REPORT ON REQUEST FOR INTEREST (RFI) PROCESS

NEW OAHU COMMUNITY CORRECTIONAL CENTER

State of Hawaii

Department of Accounting and General Services
Department of Public Safety
DAGS JOB # 12-27-5713

August 2, 2021

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Prepared by:

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Executive Summary

The purpose of this report is to summarize and assess the feedback provided by Respondents as part of the Request for Interest (RFI) process for the planned new Oahu Community Correctional Center (OCCC or Project). The RFI was prepared by the State of Hawaii, Department of Accounting and General Services (DAGS), with the support of the Hawaii Department of Public Safety (PSD), and issued on January 29, 2021. By the March 12, 2021 deadline, 22 responses were received and since then all have been reviewed and evaluated. It is anticipated that the feedback received from the Respondents will be used to refine the assumptions and expectations regarding the planning, procurement, and eventual delivery of the Project.

Respondents were encouraged to assess the commercial viability of the Project, provide estimates on the time needed to procure and construct the Project, identify potential risks and mitigations, and recommend strategies for financing and project development that reflect industry best practices and opportunities for innovation. RFI recipients were provided with access to all public documentation about the Project, including the 2018 OCCC Master Plan Report (OCCC Master Plan), the Animal Quarantine Station (AQS) Project Development Report, and Final Environmental Impact Statement (EIS), among many other relevant documents.

Those who responded to the RFI (Respondents) represented three distinct industry groups:

- Architectural and engineering (AE) designers, engineering firms, operators, and general contractors (GCs) - 13 responses
- Equity investors, lenders, financiers – 3 responses
- Developers or formed teams – 6 responses

The OCCC Team (DAGS, PSD and consultants) reviewed the RFI responses to extract useful information regarding Respondents' experience and lessons learned from similar, relevant projects that have been successfully developed. The OCCC Team also conducted a high-level assessment of the responses to the questions asked in the RFI, overall thoughtfulness of the submissions, demonstration of relevant experience of the Respondent, and alignment with the State's stated goals and objectives for the Project.

Based on feedback gathered through the RFI process, the following are the principal highlights:

- The RFI process was successful in establishing the Project as an attractive opportunity to the Public-Private-Partnership (P3)/correctional facility development industry. The RFI process produced useful information that will help the State of Hawaii to continue advancing the Project forward.
- Multiple Respondents viewed the P3 delivery/procurement model, and specifically the Design Build Finance Maintain-Availability Payments (DBFM-AP) approach, as likely to produce the greatest value for the State and was the preferred delivery/procurement approach. The feedback verifies and reinforces similar findings from studies conducted since 2018.
- Multiple Respondents viewed a progressive approach (Progressive P3) to DBFM-AP, where a development team is selected based on qualifications, proposed design concepts, financing strategies, and indicative pricing, as a method to reduce procurement costs and time requirements.
- Most Respondents considered 12 months to be a realistic timeframe to issue and receive industry responses to a Request for Qualifications (RFQ) and Request for Proposals (RFP).
- Several key risks were identified by Respondents that the State should either de-risk/eliminate before issuing an RFQ, or develop a plan to manage/mitigate risk as part of the Project development process. Respondents provided useful suggestions for mitigation strategies for many of the identified risks.

- Several strategies/best practices were offered for consideration involving funding/financing, procurement and delivery, design, operation and maintenance (O&M), and the use of technology.

Based on the work already completed or underway and the industry input received during the RFI process, the following next steps are recommended:

- Reach agreement/conclusion regarding the preferred procurement approach best suited to the Project. If DBFM-AP remains the preferred approach, consider if a Progressive P3 approach is appropriate for the Project.
- Continue evaluating viable funding and financing options. Regarding the recommendation from one Respondent to pursue sale-leaseback opportunities for non-Project related, state-owned assets to raise general funds, if the State wishes to explore these options, it is recommended that such activities be on a separate track from the Project.
- Develop a comprehensive risk matrix that identifies all Project risks, potential impacts, and possible mitigation measures. Also, identify which risks the State is best able to manage, which should be allocated to a P3 developer, and which should be shared between the two parties.
- Mitigate/eliminate as many key risks as possible prior to RFQ issue and develop a plan to manage the remaining risks during development of the Project. Critical risk mitigation measures to implement prior to RFQ issue include:
    - Identify a Champion(s) to represent the Project on behalf of the PSD and DAGS.
    - Identify and secure long-term, dedicated funding for the Project.
    - Clarify the scope and schedule for the new AQS; determine whether to include AQS in the scope of the Project; and consider issuing a separate contract for AQS with a different design team than the one selected for the Project.
    - Resolve any remaining AQS property matters.
    - Obtain a legal opinion confirming that state laws and public policy allow for use of DBFM-AP delivery method.
    - Fully define the Project approval process and share the process with potential bidders.
    - Engage the appropriate commercial, technical, legal and financial advisors needed to move the Project forward.
- Integrate suggested strategies/best practices identified during the RFI process into the Project as appropriate.
- Prepare a detailed procurement budget for the approximately 12-month period necessary to develop and issue procurement documents (RFQ/RFP), select a Preferred Bidder, and engage in negotiations leading up to Commercial and Financial Close. This budget should allocate funds for required advisors.
- Work with technical advisors to clarify/finalize reference design documents defining base technical provisions and performance requirements.
- Prepare RFQ documentation and issue preferably in the fall of 2021, but no later than the first quarter of 2022.

1. Introduction

OCCC, the largest jail facility in the State of Hawaii, is operated by the Hawaii Department of Public Safety (PSD). PSD is responsible for approximately 4,100 offenders currently housed within eight State prison and jail facilities throughout the State of Hawaii (State), in addition to the Federal Detention Center in Honolulu and a privately-operated prison located on the mainland.

Originally developed in Kalihi in 1916 as the Oahu Prison, OCCC was redeveloped in 1975 with 456 beds. OCCC was subsequently redeveloped and expanded and currently has a design capacity of 628 beds and an operational capacity of 954 beds. Recent studies have documented the facility's declining physical plant, its inefficient operation, and the lack of space for inmate programs and treatment services. The need to upgrade and/or replace Hawaii's correctional facilities has been well documented by various master plans and studies conducted since the 1970s. The common element in each is the need to improve facilities housing the State's offender population in ways that are reflective of correctional best practices. This includes OCCC where the State has identified the need to replace the current facility. DAGS is leading the effort to develop the Project and is exploring procurement and financing alternatives.

