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SENT TO COUNCIL: ~~_____~~ AUG 15 2006



by City Manager's Office
Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Katy Allen
William F. Sherry

SUBJECT: SEE BELOW

DATE: 08-15-06

Approved

Date

8/15/06

Council District: Citywide

INFORMATION

SUBJECT: STATUS REPORT ON THE NEGOTIATION OF THE DESIGN BUILD CONTRACT FOR THE AIRPORT TERMINAL AREA IMPROVEMENT PROGRAM

On May 23, 2006, the Council authorized the City Manager to negotiate a Design-Build contract for the Airport Terminal Area Improvement Program (TAIP) with the most qualified proposing firm, Bechtel Infrastructure Group. The Council also authorized the Manager to terminate negotiations with Bechtel and commence negotiations with the next ranked firm, should the parties fail to reach agreement. At this time, by mutual agreement the negotiations are being terminated and we will begin negotiations with the second-ranked proposer, Hensel-Phelps Construction.

Negotiations with Bechtel have been ongoing since the May 23rd Council action. Most of the major elements of the contract were successfully negotiated. However, the City and Bechtel were unable to reach agreement on several key business points.

Both Bechtel and the City negotiated in good faith and clearly wanted to reach agreement if possible. Both parties devoted significant resources to this effort for the past two months in a diligent effort to reach agreement. In this process, significant refinement of the program scope and the contract terms have been made. All of this work will help the City move forward expeditiously in its negotiations with the next most qualified firm.

HONORABLE MAYOR AND CITY COUNCIL

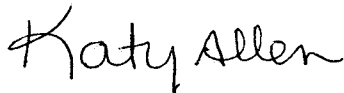
08-15-06

Subject: Status Report on the Negotiation of the D/B Contract for the Airport TAIP

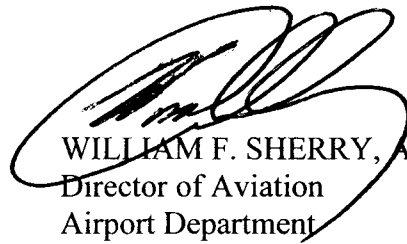
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The City Manager will immediately terminate negotiations with Bechtel and, as directed by Council, begin negotiations with Hensel-Phelps Construction. Hensel-Phelps is a nationally recognized contractor that maintains a district office in San Jose. The company is ranked the 13th largest design-build firm in the United States. Hensel-Phelps recently constructed the joint City/San Jose State Library and is currently constructing the City's Central Service Yard. The Hensel-Phelps team has done significant work at large airports including San Francisco, Dallas-Fort Worth, Denver and Miami, with projects ranging in size from \$124 million at San Francisco to \$430 million in Denver. In addition to Hensel-Phelps the team consists of Fentress-Bradburn Architects, DMJM Architects and Granite Construction.

Staff anticipates that negotiations with Hensel Phelps will take approximately two months, extending completion of the TAIP milestones by that same amount. This action in no way restricts Council's ability to authorize the City Manager to reopen the contract negotiation process with Bechtel should the City fail to reach agreement with the lower ranked firms.



KATY ALLEN
Director, Public Works Department



WILLIAM F. SHERRY, A.A.E.
Director of Aviation
Airport Department