



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Aitken
Matt Cano

SUBJECT: SEE BELOW

DATE: November 21, 2022

Approved

Date

12/2/22

SUBJECT: APPROVE RANKING AND AUTHORIZATION TO NEGOTIATE AND EXECUTE DESIGN-BUILD CONTRACT FOR THE 9308 - NORMAN Y. MINETA SAN JOSÉ INTERNATIONAL AIRPORT NEW FACILITIES DIVISION BUILDING(S) - REBID PROJECT

RECOMMENDATION

Adopt a resolution:

- (a) Finding that the award of the proposed design-build contract for the 9308 - SJC New Facilities Division Building(s) – Rebid (the “Project”) at the Norman Y. Mineta San José International Airport will result in lower costs and/or faster Project completion than if the City used the traditional design-bid-build method of project delivery.
- (b) Approving the final ranking of the design-build (D-B) Entities that responded to the Request for Proposals for the Project;
- (c) Authorizing the Director of Public Works to negotiate a D-B Contract for the Project as follows:
 - 1) Begin negotiating with the highest ranked D-B Entity, C. Overaa & Co. and
 - 2) Begin negotiating with the next highest D-B Entity, if after having negotiated with C. Overaa & Co, the Director determines that the City’s interests are best served by beginning negotiations with the next highest ranked D-B Entity, and
 - 3) Begin negotiating with each of the other D-B Entities in order of their ranking as the Director determines appropriate.
- (d) Authorizing the Director of Public Works to:
 - 1) Award and Execute the D-B Contract for the Project in an amount not to exceed \$30,400,000 with the successfully negotiated D-B Entity; and
 - 2) Negotiate and execute Task Orders up to the Contract not to exceed amount as necessary to meet Project completion.

- (e) Approving a contingency in the amount of 15 percent of the negotiated D-B Contract not to exceed amount for City approved changes to the design scope and unforeseen conditions that might arise in the construction.; and
- (f) Authorizing the Director of Public Works to negotiate and execute any single and/or multiple contracts change orders for the Project up to the contingency amount.

OUTCOME

Authorizing the Director of Public Works to negotiate, award, and execute the Design-Build Contract as described in this memorandum will allow the 9308 - SJC New Facilities Division Building(s) – Rebid (Project) to commence according to an aggressive schedule of completing construction within 400 calendar days of award. Approval of a 15 percent contingency will provide funding for any unanticipated work necessary for the proper completion or construction of the Project.

BACKGROUND

The Norman Y. Mineta San José International Airport (Airport) is a medium-sized hub serving Silicon Valley and much of the greater San Francisco Bay region. The Airport is owned and operated by the City of San José and is situated on a 1,000-acre site with facilities serving commercial air carriers and general aviation. The Airport is a self-supporting enterprise, and no local tax funds are used for either the operations or development.

On April 28, 2020, the City adopted PP18-103, the latest amendment to the Airport’s Master Plan, to: 1) extend the horizon year and passenger demand forecasts from 2027 to 2037; 2) incorporate the set of airfield configuration changes recommended in the Runway Incursion Mitigation/Design Standards Analysis Study; and 3) update the layout and sizing of various landside facilities to adequately serve the projected 2037 demand. The Project considered under these City Council recommendations is contemplated under the Airport Master Plan, as amended. The Project can be found in the amended Airport Master Plan under Aviation Support Projects identified as Project S-3.

The New Facilities Building Division Building(s) Project will relocate the existing Airport facilities and maintenance buildings and will make available real estate to accommodate the Airport’s terminal expansion Project, and more importantly will enhance the efficiencies of the maintenance and fleet services that are performed by staff. The new Airport facilities and maintenance buildings will be designed to be expandable and adaptable to adequately and appropriately meet the current and the anticipated future demand for facilities and maintenance services at the Airport.

The existing Facilities Division site is located on the southeast side of the Airport. The structures consist of two buildings for vehicle maintenance and trades shops and trailers for offices and supporting functions. All buildings and trailers have exceeded their useful life and do not serve the current needs of the Airport Facilities staff in their work to maintain the Airport property. The existing

infrastructure would require significant resources and funding allocations to make the necessary repairs and improvements and would be cost prohibitive to invest in these improvements when a relocation is needed for terminal expansion.