1.1 Project Milestones

The State has been actively engaged in planning for the Project and, over the past several years, considerable progress has been achieved, including:

- In 2016, site identification studies began which led to 12 candidate sites being evaluated as potential locations for the new OCCC. At the same time, an extensive public outreach and engagement program was initiated which continues today.
- In 2017, a State-mandated Draft EIS was published that recommended the AQS site for development of the Project.
- In 2018, the Final EIS was issued and accepted by Governor David Y. Ige who formally endorsed the AQS site as the State's preferred location for the Project. During this time the OCCC Master Plan was completed including a conceptual design and layout for the Project at the AQS site.
- The OCCC Master Plan includes a Value for Money (VfM) analysis that supports a DBFM-AP model for the delivery and financing of the Project (Appendix A).
- In 2019, an application was submitted to the City and County of Honolulu for a Plan Review Use (PRU) permit. Following a lengthy and thorough review process, the PRU permit was approved by the City Council and was issued on February 19, 2020 (Resolution No. 19-136).
- In 2020, additional engineering and related technical studies were conducted at the AQS site, including geotechnical investigations and hazardous materials surveys.
- In 2021 population forecasts were updated to ensure that the Project has the appropriate design capacity and to form the basis for any adjustments in the number of detention and re-entry beds needed in the future.
- The spread of the COVID-19 virus in OCCC (and other PSD facilities) has highlighted the problem of over-crowding at the facility. In response to the pandemic, lower-risk inmates were released from OCCC to reduce the spread of infection.

1.2 Procurement Option Analyses Prior to RFI

As stated earier, the State completed the OCCC Master Plan, which includes a VfM analysis. The VfM analysis showed that the DBFM-AP approach provides better value for the taxpayers of Hawaii over the life of the Project versus other procurement alternatives, such as design-bid-build (DBB) or design-build (DB). The analysis also concludes that the DBFM-AP approach best aligns with the State's goals for the Project.

In addition to highlighting the overcrowding issues at OCCC, the COVID-19 pandemic has also placed additional pressure on an already constrained State budget, which must meet a growing number of infrastructure investment priorities. The State is planning, or is currently implementing, important investments in education, health care, justice and transportation systems. Given these competing priorities and funding constraints, State officials are exploring a range of options to fund and finance priority capital projects. More specifically, the State is interested in financing options that, unlike traditional public bond financing, avoid negative impacts to the State's credit rating and/or debt ceiling.

To further explore viable funding/financing and delivery options for the Project, particularly the P3 options considered in the OCCC Master Plan, the State decided to move forward with an RFI process. The RFI process was intended to solicit feedback from the corrections and financial communities about the Project, including: potential procurement methods, funding and financing options, risks and mitigations measures, industry best practices, and potential innovations that could improve facility performance or reduce costs. The RFI process and results are described in the subsequent sections.

1.3 RFI Issue and Assessment

On January 29, 2021, the State issued the RFI to obtain information, input, and advice from interested industry participants. The State plans to use this feedback to refine assumptions and expectations regarding the planning, procurement, and eventual delivery of the Project. RFI recipients were given access to all public documentation about the Project, including the OCCC Master Plan, the AQS Project Development Report, and Draft and Final EISs, among many other relevant documents. Respondents were encouraged to provide responses that were relevant and applicable to the Respondents' potential role in developing and delivering the Project. Respondents were also encouraged to assess the commercial viability of the Project, provide estimates on the time needed to procure and construct the Project, offer potential funding and financing strategies, identify potential risks and mitigations, and recommend strategies that reflect industry best practices and opportunities for innovation.

On February 9, 2021, shortly after the issuance of the RFI, the OCCC Team hosted a webinar for prospective Respondents. During the webinar, attendees were provided background information about the Project and its current status as well as an overview of the RFI and its expected outcomes. By the closing date for submissions (March 12, 2021), 22 responses across various industry categories were received. The Respondents comprised three distinct industry groups:

- Architectural and engineering (AE) designers, engineering firms, operators, general contractors (GCs) – 13 responses
- Equity investors, lenders, financiers – 3 responses
- Developers or formed teams – 6 responses

1.3.1 Assessment of Responses

Since March 12, 2021, the OCCC Team has reviewed all RFI responses to extract useful information regarding Respondents' experience and lessons learned from similar, relevant projects that have been successfully developed. A high-level assessment of the responses was also conducted with regards to their responsiveness to the questions asked in the RFI, overall quality and thoughtfulness, demonstration of relevant experience of the Respondent and alignment with the State's goals and objectives for the Project.

2. RFI Responses Overview

This section summarizes the results of the RFI process. The topics covered include:

- Written responses summary – Major takeaways and conclusions from the individual written responses to the RFI.
- Risk and suggested mitigations – Summary of the key risks identified by Respondents along with potential mitigation measures suggested by Respondents for consideration.

2.1 Written Responses Summary

The major takeaways from the written RFI responses are:

- In general, Respondents provided qualifications and specific project references that were relevant to the Project.
- Nine of the 22 Respondents stated a preference for a P3 delivery model. The majority of the Respondents favoring a P3 model stated that the DBFM-AP option offered the greatest VfM.
- Multiple Respondents viewed the Progressive P3 approach - one where a development team is selected based on qualifications, proposed design concepts, financing strategies and indicative pricing - as a method to reduce procurement costs and time requirements. See Appendix B for a discussion of Progressive vs. Conventional P3s.
- Respondents' procurement schedule estimates suggest that a 12-month procurement timeline, including processes related to both Request for Qualifications (RFQ) and Request for Proposals (RFP), is reasonable.
- The OCCC Team concurred that a subset of Respondents would be capable of financing and delivering a high-quality Project and would likely serve as capaable long-term P3 partners with the State.

2.2 Risks and Suggested Mitigations

This section summarizes the Project risks, potential impacts and suggested mitigations identified by Respondents. Risks, potential impacts, and measures to mitigate risks are summarized in Table 1. See Appendix C for a tabulation of Respondent-identified risks and mitigation measures.

Key risks identified by Respondents include:

- Reputational Risk – The market's perception that the State of Hawaii does not have experience in delivering projects using the P3 model.
- Funding/Appropriations Risk – The ability of the State to secure a long-term funding source necessary to ensure payments under a DBFM-AP delivery method.
- Enabling Legislation – The ability to demonstrate that State law and public policy is in place to allow the Project to be delivered using the P3 model.
- Approval Process – An approval process that identifies the pathway for the Project to reach commercial and financial close.
- Property Ownership/Control – Ability to control all lands necessary to develop the Project.
- Political and Stakeholder Risk – The ability to successfully navigate the Project through an uncertain political environment.

