



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Cano
John Aitken

SUBJECT: SEE BELOW

DATE: September 30, 2019

Approved

Date

10/10/19

SUBJECT: APPROVE RANKING AND AUTHORIZATION TO NEGOTIATE AND EXECUTE DESIGN-BUILD CONTRACT FOR THE 9080 - NORMAN Y. MINETA SAN JOSÉ INTERNATIONAL AIRPORT ECONOMY LOT PARKING GARAGE PROJECT

RECOMMENDATION

Adopt a resolution:

- a. Finding that the award of the proposed design-build contract for the Economy Lot Parking Garage Project ("Project") at the Norman Y. Mineta San Jose 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 RFP for the Project;
- c. Authorizing the Director of Public Works to negotiate a D-B Contract in an amount not to exceed \$30,100,000 for the Project as follows:
 1. Begin negotiating with the highest ranked D-B Entity, Hensel Phelps Construction Company, and
 2. Begin negotiating with the next highest D-B Entity, if after having negotiated with Hensel Phelps Construction Company, 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 is appropriate; and

- d. Authorizing the Director of Public Works to:
 - 1. Execute the D-B Contract for the Project 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 D-B contingency in the amount of ten percent of the negotiated D-B Contract for City-approved changes to the design scope and construction.

OUTCOME

Council resolution authorizing the Director of Public Works to negotiate and award the Design Build contract as described in this memorandum will allow the development of the Project.

EXECUTIVE SUMMARY

The Airport's unprecedented growth of passenger traffic has led to increased demand for additional parking spaces. To address this demand, Airport staff recommends the addition of a minimum of 900 net new parking spaces to the existing economy parking lot for a minimum total of 2,573 parking spaces at the economy parking lot.

The existing Airport Economy Parking Lot 1 provides public long-term parking (approximately 1,673 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 regular basis, averaging 87% capacity. More concerning is that the lot reached 100% capacity 25 times over a 6-month period (July 2018 to December 2018) and was at 100% capacity for half of both June and July of 2019. 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 due to interim terminal expansion project currently underway, Airport staff 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 this Project would be a component phase.

BACKGROUND

At the March 26, 2019 City Council meeting, the Council adopted Resolution No. 79021, making findings that Design Build delivery method 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 for the Project at

the Norman Y. Mineta San José International Airport. In addition, the Council approved the RFP for the Project.

However, at the same meeting the Airport staff was asked to confirm the need for a garage and was asked to investigate alternatives. Staff evaluated several alternatives including a smaller Economy Lot Parking Garage of 600 spaces, acquiring a different property providing 1200 spaces, paving a parking lot at Guadalupe Gardens for 1500 spaces, moving Airport employee parking to the Orange Lot (NW Lot) with a busing operation, and constructing a seven story parking structure in Lot 3 with 2,000 spaces (across from Terminal B). The analysis resulted in all options having a larger base cost investment and/or longer return on investment and/or revenue loss.

Staff was also asked about the need for parking by the City Council citing some reports of fewer parking transactions. Staff evaluated those comments which resulted in the following analysis:

- In March 2018 Lot 3 was at 100% capacity at some point for 25 days out of the month, Lot 5 was at 100% capacity 26 days of the month, and Lot 6 was at 100% capacity 15 days out of the month.
- The Economy Lot was on average 87% full and was over 95% full for 6 days in March 2018. In the peak month of June 2018, this lot was on average 98% full. From April to October in 2018, the economy lot was over 90% of capacity for each month on average during this entire period.
- More recent preliminary data show that in the summer of 2019, the economy lot was at 100% capacity for 15 days in June, 15 days in July, and 13 days in August.
- In FY 18-19, parking revenue increased 4 percent year-over-year while enplanements grew 11 percent year-over-year. Exit transactions have decreased due to available public spaces. The construction of the Interim Facility Project subtracted 600 parking spaces or 17 percent of total spaces. The reduced availability of parking spaces resulted in frequent parking lot closures as a result of being full.

