Homeword

June 24, 2026

Billings Community Development Division
Billings Planning & Community Services Department

Montana Department of Commerce
Community Housing

RE: Sage Tower – General Contractor Procurement Process Request

Dear Billings Community Development Division and State of Montana Department of Commerce,

We formally request approval from the City of Billings and Montana Department of Commerce to use a Request for Proposals (RFP) procurement method for selection of the General Contractor (GC) for the Sage Tower project, in lieu of the public sealed bid process. Currently, with the ongoing market impacts, we believe the consideration and approval of this request is essential for Sage Tower to move forward with construction this fall smoothly and for the relocation planning to be sufficient prior to the start of construction. We understand that this procurement request follows all State and Federal procurement requirements.

This request is a necessary adjustment to align procurement with current market realities and to ensure the successful, timely, and fiscally responsible delivery of this project. The continued reliance on a public sealed bid process in the current construction environment will materially increase project risk, cost, and the likelihood of additional delay. We believe the proposed approach will save months and allow us to get to a much needed agreed upon construction contract value for project feasibility, allowing us to move forward with the project. It is also critical to have the selected GC be able to get this project in their pipeline and identify any critical lead time materials that need to be procured early.

We are requesting approval at this phase of the Sage Tower project because we believe an alternative method would be significantly advantageous for the successful implementation of this project. Construction market conditions have not materially improved since we last made these requests of the participating jurisdictions for the Baatz Block Apartments in Great Falls and our Creekside rehabilitation in Missoula. We have seen lingering global COVID effects, challenges of sustained labor shortages, volatile material pricing, extended lead times, and uncertainty stemming from federal economic policy. These factors have fundamentally altered contractor behavior and availability. The expectation that multiple qualified contractors will competitively bid under a sealed process is no longer consistent with reality in Montana.

Even before the pandemic, a procurement process using a public sealed bid with the requirement of selecting the lowest qualified bidder was not a consistently successful method of procurement for the construction industry environment in Montana. Montana, as a largely rural state, does not have the depth of qualified General Contractors (GCs) to make this procurement method result in the lowest cost and good-quality construction project. Because the construction industry in Montana continues to be robust,

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researchers estimate that Montan would need an additional 1,000 workers per year to keep up with the demand. When GCs are in high demand, there is little incentive for them to spend hours on a sealed bid procurement with perhaps only a 10-20% chance they will get the job.

In fact, the public sealed bid method is increasingly producing the opposite of its intended outcome. Rather than fostering competition and cost efficiency, it routinely results in:

- Limited or single bid responses;
- Inflated pricing due to risk premiums and incomplete subcontractor participation;
- Reduced quality and increased costs due to lack of contractor engagement during design; and
- Project delays due to contractor scheduling constraints.

These are not theoretical concerns. Please see Exhibit A for a detailed list of the results of recent GC procurement activities demonstrating the advantages to the projects of the RFP process over the sealed bid process. Project where the GC was procured with an RFP were competed sooner and more efficiently, resulting in a more efficient use of the funds provided by the PJs without sacrificing quality.

The fundamental issue is capacity. Qualified General Contractors and subcontractors in Montana are consistently booked one to three years in advance. In this environment, the sealed bid process is structurally incompatible with how the construction industry operates. Contractors are unwilling to invest significant time preparing detailed bids for projects they cannot reliably schedule. As a result, the most qualified firms often do not participate at all. Under a sealed bid timeline, a GC would not be selected until immediately prior to construction, at which point they would be too busy to begin the work for another three to five months, delaying completion of the project, and nobody wants that.

Importantly, the City of Billings has already recognized these market constraints and acted. As of June 2025, the City updated its purchasing procedures to allow for alternative procurement methods, including RFP-based contractor selection, when deemed in the best interest of project delivery. This policy shift reflects a clear acknowledgment—by the largest city in Montana—that the traditional low-bid model is not always effective or appropriate in the current environment.

On Page 13, Section B.5 of the City's June 2025 Purchasing Policy, it states:
"…Through this process, the City will make a written award of a contract to the vendor whose proposal offers the best value for the City through specified evaluation factors.

An RFP is used when:

- Factors other than price may be considered when making the award decision;
- Negotiations may be desired;
- Requirements cannot be described by detailed specifications; and/or,
- The contractor is expected to provide innovative ideas."

Additionally, the RFP process provides critical advantages that are unattainable under sealed bidding:

- Early contractor involvement enables real-time cost estimating, constructability review, and value engineering;
- Long-lead materials (such as electrical equipment with lead times now exceeding 12–24 months) can be identified and procured early;

- Contractors can incorporate the project into their schedules well in advance, ensuring adequate staffing and resource allocation; and
- Subcontractor bidding can occur earlier and more competitively, before workloads peak

Federal procurement regulations support this approach. There is no prohibition against RFP-based contractor selection, and 2 CFR §200.318(g) explicitly encourages value engineering—an outcome that is only realistically achievable, while also complying with federal timeline requirements, with early contractor involvement. Furthermore, the conditions required for sealed bidding under 2 CFR §200.320(c)(1) are not present in the current Montana market. Specifically:

- We cannot reasonably expect two or more effectively competitive bids; and
- An Award based primarily on price does not produce the lowest or best value outcome under current conditions.