Table 1: Priority Risks and Suggested Mitigations

RISKS	POTENTIAL IMPACTS	SUGGESTED MITIGATION MEASURES
Project Funding/Financing		
Appropriations risk - need for a dedicated, secure funding stream for Project	Ability to demonstrate that State can meet AP and O&M funding obligations over life of a contract; necessary to attract quality financiers and developers.	Secure long-term funding for Project. Consider short-term lease options with renewals.
Project Scope/Project Delivery		
Negative perception within industry resulting from past P3 initiatives in Hawaii	Ability to attract quality financiers and developers; could increase Project costs.	Provide documentation supporting procurement approach. Follow precedence in terms of agreements. Establish procurement path that provides bidders with confidence that contract will be forthcoming. Identify project champion(s). Establish stipend and break fee. Consider Progressive P3 approach with pre-development agreement (PDA) to minimize up-front development and design costs (reduce development risk).
Animal Quarantine Station development	Ability to successfully deliver new AQS facility ahead of OCCC development.	Fully define AQS scope, schedule, budget; determine whether to include AQS as part of OCCC project. Engaged dedicated team with expertise to design/ construct new AQS. Consider use of local contractors.
Contract management and coordination	Limited experience with alternative finance/delivery methods. Need to effectively manage DBFM-AP contract to realize cost and schedule benefits of alternative delivery method.	Retain experienced advisors to oversee and manage process, Project, and contract.
DB Contractor market constraints in post-COVID-19 environment	Ability of Project to attract high quality developers and contractors.	Consider Build Finance Maintain (BFM) option to reduce construction risk and enable small/medium-sized contractors to participate.
Constrained labor supply and contractors available for large, complex projects in Hawaii	Constrained contractor market and labor shortages could affect quality and/or increase costs.	Conduct outreach program to attract/maximize local subcontractor participation.
Supply Chain Constraints	Long procurement schedules for key materials; difficulty shipping materials to Hawaii; high shipping and storage costs.	Identify long-lead items and incorporate into schedule. Consider just-in-time delivery plans to minimize storage costs.
Regulatory/Permitting		
Enabling legislation in place	State laws and public policy may limit ability to use DBFMAP deliver method.	Ensure that state laws and public policy allow for the use of the DBFM-AP delivery method.
Project approval process	Delays could occur if process is not well-defined, an approval step is overlooked, and/or those with approval authority are not properly consulted.	Fully define approval process and schedules and share with prospective bidders in RFQ. Assign responsibility for managing approval process and schedule.

RISKS	POTENTIAL IMPACTS	SUGGESTED MITIGATION MEASURES
Acquiring/accessing AQS lands needed for development. Land controlled by US Navy Land controlled by HDOT Highways Division	Portion of the AQS site under US Navy and HDOT control.	Resolve all property matters prior to procurement process. Discussions between State and US Navy progressing to grant easement to access/use land. Similar discussions underway with HDOT.
Stakeholder Relations		
Relationships with key stakeholders, decision-makers, political leaders, others. Potential for public opposition or protest	Potential to cause Project delays or cancellation if support among stakeholders, decision-makers, others is insufficient.	Maintain public outreach efforts to ensure that the Project continues to garner widespread support prior to RFQ release. Ensure development process is clearly defined and transparent throughout life of Project.
Political climate	Use of P3 approach is misconstrued as "privatization" of a correctional facility.	Continue proactive communication plan highlighting PSD's continued role in operations and "soft" FM responsibilities. Continue to report at regular intervals to internal and external stakeholders on project status and schedule; maintain transparency, especially around details which impact facility operations.
Site Development		
Water/wastewater infrastructure upgrades and increased capacity requirements.	System potentially needs to be upgraded all the way to the Honolulu WWTP. Other development projects will also compete for capacity.	Establish binding agreements with utility providers to ensure services will be available prior to beginning construction.
Subsurface conditions at building site	Potential for increased site development costs due to remediation and/or other issues.	Perform a comprehensive geotechnical program to confirm subsurface conditions, foundation requirements, remediation requirements (if any) and likely building costs. Make results available to bidders.
Operations & Maintenance (O&M) / Technology		
Interface risk between PSD as Operator and Developer as Maintenance lead	Potential operational issues resulting from lack of clarity of roles and responsibilities. Challenges when hold private facilities manager accountable for wear and tear that are really a function of throughput.	Select team with experience managing interface with public sector operator while managing maintenance tasks. Clear delineation of responsibilities. Appropriate allocation of risks on the government side. Reduction regime in O&M contract that clarifies how penalties are assesses in instances of vandalism and damage.
Limited market of qualified facility managers; few companies can put a line of credit at risk	Potentially difficult to attract qualified facility managers; could drive up operating costs.	Clear, well-structured O&M contracts will help reduce maintenance risks.
Security system design and technology	Requirements around fault tolerance of security systems could result in additional contractor risks and costs. System integration can be problematic with new, unproven technologies.	Consider security system technologies with proven records versus technologies that are cutting edge but with less proven records.

2.2.1 Industry Best Practice and Strategy Recommendations

In addition to risks and mitigations provided by Respondents summarized in the previous section, this section summarizes the industry best practice and strategy recommendations provided by Respondents (via their written responses and one-on-one meetings) that should be considered as the Project, and the Project's financial and delivery structure, is further defined.

Key recommendations to be considered include:

- Sale/leaseback opportunities - One Respondent proposed that the State consider exploring sale/leaseback opportunities for non-Project related, state-owned assets. This approach could help the State raise funds necessary to develop the Project in general (using any procurement method) and/or to make APs for the Project using a DBFM-AP model.
- Lease financing options – Potential to use non-recourse, off-balance sheet debt without utilizing State-issued bonds or credit; lease payments would only be required after construction is complete and State takes operational control of an asset.
- Credit Tenant Lease (CTL) structure – Potential to obtain debt financing backed by the strength of the lease agreement between the State and a Project Special Purpose Entity (SPE). This is an alternative to a project finance debt structure where the financing is backed by Project cash flows.
- Concession Agreement/P3 Contract – Provide a draft of the Project Concession Agreement, P3 Contract, or key terms no later than RFQ release to give prospective bidders the opportunity to review and comment.
- Pre-cast and/or modular design solutions – Multiple Respondents suggested that considerations be given to pre-cast, pre-fabricated, and/or modular design solutions to reduce Project construction costs and shorten construction schedule.
- Provide clear Project technical and performance requirements to assist the State with bidder negotiations regarding scope and risk transfer.

See Appendix D for Industry Best Practice and Strategy Recommendations.

Table 2: Priority Respondent-Identified Industry Best Practices and Strategy Recommendations

ITEM	DESCRIPTION/RECOMMENDED ACTION
Funding/Financing	
Optimal Debt/Equity ratio	90/10 ratio seems reasonable for the Project. Ensure that there is sufficient equity (at-risk capital) in the Project to backstop long-term risk transfer.
Milestone Payments	Consider using to pay down more expensive financing (i.e. equity). However, it is not advisable to make milestones too risky – otherwise schedule will be cushioned to mitigate risk.
Short-term lease option	Potentially more expensive than longer-term financing but may provide some flexibility in off-balance sheet structure.
Credit Tenant Lease Structure (CTL)	Alternative to conventional project finance; financing backed by strength of lease agreement. Respondent has taken elements of both CTL and project finance structures for most efficient long-term financing.
Lease Financing Option	Potential to use non-recourse debt (using an SPE) off State's balance sheet – ability to have low rate of financing without using State-issued bonds and credit. Lease payments only begin when construction is complete and once State takes over operational control of the asset. Long-term lease not considered debt but lease liability. State can regain control of asset at the end of the contract period.

