

Building BLOCKS

The Seven Secrets of Successful Restaurant Construction



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Secret #3: Debunking the Competitive Bid Myth

This column is the third in a series designed to help you avoid common pitfalls in planning and building your new restaurant. Future articles will feature tips on Pre-Lease Planning, Pre-Construction Planning, Integrated Project Delivery and Negotiating Successful Contracts.

by John Klakamp

As discussed in our last installment (Secret #2: Avoiding Costly Change Orders), assembling an architect/contractor team early in the construction process is vital to a successful project. But how do you find the right firm for your project? Let's start by looking at what not to do.

Debunking the Competitive Bid Myth

Contrary to common thinking, it may not be in your best interest to competitively bid the project to several contractors. While the goal may be to ensure the lowest cost for your project, during competitive bidding contractors become focused solely on providing the lowest price as opposed to outlining their best recommendations for your project.

Rather than uncovering potential problems early on, competitive bids frequently mean resolving problems as problems are discovered and leading to change orders. Costly change orders result in an unknown actual project cost until the project is finished. Change orders also devalue the project by wasting additional time and have long-reaching effects on the intent of the design.

Negotiation Nation

What is the alternative to competitive bids? In a negotiated project, everyone works in the best interest of the project.

Value and cost-saving methods are incorporated into the design, problems are identified early on and realistic schedules can be developed.

Contractor input is an invaluable part of the process. When you negotiate a project, you are bringing in the contractor at the pre-lease or pre-design stage to assist with discovery and conceptual budgets. The discovery process surveys existing conditions and probes further into any suspected deficiencies. Conceptual budgets assist the owner by providing realistic costs at an early stage to manage the pro forma and set goals. Costing done by the contractor assists the architect in providing a design that meets the budgeted goal set by the owner.

Most importantly, by tapping the contractor's experience, challenges can be identified early resulting in easily incorporated and less costly design solutions. And while the overall project is negotiated, multiple bids are obtained from subcontractors of every trade, with due diligence achieved by soliciting multiple subcontract bids.

Competitive Bids vs. Negotiations – An Example

A project may require spending time and money on a new roof. However, the drawings may not specify that the landlord's roofer must be used to keep the warranty. With competitive bids, contractors enter the process later and may only have access to the

information on the drawing. Therefore the contractor includes their lowest bid for subcontracted roofing work. Without this valuable knowledge gained in the pre-lease and pre-construction negotiations process, the upfront costs would increase dramatically with the inclusion of the landlord's roofer and cost your project valuable time. Often on restaurant projects the required roofer's price is as much as \$8k higher than the low bidder, resulting in a change order to the owner.

Teambuilding 101

Successful projects have one thing in common - cohesiveness between the owner, architect, and contractor. To ensure you form the best team possible:

1. Select your architect and contractor based on experience and trust. Restaurant experience is a must due to the unique requirements of restaurant construction projects.
2. Look for a company that offers pre-lease and pre-design services to bring the greatest value to your team. For example, Encore offers AdvantEdge Services, an established and proven program specifically tailored to restaurants.
3. Obtain referrals from fellow restaurateurs and your local restaurant association.
4. Check references. While firms

typically only provide positive references, you can still learn a great deal by making the call.

5. Make note of contractors that have strong relationships with owners or architects. Once you have an architect and contractor in place, they can help you qualify the subcontractor bids to round out your team.

Price (and Reality) Check

Today's savvy restaurant owners want and need to have accurate upfront project costs. Negotiating the project is a more positive and proactive approach than competitive bidding. All project information is shared and analyzed by the entire team at the pre-lease, pre-design and pre-construction stages of the process. Negotiating promotes team work and pours everyone's effort and experience into the success of the project—a win-win for everyone involved.



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