
ENGROSSED SUBSTITUTE HOUSE BILL 2112

State of Washington 58th Legislature 2003 Regular Session

By House Committee on State Government (originally sponsored by Representatives Haigh, Miloscia, Eickmeyer and Edwards)

READ FIRST TIME 03/05/03.

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- AN ACT Relating to alternative public works contracting procedures;
- 2 amending RCW 39.10.020, 39.10.051, 39.10.061, 39.10.067, and 39.10.902;
- 3 adding new sections to chapter 39.10 RCW; and creating a new section.
- 4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 5 NEW SECTION. Sec. 1. (1) The joint legislative audit and review committee shall conduct a study of public works projects built after 6 7 under the general contractor/construction manager June 9, 1994, 8 procedure authorized by chapter 39.10 RCW. The joint legislative audit 9 and review committee shall provide an interim report to the appropriate 10 standing committees of the legislature by December 31, 2003, and a 11 final report, including any findings and recommendations, by December 12 31, 2004. The study must include:
 - (a) An analysis of the costs and benefits of using general contractor/construction manager procedures as opposed to other public works contracting procedures, including the fiscal impacts. In conducting this analysis, the committee may consider developing a sample of public works projects built using these procedures;
- 18 (b) An examination of the jurisdictions that used the general

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contractor/construction manager procedure for a public works project;
and

- (c) An examination of the number, size, and cost of public works projects built using the general contractor/construction manager procedure.
- (2) Public bodies using the general contractor/construction manager procedure, or other public works contracting procedures, shall provide any requested information concerning the selection, design, contracting, implementation, management, costs, performance, and outcomes of projects to the joint legislative audit and review committee in a timely manner, including relevant proprietary information that may be associated with individual firms. However, any proprietary information provided to the committee for this study shall be deemed confidential and is not subject to public disclosure.
- NEW SECTION. Sec. 2. A new section is added to chapter 39.10 RCW to read as follows:
 - (1) An independent oversight committee is established to review the practices and use of the general contractor/construction manager procedures authorized by this chapter for the contracting of public works projects. The committee shall consider the reports on general contractor/construction manager procedures to be issued by the joint legislative audit and review committee under section 1 of this act. The committee shall examine the use of general contractor/construction manager procedures in public works projects built after June 9, 1994, and consider recommendations for changes to the procedures.
 - (2) The committee is composed of: Two members of the house of representatives, one from each major caucus, appointed by the speaker of the house of representatives; two members of the senate, one from each major caucus, appointed by the president of the senate; a representative from each of the contracting, subcontracting, and design industries, appointed by the governor; a representative from an appropriate labor organization, appointed by the governor; a representative from a public body authorized to use the alternative public works contracting procedures under this chapter, appointed by the governor; a representative from a school district that has used the general contractor/construction manager contracting procedure to build a public works project as authorized under RCW 39.10.067, appointed by

- the governor; and a representative from the office of financial 1 2 management, appointed by the governor. The governor shall consider the recommendations of the established organizations representing the 3 contracting, subcontracting, and design industries and organized labor 4 in making the industry and labor appointments to the committee. 5 Legislative members of the oversight committee shall be reimbursed for 6 travel expenses in accordance with RCW 44.04.120. Nonlegislative 7 members of the oversight committee, except those representing an 8 employer or organization, are entitled to be reimbursed in accordance 9 10 with RCW 43.03.050 and 43.03.060, such reimbursement to be paid jointly by the senate and the house of representatives. 11
 - (3) The committee shall meet quarterly or more often as the committee deems appropriate, beginning after July 1, 2003. At the first meeting of the committee, a chair or cochairs must be selected from among the committee's membership. Staff support for the committee must be provided by legislative staff.

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- (4) Public bodies utilizing the general contractor/construction manager procedure of public works contracting shall provide any requested information concerning implementation of projects under this chapter to the committee in a timely manner, excepting any trade secrets or proprietary information.
- 22 (5) The committee shall report to the appropriate standing 23 committees of the legislature by December 10th of every year concerning 24 its findings and recommendations.
- 25 **Sec. 3.** RCW 39.10.020 and 2001 c 328 s 1 are each amended to read as follows:
 - Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.
- 29 (1) "Alternative public works contracting procedure" means the 30 design-build and the general contractor/construction manager 31 contracting procedures authorized in RCW 39.10.051 and 39.10.061, 32 respectively.
 - (2) "Public body" means the state department of general administration; the University of Washington; Washington State University; every city with a population greater than seventy thousand and any public authority chartered by such city under RCW 35.21.730 through 35.21.755 and specifically authorized as provided in RCW

