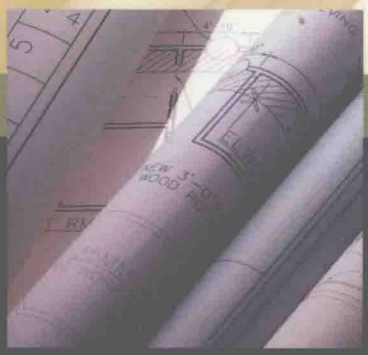
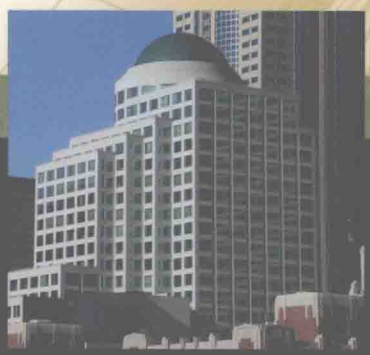
RICK FRIA

SUCCESSFUL RFPs IN CONSTRUCTION

MANAGING THE REQUEST FOR PROPOSAL PROCESS





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Richard T. Fria

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MANAGING THE REQUEST FOR PROPOSAL PROCESS

This book is dedicated to Heather O'Neill:

angel, pure heart, and shining soul.

Through her grace, light, and love,

this book came to fruition, and for this

I will be eternally grateful.

The View from Here

The construction industry is continually evolving. Change is the norm, and it permeates all facets of the construction process—from feasibility, to design, to construction, and finally, to occupancy. As the project progresses, it never stops changing, growing, and maturing, and ultimately it becomes reality in the form of the sum of all the process parts.

Yet the development continuum of a project is only one aspect of change. After 35 years in this business, I continue to be grateful for a career in an evolving industry. Development professionals—including architect, engineer, constructor, developer, owner, user, and a cast of hundreds—are fortunate to participate in projects that have a beginning, an end, and a lasting finished product of which to be proud.

With every project comes a new team of participants, new design challenges, new materials, new construction techniques, and new technology, all of which represent a fresh approach, an expanded professional network, and another beginning and end. Threading the same nut on the same bolt on an assembly line day after day would never work for me.

I have been fortunate to have teamed up with so many talented professionals, producing permanent recognizable landmarks on the skyline. I believe a can-do approach, an open-minded philosophy, and working with enthusiasm are integral to ensuring a positive outcome. I am continually astonished at how this personal approach to both work and life attracts like-

minded teammates. And when the project is complete, the champagne corks are popping, and the happy owner is beaming, every team member from laborer to design professional can point out the product to family and friends and say, "That's my building!"

I was born to build. I've known this passion all my life. The forts I built out of scrap from the neighborhood construction project represented challenge and creativity and fulfilled my need to hammer nails, saw wood, smell sawdust, and finally occupy the fruit of my labor. And of course I always had help, friends who shared the experience, the sense of accomplishment, and the pride. Little did I know then just how special is the team approach.

I majored in business in college, but my calling for construction moved me to take a job as a brick carrier for a father-son home-building bricklayer team. Every afternoon break, the son would drive to the store and return with a six-pack of beer. We would sit and indulge in two beers each, connect with one another, and then complete the day's work. Now that was one heck of a college summer job! And I never forgot the connection from that team camaraderie.

My journey has included work as a laborer, carpenter, foreman, superintendent, project manager, construction executive, and, yes, consultant. I worked in the boom years of the early 1970s in the Colorado ski resorts of Aspen, Vail, Steamboat Springs, Breckenridge, and Crested Butte. I built a log lodge on a 7000-acre ranch in the remote Bitterroot Valley of Montana. I managed the construction of the computer lab that developed the software for the Space Shuttle and the construction of production and test facilities for top-secret defense satellites. I've managed the construction of high-rises, electronic manufacturing facilities, biotechnology R&D labs, historic landmark renovations, hotels, and destination retail and entertainment centers. I've been blessed with a diverse, opportunity-filled career and, as a result, have learned just how much I don't know. But the one thing that has stuck with me throughout is the value of teamwork.