ITEM	DESCRIPTION/RECOMMENDED ACTION
Tax-Exempt Financing	Project may qualify for more cost-effective tax-exempt financing due to role of private partner and ongoing public sector participation in operations.
Sale/Leaseback Opportunities	Offer to explore with State opportunities to enter into sale/leaseback arrangements for non-Project-related, State-owned assets. The resulting funding stream could potentially be used to fund the APs contemplated for the Project.
Procurement/Project Delivery	
Concession Agreement/P3 Contract	Provide industry-standard Contract Agreement and related documents no later than RFQ release for review and comment by prospective bidders. Make sure that contract contains performance-based, rather than prescriptive requirements.
DB Workforce	Understand nuances surrounding Hawaii as strong union state, likely need to account for Project Labor Agreement (PLA) requirement with union labor force.
Design, Operations & Maintenance/Technology	
Pre-cast solution/modular construction	Design/construction alternative that can help reduce construction costs and construction schedule.
Design	Clarify which requirements in the reference documents are conceptual and which ones have been identified as specific requirements for the final design.
Operations & Maintenance	Recommends State retain operational control with P3 developer delivering hard maintenance requirements.
Operations & Maintenance	Recommends two O&M contracting options: Full-risk maintenance option that covers wide range of maintenance issues with no burden on the State; includes annual Capital Expenditure (CapEx) planning and preventative maintenance through computerized maintenance approach; or Maintenance program with mature/comprehensive deduction regime.
Operations & Maintenance	Provide clear, upfront articulation of technical and performance requirements will also prepare the State to "hold the line" against negotiating tactics that bidders may employ – namely, reducing scope and risk transfer requirements to address affordability constraints.

3. Conclusions

Conclusions from the OCCC RFI process are as follows:

- The RFI process was successful both in terms of establishing the Project as an attractive opportunity to the P3/correctional facility development industry and in obtaining useful information from Respondents that will help move the Project forward.
- Multiple Respondents viewed the P3 delivery/procurement model, and specifically the DBFM-AP approach, as preferable and producing the greatest VfM for the State. These findings verify and reinforce the findings from the OCCC Master Plan.
- Multiple Respondents viewed a Progressive approach to the DBFM-AP - one where a development team is selected based on qualifications, proposed design concepts, financing strategies and indicative pricing - as a potential method to reduce Project procurement costs and time requirements.
- The Respondents' estimate that a procurement schedule of approximately 12 months, including processes related to both RFQ and RFP is reasonable.
- There are several key risks identified by Respondents that the State should consider either: 1) de-risking/eliminating before issuing an RFQ, or 2) developing a plan to manage/mitigate as part of the Project development process. Respondents provided useful suggestions for potential mitigation strategies for many of the identified risks.
- There are several strategies/best practices that the State should consider incorporating into the Project, related to funding/financing, Project procurement and delivery, design, O&M, and the use of technology.

4. Next Steps

Leveraging the work already completed on the OCCC and the industry feedback from the RFI process, recommended next steps are as follows:

- Generate final VfM to determine and select the preferred procurement method; if the DBFM-AP remains the preferred approach, consider if a Progressive P3 approach is appropriate for the Project.
- Conduct further review of viable funding and financing options. Regarding the recommendation for the State to pursue sale-leaseback opportunities for non-Project related, state-owned assets to raise general funds, if the State wishes to explore these options, it is recommended that activities related to this effort be placed on a separate track from the Project.
- Based on the risks and suggested mitigations provided by Respondents and summarized in this report, develop a comprehensive risk matrix for the Project that identifies all risks, potential impacts and potential mitigation measures; identify which risks the State is in the best position to manage, which should be allocated to a P3 developer and which should be shared between the two parties.
- Mitigate/eliminate some of the key risks prior to RFQ issue and develop a plan to manage the remaining risks during the development of the Project. Recommended actions to address risks identified in this report prior to RFQ issue include:
    - Identification of a Project champion to represent the Project on behalf of the Sponsor.
    - Identify and secure long-term funding for the Project.
    - Clarify the AQS scope and schedule; determine whether to include AQS in the scope of the Project; and consider issuing a separate contract for AQS with a different design team than the one selected for the Project.
    - Obtain a legal opinion that state laws and public policy allow for use of DBFM-AP delivery method.
    - Lay out a clear Project approval process that can be shared with potential bidders.
    - Resolve any remaining AQS property matters.
    - Engage appropriate commercial, technical, legal and financial advisors to move the Project forward.

- Integrate suggested strategies/best practices from this report into the Project as appropriate.
- Develop procurement budget for the approximately 12-month process to develop and issue procurement docs (RFQ/RFP), select a Preferred Bidder and engage in negotiations leading up to Commercial and Financial Close. This budget should allocate funds for required advisors.
- Work with technical advisors to clarify/finalize reference design documents defining base technical provisions and performance requirements.
- Prepare RFQ documentation and issue preferably in the fall of 2021, but no later than the first quarter of 2022.

Appendix A:
Excerpt from OCCC Master Plan (2018)

Risk Analysis

The risk analysis included in the OCCC Master Plan (see Table 7-2 of the Master Plan) shows that DB and DBB contracts allocate more risks to the Sponsor, and that DBFM options transfer some of those to the private sector. Risks associated to the site, permits and approvals, hazardous materials, scope of the work and procurement are retained by the Sponsor. Risks related to design and constriction are retained or shared in DBB and transfer in DB and DBFM options. Risks related to the maintenance of the asset, latent defects and in general all post-construction issues are retained by the owner in the DBB option and shared or transfer in DB and DBFM options.

Alternative Financing/Procurement

The OCCC Master Plan includes the VfM analysis for the Project. The analysis compared the total costs of delivering the Project using different forms of procurement, comparing the DBB to P3 delivery options combining some, or all, of the design, build, finance, operate and maintain features of the development, applying the appropriate risk allocation profile to each scenario. The analysis was based on the 2018 cost estimates that were developed for the Project including construction, design and soft costs. The VfM identified four primary procurement options to be evaluated:

- DBB
- DB
- Non-Profit Design Build Finance with Long-Term Maintenance (DBFM 63-20 – Lease)
- DBFM – AP

DBB is the traditional approach, which considers separate procurements for the design and the construction phase, all coordinated by the owner. For this method, the owner holds a large portion of the risk related to any design issues that might negatively affect the construction. Thus, the builder will not be responsible to fix the design issues, or for the consequences of these issues that carry over to the construction.

The DB approach creates a contract in which the design-builder is obligated to design and build the project under certain specifications, set by the owner and provided during the procurement phase. It is a procurement method that increases management efficiency, as the DB contractor holds the risk related to issues stemming from either design or construction phases of a project.

DBFM alternatives tend to have long-term agreements between the private party (Concessionaire) and the owner. Prior to project procurement, a risk allocation is discussed, agreed and reflected, not only in a contract (Concession Agreement), but also in the design, funding, operation and management of the asset during the term of the concession. This alternative typically allocates most of the design, construction, operation and maintenance responsibilities and associated risks to the Concessionaire.

The OCCC Master Plan VfM compares two DBFM alternatives: the 63-20 lease/Purchase and the DBFM-AP. 63-20 Lease/Purchase refers to the Internal Revenue Service (IRS) Rule 63-20 and Revenue Proclamation 82-26, in which a nonprofit corporation can issue tax-exempt debt on behalf of private project developers. The DBFM-AP model compensates the concessionaire via predefined periodic payments based on Project milestones and performance standards.

The VfM evaluated these four procurement methodologies, allocating scoring criteria to relative qualities of funding, risk allocation, project delivery, and maintenance. DBB and DB options in general offer lower costs to the Sponsor than the DBFM before accounting for risk mitigation and allocation factors. The DBFM options provide the Sponsor with greater flexibility with regards to the sources and uses of funds. This method also provides the Sponsor with the ability to transfer most risks to the Concessionaire. Delivery of a project via DBB typically takes longer than other procurement methods often due to the complexity of the Sponsor needing to manage multiple contracts simultaneously and the Sponsor's exposure to contractor change orders.

