



U.S. Department  
of Transportation

**Federal Aviation  
Administration**

# Memorandum

Subject: **ACTION:** Program Guidance Letter 01-2

Date: June 20, 2001

From: Manager, Airports Financial Assistance Division,  
APP-500

Reply to  
Attn. of:

To: PGL Distribution List

01-2.1 Design-Build Pilot Program - Jim Borsari (202) 267-8822 and Dave Cross (202)267-8744.

Section 139 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) established a pilot program to test the design-build method of contracting in the Airport Improvement Program (AIP). Under this pilot, FAA may select up to 7 projects to use in determining the acceptability of design-build methods.

Design-build is a method of contracting in which two distinct phases of project accomplishment, design phase and construction phase, are combined into a seamless process performed by one contractor who retains single-source responsibility for that entire process. Due to timesavings in the contracting process as well as earlier commencement of construction, design-build may provide cost savings. There are many recognized forms of design-build and the following is a brief description. There may be hybrid types of design-build that use variations of the basic philosophies.

Design-build project delivery can be performed by a single company with both design and construction capability in-house, or by a team of design firms and contracting firms, working under a single design-build contract. The design-build firm/team contracts to design and build the facility, and retains the risk for overall project completion, budget, and schedule. There is no division of responsibility to the Sponsor between the design organization and the construction organization.

Design-build services can be performed under all of the contractual methods used for construction including lump sum, cost plus (excluding cost-plus- percentage-of-costs which is unauthorized), cost with a guaranteed maximum, etc. Design fees can be included in the overall contract price or separated as a subset of the price.

Contracting for design-build services can be done by either of two basic methods:

**A. Qualifications Based Selection (QBS)** - In this method, contracting for design-build services is nearly identical to selection procedures commonly used for professional design services. The Sponsor solicits proposals for the project, and design-build firms and teams respond with qualification information as prescribed in the solicitation. The sponsor chooses a short list of the most qualified firms/teams, and presentations/interviews are made by those firms/teams. The sponsor then selects the most qualified firm/team and negotiates a contract for professional services that also includes subsequent establishment of a guaranteed maximum price (or lump

sum, or cost plus fee, or another form of pricing) and guaranteed completion date for the entire project at an agreed level of completion of the preliminary design work.

**B. Competitive Proposal Selection (CPS)** - The contracting process for design-build services is accomplished in two steps. The Sponsor first prepares a design criteria package for the project using in-house staff or a retained design firm (often a firm with an existing retainer contract.) Design-build firms/teams respond to a solicitation, and are short-listed in the same process used for QBS. In the second step, a design criteria package is issued to the short listed firms/teams, who respond with separate technical and price proposals. Technical proposals are evaluated first, using a numerical "points earned" system. Then, price proposals are opened and prices are figured into the "points earned" system to determine the final selection. A common method of "scoring" price information is to divide the price by the technical points score, and the resulting low score wins.

Note that the CPS process may have more costs than the QBS method. Under the CPS, the Sponsor must bear the cost of design criteria package preparation. Further each short listed design-build firm/team must bear the considerable cost of preparing a technical proposal with preliminary drawings and outline specifications, along with a conceptual cost estimate to establish a price. To control this substantial submittal cost, Sponsors should avoid short lists longer than 3-4 firms/teams. Sponsors should also consider granting a stipend to each unsuccessful firm/team in return for the right to use any concepts from the unsuccessful teams/firms' technical proposals for the project.

Airport sponsors may request, in writing, FAA to permit the use of design-build methods of contracting by submitting the request to the servicing Airports District Office or region as appropriate. The sponsor may only request the use of design-build for projects for which the FAA has determined to provide funding regardless of participation in the pilot program. Therefore, the project must be listed in the FAA's Airports Capital Improvement Plan (ACIP) in order to be considered.

Further, the following are some limitations on the approval of projects under this pilot:

- a. The selection process must be permitted under State or local law;
- b. FAA must approve the use of design-build in advance;
- c. FAA must approve the method of design-build used;
- d. Sponsors must provide a schematic design adequate for FAA to approve the grant and assure that the contract will be executed after competitive procedures;
- e. Sponsors must demonstrate that the use of the contracting method will be cost-effective and will expedite the project;
- f. Sponsors must show that the contracting method will safeguard against conflict of interest;
- g. The selection must be as open, fair and objective as the competitive bid system and at least 3 or more bids will be submitted.

Airport District Offices or regional offices, as appropriate, should advise airport sponsors that to be considered, the sponsor should, as a minimum, submit the following:

- a. A full description of the project together with general sketches of proposed work;
- b. A description of the contracting process to be utilized as well as steps to be taken to assure that 3 or more companies will bid on the proposed project, including a statement

that the type of project has an adequate number of firms involved regularly in the execution of design-build contracts;

- c. An analysis of the cost-savings and/or time savings that will be gained by the use of the design-build construction method;
- d. A statement describing what safeguards are in place to prevent conflicts of interest and that the process will be as open, fair and objective as the normal contracting process;
- e. A statement citing specific references to the state or local law that permits the use of design-build contracting methods.

Airport District Offices and regional offices, as appropriate, will review the requests to determine completeness and to determine that the proposed work is contained in the FAA's ACIP. The submittals should be forwarded to APP-500 together with a recommendation of the project's inclusion or exclusion from the pilot program. APP-500 will maintain a record of requests and the disposition and will forward the packages to technical personnel for review and final recommendation. APP-500 will notify the region/Airports District Office of the final decision.

There will be no deadlines under this program so sponsors may submit at any time during a year. However, the review may take up to 60 days. Therefore, sponsors should be advised to consider this timeframe in making its request. Further, it is FAA's intent to vary the types of projects that will be approved under this pilot program.

**Original Signed by**

Barry L. Molar