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# Evaluating Engineering Proposals

## FAQs to Help You Work Your Way Through an Apples-to-Apples Comparison of Different Types of Engineering Proposals

You're starting to plan for the next major repair project, and you've received proposals from several engineering firms for design, tendering, field review and contract administration services. Or maybe it's time to select an engineer to conduct the Performance Audit and the first Reserve Fund Study. You've noticed the highlighted features in the proposals appear to be different, the list of fees may not be outlined the same way and may not include the same items, and some proposals list specific exclusions and assumptions whereas others appear to be silent on those issues.

Below are some general FAQs to help you work your way through an apples-to-apples comparison of different types of engineering proposals.

**Q. Why is your proposal based on so many assumptions? We are looking for answers, not guesses!**

Whereas some organizations may issue a formal Request for Proposals with a detailed scope of service, performance requirements, and deliverables, condominium corporations often simply issue a

brief request for services to a handful of consultants and they request a lump sum fee. The scope of requested service is often not well-defined by the client, as they can be unfamiliar with the scope or process normally followed.

As providers of professional services, we sell knowledge, expertise and experience in units of time. Consultants will each have their specific approach for delivering various services. In preparing the proposal and fees, the consultant will consider: 1) what tasks should be completed to satisfy the objectives of the assignment, and how will they be done; 2) how long it will take to complete those tasks; and, 3) who will carry out the various tasks since different employees within a company are charged out at different rates. In addition, we recognize there are risks in a project, which can be addressed by proposing a more de-

tailed scope of service and budgeting for more involvement by senior professionals. If you've requested a proposal to take you from the design phase through to construction and there is limited background information (i.e. no previous assessment reports), be prepared for a lot of assumptions in the proposal since we don't even know the scope of the repair yet. Assumptions will help us put limits on the unknowns when submitting a lump sum fee. The assumptions might range from optimistic to keep the effort and fees low, to conservative to mitigate the risks of the unknowns.

Things you can do to help minimize the number of assumptions include:

- Provide enough time to prepare a proposal so there is time to visit the site before the proposal is due. This is critical for any major repair project, but not

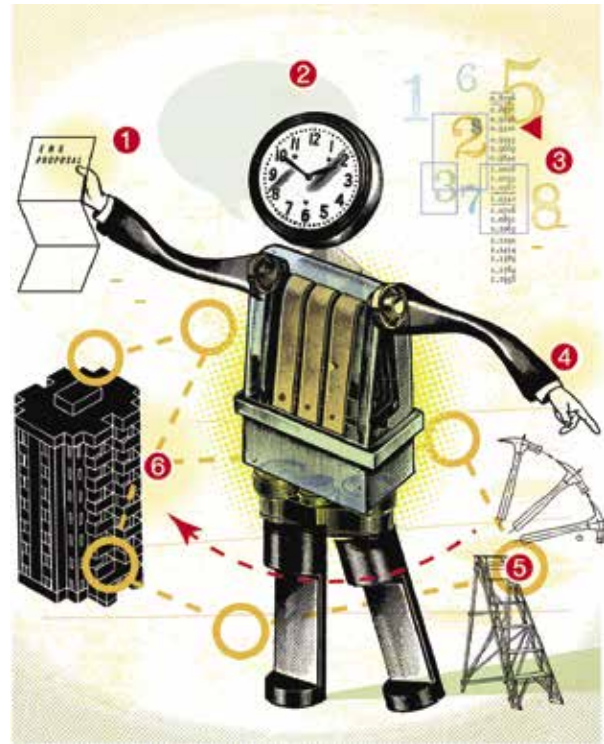


ILLUSTRATION BY CARL WEINS



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necessary for a routine service such as a Reserve Fund Study (RFS), unless you're requesting some additional assessments also be completed concurrently with the RFS.

