

making T.H.E. jump



By S. S. Saucerman

Owners of wall and ceiling construction companies make scores of decisions every day, but none so pivotal as whether or not to expand their (historically) residential operations into commercial construction venues.

Commercial work and the commercial bidding process can be very different from what the residential wall and ceiling contractor is accustomed to. Suddenly there are spec books, architects/engineers, liquidated damages, bonding requirements and regulations around every bend. The change can be intimidating and potentially hazardous, but the rewards (higher gross dollars, stronger profits and greater prestige) are quite attractive and alluring.

I've been in your shoes. I was in residential construction for many years before getting into commercial work. It was (and continues to be) an interesting, exciting and sometimes frustrating transition. Here are some notable differences that I encountered:

Up until now, most of your business has probably come through local advertising, referrals and home-building contacts. Soliciting commercial work may require a little more time and expense. Of course, contacts and referrals are still good. But instead of advertising in the newspaper, your money may be better spent subscribing to a reporting service, such as F. W. Dodge or Construction Market Data.

These reports tell of upcoming commercial projects coming out for bid in your area. The bidding commercial general contractors are listed along with pertinent details about the job. Also, projects that are negotiated between an owner and one selected commercial general contractor are reported on—generally requesting sub and supplier proposals (such as your specialty).

Once you select a project to bid on, call the CGC(s) involved and let them know you're bidding. While you're on the phone, ask to be included on their list of subcontractors. Most CGC esti-

matoms keep a file, computerized or written, of subcontractors broken down by trade. When a job comes out for bid, they send out postcards or bid-faxes for sub quotations. Once you've been put on a few lists, you may be able to forego the costs of the reporting service above. This phone conversation can also give you a chance to evaluate your prospects.

ARCHITECTS & ENGINEERS

So far, you've probably had infrequent involvement with architects or perhaps no involvement at all. This changes once you've made the jump from residential to commercial work. Architects and engineers are involved with virtually all commercial work being done today and, hence, the "rules of the game" now become more clearly defined. Keep in mind that the stakes are now higher. Project costs can run into the millions of dollars and, with so much of the owner's money hanging out there, construction schedules are taken very seriously. It's no place for

amateurs or students. Be ready to conform and perform!

There is also a little professional etiquette of which to be aware. Most architects and engineers prefer you, the sub-contractor, not contact them directly. Communication should be done through the CGC. If you have questions on the project or are looking for plans, contact one of the bidding CGCs first. If they can't accommodate you, they may in turn refer you to the A/E, but at least you've followed convention. As you do more commercial work and begin to develop relationships with these A/E firms, this formality will likely ease a bit.

If you are referred to an A/E and you wish to check out a set of plans, you may be asked for a deposit—which may or may not be refundable—so have a check or association card ready. They're often accepted in lieu of a cash.

THE CUSTOMER

One notable difference I observed when moving into commercial work was the knowledge and sophistication of the owner (and, no, I'm not just sucking up!). Commercial owners, very often business people themselves, tend to be a bit more informed, accustomed to risk and aware of construction practices than the old residential owner. This sophistication can work for or against you.

Small day-to-day problems encountered during construction don't seem to bother the commercial owner quite as compared to the young couple building a home. Commercial owners understand that glitches occur, having experienced some of the same problems with

their own operations. They seem less likely to panic in a crisis.

On the other hand, there is far less tolerance for poor craftsmanship, schedule lapses and accounting shortfalls. They expect you (another business person) to be nothing less than professional and complete and are ready and able to express their wishes.

THE BID PROCESS

The bidding procedure and process is probably similar (albeit on a larger scale) to what you're doing now: determining and delineating direct costs, indirect costs and profit and overhead. But there are a few differences to be aware, such as:

Bonding. This is normally the responsibility of the CGC and seldom required of you, but you may find yourself in need of one or more types of bonds. Bonds are purchased, like insurance, through bonding companies. Generally, the bid bond (which guarantees that you'll honor your written bid) and the performance and material payment bond (guaranteeing performance of your work and payment of your suppliers) are the most common. Of course, there is a fee for the bond. Before they're issued, the bonding companies want to know details about your company, such as work history, financial status and principal information.

