

**CITY COUNCIL AGENDA ITEM**  
CITY OF SHORELINE, WASHINGTON

**AGENDA TITLE:** Proposed City Hall Delivery Method, Project and Schedule  
**DEPARTMENT:** City Manager's Office  
**PRESENTED BY:** Jesus Sanchez, Operations Manager

**PROBLEM/ISSUE STATEMENT:**

The City of Shoreline has entered into a sales and purchase agreement with Echo Lake Associates to purchase several acres at the Echo Lake site, which is proposed to be the future site of the new City Hall. This purchase will allow the City to design and construct a City Hall that will locate all of the city's departments under one roof and centralize its services.

Back on January 21, 2002, staff presented to Council several delivery methods that could be used to construct the City Hall. Under State RCW 39 and RCW 35.42.220, only two of the most common project delivery systems used on public works projects are available to the City of Shoreline. These are the traditional design/bid/build and the developer/ lease-to-own systems.

This report discusses these two project delivery methods. It will

- Identify the delivery process advantages and disadvantages of each option
- Rate and compare the delivery method attributes using an assessment tool
- Recommend which delivery method would be best considered for the new City Hall

**FINANCIAL IMPACT:**

Purchase price for approximately 204,000 sq. ft. at the Echo Lake site is \$4.7 million dollars with the total budget set at \$21.1 million dollars. \$11.4 million will be paid for out of the City's funds set aside for this specific project. Additionally, the City intends to borrow approximately \$10 million by selling municipal bonds for the remainder. It is important to note that this will not raise taxes as the bonds will be paid from the funds currently used to pay for our building lease payments. One of the primary advantages to utilizing the Lease-to-Own/Design Build method is the potential for substantial cost savings over the more traditional method. While savings are not guaranteed, the experience in Washington State with public projects has been positive from a financial perspective.

**RECOMMENDATION**

Staff recommends that Council authorize the Lease-to-Own/Design-Build delivery method for the construction of the City Hall Project.

Approved By: City Manager LEP City Attorney M/A

## **INTRODUCTION**

This report presents an analysis of two project delivery systems available to the City of Shoreline in accordance with RCW 39 and RCW 35.42.220 for the construction of the proposed City Hall. The analysis focuses on a comparison of the traditional design/bid/build method and the developer/lease-to-own method using the design/build structure. Each system has its distinct qualities and benefits.

The traditional design/bid/build approach has been the common system used on public projects. The developer/ lease-to-own, successfully used in the private sector, is one of several alternatives that have been introduced for use on public sector projects and is being used with increased frequency.

## **BACKGROUND**

The City of Shoreline has entered into a sales and purchase agreement with Echo Lake Associates to purchase several acres at the Echo Lake site, which is proposed to be the future site of the new City Hall. This purchase will allow the City to design and construct a City Hall that will locate all of the city's departments under one roof and centralize its services.

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## DISCUSSION

The two project delivery systems that are available to the City of Shoreline for the construction of the proposed City Hall are the following:

### Design/Bid/Build

The Design/Bid/Build method has historically been used on public works projects and is utilized by most public entities in Washington State under RCW 39. The regulations and procedures that apply to the contracting, design and construction phases are well developed. The owner engages a design team who in turn develops drawings and specification for the facility. Once completed, the design package is bid and the lowest responsible bidder is awarded a contract for the construction. The owner uses in-house staff and the architect or engages the services of a professional construction manager to manage the process.

### Design/Bid/Build

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Most public projects have been design/bid/build over the last several decades.</li> </ul>	<ul style="list-style-type: none"> <li>• The project cannot be bid until after the project is completely designed.</li> </ul>
<ul style="list-style-type: none"> <li>• The process is universally understood.</li> </ul>	<ul style="list-style-type: none"> <li>• If the bids come in over the budget, more time and money must be spent in redesign and re-bidding.</li> </ul>
<ul style="list-style-type: none"> <li>• Roles of the owner, architect and contractor are clear.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial responsibility for errors or omissions are frequently the subject of dispute between owner, architect, builder, and subcontractors</li> </ul>
<ul style="list-style-type: none"> <li>• The owner has well defined requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Lowest bidder is usually awarded the project in this lump sum, "hard bid" method and contractors will look to errors and omissions in the design documents as a basis to later claim additional money.</li> </ul>
<ul style="list-style-type: none"> <li>• It is considered a prudent approach to project delivery.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>The final cost of the project is not known until after the project has been completed and all claims settled.</b></li> </ul>
	<ul style="list-style-type: none"> <li>• The City may be required to select a poorly qualified contractor or key subcontractors</li> </ul>

**Developer/Lease-To-Own (LTO)**

The developer/lease-to-own approach is available to public entities through RCW 35.42.220. This is a method of project delivery whereby the responsibility and risk for design, construction and the development process including project financing are held by the developer entity. The entity can be one firm that includes in-house real estate development, design and construction capabilities, or it can be three firms that have combined resources to deliver these services.