In contrast, the two evaluated DBFM options deliver the project in shortest amount of time, providing efficiencies in procurement, design and construction integration efforts, phasing and the concurrent delivery of multiple work streams. This method also offers Sponsors potential innovation efficiencies that the private sector can typically bring to a project. Table A-1 is from the OCCC Master Plan (Table 7-1). It scores the different procurement options according to the above-mentioned criteria, considering A - positive score (satisfies the criteria), B – somewhat positive score (moderately satisfies the criteria) and C – neutral score (minimally satisfies the criteria).

Table A-1: Ratings, organized by category and key criteria, of each project delivery method.

Qualitative Evaluation of Delivery Options					
Category	**Criteria**	**DBB**	**DB**	**DBF + M 63- 20 Lease/ Purchase**	**DBF + M Availability Payments**
Funding and Costs	NPV of cost to public agency (before risks)	A	A	B	B
	Flexibility in using funding sources	B	B	A	A
	Flexibility in use of future funding, ability to refinance	B	B	B	C
	Impact on State debt limit	C	C	A	A
	Innovation and cost reduction opportunities	B	B	A	A
Risks	Capital Cost Overruns	C	B	A	A
	Lifecycle Cost Overruns	C	C	A	A
	Delays	C	B	A	A
	Procurement Execution	A	B	C	C
	Procurement Legal	A	A	B	B
Project Delivery and Maintenance	Control over facility's design and quality	A	B	B	B
	Adequate maintenance over time	C	C	A	A
	Procurement and project timeline	C	B	A	A
	Responsiveness to agency needs and requests	A	B	B	B

The Net Present Value (NPV) of cash flows was estimated for each of the four project delivery options, taking into considerations the design, construction, soft cost and financing costs. The cash flow analysis also considers adjustments for risk allocation, contingencies and innovations expectations. The financing assumptions for the DBB approach assume the use of General Obligation (GO) bonds issued by the State for CapEx and pay-as-you-go for expenses, maintenance and operations. The DBFM financing assumptions reflect the use of private placement bonds (which have a higher interest rate than the GO bonds), the repayment varies depending if considering the 63-20 Lease/Purchase model or the AP model.

The VfM quantitative analysis concluded that, in terms of NPV, the DBFM-AP is the most cost-efficient option, followed by the DBFM 63-20 Lease/purchase option, the DB option and lastly the DBB option. However, the analysis acknowledges that there are potentially additional risks/challenges associated with the DBFM-AP approach not considered. These challenges include the lack of precedent for P3 procurements in the State, the fact that P3 enabling legislation is being considered by the State legislature, but not yet adopted and the lack of experience the Sponsor has in managing a P3 procurement process and the resulting contract with a third-party provider. Therefore, DB, as an alternative less expensive than DBB, was considered at the time as potentially the best alternative for the Sponsor. The OCCC Master Plan states DBFM options are potentially more attractive from a cost and risk transfer perspective if the Sponsor receives the necessary support and assistance required to navigate the negotiating process and manage the Project.

Appendix B:
Progressive Versus Conventional P3

The following provides a summary comparison of the conventional and Progressive P3 models. Respondents to the RFI indicated that both approaches were viable and warrant consideration.

A conventional P3 model is one where a developer bids a fixed price (with appropriate escalators) on a DBFM contract based on an advanced concession agreement. The concession agreement, at a minimum, should clearly define the scope and the risk allocation between the public and private partners, the payment mechanism, key commercial terms and financial assumptions. Bids are also based on an existing conceptual design (approximately 30% level) and asset performance specifications. A project soliciting fixed bids typically has already received required environmental clearances and major risks have been mitigated (or at least distributed and made public).

In contrast to the conventional model, the Progressive P3 model calls for a more collaborative process between the owner and developer during the early project development phases. The goals of the Progressive P3 model are to accelerate the procurement process, minimize procurement costs and to forge a strong working relationship between the owner and development partner sooner that will ideally continue throughout the project period. The owner and developer work together to define the project scope, develop the design, optimize the risk allocation, develop the capital and operating costs, define the payment mechanism, establish key commercial terms and structure the project's financing. After these development tasks are complete, the developer typically agrees to complete the design and construct the project at a guaranteed maximum price (GMP). The GMP can be provided utilizing an open book or competitive process.

Using the Progressive P3 approach, a developer team bids on a DBFM contract (or similar structures as needed) at an earlier stage of project development than in a conventional P3. The developer is selected based primarily on qualifications, a conceptual design, and an indicative cost estimate, and then enters into a Pre-Development Agreement (PDA) with the owner. Pursuant to the terms of the PDA, the developer works with the owner to mitigate project risks and complete the development tasks outlined above prior to providing the GMP.

Generally, the Progressive P3 approach is used rather than the conventional approach in large-scale and technically-complex projects where the scope is not completely defined, where the environmental analysis is in the early stages, and where the financial model and resulting pricing has not yet been finalized. During the term of the PDA, once the parties agree on the scope and allocation of risk, the project design is typically advanced to the 30-60% range. Subsequent to achieving this level of design and receipt of required environmental clearances, a formal P3 agreement is executed between the owner and the developer that incorporates the GMP.

Exhibit B-1 and Exhibit B-2 serve to compare the Conventional vs. Progressive P3 processes. Note that the procurement starts much earlier in the case of the Progressive P3.

