



March 21, 2011

**House Committee on Economic Revitalization and Business**  
**Hearing Date: Tuesday, March 22, 8:00 a.m.**

**Subject: SB 779, Relating to Procurement**  
**TESTIMONY IN SUPPORT**

Dear Chair and Committee Members:


Nordic PCL Construction, Inc. is pleased to offer our support of cross-over **SB 779, Relating to Procurement**. This bill is aligned with established industry best practices and would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions.

SB 779 would put in place a two-step process for procuring design-build teams. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (no more than 3) that would then proceed to the second proposal stage. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

SB 779 also allows the procurement officer the option to pay a conceptual design fee, or stipend, to the unsuccessful short-listed teams. Preparation of a design-build proposal can be an onerous task, and teams can spend more than \$1 million on large projects to prepare the conceptual design and proposal. Studies have shown that providing even a nominal fee to the unsuccessful teams encourages more teams to compete. In Hawaii, many of our local engineering design firms are small businesses, and we feel that providing a conceptual design fee would encourage their participation because they are more comfortable with their chances of success.

We appreciate the opportunity to provide testimony in support of SB 779 and encourage its enactment. Please do not hesitate to contact us if you have any questions regarding our testimony.

Sincerely,  
**Nordic PCL Construction, Inc.**



Alan R. Levy  
Preconstruction Manager  
arlevy@nordicpcl.com

**NORDIC PCL CONSTRUCTION, INC.**

**LICENSE #ABC-17**

1099 ALAKEA STREET, SUITE 1560, HONOLULU HI. 96813 ♦ TELEPHONE (808)541-9101 ♦ FAX (808)541-9108

*NORDIC PCL IS AN AFFIRMATIVE ACTION, EQUAL OPPORTUNITY EMPLOYER M/F/D/V*



# THERMAL ENGINEERING CORPORATION

512 Kalihi Street • Honolulu, Hawaii 96819  
Tel: (808) 848-6966 • Fax: (808) 848-6964  
engineering@thermaleng.com

March 21, 2011

**Senate Committee on Economic Revitalization and Business**  
**Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312**

Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic Revitalization and Business

Subject: **SB 779, SD 2, Relating to Procurement**  
**TESTIMONY IN SUPPORT**

Dear Chair McKelvey, Vice Chair Choy, and Committee Members:

**Our company strongly supports SB 779, SD 2, Relating to Procurement.** The revised bill would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions. This bill is the companion to HB985, which this Committee earlier passed out with a HD1.

The purpose of the bill is to put in place a two-step process for procuring design-build teams. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (no more than three) that would then proceed to the second proposal stage. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

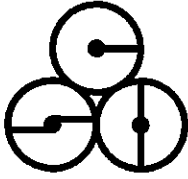
The bill would also provide for the granting of a conceptual design fee to the unsuccessful short-listed teams. The design-build situation is completely different than the normal design-bid-build process, because the designers must prepare partial design documents as part of the proposal process. Preparation of a design-build proposal is an onerous task, and teams can spend more than \$1 million to prepare their proposal. Studies have shown that the providing even a nominal fee to the losing teams encourages more teams to participate. In Hawaii, many of our local Architect and Engineering firms are small businesses, and many do not participate in design-build procurements because of the high cost of preparing the partial design documents. Providing a conceptual design fee would encourage more of our small firms to participate in design-build projects.

We would ask that the bill be amended to remove the defective date and to make the bill effective January 1, 2012.

We appreciate the opportunity to provide testimony regarding this measure. Please do not hesitate to contact us if you have any questions regarding our testimony.

Respectfully submitted,

Jeffrey K. Kohara  
Sr. Vice President/CFO  
Thermal Engineering Corporation



**CONSULTING  
STRUCTURAL HAWAII, INC.**  
931 Hausten Street, Suite 200  
Honolulu, Hawaii 96826  
Phone: (808) 945-0198 • Fax: (808) 944-1177  
e-mail: [csh@consultingstructuralhawaii.com](mailto:csh@consultingstructuralhawaii.com)

March 21, 2011

**House Committee on Economic Revitalization and Business  
Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312**

Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic Revitalization and Business

Subject: **SB 779, SD 2, Relating to Procurement  
TESTIMONY IN SUPPORT**

Dear Chair McKelvey, Vice Chair Choy, and Committee Members:

**Consulting Structural Hawaii, Inc. strongly supports SB 779, SD 2, Relating to Procurement.** The revised bill would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions. This bill is the companion to HB985, which this Committee earlier passed out with a HD1.

