



Construction Management, Inc.

2444 Main Street, Suite 130
Fresno, CA 93721
T 559-496-0536
F 559-860-0173
www.vanir.com

April 4, 2019

Ray Espinosa, County Administrative Officer
San Benito County
481 Fourth Street
Hollister, CA 95023

**RE: San Benito County New Behavioral Health Center Project –
PM Scope & Fee Proposal for Pre-Construction Phase Services**

Dear Mr. Espinosa:

Per your request, Vanir has provided information on pre-construction services related to estimate verification, contractor pre-qualification, constructability review and bid marketing.

Vanir Construction Management, Inc. (Vanir) continuously tracks the construction market across the nation in order to forecast variations in the market for our clients. In the recent past, a few high-profile Justice projects in California were flagged by Vanir because they received fewer bids than expected, causing the projects to bid over budget. In turn, Vanir directed its staff to perform more extensive research targeted specifically at the California construction market to determine the cause of these anomalies. This research included interviews with large and small construction firms (both general contractors and subcontractors), interviews with several industry organizations, and gathering facts from various industry publications.

Vanir's research revealed that these anomalies are the result of six merging conditions that are causing volatility in the market.

- 1) Construction firm's desire for financial health outweighs its desire to grow (take on risk)
- 2) Reduction in the quantity of construction firms throughout the state
- 3) Increasing volume of construction work in various locations throughout the state
- 4) Shortage of skilled labor
- 5) Risk in traveling to remote locations
- 6) Absence of a prequalification process for general contractors on selected justice projects

The research also brings to light that these anomalies are, in fact, an actual market trend. In the short term, contractors will not be able to keep up with the increasing volume of work, will



experience a lack of man power, and will be much more selective of projects. The market began to see the effects of these conditions around March/April of 2015.

Vanir understands that in a growing market, construction costs rise over time (some due to escalation, some due to market conditions). The research is predicting an increase in construction dicosts across the state over the next few years. The increase varies depending on the location of the project. For the purpose of our study, we divided the state into seven geographic regions and analyzed each region to determine the magnitude of the increase.

Due to the changes in the market observed thus far and the changes predicted over the next few years, Vanir endorses the following strategies in order to stave off bid day cost overruns:

- i. a comprehensive regional contractor outreach program,
- ii. the incorporation of a market factor into the project budget, and
- iii. the development of a prequalification process for general contractors
- iv. highly biddable set of construction documents
- v. defined policies and procedures for contract management

In response to your request, Vanir CM offers the following scope of services to San Benito County to assist with your jail project.

Scope of Services

The scope of services outlined below includes a list of tasks that Vanir can perform within the timeline provided.

Working Drawing Phase Services

This duration includes the review time required by the architect\engineers and County.

Task #1 – Cost Management (Cost Estimate Verification): Effective cost management begins with the establishment of a realistic budget. The project budget will be verified from our cost estimate verification. Vanir will review the latest set of HY Architects Inc.'s modular bid package plans and cost estimate by Silva Cost Consulting to confirm the design is in line with budget requirements and will recommend changes should they be required to maintain budget. The cost estimate verification will be performed of the following:

- o Draft Design Development Estimate dated 12/4/18
- o Bid Documents for the New Behavioral Health Center, Modular Bid Package dated 11/9/18



Task #2 – Constructability & Plan Review: Experience has shown that the ability to reduce project costs is much greater early in the life of a project. Much of the opportunity is past once the contract is out for bid. Thus, technical plan review during the design phase is key to a successful project. Our review of the documents is designed to reduce errors, ambiguities, omissions and conflicts prior to bid. Constructability reviews result in contractors using lower bid contingencies due to clearer bid documents, reduced change orders, fewer schedule impacts and are a key to claims avoidance. It has been proven for every dollar spent on Constructability Reviews and Backcheck, the project will experience \$8 in construction phase cost savings. An initial Constructability Review effort (with no backcheck) was included in this proposal.

