## 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.

AN ACT Relating to alternative public works contracting procedures; amending RCW 39.10.020, 39.10.051, 39.10.061, 39.10.067, and 39.10.902; 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

1 contractor/construction manager procedure for a public works project; 2 and

3 (c) An examination of the number, size, and cost of public works
4 projects built using the general contractor/construction manager
5 procedure.

(2) Public bodies using the general contractor/construction manager б 7 procedure, or other public works contracting procedures, shall provide information concerning the 8 any requested selection, design, 9 contracting, implementation, management, costs, performance, and 10 outcomes of projects to the joint legislative audit and review timely manner, including relevant proprietary 11 committee in а 12 information that may be associated with individual firms. However, any 13 proprietary information provided to the committee for this study shall 14 be deemed confidential and is not subject to public disclosure.

15 <u>NEW SECTION.</u> Sec. 2. A new section is added to chapter 39.10 RCW 16 to read as follows:

17 (1) An independent oversight committee is established to review the practices and use of the general contractor/construction manager 18 procedures authorized by this chapter for the contracting of public 19 20 works projects. The committee shall consider the reports on general 21 contractor/construction manager procedures to be issued by the joint legislative audit and review committee under section 1 of this act. 22 23 The committee shall examine the use of general contractor/construction 24 manager procedures in public works projects built after June 9, 1994, and consider recommendations for changes to the procedures. 25

26 (2) The committee is composed of: Two members of the house of representatives, one from each major caucus, appointed by the speaker 27 of the house of representatives; two members of the senate, one from 28 each major caucus, appointed by the president of the senate; a 29 30 representative from each of the contracting, subcontracting, and design 31 industries, appointed by the governor; a representative from an appropriate labor organization, appointed by the 32 qovernor; а representative from a public body authorized to use the alternative 33 public works contracting procedures under this chapter, appointed by 34 the governor; a representative from a school district that has used the 35 36 general contractor/construction manager contracting procedure to build 37 a public works project as authorized under RCW 39.10.067, appointed by

the governor; and a representative from the office of financial management, appointed by the governor. The governor shall consider the recommendations of the established organizations representing the contracting, subcontracting, and design industries and organized labor in making the industry and labor appointments to the committee.

6 (3) The committee shall meet quarterly or more often as the 7 committee deems appropriate, beginning after July 1, 2003. At the 8 first meeting of the committee, a chair or cochairs must be selected 9 from among the committee's membership. Staff support for the committee 10 must be provided by legislative staff.

(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.

16 (5) The committee shall report to the appropriate standing 17 committees of the legislature by December 10th of every year concerning 18 its findings and recommendations.

19 Sec. 3. RCW 39.10.020 and 2001 c 328 s 1 are each amended to read 20 as follows:

21 Unless the context clearly requires otherwise, the definitions in 22 this section apply throughout this chapter.

(1) "Alternative public works contracting procedure" means the design-build and the general contractor/construction manager contracting procedures authorized in RCW 39.10.051 and 39.10.061, respectively.

27 "Public body" means the state department of general (2) administration; the University of Washington; Washington 28 State University; every city with a population greater than seventy thousand 29 30 and any public authority chartered by such city under RCW 35.21.730 31 through 35.21.755 and specifically authorized as provided in RCW 39.10.120(4); every county with a population greater than ((four)) two 32 33 hundred ((fifty)) thousand; every port district with total revenues 34 greater than fifteen million dollars per year; every public hospital 35 district with total revenues greater than fifteen million dollars per 36 year utilizing the design-build procedure authorized by RCW 39.10.051 and every public hospital district, regardless of total revenues, 37

proposing projects that are considered and approved by the public hospital district project review board under section 8 of this act; every public utility district with revenues from energy sales greater than twenty-three million dollars per year; and those school districts proposing projects that are considered and approved by the school district project review board under RCW 39.10.115.

7 (3) "Public works project" means any work for a public body within
8 the definition of the term public work in RCW 39.04.010.

