



**Date:** February 2, 2015

**To:** Thomas J. Bonfield, City Manager

**Through:** W. Bowman Ferguson, Deputy City Manager

**From:** Joel V. Reitzer, Director of General Services

**Subject:** Construction Manager at Risk Contract with Lend Lease (US)  
Construction Inc. for the Police Headquarters Complex (“Project”)

### **Executive Summary**

Since 1991, the Police Department Headquarters has been located at 505 W. Chapel Hill Street. The building was constructed in 1959 as a life insurance building. The facility does not meet the current or future operational needs of the Durham Police Department (DPD) or Durham Emergency Communications Center (Durham 911 Center). In January 2010, Carter Goble Associates, Inc. (Carter Goble) was selected to conduct a Master Facilities Study for the Police Department and an architectural space study for Durham 911 Center. The Master Facilities Study projected the Police Department’s growth and service requirements through year 2030 and determined facility needs at five year intervals. The consultant’s report also included space needs projections through year 2020 for Durham 911 Center.

City Council received a presentation in December, 2012 regarding the consultant’s findings, recommendations, and potential site options. Community meetings were conducted in May, 2013 regarding potential site options and additional meetings were conducted with community stakeholders regarding proposed sites in July through September of 2013. Since that time, City Staff continued to work on site specific cost estimates, schedules and validation of land cost components for sites. Site option updates were presented to City Council during a special City Council meeting in March, 2014. City staff presented a site selection recommendation to City Council at the October 9, 2014 Work Session recommending the Main Street site (property bordered by East Main Street, Elizabeth Street, Ramseur Street, and Hood) and small parcel at 102 Hood Street for the Police Headquarters (HQ) Complex (“Project”).

Request for Qualifications for Construction Manager at Risk (CMAR) was advertised on July 3, 2014; pre-proposal conferences were conducted on July 23, 2014; and written submittals were received on August 5, 2014. Four submittals were received from CMAR teams. Interviews were conducted from September 16- 19, 2014. Lend Lease (US) Construction Inc. (Lend Lease) was determined to be the top ranked CMAR firm.

### **Recommendation:**

General Services Department recommends that City Council:

1. Adopt the resolution finding that the use of construction manager at risk services is in the best interest of the Police Headquarters Complex project pursuant to G.S. 143-128.1(e).
2. Authorize the City Manager to negotiate and execute a CMAR contract with Lend Lease (US) Construction Inc. for preconstruction services for the Police Headquarters Complex project in the lump sum amount of \$215,000.00.

**Background:**

Over the past 14 years, the City has performed several analyses of the Durham Police Department facility needs. In 2001, the City contracted with the design firms New Synergy and GSA Ltd. to conduct a departmental space needs assessment and plan for its facilities. The 2001 study concluded that there was a significant space shortfall and that facilities were beginning to deteriorate. In 2003, the building inventory conducted by Carter Burgess Architects confirmed the poor condition of the existing Headquarters as a significant issue. In 2006, the Police Department completed an internal facility report and master plan detailing the deficiencies in its facilities program and recommended a long range plan to replace the Headquarters building and leased facilities with new construction. In January 2010, the City conducted a nationwide request for qualifications process and selected Carter Goble to perform the Police Department's Master Facilities Study. Carter Goble are experts in the field of public safety projects. Carter Goble began work on the Study in July, 2010. Carter Goble analyzed City demographics, planning department projections, historical data on police department staffing and activity, conducted a unit-level space survey, conducted interviews with divisional and functional managers, toured and inspected all facilities, hosted public meetings and met with City government leaders and community stakeholders. The consultants also analyzed the police department's operational strategy and using comparative formulas, Carter Goble projected the departmental growth and service through year 2030 to determine facility needs at five year intervals. The consultant's report and recommendations were finalized in March, 2012.

In 2011, Carter Goble also analyzed and prepared an architectural space program for the Durham 911 Center, to include space needs projections through year 2020. City Council received a presentation in December, 2012 regarding the consultant's findings, recommendations, and potential site options. Community meetings were conducted in May, 2013 regarding potential site options and additional meetings were conducted with community stakeholders regarding proposed sites in July through September of 2013. Since that time, City Staff continued to work on site specific cost estimates, schedules and validation of land cost components for sites. Site option updates were presented to City Council during a special City Council meeting in March, 2014. City staff presented a site selection recommendation to City Council at the October 9, 2014 Work Session recommending the Main Street site (property bordered by East Main Street, Elizabeth Street, Ramseur Street, and Hood) and small parcel at 102 Hood Street for the new DPD/911 complex facilities. Options to purchase the required property have been executed and due diligence is underway. Geotechnical and site investigations have begun and additional testing is underway. Several test-fits and high level concepts have been prepared as part of the site analysis. Carter Goble has prepared stacking and blocking diagrams for discussion with Police and Durham 911, as a visual and client communication tool and for use by the Architecture and CMAR team.

