



MEASURE T BOND PROGRAM LEASE-LEASE BACK PROJECT DELIVERY

Presented to Facilities Sub-Committee Meeting
February 22, 2024

What are “Project Delivery Methods”?



Legal structure, contractual relationships between the owner (SSFUSD) and the construction teams to complete a project.

- School District Owner
- Architect
- Construction Contractor
- Construction Manager



Default Delivery Method

Design – Bid - Build

This is the project delivery method used by many Districts

- District's Architect completes plans and specifications
- Project is publicly bid
- Requires award of contract solely based upon price
- To the lowest "responsive, responsible" bidder

Pros + Cons

- Most common delivery method, everyone is familiar with it
- Fully coordinated drawings are critical to minimize change orders
- Change Orders are more common
- Lowest price going into the job (not necessarily at the end!)
- No involvement of the builder in assisting to define the project scope (Preliminary Services)

Lease-Leaseback Delivery Method



Education Code 17406 allows Districts to lease property to a developer who will build the project and lease it back to the District

- Allows flexibility for the District to select a builder not solely based on cost
- “**Best Value Selection**” including experience, qualifications, team and cost
- Allows selection of Contractor early in the process
- Pre-Construction Services agreement – Allows contractor to validate plans, assist in value engineering and coordinate work in a team setting with District & Architect.
- Sub- Contractors selected by builder with a public bid process – open book process
- This delivery method does not relinquish property ownership

LEASE-LEASE BACK PROJECT DELIVERY



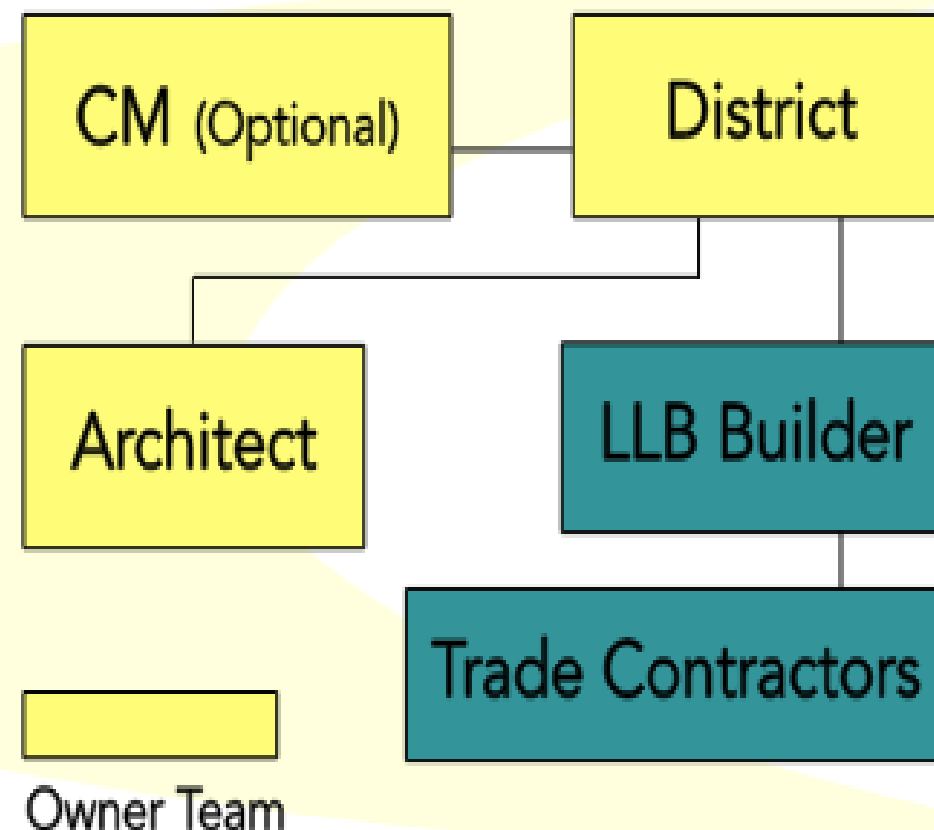
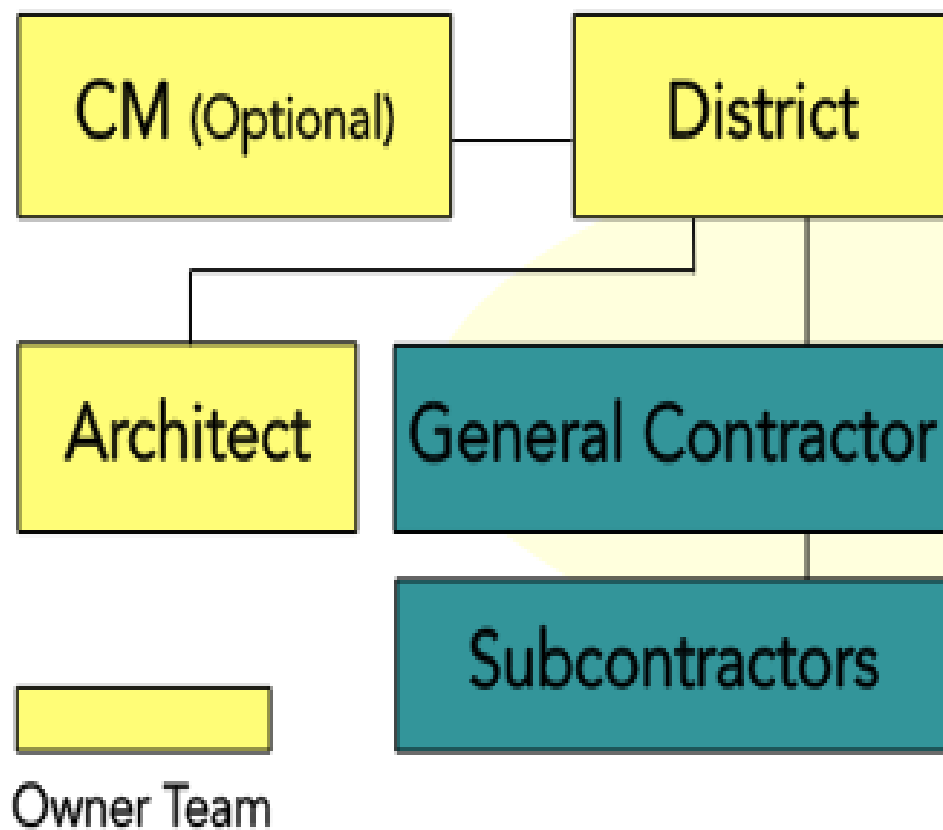
- District “**Leases**” Property to Builder
 - Site Lease
- Builder Constructs Tenant Improvements to the Property
- Builder “**Leases Back**” the Completed Improvements to the District
 - Facilities Lease