9 **Sec. 4.** RCW 39.10.051 and 2002 c 46 s 1 are each amended to read 10 as follows:

11 (1) Notwithstanding any other provision of law, and after complying 12 with RCW 39.10.030, the following public bodies may utilize the design-13 build procedure of public works contracting for public works projects authorized under this section: The state department of general 14 administration; the University of Washington; Washington State 15 16 University; every city with a population greater than seventy thousand 17 and any public authority chartered by such city under RCW 35.21.730 through 35.21.755 and specifically authorized as provided in RCW 18 19 39.10.120(4); every county with a population greater than ((four)) two 20 hundred ((fifty)) thousand; every public utility district with revenues 21 from energy sales greater than twenty-three million dollars per year; every public hospital district with total revenues greater than fifteen 22 23 million dollars per year; and every port district with total revenues 24 greater than fifteen million dollars per year. The authority granted to port districts in this section is in addition to and does not affect 25 26 existing contracting authority under RCW 53.08.120 and 53.08.130. For 27 the purposes of this section, "design-build procedure" means a contract between a public body and another party in which the party agrees to 28 both design and build the facility, portion of the facility, or other 29 30 item specified in the contract.

31 (2) Public bodies authorized under this section may utilize the 32 design-build procedure for public works projects valued over ten 33 million dollars where:

34 (a) The construction activities or technologies to be used are
 35 highly specialized and a design-build approach is critical in
 36 developing the construction methodology or implementing the proposed
 37 technology; or

(b) The project design is repetitive in nature and is an incidental
 part of the installation or construction; or

3 (c) Regular interaction with and feedback from facilities users and
4 operators during design is not critical to an effective facility
5 design.

6 (3) Public bodies authorized under this section may also use the 7 design-build procedure for the following projects that meet the 8 criteria in subsection (2)(b) and (c) of this section:

9 (a) The construction or erection of preengineered metal buildings 10 or prefabricated modular buildings, regardless of cost; or

(b) The construction of new student housing projects valued over five million dollars.

13 (4) Contracts for design-build services shall be awarded through a competitive process utilizing public solicitation of proposals for 14 design-build services. The public body shall publish at least once in 15 16 a legal newspaper of general circulation published in or as near as 17 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 18 and the availability and location of the request for proposal 19 20 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;

26

(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 30 31 evaluate qualifications and proposals, including evaluation factors and 32 the relative weight of factors. Evaluation factors shall include, but not be limited to: Proposal price; ability of professional personnel; 33 past performance on similar projects; ability to meet time and budget 34 requirements; ability to provide a performance and payment bond for the 35 project; recent, current, and projected work loads of the firm; 36 37 location; and the concept of the proposal;

38 (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

3

(g) Other information relevant to the project.

4 (5) The public body shall establish a committee to evaluate the 5 proposals based on the factors, weighting, and process identified in 6 the request for proposals. Based on its evaluation, the public body 7 shall select not fewer than three nor more than five finalists to 8 submit best and final proposals. The public body may, in its sole 9 discretion, reject all proposals. Design-build contracts shall be 10 awarded using the procedures in (a) or (b) of this subsection.

(a) Best and final proposals shall be evaluated and scored based on 11 12 the factors, weighting, and process identified in the initial request 13 for proposals. The public body may score the proposals using a system 14 that measures the quality and technical merits of the proposal on a unit price basis. Final proposals may not be considered if the 15 proposal cost is greater than the maximum allowable construction cost 16 17 identified in the initial request for proposals. The public body shall initiate negotiations with the firm submitting the highest scored best 18 and final proposal. If the public body is unable to execute a contract 19 with the firm submitting the highest scored best and final proposal, 20 21 negotiations with that firm may be suspended or terminated and the 22 public body may proceed to negotiate with the next highest scored firm. Public bodies shall continue in accordance with this procedure until a 23 24 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 proposals who are not awarded a design-build contract. Honorarium payments shall be sufficient to generate meaningful competition among potential proposers on design-build projects.

