

HOW WE WORK

Negotiated Contract vs. Competitive Bidding

After working on a “competitive bid” basis for over a decade, we realized that there were significant problems with that process that adversely affected the success of our construction projects in terms of both our clients - and our own - satisfaction with the outcome:

1. First, the bidding process - in which an architect’s plans and specifications are submitted to three or more building contractors to solicit free estimates for the cost of construction - inherently creates an adversarial relationship between the architect, contractor and owner because of the emphasis on price.
2. Custom remodeling, renovation and one-of-a-kind new construction, by virtue of their uniqueness and complexity, render estimating as much an art as a science and do not lend themselves to the sort of predictable unit pricing approach that’s possible with repetitive types of work such as manufacturing and many other service industries that perform identical tasks from one project to another.
3. Since competitive bidding is still viewed by much of the architecture and design profession as the only way to control construction costs, lowest price tends to be over-emphasized at the expense of quality, value and service. It unfortunately often induces the bidder to choose the cheapest, rather than the best-value approach in order to cut costs and win the bidding competition. It also assumes that all bidders will deliver the same quality product regardless of price.

Our decision to become a design-build firm, with full in-house architectural and construction services, and to work exclusively on a negotiated-contract basis evolved from our realization that a team approach to the art of building, incorporating design, construction, budget planning and owner involvement in a cooperative and coordinated effort, would create a model that best served the interests of the owner and our team in achieving the most successful project. This integration, which incorporates estimating and cost-control into the design and development throughout the process (rather than at the conclusion of a long and costly design process) facilitates the best overall solutions and value and minimizes everyone’s risk.

Estimating and Budget Planning

We consider cost estimating to be a valuable service and integral part of the project design and development process and devote substantial time and energy to developing reliable budgets during the development of a project. A contractor who engages in the competitive bidding process incurs the expense of estimating as well; and, because that contractor usually has to bid a number of jobs in order to secure one construction contract, he/she has to work that expense into his/her pricing on contracted projects to recover costs. Because we view estimating and budget-planning as an essential part of our project development services, we bill that cost directly rather than augment the costs of projects we build with the estimating costs expended on competitive bid projects that we’re not awarded.

Our estimating/budget planning process offers the following advantages:

1. At the initial visit to discuss your project, a team member will discuss your project in detail and offer a probable range of cost to determine if the project you desire is feasible within your budget. We will also answer any questions you may have about the complexity of the estimating process (there are hundreds or thousands of details/moving parts in a typical remodeling/construction project and innumerable variables that evolve from the design process that affect cost). There is no charge for our initial visit.
2. If we both determine that Baywood is an appropriate fit for your project, we will provide you with a detailed proposal for design/project development, including an estimate for the Phase 1 (preliminary design) which includes preliminary estimating services; or, a proposal for full design/project development, depending on the nature of the project. During the design/project development phase, we establish very ballpark initial budgets at the inception of the project and then develop that estimate during the course of design to assure that the cost implications of your design choices are addressed.

Our estimating process, fully integrated into the design/project development process, allows us to bring our extensive construction experience to bear in our - and your - decisions about design, methods and materials; and enables you and us, as a team, to work cooperatively and openly to achieve a successful end result.

The Construction Contract

With respect to our contract format, we work in two ways:

1. Generally, we work on a fixed-price basis. Your contract price will include all costs associated with the project, including applicable contingencies, and will only be modified by agreed-upon change order work (usually written, sometimes verbal if necessary) that reflect hidden or unforeseen conditions or changes requested by the owner or regulatory agencies or necessitated by other factors or conditions not anticipated at the start of the project. Your cost will be the fixed contract price, plus any approved change order additions or deletions, whether or not our actual costs are below or above contract price. We generally prefer this format because it is the simplest and most straightforward with respect to providing clear expectations to our clients about what their project will cost.
2. Occasionally, we work on a cost-plus basis (time and materials plus overhead and profit) up to the actual or estimated cost - whichever is lower. We also establish a "ceiling" figure (excepting additional work necessitated by hidden, discovered problems or requested by you) consisting of the estimated cost, plus a contingency of 10% to 20%, depending on the nature of the project. Any costs exceeding the estimated costs (again barring additional work) up to the ceiling figure are billed on a cost-only basis (no overhead and profit). If the costs come in below the estimated figure we will earn our overhead and profit on the difference between the estimated and actual costs. This provides a safeguard for you should costs exceed the estimate and an incentive to us to perform at or below estimated cost. This format, though somewhat more complicated, sometimes works best for projects that are vague or undetermined with respect to scope of work.

A note about punch-lists, corrections and contingency: because custom building is not a repetitive process like manufacturing, where the same processes can be reliably duplicated time after time, some allowance is necessary for the fact that all of the work on any project - big or small - will not flow flawlessly. There are inevitable glitches with respect to schedule, materials ordering delays, unforeseen problems and the occasional human error. It is, after all, a complex and demanding process and - like any creative endeavor - will require adjustment, correction and fine-tuning. In the construction field, this contingency factor is often described as "punch-list" work and is considered a normal and billable part of the construction process. We of course take full responsibility for the quality of our finished product (see our warranty description in our History and Mission Statement). However, we recognize that any project we do is unique and that a certain amount of punch-list work is predictable.

We invite you to contact us with any questions about how we work or for further information about this or any other aspect of Baywood Building & Design's services.

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