Our proposed RFP process will fully preserve open and fair competition. It will include broad public advertisement, clearly defined evaluation criteria, documented scoring, and a structured interview process for shortlisted firms. The GC selection will be based on best value, considering qualifications, experience, capacity, and price, consistent with federal guidance.

In conclusion, proceeding with a sealed bid process on this project will not achieve intended goals of fairness, competition, or cost efficiency. Based on extensive recent experience, it will instead increase costs, reduce competition, and jeopardize the project schedule. Conversely, approving the RFP method will:

- Increase participation from qualified contractors;
- Improve cost certainty and overall value;
- Reduce schedule risk; and
- Align procurement with both industry best-practices and the updated policies of the City of Billings.

For these reasons, we strongly urge the City of Billings and Montana Department of Commerce to approve the use of the RFP procurement method for selection of the General Contractor for the Sage Tower project. This approval will allow us to move forward and meet funding timeline requirements.

Thank you for your consideration,

Heather McMilin
Homeword Project Development Director

Exhibit A: Recent Past GC Procurement Experience

The issues described in our formal request are well illustrated over the last five plus years:

- 2024: On our Creekside project Homeword hired a General Contractor using the approved alternate procurement process using the RFP method. Our GC was able to work closely with the design team on how to prepare the bid documents for subcontractors and move toward our fixed available funding to renovate the project. Creekside is a rehabilitation project, and scopes of work can be modified and completed via operations if necessary. We created unit pricing and allowances and worked closely with the GC on the relocation planning. None of this work could be done accurately without a GC on board during the design phase.
- 2023: At Baatz Block Apartments, where the approved RFP process was used, we had five General Contractors, including four local Great Falls GCs, respond to the ad and submit a proposal. Of those five respondents, four confirmed they would not have participated in a public sealed bid process that would have had to occur four to five months after the RFP could happen; public sealed bids require extremely detailed plans and specifications where RFPs require only schematics and high-level scoping documents, as well as many hours spent by the GC with no assurance of getting the job. The RFP process still results in a more accurate price because the GC is intimately familiar with the construction documents and design intent. The added benefit is that the GC can include the project in their work pipeline, allowing for adequate resources and capacity to meet the schedule.
- 2022: At Junegrass, a 138 rental home project we completed in Kalispell, there were no HOME or other restrictive funding sources other than Housing Tax Credits. The General Contractor was selected through an interview process, largely because they had performed well on two past projects with Homeword and GMD, the Managing General Partner. With the GC on board early, we were able to accurately assess the cost impacts of building into the hillside with a stepped foundation vs. grading the site flatter and using large retaining walls to create a flatter building pad. The savings to build into the hillside were approximately one and a half million dollars (6.5% of the project hard costs), plus an estimated 6 weeks of construction time. Without the early involvement of the GC, we would have been unable to accurately estimate the cost savings to fully analyze that option.
- 2021: At Trinity, in Missoula, where the GC was selected through a Request For Proposals (RFP) with a follow-up interview process, the GC was selected early enough in the process to result in over $2,000,000 in savings while not reducing the quality of the project, because the people who design the project, architects and engineers, were able to consult with those who actually do the work and build the project. The process was still open and fair – any GC could respond to the RFP; it was advertised all over the state and posted on the plan exchanges. Once selected, the GC could schedule the project into their timeline and bid the project out to subcontractors earlier to get competitive pricing and get the project on their schedules.
- 2020: At Hearthstone in Anaconda, again only one GC responded to the public sealed bid. Local Butte GCs were too busy to even bother bidding, as were Missoula GCs. Local subs were also too busy to bid. The result was a non-local GC and subs that all had to travel to get to the work, increasing the cost of the project with travel, lodging and per diem expenses.
- 2020: At Alpenglow in Whitefish, only one GC responded to the open public bid. Local Kalispell GCs were too busy to even bother bidding. Local subs were also too busy to bid. The result was a non-

local GC and subs that all had to travel to get to the work, increasing the cost of the project with travel, lodging and per diem expenses.

- 2019: At Bluebunch in Livingston, the initial bids came in more than 200% over budget: Livingston is a small town and had no local GCs, and few local subs with the capacity or bonding capability to even bid the job. The nearest sizable market is Bozeman, where the contractors were so busy they were scheduling jobs out a year or more into the future. The two responding GCs for the rebid were from Valier (near Kalispell) and Great Falls. Subs that responded to these GCs requests for bids were limited and no local subs had the bonding capacity to bid, so all their bids were increased with travel and lodging costs.

Homeword is happy to provide you with additional information/documentation on any of these projects if needed.