

Awarding construction jobs via competitive bid or negotiated contract

BY HENRY HAZLIP

When awarding a contract for your building project, you may want to look carefully at two types of arrangements with your general contractor.

No one method is always best for every situation, but it is good to know your options when choosing how to award a contract.

COMPETITIVE BID

In a competitive bid, plans are typically drawn up and submitted to several GCs for a hard bid, which is normally based on cost as the deciding factor. Cost may not be the only driver of this decision -- quality of work, completion on time and on budget, references and bonding play a role -- but cost is certainly the primary factor.

The lowest and best bidder then is

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the winner in this scenario. Note that if the lowest bidder is not chosen, there needs to be specific documented reasons why a higher bidder was chosen "lowest and best" bidder over the actual low bidder.

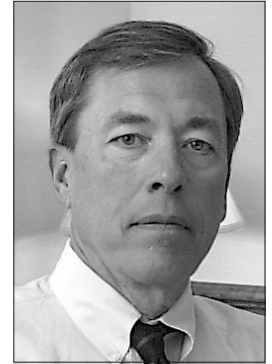
This process assumes that each bidder will deliver the same quality product, regardless of price. Often in competitive bidding, lowest price tends to be overemphasized at the expense of quality, service and value.

On occasion, bidding general contractors may choose the cheapest, rather than the best-value approach in order to cut costs and ensure a good shot at the job. This method can also lead to an adversarial relationship that can develop between the architect, general contractor and client because of its primary emphasis on price.

Of course, competitive bidding is required by law in some types of projects, and there may be projects where the tenth franchise location is going in, and it's a given as to what should be involved in the project. In cases where changes and "extras" are not likely, competitive bidding may work best.

NEGOTIATED CONTRACT

In this type of arrangement, the general contractor works with the architect and/or owner from the beginning and may even be able to help hold costs down by Value Engineering the project. Note that even in a negotiated contract, all elements of the construction will be bid to the general contractor by subcontractors.



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Typically a negotiated contract to build moves more quickly. With the general contractor on board from the beginning, time can often be saved, and that equates to money saved.

As with any business dealing, you want to choose your partners carefully. Trust and integrity of your general contractor, and their business associates, can make the difference in your project.

By using a team approach from the beginning of your construction project, you are more likely to end up with a finished project that everyone involved can be proud of.

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