



THE DOUGLAS COMPANY
100% Employee Owned

The Douglas Company's Project Approach

SOLE SOURCED – NEGOTIATED – LUMP SUM

SOLE SOURCED, NEGOTIATED APPROACH TO PRECONSTRUCTION SERVICES

Our most significant ability to affect costs is during the preconstruction process and that is where The Douglas Company makes a difference, which can only be done if we're working as your sole-source contractor in a negotiated approach. Our process allows us to understand the needs of our clients and work with the assembled team to achieve the determined objectives. Through our preconstruction process, we establish a predictable cost, schedule, quality level, and detailed scope of work from the earliest budget price through project closeout.

There is no charge for our preconstruction services because we only provide them if we're being sole-sourced to ultimately build the project. We go at risk with the understanding that if we meet the budget, we have the opportunity to build your project and not bid against other contractors who haven't provided these services. If we can't meet your budget, you walk away and are under no obligation to use or pay us.



THREE-STAGE ESTIMATING PROCESS



INTERNAL BUDGET ESTIMATE

We provide detailed budget estimates with fully explained fees continuously during the schematic design process to assist you in making critical decisions regarding the project's scope. All elements of the project will be evaluated for function, quality, and cost during this phase.

INITIAL MARKET PRICE

Once the budget estimate confirms parameters that work for your project, the architect will complete design development drawings to allow us to obtain the appropriate bids from subcontractors. Because we are sole-sourced, it allows us to obtain a maximum number of subcontractor bids. This establishes a price that will allow you to confirm your scope so you can proceed with confidence through final document completion and project financing.



FINAL CONTRACT PRICE

When the construction documents are complete, we will re-bid the project, as a sole-sourced general contractor, with all of the variables confirmed to give you a lump sum contract price. There are no contingencies at this point and one hundred percent of any savings achieved from the initial market price are returned to the client.

The Douglas Company follows a lump sum contract approach that provides lower costs and additional benefits to clients. While some believe that lenders require a guaranteed maximum price (GMP)/cost-plus contract, a lump sum contract typically meets that same requirement. Both contract formats also allow for an open-book approach to pricing during the preconstruction phase.

LOWER COSTS ASSOCIATED WITH A LUMP SUM CONTRACT

- No contingency costs included in the contract amount
- Less accounting and administration requirements and costs

ADDITIONAL BENEFITS

- Contractor takes on 100% of the risk, giving the owner peace of mind
- Contractor has greater incentive to complete the project ahead of schedule

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We're often asked how our approach compares to competitive bidding and GMP/Cost-Plus contracts. We explain some of those differences below.

NEGOTIATED vs. COMPETITIVE BID

NEGOTIATED APPROACH/SOLE SOURCED	COMPETITIVE BID
Contractor takes on 100% risk	Owner takes on 100% risk
Contractor manages budget	Owner manages budget
Contractor is an integrated part of the team working with the owner, architect, and subcontractors	Contractor has limited interaction and communication with owner and architect and therefore less understanding of project needs
Contractor selected based on trust and expertise, not price alone	Contractor typically selected based on lowest bid
Ninety percent of costs are based on the drawings. Contractor will review drawings looking for omissions to limit change orders and costs.	Lower bid will not include anything left off drawings resulting in change orders at a premium cost
Owner negotiates with a single contractor	Owner negotiates with multiple contractors
Contractor engaged long before and simultaneously with the design team to ensure the right design and value engineering	If over budget, value engineering will be the easiest to change, i.e. the finishes, that affect leasing and client experience
Subcontractors are prequalified	Subcontractors not prequalified can lead to delays, budget overruns, and poor work quality
Contractor is incentivized to deliver high quality allowing them to negotiate future projects	Lowest bid can yield inferior quality or labor
Contractor can set up teams based on rapport	Random teams potentially create friction
Many leading subcontractors will only bid sole sourced projects	Reduces the number of leading subcontractor bids
Redesign time and costs are limited and permit approvals are expedited	Redesign time and costs not included and permit approvals can slow progress
No contingency costs - Funds not used are credited to owner prior to contract	Contingency costs - Contractor will carry contingency costs +/- 5% that may not be known or shared with owner

LUMP SUM VS. GUARANTEED MAXIMUM PRICE (GMP)/COST-PLUS CONTRACT

LUMP SUM	GMP/COST-PLUS
Contract price will always be lower due to: No contingency costs Less accounting and administrative requirements and costs	Contract price will always be higher due to: Contingency costs (5% +/-) Accounting and administrative requirements and costs
Contractor takes on 100% risk	Owner takes on 100% risk
Satisfies lender's requirements of a GMP contract	Satisfies lender's requirements of a GMP contract
Open book approach to pricing during preconstruction phase	Open book approach to pricing during preconstruction phase
Project manager focuses on building a high-quality project on schedule	Project manager must manage additional accounting, tracking and reporting requirements
Assurances of ultimate pricing	Uncertainty of ultimate pricing, contract is variable
No contingency funds at risk	Funds not used are shared with owner, but contractor is not incentivized to control spending