Exhibit B-1: Conventional P3 Process

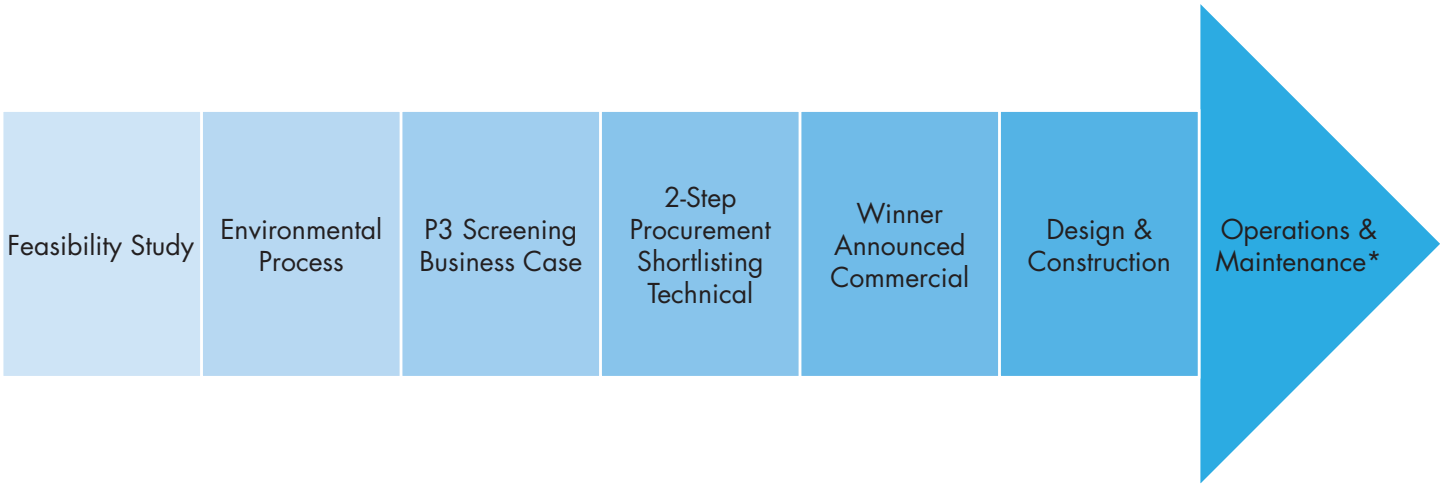
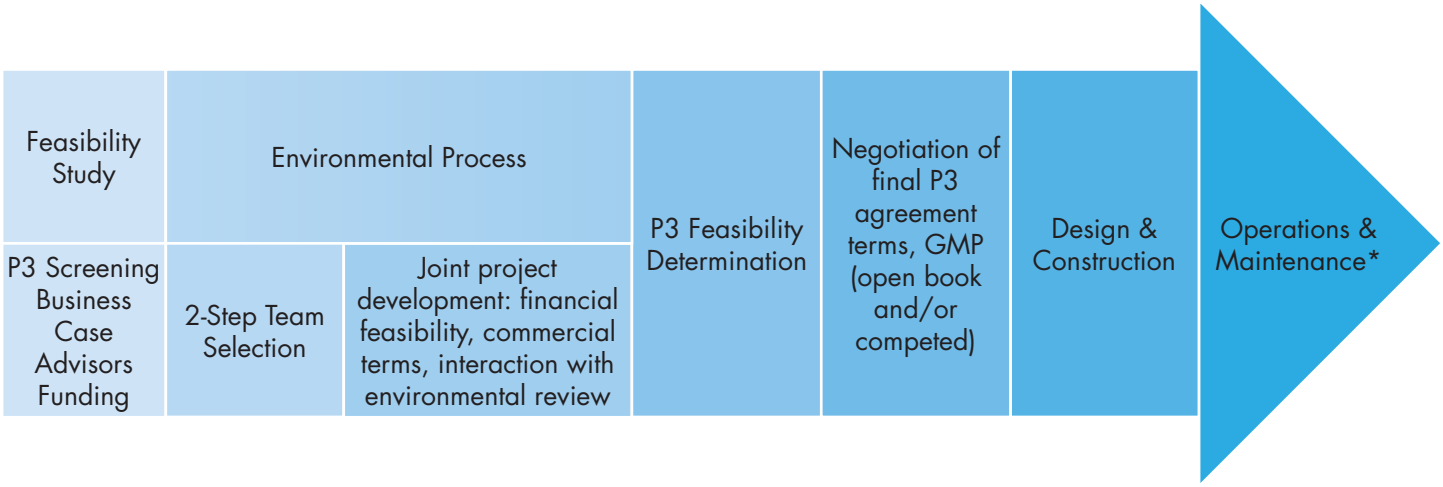


Exhibit B-2: Progressive P3 Process



* OCCC to be operated by PSD only.

Appendix C:
Risks and Mitigations Summary

Risks identified by Respondents along with corresponding recommended mitigation measures provided by Respondents are provided below.

OCCC RESPONDENT-IDENTIFIED RISKS & MITIGATION MEASURES			
RISK ID	**RISK TYPE**	**RISK DESCRIPTION**	**MITIGATION MEASURES**
RISK CATEGORY: FUNDING & FINANCING			
1.1	Dedicated Project Funding	If the procurement is initiated without a dedicated funding commitment, it may be difficult to secure equity partners.	Identify committed funding source.
1.2	Dedicated Project Funding	Project failure due to lack of funding.	State should have funds appropriated for the Project before commencing procurement; funding should be sufficient to cover milestone or substantial completion payments. State should have a plan for appropriating additional funds for the availability payments during the operating period.
1.3	Long-term O&M expenditure commitment	The payments for the long-term O&M costs will likely be annual appropriations. Unclear if the State has enough funds on hand to meet that long-term commitment.	Once RFQ is developed, share the payment projections with potential respondents.
1.4	Construction Cost Escalation	Escalation of Construction Costs.	Maintain appropriate contingency for escalation based on planned construction start or add an allowance if the market becomes volatile. Identify key subtrades and involve them early (during preconstruction stage) to gauge escalation; lock in rates as needed (once closer to construction).
1.5	Long-Term Cost Containment	Recognize that costs in Hawaii can increase at greater than expected rates in several different areas, which makes it difficult to estimate soft services required.	Utilize escalation rates that are tied to industry indicators which factor in labor costs associated with the services provided.
1.6	State Credit Rating	State's bond rating could negatively impact finance and interest cost structure.	Consider impact of Project financing strategy on bond ratings.
RISK CATEGORY: PROJECT SCOPE/DELIVERY			
2.1	P3 Market Reputation	Regional market perception of P3 initiatives in State of Hawaii. P3 developers and investors have recently grown more cautious and selective in their pursuit of project opportunities based on lessons learned over the past 18 months from P3s under construction and under development in Hawaii.	Identify a regionally known senior figure who is promoting the Project as a champion of the P3 delivery model. Demonstrate Project affordability. Engage advisors that are highly experienced in P3 procurement. Develop strong VfM to help gain Project support. Gain support from key Project stakeholders to facilitate an expeditious implementation process.
2.2	P3 Market Reputation	Hawaii has had recent difficulty with several high-profile P3 projects, including the HART project and the Neil S. Blaisdell Center.	Gain support of key stakeholders to ensure that procurement process does not take longer than 12 months to award contract.
2.3	AQS Development	The RFI documents indicate that the AQS must be relocated prior to any work on the Project. The funding, viability, and execution of this project is a significant risk to the New OCCC being developed.	Relocate AQS prior to Project award and construction start or consider combining the two projects.