The purpose of the bill is to put in place a two-step process for procuring design-build teams. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

The bill would also provide for the granting of a conceptual design fee to the unsuccessful short-listed teams. The design-build situation is completely different than the normal design-bid-build process, because the designers must prepare partial design documents as part of the proposal process. Preparation of a design-build proposal is an onerous task, and teams can spend more than \$1 million to prepare their proposal. Studies have shown that the providing even a nominal fee to the losing teams encourages more teams to participate. In Hawaii, many of our local Architect and Engineering firms are small businesses, and many do not participate in design-build procurements because of the high cost of preparing the partial design documents. Providing a conceptual design fee would encourage more of our small firms to participate in design-build projects.

Consulting Structural Hawaii, Inc. has become very selective and we are often very reluctant on being on a contractor's design-build team since the percentage is very small on being on the winning team. We will definitely be more willing to provide the effort to being on a contractor's design-build team if conceptual design fees are provided.

We would ask that the bill be amended to remove the defective date and to make the bill effective January 1, 2012.

We appreciate the opportunity to provide testimony regarding this measure. Please do not hesitate to contact us if you have any questions regarding our testimony.

Respectfully submitted,  
Roy K. Yamashiro, P.E., Principal  
Consulting Structural Hawaii, Inc.



AMERICAN COUNCIL OF ENGINEERING COMPANIES  
of Hawaii

**President**

Sheryl Nojima, Ph.D., P.E.  
Gray Hong Nojima & Assoc.  
Ph: (808) 521-0306

**President-Elect**

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Brown and Caldwell  
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**Past President**

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Fukunaga & Assoc.  
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Robin Lim, P.E.

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Executive Director

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Email: [gwright@acechawaii.org](mailto:gwright@acechawaii.org)

Website: [www.acechawaii.org](http://www.acechawaii.org)

March 21, 2011

**Senate Committee on Economic Revitalization and Business**

**Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312**

Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic Revitalization and Business

**Subject: SB 779, SD 2, Relating to Procurement  
TESTIMONY IN SUPPORT**

Dear Chair McKelvey, Vice Chair Choy, and Committee Members:

The American Council of Engineering Companies of Hawaii (ACECH) represents 67 member firms with over 1,300 employees throughout Hawaii, most of which are small businesses. We are comprised of the most highly qualified engineers, land surveyors, scientists, and other specialists. **ACECH strongly supports SB 779, SD 2, Relating to Procurement.** The revised bill would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions. As you are aware, this bill is the companion to HB985, which your Committee earlier passed out with a HD1.

The purpose of the bill is to put in place a two-step process for procuring design-build teams. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (no more than three) that would then proceed to the second proposal stage. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

The bill would also provide for the granting of a conceptual design fee to the unsuccessful short-listed teams. The design-build situation is completely different than the normal design-bid-build process, because the designers must prepare partial design documents as part of the proposal process. Preparation of a design-build proposal is an onerous task, and teams can spend more than \$1 million to prepare their proposal. Studies have shown that the providing even a nominal fee to the losing teams encourages more teams to participate. In Hawaii, many of our local Architect and Engineering firms are small businesses, and many do not participate in design-build procurements because of the high cost of preparing the partial design documents. Providing a conceptual design fee would encourage more of our small firms to participate in design-build projects.

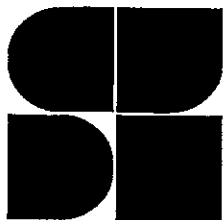
We also ask that the bill be amended to remove the defective date and to make the bill effective January 1, 2012.

We appreciate the opportunity to provide testimony regarding this measure. Please do not hesitate to contact us if you have any questions regarding our testimony.

Respectfully submitted,

AMERICAN COUNCIL OF ENGINEERING COMPANIES OF HAWAII

Sheryl E. Nojima, PhD, PE  
President



## SHIGEMURA, LAU, SAKANASHI, HIGUCHI AND ASSOCIATES, INC.

March 21, 2011

EMAILED TESTIMONY TO: [ERBTestimony@Capitol.hawaii.gov](mailto:ERBTestimony@Capitol.hawaii.gov)

House Committee on Economic Revitalization and Business

Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312

Howard K.C. Lau

Craig H. Sakanashi

Wayne K. Higuchi

Beverly Ishii-Nakayama

Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic Revitalization and Business

Subject: **SB 779, SD 2, Relating to Procurement  
TESTIMONY IN SUPPORT**

Dear Chair McKelvey, Vice Chair Choy, and Committee Members:

Shigemura, Lau, Sakanashi, and Higuchi & Associates (SLSH), a Hawaii-owned and –operated small business engineering firm, is in **strong support of SB 779, HD2, Relating to Procurement**. The revised bill would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions. This bill is the companion to HB985, which this Committee earlier passed out with a HD1.


