



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Matt Cano  
John Aitken

**SUBJECT:** SEE BELOW

**DATE:** August 21, 2018

Approved

Date

8/21/18

## REPLACEMENT

**SUBJECT: ACTIONS RELATED TO THE 8963 - MINETA SAN JOSE  
INTERNATIONAL AIRPORT AIRCRAFT RESCUE AND FIRE FIGHTING  
FACILITY – FIRE STATION NO. 20**

## REASON FOR REPLACEMENT

The initial Council report is being replaced to correct information provided on scoring of the Proposals. The Technical Evaluation Scoring points and Total Possible Point categories are revised to align with requirements for Federal Airport Improvement Program grant funding.

## RECOMMENDATION

Adopt a resolution in accordance with San José Municipal Code Section 14.07.310:

- (a) Finding that the cost of the proposed design-build contract for the Aircraft Rescue and Fire Fighting Facility Project (the “Project”) at the Norman Y. Mineta San Jose International Airport will exceed \$5,000,000, and that the use of the design-build delivery method process is likely to save money and/or result in faster Project completion than if the City used the traditional design-bid-build method of project delivery;
- (b) Approving the Request for Proposals (“RFP”) and the evaluation criteria and process by which the City shall select a design-build entity for the ARFF Facility Project; and
- (c) Authorizing the Director of Public Works to issue addenda to the RFP to add any additional requirements or to make such other revisions to the RFP that are consistent with the scope and selection criteria as approved by Council.

## **OUTCOME**

Approval will authorize staff to advertise a Request for Proposals (RFP) for soliciting a Design-Build entity to design and construct the proposed ARFF Facility Project at the Airport.

## **EXECUTIVE SUMMARY**

City's Airport Department is requesting Council to approve the Design-Build process for the ARFF Facility project to save money and to allow for faster construction.

## **BACKGROUND**

The existing ARFF Facility built in the early 1960's is beyond its useful life, and the infrastructure is under constant costly repairs for maintenance, needing significant management resources and funding allocations. The facility is antiquated and does not serve the current needs of airport operations, and the existing site location is needed to make room for a new development as identified by the Airport Master Plan. The new proposed facility will be larger and meet the latest FAA requirements, building, seismic, fire, and accessibility codes.

The proposed new ARFF facility has been on the Airport's Capital Improvement Project list for the past six (6) years, but has been deferred until Federal Aviation Administration (FAA) Airport Improvement Program (AIP) funds become available.

In March 2018, the Consolidated Appropriations Act of 2018 (Act) appropriated funds to enable the FAA to award supplemental discretionary funding totaling One (1) Billion Dollars nationwide starting in September 2018. Currently, staff cannot determine the amount of discretionary or supplemental discretionary funds, if any, that the City may receive for 2018-2019. However, the FAA Airport District Office (ADO) has encouraged Mineta San José International Airport to compete for these supplemental discretionary funds and meet the tight deadlines published in the recent Federal Register notice.

The Airport desires to follow the ADO's advice and submit to the FAA a Design-Build Guaranteed Maximum Price (GMP) proposal by November 2018 to increase the probability of receiving AIP grant supplemental discretionary funds for the Project.

## **ANALYSIS**

### **ARFF Facility**

The new ARFF facility will be designed up to 16,000 square feet containing up to six (6) vehicle bays. The Facility will be designed according to Advisory Circular AC 150/5210-15A and AIP

Handbook to include all mandatory fire station elements such as offices, sleeping quarters, restrooms, a kitchen, conference rooms, and equipment storage areas.

Contingent upon Council approval of a minor amendment to the Airport Master Plan the proposed new facility will be located on the southwest side of the airfield and will have direct access to all critical airfield aircraft movement areas including multiple Runways and Taxiways. The new location of the facility will be compliant with FAA Federal Aviation Regulations (FAR) and Certification requirements.

### **Design-Build Justification**

The City of San Jose Charter requires competitive bids on public projects greater than \$100,000 with an award to the lowest responsible bidder. The Charter expressly exempts certain types of public works contracts from the Design-Bid-Build requirements. On March 2, 2004, the voters passed Measure D, which amended the City Charter to add a new exemption for “Design-Build” contracts meeting certain requirements. Section 1217 (e) (7) contains the exception to the public bidding requirement for “Design-Build” public works projects if the following two requirements are satisfied:

1. The contract will be more than \$5,000,000; and
2. The City Council finds that “Design-Build” would save money or result in faster project completion.