35 **Sec. 5.** RCW 39.10.061 and 2002 c 46 s 2 are each amended to read 36 as follows:

37

(1) Notwithstanding any other provision of law, and after complying

with RCW 39.10.030, a public body may utilize the general 1 2 contractor/construction manager procedure of public works contracting for public works projects authorized under subsection (2) of this 3 this 4 section. For the purposes of section, "general contractor/construction manager" means a firm with which a public body 5 has selected and negotiated a maximum allowable construction cost to be б 7 quaranteed by the firm, after competitive selection through formal advertisement and competitive bids, to provide services during the 8 design phase that may include life-cycle cost design considerations, 9 10 value engineering, scheduling, cost estimating, constructability, alternative construction options for cost savings, and sequencing of 11 12 work, and to act as the construction manager and general contractor 13 during the construction phase.

14 (2) Except those school districts proposing projects that are 15 considered and approved by the school district project review board <u>and</u> 16 <u>those public hospital districts proposing projects that are considered</u> 17 <u>and approved by the public hospital district project review board</u>, 18 public bodies authorized under this section may utilize the general 19 contractor/construction manager procedure for public works projects 20 valued over ten million dollars where:

21 (a) Implementation of the project involves complex scheduling 22 requirements; or

(b) The project involves construction at an existing facility whichmust continue to operate during construction; or

(c) The involvement of the general contractor/construction managerduring 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 30 manager under this section shall be awarded through a competitive 31 32 process requiring the public solicitation of proposals for general contractor/construction manager services. The public solicitation of 33 proposals shall include: A description of the project, including 34 35 programmatic, performance, and technical requirements and 36 specifications when available; the reasons for using the general 37 contractor/construction manager procedure; a description of the qualifications to be required of the proposer, including submission of 38

the proposer's accident prevention program; a description of the 1 2 process the public body will use to evaluate qualifications and proposals, including evaluation factors and the relative weight of 3 factors; the form of the contract to be awarded; the estimated maximum 4 allowable construction cost; and the bid instructions to be used by the 5 general contractor/construction manager finalists. Evaluation factors 6 7 shall include, but not be limited to: Ability of professional personnel, past performance in negotiated and complex projects, and 8 ability to meet time and budget requirements; the scope of work the 9 10 general contractor/construction manager proposes to self-perform and its ability to perform it; location; recent, current, and projected 11 12 work loads of the firm; and the concept of their proposal. A public 13 body shall establish a committee to evaluate the proposals. After the committee has selected the most qualified finalists, these finalists 14 shall submit final proposals, including sealed bids for the percent 15 fee, which is the percentage amount to be earned by the general 16 17 contractor/construction manager as overhead and profit, on the estimated maximum allowable construction cost and the fixed amount for 18 the detailed specified general conditions work. The public body shall 19 select the firm submitting the highest scored final proposal using the 20 21 evaluation factors and the relative weight of factors published in the 22 public solicitation of proposals.

(5) The maximum allowable construction cost may be negotiated 23 24 between the public body and the selected firm after the scope of the project is adequately determined to establish a guaranteed contract 25 cost for which the general contractor/construction manager will provide 26 27 a performance and payment bond. The guaranteed contract cost includes the fixed amount for the detailed specified general conditions work, 28 the negotiated maximum allowable construction cost, the percent fee on 29 the negotiated maximum allowable construction cost, and sales tax. 30 Ιf the public body is unable to negotiate a satisfactory maximum allowable 31 32 construction cost with the firm selected that the public body determines to be fair, reasonable, and within the available funds, 33 negotiations with that firm shall be formally terminated and the public 34 35 body shall negotiate with the next highest scored firm and continue 36 until an agreement is reached or the process is terminated. If the 37 maximum allowable construction cost varies more than fifteen percent

1 from the bid estimated maximum allowable construction cost due to 2 requested and approved changes in the scope by the public body, the 3 percent fee shall be renegotiated.

