is tied to project success.
- **Reduced Claims** – Not only do the members waive their claims against each other, the cost to resolve disputes is a cost of the project. Because the SPE provides powerful incentives to minimize the project cost, the members are motivated to cooperate with each other to meet shared goals, instead of protecting individual interests.

C195-2008, Single Purpose Entity Agreement for an Integrated Project, is currently available with a number of optional exhibits, including the Target Cost Amendment. To avoid challenges presented by state licensing statutes, the SPE performs professional design services and construction management services by contracting with its members. The AIA plans to release a standard form SPE-Member services agreement and SPE-Owner agreement in November 2008. These agreements will define the relationships between the SPE and its members.

Format and Availability

AIA IPD agreements are available in paper form and electronically in AIA Contract Documents software. The software generates customizable, Microsoft Word files.

AIA Contract Documents software can be purchased at www.aia.org/docs. Documents in paper format are available through the AIA's full service distributors. For a listing of full service distributors and pricing information, please visit www.aia.org/docs.

About The American Institute of Architects

For 150 years, members of The American Institute of Architects have worked with each other and their communities to create more valuable, healthy, secure, and sustainable buildings and cityscapes. AIA members have access to the right people, knowledge, and tools to create better design, and through such resources and access, they help clients and communities make their visions real. www.aia.org

###