

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussing the Shoreline Aquatics, Recreation and Community Center Project – Alternative Delivery Method		
DEPARTMENT:	Public Works		
PRESENTED BY:	Randy Witt, Public Works Director		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

Staff are preparing to move forward on the Shoreline Aquatics, Recreation and Community Center (ShARCC) project should Proposition 1 be passed by voters in November in order to meet the Parks Recreation and Open Space Plan objective of having a new facility open in 2022. In preparation, staff are considering an alternative project delivery method to the traditional “design-bid-build” model used on most city capital projects in order meet the planned opening date and hold costs within the budget. Staff issued a Request for Proposal (RFP) from consulting firms experienced in alternative project delivery methods to assist the City in evaluating and using the selected method. Parametrix has been selected as the most qualified consultant for this work. While staff emphasis is on the development of the ShARCC staff is also considering the feasibility of an alternative project delivery method for the park improvement projects also included in Proposition 1.

This staff report provides information on the direction staff is moving on selecting an alternative project delivery method and the consultant assistance to support the project.

RESOURCE/FINANCIAL IMPACT:

If Proposition 1 is passed by the voters, the City would be authorized to issue bonds in the principal amount of up to \$85.7 million for constructing the ShARCC project with the estimated construction and related costs set at \$61.8 million, including an allowance for project management costs. Park improvement costs are set at \$17.9 million. No change in financial resources is anticipated at this time.

RECOMMENDATION

No action is required tonight. Staff are seeking feedback on methods for contracting for this work. If the Proposition 1 vote is successful, staff will return to Council on November 18, 2019 with a request to authorize the City Manager to execute a professional services agreement with Parametrix.

Approved By: City Manager **DT** City Attorney **MK**

INTRODUCTION

Staff are preparing to move forward on the Shoreline Aquatics, Recreation and Community Center (ShARCC) project should Proposition 1 be passed by voters in November in order to meet the Parks Recreation and Open Space Plan objective of having a new facility open in 2022. In this preparation, staff are considering an alternative project delivery method to the traditional “design-bid-build” model used on most city capital projects in order to meet the planned opening date and hold costs within the budget. In addition, staff have selected a consult to assist in using an alternative project delivery method.

BACKGROUND

On July 29, 2019, the City Council adopted Ordinance No. 866 authorizing placement of a Ballot Measure (Proposition 1) on the 2019 General Election Ballot to Authorize a Property Tax Bond Measure for an Aquatics, Recreation and Community Center and Priority Parks Improvements. The Staff Report on this action can be found here: <http://cosweb.ci.shoreline.wa.us/uploads/attachments/cck/council/Agendas/Agendas2019/072919.htm>. The City’s project webpage for Proposition 1 can be found here: www.shorelinewa.gov/prop1.

Staff have been conducting preliminary work in preparation for moving the ShARCC project forward should Proposition 1 be passed by voters in November. In reviewing project delivery methodologies, it became apparent that the traditional design-bid-build approach would likely not have the ShARCC in operation in a timely fashion nor provide the City with the best ability to control costs. Staff are also looking into whether an alternative method for contracting for the park improvement projects would provide better cost and schedule controls.

Staff reviewed Chapter 39.10 RCW – Alternative Public Works Contracting Procedures, which provides for alternative project delivery methodologies and authorizes the State Capital Projects Advisory Review Board (CPARB) and its Project Review Committee (PRC) to certify the use of the design-build (DB) or general contractor/construction manager (GC/CM) contracting procedures for public bodies, including cities. A public body not “certified” to use these procedures may apply to use one of them for a particular project subject to PRC approval. Although Shoreline City Hall was constructed using the DB method with a 63-20 financing structure, the City is not certified to use these procedures and will need to apply to the CPARB – PRC to use one of them for the ShARCC.

Below is a brief discussion of DB and GC/CM to provide background on alternative project delivery methods staff are considering. Attachment A to this staff report provides a graphic showing the owner - contractor organization and a high-level pro/con of a few different alternative project delivery methods.

Design Build (DB) Method

Design build is a method of project delivery in which City would execute a single contract with the DB entity – a team that performs both the design and construction of the project. The DB entity holds single-source responsibility and contractual risk for

every aspect of the design and construction of the project, from estimation, assessments and pre-construction to architecture, schematics, engineering, subcontracting, construction and post-construction. This entity, the DB, manages all contracts with companies, such as subcontractors, equipment vendors and materials providers.