The purpose of the bill is to put in place a two-step process for procuring design-build teams. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (no more than three) that would then proceed to the second proposal stage. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

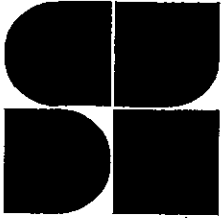
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our testimony.

Respectfully submitted,

  
Howard K.C. Lau  
President



## SHIGEMURA, LAU, SAKANASHI, HIGUCHI AND ASSOCIATES, INC.

March 21, 2011

EMAILED TESTIMONY TO: [ERBTestimony@Capitol.hawaii.gov](mailto:ERBTestimony@Capitol.hawaii.gov)

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Howard K.C. Lau

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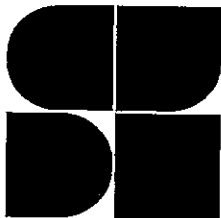
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We appreciate the opportunity to provide testimony regarding this measure. Please do not hesitate to contact us if you have any questions regarding our testimony.  
our testimony.

Respectfully submitted,

Wayne K. Higuchi  
Principal



## SHIGEMURA, LAU, SAKANASHI, HIGUCHI AND ASSOCIATES, INC.

March 21, 2011

EMAILED TESTIMONY TO: [ERBTestimony@Capitol.hawaii.gov](mailto:ERBTestimony@Capitol.hawaii.gov)

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Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312

Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic Revitalization and Business

Subject: **SB 779, SD 2, Relating to Procurement  
TESTIMONY IN SUPPORT**

Howard K.C. Lau  
Craig H. Sakanashi  
Wayne K. Higuchi  
Beverly Ishii-Nakayama

Dear Chair McKelvey, Vice Chair Choy, and Committee Members:

Shigemura, Lau, Sakanashi, and Higuchi & Associates (SLSH), a Hawaii-owned and -operated small business engineering firm, is in strong support of **SB 779, HD2, Relating to Procurement**. The revised bill would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions. This bill is the companion to HB985, which this Committee earlier passed out with a HD1.

The purpose of the bill is to put in place a two-step process for procuring design-build teams. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (no more than three) that would then proceed to the second proposal stage. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

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We would ask that the bill be amended to remove the defective date and to make the bill effective January 1, 2012.

We appreciate the opportunity to provide testimony regarding this measure. Please do not hesitate to contact us if you have any questions regarding our testimony.  
our testimony.

Respectfully submitted,

Beverly Ishii-Nakayama  
Principal



**Pacific Geotechnical Engineers, Inc.**

*Soils & Foundation Engineering Consultants*

94-417 Akoki Street  
Waipahu, Hawaii 96797  
Telephone: (808) 678-8024  
Facsimile: (808) 678-8722  
Email: [pge@pacificgeotechnical.com](mailto:pge@pacificgeotechnical.com)

March 21, 2011

EMAILED TESTIMONY

**Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312**  
**House Committee on Economic Revitalization and Business**

Honorable Representatives Angus McKelvey, Chair, Isaac Choy, Vice Chair, and Members of the House Committee on Economic Revitalization and Business

Subject: **SB 779, SD 2 Relating to Procurement**  
**TESTIMONY IN SUPPORT**

Dear Chair McKelvey, Vice Chair Choy, and Committee Members,

Pacific Geotechnical Engineers, Inc. strongly supports **SB 779, SD2 Relating to Procurement**. This bill would put in place a two-step process for procuring design-build teams similar to what is used by the Federal Government and many other jurisdictions. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (not more than five) that would then proceed to the second proposal stage. The second step is issuance of a request for proposals and evaluation of technical and price proposals from the pre-qualified/short-listed teams.

