NEGOTIATIONS WHEN BIDS EXCEED BUDGET

Uphold quality and schedule of project without total redesign.

Negotiating with the low bidder can bring costs in line with Owner’s available funds while saving time and resources for the Design Professional and General Contractor. When bids exceed Owner’s budget, several steps can be taken to bring the project back into budget.

- Nationally the AIA and AGC recommend: “Under no circumstances should a bidder be permitted to alter a bid after all bids have been opened, unless it is the apparent low bid and the Owner decides to negotiate minor changes. If major changes are necessary, original bids should normally be rejected and new bids secured from the original list of bidders based on revised contract documents.”¹
- If negotiation is used, the amount negotiated should generally not exceed 10 percent of the low qualified bid (certain public agencies may not be able to negotiate after the bids are received).
- Negotiations may limit revision of contract documents which can reduce additional design fees, redesign schedule and re-bidding efforts where a low bidder has been determined.
- The Owner should also review the contract with the design team to determine if there will be extra costs and time for the design team during this process.
- Negotiation should be limited to the low qualified bidder. Owner’s negotiation with second low bidder should occur only after low bidder has been disqualified.
- Negotiation needs to be completed within the time the bid is valid, as defined in the bidding documents.

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¹ From the document, Recommended Guide for Competitive Bidding Procedures and Contract Awards for Building Construction, previous edition