The City would manage one contract with a single point of responsibility. The designer and contractor who partner to propose on the project presumably have an affinity for working together, as they must form a unified, integrated team at the onset of the project. The team can provide unified project recommendations taking both design and construction expertise into account to fit the City's schedule and budget. A single contract for both design and construction transfers most of the responsibility for the completeness, accuracy and integration of the design and construction processes to the DB entity; the City would not be the fulcrum of any gap between designer and the builder. While single-source contracting is the fundamental difference between DB and other project delivery methods, equally important is the culture of trust, collaboration and innovation on the DB team as well as the City.

In the DB process the City would develop a RFQ for DB teams to propose on the ShARCC, select and contract with the most qualified team. The initial design work would move the existing preliminary designs to about the 50 percent design point. As the DB is working as the designer and constructor, constructability, schedule and cost estimating should be reliable. At about 50 percent design completion, the City and the DB negotiate a 'guaranteed maximum price' for the construction of the project based on the defined scope and schedule.

The benefits of DB generally include faster delivery, reduced cost, better quality, singular responsibility, decreased administrative burden, reduced risk, and less claims and litigation.

Requirements to Use DB

Relevant criteria in Chapter 39.10 RCW for the City to utilize the DB procedure for public works projects include a project with a total project cost over two million dollars and where the construction activities are highly specialized and a design-build approach is critical in developing the construction methodology; or the projects selected provide opportunity for greater innovation or efficiencies between the designer and the builder; or significant savings in project delivery time would be realized. The City must also have a team in place that can show expertise and project management capability to deliver a project using the DB methodology. The "City team" would consist of City staff and the alternative project delivery method consultant; Parametrix. The consultant feels that the ShARCC with the proposed City team is likely to qualify to use this method.

General Contractor/Construction Manager (GC/CM) Method

The GC/CM project delivery method allows the city to hire a designer then engage a construction manager during the design process to provide constructability input during the design phase before the start of construction.

The Construction Manager is generally selected based on qualifications, experience or a best-value basis. During the design phase, the construction manager provides input

regarding scheduling, pricing, phasing, risks and other input that helps the designer design a more constructible project. At approximately an average of 60% to 90% design completion, the owner and the construction manager negotiate a 'guaranteed maximum price' for the construction of the project based on the defined scope and schedule. If this price is acceptable to both parties, they execute a contract for construction services, and the construction manager becomes the general contractor and construction begins. The City manages the separate designer and GC/CM contracts.

Advantages to using the GC/CM process include that the contractor acts as the consultant in the design process and can offer new innovations, best practices and reduced costs and schedule risks. This process would allow the City to employ new innovations, assist in the design process, and make informed decisions regarding cost and schedule. It would also help the City better understand risks and explore mitigation options with feedback provided by the contractor. It has a higher administrative burden.

Requirements to Use GC/CM

Criteria in Chapter 39.10 RCW for the City to utilize the GC/CM procedure for public works projects where at least one of the following is met:

1. Implementation of the project involves complex scheduling, phasing, or coordination;
2. The project involves construction at an occupied facility which must continue to operate during construction;
3. The involvement of the general contractor/construction manager during the design stage is critical to the success of the project;
4. The project encompasses a complex or technical work environment;
5. The project requires specialized work on a building that has historic significance;
or
6. The project is, and the public body elects to procure the project as, a heavy civil construction project. However, no provision of this chapter pertaining to a heavy civil construction project applies unless the public body expressly elects to procure the project as a heavy civil construction project.

The City must have a team in place that can show expertise and project management capability to deliver a project using the GC/CM methodology. The "City team" would consist of City staff and the alternative project delivery method consultant; Parametrix. The consultant feels that the ShARCC with the proposed City team is likely to qualify to use this method.

DISCUSSION

Staff recommend using an alternative project delivery method to the traditional "design-bid-build" model to meet the planned opening date and hold costs within the budget. The ShARCC is a large and complex project with a fairly aggressive schedule. In addition, use of alternative project delivery method is not an activity that staff are experienced in, and that lack of experience would likely not meet the experience requirements of CPARP – PRC to allow the City to proceed alone on an alternative project delivery method project. These factors warrant the use of a consultant for assistance on delivery of the ShARCC and potentially the park improvement projects.

Consultant Assistance

The City conducted an RFP, including Statement of Qualifications (SOQs) and heavily weighting experience, to engage a consultant experienced in alternative project delivery methods to assist the City in evaluating and using the selected method and providing project management support from start to finish. The City sought a consultant who has the capability to evaluate alternative contracting methodologies, develop project staffing plans, develop and defend an application for the appropriate alternative methodology to the CPARB – PRC as part of the City’s proposal team. The consultant would also continue to provide project management support for the design, environmental and permitting, and construction phases of the project. Through evaluation of the SOQs and interviews of the best qualified firms, the City has selected Parametrix as the most qualified firm to assist with the ShARCC project.

