

## REPORT FROM

# OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: March 6, 2023

CAO File No. 0150-11751-0003

Council File No.

Council District: 11

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles World Airports dated January 19, 2023 and February 3, 2023; referred by the Mayor for a report on January 19, 2023

Subject: **PROPOSED CONTRACT WITH SKANSKA-FLATIRON, A JOINT VENTURE TO DELIVER PROGRESSIVE DESIGN-BUILD SERVICES FOR PHASE 1 OF THE AIRFIELD AND TERMINAL MODERNIZATION PROJECT - ROADWAY IMPROVEMENTS AT LOS ANGELES INTERNATIONAL AIRPORT**

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## RECOMMENDATION

That the Mayor:

1. Approve the Los Angeles World Airports (LAWA) Resolution No. 27668 to authorize a proposed seven-year progressive design-build Contract with Skanska-Flatiron, A Joint Venture, for projects related to Phase 1 of the Airfield and Terminal Modernization Project - Roadway Improvements at Los Angeles International Airport for a compensation limit not-to-exceed \$173.7 million, and appropriate capital funds totaling \$192.2 million; and,
2. Authorize the Chief Executive Officer of the Los Angeles World Airports to execute the proposed agreement and return the Resolution to LAWA for further processing, including Council consideration.

## SUMMARY

The Los Angeles World Airports (LAWA; Department) Board of Airport Commissioners (BOAC; Board) requests approval to execute a proposed seven-year progressive design-build contract (Contract; Agreement) with Skanska-Flatiron, a Joint Venture (SFJV; Contractor) to implement various design and construction initiatives for the multi-phased Airfield and Terminal Modernization Project (ATMP) - Roadway Improvements at Los Angeles International Airport (LAX). The proposed Agreement will provide design, pre-construction, and early enabling work for the Primary Components of the project, as well as Secondary Components that are either required to facilitate the primary scope or additional scope that was not initially identified. Compensation for the proposed Contract is for an amount not-to-exceed \$173.7 million, exclusive of the costs for construction support services and a project contingency of \$18.5 million, for a total project cost of \$192.2 million.

## BACKGROUND

On January 19, 2023, the Board approved a LAWA staff report and request for approval to execute a proposed Agreement with SFJV to deliver the first of a two-phase progressive design-build contract associated with the ATMP – Roadway Improvements. Phase 1 consists of mobilization, design, engineering, and pre-construction services, while Phase 2 comprises construction. At the conclusion of Phase 1, the contractor will provide LAWA with numerous Component Guaranteed Maximum Price (CGMP)/Guaranteed Maximum Price (GMP) proposals for construction, commissioning, and closeout activities. Depending upon SFJV's performance on the first phase and the adequacy and cost of the construction proposals, LAWA will either: (1) negotiate the terms of the construction phase with SFJV and return to the Board for approval or (2) solicit new bids for Phase 2 construction.

*The ATMP* is a \$5 billion project comprising improvements to the LAX airfields, terminals, and roadways within the airport's existing footprint. According to LAWA, the ATMP – Roadway Improvements project is a comprehensive network of modernization developments that aim to mitigate airfield safety hazards, transform terminal designs, and separate airport traffic from the general traffic in the airport region. The initiative will reconfigure over 18 lane miles of roadways, both elevated and on-grade to facilitate traffic flow in and around LAX, and decrease air pollutant emissions resulting from reduced levels of idling aircraft.

*CGMP/GMP* procedures are essential components in this progressive design-build contract as it allows LAWA to procure a design-builder in the preliminary design process and it effectively places a maximum limit on the contract's price. This enables the contractor to be involved in the conceptual development of the design phase and establish full design objectives in the beginning stages of the project, in addition to providing LAWA more certainty with costs and project schedules. Once the design package reaches 60 percent, LAWA and the design-builder will have more clarity on the construction scope, phasing, and division of work, enabling the start of the CGMP/GMP negotiations for individual construction packages. This approach permits design and construction to occur in parallel for early delivery of certain components of the project. The use of the design-build contract method is based upon past successes of LAWA and other City departments using this approach with the following overall benefits:

- Increased probability of timely project completion;
- Optimized collaboration between LAWA and the designer and/or construction company;
- Minimized interference with ongoing LAX operations;
- Better leveraging of the City's project administration resources;

- Improved design, pre-construction work, and construction, as well as avoidance of constructability issues; and,
- Contractor selection is based upon a combination of qualifications and lowest ultimate cost to the City rather than cost alone.

*Competitive Selection Process* – On April 5, 2022, LAWA issued a draft Request for Proposals (RFP) seeking a qualified contractor to carry out critical components of the ATMP - Roadway Improvements. This action was succeeded by a virtual pre-proposal conference on April 19, 2022, to present the Department's initiatives and answer questions from the firms that were in attendance. The final RFP was subsequently drafted and released on April 30, 2022. LAWA established a four-member Evaluation Panel composed of the Department's senior-level staff to interview, independently assess the technical skills required to carry out the scope of work outlined in the RFP, analyze cost proposals, and rate each firm's overall performance. On August 17, 2022, three firms submitted proposals and were invited to participate in interviews. Thereafter, one firm was excluded from the competitive process given that the organization did not generate the minimum points required through the initial stages of the evaluation process. The two remaining firms were invited to submit cost proposals.