Based on the intensive analysis performed, Staff recommends proceeding with the construction of the Project with 900 net new spaces with the option to add up to 300 additional net new spaces for a total of 1,200 additional net new spaces.

The RFP was advertised on June 6, 2019 with a submittal deadline of July 26, 2019. The RFP included the selection procedures to be utilized and 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 the submittal. The City received four (4) submittals in response to the RFP. A Technical Evaluation Panel (TEP) comprised of City staff and industry partners evaluated the written submittals and conducted interviews with the most qualified Design-Build Entities.

Sealed cost proposals from each Design-Build Entity were evaluated by the City, after the written proposals and interviews, to establish the best value for this project. Consideration was given to

general conditions, design fees, project/construction management, construction acceleration concepts, stakeholder engagement methods, and profit and overhead. The selection process resulted in the selecting Hensel-Phelps Construction Company as the highest qualified Design Build Entity.

ANALYSIS

A. Airport Master Plan

While the City of San José's current Airport Master Plan allows for a multi-story garage at this location accommodating up to 9,000 vehicle parking spaces to serve long range demand (to be reduced to a maximum of 6,000 spaces under a currently-proposed amendment to the Airport Master Plan), this Project is contemplated as only a phased component of a potentially larger garage, and intended to improve accommodation of current and near-term demand. There has been a reduction of parking south of Terminal B due to the Interim Facility project currently under construction. To minimize the impact on use of the current lot during construction, the project would be required to maintain at least 900 of the approximately 1,673 existing spaces, and associated shuttle bus operations, at all times. The project would include sustainability features such as electric vehicle charging stations and install conduit and be ready for the installation of photovoltaic solar panels

B. Design-Build Delivery Method

On March 26, 2019, the Council adopted Resolution No. 79021 approving the use of the design-build project delivery method for the Project pursuant to Section 1217 of the City's Charter and Chapter 14.07 of the San José Municipal Code.

The design-build project delivery method allows for a greater collaboration between the designer and the contractor. 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. To offer the Contractor extra incentive to minimize the cost of the work. Some GMP contracts set up a sharing of any savings.

An analysis study completed by Leland Saylor Associates in March 2018 found that design-build delivery method provides a 6.1% lower cost compared to the traditional design-bid-build method. In addition, design-build construction speed is 12% faster than design-bid-build methodology with an overall delivery speed of 33.5% faster than design-bid-build. There is also 5.2% less of a chance of cost growth potential for design-build over the entire construction period when compared to the design-bid-build.

C. RFP Evaluation and Ranking

On July 26, 2019, the City received four proposals for the Project. Proposals were received from the following D-B entities:

Proposer
McCarthy Building Companies, Inc.
Swinerton Builders
Hensel Phelps Construction Company
Overaa Construction

The evaluation elements for this RFP were as follows:

Step 1

Submittals that met the RFP minimum qualifications as determined by Public Works Procurement Team were forwarded to the Technical Evaluation Panel (TEP) comprised of five voting members representing diverse backgrounds and experience relevant to the Project.

The TEP reviewed and ranked the proposals independently as described in Step 2 below.

Step 2

Using the evaluation criteria defined in the RFP, each member of the TEP independently evaluated each submittal and scored the submittals according to the following:

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

The results of the Technical Evaluation are reflected in the table below:

D-B Entity Name	Score
Hensel Phelps Construction Company	466.40
Overaa Construction	457.20
Swinerton Builders	454.80
McCarthy Building Companies, Inc	453.00

Step 3

Following the evaluation, the City conducted oral interviews with all the four D-B Entities from Step 2.

The results of the oral interviews are reflected in the table below:

D-B Entity Name	Score
Hensel Phelps Construction Company	484.40
Overaa Construction	477.00
Swinerton Builders	400.00
McCarthy Building Companies, Inc	384.00

Step 4

The price proposals were evaluated by the Public Works Procurement Team based on the predetermined RFP criteria.