ANALYSIS

Design-Build Project Delivery Method

Section 1217(c)(2) of the City Charter and Chapter 27.14 of the San José Municipal Code authorize the City to procure, negotiate, and award a Design-Build Contract under the following conditions:

1. The contract exceeds \$1,000,000; and
2. The City Council finds that using the design-build procurement and project delivery method would save money or result in faster project completion than the traditional design-bid-build process.

The design-build project delivery method allows for a greater collaboration between the designer, the contractor, and the City. This methodology allows for a single procurement phase, early price certainty and fast tracking is accomplished by paralleling design and construction activities. This method of project delivery includes one entity (design-builder) and a single contract with the owner to provide both architectural/engineering design services and construction. The key considerations in favor of this method include:

- Cost efficiencies can be achieved since the contractor and designer are working together throughout the entire process.
- Fewer design changes, fewer claims, and less litigation.
- Earlier knowledge of firm costs.
- Change orders typically limited to owner changes.
- Design-build can deliver a project more quickly than conventional design-bid-build.
- Ability to enhance project coordination.
- Ability to reduce project claims.

In addition, the benefits of design-build include:

- Builder input during design.
- Requires minimal time commitment from the owner throughout the process.
- Price guaranteed, less cost risk for early projects.
- Single point of responsibility for construction.
- Fast-track delivery opportunity, fastest project delivery method of large project types.
- Minimizes owner's involvement in any conflict between contractor and design team.

As part of the design-build delivery method, the contracts include the establishment and approval of a guaranteed maximum price (GMP). Under a GMP contract, the contractor guarantees that the City will pay no more than the GMP for completion of the work. Savings on the Project is the difference between the GMP and the final cost of the work plus the contractor's fee. By default, the City benefits

from savings. The City is obligated to pay no more than the cost of the work plus the fee. So, if that amount is lower than the GMP, the City owes no more and enjoys all the savings.

Additional benefits to the City include:

- It allows for a greater collaboration between the City, contractor, designer, stakeholders, and regulatory agencies. There is enhanced stakeholder engagement with airline partners, concessions, Federal Aviation Administration, Transportation Security Administration, and other important airport partners.
- An analysis study completed by Leland Saylor Associates in March 2018 found the design-build delivery method reduces unit costs by 6.1 percent when compared to the traditional design-bid-build method. In addition, construction speed is 12 percent faster with an overall delivery speed of 33.5 percent faster. There is also a 5.2 percent less cost growth potential over the entire construction period. Other factors include:

a. Risk Reduction

As outlined above, part of the design-build delivery method includes the establishment of a GMP. It is desired that the Request for Proposals (RFP) and resulting contract offer an incentive to the selected design-build entity to provide cost saving opportunities and negotiate sharing the savings between the City and the design-build entity.

b. Schedule Savings

The design-build delivery method allows for concurrent construction and design activities to proceed thus reducing the overall project schedule when compared to design-bid-build. The design process is also more efficient since the contractor is involved from the initial design stages to maintain the consistent element of cost and support of constructability issues. An analysis carried out by staff shows that using the design-build method on this Project will result in a direct construction schedule saving of 14 percent. This is attributed to the reduced time dedicated to bidding/negotiation since the GMP is issued at a single stage and design-bid-build has two stages (estimate and bidding). Also, the design-build method would provide the agility and flexibility to deliver the Project on or before the required delivery date.

c. Cost Savings

The projected cost savings between a design-build delivery and a design-bid-build delivery are attributed to the typical reduced unit cost up to 6.1 percent for design-build delivery and additional cost growth under the design-bid-build delivery of 5.2 percent. An estimate of probable construction costs compiled by staff using the design-bid-build delivery method resulted in a cost that was 13 percent higher than the design-build estimate provided by the Airport's consultant, HNTB Corporation. HNTB Corporation estimated the design-build costs to be \$30.4 million which was used as the Project

Engineer’s Estimate. Staff’s estimate for a design-bid-build delivery of the Project resulted in a cost of \$34.9 million.

Design-Build Contract Procurement

The procurement of the Design-Build Contract was conducted in two steps. The first step was the Request for Qualifications (RFQ) and the second was the RFPs from the qualified proposers. More information on each is below:

1. RFQ

On February 2, 2022, the City issued a RFQ soliciting Statements of Qualifications from D-B Entities. Six Statements of Qualifications were received by the March 3, 2022 deadline, four of which were determined by Public Works procurement staff to meet the minimum requirements set forth in the RFQ. A Technical Evaluation Panel comprised of Airport and Public Works staff evaluated and ranked the four responsive Statements of Qualifications in accordance with the qualification and evaluation criteria in the RFQ (listed below) to determine which D-B Entities were the most highly qualified to deliver the Project.