Based on the scoring outcome of the remaining candidates, the Evaluation Panel deemed SFJV as the most qualified proposer to perform the scope of work described in the RFP. The Evaluation Panel determined that SFJV provided the best value procurement because the consultant demonstrated extensive knowledge, strong experience and expertise with similar airfield projects of such complexity and magnitude, as well as innovative thinking to timely deliver the project. The SFJV group teamed up to perform significant heavy civil work in the past and successfully completed notable projects such as the Interstate 5 North Coast Corridor, Interstate 15 Express Lane, and Crenshaw LAX Transit Project. Additionally, the contractor committed to exceeding the 30 percent LAX local hire goal.

*The Target Project Schedule* is forecasted to be performed in the three stages: (1) Notice to proceed - first quarter of 2023, (2) Complete Basis of Design – third quarter of 2023, and (3) Negotiation CGMP/GMP for Phase 2 – third quarter 2024. Upon LAWA authorizing the notice to proceed, the design-build team will commence the foundational elements of the design phase, consisting of schematic design and design development. Critical pre-construction activities such as site preparation to investigate the surface, subsoil, and any potential obstructions that can impact the development of the site will also be explored at this time. This concept allows for comprehensive planning to avoid unforeseen issues, an opportunity to develop efficiencies to accelerate certain components of the project, and establish effective phasing and logistics. LAWA intends to execute the contract no later than mid-April 2023 to align with the ATMP Project Management / Construction Management Agreement with HDR Engineering, Inc.

*Construction activities* are not planned during Phase 1 but a significant amount of enabling work and mobilization will occur prior to implementing Phase 2. As the Phase 1 roadway plans

develop, LAWA will conduct an independent cost analysis for Phase 2 construction and support costs in order to retain fair market construction estimates of such projects. This information will enable LAWA to conduct a comparative analysis of the various Phase 2 CGMP/GMP proposals submitted by SFJV and negotiate a fair market price to carry out the construction components of the project. LAWA will subsequently return to the Board to request additional funds and appropriations to initiate the construction portion of the ATMP Roadway - Improvements. According to LAWA projections, construction is scheduled to begin in the fourth quarter of 2024 or the first quarter of 2025, with substantial construction completion by 2029.

*Negative Traffic Impacts / Mitigation* - The existing roadway system leading into and out of LAX's Central Terminal Area (CTA) will be reconfigured so commuters traveling in vehicles at LAX and the surrounding area of the airport may experience detours as a consequence of temporary lane and roadway closures during construction. SFJV and LAWA will coordinate with the Los Angeles Department of Transportation (LADOT), California Department of Transportation (Caltrans), and other applicable agencies to develop detour plans and work hour restrictions to safely perform the necessary construction and alleviate adverse effects to traffic circulation. Communication efforts will also extend to emergency service operators, public transit providers, and adjacent property owners and tenants to notify them of roadway closures and temporary closures or relocations of bus stops.

*Project Cost and Funding* - A combination of capital funds and grant awards will be used to finance the project. Of the total estimated design-build cost associated with Phase 1, \$173.7 million is required for the design and pre-construction, \$17.5 million to execute change orders and unexpected expenses, and \$1 million for other construction support services, for a combined total cost not-to-exceed \$192.2 million. Approval of the design-build contract with SFJV for Phase 1 of the ATMP Roadway Improvements project will result in a net increase to the 2022 CIP by the amount equivalent to the total budget for this project. Other expenses incurred under this Contract that are not grant-funded will be recovered through landing fees, terminal building rates and charges, and non-aeronautical revenues upon completion and activation of the roadway improvements. LAWA will return to the Board to request additional appropriations for soft costs as the project further progresses in definition and construction.

*Grant Funding* – This project is partially funded by the Bipartisan Infrastructure Law (BIL) grant funds from the Federal Aviation Administration (FAA). To date, the FAA awarded \$50 million in grant funds from the 2022 funding cycle towards the ATMP Roadway Improvement initiative. Federal funds from the 2023 funding period are scheduled to be announced by the end of March 2023. Additionally, LAWA received formula grant awards in allocation years 2022 and 2023, totaling \$158.6 million, which the Department will apply toward the ATMP. The Department also expects the BIL to allocate three additional formula grant awards in the ensuing years to support future phases of the roadway improvement projects. Delivery of the ATMP will allow LAWA to remain competitive for FAA airfield grant funding opportunities for federal Fiscal Years 2022-2027, so the Department will continue to pursue additional grant funds for this project.

## **CITY COMPLIANCE**

The City Attorney has reviewed the proposed Contract as to form and legality. The proposed Agreement includes provisions to ensure compliance with applicable City Ordinances, contracting, and insurance requirements. In accordance with Charter Section 373 and Administrative Code Section 10.5(a) and 10.5(b)(2), the Contract requires Council approval because the total term of the Agreement exceeds three years. The Department's Procurement Services Division staff has reviewed this action (File. No. 10159) and established a 15 percent Disadvantaged Business Enterprise (DBE) goal. Skanska-Flatiron, A Joint Venture has proposed a level of 15 percent DBE participation.

## **FISCAL IMPACT STATEMENT**

Approval of the proposed seven-year contract with Skanska-Flatiron, A Joint Venture will have no impact on the City's General Fund. Authorization for capital funds in the amount of \$192.2 million is requested to be appropriated from the LAX Revenue Fund to WBS element 1.21.24A-700 (ATMP – Roadway Improvements). The actions of the proposed Contract comply with the Los Angeles World Airports' adopted Financial Policies.

Attachment 1 – BOAC January 19, 2023 Report and February 3, 2023 Resolution No. 27668

*MWS/PJH/JVW:DG:10230088*