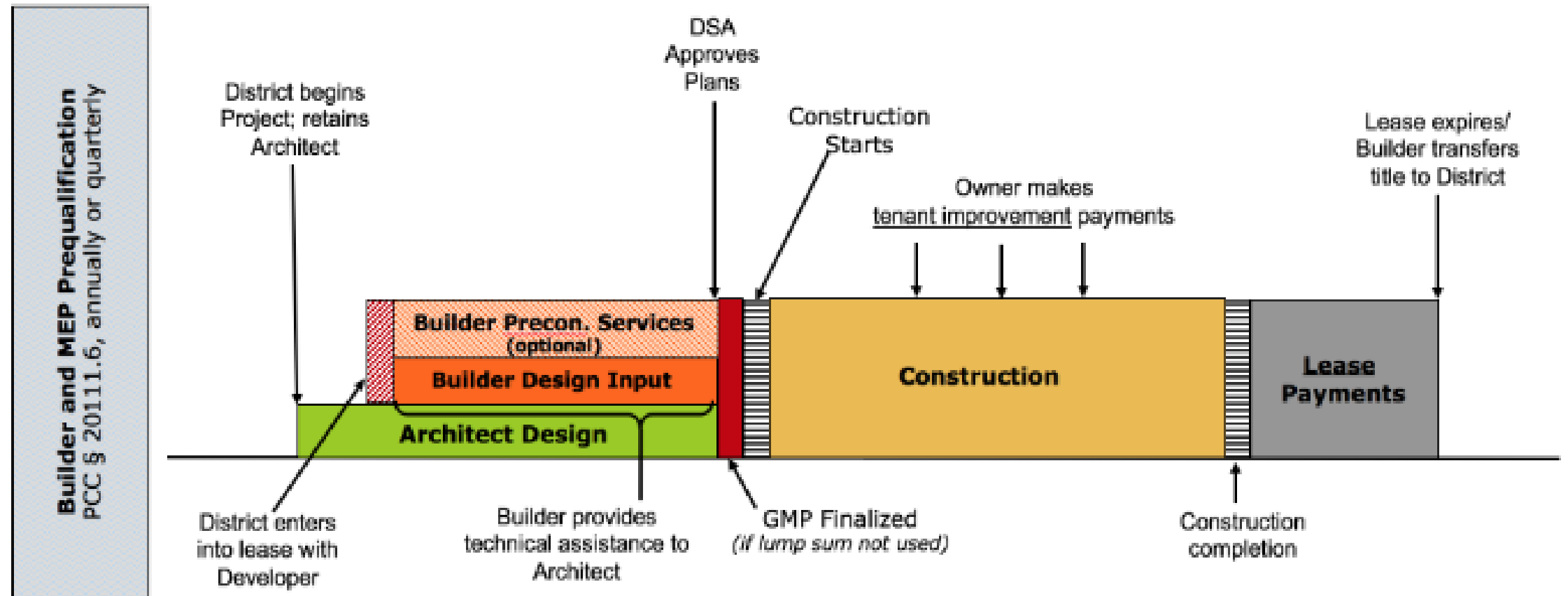
LEASE-LEASE BACK DESIGN-BID-BUILD

vs.

LEASE-LEASE BACK



LEASE-LEASE BACK PROJECT TIMELINE



LEASE-LEASE BACK ADVANTAGES

vs.

DISADVANTAGES



- Best Value compared to low bid
- Ability to control costs in design and during construction with agreed contingencies in the contract
- Schedule Control
- Less contentious relationship with prime contractor (easier admin)

- Potential higher up-front costs (GMP might start out higher than low bid)
- More document and time intensive up-front
- Still some possibility for claims and disputes



GOOD, BETTER, BEST

A COMPARISON

CRITERIA	WHICH IS BETTER?
Schedule Flexibility	LLB
Owner Design Control	LLB/DBB
Awarding on Best Value	LLB
Low Initial Cost	DBB
Reduced Change Orders	LLB



PROJECT DEVELOPMENT PROCESS

DBB VS LLB COSTS – 30M PROJECT

Sample Project (New Construction):	\$ 30,000,000.00		\$ 30,000,000.00	
Time frame:	24 months	%	24 months	%
Summary of Project Costs:	DBB (Hard Bid)		Best Value (LLB)	
Preconstruction	\$ -		\$ 150,000.00	0.5%
Up-Front Savings - Drawing corrections	\$ -		\$ (750,000.00)	3%
Direct Costs (Subs):	\$ 26,125,000.00	87.1%	\$ 26,125,000.00	87%
Misc. Cost Cont. / grey areas:	\$ 125,000.00	0.4%	\$ -	0%
General Conditions/ Reqmts (75k/85k)	\$ 1,800,000.00	6.0%	\$ 2,040,000.00	6.8%
Insurance Costs:	\$ 300,000.00	1.0%	\$ 300,000.00	1.0%
Payment & Performance Bonds:	\$ 300,000.00	1.0%	\$ 300,000.00	1.0%
Overhead & Profit :	\$ 1,350,000.00	4.5%	\$ 1,350,000.00	4.5%
Contingency (E&O, Owner, Contractor)	\$ -	5.0%	\$ 1,500,000.00	5.0%
Subtotal	\$ 30,000,000.00	100.0%	\$ 31,015,000.00	108.4%
Potential Average Change Orders	\$ 1,500,000.00	5.0%	\$ (600,000.00)	-2.0%
TOTALS	\$ 31,500,000.00		\$ 30,415,000.00	
		Savings	\$ 1,085,000.00	3.62%



DISTRICTS USING LEASE-LEASE BACK PROJECT DELIVERY

- Livermore Valley Joint US
- Burlingame SD
- Cabrillo USD
- Cotati-Rohnert Park S
- Evergreen SD
- Modesto USD
- Moreland SD
- Palm Springs USD
- Rincon Valley SD
- San Luis-Coastal USD
- San Rafael USD
- Santa Maria USD
- Tracy USD
- Oakland USD



Next Steps

Seeking Board direction to move forward with using LLB for some of the Measure T Bond Projects.

- Pass a Board Resolution to allow the use of the LLB delivery method
- Use our Lease-Leaseback Best Value Process to create a pool of LLB General Contractors
- Select an Architect for an upcoming project
- Use our Lease-Leaseback Best Value Process to select a LLB contractor



DISTRICTS USING LEASE-LEASE BACK PROJECT DELIVERY

Questions