The City would issue a Request for Qualifications (RFQ) and/or a Request for Proposals (RFP) outlining their requirements and acceptable terms for the City Hall project. In response to the request, the developer would propose how they will fulfill the City's needs, cost and the financing structure. At the end of the process the City buys out the lease and owns the project. **The developer entity assumes overall development, financing responsibility and risk.**

This approach has been in use since the mid-1960s and is a well developed financing structure. It is being used or is contemplated for numerous projects in Washington State including the King County King Street Center, Pierce County Road Improvements, Issaquah Utility Corridor, Auburn Utilities Project, King Street Station, Harborview 401 Broadway Building, the Redmond City Hall, the Tacoma Narrows Bridge and four University of Washington projects ( See A-1 copy of news article DBOM).

**Developer/Lease-To Own (LTO)**

**Advantages**

**Disadvantages**

<ul style="list-style-type: none"> <li>• The process is greatly simplified as there is one point of responsibility for design and construction of the project.</li> </ul>	<ul style="list-style-type: none"> <li>• Design/Build is not a fail safe system, does not guarantee a less expensive project nor a faster delivery schedule</li> </ul>
<ul style="list-style-type: none"> <li>• The architect works under or in partnership with the contractor which eliminates claims for additional cost due to design errors.</li> </ul>	<ul style="list-style-type: none"> <li>• The Owner's level of control is minimized in determining the design features, layout and building architecture as compared with a traditionally designed and bid facility.</li> </ul>
<ul style="list-style-type: none"> <li>• Owners are able to competitively select the best "package deal" for project location, design and construction with one entity, the developer.</li> </ul>	<ul style="list-style-type: none"> <li>• Lacks wide spread familiarity and acceptance by the public sector.</li> </ul>
<ul style="list-style-type: none"> <li>• The design/build developer guarantees a maximum construction cost early in the process and is responsible for any cost overruns.</li> </ul>	
<ul style="list-style-type: none"> <li>• The developer may select the delivery approach that best suits the project without having to hard bid to the lowest</li> </ul>	

contractor or subcontractor.	
<ul style="list-style-type: none"> <li>The owner may retain control over the project design through the preparation of design development “performance-based” documents and favorably structuring the design/build agreement.</li> </ul>	
<ul style="list-style-type: none"> <li>The developer has incentive to consider life-cycle cost factors and to exceed minimal quality standards, i.e., durable materials, energy efficient equipment and low maintenance systems, when they will retain maintenance responsibility for the project until the lease is retired.</li> </ul>	
<ul style="list-style-type: none"> <li>The design build process and integration of the project team enhances communication and expedites the delivery process.</li> </ul>	

In evaluating whether the City of Shoreline is a good candidate for design/bid/build or LTO/design-build, significant, identified delivery factors were considered and summarized in the matrix. (A-2 Project Delivery Method Assessment Matrix)

The scoring of the assessment matrix resulted in the LTO/design-build earning a higher score. The lease-to-own/design-build delivery method financing offers the City of Shoreline several distinct advantages over the traditional design/bid/build delivery method. **These advantages are potential cost reductions, increased delivery speed, reduced risk and positive control over project outcome.** A comparison between the project delivery process is outlined in the attached flow chart. (A-3).

Perhaps the greatest attraction to using Design Build Development (DBD) is the transfer of project risk to those in the best position to manage that risk. The primary benefits to the DBD process include:

- There is one point of responsibility for design, construction and development financing of the project.
- The architect and contractor work under or in partnership with the developer which eliminates claims for additional cost due to design and construction errors.
- Owners are able to competitively select the best “package deal” for project design, construction and financing with one entity, the developer.
- The DBD guarantees a maximum construction cost and financing terms early in the process and is responsible for any cost overruns.