The construction industry's very nature is teamwork. So many hands touch a project from inception to completion that they simply cannot be

counted. Friends ask me, "How does a high-rise get built?" I contemplate this, become completely bewildered, look at them, and say, "I really don't know. Somewhere near the end a miracle occurs." Yes, at some point, the project is magically transformed from individual pieces of steel, wood, stone, and glass into "a building"—the sum of all its parts.

Of course I know the reality is that the project gets built through the orchestrated efforts of many participants and the application of intense thought, planning, and execution. What amazes me is that all these parts that make up the whole come together in this one place from all over the world, touched by multitudes. The aluminum window mullions may be fabricated locally, but the paint may be produced in France, the aluminum ore mined in Mexico, and the extrusions manufactured in Canada. The wood-paneling veneer may be from exotic Madagascar, from trees felled by Madagascarites, while the plywood backing may be produced in the southeast United States and the adhesives in China. Every component of the building has a story, of families from foreign lands, of boat captains and truck drivers, of millwrights, accountants, and factory owners.

I realized one day that "the miracle" occurs when the myriad products show up at the job site, manufactured and crafted to precise tolerances, finished in the intended colors and shapes, and at precisely the time required to accommodate a complex schedule. It is an orchestra that stretches around the world, encompassing instruments and players making one incredibly beautiful sound! It is the sound of construction.

What I take away from this is the criticality of teamwork—a necessary component for every successful project, from the smallest tenant improvement to the Golden Gate Bridge. "It's the team" is what I tell myself when I contemplate the miracle. And that is why this book presents a collaborative team approach to selecting a contractor. In the end, when the miracle needs to happen, it's the team that will make the difference.

The process presented in this book is a proven method, developed over many years and through many projects. As I train others, I am realizing that the process, like the industry itself, will continue to evolve. I look forward to learning much, and to the continued adventure.

Acknowledgments

I am grateful for those who have taught me and offered opportunity, encouragement, feedback, and enthusiasm for the writing of this book:

- My mentors, Ray Hews and Bill Lewis, who led by example and provided lifetime opportunities for personal and career growth.
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- My dad, Tony, who never stopped believing in me.
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- Michael Gruber, for his creative contribution and for his steadfast friendship.
- Perkowtiz + Ruth Architects, for the Project Narrative included in the sample RFP found in the Appendix.
- And finally, all those I've been so fortunate to work with in this dynamic industry, who share the pride and sense of accomplishment, and without whom I would have missed this terrific ride.

Introduction

This book presents a step-by-step process for executing a Request for Proposal (RFP) for negotiated contracts. Sample formats and spreadsheets are included to illustrate various aspects of the process and to enhance the reader's understanding, but they are not intended to be definitive. Since each RFP plan varies according to the team's objectives and other relevant process-related issues, formats must be tailored accordingly.

A well-managed RFP process will lead to a successful negotiation and Guaranteed Maximum Price (GMP) contract with a qualified contractor. The goal is to select the best candidate, capable of (1) working with the team to ensure that design meets budget and (2) constructing a quality product, on time and in budget.

When the process presented in this book is utilized in a collaborative manner involving the owner, architect, and/or construction manager, it will provide a clear and defined basis for a value-oriented RFP plan, and increase the probability of achieving the greatest possible success on the project.

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CHAPTER 1

Why Negotiated?

