

SEP-14 Local Hire Pilot Program - Initial Report

Colorado Department of Transportation (CDOT) – Central 70 Project

Contract Start Date:

Nov. 21, 2017

Introduction

This Initial Report for the Local Hiring Preference Pilot Program under SEP-14 covers the impact of including a local hiring preference in the Request for Proposal (RFP) for the Central 70 Project on the bidding process. Central 70 is a \$1.2B project to reconstruct a 10-mile segment of interstate 70 East in Denver, Colorado. The project is being delivered via a design, build, operate, and maintain (public-private partnership) model.

It is important to keep in mind that the local hiring preference in the Central 70 Request for Proposals (RFP) and the project agreement is a goal that is incentive-based only. CDOT, with other money (including FHWA grant money and private foundation funding), has developed a workforce training program to support the local hiring preference specifically for this project. This workforce training program will help develop skills—and support job retention-- in the local hire area for this project as well as other projects in the metro area. There is no disincentive if the developer does not meet the goal.

This initial report discusses the industry reaction to including the local hiring preference in the RFP as well as lessons learned.

Background on Central 70 Bidding Process:

The Central 70 Project bidding process began in March of 2015 and culminated with the release of a Final RFP on March 6, 2017. Four teams were short-listed in the summer of 2015 and each of these teams remained at the table throughout the procurement process. Technical proposals were received on June 1, 2017 followed by financial proposals on August 1, 2017. CDOT selected a preferred proposer, Kiewit Meridiam Partners, on August 24, 2017.

After being officially accepted into the USDOT SEPT-14 pilot program, CDOT included a local hire goal in the RFP and requested that each team submit a workforce development plan as part of their proposals. Each Workforce Development Plan received a score during the proposal evaluation process. This score was used to calculate a small portion of each team's technical score. The Workforce Development Plan was jointly scored with the Public Information Plan and Small & Disadvantaged Business Plan.

This relatively long procurement timeline, which included four issuances of the draft RFP, provided CDOT several opportunities--from the beginning of the process¹ through issuance of the Final RFP-- to convey its interest in workforce development and providing opportunities for local residents. Specifically, as the RFP was advanced, CDOT shared the Department's interest in the SEP-14 Local Hire Program and the state's eventual acceptance into the program.

By the same token, the bidding process allowed competing teams and community members the opportunity to provide input on the Local Hire requirements as they were developed. CDOT held multiple one-on-one meetings with the short-listed teams and used this input to refine the RFP. In particular, one session included a specific agenda item on Local Hire expectations and challenges. The short-listed teams also had time to research and incorporate best practices into their Workforce Development Plans.

Altogether, the Central 70 Project provides a strong case study to inform the areas of interest to FHWA: Impacts of the Provisions on the Bidding Process, Industry Reaction, and Lessons Learned.

Assessment of the Impacts the Provisions had on the Bidding Process

As mentioned above, four developer teams were short-listed by the Central 70 Project team, and each of those four teams completed the procurement process. None of the short-listed teams' proposals appeared to be significantly impacted by the inclusion of the Local Hire provisions. Each team submitted Workforce Development Plans that committed to meeting the local hire requirements of the SEP-14 Pilot and provided a plan for investing in and developing local workforce pipelines. Each developer's statement of commitment is included in the Appendix.

Due to the size and complexity of the Central 70 Project, the shortlisted teams consisted of large developers, many of whom have helped develop local workforce on other projects. The Local Hire provisions seemed to have less impact on the bidding process because of the shortlisted teams' prior experience developing pipelines for infrastructure projects. However, as noted below, one team, Kiewit Meridiam Partners, submitted a white paper outlining concerns with the number of local hire labor hours set in the RFP.

Kiewit Meridiam Partners (KMP) White Paper during Procurement

During the procurement process KMP submitted a white paper addressing their concerns and recommendations for setting and meeting the local hire goal. KMP was concerned by the difference between the project's estimated work hours and their estimated work hours based on their design and schedule. Their suggestion was to keep the work hour estimate the same at 760,000, but to include the entire metro-Denver area in the local hire area. This solution did not

¹ The March 11, 2015 Industry Forum included a presentation on CDOT's expectations for community engagement and economic opportunities: <https://codot.gov/programs/high-performance-transportation-enterprise-hpte/procurement/i-70/central-70/central-70-industry-forum-presentation-march-11-2015>

align with CDOT's intent to benefit environmental justice communities along the corridor. Now that KMP has been selected to deliver Central 70, the Project Team is in conversations over the most accurate baseline (total work hours) to measure progress toward the 20% goal.