This two-step process will encourage highly qualified design-builders to participate in requests for design-build proposals by increasing their chances of success and reducing industry costs. The two-step process also reduces the cost to the agency of reviewing the proposals by ensuring the agency reviews a select number of proposals from the most highly qualified teams. It should not significantly increase time needed for the procurement process, as the initial request for qualifications can be a shorter time period, and limiting the proposals to only the most qualified teams means fewer proposals for an agency to review.

SB 779, SD2 also provides for the granting of a stipend to the losing short-listed teams. Preparation of a design-build proposal is an onerous one, and studies have shown that the use of stipends encourage competition by allowing more firms to participate.

We appreciate the opportunity to provide testimony in support of **SB 779, SD2**. Please do not hesitate to contact me at (808) 678-8024 if you have any questions regarding this testimony.

Respectfully submitted,

PACIFIC GEOTECHNICAL  
ENGINEERS, INC.

Glen Y.F. Lau, P.E.  
President



**COALITION OF HAWAII ENGINEERING AND ARCHITECTURAL  
PROFESSIONALS**

March 19, 2011

EMAILED TESTIMONY TO: [ERBtestimony@Capitol.hawaii.gov](mailto:ERBtestimony@Capitol.hawaii.gov)

**Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312  
House Committee on Economic Revitalization & Business**

Honorable Representative Angus L.K. McKelvey, Chair, Isaac W. Choy, Vice Chair, and Members of the House Committee on Economic Revitalization & Business

**Subject: SB 779, SD2 - Relating to Procurement**

Honorable Chair McKelvey, Vice Chair Choy and Committee Members,

The Coalition of Hawaii Engineering & Architectural Professionals represents several professional Engineering and Architectural organizations including American Council of Engineering Companies Hawaii; Hawaii Chapter of the American Society of Civil Engineers; American Public Works Association Hawaii Chapter; Structural Engineering Association of Hawaii; and the Hawaii Society of Professional Engineers.

We are in **Strong Support of SB 779, SD2 - Relating to Procurement** and to provide a nationally recognized procurement process for the procurement of Design Build construction projects.

This bill develops a two part process for the procurement of Design-Build construction. The first phase is the qualification submittal, where potential teams will submit their qualifications. The agency's selection committee will then review the qualifications and selects up to *(we recommend to limit to three)* highly qualified teams to proceed to the next phase. In the second phase, short listed teams will be allowed to compete in the costly and time consuming proposal development phase where they prepare the detailed scope of work, conceptual design, construction schedules and cost proposals for final selection.

This two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

We have included a requirement to allow the procurement officer to compensate the losing short-listed teams in their efforts to prepare conceptual design documents. Note: the preparation of a design-build proposal is a very costly endeavor to the Design Build teams competing to the final stage. Recent examples include Honolulu Rail first segments where DB teams have spent well over \$1 million dollars putting together very detailed proposals and conceptual designs, also the State Convention Center, and Ford Island Bridge all very costly endeavors.

**We urge you to support HB 985 Relating to Procurement.**

Sincerely,  
Coalition of Hawaii Engineering & Architectural Professionals  
Lester H. Fukuda, P.E., FACEC

*Lester Fukuda*



March 21, 2011

**Senate Committee on Economic Revitalization and Business**  
**Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312**

Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House  
Committee on Economic Revitalization and Business

**Subject: SB 779, SD 2, Relating to Procurement**  
**TESTIMONY IN SUPPORT**

Dear Chair McKelvey, Vice Chair Choy, and Committee Members:

**Our company strongly supports SB 779, SD 2, Relating to Procurement.** The revised bill would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions. This bill is the companion to HB985, which this Committee earlier passed out with a HD1.

The purpose of the bill is to put in place a two-step process for procuring design-build teams. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (no more than three) that would then proceed to the second proposal stage. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

The bill would also provide for the granting of a conceptual design fee to the unsuccessful short-listed teams. The design-build situation is completely different than the normal design-bid-build process, because the designers must prepare partial design documents as part of the proposal process. Preparation of a design-build proposal is an onerous task, and teams can spend more than \$1 million to prepare their proposal. Studies have shown that the providing even a nominal fee to the losing teams encourages more teams to participate. In Hawaii, many of our local Architect and Engineering firms are small businesses, and many do not participate in design-build procurements because of the high cost of preparing the partial design documents. Providing a conceptual design fee would encourage more of our small firms to participate in design-build projects.

We would ask that the bill be amended to remove the defective date and to make the bill effective January 1, 2012.

