Alternate Delivery Method for the City Center Guideway and Stations Contract

September 24, 2020 Board Meeting
Introduction

• The HART/City P3 joint procurement is still active.

• In the event of issues within the active P3 procurement that inhibit its award, several mitigation measures are available under the Procurement Code, such as engaging in discussions and/or requesting best and final offers. These mitigation measures have been discussed with the Board previously and are the preferred path to a successful outcome prior to any re-procurement.

• The alternate delivery plan outlined in this presentation should be considered as a last-resort backup plan to be implemented only in the case of a cancellation of the P3 procurement.

• At the suggestion of the Board, HART Staff has commenced production of documents that would be required in the early stages of this alternate delivery plan, with the objective of shortening the potential re-procurement schedule.
Alternate Delivery Plan Overview

Point of decision to proceed with a re-procurement

- Coordinate procurement approach with stakeholders
- Attract qualified bidders
- Update contract packaging plan
- Prepare and conduct RFP Part 1 (Request for Qualifications)
- Prepare and conduct RFP Part 2 (Request for Proposals)

In ideal market conditions, a re-procurement could be completed in as little as 8 months. However, given the present challenges outlined in the following slides, a more practical timeline for awarding a new contract could likely be more than 12 months from the point of decision to proceed with this alternate delivery plan. An appropriate schedule should also consider potential new market entrants and associated licensing requirements.
1. Coordinate with stakeholders on possible approach to phasing the project

- Engage Federal Transit Administration (FTA) and seek concurrence on approach to phase project based on available funding.

- Consult other stakeholders (e.g. Board, elected officials, etc.).

- Feedback from FTA and other stakeholders may inform the structure of the contract and/or timing of procurement.
2. Attract qualified bidders

- Perform industry outreach through a publicly-issued request for information and virtual industry day forum.

- Encourage the formation of teams (national/international/local).

- Use industry feedback to optimize the procurement to attract maximum competition and capture maximum value for the tax payers.

- Explore the use of a proposal stipend to encourage participation.
3. Update contract packaging plan

• Evaluate potential delivery methods (e.g. DB, DBB).

• Consider industry input on delivery method(s) that would maximize competitive interest and provide value to HART and tax payers.

• Delineate scopes of contract packages for remaining FFGA scope (e.g. City Center Guideway and Stations, Pearl Highlands Parking Structure and Ramp H2R1, etc.).

• Prepare Independent Cost Estimates (ICE) for each contract package.

• Formally update the contract packaging plan.
4. Prepare and conduct RFP Part 1 (Request for Qualifications)

• Incorporate industry and stakeholder feedback into existing draft of RFP Part 1.

• Publicly release RFP Part 1, which commences period of confidentiality to maintain integrity of competitive procurement process.

• Host pre-proposal conference to explain contents of RFP Part 1 to potential offerors.

• The result of RFP Part 1 is the development of list of no more than three Priority-Listed Offerors to receive the RFP Part 2 documents.
5. Prepare and Conduct RFP Part 2 (Request for Proposals)

• Leverage previously-cancelled CCGS DB and P3 RFPs to prepare general conditions, technical requirements, and instructions for technical and price proposals for a new RFP Part 2.

• Finalize phased scoping (e.g. limited notices to proceed, priced options, etc.) of project to align with certifiable funding.

• Finalize CCUR schedule, guideway access dates, and completion deadline(s).

• Release RFP Part 2.
6. Award and execute the contract

• Select a preferred Priority-Listed Offeror.

• Award the contract.

• Execute the contract.

• Issue Notice to Proceed to authorize scope of work that aligns with certifiable funding.
Likely Disadvantages, Relative to P3

Relative to the ongoing P3 procurement, a re-procurement would likely entail:

• HART retaining the integration risk between the fixed facilities (e.g. guideway and stations) and core systems to be provided under Hitachi’s contract (e.g. train control, power, etc.).

• Contractor not having a long-term life-cycle view of the project.

• Less construction schedule certainty.

• Continued reliance on public borrowing through the City.

• DTS reliance on existing operation and maintenance contract with Hitachi for a 13-year period without long-term certainty and potential savings on future costs or required asset replacement. DTS would also have to procure and manage other contractors for non-Hitachi scope.

• Specific HART management responsibilities and associated costs would be retained by HART and could not be shifted to the private partner or optimized as planned under the P3 project delivery approach.
Challenges of a Re-procurement

• **Shifting Industry Trends**: In the past 18 months, the US construction industry has trended toward a more conservative approach to large, lump-sum projects. Some previous players have exited the market entirely. This trend is likely to result in fewer potential offerors and a more risk-adverse posture with regard to contract terms.

• **Pandemic Impacts**: COVID-19 has impacted the forecasted revenue from the project’s two largest funding sources, the General Excise Tax (GET) and Transient Accommodations Tax (TAT). Simultaneously, COVID-19 has disrupted supply chains, decreased construction efficiency, and likely increased contractors’ risk pricing.

• **Affordability Challenges**: The combination of lower revenues and higher costs creates affordability challenges that will require the remaining FFGA scope (e.g. CCGS and Pearl Highlands) to be authorized in phases to align with certifiable funding.
Challenges of a Re-procurement (cont.)

• **Price Escalation**: As a result of inflation, construction costs are likely to rise during the period of a re-procurement, further increasing affordability challenges.

• **Previous False Starts**: The following procurements were previously issued and cancelled, in part due to limited interest from bidders:
  1. Airport and City Center Guideway (DBB)
  2. Pearl Highlands Garage and Transit Center (DB)
  3. City Center Guideway and Stations (DB)

• **Negative Industry Perception**: Cancelling the P3 (which has inspired strong interest and competition) and again re-procuring under a DB or DBB delivery method could be a cause for a potential lack of interest from the industry.
Challenges of a Re-procurement (cont.)

• **CCUR**: Ongoing City Center Utility Relocation (CCUR) challenges require further analysis to determine viable access dates to be provided in the RFP for guideway construction.

• **Lapsing of FTA Funding**: Discussion of a viable plan with the FTA is required to prevent the lapsing of FTA funds at the end of 2020. The challenge is that a re-procurement would not conclude in this timeframe.
Mahalo!