

**POST PROJECT EVALUATION  
FOR A PROGRESSIVE DESIGN-BUILD PROJECT**

**Project Name:** Salem Public Works Operations Building  
**Exemption Approval:** Council Meeting, September 28, 2020  
**Contractor:** Howard S Wright Construction

**PROJECT DESCRIPTION**

This project involved design and construction of a new 50,000 square foot Public Works Operations Building. The new building consolidates office space for Public Works Operations, Engineering, Parks and Recreation and Administrative staff who design and maintain city infrastructure, manage utilities and answer calls from the public. The building includes a public-facing customer service and reception area.

**INTRODUCTION AND BACKGROUND**

The City of Salem Five-Year Capital Improvement Plan (CIP) for Fiscal Years 2021 through 2025 allocated \$24.6 million of utility rate funding for the construction of a Public Works Operations Building (project) at the City Shops Complex. The project's initial completed phase was a master plan for redevelopment of the Shops Complex and provides space for Public Works Operations staff currently located in Buildings 2 and 14 onsite. These buildings were at the end of their useful life and required repairs that would have cost more than the buildings' current value.

A Design-Build contracting method was recommended for the project because it requires contractor involvement at the very beginning of the design phase to develop the most cost-effective solution for constructing the building and associated site improvements. In addition, the project needed to be designed and constructed over a short time period due to the poor condition of Buildings 2 and 14. With the specific method of Design-Build contracting, known as Progressive Design-Build (PDB), the PDB contractor teamed with architects and engineers to form one team that was responsible for all of the design and construction activities for the project. The PDB contractor provided a Guaranteed Maximum Price (GMP) near the end of the design process and was contractually bound to deliver the project within that GMP. The PDB contracting method resulted in much shorter overall construction duration compared to traditional design-bid-build (or "low-bid") contracting method. Meeting the project budget and schedule were critical to ensure continuity of operations for Public Works.

Oregon Revised Statutes (ORS) Chapter 279C and the City's Public Contracting Rules (PCR) 9.7, allowed City Council, acting as the Local Contract Review Board, to exempt the public improvement contract from the competitive bidding requirements when, after a public hearing, they found that such an exemption was unlikely to encourage favoritism in the awarding of public improvement contracts or substantially diminish competition for public improvement contracts, and was likely to result in substantial cost savings and other substantial benefits to the City or the public.

Oregon Revised Statute (ORS) 279C.355 and Public Contracting Rules (PCR) 9.7 require a final evaluation of the public improvement project upon its completion. The evaluation must include the following:

1. Financial information consisting of cost estimates, the Guaranteed Maximum Price (GMP), contract changes, and the actual cost.
2. A narrative description of successes and failures during the design, engineering, and construction of the project.
3. An objective assessment of the use of the alternative contacting process as compared to the findings required by ORS 279C.355.

## **FINANCIAL INFORMATION**

The original target project budget was set at \$25 million, which included \$400,000 as the projected share of construction for Parks staff in the building. A Council subcommittee consisting of the Mayor and two Councilors was appointed to provide steering and budget oversight for the project. In the 2<sup>nd</sup> quarter of 2021, the Public Works Department recommended, and the subcommittee approved an option to relocate the Engineering Division from the leased Salmon Run building and into the Public Works Operations building. The decision was accompanied by increased project funding of \$7,745,500 to be included in the next fiscal year budget and Capital Improvement Plan. Then later that same quarter the subcommittee approved another recommendation to increase funding in the upcoming budget for \$4,500,000 to increase the building from 45,000 square feet to 50,000 square feet along with a budget estimate rebalancing due to construction market volatility. In late 2021 the steering committee recommended \$2,000,000 in additional funding for alternate improvements that were not originally part of the project scope. The revised overall project value was set at \$39,245,500. Finally at the end of the project, \$34,158 was reappropriated from the operations budget and into the project budget to pay for slurry sealing and restriping of the existing parking lot. The final project budget was therefore \$39,279,658.



The above cost summary represents the budget expenditures related to the alternate contracting method. Other costs on the project that make up the difference between the total and the GMP include: City project management, consultant owner's representative, archaeology, inspection, testing, permit fees, hazardous materials abatement and demolition of existing structures, and furniture, fixtures and equipment.