OCCC RESPONDENT-IDENTIFIED RISKS & MITIGATION MEASURES			
RISK ID	**RISK TYPE**	**RISK DESCRIPTION**	**MITIGATION MEASURES**
2.4	AQS Development	Before developing New OCCC, the existing AQS must be relocated, or potentially delay the Project schedule.	Relocate AQS prior to Project award and construction start. Provide a date-certain construction start date for the New OCCC with measures to compensate the P3 developer if there is a delay.
2.5	AQS Development	Coordination and relocation of multiple agencies from AQS site.	Ensure that the DB team is able to work closely with the multiple agencies that will be displaced as part of the OCCC development.
2.6	AQS Development	In the December 2020 PDR regarding the AQS site, Fung Associates did not include plans for the US Military Morale, Welfare, Recreation (MWR) Boarding Kennels and the Bee Hive.	Verify that the AQS scope of work does not need to be a part of the Projects' schedule, and that DAGS will have resolved these items prior to construction start.
2.7	Contract Management/ Coordination	Challenges can arise surrounding coordination of user groups on DBFM component.	Recommend development of Chief Program Officer who is guiding all teams, providing clear direction to whatever proponent is being developed.
2.8	Contract Management	Concern that the State will not have the resources available and the experience in delivering projects via non-traditional project delivery or finance methods, which could potentially lead to issues during the Project procurement or delivery.	When issuing the RFQ, outline for respondents the experience of the State representatives who will administer the contract. If consultants are to be used, state who they will be and their experiences working on similar projects.
2.9	Contract Management	The AP structure is new to the State and can be a complex repayment structure for those new to the process. An experienced team of consultants will need to be added to the State's team to administer the contract. The cost of these consultant(s) will erode the previously determine VFM result.	See above response.
2.10	DB Contractor Market	DB strategy not prevalent in Hawaii, and pool of qualified contractors is small for project of this scale.	Conduct contractor outreach to facilitate partnering of local contractors with established DB contractors with experience on P3 projects of this type.
2.11	Post-COVID Market Competition	Strengthening market conditions post-COVID, increased activity in the infrastructure market may equate to fewer bidders interested in project, as well as constraint in materials availability.	See above response.
2.12	Supply Chain Constraints	Potential for long procurement schedules for materials; difficulty getting materials to Hawaii; high shipping and storage costs.	Identify long-lead items and incorporate into Project schedule. Consider just-in-time delivery plans to minimize warehousing costs.
RISK CATEGORY: REGULATORY/PERMITTING			
3.1	No Enabling Legislation in place	Currently there is no enabling legislation in place to allow for the implementation of the DBFM/AP delivery model contemplated.	Prior to RFQ issuance, confirm that legislation allows for the use of the DBFM-AP method for public safety projects.

OCCC RESPONDENT-IDENTIFIED RISKS & MITIGATION MEASURES			
RISK ID	**RISK TYPE**	**RISK DESCRIPTION**	**MITIGATION MEASURES**
3.2	Approvals/ Permitting Process	Approvals process is unclear and could lead to a lengthy procurement process and/or Project delays.	Follow precedence in terms of forms of agreements. Utilize experienced advisors. Provide approvals required and process to obtain them in RFQ and incorporate approvals into the Project schedule. Engage expeditor to help keep the approvals moving forward.
3.3	Site Control/ ROW	Transferring federal land (U.S. Navy's 3.47 acres) to the State of Hawaii can be a lengthy process – potentially delaying the Project schedule.	Complete transfer prior to the beginning the procurement process.
3.4	ROW	Project needs to obtain ROW for the land below H-3 freeway belonging to HDOT Highways Division; process to obtain ROW may cause delays.	Secure ROW in advance of Project procurement.
3.5	Access Requirements	Access requirements for both New OCCC and the future AQS building should be examined and incorporated into Project design.	Design of the primary vehicular entry drive and gate from the Halawa Valley Road to the site to comply with local requirements for a safe and secure entry for large trailers that transport large animals to the loading and unloading area.
3.6	Cultural/Historic	Encountering potential Native Hawaiian archaeological findings , or threatened/ endangered species and habitats could lead to Project delays.	Place a cultural consultant on retainer to help address any issues that may arise during construction.
RISK CATEGORY: STAKEHOLDER MANAGEMENT			
4.1	Strength of Local Relationships	Failure to establish relationships with the local stakeholders and labor leaders and unions could impact Project schedule and/or budget.	Establish an outreach program related to development of bid packages to maximize participation of local contractors in the Project.
4.2	Political Risk	Heightened risk of the P3 delivery model becoming "weaponized" by project opponents who may confuse P3 with "privatization" and who may not fully understand the specific role of the public in providing services and setting performance standards even under a DBFM model.	Develop a proactive communication plan highlighting PSD's continued role in operations and "soft" FM responsibilities. Provide periodic update reports to internal and external stakeholders on Project status and schedule. Set a precedent for transparency, especially around Project details related to facility operations.
4.3	Community Objections	Halawa is a sacred valley of special importance to native Hawaiians. Community protests could be an impediment to construction.	Increase public outreach to ensure cultural issues are addressed prior to RFQ issue. Make the public part of a transparent process that is clearly defined throughout the life of the Project.
4.4	Coordination with Military Agencies	May need agreement in place with any military agency since some areas of the site are identified for MWR kennels.	Provide proof of agreement with relevant military agencies as part of the RFQ documents.

OCCC RESPONDENT-IDENTIFIED RISKS & MITIGATION MEASURES			
RISK ID	**RISK TYPE**	**RISK DESCRIPTION**	**MITIGATION MEASURES**
RISK CATEGORY: SITE DEVELOPMENT			
5.1	Infrastructure Development Risk	Wastewater/sanitary sewer potentially needs to be upgraded all the way to Honouliuli WWTP and poses risks related to Project costs and schedule. Aloha Stadium Redevelopment, Koa Ridge Development, and other projects are competing for sewer capacity.	Provide assurances that water/wastewater infrastructure with sufficient capacity is in place, or will be in place, prior to construction.
5.2	Environmental	AQS EIS stated the potential of contaminated soils. Report states that pesticides were dumped in 1970-1980, Navy occupation 1940-1950, asphalt coating, etc.	Provide assurances that the site is clean prior to construction.
5.3	Environmental	AQS EIS states that 15 to 25 feet of fill was brought on site in 1969 may require special foundation designs.	Provide a comprehensive geotechnical report as part of the RFQ process.
5.4	Potential Flood Mitigation	Potential flood mitigation requirements related to the Halawa stream. Also, while the site is not in a flood zone, there is only one road that accesses this area (Halawa Valley Street).	Consider flood mitigation requirements as part of Project scope/design requirements.
5.5	Infrastructure Upgrades	Existing infrastructure upgrades may be required for water, electric, telecom, and gas.	Include utility upgrade requirements in Project scope/design requirements.
5.6	Transportation	Adequate access to public transportation. With a plan for over 1,000 detainees, and 288 pre-release inmates, there will need to be a robust public transportation network in place to facilitate the work release functions and visitation needs of a physical plant of that size.	Provide information related to public transportation plans (with timelines) in the RFQ documents.
RISK CATEGORY: FACILITY DESIGN & MAINTENANCE/TECHNOLOGY			
6.1	Delineation of Operational vs. Facilities Manager (FM) Responsibilities	Challenges can arise when trying to hold private sector partner, O&M service provider/FM provider accountable on elements of the infrastructure that are really a result of the wear and tear that is a function of throughput.	Provide clear delineation of FM responsibilities and associated risks allocation.
6.2	FM Market	Potentially difficult to attract qualified facility managers; could drive up operating costs.	Provide clear, well-structured O&M contracts to help reduce maintenance risks and expand potential FM pool.
6.3	Security Systems	Requirements around fault tolerance of security system can drive DB contractors to increase price due to perceived risks; this problem can similarly affect O&M contract pricing.	Recommend requiring security systems that have a successful track record in similar applications to those included in the Project scope; avoid using cutting edge technologies that lead to uncertainty around integration and system operations.
6.4	Master Plan Design	Difficult to tell if critical areas such as mental health programs, spaces for community re-engagement services and mental health housing have been incorporated into the Project.	Address these elements, including any conceptual plans for reference, in the RFQ documents.

