



Memorandum

Subject: **ACTION:** Local Labor Hiring Preference under
Special Experimental Project No. 14 (SEP-14)

Date: December 10, 2015

From: Thomas D. Everett
Director, Office of Program Administration
Washington, DC

In Reply Refer To:
HIPA-30

To: Achille Alonzi
Division Administrator
Austin, TX

We have received Hala Egaaly's December 2 e-mail endorsing the Texas Department of Transportation's (TxDOT's) December 2 revisions to its November 3, 2015 SEP-14 work plan to evaluate the use of a local labor hiring preference (LLHP) contract provision for the S. M. Wright Project (US 175 from Bexar St. to IH 45 in Dallas). The SEP-14 workplan is being advanced in response to the pilot [Contracting Initiative](#) announced by the U.S. Department of Transportation in a *Federal Register* Notice on March 6, 2015.

The S. M. Wright Project is a multiple phase project in Dallas, Texas that will first connect the US 175 C. F. Hawn freeway directly to Interstate 45, removing freeway traffic from the S. M. Wright freeway portion of US 175. Subsequent phases will reconstruct the S. M. Wright freeway portion to a boulevard street. This first project phase is the subject of this SEP-14 request. The project was previously let in September 2014 with a low bid of \$96,431,460.00. Due to right of way and utilities not being clear, TxDOT has terminated the original contract and will let the project a second time in February 2016. Approximately, \$89.4 million of the total project amount will be funded by FHWA. TxDOT believes that this project, having been let once without using LLHP provisions, is an ideal candidate for this initiative since there can be a direct comparison of bid prices with and without the LLHP provisions.

In addition, TxDOT proposes to use a contract provision that requires 15 percent of all contract labor hours be performed by residents of the area surrounding the project. The 15 percent requirement has been established based on an analysis of certified payroll data from recent TxDOT projects of comparable construction size, and by estimating the fraction of man hours that are performed by job classifications requiring minimal prior construction experience and/or training. The local area is defined as the area to the South of downtown Dallas Texas bordered by Interstate 30 to the North, Loop I 2 to the East and South and Interstate 35E to the West. The Contractor will receive an incentive of \$4.50 per hour for

each local labor hour used on the project with a not to exceed incentive amount of \$500,000. FHWA participation in these costs is authorized under 23 U.S.C. 504(e).

The December 2 submission satisfactorily resolved the following issues:

1. The project let in September 2014 was a Federal-aid project subject to prevailing wage rate requirements. This was confirmed in Ms. Egaaly's December 2 email.
2. As discussed in Ms. Egaaly's email, the contract TxDOT let in September 2014 was terminated because the necessary right-of-way and utility clearances, though eventually provided, were not received until after the clearance cutoff dates in the contract.
3. TxDOT added the following bullet to section E3
 - The number of bidders submitting bids on the pilot project will be compared with the number of bidders submitting bids on projects with a similar size and scope. An explanation will be provided for the increase or decrease in the number of bidders.
4. TxDOT moved the following bullet from Section E3 to Section E4.
 - A comparison of bid prices - An evaluation of the unit prices for ten bid items with the highest total value on the pilot project will be compared to unit prices for projects with a similar size and scope.
5. Under Section F, Reporting, TxDOT added language to ensure that the FHWA Texas Division receives copies of the initial, quarterly, and final reports.

We are pleased to approve TxDOT's SEP-14 Workplan to evaluate the use of a LLHP contract provision for the S. M. Wright Project.

If you have any questions, please contact the following: Gerald Yakowenko at Gerald.Yakowenko@dot.gov or (202)366-1562, or John Huyer at John.Huyer@dot.gov or (651)291-6111.