REFERENCE TITLE: progressive design-build; ADOT

State of Arizona Senate Fifty-sixth Legislature First Regular Session 2023

SB 1099

Introduced by Senator Carroll: Representatives Wilmeth, Livingston

AN ACT

AMENDING SECTIONS 28-7361, 28-7363, 28-7364 AND 28-7366, ARIZONA REVISED STATUTES; RELATING TO ALTERNATIVE CONTRACTING PROCEDURES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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 Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 28-7361, Arizona Revised Statutes, is amended to read:

28-7361. <u>Definitions</u>

In this article, unless the context otherwise requires:

- 1. "Architect services" means those professional architect services that are within the scope of architectural practice as provided in title 32, chapter 1.
- 2. "Construction-manager-at-risk" means a project delivery method in which:
- (a) There is a contract for construction services that is separate from the contract for design services, except that instead of a single contract for construction services, the department may elect separate contracts for preconstruction services during the design phase, for construction during the construction phase and for any other construction services.
- (b) Design services are performed under a separate design services contract, except that as to bridges and other transportation facilities the department may perform with its own employees or force account preliminary design and either:
- (i) In the case of bridges only, all design services up to final design.
- (ii) In the case of other transportation facilities, up to twenty per cent PERCENT of the design work.
- (c) The contract for construction services may be entered into at the same time as the design services are commenced or at a later time.
 - (d) Design and construction of the project may be either:
- (i) Sequential with the entire design complete before construction commences.
- (ii) Concurrent with the design produced in two or more phases and construction of some phases commencing before the entire design is complete.
- (e) Finance services, maintenance services, operations services, preconstruction services and other related services may be included.
- 3. "Construction services" means either of the following for construction-manager-at-risk and job-order-contracting project delivery methods:
- (a) Construction, excluding services, through the construction-manager-at-risk or job-order-contracting project delivery methods.
- (b) A combination of construction and, as elected by the department, one or more related services, such as finance services, maintenance services, operations services, design services and preconstruction services, as those services are authorized in the definition of construction-manager-at-risk or job-order-contracting.

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- 4. "Contract" means all types of department agreements, regardless of what they are called, for procurements pursuant to this article.
- 5. "Contractor" means any person who has a contract with the department.
- 6. "Design-build" means the process of entering into and managing a contract between the department and another party in which the other party agrees to both design and build a highway, a structure, a facility or ANY other items specified in the contract.
- 7. "Design-builder" means any individual, partnership, joint venture, corporation or other legal entity that is appropriately licensed in this state and that furnishes the necessary design services, in addition to construction of the work, whether by itself or through subcontracts, including subcontracts for architectural and engineering services.
- 8. "Design services" means architect services, engineer services or landscape architect services.
- 9. "Emergency" means an immediate threat to public health, welfare or safety caused by flood, earthquake, hurricane, tornado, explosion, fire or other catastrophe such that compliance with normal bidding procedures for repair or reconstruction of transportation facilities would be impracticable or contrary to the public interest.
- 10. "Engineer services" means those professional engineer services that are within the scope of engineering practice as provided in title 32, chapter 1.
- 11. "Finance services" means financing for a construction services project.
- 12. "Job-order-contracting" means a project delivery method in which:
- (a) The contract is for indefinite quantities of construction and, at the election of the department, may or may not include a guaranteed minimum amount of work.
- (b) The construction to be performed is specified in job orders issued during the contract.
- (c) Finance services, maintenance services, operations services, preconstruction services, design services and other related services may be included.
- 13. "Landscape architect services" means those professional landscape architect services that are within the scope of landscape architectural practice as provided in title 32, chapter 1.
- 14. "Maintenance services" means routine maintenance, repair and replacement of existing facilities, structures, buildings or real property.