General Conditions. General conditions are those costs not directly attributed to the actual "hands-on" construction of the project, but are still incurred by you. These include items such as waste disposal, mobilization, fuel and small tools (things you're probably already accounting for in your bids).

With commercial work, you may pick up some additional general conditions. Let me explain.

When you prepare a bid for a typical commercial project, you'll generally be addressing a set of working drawings and a specification manual. The manual or "spec book" is commonly laid out in Construction Specification Institute numerical order, Divisions 1 through 16.

Of course, you need to read any divisions having to do with and even related to your scope of work, such as Division 9. With commercial construction, you are now responsible for reading and complying with Division 1: General Conditions. This division instills additional responsibility on all participants in the bidding and building of the project. These added responsibilities (i.e., special insurances, allowances, warranty and close-out procedures, safety programs, OSHA requirements, etc.) cost you money and need to be accounted for in your quotation. Don't expect to be reimbursed for these additional costs after the work has been awarded. CGCs and commercial owners don't like surprise charges once the project is under way.

The Proposal (Estimate). In commercial construction, your written proposal says as much (or as little) as you want it to regarding your expertise, attitude and abilities. In the mind of a CGC, a sloppy proposal translates into a sloppy contractor. On the other hand, a neat, well-organized and complete proposal professionally done can get you the job.

So let's discuss the proposal. Here are a few things to consider when creating yours:

Be professional. A little refinement at the proper times can be the difference between winning and losing the job. The CGC receives many quotes, and you need every advantage you can get. Type the proposal or have someone type it for you. No handwritten quotes. Use professional letterhead and make sure your phone and fax numbers are on it. Also, there are a few of you out there without an answering service or machine. During working hours, somebody should always answer your phone or be able to reach you.

During the bid period, get a copy of the actual CGC bid form. The bid form often asks for breakdowns, unit prices and alternate pricing. Your quotation isn't complete until you've assigned

costs to all of the items on the bid form that effect your scope of work Don't assume this is optional. The CGC is normally required to fill in every line on the bid form or face being disqualified. Also, don't assume someone else will do provide them. That's part of the service that *you* want to perform.

Addenda. Addenda are changes that have happened after the documents have been let out for bid. Most of the time, these are clarifications and details flushed out during the bid process by bidders and then sent to the bidding CGCs by the architect. Your proposal should include all addenda. If not, your proposal may be incomplete or inaccurate.

Submittals & Shop Drawings

After you've been awarded a contract or purchase order, it's common for the CGC to request a submittal or shop drawings. This is part of your responsibility; it was previously spelled out in the specification manual under any CSI divisions pertaining to your scope of work.

The shop drawing/submittal process is a "checks and balances" system to ensure to the owner, architect and CGC that you're providing the proper products and installation required by the original specification. You may suggest a substitution (which may or may not be accepted), but this does not relieve your responsibility to provide

the product or method as it was originally specified.

The shop drawing/submittal normally goes to the CGC first for review, and is then forwarded by the CGC to the architect. The architect takes a period of time to review the package, and then returns it to the CGC with remarks that include “approved,” “not approved—resubmit” or “approved with notations.” The CGC then sends them back to you for further processing. This process can take quite a bit of time depending on the architect. I’ve encountered waits ranging from one day to six months. Since this process is normally a prerequisite to ordering your material, it can obviously become quite a crucial element in maintaining schedule.

Contracts and Schedule (Liquidated Damages]

If you’re going to be in the commercial construction business, you’ll be expected to perform all work skillfully, completely and on time. Contractual agreements and project schedules (as mentioned earlier) are extremely important in commercial construction. Not making the pre-set com-

pletion date can serve up substantial penalties for the CGC that may be passed on to you. These penalties are known as liquidated damages and are generally assessed as a fixed dollar amount paid back to the owner for every day the CGC is late. There also may be bonuses for finishing ahead of schedule, but these are not nearly as common as liquidated damages.

Regardless of all else, and just as it was in residential construction, quality workmanship, commitment, safety, honesty and hard work are paramount in obtaining commercial construction success. The changes you'll encounter are primarily in size, scope and cost of the projects . . . and, of course, now there will be more people watching you!

Good luck! 🍀

About the Author

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