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February 21, 2012

TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY 
CHIEF EXECUTIVE OFFICER

FROM: KRISHNIAH N. MURTHY 
EXECUTIVE DIRECTOR, TRANSIT PROJECT DELIVERY

**SUBJECT: CRENSHAW/LAX TRANSIT CORRIDOR PROJECT
USE OF STIPEND AGREEMENTS**

ISSUE

During the presentation, to the Construction committee on February 18, to approve \$1,000,000 stipend for each of the non-winning teams submitting proposals for the Crenshaw project, additional information was requested by some of the Committee members concerning MTA's past authorization for the use of stipends. The bid stipend agreements would allow compensation to the qualified unsuccessful responsive proposers and to allow purchase of their work products, including but not limited to, alternative technical concepts which in turn will entitle MTA to use all of the work products in implementing the project. Additional information has been requested regarding MTA's past authorization to use stipend agreements.

BACKGROUND

The Board authorized the use of a design-build contracting approach for the Crenshaw/LAX Transit Corridor in March 2011. As part of the design-build solicitation process, an Industry Review commenced in August 2011 and was completed in January 2012. MTA is issuing a single design-build contract for the alignment scope of work; excluding the Southwestern Yard. A Request for Qualification (RFQ) was issued in December 2011 and a Request for Proposal (RFP) will be issued in April 2012. A stipend is recommended to be included as part of the contract terms and conditions.

The use of stipends in design-build procurements is consistent with industry best practices. The U.S. Department of Transportation Federal Highway Administration has identified stipends as part of the current design-build practices for transportation

projects to increase competition and encourage more firms to participate. Examples of other agencies that have used stipends include but are not limited to: Arizona Department of Transportation, Utah Department of Transportation, Dallas Area Rapid Transit, Santa Clara Valley Transportation Authority, and Washington State Department of Transportation.

The MTA Board has authorized bid stipends on past projects, including the I-405 High Occupancy Vehicle (HOV) Lane Project, Metro Gold Line Eastside Extension, and Union Station Master Plan. The bid stipend for each of these projects was set in accordance with the size and complexity of the project, the opportunities to increase competition and innovation, and to attract the most qualified firms.

- The I-405 High Occupancy Vehicle (HOV) Lane Project (Contract C0882) is a design-build project that extends for 10 miles from the I-10/I-405 interchange to the I-101/I-405 interchange and includes highway widening and segments of Sepulveda Blvd realignment. The MTA board authorized bid stipend agreements with each of the unsuccessful responsive proposers for the I-405 HOV Lane project in an amount of \$1,000,000 per stipend agreement in exchange for the proposer's agreement that MTA would be entitled to use all of the work products included with the bid.
- The Eastside Extension (Phase 1) is a 6.5 mile light rail extension that included two contracts: 1) design-bid-build for the tunnel and station excavations, stations, trackwork and systems, and 2) design-build for the at-grade portions and projectwide finishes. The MTA Board authorized \$350,000 to each responsive proposer for the design-build contract Issued for Bid (IFB). The Eastside Extension IFB included design that was more developed; however, the Bidder was required to provide technical documents as part of the response to the IFB.
- The Union Station Master Plan project is a planning project that is a much smaller scaled project compared to the Crenshaw/LAX project. A stipend in the amount of \$10,000 was approved by the Board since the Request for Proposal included preparation of a single conceptual vision or idea board for Union Station.

The report to the Construction committee recommended that for the Crenshaw/LAX Transit Corridor project, MTA pay a stipend to the qualified unsuccessful responsive proposers. Typically, the preparation of a proposal for this type of mega project may cost approximately four to six million dollars per proposer. Stipends provide an incentive to the proposers to enhance competition by defraying some of the cost to proposers and improve the quality of the proposals by encouraging more proposers. By paying stipends, the resulting work products, including but not limited to, innovation through alternative technical concepts become the property of MTA. These work products often result in cost saving features that may be subsequently incorporated into the construction contract, resulting in a lower overall project cost.

The Crenshaw/LAX Transit project is a complex design-build project where the use of stipends encourages design builders to propose innovative and cost effective ways to design and build the project. Only the qualified responsive proposers who are not awarded the contract will receive a stipend. Should MTA decide not to award the contract after proposals have been submitted, the top responsive, qualifying proposer shall be awarded a stipend in the amount of \$1,000,000.

NEXT STEPS

Include stipends as part of the contract terms and conditions for Contract C0988 Crenshaw/LAX Transit Corridor pending Board approval.