The results of the Price Proposal are reflected in the following table:

D-B Entity Name	Proposal	Score
Swinerton Builders	\$28,436,079	300.00
Overaa Construction	\$30,000,000	284.36
Hensel Phelps Construction Company	\$30,100,000	283.42
McCarthy Building Companies, Inc.	\$32,400,000	263.30

Final Ranking

The scores for the Technical Evaluation (Step 2), the Interviews (Step 3), and the Price Proposal (Step 4) were added together to determine the Final Ranking List. The Final Ranking results are reflected in the following table:

D-B Entity Name	Technical Evaluation (525)	Interviews (525)	Price Proposal (300)	LBE (75)	SBE (75)	Total Points (1500)
Hensel Phelps Construction Company	466.40	484.40	283.42	75	0	1309.22
Overaa Construction	457.20	477.00	284.36	75	0	1293.56
Swinerton Builders	454.80	400.00	300.00	75	0	1229.80
McCarthy Building Companies, Inc.	453.00	384.00	263.3	75	0	1175.30

Upon Council approval of the Recommendation, the Director of Public Works will enter contract negotiations with Hensel Phelps Construction Company with consideration given to general conditions, design fees, project/construction management, construction acceleration concepts, stakeholder engagement methods, and profit and overhead.

For reference, the local business enterprise firms in Hensel Phelps Construction Co. include themselves and the following subcontractors: Critchfield Mechanical, S.J. Building Maintenance. Hensel Phelps Construction Company has indicated in their proposal that they will actively solicit participation from additional LBEs and SBEs during the bidding phase of the project.

In the event the Director of Public Works determines that the City and Hensel Phelps Construction Company 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 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.

D. 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.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the October 22, 2019, City Council agenda. The RFP was posted on the Airport's website and on the website Biddingo.com/sanjose.

DBE/LBE/SBE OUTREACH

Although this Project does not include federal funds that would make it subject to the City's DBE Program for federally funded Airport capital projects, City staff did extensive outreach to encourage DBE participation. Outreach efforts included:

- Identification of 914-certified DBEs;
- Email blast sent to 914-certified DBEs including project scope and subcontracting opportunities (NAICS Codes and CalTrans Work Codes);
- Posted contracting opportunity on Biddingo, SJC website, FAA Opportunities, Airport Minority Advisory Council (AMAC), NATA, ACI-NA and the Minority Business Development Agency;
- Email blast and phone calls to 85 entities on the Airport's "interested party" list which includes local and small businesses.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

This item was discussed at the August 12, 2019 Airport Commission meeting.

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 Economy Lot Parking Garage 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).

COST SUMMARY/IMPLICATIONS

AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery	\$4,963,610
Construction	30,100,000
Contract Contingency	3,010,000
FF&E	0
Contingency (Owner-controlled)	4,554,390
TOTAL PROJECT COST	\$42,628,000
Prior Years’ Expenditures/Encumbrances	(\$0)

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 fund and appropriation for design, construction, project delivery and contingency costs for the project, and is included in the 2019-2020 Adopted Capital Budget.

Fund #	Appn #	Appn. Name	Total Appn.	Amt. For Contract	2019-2020 Adopted Capital Budget Page*	Last Budget Action (Date, Ord. No.)
Current Funding Available						
527	413P	Economy Lot 1 Parking Garage	\$42,628,000	\$30,100,000	V-458	6/18/2019, 30286
Total Current Funding Available			\$42,628,000			

*The 2019-2020 Adopted Operating Budget was adopted by the City Council on June 18, 2019.

HONORABLE MAYOR AND CITY COUNCIL

Subject: 9080 – Mineta San José International Airport Economy Lot Parking Garage

September 30, 2019

Page 10

CEQA

Determination of Consistency with the Final Environmental Impact Report for the San José International Airport (Resolution Nos. 67380 and 71451) and Addenda thereto, 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.