The negotiated contract approach to construction has increasingly become the delivery method of choice for owners, including private developers and even some public and semipublic partnership entities. The negotiated approach provides many benefits to the design and construction process, thereby increasing the opportunity for value-added project delivery from start to finish. Benefits include

- Assembling a team of qualified professionals to design and build the project in keeping with the owner's goals
- Creating a basis for understanding the true cost-benefit elements of critical design decisions required early in the design process
- Testing the design for cost prior to expending significant capital on design, thereby reducing the potential for costly redesign

- Affording the contractor time and access to the team to plan the construction, value engineering, and establish a strong and trusting team relationship
- Providing the opportunity for timely schedule feedback necessary for cost-of-carry analysis and occupancy planning
- Greatly reducing the possibility of adversarial and contentious relationships often encountered in the competitive-bid approach
- Emphasizing quality, schedule, and program as equally important as cost
- Selecting a contractor on the basis of proven experience, qualified personnel, and track record for success as well as cost competitiveness

The Request for Proposal (RFP) serves as the vehicle for defining the terms underpinning the negotiation and should be designed to ensure the successful execution of a negotiated Guaranteed Maximum Price (GMP) contract. Construction price typically represents two-thirds of the total project cost, making the selection of a qualified contractor—and basing that selection on clearly defined terms—one of the most important elements of the project.

The RFP provides an opportunity to fully define the project and prescribe the basis for the construction price and schedule at the early stages of design. It will serve as the foundation for the agreement between owner and contractor and should be carefully planned and managed.

The industry-standard negotiated construction contract is AIA Document A111™: *Standard Form of Agreement between Owner and Contractor—Cost of the Work Plus a Fee with a Negotiated Guaranteed Maximum Price*. This contract is utilized to specify the scope of the work and to detail certain costs, such as contractor's fee, insurance, taxes, bond, labor rates (with burden), and other elements of the total cost of performing the work. These are the costs to be negotiated prior to execution of the contract. The RFP is the doc-

ument used to invite contractors to propose these costs and relevant commitments, including schedule, delivery approach, and personnel.

The negotiated Guaranteed Maximum Price is intended to reflect the maximum price of the scope of work defined in the contract documents. Many owners believe that the maximum price includes everything required to complete the project ("all-in"), regardless of the clarity of the design documents. This is especially true when the GMP is requested prior to full completion of the design documents. Incomplete scope definition often leads to disagreements about cost responsibility. If the contractor is directed to include costs to cover future scope clarification, the amount allotted may be speculative and can often be higher than necessary to account for eventualities. When numerous scopes of work are involved, the cumulative effect can be substantial. As a result, when the owner demands an "all-in" GMP, the price will likely be inflated.

The subsequent impact on the project budget will be the unnecessary inflation of construction costs, which can reduce opportunities for value-added decisions in the early stages of the project. It is better to identify the excess funds during the design stages and use them to make value-added improvements than to have them returned as savings at completion, when it is too late to make a difference.

The negotiated approach allows the formation of a team early in the design process that can give meaningful cost and schedule feedback, thereby clarifying the design to support the intended budget. A qualified contractor can participate with the design team in carefully defining the scope of work concurrently with the development of the documents. The intended result is an accurate Guaranteed Maximum Price that supports the budget, the program requirements, and the desired level of quality. Figure 1-1 presents a flowchart of such a design/contractor interface.

The contractor can also provide timely cost-benefit operational analyses, supplying the team with relevant data for design decisions. This process includes value engineering as well as comparing alternatives such as structural systems (e.g., concrete versus steel), energy-efficient mechanical systems, and exterior enclosure materials (e.g., metal panels versus stucco).