The Police Headquarters Complex project will consolidate Police functions that are currently housed in multiple locations and some of which is leased space. The new Police HQ Complex will include all functions currently housed at existing Headquarters, as well as, District 5 functions, Forensics Services Unit, Property and Evidence, Domestic Violence Unit, and Durham 911 functions. In addition there will be a secure parking deck. Upon completion of the Project, leases for Property and Evidence and Domestic Violence Unit will no longer be required, and property at 213 Broadway/Hunt, 516 Rigsbee and 505 W. Chapel Hill Street will be available for sale or repurposing for other City uses.

CIP funding has been appropriated in the amount of \$62,434,057.00, for all project costs, including land acquisition, design, preconstruction, construction, geotechnical and testing, owner's soft costs, furniture, fixtures and equipment and project contingencies. The County will reimburse the City in the amount of 21% of all costs associated with the Durham 911 Center, including appropriate allocation for land acquisition, design and construction.

*Construction Management at Risk delivery method:*

Prior to advertising for professional services, City Staff evaluated project delivery methods available under NC law for determining the most appropriate project delivery method. Prior to the enactment of Session Law 2013-401, House Bill 857, the City of Durham sought special legislative authority through a local bill, to use Design-Build as an potential option for project delivery. In March, 2013, the North Carolina General Assembly approved the local bill authorizing the City of Durham to use Design-Build Delivery for the Project. At the time of seeking Design-Build as an option for project delivery the City had not finalized the recommended project delivery method, but had determined that either Design-Build or Construction Manager at Risk were the best delivery options for the Project. City Staff in consultation with its consultant, Carter Goble, determined that construction management at risk delivery method was recommended over design-build and other available construction methods of separate prime, single prime and dual bidding. Construction Management at Risk delivery method is recommended for this important project over the traditional construction delivery methods for the following reasons:

Construction Management at Risk delivery method, requires the construction management company to be selected using a qualifications based selection process; the Construction Manager at Risk serves as the public entity's fiduciary and coordinates subcontract bid packages to develop optimum competition and compliance with the City's SDBE program; Construction Management at Risk is the delivery method that most closely affords the benefits of integrated project delivery, whereby the CMAR and Design team are involved in the project development during the design and preconstruction phase as an integrated team contracted by the Owner, to provide design and preconstruction services in the best interests of the project and as a team throughout the project lifecycle. Construction Management Risk provides prequalification of subcontractors through a process developed jointly in conjunction with the Owner. Construction Management at Risk delivery method provides for "open book" project delivery, subject to audits, end of project reconciliation and sophisticated project management during the preconstruction and construction phases. The Durham 911 Center component of this project requires close coordination and phasing during the construction and turnover phase to ensure seamless transition. Emergency 911 services and Police services are mission critical services that benefit from an integrated project approach whereby design and preconstruction phase are utilized to vet the most efficient and effective design, construction and project turn-over process. The City has successfully delivered high profile and complex Construction Management at Risk projects on time, and on budget.

Examples include, the Durham Performing Arts Center, Durham Station, Durham Convention Center (multiple phases), Walltown, Durham Athletic Park (DAP), Durham Bulls Athletic Park (DBAP) (multiple phases) and many others. City Staff is adept at navigating and managing projects delivered via the Construction Management at Risk delivery method.

Specific advantages to Construction Management at Risk delivery method over Separate-Prime Bidding, Single Prime Bidding, and Dual Bidding for the Police HQ Complex project are:

- CMAR is involved during the design phase, providing preconstruction services for the benefit of the project by providing cost estimates, phasing strategies, logistics plans, schedules, constructability reviews, and subcontractor market analysis. Under separate prime/single prime and dual bidding, these services are not provided by the contractor.
- Pricing and cost model are developed along with the design; challenging constructability issues are addressed earlier in the process, versus during construction via a change order.
- CMAR delivery method affords opportunities to develop early subcontract bid packages in advance of final design documents to enable the Owner to let early packages, such as demolition or long lead packages, such as steel, in order to advance the project schedule. Traditional delivery methods do not afford this option or flexibility.
- CMAR delivery method affords the ability to respond quickly to non-performing subcontractors as necessary.
- CMAR delivery method provides expertise in managing complex logistical projects.
- CMAR encourages and develops strategies for preparing subcontract bid packages that foster competition, include prequalified subcontractors and leverage SDBE involvement. Separate prime/single prime and dual bidding delivery methods encourage low bid subcontractor involvement.
- CMAR delivery method, unlike separate prime/single prime and dual bidding, is not inherently antagonistic, as is low bid lump sum competitive bidding.
- City Staff does not have project expertise in management and delivery of separate prime and dual bidding delivery methods.