We appreciate the opportunity to provide testimony regarding this measure. Please do not hesitate to contact us if you have any questions regarding our testimony.

Very truly yours,

Derek K. Mukai, P. E.  
Principal Engineer

March 19, 2011

**House Committee on Economic Revitalization and Business**  
**Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312**

Honorable Representatives Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic Revitalization and Business

Subject: **SB 779, SD 2, Relating to Procurement**  
**TESTIMONY IN SUPPORT**

Dear Chair McKelvey, Vice Chair Choy, and Committee Members:

**Fukunaga & Associates, Inc.** is a Hawaii-owned and managed Civil & Environmental Engineering firm operating in Hawaii since 1969. **We are in strong support of SB 779, SD 2, Relating to Procurement.** The revised bill would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions.

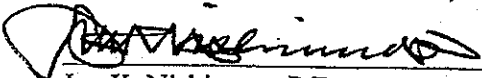
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We appreciate the opportunity to provide testimony regarding this measure. Please do not hesitate to contact us if you have any questions regarding our testimony.

Very truly yours,

FUKUNAGA & ASSOCIATES, INC.



Jon K. Nishimura, P.E.  
President

FUKUNAGA & ASSOCIATES, INC.



1099 Alakea Street, Suite 2400  
Honolulu, Hawaii 96813  
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Fax: 808-533-0226  
www.browncaldwell.com

March 21, 2011

**Brown** AND  
**Caldwell**

**House Committee on Economic Revitalization and Business**  
**Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312**

Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic Revitalization and Business

Subject: **SB 779, SD 2, Relating to Procurement**

**TESTIMONY IN SUPPORT**

Brown and Caldwell strongly supports **SB 779, SD 2 Relating to Procurement**. The revised bill would facilitate the procurement of design-build (D-B) teams in a manner used by the Federal Government and many other States and government entities. This bill is the companion to HB985, which this Committee earlier passed out with a HD1.

SB 779, SD 2 would provide for a two-step process for procuring D-B teams. At the first stage, potential D-B offerors would submit their statement of qualifications (SOQs) in response to the request for qualifications for a specific project. A selection committee would then review the SOQs and select the most qualified D-B teams (no more than three offerors) that would then be invited to participate in a second stage of providing a detailed proposal for the project. This two-step procurement process serves to reduce industry costs in responding to requests for proposals by allowing qualified D-B teams to provide a more focused effort once they are short-listed on a project, and encourage the most qualified design-builders to participate, as their chances of success is greatly increased once they reach the second stage of procurement. The two-step process also reduces the cost to the agency reviewing the proposals, as the SOQs provided during the first stage are more concise, and there are fewer detailed proposals from short-listed firms to review during the second stage.

SB 779, SD 2 would also provide for the granting of a conceptual design fee to the unsuccessful short-listed teams. The design-build situation is completely different than the normal design-bid-build process, because the designers must prepare partial design documents as part of the proposal process. Preparation of a D-B proposal is an onerous and costly task, and D-B teams can spend a significant amount of time and money to prepare their conceptual design and proposal. Studies have shown that providing even a nominal fee to the short-listed teams encourages more D-B teams to compete. We feel that providing a conceptual design fee for short-listed firms would encourage their participation because they would at least be partially compensated for their efforts, and would allow them to pursue more D-B solicitations.

We would also ask that the bill be amended to revise the effective date of the bill from July 1, 2010 to January 1, 2012. We appreciate the opportunity to provide testimony regarding SB779, SD 2. Please do not hesitate to contact us if you have any questions regarding our testimony.

Very truly yours,

Brown and Caldwell



Douglas B. Lee, P.E.  
Vice President

March 21, 2011

**Senate Committee on Economic Revitalization and Business**

**Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312**

Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic Revitalization and Business

Subject: **SB 779, SD 2, Relating to Procurement**  
**TESTIMONY IN SUPPORT**

Dear Chair McKelvey, Vice Chair Choy, and Committee Members:

**Our company strongly supports SB 779, SD 2, Relating to Procurement.** The revised bill would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions. This bill is the companion to HB985, which this Committee earlier passed out with a HD1.