The contract with Parametrix, which is currently being negotiated and is scheduled to be presented to the City Council on November 18, 2019 if Proposition 1 passes, is expected to have three phases. The first phase would involve a workshop to select the alternative delivery method (DB or GC/CM), development of the application for the alternative delivery method followed by presentation to the CPARB-PRC, and development of a charter to define the City’s and Parametrix’s roles and responsibilities. In this phase, Parametrix will also assist with the project team procurement, either through a DB or GC/CM methodology. The next phases would involve assistance in design and pre-construction, followed by a phase for construction assistance.

If Council authorizes the contract with Parametrix following the election, the immediate next steps would be to have the application for the alternative delivery method submitted to the CPARB-PRC by December 20th so they could consider the application at their January 2020 meeting. Upon receipt of CPARB-PRC approval, the City and Parametrix would immediately start procurement of the DB or GC/CM project team.

63-20 Financing Structure

There have been questions on whether 63-20 financing could apply to the ShARCC. Shoreline City Hall was built using a DB procedure with a 63-20 financing structure. The City chose not to issue bonds prior to the construction of City Hall and used an alternative method of obtaining tax-exempt financing pursuant to Revenue Ruling 63-20 - commonly referred to as “63-20” financing. Although this is the case, when City Hall was complete, and the City was ready to accept the project the City, immediately refinanced the lease that would have occurred through 63-20 financing and issued councilmanic bonds to pay the developer for the building. The City issued 30-year bonds that are being repaid from a combination of General Fund and Real Estate Excise Tax revenues. The bonds will be paid off in 2039.

In a 63-20 financing, a nonprofit corporation created under the nonprofit corporation laws of a state may issue tax-exempt obligations on behalf of a state or political subdivision for the purpose of financing governmental facilities as long as certain requirements are met. The nonprofit corporation must transfer title to the financed facility to a governmental entity when the debt is retired. This financing tool helps to allocate construction risks, but generally at a higher cost. Given the favorable market and the risk allocation provided by both DB and GC/CM at lower costs and that the

ShARCC would be financed by a voted bond measure staff does not believe that 63-20 provides any additional benefit to the City at this time.

City Project Staffing

While staffing to support this work has not been included the City's current work plan and budget, it is included in the Proposition 1 funding for the ShARCC and priority park improvements. The staffing level needed for these projects will depend on whether DB or GC/CM is utilized. Both will require significant staff time in the design phase until the guaranteed maximum price is agreed upon. After that, the DB method will require notably less staff time, whereas the GC/CM will continue to require significant effort. This difference is driven by the contract structure and the City input required. Staff will return to City Council in early 2020, after the CPARB-PRC decision on allowing the City to use either the DB or GC/CM method is achieved, with a recommendation for staffing this work, likely requiring authorization for additional limited term position(s).

STAKEHOLDER OUTREACH

During 2016, the City conducted an extensive public process to update the PROS Plan. The results of the public involvement process can be found on the PROS Plan webpage at: www.shorelinewa.gov/prosmeetings. After the approval of the PROS Plan in 2017, the City undertook the development of concept designs for the ShARCC and priority park improvements. The concept designs include stakeholder input received in early 2019 calling for spec to better provide senior programs and to better serve competitive swim teams. The results of those processes informed the City Council decision to put Proposition 1 before the voters. More details about the process and designs for the ShARCC and park improvement is available at the City's project webpage: www.shorelinewa.gov/prop1.

The public process to date has provided the basis for identifying what amenities the community is looking for in the ShARCC and parks improvements, the location, construction costs and concept level layouts. Additional outreach to key stakeholders will be necessary to move the concept level designs to schematic level designs in preparation for the final designs and construction. The scope and process for this additional input would be considered as part of the selection of the delivery method.

COUNCIL GOAL(S) ADDRESSED

This item addresses 2019-2021 City Council Goals and Workplan Council Goal 2, Continue to deliver highly-valued public services through management of the City's infrastructure and stewardship of the natural environment and Action Step 2: Implement the Parks, Recreation, and Open Spaces Plan, including development of a strategy for a new community and aquatic center

RESOURCE/FINANCIAL IMPACT

If the vote is successful, the City would be authorized to issue bonds in the principal amount of up to \$85.7 million for constructing the Shoreline Aquatics, Recreation and Community Center project with the estimated construction and related costs for the center set at \$61.8 million, and for priority park improvements of \$17.9 million, including

an allowance for project management costs. No change in financial resources is anticipated at this time.