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- 15. "Operations services" means routine operation of existing facilities, structures, buildings or real property.
- 16. "Person" means any corporation, business, individual, union, committee, club, other organization or group of individuals.
- 17. "Preconstruction services" means services and other activities during the design phase.
- 18. "PROGRESSIVE DESIGN-BUILD" MEANS THE PROCESS OF ENTERING INTO AND MANAGING A CONTRACT BETWEEN THE DEPARTMENT AND ANOTHER PARTY IN WHICH THE OTHER PARTY BOTH:
- (a) AGREES TO BOTH DESIGN AND BUILD A HIGHWAY, A STRUCTURE, A FACILITY OR ANY OTHER ITEMS SPECIFIED IN THE CONTRACT.
- (b) AT THE EARLIEST FEASIBLE STAGE OF THE PROCESS, IS SELECTED THROUGH THE USE OF QUALIFICATIONS-BASED SELECTION AS DEFINED IN SECTION 5-807, SUBSECTION C.
- 18. 19. "Specific single project" means a project that is constructed at a single location, at a common location or for a common purpose.
- 19. 20. "Subcontractor" means a person who contracts to perform work or render service to a contractor or to another subcontractor as a part of a contract with the department.
- Sec. 2. Section 28-7363, Arizona Revised Statutes, is amended to read:

28-7363. <u>Design-build and progressive design-build method of project delivery</u>

- A. Notwithstanding any other law, the department may use the design-build OR PROGRESSIVE DESIGN-BUILD method of project delivery on a project if the department makes a determination in writing that it is appropriate and in the best interests of the department to use the design-build OR PROGRESSIVE DESIGN-BUILD method of project delivery for that project, except that:
- 1. The department shall not enter into a contract to operate any structure, facility or other item pursuant to this article.
- 2. Each design-build OR PROGRESSIVE DESIGN-BUILD project shall be a specific single project.
- 3. The department shall not commence any design-build OR PROGRESSIVE DESIGN-BUILD project after December 31, 2025. For the purposes of this paragraph, a project is commenced on the date the department solicits the contract for the project. If the department solicits a design-build OR PROGRESSIVE DESIGN-BUILD contract on or before December 31, 2025, the contract may be executed and services and construction under the contract may be rendered in whole or in part after December 31, 2025.

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- B. The estimated cost of the project shall not include the cost to procure any right-of-way or other cost of condemnation. The cost to procure any right-of-way or other cost of condemnation remains at all times the responsibility of the department. The department shall obtain all necessary rights-of-way.
- C. The department is responsible for preparation PREPARING and acquisition of ACQUIRING all environmental documents, including the scope of any remediation and required clearances.
- D. If construction of a design-build OR PROGRESSIVE DESIGN-BUILD project involves railroad facilities, the railroad shall approve the use of the design-build OR PROGRESSIVE DESIGN-BUILD delivery method before the department awards the design-build OR PROGRESSIVE DESIGN-BUILD contract.
- E. To ensure fair, uniform, clear and effective procedures that will deliver a quality project on time and within budget, the director, in conjunction with the appropriate and affected professionals and contractors, may adopt procedures for procuring a project using the design-build OR PROGRESSIVE DESIGN-BUILD method of project delivery.
- F. The provisions of sections 28-6923 and 28-6924 relating to bid, performance and payment bonds and to change orders, progress payments, contract retentions, definitions and authority to award contracts apply to department design-build OR PROGRESSIVE DESIGN-BUILD projects for transportation facilities pursuant to this article.
- Sec. 3. Section 28-7364, Arizona Revised Statutes, is amended to read:

28-7364. Design-build and progressive design-build criteria

The department shall use the following criteria as the minimum basis for determining when to use the design-build OR PROGRESSIVE DESIGN-BUILD method of project delivery:

- 1. The extent to which it can adequately define the project requirements.
 - 2. The time constraints for delivery of the project.
- 3. The capability and experience of potential teams with the design-build OR PROGRESSIVE DESIGN-BUILD method of project delivery.
- 4. The suitability of the project for use of the design-build OR PROGRESSIVE DESIGN-BUILD method of project delivery in the areas of time, schedule, costs and quality.
- 5. The capability of the department to manage the project, including the employment of experienced personnel or outside consultants.
- 6. The capability of the department to oversee the project with persons who are familiar with the design-build OR PROGRESSIVE DESIGN-BUILD method of project delivery.
 - 7. Other criteria the department deems relevant.

