

June 12, 2017

CITY COUNCIL STUDY SESSION ITEM

SUBJECT

Operations and Maintenance Facility-East (OMF-East) Update. This update will be provided by Sound Transit staff and is focused on the agency's design/build procurement process for construction of the OMF-East and compliance with the existing Memorandum of Understanding and Implementation Agreement with the City. The update is not intended to include a discussion for how the City and Sound Transit could pursue a permanent men's shelter on any surplus property at this location. City staff will bring back an update at a separate date on that subject, consistent with Council's direction on June 5.

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POLICY ISSUES

The general policy guidance below informs the City's work on this final design phase of Sound Transit's East Link and OMF East Projects.

Comprehensive Plan Policies

The Comprehensive Plan contains a body of adopted policy, which emerged from the Light Rail Best Practices work, to frame the City's role in light rail project development, including advancing the City's land use and transportation objectives and minimizing neighborhood and environmental impacts.

MOU with Sound Transit

The City and Sound Transit entered into an Amended and Restated Umbrella Memorandum of Understanding (MOU) in May 2015 that defines City contributions to a downtown light rail tunnel and includes terms for both agencies regarding the Operation and Maintenance Satellite Facility (OMSF); project coordination; 130th Avenue NE parcels; permitting, project certainty and mitigation; and, conveyance of property between the agencies. The MOU also calls for outreach efforts including a neighborhood involvement process regarding traffic mitigation and a public relations/marketing campaign that messages "Bellevue is open for business" through construction.

Implementation Agreement with Sound Transit

The City and Sound Transit entered into an Implementation Agreement related to the Link Operations and Maintenance Satellite Facility in August 2016 that establishes the process of moving forward with the OMF-East given Sound Transit's change to a Design-Build procurement process. The agreement outlines: future development vision outcomes for potential Phase 1 transit oriented development (TOD); design-build permit process and procurement provisions; project Baseline A and a potential for a Baseline B after further work is completed by project proposers; and a collaborative working process for the TOD offering.

Council Vision and Priorities

In its 2016-17 Priorities, Council maintained focus on ensuring that light rail served Bellevue residents and businesses in a manner that enhanced the community, with a focus during this timeframe on implementing "plans to mitigate construction impacts on our residents and businesses."

DIRECTION NEEDED FROM COUNCIL

ACTION



DIRECTION



INFORMATION ONLY



Sound Transit will provide an update on the OMF East project, including the procurement process, the successful design-build team, key features of the proposal and project schedule. Sound Transit will also discuss how the successful team addressed commitments made in the MOU and Implementation Agreement.

The update will also include information related to Bellevue input into the process, as well as a discussion of next steps through permitting, design and construction.

While no action is required of Council, tonight's presentation will provide background details for future Council action regarding property conveyance, easements for trail construction and consideration of the MOU provisions for design elements included to support timely TOD.

BACKGROUND/ANALYSIS

Memorandum of Understanding: The 2015 MOU outlined a process and commitments with respect to the OMSF (now known as the OMF-East) in the event the Sound Transit Board ultimately selected a site in Bellevue for this facility. On October 22, 2015, the Sound Transit Board formally selected the BNSF alternative location for the facility. In accordance with the MOU, Sound Transit commissioned a market analysis to consider future transit oriented development on property expected to become surplus to Sound Transit to the extent it is no longer needed to support the construction and operation of the OMF-East. Both agencies determined that, in addition to the market analysis, completing a development feasibility study would provide a more comprehensive analysis of the existing and future markets conditions surrounding the maintenance facility. The results of the market analysis were discussed with Council on June 13, 2016.

Sound Transit convened a contract package and delivery method evaluation team, in June 2015, with that team recommending a design build contract. Late in 2015 Sound Transit selected a design build process, and a Request for Qualifications issued in April 2016. Sound Transit determined utilizing a design-build procurement process for the OMF East could reduce the overall design and construction timeline and thereby aid in the OMF East being operational sooner. A design-build procurement

process could also provide a more creative approach to the overall project and integration of the OMF East and the transit-oriented development (TOD) with potentially three to four designers competing for the project.

A design-build procurement requires that the project budget be determined much earlier in the project development process. Sound Transit uses a “Phase Gate” approach to manage their projects, with each Gate representing a different phase of the project: Phase 1 being project development and Phase 8 being project closeout. As the project proceeds through each phase gate, certain project, environmental, federal or agency requirements must be met. Project baselining, is Phase 5, and sets the budget and schedule for the project through construction. Sound Transit baselined the OMF East project on July 28, 2016.

Implementation Agreement: The City determined that with the change to a design-build procurement process the development agreement process outlined in the MOU would not be the appropriate tool to ensure the development vision was met, since a development agreement requires some sort of conceptual master plan. A draft Implementation Agreement was introduced to Council on July 18, 2016 and approved July 25, 2016. The Sound Transit Board approved the agreement on July 28, 2016.

The Implementation Agreement outlined the process for how the City and Sound Transit would work to apply the commitments and goals of the MOU in achieving the TOD objectives, how those objectives would be incorporated into the request for proposals (RFP) for the design-builder, and the level of involvement the City would have in the process.

Sound Transit and City staff worked collaboratively in development of RFP documents, the project requirements, and evaluation criteria. The project requirements are basically the project specifications and performance requirements or outcomes required of each proposer. City input aided in shaping evaluation criteria to optimize transit program requirements and goals of the maintenance facility with the efficacy and viability of the broader TOD planning; with integration of the facility, TOD masterplan and potential development enabling improvements with minimal complexity and long term coordination to maximize marketability of the future development.