RECOMMENDATION

No action is required tonight. Staff are seeking feedback on the approach to this work and resources required. If Proposition 1 passes, staff will return to Council on November 18, 2019 with a request to authorize the City Manager to execute a professional services agreement with Parametrix. Staff will return to Council in early 2020 with a staffing plan for the project.

ATTACHMENTS

Attachment A: Alternative Project Delivery Method - Organization and Pro/Con Diagram

DESIGN-BID-BUILD

Structure

```

    graph TD
      Owner[Owner] --- A/E[A/E]
      Owner --- GC[General Contractor]
      GC --- S1[Subs/Suppliers]
      GC --- S2[Subs/Suppliers]
      GC --- S3[Subs/Suppliers]
      GC --- S4[Subs/Suppliers]
      GC --- S5[Subs/Suppliers]
      GC --- S6[Subs/Suppliers]
    
```

Schedule

```

    graph LR
      A[Public Low Bid Selection Process] --> B[Build]
    
```

- Assumes design is complete, correct and coordinated
- Required to select lowest responsive bid
- Adversarial
- Not flexible
- Not transparent

** Owner holds two contracts and warrants design to the GC*

Pros/Cons - Owner/Agency

	Less	More
Time		
Cost		
Risk		
Flexibility		

- Not suited for complex projects with sensitivity to change and schedule
- Linear process = longer schedule

GC/CM

Structure

```

    graph TD
      Owner[Owner] --- A/E[A/E]
      Owner --- GC[General Contractor]
      GC --- S1[Subs/Suppliers]
      GC --- S2[Subs/Suppliers]
      GC --- S3[Subs/Suppliers]
      GC --- S4[Subs/Suppliers]
      GC --- S5[Subs/Suppliers]
      GC --- S6[Subs/Suppliers]
    
```

Schedule

```

    graph LR
      A[Quals Based Selection] --> B[Negotiate GMP at 90% Design]
      B --> C[Build]
    
```

- RFP
- Interview
- RFPF
- Contract prior to start of design development
- Not before 90%
- Can be at 100%
- Collaborative
- Flexible
- Partnership
- Transparent

** Owner holds two contracts and warrants design to the GC*

Pros/Cons - Owner/Agency

	Less	More
Time		
Cost		
Risk		
Flexibility		

- Not suited for smaller projects
- Cost unknown until 90% design

TRADITIONAL DESIGN-BUILD

Structure

```

    graph TD
      Owner[Owner] --- DBC[D/B Contractor]
      DBC --- A/E[A/E]
      DBC --- S1[Subs/Suppliers]
      DBC --- S2[Subs/Suppliers]
      DBC --- S3[Subs/Suppliers]
      DBC --- S4[Subs/Suppliers]
      DBC --- S5[Subs/Suppliers]
      DBC --- S6[Subs/Suppliers]
    
```

Schedule

```

    graph LR
      A[Quals, Design and Pricing Based Selection] --> B[Final Design and Build]
    
```

- Up to 30% design
- Honorariums to firms not selected
- Heavy owner involvement up front
- Low owner involvement

** Owner holds one contract and GC warrants the design*

Pros/Cons - Owner/Agency

	Less	More
Time		
Cost		
Risk		
Flexibility		

- Typically suited for longer/larger projects
- Honorarium paid to proposers not selected

PROGRESSIVE DESIGN-BUILD

Structure

```

    graph TD
      Owner[Owner] --- DBC[D/B Contractor]
      DBC --- A/E[A/E]
      DBC --- S1[Subs/Suppliers]
      DBC --- S2[Subs/Suppliers]
      DBC --- S3[Subs/Suppliers]
      DBC --- S4[Subs/Suppliers]
      DBC --- S5[Subs/Suppliers]
      DBC --- S6[Subs/Suppliers]
    
```

Schedule

```

    graph LR
      A[Primary Quals Based Selection with a Small pricing Component] --> B[Phase I: Design Services]
      B --> C[Phase II: Final Design and Build]
    
```

- Qualifications
- Interview
- Proposal
- Pricing factor
- Usually up to DD level but can be more
- Collaborative
- Transparent
- Heavy owner involvement
- Lower owner involvement

** Owner holds one contract and GC warrants the design*

Pros/Cons - Owner/Agency

	Less	More
Time		
Cost		
Risk		
Flexibility		

- Scope and budget determined through collaborator process between owner and team