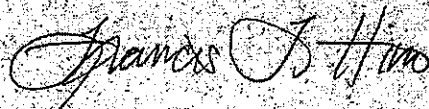
The purpose of the bill is to put in place a two-step process for procuring design-build teams. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (no more than three) that would then proceed to the second proposal stage. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

The bill would also provide for the granting of a conceptual design fee to the unsuccessful short-listed teams. The design-build situation is completely different than the normal design-bid-build process, because the designers must prepare partial design documents as part of the proposal process. Preparation of a design-build proposal is an onerous task, and teams can spend more than \$1 million to prepare their proposal. Studies have shown that providing even a nominal fee to the losing teams encourages more teams to participate. In Hawaii, many of our local Architect and Engineering firms are small businesses, and many do not participate in design-build procurements because of the high cost of preparing the partial design documents. Providing a conceptual design fee would encourage more of our small firms to participate in design-build projects.

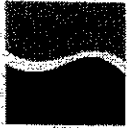
We would ask that the bill be amended to remove the defective date and to make the bill effective January 1, 2012.

We appreciate the opportunity to provide testimony regarding this measure. Please do not hesitate to contact us if you have any questions regarding our testimony.

Respectfully submitted,



Francis T. Hino  
Vice President



**KAI HAWAII**  
STRUCTURAL & FORENSIC ENGINEERS

Ken K. Hayashida, P.E.  
Michael P. Hunnemann, P.E.

March 21, 2011

Senate Committee on Economic Revitalization and Business  
Hearing Date: Tuesday, March 22, 8:00 a.m., Conference Room 312

Honorable Chair Angus McKelvey, Vice Chair Isaac Choy, and Members of the House Committee on Economic Revitalization and Business

Subject: **SB 779, SD 2, Relating to Procurement**  
**TESTIMONY IN SUPPORT**

Dear Chair McKelvey, Vice Chair Choy, and Committee Members:

**Our company strongly supports SB 779, SD 2, Relating to Procurement.** The revised bill would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions. This bill is the companion to HB985, which this Committee earlier passed out with a HD1.

The purpose of the bill is to put in place a two-step process for procuring design-build teams. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (no more than three) that would then proceed to the second proposal stage. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

The bill would also provide for the granting of a conceptual design fee to the unsuccessful short-listed teams. The design-build situation is completely different than the normal design-bid-build process, because the designers must prepare partial design documents as part of the proposal process. Preparation of a design-build proposal is an onerous task, and teams can spend more than \$1 million to prepare their proposal. Studies have shown that the providing even a nominal fee to the losing teams encourages more teams to participate. In Hawaii, many of our local Architect and Engineering firms are small businesses, and many do not participate in design-build procurements because of the high cost of preparing the partial design documents. Providing a conceptual design fee would encourage more of our small firms to participate in design-build projects.

We would ask that the bill be amended to remove the defective date and to make the bill effective January 1, 2012.

We appreciate the opportunity to provide testimony regarding this measure. Please do not hesitate to contact us if you have any questions regarding our testimony.

Respectfully submitted,

Ken Hayashida  
KAI Hawaii, Inc.

# Design Build Institute of America Western Pacific Region

5855 E. Naples Plaza, Suite 301, Long Beach, CA 90803

Phone 562-434-0516 Fax 562-434-9378

[www.dbiawp.org](http://www.dbiawp.org)



March 21, 2011

**House Committee on Economic Revitalization and Business**

**Hearing Date: Tuesday, March 22, 8:00 a.m.**

**Subject: SB 779, Relating to Procurement  
TESTIMONY IN SUPPORT**

Dear Chair and Committee Members:

The Design-Build Institute of America (DBIA) is a national organization of design and construction professionals who have joined forces to be the industry's preeminent resource for leadership, education, objective expertise, and best practices for the successful integrated delivery of capital projects. DBIA promotes the value of design-build project delivery and teaches the effective integration of design and construction services to ensure success for owners and design and construction practitioners.

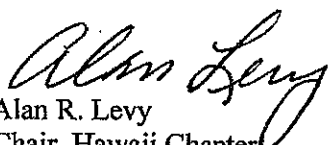
The Design-Build Institute of America, Western Pacific Region, and the Hawaii Chapter offer our support of **SB 779, Relating to Procurement**. This bill is aligned with our established best practices and would provide for the procurement of design-build contract teams in a manner used by the Federal Government and many other jurisdictions.

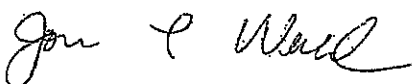
SB 779 would put in place a two-step process for procuring design-build teams. At the first stage, potential design-build teams would submit their qualifications particular to the proposed project. A selection committee would select the most qualified teams (no more than 3) that would then proceed to the second proposal stage. The two-step process serves to reduce industry costs in responding to requests for design-build proposals, to encourage the most qualified design-builders to participate by increasing their chances of success, and to reduce the cost to the agency of reviewing the proposals.