In the white paper, KMP also recommended that current local employees be included in meeting the goal, implying that only new hires from the local hire area would count. However, CDOT carefully drafted language in the project agreement to account for local workforce that is already employed with contractors; which also conformed to a required provision from Section 192 of the 2016 Appropriations Act. Only ten percent of the total estimated work hours must be met by new hires; this is intended to incentivize current local hire employees, while also requiring the development of a pipeline for new construction workers.

Summary Conclusion:

The inclusion of a local hire goal in the RFP did not appear to impact the bidding process. The four shortlisted teams all remained at the table throughout the procurement process and all (including Kiewit Meridiam Partners) committed to meet the local hire goal. It is not known what impact the incentive (vs penalty) approach of the goal may have had on this support from the bidding teams.

Industry reaction:

AGC: National and Local Levels

AGC Colorado, and its civil construction counterpart, Colorado Contractors Association, have partnered with the Central 70 Workforce Development Program to help achieve its local hire goal. Central 70, through our workforce development program, has helped to fund seats in AGC's [Construction Careers Now!](#) pre-apprenticeship bootcamp. The 48-hour bootcamp, which includes a free OSHA 10 certification, uses marketing strategies to recruit individuals that are typically under-represented in the construction industry, including women and people of color. In July 2017, the bootcamp was moved to a CDOT facility located within the I-70 corridor. Since the move, the program has averaged twenty percent of each cohort being from the project's local hire zip codes.

On the hiring side, AGC Colorado has been aligning its training bootcamp with monthly job fairs. Since many contractors, small and large, are anxious for employees in Colorado's tight labor market, connecting local job seekers with local jobs is proving more effective than simply providing training programs.

Small Contractors in Denver

Through this process, small contractors have expressed to CDOT some concern that the Local Hire goal would be arbitrarily pushed down from the prime to subs; therefore placing an unfair burden on small contractors with small crews. Small businesses also have questioned whether their ability to hire locally would negatively influence their competitiveness for becoming a sub on the Central 70 Project and whether the requirements required to track local hiring would increase their administrative costs and burden. CDOT was able to address one of these concerns through the RFP process by requiring that KMP seek Department approval before

passing down the local hire requirement to their subs. Further, the Department did not set any financial disincentives associated with missing the local hire goal, so KMP cannot pass down any penalties to their subcontractors. The Department also has been working with groups like the Hispanic Contractors of Colorado (HCC) and the Black Construction Group (BCG) to identify ways to streamline tracking requirements and has acquired LCPTracker, which has specific reports available for local hire. Despite these concerns, HCC and BCG have publically expressed support for local hiring. In fact, HCC named CDOT's Executive Director the 2017 "Community Advocate of the Year" in part because of the Department's work to support local hiring.

Summary Conclusion:

At the local and state level, CDOT has received industry support for the local hiring program; particularly as it relates to opportunities to partner on workforce development and training. Small contractors expressed some concerns with added administrative burden and CDOT was able to address many of those concerns through the RFP development process.

Observations or Lessons Learned from the Procurement and Award of the Contract:

Need for Flexibility When Setting Target Hour Goals in the RFP

In proposals, each team's estimated project hours were different due to varying scope and schedules. Some teams had a longer schedule, while some were able to submit a plan that shortened the construction schedule and therefore the total work hours. CDOT set a flat-hour goal based on initial project estimates, but didn't write in the flexibility to adjust the goal based on the varying proposals. As a result, CDOT is now working with KMP to determine whether the goal needs to be amended in the contract.

The difficulty of setting a local hire goal is partially due to the size of this project. Simply put, it is more difficult to provide an accurate estimate for a 4-5 year \$1.2 billion project than it would be to estimate the work done over a one year project.

Challenge of Tracking Professional Services

Local hire hours for craft positions will be tracked using the certified payroll system. Total hours and percentages can be calculated using the data that has been included in the system. However, professional services positions will be more difficult to track because they are not included in the certified payroll system. To track professional services local hire hours, contractors will need to submit these payrolls to CDOT. KMP and CDOT have begun to coordinate on this process.

Complexity of Including a First Source List

CDOT included a first source rule in the Central 70 Project Agreement. In retrospect, this was an unnecessary piece to include, especially since KMP is a signatory to several unions. Many of the job postings will go through local union halls and will be filled according to the current union processes.

In order to lessen the complexity of a first source list, CDOT has asked KMP to notify the statewide workforce system, Connecting Colorado, and the Central 70 Workforce Development Program of all jobs that open on the Central 70 Project.

Complexity of Incorporating Unions in Local Hire Goals

The CDOT Central 70 team is still learning more about how unions will be incorporated into meeting the local hire goals. In our Workforce Development Program, we have partnered with several unions that are signatory to KMP. Apprenticeship programs for the operators, laborers, and carpenters unions have been attending outreach sessions, training sessions, and hiring events. Union apprenticeships are also included as one of the career pathways in construction.

