



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Cano
John Aitken

SUBJECT: SEE BELOW

DATE: March 4, 2019

Approved

Date

3/15/19

**SUBJECT: ACTIONS RELATED TO THE 9080 - MINETA SAN JOSÉ
INTERNATIONAL AIRPORT ECONOMY LOT PARKING GARAGE**

RECOMMENDATION

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

- (1) Finding that the cost of the proposed design-build contract for the Economy Lot Parking Garage Project (ELPG) at the Norman Y. Mineta San José 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;
- (2) Approving the Request for Proposals ("RFP") and the evaluation criteria and process by which the City shall select a design-build entity for the ELPG Project; and
- (3) 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 Economy Lot Parking Garage Project at the Airport.

EXECUTIVE SUMMARY

The Airport's unprecedented growth of passenger traffic has led to increased demand for additional parking spaces. To address this demand Staff recommends the addition of a minimum of 1,200 parking spaces to the existing economy parking lot for a total of 2,873 parking spaces.

Staff is asking the Council to accept the recommendation for the use of design-build procurement process. The Airport expects design-build to save money and to allow for a faster construction, with an anticipated completion date of June 2020. Staff is also requesting approval of the RFP for the selection of a design-build entity for the Project.

BACKGROUND

The existing Airport Economy Parking/Lot 1 provides public long-term parking (approximately 1,670 spaces) in a surface lot located on the northeast edge of the terminal area, serviced by shuttle buses to transport passengers to and from Terminals A and B. The lot fills up on a daily basis, averaging 90% capacity over the last 18 months. More concerning is that the lot reached 100% capacity 25 times over a 6-month period (July 2018 to December 2018). Given increasing air passenger demand, as well as the recent loss of 1,000 public parking spaces adjacent to the south end of Terminal B for the interim terminal expansion project currently underway, the Airport proposes to add parking capacity in the Economy Lot to better serve current and near-term demand. The adopted Airport Master Plan includes the construction of a public long-term parking garage on the site, for which the ELPG project would be a component phase.

For expediency and cost efficiency, as addressed below, the Airport proposes to implement this garage project through a design/build procurement process, the first step of which is the issuance of a RFP.

ANALYSIS

The project would add a minimum of 1,200 parking spaces to the existing Economy Lot, which would offset at least the number of spaces recently removed from the public shorter-term lots south of Terminal B to accommodate the interim terminal expansion. To minimize the impact on use of the current lot during construction, the project would be required to maintain at least 900 of the existing 1,670 spaces, and associated shuttle bus operations, at all times. The project would include sustainability features such as electric vehicle charging stations. Also, as the adopted Airport Master Plan calls for a maximum of 9,000 spaces in a multi-story garage to serve long-range demand, the project would be designed to provide for future phased expansion as demand warrants and as funding is available.

Design-Build Justification

The City of San José Charter requires competitive bids on public projects greater than \$100,000 with an award to the lowest responsible bidder. Measure S, which was approved by the voters in November 2018, will increase this limit from the current amount of \$100,000 to \$600,000. The changes in the Municipal Code necessary to implement this change are anticipated to be brought to Council for approval within the next two months.

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 José 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 José International Airport Terminal Area Improvement Program - Phase I, San José 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 José International Airport Interim Facility project, which is currently under construction.

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:

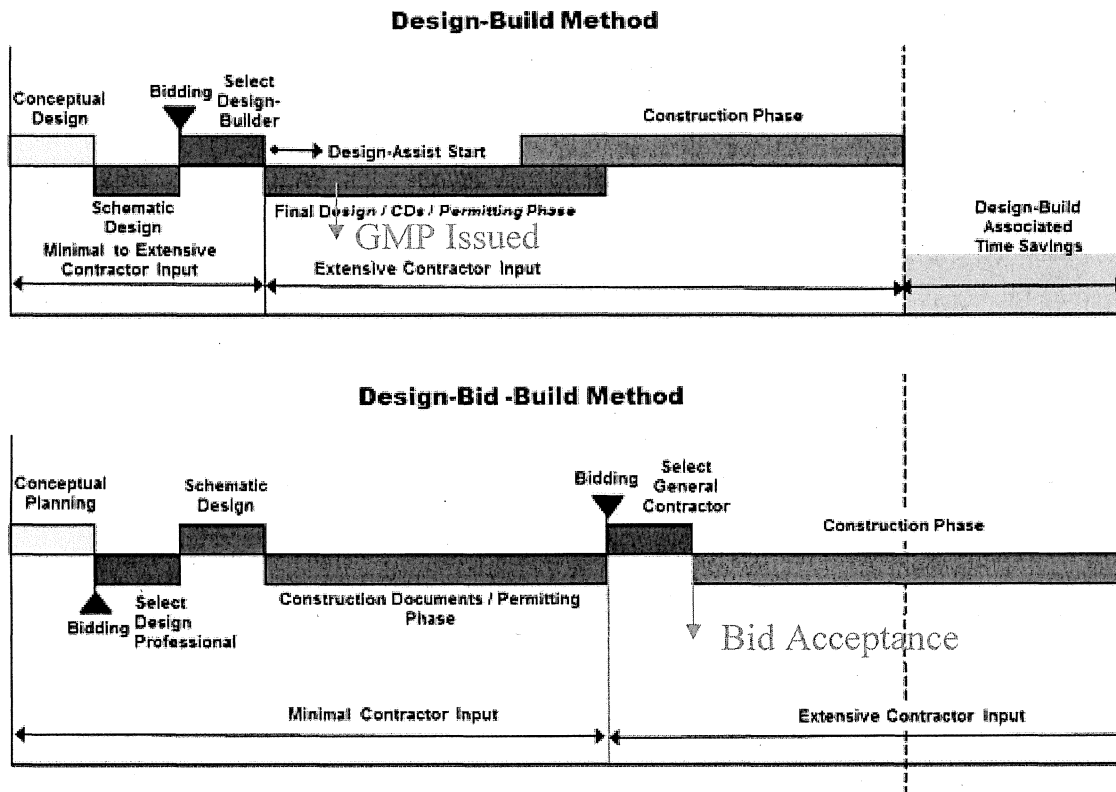
- It allows for a greater collaboration between the City, contractor, designer, stakeholders, and our regulatory agencies. There is enhanced stakeholder engagement with our airline partners, concessions, Federal Aviation Administration, Transportation Security Administration, and other important airport 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.

ELPG Structure – Design-Build Delivery Estimated Design-Build Contract Cost	\$28,500,000
ELPG Structure – Design-Bid-Build Cost Growth of 5.2%	\$1,482,000
ELPG Structure – Design-Bid-Build Unit Cost Difference of 6.1%	\$1,738,500
Cost Savings with Design-Build compared to Design-Bid-Build	\$3,220,500

Request to Advertise RFP

The City of San José Municipal Code 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; schedule and phasing; safety and security approach; local business enterprise (5%), small business enterprise (if local, 5%) 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

Description	Points Assigned
Minimum Qualifications	Pass/Fail and minimum score for scored criteria
Cover Letter	Pass/Fail
Experience and Qualifications	100 pts
Project Team and Subcontractor List	100 pts
Project Approach	100 pts
Design Narrative	75 pts
Schedule and Phasing	75 pts
Safety and Security Approach	75 pts
MAXIMUM TOTAL	525 pts

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 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 525-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.

RFP – Written and Oral Proposal Evaluation	Scoring Weight
Technical Proposal	525
Oral Interview	525
Best Value Proposal	300
Local Business Enterprise (5%)	75
Small Business Enterprise (5%) (only applicable if local)	75
Total Possible Points.	1500

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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 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.

Project Labor Agreement

Based on the parameters approved by the Mayor and City Council on October 16, 2018, this project meets the criteria for a Project Labor Agreement (PLA) as the design build contract cost is over \$3 million and the project is for construction of a new structure. The attached RFP does indicate that a PLA is required on this project. However, as of the drafting of this memorandum the PLA is not yet signed by all parties. If the PLA is signed by all parties prior to the March 27, 2019, City Council meeting, staff will leave the RFP as-is to include the PLA as part of this project. If the PLA is not signed by all parties prior to the March 27, 2019, City Council meeting, staff will remove the requirement for a PLA from the RFP and a PLA will not be included as part of this project. Staff will provide an update on the status of this issue to the Mayor and City Council at, or prior to, the March 27, 2019, City Council hearing.

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 on or after June 18, 2019, subsequent to adoption of the 2019-2020 Capital Budget.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the March 26, 2019, City Council agenda.

COORDINATION

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

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FISCAL/POLICY ALIGNMENT

The San José Municipal Code requires that capital projects at the Airport be consistent with the adopted Airport Master Plan. The development of a new ELPG structure is a component of the public long-term parking garage expressly identified in the Airport Master Plan as “Project T-8” and is therefore 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 for design, construction, project delivery and contingency costs for the project, and will be included in the 2019-2020 Proposed Capital Budget. Funding for this project is subject to the appropriation of funds in 2019-2020.

Fund #	Appropriation #	Appropriation Name	Recommended Appropriation Amount
527	NEW	Economy Lot 1 Parking Garage	\$42,628,000

The 2019-2020 Proposed Capital Budget is scheduled for adoption by the City Council on June 18, 2019. Award of the Design-Build agreement is scheduled for the June 18, 2019, City Council agenda, after adoption of the 2019-2020 Capital Budget.

CEQA

Resolution Nos. 67380 and 71451, File No. PP19-012.

/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.