

THERE'S GOT TO BE AN ***EASIER*** WAY?



Top **5** WAYS

To Fine Tune Your Bidding Process

By: **Craig Middledorf**

Does any part of the following scene seem familiar? At your last inspection, it was noted that the paint is peeling all over the property. Resident complaints have been rolling in at a steady pace. Anxious to resolve the problem you send out a request to a few contractors for a proposal to paint the property. Some bids come in on time, some come in late, and some don't come in at all. Finally, after repeated attempts, you get your 3 bids, and upon closer examination, you realize that the 3 bids are vastly different. Not only are the prices different, but the proposed scope of work is so different, that you can't possibly do a side-by-side comparison of these bids. It is a simple repaint project...how many ways are there to paint a board? How could this happen?

Let me share some thoughts from the perspective of a contractor as to how this could happen. There are thousands of contractors out there and each one has a different level of experience, different methods, different pricing strategies, and different perspectives on quality. This is what leads to the considerable differences in the bids received. Let's use the example above of a painting project to illustrate my point. The following are some of the major aspects that influence the scope of work and price of a proposal:

Preparation: Prior to painting, the surfaces must be prepared. However, some people powerwash, some people scrape, some people sand by hand, some people use a power sander, and some people combine several methods. Each method requires a different amount of time and effort. It is important to note that some methods are much more effective than others but are not chosen because of the labor demands.

Materials: There are myriad material suppliers each carrying a wide range of products and grades. If not specified, the contractor may decide to use a low grade product as a way to increase his profit margins at the expense of the property.

Installation: Some people will apply a full prime coat, some will spot prime, and some won't prime at all. Then for the top coat, some will apply one finish coat and some will apply two.

As this illustrates, there are many areas where the scope of work and price can differ. If the contractor thinks that the primary selection criterion is price, then they will cut back on labor and material costs in an effort to submit the lowest price. However, this does not serve the needs of the community. Below I suggest the *TOP 5 WAYS* you can fine tune the bidding process and eliminate the above problems from happening:

1 Create a Qualified Vendor List

This step ensures that before you even ask for a bid, you know that the contractor has been thoroughly vetted and is qualified to respond to the bid. This list should have at least 5 contractors in each trade. You want to make sure that each contractor on your vendor list holds themselves to high standards. You can use the criteria listed to the right.

2 Create Detailed Specifications

Before sending out the request to the contractors, be sure to have a detailed set of specifications already prepared. This is the step that is often skipped or done improperly, but is perhaps the most important step in the bidding process. This step alone will ensure that the bids are more comparable and more in line with the community's needs. The specifications should clearly state what is expected at each stage of the project. To ensure that the best possible solution to your problem is found, be sure that the specifications are generated by a professional. If a member of the community is not available or capable of

CONTRACTOR SELECTION CRITERIA

Stability

- Licensed
- Insured
- Supplier and Bank Reference Letters
- Has been in business 10+ years.

Reputation

- Customer Reference List
- Testimonials and Accolades
- Membership in Industry Associations

Professionalism

- Detailed written proposals
- Safety Standards
- Worker Conduct Agreement

Workmanship

- Job Photos
- Strong Warranties

generating these specifications, then an engineer or qualified contractor should be hired for this purpose. If a contractor is selected to do this, they should be paid for this service, otherwise they will expect preferential treatment during the bidding process. The more detailed the specifications, the less variance you will get in the bids which facilitates an apples-to-apples comparison. These specifications can then be used in future years when this project is needed again.

Create a Systemized Bidding Process

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The government spends hundreds of billions of dollars every year and awards over 10 million contracts every year. As a result the government has mastered the procurement process. Some important lessons and procedures can be gleaned from government procurement and applied to property management. The following is one example of a systemized bidding process. Each step should be assigned a date and the schedule sent to each contractor at the beginning of the process:

Step 1: Invitation to Bid (ITB) – This is not the formal RFP. It simply provides a brief overview of the project to see who is interested in bidding.

Step 2: Request for Proposal (RFP) – Now issue a formal RFP to all contractors who responded to the ITB. This includes the specifications previously created.

Step 3: Pre-bid Meeting – If necessary, hold a pre-bid meeting with all bidders so that all questions are answered in the presence of all bidders. If any questions are posed after the pre-bid meeting, the questions and answers must be distributed to all bidders.

Step 4: Bid Due Date – All bids must be turned in by the due date or they are not accepted. If you stand firm on this, bidders will know that they have to get bids in on time which will prevent delays in the future.

Step 5: Notify – Notify all participating bidders when they are the winning bidder or the losing bidder. Any feedback you provide the losing bidder is always appreciated by the contractors and will help them provide better bids for you in the future.

Keep Your Contractors Happy

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This may sound a little self-serving being that I am a contractor and all. Obviously, the contractor also has an obligation to keep you happy, however, let me suggest that it is in your best interest to keep them happy as well. I believe that the Property Manager/Contractor relationship is a mutually beneficial one. As property managers, you provide enormous opportunities to contractors for work. And as contractors, we fulfill a need that you have to respond to community maintenance needs. This clearly is a Win/Win relationship. However, this business relationship can sometimes break down if either side feels that it is becoming a Win/Lose relationship. From the perspective of the contractor, part of running a successful business is making sure you are maximizing productivity and utilizing resources efficiently. If it appears that a lot of time is being invested into the business relationship without much return on that investment, then it becomes difficult from a business perspective to maintain that relationship. Contractors don't want to feel like they are being used to fulfill a quota to get 3 bidders. Contractors realize it is a competitive

situation, but just want to feel like they are being given a fair shot. If a contractor continues to bid but doesn't seem to ever win, provide them with helpful feedback or you may lose them. Although there are many contractors out there, you have taken the time to vet this particular set and it can be a huge inconvenience to go through the vetting process again to find a replacement contractor. If you can keep your contractors happy, it will improve their response time, their willingness to help in emergencies, and eliminate the difficulty in finding good contractors to bid on your projects.

Set Your Community Up on a Cycle

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The best way to minimize maintenance costs for a community is to stay ahead of the curve. What this means is you plan and schedule a maintenance cycle so that key maintenance issues are addressed before they become problems. It is much more costly to maintain your property if you wait for the problems to surface. By that time, you are playing catch up and much more damage has occurred which means that the repair costs will be significantly higher. The time to set up a maintenance cycle is during the preparation of the specifications for the RFP. As bidders respond to the RFP, they should be required to submit pricing which coordinates with your maintenance cycle. If you set your community up on a cycle, the benefits are many. You will stay ahead of the curve, reduce repair costs, minimize resident complaints, and improve curb appeal and property values.

Many property management companies have implemented some or all of these steps into their training and procedures and have reaped benefits in direct proportion to their discipline in staying true to them. It may take time to implement these 5 steps, but it will be time well spent. Gone will be the days of searching to find available bidders, hunting them down to get the bids in on time, and receiving bids that barely resemble each other in scope. You will save time and effort because you will have a list of pre-qualified contractors ready and willing to bid using clear pre-defined specifications. There is an easier way and this is it.

About the Author: Craig Middledorf is the Vice President and part owner of Middledorf Property Services, a local commercial renovation firm serving the property management industry since 1982. Craig graduated from Brigham Young University in English and earned his MBA from University of Maryland. He is also owner of a residential roofing firm and holds a current Maryland Real Estate License.