(6) All subcontract work shall be competitively bid with public bid 4 5 openings. When critical to the successful completion of a subcontractor bid package and after publication of notice of intent to б 7 determine bidder eligibility in a legal newspaper of general circulation published in or as near as possible to that part of the 8 county in which the public work will be done at least twenty days 9 before requesting qualifications from interested subcontract bidders, 10 11 the owner and general contractor/construction manager may determine subcontractor bidding eligibility using the following evaluation 12 13 criteria:

14 (a) Adequate financial resources or the ability to secure such 15 resources;

16 (b) History of successful completion of a contract of similar type 17 and scope;

18 (c) Project management and project supervision personnel with 19 experience on similar projects and the availability of such personnel 20 for the project;

(d) Current and projected workload and the impact the project willhave on the subcontractor's current and projected workload;

(e) Ability to accurately estimate the subcontract bid packagescope of work;

(f) Ability to meet subcontract bid package shop drawing and other coordination procedures;

(g) Eligibility to receive an award under applicable laws andregulations; and

29 (h) Ability to meet subcontract bid package scheduling 30 requirements.

The owner and general contractor/construction manager shall weigh the evaluation criteria and determine a minimum acceptable score to be considered an eligible subcontract bidder.

After publication of notice of intent to determine bidder 34 eligibility, subcontractors requesting eligibility shall be provided 35 the evaluation criteria and weighting to be used by the owner and 36 37 general contractor/construction manager to determine eliqible 38 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 4 5 submitting the low responsive bid. The requirements of RCW 39.30.060 apply to each subcontract bid package. All subcontractors who bid work 6 7 over three hundred thousand dollars shall post a bid bond and all subcontractors who are awarded a contract over three hundred thousand 8 9 dollars shall provide a performance and payment bond for their contract 10 All other subcontractors shall provide a performance and amount. 11 payment bond if required by the general contractor/construction manager. A low bidder who claims error and fails to enter into a 12 13 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 14 for under subsection (7) of this section, bidding on subcontract work 15 16 by the general contractor/construction manager or its subsidiaries is 17 prohibited. The general contractor/construction manager may negotiate with the low-responsive bidder in accordance with RCW 39.10.080 or, if 18 19 unsuccessful in such negotiations, rebid.

20 (7) The general contractor/construction manager, or its 21 subsidiaries, may bid on subcontract work if:

(a) The work within the subcontract bid package is customarilyperformed by the general contractor/construction manager;

24

(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.

31 (8) A public body may include an incentive clause in any contract 32 awarded under this section for savings of either time or cost or both from that originally negotiated. No incentives granted may exceed five 33 percent of the maximum allowable construction cost. If the project is 34 completed for less than the agreed upon maximum allowable construction 35 cost, any savings not otherwise negotiated as part of an incentive 36 clause shall accrue to the public body. If the project is completed 37 38 for more than the agreed upon maximum allowable construction cost,

1 excepting increases due to any contract change orders approved by the 2 public body, the additional cost shall be the responsibility of the 3 general contractor/construction manager.

<u>NEW SECTION.</u> Sec. 6. A new section is added to chapter 39.10 RCW
to read as follows:

6 (1) In addition to the projects authorized in RCW 39.10.061, public 7 hospital districts may also use the general contractor/construction 8 manager contracting procedure for the construction of public hospital 9 district capital demonstration projects, subject to the following 10 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) 16 Public hospital districts may also use the general 17 contractor/construction manager contracting procedure for the construction of any public hospital district capital project that has 18 19 a value over ten million dollars and that has received approval from 20 the public hospital district project review board established under 21 section 8 of this act.

22 Sec. 7. RCW 39.10.067 and 2002 c 46 s 3 are each amended to read 23 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:

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

30 (2) The school district project review board may not authorize more 31 than ((ten)) twenty demonstration projects valued over five million 32 dollars, of which ((at least)) no more than two demonstration projects 33 ((must)) may be valued between five and ten million dollars.

34 <u>NEW SECTION.</u> Sec. 8. A new section is added to chapter 39.10 RCW 35 to read as follows:

(1) The public hospital district project review board 1 is 2 established to review public hospital district proposals submitted by 3 public hospital districts to use alternative public works contracting The board shall select and approve qualified projects 4 procedures. based upon an evaluation of the information submitted by the public 5 hospital district under subsection (2) of this section. б Any appointments for full terms or to fill a vacancy shall be made by the 7 8 governor and shall include the following representatives, each having experience with public works or commercial construction: 9 One representative from the department of health; one representative from 10 the office of financial management; two representatives from the 11 12 construction industry, one of whom works for a construction company 13 with gross annual revenues of twenty million dollars or less; one 14 representative from the specialty contracting industry; one 15 representative from organized labor; one representative from the design industry; one representative from a public body previously authorized 16 17 under this chapter to use an alternative public works contracting 18 procedure who has experience using such alternative contracting procedures; one representative from public hospital districts with 19 total revenues greater than fifteen million dollars per year; and one 20 21 representative from public hospital districts with total revenues equal 22 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 23 24 commencing after July 27, 2003. Any member of the public hospital district project review board who is directly affiliated with any 25 26 applicant before the board must recuse him or herself from 27 consideration of the application.

A public hospital district seeking to use alternative 28 (2) 29 contracting procedures authorized under this chapter pursuant to 30 section 6 of this act shall file an application with the public hospital district project review board. The application form shall 31 require the district to submit a detailed statement of the proposed 32 project, including the public hospital district's name; the current 33 projected total budget for the project, including the estimated 34 35 construction costs, costs for professional services, equipment and 36 furnishing costs, off-site costs, contract administration costs, and 37 other related project costs; the anticipated project design and construction schedule; a summary of the public hospital district's 38

construction activity for the preceding six years; and an explanation 1 2 of why the public hospital district believes the use of an alternative contracting procedure is in the public interest and why the public 3 hospital district is qualified to use an alternative contracting 4 5 procedure, including a summary of the relevant experience of the public hospital district's management team. The applicant shall also provide 6 7 in a timely manner any other information concerning implementation of projects under this chapter requested by the public hospital district 8 project review board to assist in its consideration. 9

10 (3) Any public hospital district whose application is approved by 11 the public hospital district project review board shall comply with the 12 public notification and review requirements in RCW 39.10.030.

13 (4) Any public hospital district whose application is approved by 14 the public hospital district project review board shall not use as an 15 evaluation factor whether a contractor submitting a bid for the 16 approved project has had prior general contractor/construction manager 17 procedure experience.

Sec. 9. RCW 39.10.902 and 2002 c 46 s 4 are each amended to read 18 19 as follows: 20 The following acts or parts of acts, as now existing or hereafter 21 amended, are each repealed, effective July 1, 2007: (1) RCW 39.10.010 and 1994 c 132 s 1; 22 23 (2) RCW 39.10.020 and 2003 c ... s 3 (section 3 of this act), 2001 c 328 s 1, 2000 c 209 s 1, 1997 c 376 s 1, & 1994 c 132 s 2; 24 25 (3) RCW 39.10.030 and 1997 c 376 s 2 & 1994 c 132 s 3; 26 (4) RCW 39.10.040 and 1994 c 132 s 4; (5) RCW 39.10.051 and 2003 c ... s 4 (section 4 of this act), 2002 27 c 46 s 1, & 2001 c 328 s 2; 28 (6) RCW 39.10.061 and 2003 c ... s 5 (section 5 of this act), 2002 29 30 c 46 s 2, & 2001 c 328 s 3; 31 (7) RCW 39.10.065 and 1997 c 376 s 5; (8) RCW 39.10.067 and 2003 c ... s 7 (section 7 of this act), 2002 32 c 46 s 3, & 2000 c 209 s 3; 33 34 (9) RCW 39.10.070 and 1994 c 132 s 7; (10) RCW 39.10.080 and 1994 c 132 s 8; 35 36 (11) RCW 39.10.090 and 1994 c 132 s 9; (12) RCW 39.10.100 and 1994 c 132 s 10; 37

1	(13) RCW 39.10.115 and 2001 c 328 s 4 & 2000 c 209 s 4;
2	(14) RCW 39.10.900 and 1994 c 132 s 13; (( <del>and</del> ))
3	(15) RCW 39.10.901 and 1994 c 132 s 14 <u>;</u>
4	(16) RCW 39.10 and 2003 c s 2 (section 2 of this act);
5	(17) RCW 39.10 and 2003 c s 6 (section 6 of this act); and
б	(18) RCW 39.10 and 2003 c s 8 (section 8 of this act).

--- END ---