

# Guide for the Calculation of Remuneration for Design-Build Proposals

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In 2001 the Joint Industry-Government of Canada Design-Build Task Force approved a set of principles to provide guidance to the Federal Government and the Industry for the selection of a Design-Builder and the proper use of Design-Build. The Principle for Remuneration recommends compensation to each bidder based on 50% of a reasonable estimate of the costs. In addition, the Principle for Remuneration recommends the amount of the compensation be based on both the complexity of the project and on the level of detail contained in the Request for Proposal.

Determining a reasonable estimate of the costs to prepare a Design-Build Proposal is not easily done and requires extensive experience in the preparation of Design-Build Proposals. This Guide is provided to assist Owners in determining the amount of the compensation and is based on actual proposal costs provided by a variety of sources. Proposal costs within each category were averaged to produce this Guide. With the averaging of actual costs it is acknowledged that some proposals may cost more to prepare than what is stated in the Guide and some proposals may cost less to prepare.

The amount of remuneration is determined by the following formula:

$$\text{Remuneration} = \text{estimate of construction cost} \times \text{scope factor} \times \text{cost factor}$$

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## **Scope Factor Definitions**

The Scope Factor is a combination of the level of detail contained in the proposal call documents and the level of complexity of the project.

Level of detail in a proposal call is classified as follows:

**DETAIL HIGH** - Proposal call documents specify the quality and type of equipment and materials to be provided and concept drawings provide detailed floor layouts which allow limited flexibility for alternate building layouts. These projects are developed to a minimum of concept design stage (25-30%) or higher for all disciplines. Proposal submissions are generally limited to demonstrating an understanding of the proposal call documents, architectural concept drawings, sample elevations and descriptions of major building systems.

**DETAIL MEDIUM** - Proposal call documents specify the level of quality and performance standards to be achieved. Flexibility exists as to the specific systems, equipment and materials that may be used. Concept floor plans may be provided though flexibility exists for alternate layouts. Floor plans provided for suites and critical areas. Proposal submissions are generally limited to a description of building systems with conceptual single line diagrams, floor plans, elevations, compliance check lists and possibly coloured renderings.

**DETAIL LOW** - Proposal call documents specify only fundamental requirements and performance standards. Building program and a description of functional relationships is provided. A description is provided of the intended image and character of the facility. In these situations comprehensive proposals are required. Coloured renderings will likely be required and a model may be required.

Project complexity is classified as follows:

**COMPLEXITY HIGH** - Projects with complex mechanical and electrical systems (swimming pools, hospitals, kitchens, laboratories), facilities with high levels of finishes and details in combination, more complex mechanical and electrical systems (high end hotels with integral pools and kitchens). Unique projects in that the functional requirements and performance criteria are not generally found elsewhere (concert halls with unique acoustical requirements). A project that would otherwise be in the Medium category may move to the High category because of multiple phasing and staged occupancy.

**COMPLEXITY MEDIUM** - Projects for which the functional requirements and performance criteria are standard in the construction industry. This category would include hotels, high and low rise office buildings, high and low rise apartment buildings, retail malls, aircraft maintenance hangars with significant space for maintenance shops, vehicle garages, etc.

**COMPLEXITY LOW** - Simple projects with basic mechanical and electrical requirements (warehouse, big box retail, hangars to park aircraft).

Level of detail in a proposal call and project complexity form the axis of the table Figure 1. Intersecting levels determine the Scope Factor. On any given project there is a point of diminishing return in that regardless of the project value there is a minimum amount of work that must be done to respond to a proposal call. Figure 1 indicates the minimum amount to be paid for a particular Scope Factor.

|                          |                                 |                                 |                                 |
|--------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>DETAIL<br/>LOW</b>    | <b>0.4%</b><br>Minimum \$20,000 | <b>0.5%</b><br>Minimum \$25,000 | <b>0.6%</b><br>Minimum \$30,000 |
| <b>DETAIL<br/>MEDIUM</b> | <b>0.3%</b><br>Minimum \$15,000 | <b>0.4%</b><br>Minimum \$20,000 | <b>0.5%</b><br>Minimum \$25,000 |
| <b>DETAIL<br/>HIGH</b>   | <b>0.2%</b><br>Minimum \$7,500  | <b>0.3%</b><br>Minimum \$15,000 | <b>0.4%</b><br>Minimum \$20,000 |
|                          | <b>COMPLEXITY<br/>LOW</b>       | <b>COMPLEXITY<br/>MEDIUM</b>    | <b>COMPLEXITY<br/>HIGH</b>      |

**Figure 1 – Scope Factor**

### **Cost Factor**

The degree of effort to respond to a proposal is not constant as the cost of the project increases. A \$100 million project does not require 10 times as much effort as a \$10 million project. This is accounted for in the Cost Factor table Figure 2. Figure 2 has various categories of estimated construction costs and within each category the cost factor is a sliding scale.

| <b>ESTIMATED CONSTRUCTION COST</b>    | <b>Cost Factor<sup>1</sup></b> |
|---------------------------------------|--------------------------------|
| <b>Up to \$25,000,000</b>             | <b>1.0 to 0.9</b>              |
| <b>\$25,000,000 to \$50,000,000</b>   | <b>0.9 to 0.8</b>              |
| <b>\$50,000,000 to \$100,000,000</b>  | <b>0.8 to 0.7</b>              |
| <b>\$100,000,000 to \$150,000,000</b> | <b>0.7 to 0.6</b>              |
| <b>\$150,000,000 to \$200,000,000</b> | <b>0.6 to 0.5</b>              |
| <b>\$200,000,000 to \$250,000,000</b> | <b>0.5 to 0.4</b>              |

Note 1. Cost Factor is a sliding scale within each estimate category

**Figure 2 – Cost Factor**