

CMAR / Design-Bid-Build Process Comparison

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Introduction

CM at Risk

Incentive Structures

Having early CM involvement in design phases provides opportunity to incorporate constructability planning into the project, reducing questions and conflicts, and improved schedule accuracy.

Having skin in the GMP contract, a CMAR has increased incentive to manage subcontractors, maintain quality expectations, and resolve issues without change orders.

CM contracting firms almost always earn new work through an interview and selection process, not simply the lowest bid. As such, most consider the satisfaction of clients to be of primary importance to their ability to continue to win work.

Design-Bid-Build

A GC constructing the project has likely not seen the contract drawings and specifications until the bidding phase begins. Strategies for staging materials and sequencing of the work must be developed quickly.

Knowing that the lowest bid will likely win the contract, a GC is incentivized to always interpret the contract documents to reduce cost, then request change orders to address deficiencies.

To preserve equal competition and avoid litigation, most municipalities find it difficult to reject less competent bidders unless they have previously established clear acts of neglect on work for that same municipality.

Design Phases

CM at Risk

Preconstruction services fee

is negotiated during CMAR procurement. It may be waived if CMAR is awarded the contract for construction of the project without significant delays in the project's progression.

Services include

Cost estimates developed at Schematic Design and Design Development phases. This includes budgetary & value-engineering exercises, regularly with savings substantially exceeding preconstruction service fees.

Pre-construction advisor on selections, experiences with, and availability of major building systems

Constructability review of construction drawings and details. Advisement on product selections, local availability, and lead times.

Preliminary planning for construction site access, staging, and sequencing.

Design-Bid-Build

Services and fees by third-party estimator / advisor working directly for Owner or as a sub-consultant for architect.

Cost estimates and value-engineering exercises must be performed by a third-party estimator, procured separately by the Owner or Architect for additional service fees.

Design team makes decisions with input from local product vendors as available.

Owner or Architect could directly procure an independent third-party peer reviewer for additional service fees.

GC is unable to plan for site access until project is bid.

CM at Risk

GMP Contract with CMAR

is offered to the owner establishing a Guaranteed Maximum Price for which the construction will cost. It includes:

- Subcontractor trade bids with CMAR's markup.
- CMAR's General Conditions cost for self-performed work.
- CMAR's insurance & bond premiums.
- Project contingency funds.

Subcontractor trade bids

are still competitively bid in open market and form **85% to 90% of the construction cost**. These bids are considered open-book and available for review by Owner or Architect.

CM includes an agreed-upon fee on top of subcontractor trade work, typically in the range of 2.5% to 4.5%. Fee is negotiated with CM during procurement before Preconstruction Services.

General Conditions

Include the direct costs for work the CM self-performs as GC, including the jobsite superintendent, project manager, jobsite office, temporary facilities, etc.

Documentation of these costs are included in monthly payment applications and are generally **passed directly through without markup** to the Owner.

This is the prime component for which the cost is not governed by competitive pressure in the bids and is pre-negotiated during CMAR selection.

Since the costs do not include markup, they are controlled by the configuration of personnel and services provided by the CMAR's team (i.e. a dedicated scheduler manager, submittal manager, QC oversight, etc.). These factors are negotiated at CMAR procurement as part of the selection process to suit the specific project complexity.

Insurance & Bond Premiums

typically affect the total construction cost to a lesser degree as the same insurance is required by either method.

There is potential for very limited cost savings in relation to pricing rates of insurance and bond premiums favoring larger contractors who more commonly perform as CMARs.

Project Contingency Funds

are usually established shortly before bidding to cover potential costs for changes or unforeseen conditions after work begins. The actual value will vary by project-specific circumstances and be determined through conversation between the Owner, the CMAR, and the Architect.

A contingency fund remains the property of the Owner, and any balance remaining at project completion is returned to the Owner. Having been approved by the municipality in the CMAR's GMP contract, it is available for the Owner's project representatives to commit it to the project as needed.

Design-Bid-Build

Lump Sum Contract with GC

Entirety of project cost included in single lump sum bid with minimal visibility of cost breakout. It includes:

- Subcontractor trade bids with GC's markup.
- GC's General Conditions cost for self-performed work.
- GC's insurance & bond premiums.
- Typically does not include project contingency.

Subcontractor bids are embedded in lump sum.

GC adds a markup for overhead and profit on top of subcontractor bids in lump sum which also remains concealed.

Includes the same components as in a GMP contract.

Costs are included in the lump sum with minimal breakout and include the GC's markup and profit.

Since the cost is included in the lump sum and affected by competitive bidding pressure but remains largely concealed.

Since the GC's General Condition's include a markup, the potential for savings comes from a GC's interest in completing the work at lower cost via fewer team members and lower salaries.

A GC's bid typically excludes contingency for the Owner's use. As such, any changes in the contract work for a municipal owner is typically funded by either:

1. The Owner has independently established and approved a contingency fund in addition to the GC's bid and authorized the Owner's project representatives to disburse as needed without further approval.
2. The Owner's project representatives must seek approval for additional funding from the oversight body as applicable to the municipality.

CM at Risk

Incentive Structures

Established working relationship with design team and owner carries through from preconstruction. RFIs and submittals move faster.

Owner has real-time cost visibility through open-book payment applications.

CMAR prequalification and selection process minimizes the potential of the Owner establishing a construction contract with a contractor who is financially or otherwise incapable of successfully completing the project.

Change order process is more collaborative since CMAR has already bought into the project and Owner has contingency mechanism available.

Design-Bid-Build

GC is encountering the documents and the design team for the first time. Relationship-building happens under live contract pressure with less familiarity of the project requirements.

Owner must independently track costs against a lump sum with limited breakout visibility.

Owner is more exposed to consequences of a lowest-bid contractor who experiences cash flow or other contractual issues during construction, potentially resulting in litigation, delays, and completion of the project via a bond demand.

Change order disputes are more adversarial by default since GC was incentivized to always assume the lowest cost construction at bid with a locked-in margin, then return later for cost increases.