FIGURE 1-1 Preconstruction Team Budgeting Process

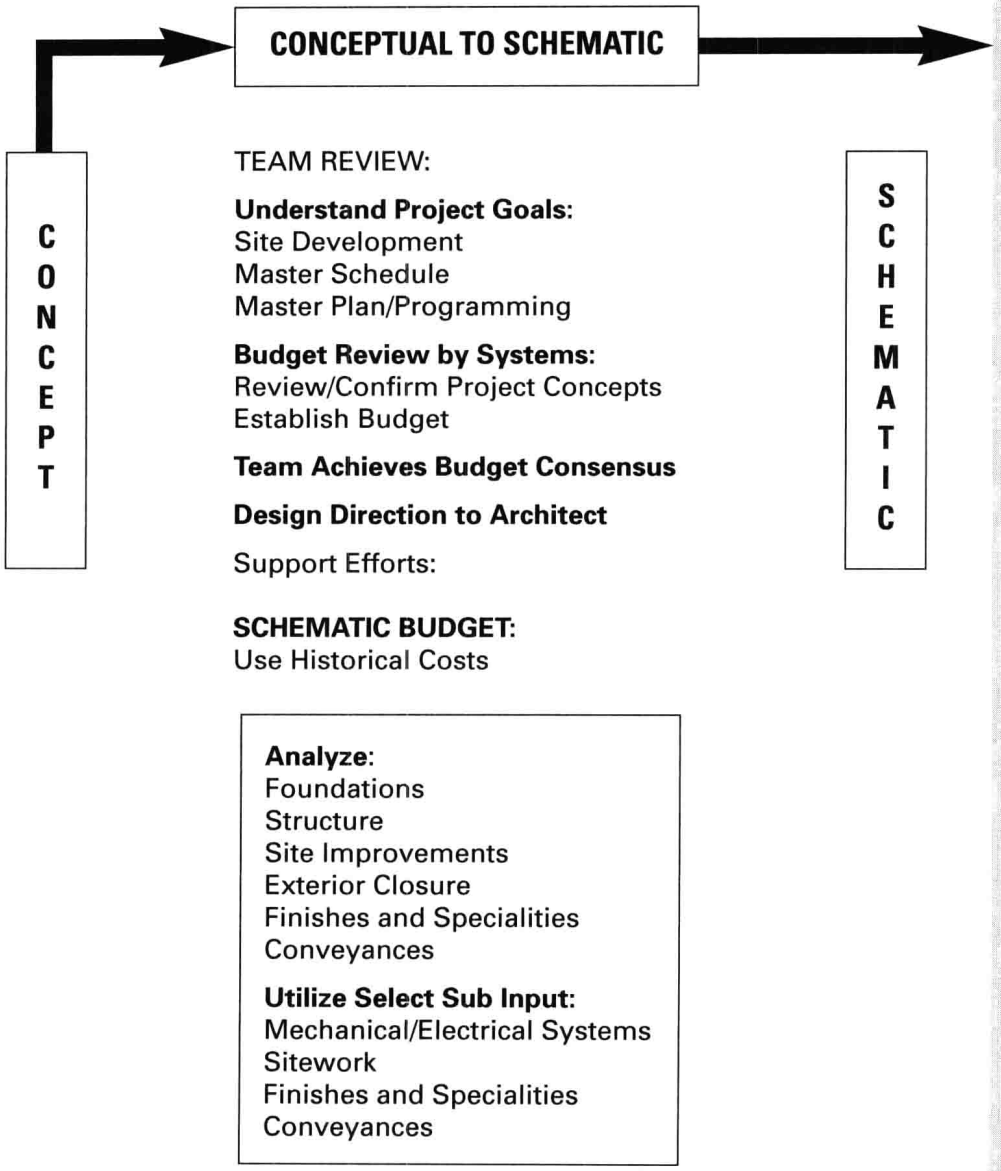

FIGURE 1-1 (CONTINUED)

SCHEMATIC

TEAM REVIEW:

Budget Review in Detail:
Cost vs. Function (VALUE)
Review Scope Definitions
Determine Cost/Design Studies

Design Direction to Architect

Support Efforts:

DESIGN DEVELOPMENT BUDGET:
Use Unit Cost Pricing

Analyze:
Site Finishes
Interior Finishes
Structure
Exterior Wall
Roofing

Update Mechanical/ Electrical Systems

Utilize Detailed Sub Input:
To Fine-tune Unit Pricing
To Develop CE* Options

Prepare CE* Options Log

DESIGN DEVELOPMENT

*Cost Engineering