While this is a good starting place, figuring out how to *place* local workers onto Central 70 will be more difficult due to the placement process at local halls. KMP has a number of current union workers within the local hire areas, but again, integrating individuals into a specific project at a specific time will prove difficult. Starting conversations with local union halls is the next step in the process.

Benefits of Keeping an Open Dialogue through the Procurement Process

In 2016, Central 70 funded a Community Job Readiness and Workforce Needs Assessment that was conducted by the Community College of Denver's Center for Workforce Initiatives. The needs assessment informed the local hire goal and boundaries by identifying and estimating individuals living near I-70 who would be interested in receiving training and working in construction. The goal established during the needs assessment was used to drive conversations with the shortlisted teams. This led to an open dialogue about goal-setting and expectations; dialogue has continued with KMP to determine the best way of maximizing local involvement.

Summary Conclusion:

Team-specific circumstances (union vs nonunion, varying construction periods) made it difficult to craft a local hire requirement that could anticipate and accommodate each of these scenarios. While open dialogue during the procurement process can help identify and resolve these issues, contract language must also be crafted in such a way that the Department's objectives are conveyed and achieved while also allowing for the flexibility to fine tune contract provisions.

APPENDIX

Statements of Commitment from Proposed Workforce Development Plans

Short-listed Team	Statement of Commitment
5280 Connectors	<p>“5280 Connectors, a consortium consisting of Plenary, Skanska, Zachry, and HDR, is responsible for the design, construction, operations and maintenance of the Central 70 Project for the Enterprises. Our team includes skilled professionals in the design, construction, and operations and maintenance of major transportation systems across the United States and more prominently in the Denver region.</p> <p>The Central 70 Project presents an opportunity to provide employment and career options for a very diverse local community. Instituting a skilled workforce will be a significant factor in delivering this challenging Project. It is evident that the industry is affected by a downturn in the number of individuals entering the construction workforce. At the same time, there is a higher demand for those same construction professionals to meet the needs of the growing market. In order to meet the labor demand of this large Project, it will be necessary to develop a hiring and training plan that focuses on acquiring the right individuals from the local community, training them to specialize in their given trade, and providing apprenticeships that turn into professional careers through implementation of the on-the-job training program.</p> <p>The Project team is proud to have the opportunity to give back to the local community and is committed to meeting or exceeding the Construction Period OJT Goal and Local Hiring Goal as set forth in the Instructions to Proposers and Schedule 15 of the Project Agreement.”</p>
Front Range Mobility Group (FRMG)	<p>“FRMG is committed to achieving the Construction Period OJT Goal of 200,000 employment hours and a Local Hiring Goal of 760,000 total contract employment hours (with a minimum 380,000 hours by new hires).</p> <p>To achieve the Local Hiring Goal, this equates to approximately 60 new hires and 50 other local hires during the life of construction on the Project; however, our team’s plan is designed to exceed this minimum goal.”</p>

Short-listed Team	Statement of Commitment
Kiewit Meridiam Partners (KMP)	<p>“KMP Team members have a proven record of meeting and exceeding Workforce Development goals on large, complex infrastructure projects – both locally and nationally. The nature of this Project, and the commitment from KMP Executive Management, provides us with an excellent opportunity to build upon an exceptional record of accomplishment for Workforce Development Programs.</p> <p>During the Construction Period, we are committed to meet, or exceed, the On-the-Job Training (OJT) and Local Hiring goals identified in Schedule 15, Federal and State Requirements of the Project Agreement.”</p>
Mile High Partners (MHP)	<p>“MHP is committed to achieving if not exceeding the local hiring goal, the construction period OJT goal and the renewal work OJT goals (collectively defined as the Workforce Development Goals) through innovative and effective initiatives such as establishing local hiring construction-phase goals, recruiting local workforce especially from the identified project impacted area and utilizing individuals currently in local CDOT-approved workforce development organizations and programs. Additionally, MHP will not only focus on opportunities in the crafts and trades fields but also hire candidates in the professional services aspects of the project. Our workforce development initiatives will strive to provide job creation, skills development and social and economic growth opportunities especially amongst individuals in communities along the Central 70 alignment as well as those who have experienced significant barriers to employment including military veterans and diverse populations. Additionally, our team will develop and work with current local approved workforce development resources to prepare local workers not only for the project construction this project but also a career and future employment.</p> <p>As we stated earlier, our team is committed to the achievement of the OJT as well as local hire goals for the construction period and working with the Enterprises to determine the workforce goals in the operating period as noted in Schedule 15 as well as Appendix B of Schedule 15.”</p>