If these requirements are satisfied, the City may negotiate and award a “Design-Build” contract in accordance with the requirements of Chapter 14.07.100 of Title 14 of the San Jose Municipal Code.

Design-Build allows the City as owner to define the project based on available funds, select a contractor based on qualifications, consider price elements other than low bid, and negotiate a contract structured around the project’s priorities. The City has successfully used the Design-Build procurement process to construct several large-scale projects including the Mineta San Jose International Airport Terminal Area Improvement Program - Phase I, San Jose McEnery Convention Center Expansion Project, and the United States Patent and Trademark Office Project. Council also recently approved the Design-Build contract for the Mineta San Jose International Airport Interim Facility project.

The Design-Build delivery method will preserve open, fair, and objective contracting process requirements. Per a comparative analysis by Leland Saylor Associates (March 2018), the feedback from the construction community indicates this project delivery method results in more efficient project teams with the contracting community. This method focuses on a pro-active, owner engaged resolution of challenges during the design phase which results in a better-quality product. The Design-Build Entity will have direct responsibility over the design, construction activities, and the stakeholder engagement process, which in turn increases efficiency.

Per Design-Build Institute of America (DBIA), the following benefits are expected if this Project is delivered using the Design-Build project delivery method:

- The price of the project is known early in the project and is negotiated under a guaranteed maximum price.
- Cost efficiencies can be achieved since the contractor and designer are working together collaboratively throughout the entire process.
- The schedule is fast tracked with parallel design and construction activities. Design-Build can deliver a project faster than conventional Design-Bid-Build.
- Experience has found there are fewer design changes, fewer claims and less litigation.

Additional benefits to the City include:

- It allows for a greater collaboration between the City, contractor, designer, stakeholders, and our regulatory agencies. There is enhanced stakeholder engagement with our 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% when compared to the traditional Design-Bid-Build method. In addition, construction speed is 12% faster with an overall delivery speed of 33.5% faster. There is also a 5.2% less cost growth potential over the entire construction period. Other factors include:

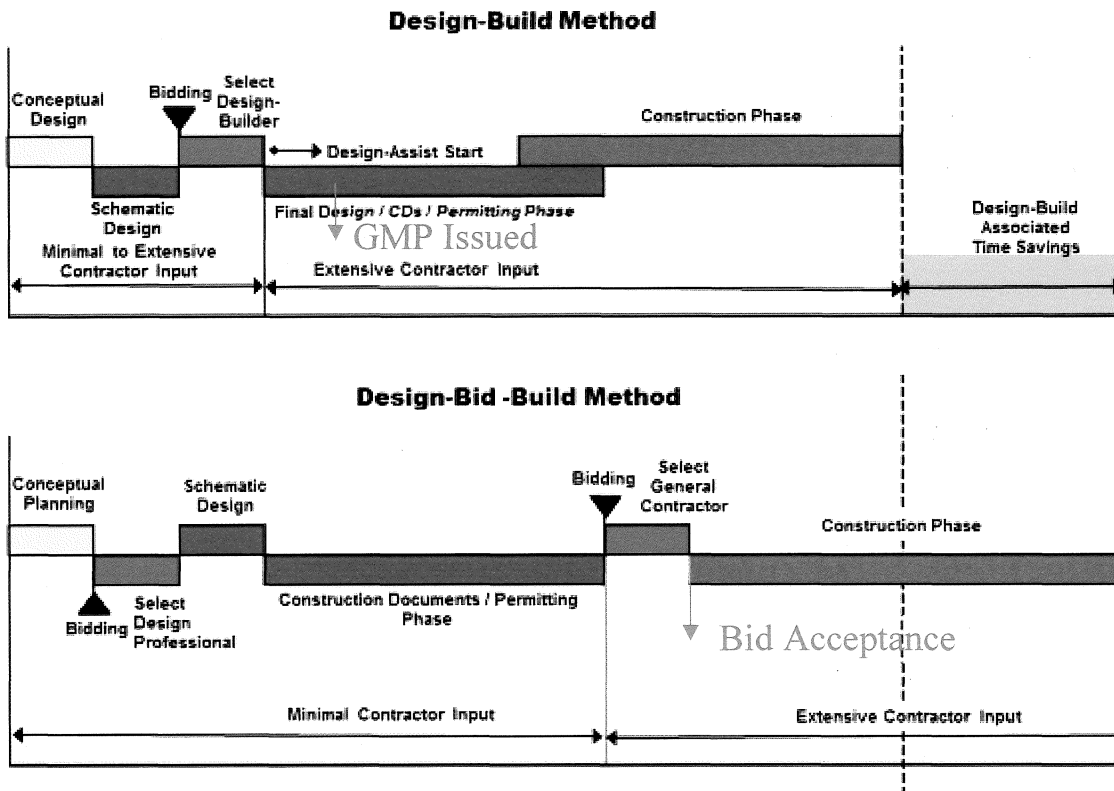
a. Risk Reduction

As part of the Design-Build delivery method, the Design-Build agreement will provide for a guaranteed maximum price ("GMP"). Under a GMP contract, the Design-Build Entity guarantees that the City will pay no more than the GMP for completion of the work. Ideally, regardless of how high the actual cost of the work plus the Contractor's fee, the City will not pay more than the GMP in exchange for the Work. Savings on the project is defined by the difference between the GMP and the final cost of the Work plus the Contractor's fee. In the event the cost is lower than the GMP, the City benefits from the savings. It is desired that the 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 chart provided by Leland Saylor Associates Project Delivery Method report (March 2018) below illustrates the projected schedule savings between the Design-Build delivery method and Design-Bid-Build method for this Project. The Design-Build delivery method allows for concurrent construction and design activities 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. Also, there is reduced time contributed 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 cost savings chart provided by Leland Saylor Associates Project Delivery Method report (March 2018) above illustrates the projected cost savings between a Design-Build delivery and a Design-Bid-Build delivery for this Project. Considerable projected cost savings are attributed to reduced unit cost of 6.1 percent for Design-Build delivery and additional cost growth under the Design-Bid-Build delivery of 5.2 percent. The projected combined savings is identified in the table below.

ARFF Facility – Design-Build Delivery Estimated Design-Build Contract Cost	\$15,679,905
ARFF Facility – Design-Bid-Build Cost Growth of 5.2%	\$815,355
ARFF Facility – Design-Bid-Build Unit Cost Difference of 6.1%	\$956,474
<b>Cost Savings with Design-Build compared to Design-Bid-Build</b>	<b>\$1,771,829</b>

## **Request to Advertise RFP**

The City of San Jose Charter requires City Council to approve the RFP for a Design-Build Entity prior to advertisement, and the proposed RFP for this project is attached to this memorandum as Attachment A.

If the RFP is approved by City Council, it will be advertised and will be posted for a minimum of 21 calendar days. The RFP will describe the selection process that will be used, the information required from the potential Design-Build Entities (Design-Build Entity/Entities), description of the project, the exemplar Design-Build agreement and the necessary forms for submitting a proposal. A selection committee comprised of City staff and industry partners will evaluate the written proposals and conduct interviews with the most qualified Design-Build Entities. The proposal scoring criteria to be used to rank the Proposals includes: experience and qualifications; project team; project approach; design narrative; design rendering; schedule and phasing; safety and security approach and on-site interviews.

Sealed cost proposals from each Design-Build entity will be opened and evaluated, after scoring the written proposals and interviews - establishing the best value for this project. Consideration will be given to profit and overhead, general conditions, design fees, project/construction management, construction acceleration concepts, and stakeholder engagement methods. The selection process will result in the City acquiring the services of a highly qualified firm, and this will ultimately lead to an efficient project delivery - the City will begin negotiations with the highest ranked Proposers.

### **Step 1**

Screening of proposals to ensure the required documents meet the minimum qualifications and are determined to be responsive.

### **Step 2**

#### Evaluation Panel

- The City will establish an evaluation panel of three (3) or more voting members to review submitted Proposals that have met the Minimum Qualifications. Using the Evaluation Criteria, each member of the evaluation panel will independently evaluate each submission and will score the Proposals according to the Evaluation Criteria.