For the reasons identified above, and based on prior experience and analysis of project delivery options available to the Owner, Construction Management at Risk delivery method has been recommended as “in the best interest of the project”.

*CMAR request for qualifications:*

On July 3, 2014, request for qualifications for CMARs was advertised with a mandatory pre-proposal conference held on July 23, 2014. On August 5, 2014, written submittals were received from CMARs as follows:

CMAR Firms:

- Lend Lease/Callis
- Skanska/ Balfour Beatty/Holt Brothers/The Daniele Company-joint venture
- Ajax/Bree
- Gilbane/CT Wilson/RBI

Written submittals were reviewed by a selection committee comprised of City Staff that included Angela Henderson (EO/EA); Jim Soukup (911); Jesse Burwell, Bill Gascoigne, Deputy Chief Anthony Marsh (Police); Joel Reitzer, Trish Creta, Robyn Heeks, Jina Propst (GSD). The CMAR firms were evaluated based upon quality of the submittal, qualifications of the firm, relevant experience and key personnel, project method and procedures. Upon conclusion of the review process and scoring, **all 4 CMAR firms were short listed** for interviews:

- Lend Lease/Callis
- Skanska/ Balfour Beatty/Holt Brothers/The Daniele Company-joint venture
- Ajax/Bree
- Gilbane/CT Wilson/ RBI

Interviews for CMARs were conducted September 16-19, 2014. The interview panel included: Angela Henderson (EO/EA); Jim Soukup (911); Jesse Burwell, Deputy Chief Anthony Marsh, and Bill Gascoigne (Police); Joel Reitzer, Trish Creta, Robyn Heeks, Jina Propst (GSD); David Boyd (Finance) and Aaron Baggerly and Rick Macia (CGL-observers only). The CMAR firms were asked to prepare a formal presentation addressing the following items:

- Overview of Team and Roles
- Project-Specific approach and schedule management process
- Discussion of at least one similar project to the Police Headquarters Project
- Discussion of Specialized/unique skills
- What sets your CM team apart

Following the formal presentation the following interview questions were posed:

1. How did you determine the proposed team is the best fit for this project? What were the steps you took to build the proposed project team?
2. What challenges do you anticipate on this project?
3. Tell us something major that went wrong on a similar project and how your firm was proactive in resolving the problem.
4. Describe your project team's experience with bidding projects for Public Owners. Describe your pre-qualification process and how/or whether you anticipate the revised prequalification statute that becomes effective October 1, will impact your current prequalification processes.
5. Describe your management of the bidding process to maximize SDBE participation.
6. Explain how you will assist the owner in management of the design/preconstruction phase of the project, in terms of scheduling, if the owner wishes to pursue construction beginning January, 2016. Can you achieve a GMP by October, 2015? If so, what % of design completion would you require, and what construction phasing strategies would you recommend?
7. If the design documents show the project is 10% above budget at design development, what steps will you advise taking to bring the project back into budget?
8. Is there a question that we did not ask you that you expected?

At the conclusion of the interviews and scoring the firms were ranked as follows:

**Ranking for CMAR Firms:**

1. Lend Lease/Callis Construction
2. Skanska/Balfour Beatty Construction/Holt Brothers Construction/The Daniele Company-jt venture

3. Ajax Building Corporation/Bree & Associates, Inc.
4. Gilbane Building Company/CT Wilson/Right Build International

While all firms demonstrated the requisite CMAR qualifications for the project, Lend Lease's recent success with the Durham Bulls Athletic Park construction project and experience with similar public safety building types were important factors that were considered. Following the interviews, City Staff notified the firms of the ranking results and that Staff was proceeding with fee negotiations with the top ranked firms. Firms were notified that should negotiations be unsuccessful, Staff would move to the number 2 ranked firms. Thereafter, Staff received draft fee proposals from Lend Lease. Multiple meetings and negotiations regarding fee, scope of services and contract terms has been ongoing since October, as well as other pre- contract meetings and planning.