- D-B Entity and D-B Team Experience (45%)
- Key Personnel Experience (45%)
- Financial Capacity (10%)

On April 13, 2022, the City issued a Notice of Determination listing the ranking order of each responsive D-B Entity and indicating that all four firms were “shortlisted” to advance to the second step in the procurement process.

Rank D-B Entity	1 C. Overaa & Co.	2 Sundt Construction, Inc.	3 Hensel Phelps Construction Co.	4 McCarthy Building Companies, Inc.
Evaluation Criteria				
Team Experience	43.00	41.60	40.20	40.20
Key Personnel Experience	44.00	41.00	41.40	40.00
Financial Capacity	5.50	9	8	7
Overall Score	92.50	91.60	89.60	87.20

2. RFPs

On July 27, 2022, the City issued a RFP soliciting proposals from the four D-B Entities that had been “shortlisted” during the RFQ phase of the procurement. Only those four D-B Entities were eligible to submit proposals in response to the RFP. All four “shortlisted” D-B Entities submitted responsive proposals, which were evaluated by the Technical Evaluation Panel in accordance with the qualification and evaluation criteria in the RFP (listed below):

- Project Approach (12.5%)
- Design Narrative and Renderings (7.5%)
- Schedule and Phasing (15%)
- Safety and Security Approach (2.5%)
- Subcontracting Plan (2.5%)
- SOQ Carry-Over Score (20%)

In total, the Technical Evaluation Panel’s evaluation of the Proposals accounted for 60 percent of each D-B Entity’s score. The remaining 40 percent of each D-B Entity’s score was determined after proposals were evaluated:

- Interview (20%)
- Price Proposal (10%)
- Local Business Preference (5%)
- Small Business Preference (5%)

On October 12, 2022, the City issued a Notice of Final Rankings listing the ranking order of each D-B Entity and indicating that it intends to enter negotiations with C. Overaa & Co as the D-B Entity whose proposal was determined to provide the best value to the City.

Rank D-B Entity	1 C. Overaa & Co.	2 McCarthy Building Companies, Inc.	3 Sundt Construction, Inc.	4 Hensel Phelps Construction Co.
Evaluation Criteria				
Proposal	55.54	54.57	53.55	48.96
Interviews	15.62	17.40	17.24	16.98
Price Proposal	10	7.97	8.53	6.33
Local/Small Business Preference	5	5	0	5
Overall Score	86.16	84.94	79.32	77.27

Upon City Council approval of the final ranking, the Director of Public Works will enter into contract negotiations with C. Overaa & Co. with consideration given to profit and overhead, general conditions, design fees, project/construction management, construction acceleration concepts, and stakeholder engagement methods.

In the event that the Director of Public Works determines that the City and C. Overaa & Co. are not making adequate progress on the negotiations of the contract, the Director of Public Works will begin negotiating with the next highest ranked D-B Entity, and will continue with each of the other D-B Entities in order of their ranking as the Director determines is appropriate in order to reach an agreement.

Contingency

San José Municipal Code Section 27.04.050 establishes a standard contingency for all public works contracts (except those involving the renovation of a building or buildings) cannot exceed 10 percent of the total contract amount, unless a different amount is approved by City Council. Although this Project is not a building renovation project, due to the complexity of scope, the expedited schedule, and long lead times associated with equipment needed for the Project, staff recommends a 15 percent contingency, which should be sufficient to account for any unforeseen conditions that may arise during the design or construction and would allow for the proper completion of the Project.

Project Labor Agreement Applicability

The City's project labor agreement is applicable to this Project.

Local/Small Business Outreach

Public Works procurement staff used Biddingo to outreach to local and small business enterprises. Chapter 4.12 of the San José Municipal Code defines a "local business enterprise" as one with a legitimate business presence in Santa Clara County and "small business enterprise" as a local business enterprise with 35 or fewer employees. When the RFQ was advertised, invitations were sent to 17,757 vendors, and documents were downloaded by 61 vendors, approximately 14 of which were located within Santa Clara County and therefore local. Of the four D-B Entities shortlisted to submit proposals, three were local business enterprises. The recommended D-B Entity is a local but not a small business enterprise

Disadvantaged Business Enterprise

Staff performed extensive outreach to encourage Disadvantaged Business Enterprise participation.