Task # 3 – Contractor Pre-Qualification Process: There are advantages and disadvantages with pre-qualifying contractors for construction projects. Vanir will provide the County an opportunity to assess the list of pros and cons, discuss what is right for the County and the project and make an informed decision. If the County decides to use a pre-qualification process; Vanir will assist with establishing timelines, set-up an appeals process, develop pre-qualification package (RFP) with scoring matrix, marketing of RFP to general contracting community, evaluate pre-qualification package submittals, assist with client interviews and formal notification of pre-qualified contractors.

Advantages of Pre-Qualification

- Reduces risk by replacing some of the uncertainty inherent in open bidding with a more predictable, controlled environment.
- Pre-qualification allows the Owner to disqualify bidders who state falsehoods or misrepresent the facts behind an unfavorable safety record, and who have a history of filing fraudulent or exaggerated claims.
- It discloses a bidder's experience and competence to work on a particular type of project.
- It tends to eliminate those bidders who do not have sufficient resources to adequately document and oversee their in-house operations. The task of fulfilling the reporting requirements, assembling the pre-qualification forms, and submitting them properly may be too daunting for disorganized, often poorly staffed contractors.
- It aids in the bid marketing of the project well in advance of the anticipated start of construction. This early glimpse of an upcoming project as a component in the local construction environment allows contractors to begin discussions with subcontractors, and possibly obtain more reasonable prices than with immediately bid projects.



- It tends to reduce the possibility of post bid protests. This is because the task of determining responsible bidders, often the most difficult and contentious aspect of the award of the contract, is confined to the pre-bid phase.
- It establishes within the bidding community the importance of the project to the Owner.

VANIR is not responsible for providing, nor does VANIR control, the Project design or the contents of the design and construction documents. By performing the reviews described herein, VANIR is not acting in a manner so as to assume responsibility or liability, in whole or in part, for all or any part of the Project design and design and construction documents. VANIR'S actions in reviewing the Project design and design and construction documents and in making recommendations as provided herein are advisory only to the COUNTY. The Architect is not a third party beneficiary of VANIR'S work described herein and the Architect remains solely responsible for the contents of design drawings and design and construction documents. No warranty, either express or implied, is included or intended in this report.