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- 39.10.120(4); every county with a population greater than ((four)) two 1 2 hundred ((fifty)) thousand; every port district with total revenues greater than fifteen million dollars per year; every public hospital 3 district with total revenues greater than fifteen million dollars per 4 year utilizing the design-build procedure authorized by RCW 39.10.051 5 and every public hospital district, regardless of total revenues, 6 proposing projects that are considered and approved by the public 7 hospital district project review board under section 8 of this act; 8 9 every public utility district with revenues from energy sales greater 10 than twenty-three million dollars per year; and those school districts proposing projects that are considered and approved by the school 11 12 district project review board under RCW 39.10.115.
- 13 (3) "Public works project" means any work for a public body within 14 the definition of the term public work in RCW 39.04.010.
- 15 **Sec. 4.** RCW 39.10.051 and 2002 c 46 s 1 are each amended to read 16 as follows:
 - (1) Notwithstanding any other provision of law, and after complying with RCW 39.10.030, the following public bodies may utilize the designbuild procedure of public works contracting for public works projects authorized under this section: The state department of general administration; the University of Washington; Washington State University; every city with a population greater than seventy thousand and any public authority chartered by such city under RCW 35.21.730 through 35.21.755 and specifically authorized as provided in RCW 39.10.120(4); every county with a population greater than ((four)) two hundred ((fifty)) thousand; every public utility district with revenues from energy sales greater than twenty-three million dollars per year; every public hospital district with total revenues greater than fifteen million dollars per year; and every port district with total revenues greater than fifteen million dollars per year. The authority granted to port districts in this section is in addition to and does not affect existing contracting authority under RCW 53.08.120 and 53.08.130. For the purposes of this section, "design-build procedure" means a contract between a public body and another party in which the party agrees to both design and build the facility, portion of the facility, or other item specified in the contract.

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1 (2) Public bodies authorized under this section may utilize the 2 design-build procedure for public works projects valued over ten 3 million dollars where:

- (a) The construction activities or technologies to be used are highly specialized and a design-build approach is critical in developing the construction methodology or implementing the proposed technology; or
- (b) The project design is repetitive in nature and is an incidental part of the installation or construction; or
- (c) Regular interaction with and feedback from facilities users and operators during design is not critical to an effective facility design.
 - (3) Public bodies authorized under this section may also use the design-build procedure for the following projects that meet the criteria in subsection (2)(b) and (c) of this section:
 - (a) The construction or erection of preengineered metal buildings or prefabricated modular buildings, regardless of cost; or
 - (b) The construction of new student housing projects valued over five million dollars.
 - (4) Contracts for design-build services shall be awarded through a competitive process utilizing public solicitation of proposals for design-build services. The public body shall publish at least once in a legal newspaper of general circulation published in or as near as possible to that part of the county in which the public work will be done, a notice of its request for proposals for design-build services and the availability and location of the request for proposal documents. The request for proposal documents shall include:
 - (a) A detailed description of the project including programmatic, performance, and technical requirements and specifications, functional and operational elements, minimum and maximum net and gross areas of any building, and, at the discretion of the public body, preliminary engineering and architectural drawings;
 - (b) The reasons for using the design-build procedure;
- (c) A description of the qualifications to be required of the proposer including, but not limited to, submission of the proposer's accident prevention program;
- (d) A description of the process the public body will use to evaluate qualifications and proposals, including evaluation factors and

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- the relative weight of factors. Evaluation factors shall include, but not be limited to: Proposal price; ability of professional personnel; past performance on similar projects; ability to meet time and budget requirements; ability to provide a performance and payment bond for the project; recent, current, and projected work loads of the firm; location; and the concept of the proposal;
 - (e) The form of the contract to be awarded;

- (f) The amount to be paid to finalists submitting best and final proposals who are not awarded a design-build contract; and
 - (q) Other information relevant to the project.
- (5) The public body shall establish a committee to evaluate the proposals based on the factors, weighting, and process identified in the request for proposals. Based on its evaluation, the public body shall select not fewer than three nor more than five finalists to submit best and final proposals. The public body may, in its sole discretion, reject all proposals. Design-build contracts shall be awarded using the procedures in (a) or (b) of this subsection.
- (a) Best and final proposals shall be evaluated and scored based on the factors, weighting, and process identified in the initial request for proposals. The public body may score the proposals using a system that measures the quality and technical merits of the proposal on a unit price basis. Final proposals may not be considered if the proposal cost is greater than the maximum allowable construction cost identified in the initial request for proposals. The public body shall initiate negotiations with the firm submitting the highest scored best and final proposal. If the public body is unable to execute a contract with the firm submitting the highest scored best and final proposal, negotiations with that firm may be suspended or terminated and the public body may proceed to negotiate with the next highest scored firm. Public bodies shall continue in accordance with this procedure until a contract agreement is reached or the selection process is terminated.
- (b) If the public body determines that all finalists are capable of producing plans and specifications that adequately meet project requirements, the public body may award the contract to the firm that submits the responsive best and final proposal with the lowest price.
- (6) The firm awarded the contract shall provide a performance and payment bond for the contracted amount. The public body shall provide appropriate honorarium payments to finalists submitting best and final