- If there are previous condition assessment reports, make them available to all engineers during the proposal stage and not just to the winning firm upon award. Those reports may have information that allow us to minimize the number of assumptions we make. If you do not want to share the report by email with all consultants, have a hard copy available on site that consultants can review when they visit the site. The consultant may still recommend additional assessment in their proposal to complete their design.
- Allow for an interview with the consultants. A dialogue with the consultant who would be your primary contact gives you further insight into their approach and assumptions. Such conversations allow both parties to get a

better understanding of the ultimate objectives, scope of services, and project insights that will help to get you the custom tailored proposal that best suits your needs.

Even with the above actions, some assumptions will be required to limit the scope for which a lump sum fee has been provided.

**Q. Why are there exclusions? Why wouldn't you just include that in your price?**

Scope definition is the primary component of a proposal and exclusions are an important method of scope definition. While consultants are often good about listing what they will do, often the items that they are not going to do are just as important.

The consultant may have listed exclusions as clarifications if they think the scope of service they have defined may

be misunderstood. Sometimes services are excluded as a means of controlling scope and fees. There is also the possibility that one of our assumptions does not pan out, requiring a different approach which we could not have anticipated before we submitted the proposal and therefore we could not have budgeted for those related services.

If the consultant is excluding a service, task or deliverable and you do not understand why or would like that service, this is your opportunity to correct it and follow up and seek clarification on other proposals. If there are no exclusions you may be paying for something you do not want or need. It is possible other consultants' proposals are simply silent on the matter, and the service may or may not be excluded from their scope of service.

**Q. We already did test openings as part of the assessment, why are you including more test openings for the design phase?**

If additional testing or openings are recommended, it is because the engineer does not think the information in the previous assessment report is sufficient to inform the design documents. It's also possible too much time may have passed since the last assessment and additional deterioration is anticipated. The engineer should explain in their proposal why they are recommending additional testing.

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Investing in engineering fees early in your project helps to mitigate the risk of the unknown. If you minimize scope on the assessment, you may not understand the full scope of repairs. There may not be enough information to evaluate whether a partial repair or refurbishment may be suitable instead of a more significant repair project. While more information is always better, it is about managing risk and balancing costs. Is \$20,000 of exploratory work worth it on a \$5,000,000 window replacement project?

The design phase should capture various conditions that require repair details. If you don't capture these conditions within the design document, you'll need to deal with them as a change order during construction, which will likely affect your schedule and the cost is likely to be higher than if that detail were included with the original design.

**Q. How did you come up with the construction schedule to calculate the field review and contract administration fees?**

The services provided for field review and contract administration will depend on the construction schedule, and has a significant impact on fees. Construction schedule is an important and necessary assumption in proposals. Unless we're given specific direction to assume a construction schedule and number of site visits, each consultant will make their own assumption.

Construction schedules are like novice runners, they are often over enthusiastic, think that they are faster than they are, and forget how painful the last 1km of the race can be. The saying "hope for the best, and plan for the worst" is always a good idea. Weather, concealed conditions, unexpected changes, material shortages, labour disruptions, and even pandemics can all impact the construction schedule. By assuming a more realistic and tempered view of a construction schedule, we are allowing costs to be better estimated, and impact and disruption to the residents to be better managed.

Some of the risk in construction schedules (e.g., concealed conditions) can be mitigated through upfront investigation, and more extensive design packages as

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discussed above. Such measures, which take an investment in time and money up front, almost always pay dividends in streamlining the execution of construction and even the cost.

**Q. Can't you put some pressure on the contractor to reduce the construction schedule to minimize your fees?**

The assumption for construction schedule can be reduced by working with the consultant to look for alternative solutions for how and when the contractor accesses your building and completes the work. For example, by displacing all the vehicles in the parking garage we were able to complete a full parking garage rehabilitation in 3 months, rather than the 8 month schedule where we phased partial displacement of vehicles in and out of the garage. For the owners, the reduced time of jackhammering and alternative parking and traffic was worth it. The fees wouldn't be 3/8 of the original fees since those 3 months now require more intensive effort but you can expect some reduction in consulting fees. However, there ultimately was savings in our fees with the added benefit of reducing the duration of the disruption to the owners.

