BAHA
BAY AREA HEADQUARTERS AUTHORITY

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Memorandum

TO: Bay Area Headquarters Authority

DATE: March 21, 2012

FR: Executive Director

W. I. 9130

RE: 390 Main Street Renovation and Retrofit, Construction Manager at Risk: McCarthy Building Companies, Inc. ($700,000)

Staff seeks BAHA approval to award a contract with McCarthy Building Companies, Inc. ("McCarthy") for the construction and renovation of the 390 Main Street building. The report below includes background on the procurement process.

Background
In December 2011, BAHA authorized the Executive Director to enter into a contract with Perkins + Will ("PW") for renovation and retrofit design services. In February, BAHA entered into a contract with PW for $1 million for schematic design services. When at the end of schematic design the full scope of the rehabilitation is known, the contract will be amended for additional funds to complete the design. BAHA requires a contractor to construct the project and has developed a procurement based on the Construction Manager at Risk ("CMAR") model.

Construction Manager at Risk
The term Construction Manager at Risk is called such because the firm that is selected to complete construction management services during design is then eligible to propose a Guaranteed Maximum Price (GMP) to the owner to construct the project. The firm's risk is serving as general contractor and completing construction for a cost not to exceed the GMP.

During design, the CMAR will provide services that include estimating, value engineering, prequalification of subcontractors, and development and advertisement of subcontract bid packages. When the scope of the design is developed enough for the owner and the CMAR to have high confidence they are reasonably certain of the project cost (anywhere between 50% and 100% design), the firm will present to the owner a Guaranteed Maximum Price (GMP) for the cost to construct the project. If the price is acceptable to the owner, the owner and the CMAR will execute an agreement that makes the CMAR responsible for completing construction at a cost not to exceed the GMP. If the terms of a GMP can not be negotiated, the owner has the option of re-advertising the CMAR contract or converting the project to Design-Bid-Build and issuing an Invitation for Bid.

The CMAR model was selected by BAHA staff over both the Design-Bid-Build (DBB) and Design-Build (DB) approaches. Unlike DBB, CMAR allows Best Value selection of the contractor while maintaining a low-bid approach for prequalified subcontractors. The CMAR process also allows the contractor to begin construction of early phase work concurrent with the completion of design, accelerating the schedule. Unlike DB, CMAR keeps the design contract under the owner, allowing the owner to make final decisions on all elements of the design. While the design team maintains responsibility for its design, the CMAR oversees the design for constructability. Other public agencies that have used the CMAR process include the Port of Oakland, Transbay Joint Powers Authority, and California State University system.

Form of Agreement

BAHA's Agreement with the selected CMAR will be composed of two contracts: the Preconstruction Contract and the Construction Contract, with the following key features of the Agreements:

- The Preconstruction Contract follows the form of the Bay Area Toll Authority's (BATA's) standard consultant services agreement. The value of the Contract will be for the amount indicated in the CMAR's Cost Proposal in the RFP, plus a contingency to be held by BAHA. Approval of this contract is the subject of today's action.
- The CMAR will be required to secure payment and performance bonds that will increase in value as the value of the Agreement increases. The initial value of the bonds will be for the value of the Preconstruction Contract.
- The Construction Contract follows the form of BATA's standard construction contract, which was modified for this project to fit the CMAR model.
- The total value of the Construction Contract includes the following:
    - Cost of Construction Phase Services, which includes the cost of CMAR's field staff and certain general conditions, such as cost of bonds and insurance.
    - CMAR's Overhead and Profit.
    - Direct Cost of Construction, which includes the value of any work the CMAR self-performs plus the value of the subcontracts
    - Construction Contingency, which is the CMAR's buffer between the Direct Cost of Construction and the GMP. Contingency that remains at the completion of the project will be shared between BAHA and the CMAR according to a set formula. The shared savings will incentivize the CMAR to work with its subcontractors to limit contract change requests.
- BAHA will hold its own separate Owner's Contingency for BAHA-directed changes and differing site conditions.
- The Construction Contract has liquidated damages for failure to meet the following two events:

    - CMAR shall reach substantial completion of MTC, BATA, BAAQMD, BCDC space and related public spaces and receive temporary certificate of occupancy to allow MTC, BATA, BAAQMD, and BCDC move-in on or before September 30, 2013. Damages are $3,000 per calendar day.
    - CMAR shall complete the Work, including demobilization, final submittals, and final acceptance on or before November 30, 2013. Damages are $3,000 per calendar day.

  These dates rely on various assumptions about the design phase, and may require adjustment.

- To accelerate the project, the project will be bid out in phases. Likely phases include: abatement and demolition; mechanical, electrical and plumbing (MEP); structural retrofit; shell; and interiors. Each phase will likely have its own GMP; the total GMP will be the summation of all individual GMPs.
- To optimize design coordination and construction activities, BAHA, PW, and the CMAR will consider co-locating their primary staff at the project site at 390 Main Street.

