



Locked Incentive Date (LID)

January, 2010

Background

In 2003, Mn/DOT established an Innovative Construction Initiative (ICI) to assist Mn/DOT districts with delivering projects through innovative approaches. The ICI unit developed specifications and promoted the use of innovative contracting ideas such as A+B (cost + time) bidding, lane rental, warranty, design-build, and incentive/disincentives.

The use of incentives to encourage early project completion had a positive impact on contractor behavior. However, third party and owner delays often resulted in contract time extensions. This often resulted in the payment of incentives even though projects were completed later than anticipated.

The Locked Incentive Date (LID) specification was developed to eliminate paying incentives when work was completed later than the original contract completion date.

How Does it Work?

Minnesota law requires that public works contracts allow contractors to seek costs, damages, or adjustment for delays caused by the contracting agency. The LID specification allows the contractor the option of seeking additional time, or accepting the incentive. If the contractor accepts the incentive, they must also waive all claims on the project.

The LID value must be significant enough to encourage the contractor to reach the milestone date. The value is often set to offset potential acceleration costs and minimize claim risk on the project.

When to Use

The LID should only be used on projects where time extensions will have a major impact to stakeholders. Example projects include:

- Contracts delayed several months due to winter suspension
- Long term closure of major highways and interchange
- Milestone deadline impacts adjacent projects

Office of Construction and Innovative Contracting (OCIC)

For More Information, contract:

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