Technical Evaluation Scoring

<b>Description</b>	<b>Points Assigned</b>
Minimum Qualifications	Pass/Fail and minimum score for scored criteria
Cover Letter	Pass/Fail
Experience and Qualifications	150 pts
Project Team and Subcontractor List	100 pts
Project Approach	100 pts
Design Narrative	75 pts
Design Rendering	75 pts
Schedule and Phasing	75 pts
Safety and Security Approach	75 pts
<b>MAXIMUM TOTAL</b>	<b>650 pts</b>

**Step 3**

Interviews

After evaluating and scoring the Proposals, the City may – in its sole discretion – decide to conduct oral interviews of some or all of the prospective Proposers before making its final ranking. The oral interviews will be based on a predetermined set of situation-based scenarios, which will be evaluated. Each member of the interview panel will independently evaluate and score each interviewed Proposer using a 550-point system.

**Step 4**

Following the oral interview, the City staff will add together the Technical Proposal points and the Oral interview points. City staff will then calculate and assign points for the Best Value Proposal. The Proposal with the Best Value Proposal will receive one hundred percent (100%) of the points assigned for this category and the others will be scored lower proportionately.

<b>RFP – Written and Oral Proposal Evaluation</b>	<b>Scoring Weight</b>
Technical Proposal	650
Oral Interview	550
Best Value Proposal	300
<b>Total Possible Points.</b>	<b>1500</b>

**Authorization and Direction to Staff**

The Staff recommends that Council authorize Director of Public Works or designee to issue and advertise the RFP for a Design-Build procurement process for the Project. See Attachment A. During the development of the Request for Proposals and advertisement of the document, there may be revisions or additional information necessary to the document that are required to be posted before the proposals being submitted. It is therefore requested that the City Council

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authorize the Director of Public Works, or designee to issue addenda as necessary and consistent with the provisions of the RFP during the procurement process.

On April 3, 2018 the Mayor and City Council provided direction to include Project Labor Agreements (PLAs) as part of certain projects over \$3 million in construction value. The form and content of the PLA is currently under negotiation and expected to wrap up in the Fall of 2018. Since the PLA is not yet completed, it is not able to be included in this project.

### **EVALUATION AND FOLLOW-UP**

Upon approval of the recommendations in this memorandum, the City will issue and advertise an RFP for a Design-Build Entity. Staff anticipates bringing a recommendation for award of the Best Value Proposer to Council contingent on award of an AIP grant.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's website for the August 28, 2018, 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 topic of the ARFF Facility was discussed at the August 13, 2018, Airport Commission meeting, which was open to the public.

### **FISCAL/POLICY ALIGNMENT**

The San Jose Municipal Code requires that capital projects at the Airport be consistent with the adopted Airport Master Plan. The development of a new ARFF facility is expressly identified in the Airport Master Plan as "Project S-7" and, contingent upon Council approval of a minor amendment to the Airport Master Plan to allow a 4.5-acre site on the southwest side of the Airport to be used for aviation support facility development (prior agenda item), the proposed actions will be consistent with the Airport Master Plan pursuant to Municipal Code Section 25.04.210 (B)(1).



**BUDGET REFERENCE**

The table below identifies the fund and appropriation to fund the design costs for the project. Funding for the construction contract and project costs including project delivery and contingency costs are programmed in future years of the 2019-2023 Proposed CIP. To capitalize on potential FAA supplementary discretionary funding made available by the Consolidated Appropriations Act, 2018, a budget adjustment in the 2017-2018 Annual Report will be recommended to fund the remaining \$18,000,000 in fiscal year 2018-2019.

Fund #	Appn #	Appn. Name	Total Appn.	2018-2019 Proposed Capital Budget Page	Last Budget Action (Date, Ord. No.)
<b>Current Funding Available</b>					
520	401D	Aircraft Rescue and Fire Fighting Facility	\$1,612,000	V-618	06/19/2018, 30124
527	401D	Aircraft Rescue and Fire Fighting Facility	\$388,000	V-618	06/19/2018, 30124
<b>Total Current Funding Available</b>			<b>\$2,000,000</b>		

\*The 2018-2019 Proposed Capital Budget was adopted by the City Council on June 19, 2018.

**CEQA**

Addendum to the Final Environmental Impact Report for the San Jose International Airport Master Plan Update, as Supplemented, File No. PP18-075.

/s/  
MATT CANO  
Director of Public Works

/s/  
JOHN AITKEN, A.A.E.  
Director of Aviation

For questions, please contact Matthew Kazmierczak, Manager of Strategy and Policy for the Airport, at (408) 392-3640 or Janelle Adams at (408) 392-3611.

Attachment A: Proposed Request for Proposals Design-Build Contract for the Aircraft Rescue and Fire Fighting Facility Project.