OMF EAST DESIGN-BUILD PROCUREMENT

Sound Transit short listed three proposers to advance through the design-build procurement for the OMF East. Each of the firms was to prepare a proposal to design and construct the maintenance facility, prepare design concepts for transit oriented development on available surplus property, and identify project delivery strategies that provide both on a relatively aggressive timeline. RFP’s and project requirements were provided to each of the three firms on August 29, 2016. Those three firms (with noted partnership/other team members) were:

- Hensel-Phelps (Stantec, KPFF, Granite, Stacy and Witbeck, VIA, Waterleaf, Elcon)
- The Walsh Group (STV, Herzog, Trinity Real Estate, Baylis Architects, Aldridge Electric)
- Kiewit Infrastructure West (Parsons, MEC, Heartland)

City staff from across departments took part in the procurement for the design-builder, participating in one-on-one meetings with the proposers to address questions, concerns and clarify City policies, codes, and standards as they related to both the maintenance facility and master planning for the future TOD. The City also participated in the final selection, with one voting member on the evaluation panel.

The City and Sound Transit staff worked collaboratively to ensure the proposers understood the

importance of the agencies working together to achieve not only the commitments in the MOU and Implementation Agreement, but the common desired outcomes for the OMF East and future TOD. The optimization of potential TOD on the surplus property was clearly weighted and duly considered as part of the OMF East proposal evaluation.

All three firms' proposals were evaluated based on the advertised evaluation criteria which included points for the firms' design concept and technical approach, small/disadvantaged business enterprise (S/DBE) commitment and outreach efforts, potential TOD opportunities and price. After evaluating the three proposals, Sound Transit determined that Hensel Phelps was the highest ranked firm, having submitted the best value proposal. While there are elements related to completion of a MDP, City input fully supported selection of Hensel Phelps. The final proposal amount is \$218,912,000 and is within Sound Transit's budget for the OMF East project.

Based on the above process and criteria, the Hensel Phelps team was selected as the design builder for the OMF East. Following a concept validation and negotiation period, on May 11 the Sound Transit Capital Committee recommended the contract be moved forward for Sound Transit Board approval. The Sound Transit Board authorized the CEO to award the contract on May 25.

FUTURE TOD DEVELOPMENT

Per the MOU and the Implementation Agreement, the OMF East contractor was to identify surplus property available following construction. The Implementation Agreement further identified the OMF East procurement include specific elements related to Phase 1 TOD, these elements included:

General		
- Optimize integration of the OMF East facility with TOD to create overall efficiencies and enable competitively a positioned future development		√
- Define a TOD offering of marketable lots and establish a schedule for disposition of the property concurrent with, or as close in time as practicable with East Link operations		√
- Identify and recommend additional design elements necessary to create marketable lots		√
- Identify surplus property available after OMF East Construction		√
Future Development of Phase 1 Parcels		
- Suitable development to be a mix of uses consistent with the BelRed vision		√
- Set a goal to support an aggregate amount of 1.2 million gross square feet		√
- Utilities sized to support future TOD		√
- Set a goal of achieving at least 50,000 square feet of retail or other uses that activate the ground plane, and not less than 20% gross square feet of housing.		√
Actions upon Award of the Design-Build Contract		
- Sound Transit and the City will negotiate and work cooperatively to define the scope of any Baseline B design elements necessary to prepare surplus property for the TOD market.		√
- Sound Transit will bring forward for Board consideration changes in the project baseline budget prior to issuance of the MDP to reflect, among other things, the scope and cost of preparing the Phase 1 parcels and implementing any additional design elements identified to competitively position the parcels, referenced as 'Baseline B'		n/a*
Permitting Approach		
- Master Development Plan (MDP) under City's Land Use Code that includes the entire site, including both OMSF and future potential Phase 1 Parcels		√

*Hensel Phelps proposal provided a configuration such that no additional investment in TOD enabling elements was identified for Board consideration at this time.

HENSEL PHELPS PROPOSAL AND FUTURE TOD

Sound Transit will provide an overview of the proposal for the OMF East site and the future TOD parcels. Hensel Phelps provided a configuration for the future TOD on surplus property that identified no additional investment in TOD-enabling elements would be necessary to competitively position the lost for market (e.g. elimination of the Baseline B). Attachment A depicts the proposed site layout, and Sound Transit will provide additional information and graphic details will be provided during the presentation to articulate clearly the OMF East design, the configuration of Phase 1 and potential Phase 2 TOD development.

The TOD conceptual design will need to be reviewed and approved through the City's MDP Land Use Code provisions. The MDP process is an open public process which requires a public meeting and approval by the Land Use Director.

Once the final MDP has been approved by the City, Sound Transit will be able to initiate the process for marketing of the surplus property. The MDP approval also allows the design build contractor to complete City design review of the OMF East facilities and apply for building permits governing the project construction. The Implementation agreement also identified continued collaboration between agencies, and City participation in the separate process for positioning the future TOD for development. This included reaching consensus on the scope and evaluation process, seeking proposals from a master developer who could be granted exclusive rights to all Phase 1 parcels, and exploring joint development opportunities.

ALTERNATIVES

N/A

RECOMMENDATION

N/A

ATTACHMENTS

- A. MOU Exhibit I-1 Phase 1 TOD Development Scenario
- B. MOU Exhibit I-2 Phase 2 TOD Development Scenario
- C. Hensel Phelps Proposed Site Plan with Phase 1 Development Capacity

AVAILABLE IN COUNCIL DOCUMENT LIBRARY

- A. 2015 MOU
- B. Implementation Agreement with Sound Transit
- C. Three Party Agreement with Sound Transit and King County