- The developer may select the delivery approach that best suits the project without having to hard bid to the lowest contractor or subcontractor.
- The owner may retain control over the project design through the preparation of design development “performance-based” documents and favorable structuring the DBD agreement.
- The design build process and integration of the project team enhances communication and expedites the delivery process.

Hugh Spitzer, our bond attorney with Foster Pepper and an expert in the field, has offered the opinion that the City can utilize the DBD delivery method and lease-to-own procurement under RCW 35.42.

### **NEXT STEPS**

Staff is recommending that Council provide direction on this issue so that we may commence developing a Request for Qualifications for potential design/build firms. This form of project delivery can be used for any site selected.

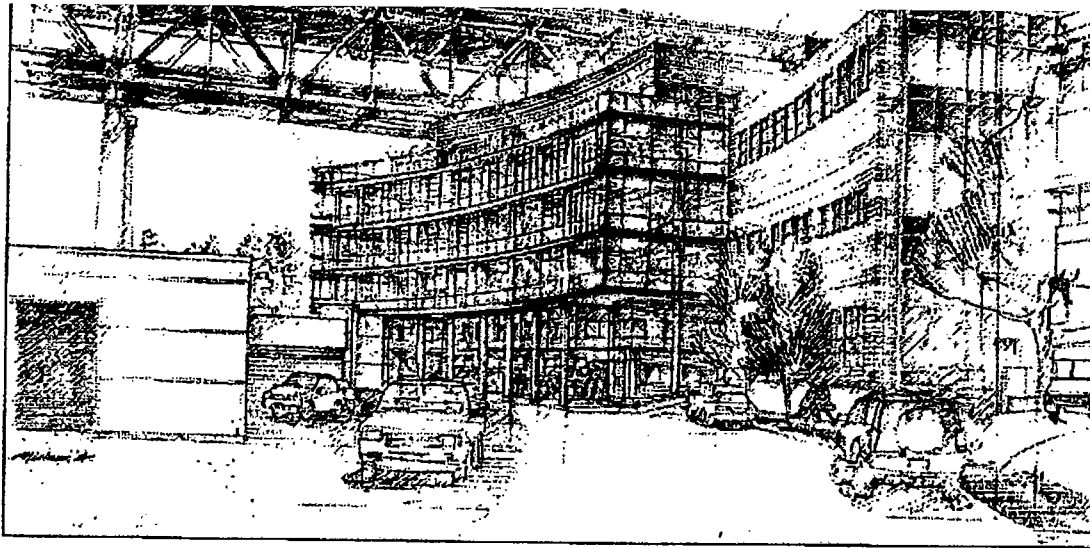
- City space & budget review      February 22, 2005
- City Feasibility Assessment      February 28, 2005
- Approval of the Feasibility      March 7, 2005

### **RECOMMENDATION**

Staff recommends that Council authorize the Lease-to-Own/Design-Build delivery method for the construction of the City Hall Project.

### **ATTACHMENTS**

- A-1 News Article DBOM
- A-2 Project Delivery Method Assessment Matrix
- A-3 Project Delivery Flow Chart



## UW breaks new ground with DBOM approach

Groundbreaking is set for today on a new laboratory for the University of Washington that is being constructed under a design, build, operate and maintain — or DBOM — contract.

The Research and Technology Building is a departure for the UW in the way new buildings are built and operated.

Richard Robison, principal architect with Collins Woerman Architects said the UW is trying the DBOM approach to speed up the process and reduce the cost of adding new space.

Robison said it normally takes the UW five years to produce a new building after a need is identified. The UW also wanted to reduce the cost by 20 percent and Robison said he thinks the savings on this project will be almost double that.

"I think they are going to find out this is way they ought to do a lot of their buildings," Robison said.

It is the first public academic laboratory in the state to be bid as a DBOM project.

The \$31.5 million total project cost will include building out space for research laboratories for nanotechnology, photonics, biometrics, neurology and other disciplines.

Tenants will be researchers in those areas who either have fully funded work or who are working on something the UW feels is critical to its mission, Robison said.

The building will be on Northeast Northlake Place, between Pasadena and Sixth, southwest of the campus.

The seven-level structure will have a brick masonry north facade and a glass curtain wall on the south side to take advantage of views of Portage Bay. The Burke-Gilman trail passes 45 feet to the north of the new building and the design is intended to protect and enhance the trail.

The initial phase of construction includes the shell and core. There will be 95,000 square feet of leasable research space.