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 Sec. 4. Section 28-7366, Arizona Revised Statutes, is amended to read:

- A. The department may procure the following services pursuant to this section:
 - 1. Construction-manager-at-risk construction services.
 - 2. Job-order-contracting construction services.
- 3. PROGRESSIVE DESIGN-BUILD DESIGN SERVICES AND CONSTRUCTION SERVICES.
- B. The department shall provide notice of each procurement of DESIGN SERVICES OR construction services OR BOTH DESIGN SERVICES AND CONSTRUCTION SERVICES prescribed in this section and shall award contracts on the basis of demonstrated competence and qualifications for the type of DESIGN SERVICES OR construction services OR BOTH DESIGN SERVICES AND CONSTRUCTION SERVICES pursuant to the procedures prescribed in this section.
- C. In the procurement of DESIGN SERVICES OR construction services OR BOTH DESIGN SERVICES AND CONSTRUCTION SERVICES pursuant to this section:
- 1. The department shall issue a request for qualifications for each contract and publish notice of the request for qualifications in the same manner as provided in section 28-6923. The request for qualifications shall:
- (a) Include the number of persons or firms to be included on the final list. At least three but not more than five persons or firms shall be on the final list.
- (b) State the criteria to be used by the selection team to select the person or firm to perform the DESIGN SERVICES OR THE construction services OR BOTH THE DESIGN SERVICES AND CONSTRUCTION SERVICES. The request for qualifications shall also state in a manner determined by the department the relative weight of the selection criteria.
- (c) If the department will hold interviews as part of the selection process, state that interviews shall be held and the number of persons or firms to be interviewed, which shall be at least the number of persons or firms to be included in the final list but not more than the number of persons or firms to be included in the final list plus two.
- 2. For each request for qualifications, the department shall initiate a selection team pursuant to section 28-7365, subsection B. A person who is a member of a selection team shall not be a contractor under the contract or provide DESIGN, DESIGN SERVICES, construction, construction services, materials or services under the contract. The selection team shall:

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- (a) Evaluate the statements of qualifications and performance data that are submitted in response to the department's request for qualifications.
- (b) If determined by the department and included by the department in the request for qualifications, conduct interviews with the number of persons or firms to be interviewed as stated in the request for qualifications regarding the contract and the relative methods of approach for furnishing the required DESIGN SERVICES OR construction services OR BOTH DESIGN SERVICES AND CONSTRUCTION SERVICES.
- (c) After any interviews or if interviews are not held, in order of preference, based on the criteria and the weighting of criteria established and published by the department and included in the request for qualifications, select a final list for the contract of persons or firms the selection team deems to be the most qualified to provide the DESIGN SERVICES OR THE construction services OR BOTH THE DESIGN SERVICES AND CONSTRUCTION SERVICES and, in the case of a contract that will be negotiated under subsection E of this section, rank the persons or firms on the final list in order of preference. The selection team shall base the selection of the final list and the order of preference on demonstrated competence and qualifications only. The number of persons or firms on the final list shall be the number of persons or firms specified in the request for qualifications, except that:
- (i) If a smaller number of responsive and responsible persons or firms respond to the solicitation, the department may have the selection team proceed with the selection process, including interviews and the final list, with the remaining persons or firms if at least two persons or firms remain or the department may readvertise pursuant to this subsection as the department deems necessary or appropriate.
- (ii) If only one responsive and responsible person or firm responds to a solicitation for a contract to be negotiated pursuant to subsection E of this section, the department may proceed with only one person or firm in the selection process and may award the contract to a single person or firm if the department determines in writing that the fee negotiated pursuant to subsection E of this section is fair and reasonable and that either other prospective persons or firms had reasonable opportunity to respond or there is not adequate time for a resolicitation.
- (iii) If a person or firm on the final list withdraws or is removed from the selection process and the selection team determines that it is in the best interest of the department, the selection team may replace that person or firm with the person or firm that submitted qualifications and that is selected by the selection team as the next most qualified.
- (d) Base the selection of the final list and order of preference on the final list on demonstrated competence and qualifications only.
- 3. The department and the selection team shall not request or consider fees, price, man-hours or any other cost information at any point

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 in the selection process under this subsection or subsection D of this section, including the selection of the persons or firms to be interviewed, the selection of the persons or firms to be on the final list, in determining the order of preference of persons or firms on the final list or for any other purpose in the selection process.