CMAR Procurement
BAHA staff developed a two-step best-value procurement. The evaluation panel consisted of three scoring members: Andrew B. Fremier and Stephen Wolf of BAHA, and Jon Tapping, Caltrans Toll Bridge Program Risk Manager. Technical Assistance was provided by the BAAQMD, PW, and URS Corporation, BAHA's consultant providing project management assistance to the project.

Twelve firms submitted Statements of Qualification ("SOQ") in response to Step 1: Request for Qualifications (RFQ). The RFQ permitted BAHA to shortlist a maximum of five firms. Firms were required to have specified levels of insurance and to provide evidence of sufficient bonding capacity. The RFQ was then scored based on the following sections in the SOQ:

- Overview and understanding of project (25 points)
- Quality of initial staffing plan (50 points)
- Portfolio of similar projects (50 points)
- Experience with occupied facilities, Lean construction, sustainable design, Building Information Modeling (BIM), and public projects (50 points)
- Safety record (50 points)
- Disputes and claims history (50 points)
- SOQ format (25 points)

Each member of the evaluation panel scored each firm out of 300 points and ranked the firms 1-12 based on their scores. The range of the average of the evaluation panel's scores was 210-259. The evaluation panel determined a natural break fell between the fifth and sixth firms.

The following five firms were shortlisted to participate in Step 2: Request for Proposals (RFP):

Firm	Average Total Score (0-300)	Average Rank (1-12)
Turner Construction Company	259	1.3
McCarthy Building Companies, Inc.	255	1.7
Plant Construction Company, L.P.	242	4.3
Hathaway Dinwiddie Construction Company	239	4.3
DPR Construction	235	5.0

In response to Step 2: RFP, BAHA received proposals from all five shortlisted firms on March 9, 2012. Firms were asked to provide and identify, and were evaluated on the following:

- Quality of final staffing plan (100 points)
- Laboratory, data center, and board room construction experience (50 points)
- Major decision points and opportunities that BAHA will face that will affect the project, such as how to deal with an occupied facility and what to do with the existing building systems (100 points)
- Preliminary packaging plan, schedule, and budget for construction and experience working with the San Francisco Department of Building Inspection (100 points)
- Contractor's mechanisms for resolving disputes (50 points)
- Cost proposal. (175 points. 150 points were allocated by the percentage of each proposer's cost relative to the lowest cost proposal. An additional 25 points were allocated based on reasonableness and effectiveness of cost proposal to account for cost irregularities)
- Communication as demonstrated in the Proposal and interview (25 points)

Interviews and discussions were held with the five firms on March 19 and 20, and BAHA received Best and Final Offers ("BAFOs") on March 21. The evaluation panel members evaluated the BAFOs, made final revisions to their scores, compiled them, and determined that McCarthy had the highest score and Turner the second highest. McCarthy was the highest scoring firm for all members of the evaluation panel. The average scoring was as follows:

Firm	Scores, less Cost Proposal Score (Max 425 Points)	Score of Cost Proposal Score (Max 175 Points)	Total Score (Max 600 Points)
McCarthy Building Companies, Inc.	375	158	533
Turner Construction Company	359	143	502
DPR Construction	329	170	499
Plant Construction Company, L.P.	339	156	495
Hathaway Dinwiddie Construction Company	360	123	483

Founded in 1864 and headquartered in St. Louis, Missouri, McCarthy is a national builder with offices in 12 cities, including San Francisco. The company is fully employee owned and has $2.3 billion in annual construction volume. McCarthy conducts eighty percent of its work with repeat clients. Recent clients in the Bay Area for which McCarthy served as CMAR include Kaiser, University of California (Berkeley, San Francisco, and Davis), and San Mateo County Community College District.

McCarthy excelled in all categories of both the RFQ and RFP. As a company, McCarthy does not have as many downtown San Francisco office rehabilitations as other firms that proposed; the bulk of the projects they presented were hospital and educational facilities. However, the evaluation panel felt that the proposed staff did bring this experience from time with other firms, and that McCarthy's strength across all categories of their proposal more than compensated.

In its proposal, McCarthy identified ideas on how to work around existing tenants (if required) and how to stage early occupancy (if required) based on their experience. McCarthy provided several alternatives for replacing or rehabilitating the existing mechanical and electrical systems. In its proposed packaging plan, McCarthy identified and accounted for work that included long lead items or would require longer reviews by the San Francisco planning and building departments. McCarthy had a strong write-up on the mechanisms they have in place to resolve disputes, which was supported by the absence of claims against owners or litigation initiated by or against them over the last five years. Additionally, McCarthy had the cleanest safety record of all firms. McCarthy's references provided good recommendations; one commented, "McCarthy works like a family."