Tenants will be identified during construction so their spaces can be completed along with core and shell work.

The UW will own the building.

The DBOM contractor is M.A. Mortenson Co. with Collins Woerman as design partner. Johnson Controls is the building operations partner. Other team members are Chernoff Thompson Architects, McKinstry, Sasco, DCI Engineers, KPFF and Fredericks Landscape.





## CITY OF SHORELINE CITY HALL PROJECT

### Analysis of Project Delivery Methods

#### EXHIBIT A

### Project Delivery Method Assessment Matrix

Delivery Method Attributes	Design/Bid/Build	LTO/Design-Build
Project Cost	2	3
Cost Growth	1	3
Schedule Delivery Speed	2	3
Schedule Growth	2	3
Quality	2	2
Overall risk	1	3
Reasonable allocation of risk	2	2
Owner's ability to make decisions	2	2
Design - adequate scope definition	3	2
Change likelihood	1	3
Project program and design control	3	2
Budget - early knowledge of final cost	1	3
Owner resources	3	3
Qualified A/E design pool	3	3
Qualified contractor pool	3	3
Prequalification of bidders	1	3
Legal requirements & policies	2	2
Potential of owner initiated change orders	2	2
Project complexity	2	2
Delivery process widely accepted and understood	3	1
Integration level of owner, architect and contractor	1	3
Team relationships and communications	2	3
Comfort factor for owner team	3	1
<b>Total Score (69 total possible)</b>	<b>47</b>	<b>56</b>
<b>Average Overall Score</b>	<b>2.04</b>	<b>2.43</b>
<b>Percentage</b>	<b>68%</b>	<b>81%</b>

Rating Scale:

3 = Best

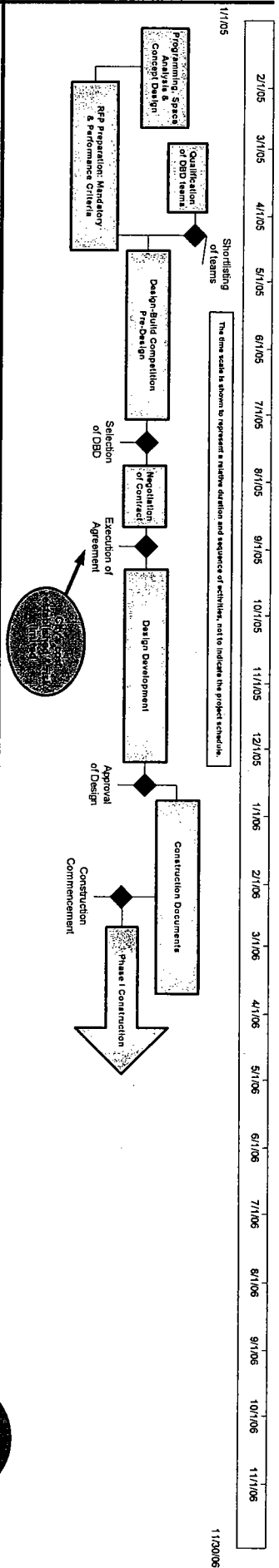
2 = Average

1 = Acceptable

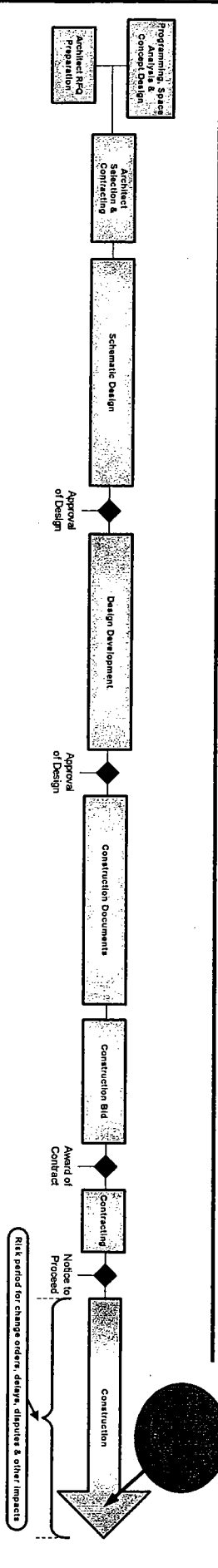
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# Attachment A-3: Project Delivery Flow Chart

Design Build Develop



Design Bid Build



## Shoreline City Hall Project Delivery

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