DATE ISSUED: February 26, 2003 REPORT NO. 03-036

ATTENTION: Natural Resources and Culture Commission
Agenda of March 5, 2003

SUBJECT: Design-Build

REFERENCE: Manager's Report 99-016. Municipal Code Section 22.3300.

SUMMARY:

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE COMMITTEE OR THE CITY COUNCIL.

BACKGROUND:

In November of 1998 the San Diego electorate passed Proposition F which allowed for the use of the Design-Build method of constructing public works contracts. Design-Build provides that, after a conceptual plan has been developed for an individual project, the City would retain an entity (typically a construction contractor and an engineer or architect) to complete the project by completing the design and then constructing the project. The City enters into a contract with the entity which provides for a price (either negotiated or through a low bid) which the City would pay the entity to do the project. As with any project, this price would be modified if the City materially changes the contract or something not contemplated in the Design-Build contract occurs. These are what are typically called 'change orders'.

The Design-Build method is in contrast to the typical method of CIP project delivery which is Design-Bid-Build. In the Design-Bid-Build design plans are completed, then the project is put out to bid , and then a construction contract is awarded to the lowest responsible bidder.
The City has used Design-Build on projects such as the Expansion of Qualcomm Stadium, Expansion of the Convention Center, and the Animal Control Shelter. Other projects that are scheduled to have this type of procurement method utilized are the Martin Luther King Community Park Senior Center, Nobel Park/Library Complex, Central Police Facility Improvements, and a Sewer Main Replacement Project.

DISCUSSION

Several issues either causes a project to lend itself to a Design-Build procurement strategy or to the more standard design-bid-build. These issues are outlined below:

Schedule- Utilized on the correct projects and under the right circumstances, Design-Build can often result in a project being completed sooner. The reason being that instead of completing the design and then going out to bid and then starting construction, the completion of the design is done concurrently with construction. For this reason, a Design-Build project must be of a type that can have its design completed concurrently with the initiation of construction.

Equal Opportunity Contracting - Design-Bid-Build requires that the City issue the contract to the lowest responsible bidder as required by the Charter which has limited the City's efforts towards inclusion on our public works contracts. An approach to Design-Build that often maximizes equal opportunity is where the City selects the Design-Build team based on the responses to a Request for Proposal (RFP) which can include a plan outlining which subcontractors the Design-Build team intends to utilize, references their participation levels on past projects, and other issues relating to participation. The inclusiveness of this plan can be one of the factors in either selecting the Design-Build team. The City and the Design-Build team then negotiate the final contract utilizing the Design-Build team's subcontracting plan as a basis.

Type of project - Design-Build dictates that the City enter into a contract with a Design-Build Team when the project is at its initial design stage. Some types of projects , such as sewer and water replacement projects (a.k.a. Group Jobs) , do not lend themselves to this as at the initial design stage there are still numerous unknowns about the projects, most particularly what underground conflicts might exist. These unknowns all represent risks that would increase the price the Design-Build entity gives the City. If we were to identify these unknowns it would essentially complete the design of the project and the benefit of using Design-Build is lost. (Note: In an effort to determine if there is a benefit, the Engineering and Capital Projects Department is using Design-Build as a pilot on a Group Job)

Community Input - As stated earlier, at the time of a project's initial design it is turned over to the Design-Build entity who execute a contract with the City with an agreed upon cost to the City (what the City will pay the Design-Build entity). If change orders are to be avoided, community input after that point-in-time would need to be significantly limited as any change requested by a community may result in additional costs. Therefore, it becomes critical that all community input be obtained and acted upon very early in the project's design.

Projects that do not lend themselves to this limitation would not be a good candidate for using design build.

Respectfully submitted,

Frank Belock, Jr. Engineering and Capital Projects Director	George I. Loveland Senior Deputy City Manager