

RECREATION CENTER AT ROCK CHALK PARK

City of Lawrence Parks & Recreation Department

20 May 2013

Dave Corliss
City Manager
City of Lawrence

RE: **Recreation Center at Rock Chalk Park**
Estimate Process vs. actual Bid Results

Hello Dave,

I am writing to follow up on the discussions regarding the bid results and the “surprisingly low” bid numbers as compared to the preliminary estimates. I’ll begin with the estimate process and the standard of care that goes into generating a budget type estimate. The Project experienced a very active bid process with lots of interest resulting in the issuance of two addendums that we believe contributed to the competitive bids received. Lastly I’ll conclude with a discussion of the recent bid climate and how we believe it impacted the Recreation Center bids.

Industry standard for pricing Recreations Centers in our region as seen in many publications is in the range of \$135-150 per square foot. These centers are more similar in scope to the Ambler Center at KU and the Peters Center at KSU as compared to our “field house” type center at Rock Chalk Park. There has been a recent flurry in the field house sector in our region and these facilities are being realized in the \$100-120 /sf. From the origin of our process, both Gould Evans and an outsourced estimate from Crossland Construction developed preliminary budget estimates in the \$18-19 million range or approximately \$100 / sf. The City in February used a number of 110 / sf or \$19,910,000 in producing numbers for the Development agreement discussions for the City Commission. When the project shifted from Design-Build to a public “open” bid process we as your Quality Assurance consultants engaged a professional estimator, Carl Riblett, a professor at KSU to develop an estimate for the bid documents. Carl is well respected in the industry and our team has worked together before. He has good relationships within the industry and is friendly with many of the bidders for this project.

The QC team worked with the A/E Team and Carl to produce a budget estimate that we first presented to the City and LPRD on April 12. The estimate at that time was \$20,537,281 or 112 / sf. During our presentation we explained that the process used industry standard unit costs applied against a full 16 division take off to generate the costs. The line items were back checked with material suppliers and sub contractors in an attempt to validate the costs. We also explained at the time that we were not getting much feedback from the major commodity subs so we believed that we expected some movement in the “big” numbers like steel, concrete and mechanical systems. During the bid, we were asked to update our estimate to align with the addendums that were issued so we submitted an update on Monday 13 May with a new amount of \$20,700,607 or 113.50 / sf

During the bid process we found the industry to be very interested in the project and were pleased to greet over 45 people representing 12-14 general contractors at the mandatory



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pre-bid meeting on 15 April at the LPRD offices. During the Bid period the A/E Team worked diligently to log and communicate all questions received during the bid process. Also during the bid timeframe we had coordination sessions with the City / LPRD to review the documents; and with Bliss Sports to review the documents impacts upon the development agreement. These review sessions resulted in modifications to the documents which were provided to the bidders via the two addendums; issued 8 May and 10 May which included extending the bid date by one day due to multiple requests from contractors during the Site Visit on 9 May. We have heard from bidders that the deletion of all the alternates from the original bid package precipitated a couple of the large package bidders to re-assess their bid pricing and become more competitive to keep the “base-bid” advantage. (Trane HVAC equipment and controls). In a conversation with a Topeka bidder they expressed that during their bid compilation only two hours prior to the bid they all were in agreement that it looked like the project would be a \$16 million dollar project. Over the next hour their assumption dropped to \$14 million and just before the 2:00 bid deadline they were surprised to see their final number just under \$13 million. They attributed this to the large packages that came in late all well under the estimate levels.

Over the past few weeks the local media has remarked at the recent bid results for the City project at the Farmland site as well as some of the roadwork projects and how they have come in well under the estimates. We believe that this is indicative of recent trends in large commodity materials being more available now than in the past few years. Steel, cement (for concrete) drywall and large package mechanical units that were in such high demand for the international building booms in China and the middle-east are now stockpiled to meet need. With international booms slowing the large commodity materials are more readily available. We believe we are seeing an impact upon the pricing for larger projects.

We have built a comparison spreadsheet from actual bid numbers. They compare the bid numbers to our QCM estimate. (See [attached](#) spreadsheet). The numbers indicate a difference in the two numbers of \$8,782,687 that would indicate a bid amount of approximately \$12 million. In review of the numbers the “large” commodity trend is indicative. The Steel number shown in Division 5 metals as estimated was \$3.7 m, while the actual bid was \$1.3, or a difference of \$2.3m. The HVAC/Plumbing estimate was \$3.6 m while the actual bid was \$1.6 m for a difference of just over \$2.0 m. The Electrical estimate was \$2.5 m and the bid was \$1.0 m for a difference of \$1.5 m. In three large packages there was a difference between the estimate and the bid of \$6 millions dollars. Of course as the bid amount drops the percentage fees for the Contractor’s General Condition, Overhead and Profit drop as well. Our Estimate carried fees of \$1.9 m while the actual bid fees were \$900,000 for difference of \$1.1 m. We understand that it is hard to grasp the 8 to 9 million dollar difference between the estimate and the bids, however when you see that 90% of the drop is in 3 or 4 line items consisting of large packages that have been bidding very competitively over the past few months it become a little more clear.

As we mentioned in the Bid Results review memo, the bid range of 23% across the nine bids was well within industry standard. The 8% range of the 7 lowest bids is even more indicative that the bidders were getting consistent bids from their subcontractors and suppliers. We also believe that the two lowest bids came in below the average by separate bid strategies. Crossland Construction is relatively new to the KC-Lawrence market. They



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have been involved with the project from the early stages in assisting Gould Evans with pricing. They are trying very hard to enter the Lawrence market and we believe their bid indicates a strong competitive push to try to beat the bid pricing. The Gene Fritzel bid has the benefit of already being on-site working on Rock Chalk Park and the City's infrastructure works so they have a considerable advantage in efficiencies and fees as their general conditions are shared between the three projects.

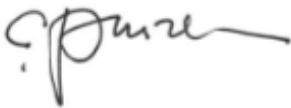
In conclusion we have shared that the "budget estimate" process is not a bid process and utilizes industry standard unit costs not competitive pricing. The large packages for the estimating process are the hardest to gauge as much of their pricing comes from industry commodity pricing vs. off the shelf pricing as seen with other materials and services. These few packages were 90% of the difference between the estimate and actual bids. The Recreation Center benefited from the following:

- A very competitive regional market for large scale projects
- A high profile project that created great interest from the construction industry
- Highly competitive market pricing for large package commodities.
- Efficiencies in the Recreation Center being a part of a larger Rock Chalk Park project

As we indicated in the Bid Results review memo there is still the validation process to complete with the apparent low bidder to identify the Subcontractors and material providers to assure that the bids included all meet the project bid specifications. The A/E Team supported by the QC team will meet with Gene Fritzel construction this week to begin that process.

We hope this information explains the process and shares the information we have discovered since the bid opening. Please review the information and feel free to contact us with any questions or comments.

Regards,



Craig Penzler
Quality Assurance Consultant

