

# APD ALERT



## GUIDELINES FOR SEPARATELY PRICED LINE ITEMS IN CONSTRUCTION PROJECTS

### Purpose

This Alert provides guidance on the use of separately priced line items in construction projects. This Alert replaces the Facilities Division Policy Guidance Memorandum (PGM) 03-001.

### References

- AGAR 436.205 and 452.236-70, Statutory Cost Limitations
- FAR 17.2 Options
- FAR 36.205, Statutory Cost Limitations
- P&P 242.2, Facilities Construction Authorities
- P&P 242.4M, Major Facilities Construction Manual

### Definitions

Appropriation Limitations: The appropriation limitations specified in the various construction authorizations include the cost of all services and materials that normally would be acquired by contract that are reasonable and necessary to construct, alter, or improve buildings including the design, fixed equipment, utility systems, site development, and other costs necessary to provide a complete and usable facility. The appropriation limitations include administrative and/or monitoring costs such as pre-design, design review, bid phase, or quality assurance services performed by contract.

Separately Priced Line Items: Items of work in the solicitation that may be added or deducted from the base line item at time of award or separately priced option line item(s) that may be exercised after contract award. Exclusion of any separately priced line item(s) from a contract award must result in the end product being a usable facility.

Base Line Item: The first line item of work in a solicitation (Section B, Schedule of Items) that provides sufficient features of construction for a complete and usable facility.

Estimated Construction Cost (ECC): The cost for all labor, material, and fixed equipment associated with actual onsite construction of the facility.

Option Line Items: Item of work in the solicitation that may be exercised either at time of contract award or after contract award through a contract modification. They are in addition to the base line item and are called out separately in the project documents. If these items are not exercised, it would not adversely affect the usability of the facility.

Usable Facility: The end product resulting from an individual construction, alteration, or improvement project that can be used fully operational and include the necessary utilities, such as electricity, water and sewer, heating, ventilation, and air-conditioning, as well as all necessary fixed equipment, such as cabinets, benches, and other items that are permanently attached to the building and capitalized as part of the facility.

## **Background**

Each individual construction, alteration, or repair project that is initiated to accomplish the program mission must result in a complete and usable facility. When it appears that funds available for a project may be insufficient for all desired features of construction, the solicitation may provide for a base line item that encompasses the work generally specified and one or more additive, deductive, or option line items which progressively add or omit specified features of work in a stated order of priority.

## **General Guidance for Separately Priced Line Items**

- a. It is the responsibility of the Contracting Officer (CO), in consultation with the Location staff, Engineering Project Manager (EPM), and the Architect-Engineer (A-E) firm, to determine the method of procurement and the appropriate use of separately priced line items. The provisions at Agriculture Acquisition Regulation (AGAR) 436.205 and the clause at AGAR 452.236-70, as well as Federal Acquisition Regulation (FAR) 17.2, contain further guidance and must be followed.
- b. All solicitations for construction projects subject to appropriation limitations (see P&P 242.2, Facilities Construction Authorities) must comply with the following:
  1. Additive, deductive, and option line items shall be used only as necessary, and are to be in addition to the base line item.
  2. The base line item shall consist of sufficient features to ensure construction of a usable facility.
  3. The base line item and all additive, deductive, and option line items must not exceed 100 percent of the ECC.

- c. The CO and EPM must review design documents to ensure that separately priced line items are included only when necessary and that such items of work are clearly identified in the solicitation's Schedule of Items, specifications, drawings, cost estimates, and contract performance times.

The EPM must ensure that the scope of the base line item contains sufficient features to ensure construction of a complete and usable facility and that use or exclusion of separately priced line items will not adversely affect any resultant facility. Additive and option line items are preferred over deductive line items because they are less confusing and result in more competitive prices. However, there is no prohibition on the use of deductive line items.

- d. In developing the Schedule of Items with additive or option line items, the value of the base line item may be 90 to 95 percent of the ECC with at least one additive item or option line item valued at 5 percent of the ECC. Due to construction market uncertainty, it is highly desirable to have the sum of all additive or option line items approach 10 percent of the ECC. In all cases, the base line item and all additive or option items must not exceed 100 percent of the ECC.

Additive line items must be listed in order of decreasing priority. The first additive line item should be the highest priority or most important and the last line item would be the lowest priority or least important. Option line items are not required to be in priority order.

The work specified in additive line items that was not included in the basic contract award may not be awarded afterward through a contract modification in accordance with AGAR. However, a contract that contains option line items can be modified to exercise those options that were not included in the basic contract award, but a timeframe must be specified in the contract for the exercise of each option line item.

- e. In developing schedules with deductive line items, the value of the base line item must equal to 100 percent of the ECC. The sum of all deductive line items may be equivalent to 10 percent of the ECC. In all cases, the project shall be designed within the amount of funds programmed for the work and must not exceed 100 percent of the ECC.

Deductive line items must be listed in order of increasing priority with the first deductive line item being the lowest priority or least important and the last line item being the highest priority or most important.

### **Evaluation of Bids or Proposals with Alternate Line Items**

Evaluation of bids and proposals that contain additive or deductive line items must comply with the provisions of AGAR 436.205 and 452.236-70. Solicitations containing option line items must include the appropriate clauses and provisions as required by FAR 17.208, Solicitation Provisions and Contract Clauses, and be evaluated accordingly.

**Point of Contact**

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