DBL Law
The Practice of Excellence

Risk Sharing in Integrated Project Delivery

by Joe Cleves
jcleves@dbllaw.com

The pinnacle of lean construction is integrated project delivery (IPD). With IPD, the owner, contractor and designer enter into one contract. The purpose is to create a collaborative approach and reduce overall risk to the project and to each participant.

Entering into an IPD contract sets up critical threshold decisions. The parties can elect to go “all-in” on collaboration and create safe harbor decisions. In so electing they release each other from liability arising from mutually agreed-upon project decisions. A condition to this release would be good faith, and that a party not be in willful default of an obligation.

Expenses incurred in correcting mistakes arising out of safe harbor decisions are covered by the project contingency. Any reduction in this contingency reduces the funds available for the incentive pool. But what happens when the contingency is spent? While IPD has seen great successes, eventually someone using this method will come up short.

Owners bear this risk knowing that IPD maximizes the chances for success. But there is another tool in their arsenal. The contractor and designer receive financial incentives if the project goes well. Conversely, a portion or all of their fees should be risk to the extent it does not. By having skin in the game, the interests of all parties are truly aligned to benefit the owner.