- 1 proposals who are not awarded a design-build contract. Honorarium
- 2 payments shall be sufficient to generate meaningful competition among
- 3 potential proposers on design-build projects.

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- Sec. 5. RCW 39.10.061 and 2002 c 46 s 2 are each amended to read as follows:
- 6 (1) Notwithstanding any other provision of law, and after complying 7 39.10.030, a public body may utilize the contractor/construction manager procedure of public works contracting 8 9 for public works projects authorized under subsection (2) of this this section, 10 section. For the purposes of 11 contractor/construction manager" means a firm with which a public body 12 has selected and negotiated a maximum allowable construction cost to be guaranteed by the firm, after competitive selection through formal 13 advertisement and competitive bids, to provide services during the 14 15 design phase that may include life-cycle cost design considerations, 16 value engineering, scheduling, cost estimating, constructability, 17 alternative construction options for cost savings, and sequencing of 18 work, and to act as the construction manager and general contractor 19 during the construction phase.
 - (2) Except those school districts proposing projects that are considered and approved by the school district project review board and those public hospital districts proposing projects that are considered and approved by the public hospital district project review board, public bodies authorized under this section may utilize the general contractor/construction manager procedure for public works projects valued over ten million dollars where:
 - (a) Implementation of the project involves complex scheduling requirements; or
 - (b) The project involves construction at an existing facility which must continue to operate during construction; or
 - (c) The involvement of the general contractor/construction manager during the design stage is critical to the success of the project.
 - (3) Public bodies should select general contractor/construction managers early in the life of public works projects, and in most situations no later than the completion of schematic design.
 - (4) Contracts for the services of a general contractor/construction manager under this section shall be awarded through a competitive

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process requiring the public solicitation of proposals for general contractor/construction manager services. The public solicitation of proposals shall include: A description of the project, including programmatic, performance, and technical requirements specifications when available; the reasons for using the general contractor/construction manager procedure; a description of qualifications to be required of the proposer, including submission of the proposer's accident prevention program; a description of the process the public body will use to evaluate qualifications and proposals, including evaluation factors and the relative weight of factors; the form of the contract to be awarded; the estimated maximum allowable construction cost; and the bid instructions to be used by the general contractor/construction manager finalists. Evaluation factors shall include, but not be limited to: Ability of professional personnel, past performance in negotiated and complex projects, and ability to meet time and budget requirements; the scope of work the general contractor/construction manager proposes to self-perform and its ability to perform it; location; recent, current, and projected work loads of the firm; and the concept of their proposal. A public body shall establish a committee to evaluate the proposals. After the committee has selected the most qualified finalists, these finalists shall submit final proposals, including sealed bids for the percent fee, which is the percentage amount to be earned by the general contractor/construction manager as overhead and profit, estimated maximum allowable construction cost and the fixed amount for the detailed specified general conditions work. The public body shall select the firm submitting the highest scored final proposal using the evaluation factors and the relative weight of factors published in the public solicitation of proposals.

(5) The maximum allowable construction cost may be negotiated between the public body and the selected firm after the scope of the project is adequately determined to establish a guaranteed contract cost for which the general contractor/construction manager will provide a performance and payment bond. The guaranteed contract cost includes the fixed amount for the detailed specified general conditions work, the negotiated maximum allowable construction cost, the percent fee on the negotiated maximum allowable construction cost, and sales tax. If the public body is unable to negotiate a satisfactory maximum allowable

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construction cost with the firm selected that the public body 1 2 determines to be fair, reasonable, and within the available funds, negotiations with that firm shall be formally terminated and the public 3 body shall negotiate with the next highest scored firm and continue 4 until an agreement is reached or the process is terminated. 5 maximum allowable construction cost varies more than fifteen percent 6 7 from the bid estimated maximum allowable construction cost due to requested and approved changes in the scope by the public body, the 8 9 percent fee shall be renegotiated.