SB 779 also allows the procurement officer the option to pay a conceptual design fee, or stipend, to the unsuccessful short-listed teams. Preparation of a design-build proposal can be an onerous task, and teams can spend more than \$1 million on large projects to prepare the conceptual design and proposal. Studies have shown that providing even a nominal fee to the unsuccessful teams encourages more teams to compete. In Hawaii, many of our local engineering design firms are small businesses, and we feel that providing a conceptual design fee would encourage their participation because they are more comfortable with their chances of success. A copy of our recent 2010 Position Statement for Stipends is attached for your reference.

We appreciate the opportunity to provide testimony in support of SB 779 and encourage its enactment. Please do not hesitate to contact us if you have any questions regarding our testimony.

Respectfully submitted,

  
Alan R. Levy  
Chair, Hawaii Chapter  
Board of Directors  
DBIA-Western Pacific Region

  
Jon C. Wald  
Chair, Legislative Committee  
Board of Directors  
DBIA-Western Pacific Region

# DBIA POSITION STATEMENT

## USE OF STIPENDS

### Background

A stipend is an amount paid by the owner to those shortlisted responsive proposers who are unsuccessful in obtaining contract award. Many owners use stipends as an integral part of their design-build procurement process, based on the fact that stipends:

- Enhance competition by generating market interest in the project from the most highly qualified design-build teams;
- Help defray the cost of proposal development incurred by the design-build teams;
- Signal the owner's serious intention to carry the project forward; and
- Encourage proposers to expend the time, money and resources to provide more creative and comprehensive solutions.

### Position

The cost of preparing proposals for best-value design-build competitions can constitute a considerable burden upon the proposers. The stipend helps cover a portion of the design-build proposal costs and can provide an effective financial incentive that increases competition. While many firms will submit proposals in the absence of a stipend, some qualified firms may evaluate the proposal process skeptically, particularly when the RFP contains substantial submittal requirements that necessitate the expenditure of significant monies by the design-build proposers. In view of all these factors, DBIA believes that payment of a stipend is a best practice on most design-build projects.

While DBIA endorses the use of stipends, DBIA does not view the awarding of a stipend as a justification for making excessive demands upon the proposers. A stipend rarely covers the cost of proposal preparation, which can require a substantial investment on the part of the proposers.

When the RFP requires significant preliminary design work and submittals, for example, the difference between the stipend and the cost of creating the proposal may become so substantial that the stipend is relatively meaningless.

The amount of the stipend offered by owners should reflect a variety of factors. Industry surveys show stipends awarded to each responsive proposer commonly range between 0.01 percent and 0.25 percent of the project budget, although stipends of greater value have been





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## USE OF STIPENDS

distributed. DBIA believes that an owner should determine stipend amount based on the particular needs and complexities of a project, considering what is required to generate sufficient market interest from the most highly qualified design-build teams and the level of effort involved in proposal preparation.

DBIA maintains that public owners receive substantial value through the proposal process and that public interests are well served when an owner offers a stipend. In the Federal sector, OMB Circular No. A-11 (2006) encourages the use of stipends for the reasons described above. Other public owners have taken the position that they are precluded by applicable law from giving a stipend, based on arguments of the misuse or imprudent use of public funds. While this owner decision will be governed by applicable procurement laws, DBIA suggests that the policies reflected in the OMB Circular be considered by procurement authorities.

Some owners have conditioned their provision of a stipend upon a requirement that the proposer grant the owner the right to use the ideas in their technical proposals. However, DBIA does not believe that the payment of the stipend should be tied to ownership rights to the proposal documents. Nonetheless, the availability of a stipend and the terms governing its use should be identified in the RFQ and RFP.

In summary, DBIA considers the use of stipends one means to encourage participation in the proposal process. DBIA also believes that owners will be well served by looking beyond stipends and carefully examining the totality of their process for soliciting proposals. In this regard, DBIA recommends that owners incorporate all DBIA best practices regarding the source selection process, as contained in the DBIA Position Statement on Best Value Selection. These measures will not only reduce the burden upon proposers, but will also meet the legitimate needs and interests of the owner by encouraging active competition among quality design-build teams for the project award.

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