### **Issues/Analysis:**

As described above, Construction Management at Risk delivery method has been recommended as the delivery method that is in the best interest of the Project. Negotiations with the CMAR- Lend Lease, has resulted in a lump sum fee for preconstruction services as further described in attached construction management contract in the amount of \$215,000.00. The preconstruction services include, but are not limited to, cost estimating, constructability review, logistics, phasing, scheduling, and other services coordinated and provided in conjunction with services provided by the Designer. The preconstruction phase is scheduled to be 12 months in duration, resulting in presentation of a preliminary guaranteed maximum price (pgmp) in order to authorize bidding, followed by execution of a final guaranteed maximum price and contract amendment for construction phase services. The pgmp will be prepared and submitted to City Council for authorization and approval. The construction management fee during construction phase has been negotiated at 2.5% of final construction cost of work plus contract compliance costs, currently estimated at \$43,120,000.00. Contract compliance costs consisting of general conditions required for the construction phase, bonds, and insurance are currently estimated in an amount not to exceed \$3,087,000.00 and are estimated based on construction budget. The contract compliance costs are subject to change dependent upon final design, subcontract cost of work and schedule; although it is the CMAR's responsibility to present a guaranteed maximum price (gmp) for acceptance within the Owner's budget. The construction phase for the project is estimated to be 18 months in duration. Lend Lease has developed and entered into a Small Disadvantaged Strategic Plan with the City of Durham's Equal Opportunity/ Equity Assurance Department, that is a contract exhibit and will serve as the plan for engagement with the SDBE community. Lend Lease will coordinate with the City of Durham's Office of Economic and Workforce Development, preparation and execution of a workforce development plan that will serve as a plan for engagement with the City's workforce. That plan will be developed and submitted for approval and execution prior to issuance of a contract amendment for construction. Both plans require quarterly reporting and updates.

The Police HQ Complex project will require close coordination by and between the Project team, Police and Durham 911 clients, and other City departments, and community stakeholders. The integrated project approach of contracting for concurrent design and CMAR preconstruction services presents an opportunity to develop and deliver a project that achieves the goals of the end users and City-wide community.

### **Alternatives**

Proceeding with execution of CMAR preconstruction services contracts is recommended as the only viable alternative for consideration.

**Financial Impacts:**

<b>Project Funding</b>		
	3501B952-764000-CK002	\$4,891,000
	3501B952-764000-CK002	\$2,000,000
	3501B900-764000-CK002	\$44,205,815
	3501B900-764000-CK003	\$10,887,242
	3501B952-764000-CK003	\$450,000
	<b>TOTAL PROJECT FUNDING</b>	<b>\$62,434,057</b>
<b>Funding Uses Prior and Budgeted</b>		
<i>Land Acquisition:</i>		
Purchase price (GWC)		\$5,490,000
Purchase price (W.T. Wilkerson)		\$200,401
Estimated Closing Costs		\$8,000
Additional Land Costs		\$30,000
<i>Design Phase:</i>		
Environmental/Geotechnical/Asbestos Services (Terracon - Contract and Amendment 1)		\$82,691
Other Geotechnical Services Budget		\$30,000
Special Inspections/CMT Budget		\$600,000
<i>Construction Phase:</i>		
Contract Compliance Budget ("General Conditions"/Bonds/Insurance)		\$3,087,000
CM Fee (2.5%) Based on Current Construction Budget of \$43,120,000		\$1,078,000
Budget for Construction		\$38,955,000
<i>Owners Other Expenses:</i>		
Soft Costs Owner (Includes FFE and other soft costs)		\$4,364,218
Other Owner Expenses Including Contingency		\$2,924,249
	<b>TOTAL</b>	<b>\$56,849,560</b>
<b>Funding Uses Current</b>		
Architecture Services Contract (O'Brien/Atkins Associates, P.A.)	3501B900-731003-CK002	\$4,881,361
Architecture Services Contract	3501B900-731900-CK002	\$488,136

Contingency		
	<b>TOTAL</b>	<b>\$5,369,497</b>
CMAR Preconstruction Contract (Lend Lease (US) Construction Inc.)	3501B900-731003-CK002	\$215,000
	<b>TOTAL</b>	<b>\$215,000</b>
	<b>FUNDING USES TOTAL</b>	<b>\$62,434,057</b>

**SDBE Summary/CMAR:**

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by Lend Lease (US) Construction, Inc. of Durham, North Carolina to determine compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting. It was determined that Lend Lease (US) Construction, Inc. was in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

**SDBE REQUIREMENTS**

No MSDBE or WSDBE goals were set.

Lend Lease (US) Construction, Inc. will subcontract to the following certified firm:

<b>Firm</b>	<b>ID</b>	<b>City/State</b>	<b>Amount</b>	<b>% of Contract</b>
Callis Contractors, Inc.	MSDBE	Durham, NC	TBD*	TBD*

\*The exact quantity of management hours is not known at this time. Callis Contractors uses an hourly billing rate, based on actual time spent.

**WORKFORCE STATISTICS**

Workforce statistics for Lend Lease (US) Construction, Inc. are as follows:

Total Workforce	73	
Total Females	16	(22%)
Total Males	57	(78%)
Black Males	1	(1%)
White Males	52	(71%)
Other Males	4	(6%)
Black Females	3	(4%)
White Females	12	(17%)
Other Females	1	(1%)