- 4. For construction-manager-at-risk construction services AND PROGRESSIVE DESIGN-BUILD DESIGN SERVICES AND CONSTRUCTION SERVICES, the contract under a request for qualifications solicitation is limited to a specific single project.
- D. The department shall award a contract for DESIGN SERVICES OR construction services OR BOTH DESIGN SERVICES AND CONSTRUCTION SERVICES to one of the persons or firms on the final list prepared pursuant to subsection C of this section as provided in subsection E or F of this section, except that, if fewer than the number of persons or firms on the final list respond to the request for proposals pursuant to subsection F of this section but at least two persons or firms on the final list submit responsive proposals, or if one or more of the persons or firms on the final list drop out of the selection process pursuant to subsection E or F of this section:
- 1. If there are three or more remaining persons or firms, the department shall proceed with the selection process.
- 2. If there are only two remaining persons or firms, as the department deems necessary and appropriate, the department may proceed with the selection process with the two persons or firms or may terminate the selection process and may readvertise pursuant to subsection C of this section.
- 3. If there is only one remaining person or firm, the department may award the contract to a single person or firm pursuant to subsection E of this section if the department determines in writing that the fee negotiated pursuant to subsection E of this section is fair and reasonable and that either other prospective persons or firms had reasonable opportunity to respond or there is not adequate time for a resolicitation.
- E. For the single contract included in the request qualifications, the department shall enter into negotiations for the contract with the highest qualified person or firm on the final list for the DESIGN SERVICES OR THE construction services OR BOTH THE DESIGN SERVICES AND CONSTRUCTION SERVICES. The negotiations shall include consideration of compensation and other contract terms that the department determines to be fair and reasonable to the department. In making this decision, the department shall take into account the estimated value, the scope, the complexity and the nature of the DESIGN SERVICES OR THE construction services OR BOTH THE DESIGN SERVICES AND CONSTRUCTION SERVICES to be rendered. If the department is not able to negotiate a satisfactory contract with the highest qualified person or firm on the final list at compensation and on other contract terms the department

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 determines to be fair and reasonable, the department shall formally terminate negotiations with that person or firm. The department may undertake negotiations with the next most qualified person or firm on the final list in sequence until an agreement is reached or a determination is made to reject all persons or firms on the final list. If a contract for DESIGN SERVICES OR construction services OR BOTH DESIGN SERVICES AND CONSTRUCTION SERVICES is entered into pursuant to this subsection:

- If the contract is for construction-manager-at-risk construction services OR PROGRESSIVE DESIGN-BUILD DESIGN SERVICES AND CONSTRUCTION SERVICES and includes DESIGN SERVICES OR preconstruction services OR BOTH DESIGN SERVICES AND PRECONSTRUCTION SERVICES by the contractor, the department shall enter into a written contract with the contractor for DESIGN SERVICES OR preconstruction services OR BOTH DESIGN SERVICES AND PRECONSTRUCTION SERVICES under which the department shall pay contractor a fee for DESIGN SERVICES OR preconstruction services OR BOTH DESIGN SERVICES AND PRECONSTRUCTION SERVICES in an amount agreed by the department and the contractor, and the department shall not request or obtain a fixed price or a guaranteed maximum price for the DESIGN SERVICES OR THE construction SERVICES OR BOTH THE DESIGN SERVICES AND CONSTRUCTION SERVICES from the contractor or enter into a construction contract FOR DESIGN SERVICES OR CONSTRUCTION SERVICES OR BOTH DESIGN SERVICES AND CONSTRUCTION SERVICES with the contractor until after the department has entered into the written contract for DESIGN SERVICES OR preconstruction services OR BOTH DESIGN SERVICES AND PRECONSTRUCTION SERVICES and a DESIGN SERVICES OR preconstruction services fee.
- 2. DESIGN SERVICES OR construction SERVICES shall not commence until the department and contractor agree in writing on either a fixed price that the department will pay for the DESIGN SERVICES OR construction SERVICES to be commenced or a guaranteed maximum price for the DESIGN SERVICES OR construction SERVICES to be commenced. The DESIGN SERVICES OR construction SERVICES to be commenced may be the entire project or may be one or more phased parts of the project.
- F. As an alternative to subsection E of this section, the department may award job-order-contracting construction services as follows:
- 1. The department shall use the selection team that is appointed for the request for qualifications pursuant to subsection ${\tt C}$ of this section.
- 2. The department shall issue a request for proposals to the persons or firms on the final list that is developed pursuant to subsection ${\tt C}$ of this section.
- 3. For job-order-contracting construction services, the request for proposals shall include:

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- (a) The department's project schedule and project final design and construction budget or life cycle budget for a procurement that includes maintenance services or operations services.
- (b) A statement that the contract will be awarded to the offeror whose proposal receives the highest number of points under a scoring method.
- (c) A description of the scoring method, including a list of the factors in the scoring method and the number of points allocated to each factor.
- (d) A requirement that each offeror separately submit a technical proposal and a price proposal and that the offeror's entire proposal be responsive to the requirements in the request for proposals.
- (e) A statement that in applying the scoring method the selection team will separately evaluate the technical proposal and the price proposal and will evaluate and score the technical proposal before opening the price proposal.
- (f) If the department conducts discussions pursuant to paragraph 5 of this subsection, a statement that discussions will be held and a requirement that each offeror submit a preliminary technical proposal before the discussions are held.
- 4. If the department determines to conduct discussions pursuant to paragraph 5 of this subsection, each offeror shall submit a preliminary technical proposal to the department before those discussions are held.
- 5. If determined by the department and included by the department in the request for proposals, the selection team shall conduct discussions a11 offerors that submit preliminary technical proposals. Discussions shall be for the purpose of clarification to ensure full understanding of, and responsiveness to, the solicitation requirements. The department shall accord fair treatment to offerors with respect to any opportunity for discussion and for clarification by the owner. of preliminary technical proposals shall be permitted ALLOWED after submission of preliminary technical proposals and before award for the purpose of obtaining the best and final proposals. In conducting any discussions, information derived from proposals submitted by competing offerors shall not be disclosed to other competing offerors.
- 6. After completion of any discussions pursuant to paragraph 5 of this subsection ARE COMPLETED or if $n\sigma$ discussions are NOT held, each offeror shall separately submit the offeror's final technical proposal and the offeror's price proposal.
- 7. Before opening any price proposal, the selection team shall open the final technical proposals, evaluate the final technical proposals and score the final technical proposals using the scoring method in the request for proposals. No other factors or criteria may be used in the evaluation and scoring.

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- 8. After completion of the evaluation and scoring of all final technical proposals ARE COMPLETED, the selection team shall open the price proposals, evaluate the price proposals, score the price proposals and complete the scoring of the entire proposals using the scoring method in the request for proposals. No other factors or criteria may be used in the evaluation and scoring.
- 9. The department shall award the contract to the responsive and responsible offeror whose proposal receives the highest score under the method of scoring in the request for proposals. No other factors or criteria may be used in the evaluation.
- 10. The contract file shall contain the basis on which the award is made.
- G. Until an award and execution of a contract by the department, only the name of each person or firm on the final list developed pursuant to subsection C of this section may be made available to the public. All other information received by the department in response to the request for qualifications or contained in the proposals is confidential in order to avoid disclosure of the contents that may be prejudicial to competing offerors during the selection process. The department shall open the proposals to public inspection after the contract is awarded and the department has executed the contract. To the extent that the offeror designates and the department concurs, trade secrets and other proprietary data contained in a proposal remain confidential.
- H. The department may cancel a request for qualifications or a request for proposals or reject in whole or in part any or all proposals as specified in the solicitation if it is in the best interest of the department. The department shall make the reasons for cancellation or rejection part of the contract file.
 - I. Notwithstanding any other law:
- 1. The contractor for job-order-contracting construction services is not required to be registered to perform design services pursuant to title 32, chapter 1 if the person or firm actually performing the design services on behalf of the contractor is appropriately registered.
- 2. The contractor for construction-manager-at-risk construction services, or job-order-contracting construction services OR PROGRESSIVE DESIGN-BUILD DESIGN SERVICES AND CONSTRUCTION SERVICES shall be licensed to perform construction pursuant to title 32, chapter 10.
- 3. For each project under construction-manager-at-risk a construction services contract OR A PROGRESSIVE DESIGN-BUILD DESIGN SERVICES AND CONSTRUCTION SERVICES CONTRACT, the licensed contractor performing the contract shall perform, with the contractor's organization, construction work that amounts to not less than AT LEAST forty per cent PERCENT of the total contract price for construction. the purposes of this paragraph, the total contract price for construction does not include the cost of preconstruction services, design services or

