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February 22, 1971

Mr. Duane P. Paulson, P.E.  
The Spitznagel Partners Inc.  
1300 South Summit Avenue  
Sioux Falls, South Dakota 57101

Dear Mr. Paulson:

Thank you for sending me a copy of your February 4 letter concerning the EROS Data Center.

As you know, Mr. Radlinski and others from my staff discussed the phased construction approach with you and your colleagues in considerable detail during the negotiation sessions.

We do not at present have authority to proceed with construction and therefore cannot authorize a "Fast Track" contract. Should the situation change, we will notify you immediately.

Sincerely yours,

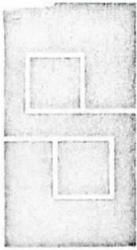
W. T. Pecora  
Director

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The Spitznagel Partners Inc. Architects/Engineers/Planners 1800 South Summit Avenue Sioux Falls, South Dakota 57101 (605)30

February 17, 1971 / Re: Remote Sensing Data Center  
Sioux Falls, South Dakota

Dr. William Pecora, Director  
U. S. Geological Survey  
Department of Interior  
G.S.A. Building  
18th and F Street, N.W.  
Washington, D. C. 20242

Dear Dr. Pecora:

Enclosed is a copy of a letter originally mailed to you. I have just learned from Al Schock that you had not received your copy.

We are most pleased to have been awarded the contract for the A/E services on this project and take this means of thanking you and your staff for the confidence placed in us and Fritzel, Kroeger, Griffin & Berg.

Very truly yours,

Duane P. Paulson, P.E.

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cc: Mr. Jean Kroeger

February 4, 1971 / Re: Remote Sensing Data Center  
Sioux Falls, South Dakota

Dr. William Pecora, Director  
U. S. Geological Survey  
Department of Interior  
G.S.A. Building  
18th and F Street, N.W.  
Washington, D. C. 20242

Gentlemen:

Our reason for encouraging the use of the Construction Manager-Phased Construction System over the conventional design-construct procedure is twofold; First to shorten the timetable for initial occupancy of the building and, second, to achieve all possible savings that should result from a shorter schedule with a minimum of winter construction.

Under the conventional approach, in which plans and specifications are completed and then submitted for bids, we estimate that construction could be authorized by December 1, 1971, a highly undesirable time to start in our climate.

A logical way to overcome part of this problem is to take bids on the foundations as soon as possible. This practice is not uncommon, but invariably winds up with a different contractor on the superstructure, with the resultant problems that arise from a division of responsibilities.

Under the Phased Construction or "Fast Track" approach, we feel the Construction Manager is the key to its success by providing continuity of management responsibility throughout all phases of construction.

In this concept he becomes a third member of the design-construction team with the owner and architect-engineer. By being brought into the project during the design phase, he can provide valuable assistance in establishing a realistic budget with his knowledge of construction engineering and material-labor cost considerations.

Competition is achieved through securing competitive sub-contract bids for all portions of the work. The owner then has firsthand knowledge of all costs. Further, a

Dr. William Pecora, Director  
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minimal construction management services fee is substituted for the significantly higher general contractor's fee and savings are immediately accrued to the owner. Should change orders be necessary, they can be implemented without any mark-up for a general contractor.

The cost of construction management services would probably be in the neighborhood of 1% to 2% of the construction costs, depending on the scope of his responsibilities; but, as pointed out earlier, this cost would be in lieu of and probably considerably less than a general contractor's anticipated profit. In addition, a contractor is normally seeking to maximize his profit within the framework of his "low bid" without passing these savings on to the owner.

Another important factor in the success of this concept is the use of network analysis employing the critical path method (CPM) in construction. It is interesting to note that GSA is now recommending the use of CPM, both prebid and postaward, for all projects over \$1,000,000. We feel it is particularly justified in the "fast track" approach.

We estimate the cost of a prebid and postaward CPM to be approximately \$20,000; but here again, this is a cost that should pay for itself in construction savings. Many general contractors would include this cost in their bids under the conventional system.

In short, we could summarize the potential advantages of the Phased-Construction Manager system thus:

1. Construction sequence started early.
2. Continuity of management responsibility throughout all phases.
3. Construction engineering and cost evaluation throughout design to insure project economics.
4. Competitive bids on all portions of work.
5. Change orders could be processed at minimum cost.
6. Earlier completion date should help combat inflationary cost spiral.

Dr. William Pecora, Director  
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In regard to Item 6, we anticipate that the entire project will be constructed at least three months ahead of the schedule using the conventional method. A recent newsletter of the Associated General Contractors contends construction costs will be rising at the inflationary rate of 1% per month, or about \$45,000 per month on this project. A three-month advance would provide very significant savings, far greater than the combined extra costs previously mentioned.

We will welcome the opportunity to discuss this with you in more detail.

Very truly yours,

  
W. E. Bentzinger, AIA

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