

Evaluating Low Bids (How to Prevent the Dreaded Call Back and Cost Overruns)

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These tough economic times require homeowner associations to explore all of their options prior to undertaking a capital project. Many associations move forward with capital improvement projects without first performing the necessary due diligence on the front end of the project. These associations contact contractors and ask them to provide the association with a quote and then choose the contractor with the lowest bid to perform the work. Many times these associations find the total project ends up costing much more than originally quoted when the project is complete, or the contractor must ultimately be called to come back and fix issues with the completed work.

So, how are these issues prevented? The simple answer is to bring an outside consultant into the project prior to obtaining bids from contractors. A consultant will be able to evaluate the needs of the association and provide it with options as how to approach the project. The consultant will also be able to develop a set of project specifications which can then be used to obtain bids from contractors. The project specifications should include a complete scope of work, bidding documents, material specifications, and all necessary drawing details that need to be addressed during the work. Without a complete set of project specifications, it is impossible to properly evaluate contractor bids. Finally a consultant can help the association pre-qualify potential contractors based on their past work experience and industry knowledge.

Prior to accepting bids, the consultant will meet with all bidding contractors at the project site in order to answer any questions pertaining to the specification. During the pre-bid meeting, the consultant will work with the contractors to anticipate any issues that may arise during the course of the project. When potential issues are identified prior to the submission of bids, these concerns can be accounted for by amending the project specifications, if necessary. In some cases, the contractors are unable to accurately estimate the cost of potential issues identified at the pre-bid meeting. The consultant can then provide the association with plans for a contingency that may be used to fund these problems should they actually arise. Allowing a consultant to direct the association through the due diligence process may drastically decrease the need of costly change orders during the course of the project.

The consultant will also assist the association during the bid review phase of the project. Proper evaluation of the bids is essential to ensure that the project runs smoothly and on budget. ***The goal of bid evaluation is to find the best overall bid, not simply the lowest bid.***

In order to determine the best bid, the following steps should be utilized:

1. Make sure the bid form is completely filled out and that all costs shown on the bid form add up correctly. Follow up with the contractor if discrepancies are found on the bid form.
2. Make sure each bid is complete with all supporting documents such as references, certificates of insurance, and manufacturer qualification statements.
3. Call the contractor references.
4. Check the status of each contractor with the Better Business Bureau.
5. Perform a side-by-side comparison of each of the bids.
6. Make sure that each bid lists a unit cost for each aspect of the project. Unit costs are used for any changes to the project. Agreeing to the cost up front will simplify the change order process if any unforeseen issues arise that necessitates a change order.

During the evaluation process, the association should also pay particular attention to the experience of the contractor. The following contractor qualifications should be evaluated as a part of the bid review process:

- Does the contractor have sufficient experience performing projects similar to the project the association is undertaking?
- Does the contractor employ its own crews or do they sub-contract most of their work?
- Does the contractor have adequate insurance for this size of a project?
- Does the contractor have experience working with homeowner associations?
- Does the contractor have adequate experience performing capital improvement projects or is the majority of their experience performing new construction?
- Does the contractor have a good reputation within the homeowner association industry?

Remember, cost is important, but is not the most important part of the contract. The old adage “You get what you pay for” truly applies to capital improvement projects.

Once all the information regarding the contractor has been evaluated, the association can weigh what each contractor has to offer along with each individual bid for the project. When the necessary steps are taken to obtain and evaluate comparable bids on cost and contractor merit, the association can confidently choose the contractor best suited for their project.