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44 45 any other related services or the cost to procure any right-of-way or other cost of condemnation.

- 4. Each procurement and each request for qualifications pursuant to limited section is to a single contract for construction construction-manager-at-risk services. or job-order-contracting construction services OR PROGRESSIVE DESIGN-BUILD DESIGN SERVICES AND CONSTRUCTION SERVICES. This restriction does not affect or impair the department's ability to procure multiple contracts for job-order-contracting construction services in a single procurement using a single request for qualifications pursuant to section 28-7367.
- 5. The department shall not procure any construction services using the construction-manager-at-risk construction services, or job-order-contracting construction services OR PROGRESSIVE DESIGN-BUILD DESIGN SERVICES AND CONSTRUCTION SERVICES method of project delivery after December 31, 2025. For the purposes of this paragraph, the department procures construction services when the department solicits the contract for construction services. If the department solicits a contract for construction services on or before December 31, 2025, the contract may be executed and construction services under the contract may be rendered in whole or in part after December 31, 2025.
 - J. For job-order-contracting construction services only:
- 1. The maximum dollar amount of an individual job order shall be $\frac{1}{1}$ one million dollars \$1,000,000 or such higher or lower amount prescribed by the department. Requirements shall not be artificially divided or fragmented in order to constitute a job order that satisfies this requirement.
- 2. If the contractor subcontracts or intends to subcontract any of the work under a job order and if the job-order-construction services contract includes descriptions of standard individual tasks, standard unit prices for standard individual tasks and pricing of job orders based on the number of units of standard individual tasks in the job order:
- (a) The contractor has a duty to deliver promptly to each subcontractor invited to bid a coefficient to the contractor to do all or part of the work under one or more job orders:
- (i) A copy of the descriptions of all standard individual tasks on which the subcontractor is invited to bid.
- (ii) A copy of the standard unit prices for the individual tasks on which the subcontractor is invited to bid.
- (b) If not previously delivered to the subcontractor, the contractor has a duty to deliver promptly the following to each subcontractor invited to or that has agreed to do any of the work included in any job order:
- (i) A copy of the description of each standard individual task that is included in the job order and that the subcontractor is invited to perform.

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- (ii) The number of units of each standard individual task that is included in the job order and that the subcontractor is invited to perform.
- (iii) The standard unit price for each standard individual task that is included in the job order and that the subcontractor is invited to perform.
- K. Notwithstanding anything to the contrary in this title, the department shall not enter into a contract as contractor to provide construction-manager-at-risk construction services, or job-order-contracting construction services OR PROGRESSIVE DESIGN-BUILD DESIGN SERVICES AND CONSTRUCTION SERVICES.
- L. Each contract for construction-manager-at-risk construction services, or job-order-contracting construction services OR PROGRESSIVE DESIGN-BUILD DESIGN SERVICES AND CONSTRUCTION SERVICES shall contain a description of each separate location at which the construction will be performed and a requirement that the contractor include in each of the contractor subcontracts the same location description. The contractor shall include in each subcontract a description of each separate location at which the construction will be performed.
- M. Except as otherwise provided in this section, sections 28-6923 and 28-6924, relating to bid, performance and payment bonds, change orders, progress payments, contract retention, definitions and authority to award contracts, apply to department construction-manager-at-risk and job-order-contracting contracts for transportation facilities pursuant to this article.

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