McCarthy's Cost Proposal, determined using $53 million as the Direct Cost of Construction, is shown below:

Services:	**Pricing Basis**	**Price Submitted**
Preconstruction Phase Services provided during the Preconstruction Contract as specified in the RFQ/RFP. (Note: This will be the total value of the Preconstruction Contract.)	FIXED PRICE>	Fixed price to complete this phase. $ 555,000
Construction Phase Services as specified in the RFQ/RFP. (Note: To be adjusted per the final total of Direct Cost of Work.)	Price expressed as a percent of the Direct Cost of Work. 5.30%	Price in dollars ($53,000,000 times percent at left) $ 2,809,000
Contractor's Overhead and Profit as Specified in the RFQ/RFP. (Note: To be adjusted per the final total of Direct Cost of Work.)	Price expressed as a percent of the Direct Cost of Work. 3.25%	Price in dollars ($53,000,000 times percent at left) $ 1,722,500
Total Price for Services (sum of 3 dollar figures above)	XXXX	$ 5,086,500

In the event that BAHA is unable to enter into a contract with McCarthy, staff recommends negotiating and entering into a contract with Turner Construction Company ("Turner"). Turner, a subsidiary of the German company HOCHTIEF, was founded in 1902 and has its headquarters in New York City. Turner has $8.2 billion in annual construction volume and has projects across the globe. Local clients and projects include the Port of Oakland (Oakland International Airport Terminal Expansion), San Francisco Airport Commission (Terminal 2/Boarding Area D Renovation) and the City of Oakland (Fox Theater).

Turner also provided a strong proposal. In its discussion of the project, Turner weighed the cost of working in an occupied facility versus making arrangements to work in an unoccupied facility. Turner also reviewed the preliminary scope and budget and outlined components it thought were within BAHA's budget versus those it suggested were not mission-critical and were outside the budget. Turner's Northern California office has no claims filed against owners or litigation by or against them in the last five years. They also have a strong safety record and their references were mostly left with good impressions of their work.

Turner's Cost Proposal, determined using $53 million as the Direct Cost of Construction, is shown below:

Services:	Pricing Basis	Price Submitted
Preconstruction Phase Services provided during the Preconstruction Contract as specified in the RFQ/RFP. (Note: This will be the total value of the Preconstruction Contract.)	FIXED PRICE>	Fixed price to complete this phase. $ 766,036
Construction Phase Services as specified in the RFQ/RFP. (Note: To be adjusted per the final total of Direct Cost of Work.)	Price expressed as a percent of the Direct Cost of Work. 5.71%	Price in dollars ($53,000,000 times percent at left) $ 3,026,300
Contractor's Overhead and Profit as Specified in the RFQ/RFP. (Note: To be adjusted per the final total of Direct Cost of Work.)	Price expressed as a percent of the Direct Cost of Work. 3.73%	Price in dollars ($53,000,000 times percent at left) $ 1,976,900
Total Price for Services (sum of 3 dollar figures above)	XXXX	$ 5,769,236

For either firm, staff will recommend that the Executive Director have authority to enter into a contract for an amount that includes the Preconstruction Phase Services cost plus a contingency for additional work as required. Unused contingency would roll into the Construction Phase Services cost.

Recommendation:

Staff recommends that the Authority authorize the Executive Director or his designee to negotiate and sign a contract for Construction Manager at Risk preconstruction services for the 390 Main Street, San Francisco renovation and seismic retrofit:

- With McCarthy Building Companies, Inc., in an amount not to exceed $700,000, which includes a contingency of $145,000; or should staff be unable to enter into a contract with McCarthy Building Companies Inc.
- With Turner Construction Company, an amount not to exceed $911,036, which includes a contingency of $145,000.

Steve Heminger

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REQUEST FOR AUTHORITY APPROVAL

Summary of Proposed Consultant Contract

Consultant:	McCarthy Building Companies, Inc. (San Francisco), or, should staff be unable to enter into a contract with McCarthy, Turner Construction Company (San Francisco).
Work Project Title:	390 Main Street Renovation and Retrofit, Construction Manager at Risk
Purpose of Project:	Provide Construction Manager at Risk (CMAR) services for the BAHA Facility renovation and retrofit
Brief Scope of Work:	Provide preconstruction services with the option, at BAHA's sole discretion, for performing construction services for renovation and retrofit of the 500,000-square-foot 390 Main Street in San Francisco to serve as the Regional Agency Facility Headquarters.
Project Cost Not to Exceed:	For McCarthy: $700,000, or for Turner: $911,036 (each includes a contingency of $145,000)
Funding Source:	BAHA Capital Funds
Fiscal Impact:	Project costs for FY 2011-12 are consistent with funds budgeted for the program.
Motion by Committee:	That the Executive Director or his designee is authorized to negotiate and enter into a contract with McCarthy Building Companies, Inc. for CMAR preconstruction services for the BAHA Facility renovation and retrofit and the Treasurer and Auditor is directed to set aside funds up to $700,000 for such contract. Should staff be unable to enter into a contract with McCarthy, the Executive Director or his designee is authorized to negotiate and enter into a contract with Turner Construction Company for CMAR preconstruction services for the BAHA Facility renovation and retrofit and the Treasurer and Auditor is directed to set aside funds up to $911,036 for such contract.
BAHA Chair:	______________________________ Adrienne J. Tissier
Approved:	Date: March 28, 2012