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- (6) All subcontract work shall be competitively bid with public bid openings. When critical to the successful completion of a subcontractor bid package and after publication of notice of intent to determine bidder eligibility in a legal newspaper of general circulation published in or as near as possible to that part of the county in which the public work will be done at least twenty days before requesting qualifications from interested subcontract bidders, the owner and general contractor/construction manager may determine subcontractor bidding eligibility using the following evaluation criteria:
- 20 (a) Adequate financial resources or the ability to secure such 21 resources;
 - (b) History of successful completion of a contract of similar type and scope;
 - (c) Project management and project supervision personnel with experience on similar projects and the availability of such personnel for the project;
 - (d) Current and projected workload and the impact the project will have on the subcontractor's current and projected workload;
- 29 (e) Ability to accurately estimate the subcontract bid package 30 scope of work;
- 31 (f) Ability to meet subcontract bid package shop drawing and other 32 coordination procedures;
- 33 (g) Eligibility to receive an award under applicable laws and 34 regulations; and
- 35 (h) Ability to meet subcontract bid package scheduling 36 requirements.
- 37 The owner and general contractor/construction manager shall weigh

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the evaluation criteria and determine a minimum acceptable score to be considered an eligible subcontract bidder.

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After publication of notice of intent to determine bidder eligibility, subcontractors requesting eligibility shall be provided the evaluation criteria and weighting to be used by the owner and general contractor/construction manager to determine eligible subcontract bidders. After the owner and general contractor/construction manager determine eligible subcontract bidders, subcontractors requesting eligibility shall be provided the results and scoring of the subcontract bidder eligibility determination.

Subcontract bid packages shall be awarded to the responsible bidder submitting the low responsive bid. The requirements of RCW 39.30.060 apply to each subcontract bid package. All subcontractors who bid work over three hundred thousand dollars shall post a bid bond and all subcontractors who are awarded a contract over three hundred thousand dollars shall provide a performance and payment bond for their contract All other subcontractors shall provide a performance and payment bond if required by the general contractor/construction A low bidder who claims error and fails to enter into a contract is prohibited from bidding on the same project if a second or subsequent call for bids is made for the project. Except as provided for under subsection (7) of this section, bidding on subcontract work by the general contractor/construction manager or its subsidiaries is prohibited. The general contractor/construction manager may negotiate with the low-responsive bidder in accordance with RCW 39.10.080 or, if unsuccessful in such negotiations, rebid.

- (7) The general contractor/construction manager, or its subsidiaries, may bid on subcontract work if:
- (a) The work within the subcontract bid package is customarily performed by the general contractor/construction manager;
 - (b) The bid opening is managed by the public body; and
- (c) Notification of the general contractor/construction manager's intention to bid is included in the public solicitation of bids for the bid package.

In no event may the value of subcontract work performed by the general contractor/construction manager exceed thirty percent of the negotiated maximum allowable construction cost.

(8) A public body may include an incentive clause in any contract awarded under this section for savings of either time or cost or both from that originally negotiated. No incentives granted may exceed five percent of the maximum allowable construction cost. If the project is completed for less than the agreed upon maximum allowable construction cost, any savings not otherwise negotiated as part of an incentive clause shall accrue to the public body. If the project is completed for more than the agreed upon maximum allowable construction cost, excepting increases due to any contract change orders approved by the public body, the additional cost shall be the responsibility of the general contractor/construction manager.

- NEW SECTION. Sec. 6. A new section is added to chapter 39.10 RCW to read as follows:
 - (1) In addition to the projects authorized in RCW 39.10.061, public hospital districts may also use the general contractor/construction manager contracting procedure for the construction of public hospital district capital demonstration projects, subject to the following conditions:
 - (a) The project must receive approval from the public hospital district project review board established under section 8 of this act.
 - (b) The public hospital district project review board may not authorize more than ten demonstration projects valued between five and ten million dollars.
 - (2) Public hospital districts may also use the general contractor/construction manager contracting procedure for the construction of any public hospital district capital project that has a value over ten million dollars and that has received approval from the public hospital district project review board established under section 8 of this act.
- **Sec. 7.** RCW 39.10.067 and 2002 c 46 s 3 are each amended to read 31 as follows:
- In addition to the projects authorized in RCW 39.10.061, public bodies may also use the general contractor/construction manager contracting procedure for the construction of school district capital demonstration projects, subject to the following conditions:

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1 (1) The project must receive approval from the school district 2 project review board established under RCW 39.10.115.