Beware of the unrealistic construction schedule as a means of controlling fees. Some clients or consultants may suggest including a clause in the contract documents whereby engineering fees are to be covered by the contractor if the construction schedule is not met. Though passing the engineering fees off to the contractor sounds like an attractive idea, the contractors also have a very good understanding of required construction schedule and will build those additional costs into their bid. The end result is that you almost always pay more.

**Q. Why can't you commit to a lump sum price?**

Lump sum pricing of our fees is easy to do when we are in control of all the project variables. When we know when we can start, how many times we will visit the site, how many meetings we will attend, and what our deliverables are going to be, it is easy to commit to a lump sum price. A Reserve Fund Study is a very good example of a fairly routine service where we can develop a lump sum fee and include optional fees for additional meetings or presentations, notwithstanding that fees can still vary widely amongst providers because they may have different approaches (i.e. who does what, and how do they do it).

The challenges arise when we are no longer in control or there is uncertainty in any of these factors. A common example is construction, whereby the actions (or lack of) by the contractor can greatly influence the level of effort that we need to expend. The Contractor's slippage in the schedule, deficient work, inappropriate submittals, incorrect progress claims, etc. can all result in increased efforts and time to resolve these challenges. Such challenges often require a higher level of client interaction and communication (e.g., meetings, updates to the board, etc.), the services that the Condominium needs the most when there are challenges with a construction project.

An alternative method is time and expense. In this format, the Corporation pays only for the actual time and services expended. This is a way to share the "risk" of the undefined scope box between the consultant and client. There should still be a definition of the scope, based on an understood schedule, to define the budget. The level of service needs to be un-



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derstood and documented. In this strategy, the effort (and scope) can be more fluid and adjusted as work proceeds. In theory, if all is going well the Consultant may be able to reduce their involvement and save the Corporation cost. Regardless, the budget and services should be reviewed periodically. Most commonly this is done on a monthly basis in parallel with the Consultant's billing schedule. This involves a level a trust between the Condominium and the Consultant, but can result in a highly successful arrangement if managed appropriately.

Some clients like the responsiveness and flexibility of calling and getting extra meetings, site visits to review Owner complaints, etc. On these projects we have worked together to tailor our services to meet their requirements, and in most cases finish below our original budget for our fees.

**Q. The fees are high, what can you do about them?**

Fees are primarily related to the scope and level of service provided, although some services involve equipment, extensive travel, laboratory, and even contractor charges. Generally the simplest way to reduce fees is to remove scope (e.g., access less units, review less area, reduce the number of openings, complete less site visits, etc.), or to lower the level of service provided (e.g., attend less meetings with the Board, etc.). Reduced scope can come with greater risks.

Each consultant may also offer different options that are unrelated to scope in exchange for a reduced fee. Examples would be early payment terms, or a different schedule to allow the consultant freedom to schedule the work when their availability permits more cost effective resourcing.

Many of the services provided by engineers happen out of sight, making it hard to appreciate the value we provide. We recognize that evaluating engineering

proposals can be challenging when they refer to technical services or tasks, and there is nothing tangible as a record of their services other than reports, specifications or drawings which also contain unfamiliar technical terms. The above FAQs can provide guidance in evaluating the proposals so you can feel confident you've completed your due diligence and did an apples to apples comparison.

Finally, ask the consultant to identify the risks and to outline their approach to risk management. Clients may not have a technical background or experience to read between the lines and understand the risks associated with reduced levels of service, but they can understand the language of risk.

**Final Thought**

The proposal could be arguably the most important part of the project. It is the road-map for which the Consultant and Owner will use to navigate the sometimes bumpy and challenging journey of the project. Like a vacation destination trip, if you don't fully understand where you are going, how you are getting there, and how much it will ultimately cost, you can almost guarantee that you will not enjoy it. The proposal is your opportunity to find the path and destination that best addresses the needs of your project, working with the Consultant that is best suited for you. **CV**

*This article was co-written by Scott Tomlinson, Principal, Project Manager, Building Specialty Services, at Morrison Hershfield Limited*

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