

Assessing and Managing Risk  
in Capital Project Delivery

# Effective Risk Management Planning

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SENECA  
REAL ESTATE  
GROUP  
INC.



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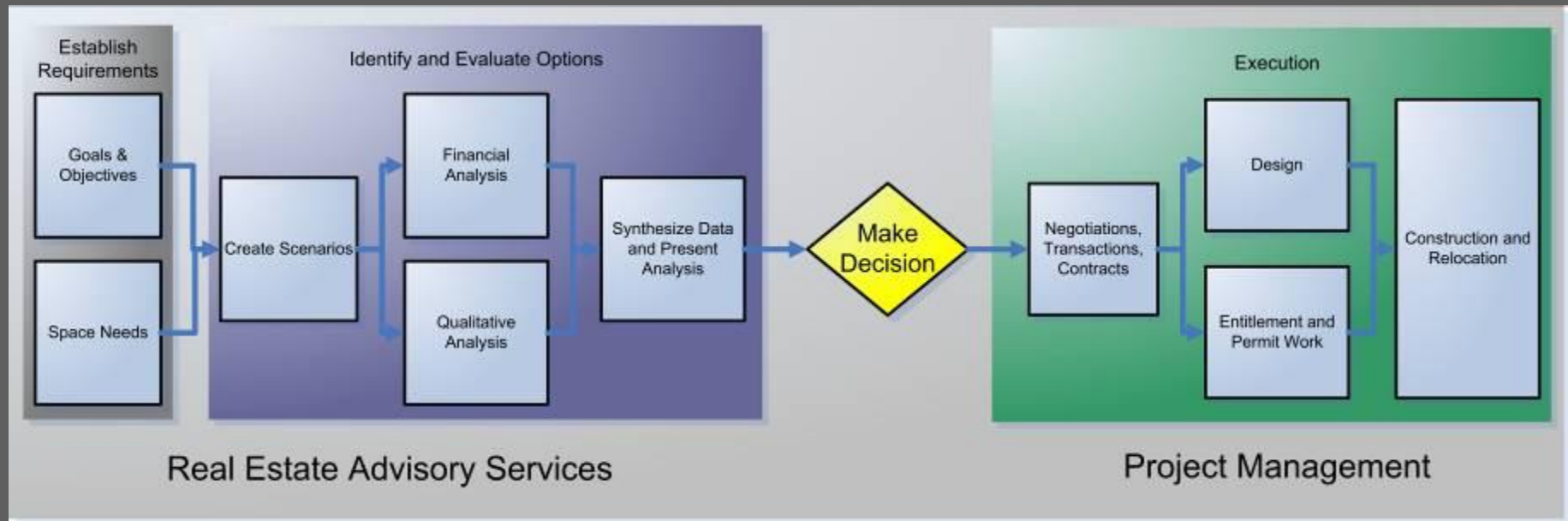
# Outline

- Introduction to Seneca Real Estate Group
- **Identification of Risks**
- Risk Categories
- **Assessment and Priority**
- Mitigation Actions - Examples
- **Case Study**
- Questions



# About Seneca

The Seneca Real Estate Group, Inc. provides comprehensive real estate advisory and development management services to private and public sector clients through the Northwest.



# Commercial Office

Bill & Melinda Gates Foundation Headquarters



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# Commercial Office

505 First Avenue – Starbucks



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# Commercial Office

Preston Gates & Ellis (KL Gates)



Washington Mutual Center



Christensen O'Connor



# Civic

King County Courthouse



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# Civic

Seattle Central Library



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# Civic

Museum of Flight  
Pedestrian Bridge



Personal Courage Wing & Lobby Expansion



# Medical/Bio Science

Seattle Children's Ambulatory Care Wing



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# Medical/Bio Science

Seattle Children's Janet Sinegal Patient Care Building



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# Medical/Bio Science

University of Washington – School of Medicine (South Lake Union)



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# Education

St. Thomas School



# Education

Seattle Country Day School



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# Identification of Risks

## Risk Categories:

- Entitlement
- Property
- Design
- Construction
- Financial

## Key Factors:

- Market expertise
- Process expertise
- Knowledge of Client



# Risk Planning

- Risk = Probability x Impact





## Factors to Identify: Brainstorm!

- **Event:** What could happen?
- **Probability:** How likely is it to happen?
- **Impact:** How bad will it be if it happens? (High, Med, Low.... 1-10, etc.)



# Assessment and Priority

Evaluate and score each risk:

#	Risks	Probability	Impact	Score
1	<i>Scenario X</i>	9	9	81
2	<i>Scenario C</i>	9	6	54
3	<i>Scenario G</i>	6	5	30
4	<i>Scenario Z</i>	5	3	15
5	<i>Scenario P</i>	2	1	2



## Develop Strategy:

- **Mitigation:** How can you reduce the Probability (and by how much)?
- **Contingency:** How can you reduce the Impact (and by how much)?
- **Assignment of Responsibility**



# Risk Mitigation

## Mitigation and Responsibility:

#	Risks	Prob.	Impact	Score	Mitigation	Responsibility
1	<i>Scenario X</i>	9	9	81	Provide design alternates for....	Architect
2	<i>Scenario C</i>	9	6	54	Research the costs for alternate...	Project Manager
3	<i>Scenario G</i>	6	5	30	Commit resources early....	Permit expeditor
4	<i>Scenario Z</i>	5	3	15	Document scope....	Architect / Owner
5	<i>Scenario P</i>	2	1	2	Get written agreement...	Attorney



# Mitigation Actions - Entitlement

- Planning and design review process:
  - Contract for planner services for duration of project
  - Pay premium for OT or add'l resources
- Neighborhood opposition
  - Appeals of decisions: Prevention through outreach – early and often – to community stakeholders
- Delays in obtaining required permits
  - Permit expeditor services
  - Split submittal packages into phases



# Mitigation Actions - Design

- Scope Creep
  - Develop Client requirements (program) before start of design
  - Firmly establish budget
  - ‘Design-to-budget’ clause in contract
- Design Completeness
  - Consider pre-award of select subcontractors
  - Third party QA / plan review services



# Mitigation Actions - Construction

- Labor work stoppage
  - Project Labor Agreements (PLA)
- Construction escalation/resource availability
  - Encourage realistic contingencies
  - Pre-award and/or early procurement
  - Maintain design alternates
- Shoring – Case study



# Mitigation Actions - Financial

- Insolvency Risk
  - Pre-award and periodic audits of key players
  - Select performance bonding
  - Avoid proprietary systems where possible
- Financing Risk
  - Project viability may not be known until late in design / pricing process
  - Capital markets are frozen – even for great projects!





# Case Study - 505 First Avenue

- Client – Starbucks
- Located in Pioneer Square - Seattle
- Seven story office building over four levels parking (280K SF Office + 15K SF Retail)
- Completion in 2009



# 505 First Avenue – Site Conditions

- Timber pile foundations
- Water table at depth of eight feet
- Land was reclaimed from Elliot Bay with 30 feet of wood debris from early sawmills and 1889 Seattle Fire
- Sandwiched between two historic buildings
- Directly adjacent to an on ramp to the Alaskan Way Viaduct – very settlement prone



# 505 First Avenue

- Cutter Soil Mixing (CSM) video



# Inadvertent Historic Artifact



# Questions



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Thank you for having us!



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