The Single-step Design Build Process
Position Statement

Position Statement

It is the opinion of the associations signing this position statement that the use of single-step design-build for team selection for large or technically complex projects places an unfair burden on the design and construction community. This burden is disproportionately larger on the design community, many of which are small businesses. These businesses have little or no chance of ever recouping their proposal costs under a single-step selection.

Further, it is our position that the government should utilize a two-step design-build process for projects that are large or technically complex. The government should also consider the use of DBIA best practices in design-build [http://www.dbia.org/NR/rdonlyres/403E727A-EBE8-4EF6-B8CB-3A453F71B014/0/DBIAPS_Stipends.pdf including the use of stipends to offset the proposal costs, and consider awarding fees for outstanding performance during the project (See attached article).

Background

Federal Acquisition Regulations (FAR) allows the use of design-build project delivery, including both a single-step process and a two-step process. In the single-step process, a request for proposal (RFP) is issued for a particular project. This RFP, known as a "full and open procurement," is issued to an unlimited number of participants, and any and all parties can respond to this RFP with a proposal. A "best value" selection process is then used to determine the proposal that is most advantageous to the government from both cost and technical aspects.

In the two-step design-build process, a request for qualifications (RFQ) is first issued to an unlimited number of participants. Those participants then respond with a statement of qualifications explaining their capabilities and experience to perform the work. From the statements of qualifications, a short-list of the three to five most qualified respondents is determined. The RFP is then issued only to the shortlisted firms which then develop a full proposal including cost, schedule, and technical responses to the RFP. The same best value selection process is used to determine the proposal that is most advantageous to the government.

Recently, the Corps of Engineers as well as other federal agencies have increased the use of the single-step design-build project delivery method. These RFPs are often issued for large and technically complex projects requiring a significant up-front investment by the proposing teams. It is not unusual for more than 20 teams to submit a proposal on the project. The amount of time and money spent by each team is considerable, and the aggregate cost of all teams submitting proposals can easily become a large percentage of the actual project cost. And of course, the probability of a project award goes down with each additional team proposing.

Both design and construction firms are involved in developing a response to a design-build RFP. The "design" component of the design-build team typically includes an architect and various engineering disciplines such as mechanical, electrical, structural, civil, landscape, and others. The "construction" component generally consists of a general contractor and various subcontractors including mechanical, electrical, civil, steel fabrication, concrete, and others. It is well established that a Contractor's (or subcontractor's) business model includes the task of pricing jobs (estimating), whether the project is
design-build or other type of procurement. That's what contractor's do. This exercise represents but a small fraction of the overall construction cost of a project. However, for a design-build project, the design team members unquestionably bear the biggest burden of the cost to propose because the design team must produce nearly design-development-level drawings as part of the proposal. By doing so, the design team can spend roughly equal dollars to the construction team on a proposal pursuit, but the amount of revenue derived from the project for the design team is probably one-tenth the revenue derived by the construction team.

To support the participants' proposal costs for a design-build procurement, enough revenue has to be derived from awarded projects to cover the overhead associated with the full range of design-build proposals submitted by the proposing teams. When a large number of participants vie for a project, the Corps' project costs and the participants' profits are driven down, but there is little or no extra margin in the project to offset the high proposal costs. This is especially true for the design team.

Approximately 97% of all architects and 57% of all engineering firms in the country are small businesses. The single-step method of design-build project selection places an unsustainable burden on the small businesses that, particularly in this economy, have little choice but to participate in these design-build procurements.