## **PROJECT SUCCESSES AND FAILURES**

Overall, design and construction of the Salem Public Works Operations Building was a success. The final project resulted in meeting the objectives of the City of Salem Shops Master Plan and included many improvements that enhanced and transformed how the City of Salem Administrative, Operations and Engineering staff collaborate to fulfill the mission of the Public Works Department. Some specific examples of benefit added to the project by the PDB method are as follows:

### **Early Collaboration and Real-Time Scope Alignment**

The PDB approach enabled early and continuous collaboration among the designer, builder, and owner. This structure allowed the team to evaluate design options, assess cost impacts, and adjust scope in real time to remain aligned with available funding. Multiple conceptual designs were explored before the team selected a final configuration that expanded space for Engineering and Administrative staff, an improvement not originally contemplated in the master plan but ultimately essential to operational efficiency.

### **Exceptional Local Subcontractor Utilization**

A major project goal was to maximize participation by local subcontractors. The project team worked closely with the Salem Chamber of Commerce and directly engaged local businesses to encourage involvement. This effort produced outstanding results: nearly \$15 million of the \$22.8 million in available subcontract dollars were awarded to firms based in Marion, Polk, and Linn Counties. This represents 65.73% local utilization, far exceeding expectations and strengthening the regional economy.

### **Resilience During Market Volatility**

Design development began during a period of extreme cost volatility driven by the COVID-19 pandemic, supply chain disruptions, and inflationary pressures. Despite these challenges, the strong

working relationship between the City, Howard S. Wright, and Hacker Architects, established through the PDB process, allowed the project to move forward without interruption. The team proactively monitored material availability, secured long-lead items early, and maintained schedule continuity with only minor adjustments to scope and timing.

### **Effective Communication and Cost Control**

Consistent, transparent communication among the PDB team and City staff enabled early identification and resolution of issues throughout design and construction. This collaborative problem-solving approach kept the project within its established contingency and ultimately resulted in \$547,215 in overall project savings. The reduced need for change orders further contributed to cost stability and administrative efficiency.

### **Objective Assessment of Alternative Contracting Process**

#### **Salem Public Works Operations Building Project**

##### **ORS 279C.355 Evaluation**

In September 2020, the Salem City Council adopted findings supporting an exemption from the competitive bidding process and authorized the use of the PDB contracting method for the Salem Public Works Operations Building project. ORS 279C.355 requires contracting agencies to evaluate the effectiveness of such alternative contracting methods. The following assessment fulfills that requirement.

##### **Overview of Progressive Design-Build**

PDB provides public agencies with a flexible and collaborative approach for delivering complex capital projects. Unlike the traditional design-bid-build model, PDB integrates the contractor into the project team early in the design phase. This early involvement allows the owner, architect, and contractor to work together to refine scope, evaluate alternatives, and optimize project outcomes.

##### **Value Engineering and Early Collaboration**

A core advantage of the PDB method is the ability to conduct value engineering with full participation from all key parties. When the contractor is engaged during design, the team can jointly evaluate cost, quality, constructability, and schedule implications. This integrated approach results in more informed decision-making and a design that better aligns with the owner's priorities and budget.

The PDB process also allows the agency to set the project schedule and sequence work collaboratively with the design-builder. As the design evolves, the team can adjust scope and approach to maximize value, an outcome that is significantly more difficult to achieve under design-bid-build.

### **Risk Reduction and Cost Control**

PDB reduces owner risk by consolidating responsibility for design and construction under a single contract. Although risk is shared between the owner and the design-builder, the structure of PDB typically results in lower overhead and profit fees, generally in the 3–5% range, compared to other delivery methods.

The collaborative nature of PDB also leads to fewer change orders during construction. With major decisions resolved during design and with contractor input, the likelihood of unforeseen scope gaps or conflicts is reduced. This contributes to improved cost predictability, fewer administrative burdens, and a higher probability of completing the project on time and within budget.

### **Project Outcomes**

The Salem Public Works Operations Building project successfully realized the intended benefits of the PDB method, including:

- **Enhanced cost control** through early contractor involvement and iterative value engineering
- **Improved decision-making** supported by accurate cost, schedule, and constructability information
- **Stronger teamwork and communication** across all project partners
- **Reduced risk of disputes** due to a unified contract structure and collaborative approach
- **Minimized change orders** and associated administrative costs

The project was delivered efficiently and resulted in a modern, functional facility that supports the operational needs of the City of Salem’s staff and the community they serve.

### **Conclusion**

The PDB contracting method proved to be an effective and efficient tool for delivering the Salem Public Works Operations Building project. The method supported cost and schedule reliability, strengthened collaboration, and reduced risk for the City. Based on the outcomes achieved, the PDB approach met the objectives of the alternative contracting exemption and contributed to the successful delivery of this important public facility.