Construction Bids and Award Phase Services

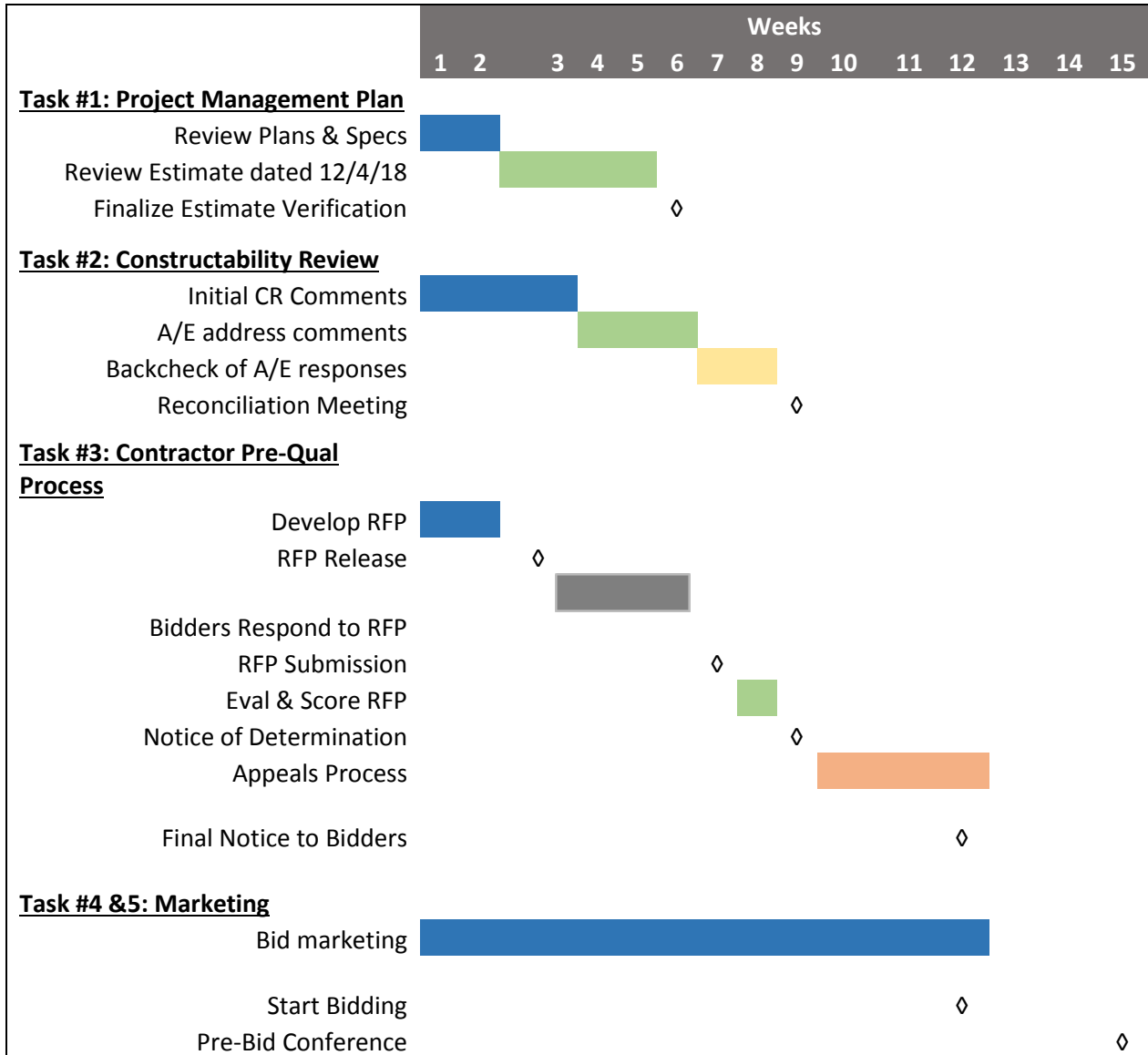
Receiving competitive, complete and responsive bids is a fundamental requirement for a successful project. At no time during the entire process, from pre-design through occupancy, is our ability as project managers as graphically demonstrated as during the bidding process. Receiving bids from responsible and reliable contractors at a price within the budget is a basic necessity. While it is true that the underlying work to achieve this objective must be accomplished prior to the bid phase, we can make a difference in getting the best bids for you by our efforts during the bid process.

Task #4 – Bid Solicitation (Marketing): In conjunction with the County, we will conduct a pre-bid solicitation effort to make contractors and sub-contractors aware of the project and confirm this project on their bid schedules. It has been proven that the competitiveness of a bid effort (lowest possible bid) is directly proportional to the number of bidders participating in the effort. Vanir will work to achieve maximum bid coverage at all levels.

Task #5 – Pre-bid Conferences: These conferences are a forum for the project team to impart to the bidders all of the project parameters with emphasis on the unique features and requirements of the project. These parameters normally include information concerning schedule requirements, time/cost control requirements, access and staging requirements, management and administrative requirements, and technical information on the project.



Scope of Services Timeline



End of Scope & Schedule – Fee Next Page



FEE PROPOSAL: Project Cost/Timeline

Project Mgmt. Phase Services	Fees*	% of Total Project Cost \$8,000,000	***Schedule Durations
Design Phase Task Nos. 1 - 3: Reimbursable Expenses Subtotal	\$34,000 \$800 \$34,800	0.43%	~ 4 Months
Bid & Award Phase Task Nos. 4 - 5: Reimbursable Expenses Subtotal	\$14,340 \$700 \$15,040	0.19%	
Total	\$49,840	0.62%	

We look forward to a successful project and continuing our strong working relationship with San Benito County. Thanks again for the opportunity and as always, please call with any questions.

Sincerely,
VANIR CONSTRUCTION MANAGEMENT, INC.



Jerry Avalos, CCM, EIT, LEED AP
Area Manager/Associate

Cc: Steve Whitehead, President, Vanir CM
Andrew Freeman, COO, Vanir CM
Bob Fletcher, VP of Business Development, Vanir CM