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- (2) The school district project review board may not authorize more than ((ten)) twenty demonstration projects valued over five million dollars, of which ((at least)) no more than two demonstration projects ((must)) may be valued between five and ten million dollars.
- NEW SECTION. **Sec. 8.** A new section is added to chapter 39.10 RCW to read as follows:
 - The public hospital district project review board (1)established to review public hospital district proposals submitted by public hospital districts to use alternative public works contracting procedures. The board shall select and approve qualified projects based upon an evaluation of the information submitted by the public hospital district under subsection (2) of this section. appointments for full terms or to fill a vacancy shall be made by the governor and shall include the following representatives, each having experience with public works or commercial construction: representative from the department of health; one representative from the office of financial management; two representatives from the construction industry, one of whom works for a construction company with gross annual revenues of twenty million dollars or less; one specialty contracting industry; representative from the representative from organized labor; one representative from the design industry; one representative from a public body previously authorized under this chapter to use an alternative public works contracting procedure who has experience using such alternative contracting procedures; one representative from public hospital districts with total revenues greater than fifteen million dollars per year; and one representative from public hospital districts with total revenues equal to or less than fifteen million dollars per year. Each member shall be appointed for a term of three years, with the first three-year term commencing after July 27, 2003. Any member of the public hospital district project review board who is directly affiliated with any applicant before the board must recuse him or herself from consideration of the application.
 - (2) A public hospital district seeking to use alternative contracting procedures authorized under this chapter pursuant to

section 6 of this act shall file an application with the public 1 2 hospital district project review board. The application form shall require the district to submit a detailed statement of the proposed 3 project, including the public hospital district's name; the current 4 projected total budget for the project, including the estimated 5 construction costs, costs for professional services, equipment and 6 7 furnishing costs, off-site costs, contract administration costs, and other related project costs; the anticipated project design and 8 construction schedule; a summary of the public hospital district's 9 10 construction activity for the preceding six years; and an explanation of why the public hospital district believes the use of an alternative 11 12 contracting procedure is in the public interest and why the public 13 hospital district is qualified to use an alternative contracting 14 procedure, including a summary of the relevant experience of the public hospital district's management team. The applicant shall also provide 15 in a timely manner any other information concerning implementation of 16 projects under this chapter requested by the public hospital district 17 project review board to assist in its consideration. 18

- (3) Any public hospital district whose application is approved by the public hospital district project review board shall comply with the public notification and review requirements in RCW 39.10.030.
- (4) Any public hospital district whose application is approved by the public hospital district project review board shall not use as an evaluation factor whether a contractor submitting a bid for the approved project has had prior general contractor/construction manager procedure experience.
- 27 **Sec. 9.** RCW 39.10.902 and 2002 c 46 s 4 are each amended to read 28 as follows:
- The following acts or parts of acts, as now existing or hereafter amended, are each repealed, effective July 1, 2007:
 - (1) RCW 39.10.010 and 1994 c 132 s 1;
- 32 (2) RCW 39.10.020 and <u>2003 c ... s 3 (section 3 of this act)</u>, 2001
- 33 c 328 s 1, 2000 c 209 s 1, 1997 c 376 s 1, & 1994 c 132 s 2;
- 34 (3) RCW 39.10.030 and 1997 c 376 s 2 & 1994 c 132 s 3;
- 35 (4) RCW 39.10.040 and 1994 c 132 s 4;
- 36 (5) RCW 39.10.051 and 2003 c ... s 4 (section 4 of this act), 2002

37 c 46 s 1, & 2001 c 328 s 2;

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(6) RCW 39.10.061 and 2003 c ... s 5 (section 5 of this act), 2002
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     c 46 s 2<sub>1</sub> & 2001 c 328 s 3;
         (7) RCW 39.10.065 and 1997 c 376 s 5;
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         (8) RCW 39.10.067 and 2003 c ... s 7 (section 7 of this act), 2002
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     c 46 s 3<sub>1</sub> & 2000 c 209 s 3;
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         (9) RCW 39.10.070 and 1994 c 132 s 7;
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         (10) RCW 39.10.080 and 1994 c 132 s 8;
         (11) RCW 39.10.090 and 1994 c 132 s 9;
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         (12) RCW 39.10.100 and 1994 c 132 s 10;
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         (13) RCW 39.10.115 and 2001 c 328 s 4 & 2000 c 209 s 4;
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        (14) RCW 39.10.900 and 1994 c 132 s 13; ((and))
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        (15) RCW 39.10.901 and 1994 c 132 s 14<u>;</u>
        (16) RCW 39.10.--- and 2003 c ... s 2 (section 2 of this act);
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        (17) RCW 39.10.--- and 2003 c ... s 6 (section 6 of this act); and
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         (18) RCW 39.10.--- and 2003 c ... s 8 (section 8 of this act).
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