Outreach efforts included:

- Identification of potential/ possible subcontracting opportunities – one work area identified.
- Identification of 217 certified Disadvantaged Business Enterprises in that one subcontracting work area;
 - Emails sent to the 217 certified Disadvantaged Business Enterprises;
 - Emails sent to ethnic chambers, San José Chamber, and other interested organizations including Minority Business Consortium - provided project information, subcontracting opportunities (North American Industry Classification System Codes and Caltrans

Work Codes), bid date and time, and Disadvantaged Business Enterprise certification requirements;

- Posting of contracting opportunity on Biddingo, Federal Aviation Administration Opportunities, Airport Minority Advisory Council, National Air Transportation Association, Airports Council International – North America, Minority Business Development Agency;
- Sharing of Contact Opportunity on Airport’s Requests for Information/ Proposal/ Qualification and Bid Notices.

Green Building

In accordance with the Green Building policy, this Project will be designed and built to meet a LEED Silver certification with the goal of a LEED Gold certification.

Public Art Funding

The City will include Public Art funding in this Project, as required by Chapter 22.08 of Title 22 of the San José Municipal Code.

CONCLUSION

A City Council resolution authorizing the use of design-build project delivery method will result in lower costs and faster Project completion. A City Council resolution authorizing the Director of Public Works to negotiate, award, and execute the contract as described in the memorandum will allow for the award of the contract and construction of the Project.

EVALUATION AND FOLLOW-UP

No additional follow up action with City Council is expected at this time.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

The RFQs and RFPs were posted on Biddingo, the City of San José website, Federal Aviation Administration Opportunities, Airport Minority Advisory Council, National Air Transportation Association, Airports Council International-North America, and the Minority Business Development Agency. A non-mandatory pre-submittal meeting for the RFQ was held on January 10, 2022, at the

Airport for interested proposers. In addition, this memorandum will be posted to the City’s website for the December 13, 2022 City Council meeting.

COORDINATION

This memorandum has been coordinated with the City Attorney’s Office and the City Manager’s Budget Office.

COMMISSION RECOMMENDATION/INPUT

This item was presented to the Airport Commission on August 12, 2019, November 4, 2019, November 8, 2021, and on August 8, 2022. These presentations included prospective plans, timelines, budget, and status updates.

FISCAL/POLICY ALIGNMENT

The San José Municipal Code require that capital projects at the Airport be consistent with the adopted Airport Master Plan. The development of the New Facilities Division Building(s) is expressly identified in the Airport Master Plan as “Project S-3” and are therefore consistent with the Airport Master Plan, pursuant to San José Municipal Code Section 25.04.210 (B)(1).

COST SUMMARY/IMPLICATIONS

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery*	\$4,599,000
Construction	\$30,400,000
Construction Contract Contingency	\$4,560,000
Owner Controlled Contingency	\$3,040,000
TOTAL PROJECT COST	\$42,599,000
Prior Years’ Expenditures/Encumbrances**	(\$44,480)
REMAINING PROJECT COSTS	\$42,554,520

*Project delivery includes review of request of qualifications and proposals, Design and Bid/ Award Services, Construction Management, and Inspection Services.

**Prior Year Expenditures includes review of RFQs and proposals.

2. SOURCES OF FUNDING: 526 – Airport Revenue Bond Improvement Fund
527 – Airport Renewal and Replacement Fund

3. FISCAL IMPACT: The project has been reviewed and was determined that it will have no significant adverse impact on the Airport operating budget.

BUDGET REFERENCE

The table below identifies the funds and appropriation to fund the contract recommended as part of this memorandum and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn #	Appn. Name	Total Appn.	Amt. For Contract	2022-2023 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
526	422U	Facilities Division Relocation	\$39,200,000	\$30,400,000	851	10/18/2022, Ord. No. 30833
527	422U	Facilities Division Relocation	\$5,906,000		851	10/18/2022, Ord. No. 30833
Total Current Funding Available			\$45,106,000	\$30,400,000		

CEQA

PP18-103: Environmental Impact Report for the Amendment to the Norman Y. Mineta San José International Airport Master Plan (Resolution No. 79497).

/s/
MATT CANO
 Director of Public Works

/s/
JOHN AITKEN, AAE
 Director of Aviation

For questions, please contact Katherine Brown, Deputy Director, Public Works Department, at 408-795-1679.