Appendix D:
Industry Best Practices, Strategies, and Recommendations

Best practice and strategy recommendations provided by Respondents are summarized in the table below.

ID	SUB-CATEGORY	RECOMMENDATIONS & STRATEGIES
FINANCE/FUNDING STRATEGIES & RECOMMENDATIONS		
1.1	Funding	Recommend sale leaseback proposition to protect the State's debt ceiling. This structure will not jeopardize the State's credit rating and will maximize cash in bank without having to go back to the legislature (which would likely negatively affect schedule).
1.2	Project Financing	If utilizing a conventional P3 delivery model, ensure enough equity financing is in-place to backstop risk transfer in the long-term.
1.3	Project Financing	Recommend setting up a project company through lease agreement, raise funds against the strength of that lease agreement (CTL structure), and then contract through a third party entity for maintenance, while working with the developer throughout the structuring process. Suggest entering into GMP contract to ensure all construction risk is wrapped in the total cost.
1.4	Project Financing	While longer-term lease options are potentially less expensive, consider a short-term lease if more flexibility in an off-balance sheet structure is desired. With longer term lease, obligation would not be considered debt on state's balance sheet, but the lease term is considered a lease liability.
1.5	Project Financing	Consider a lease option which enables partners to delay lease payments until they take occupancy; this approach can be favorable as compared to public bonding option, which requires partners to incur the full cost of financing while transitioning into the new facility.
1.6	Project Financing	Consider a lease financing structure where a bankruptcy remote SPE is created, and capital is raised from a syndicate of global financial investors. While there is potential refinancing risk under this arrangement, this structure has the following attributes: • State gains control of asset at end of period • State transfers risk for facility maintenance, and long-term lifecycle risk, to the private partner; • State gains budget certainty surrounding ownership costs • State makes lease payments over life of the Project (as opposed to a revenue bond financing structure, which typically requires all funding upfront
1.7	Project Financing	When structuring the Project financing for a P3, note that 90% debt/10% equity is the standard ratio in the North America market.
1.8	Project Financing	Consider the use of more cost-effective tax-exempt private financing if the Project qualifies due to the role of the private partner and ongoing public sector participation in operations. This approach requires the creation (or identification) of a 501(c)3 entity to serve as the "private developer" and the identification and participation of a conduit issuer to issue the bonds.
1.9	Project Financing/Risk Transfer	Consider the use of private financing to optimize risk transfer to the developer in a P3 arrangement; if the public owner takes on the obligation to issue and repay the debt, there is a very limited ability to pass on to the debt holders the risks associated with project overruns and delays as well as the long-term cost of project maintenance and operations.
1.10	Project Financing/Lease Costs	The anticipated annual lease cost for a 30-year lease depends on a wide variety of factors besides just the cost of capital, including land cost, scope of lifecycle management and risk transfer, reserve requirements for hand back, utility cost responsibility, and performance penalty regime.
2.1	Project Scope/AQS	Consider issuing separate contracts for the Project and the AQS facility, which would allow for contractors with a comparative advantage in one of the types of facilities to better compete for that work.
2.2	Project Scope/AQS	Address the AQS Facility scope of work before going to market with New OCCC scope (perhaps while permitting of New OCCC is ongoing); assuming the AQS is on the critical path, the construction of this facility may help tighten the timeframe for the new OCCC delivery
2.3	Procurement (Budget)	As part of the budgeting exercise undertaken by the State during the pre-procurement phase, identify internal resourcing needs (which can be material) and required personnel for participation in the procurement and contract administration phases (ideally the same staff will participate in both).
2.4	Procurement	Recommend utilizing the P3 approach as it will provide best VfM in long-term while meeting State's objectives.

ID	SUB-CATEGORY	RECOMMENDATIONS & STRATEGIES
2.5	Procurement	Note that (a developer) will only participate in the Project if it is a full DBMF (O is optional). Recommend the use of availability payment as it is the most effective method to separate revenue from asset delivery.
2.6	Procurement	Recommend use DBFM structure; however, market for contractors will be smaller.
2.7	Procurement	Suggest DBFOM with SPE governance structure for coordination and interface on government side.
2.8	Procurement	Consider PDA progressive process as this approach can be more attractive to bidders due to potential lower overall (pursuit) costs, lower design costs and less design/development work conducted at-risk.
2.9	Procurement	Consider use of Progressive P3s to promote competition at the subcontract level, where approximately 90 percent of costs are accrued.
2.10	Procurement	Consider use of the Progressive P3 as this model can be more cost-efficient and allow for a more aggressive Project schedule.
2.11	Procurement	Consider use of the Progressive P3, as this model can allow the State of Hawaii to begin the procurement process (and therefore construction) up to 50 percent earlier than with the . This model allows public owners to identify their risks early in the process and often eliminate the risks, which in turn drives down overall Project cost.
2.12	Procurement	If the State does waive the competitive proposal requirement and allows a "progressive development" process, consider a "build-to-suit" (Progressive P3) procurement model, where the developer is selected based on qualifications, development and design-build fee percentages, an indicative price and schedule proposal.
2.13	Procurement	Recognize that 100% of the community will never be in support of new OCCC, but P3 approach is feasible if State completes its due diligence and VfM analysis.
2.14	Procurement	Consider BFM approach to reduce risk and maximize pool of potential contractors.
2.15	Procurement	Reduce uncertainty in contract to ensure confidence in Project by all involved parties. All approvals, financial endorsements, and regulatory hurdles should be handled at the onset and not left to be run in parallel with a procurement.
2.16	Contract Development	Provide industry-accepted standard concession agreement and related documents no later than RFQ release for teams' review and comment. Conduct contract review meetings with teams prior to RFQ release to mitigate onerous contract language.
2.17	Contract Development	Recommend requirements in contract that are performance based, rather than prescriptive requirements, allowing the design team to innovate.
2.18	Contract Development	Consider providing below list of recommended information in the next phases of the procurement process: • Data sheets which confirm whether aspects of the Master Plan are guides or requirements • Reasonable, Accountable, Consulted, Informed (RACI) Chart which is typically used for clarifying and defining roles and responsibilities in cross-functional or cross-departmental projects and processes • Single point of contact with decision making abilities • Affordability limits (i.e. annual lease range, or staff savings calculations) • Delivery expectations (phased or complete; timeline for lease) • Stipend expectation (to clarify design risk for the vendor) • Early analysis expectations (clearly identify items of importance to the State based on the work done on the Project to date, including the desired incorporation of specific technologies • American Correctional Association (ACA) expectations
2.19	Construction Schedule	Recommend re-evaluation of construction schedule identified in the Master Plan (24-28 months), which is likely too short.
2.20	Construction Schedule	Recommend avoiding the use of project milestones (and related milestone payments) that are not overly risky from a scheduling perspective.

ID	SUB-CATEGORY	RECOMMENDATIONS & STRATEGIES
2.21	DB Construction	Recognize the importance of consistent and open/honest communication during the DB process to ensure maximum success.
2.22	DB Workforce	Given that Hawaii as strong union state, plan for the likely need for a PLA with one or more labor unions.
2.23	DB Workforce	Prioritize the use of local developers on the DB team.
2.24	DB Contractor Diligence	Complete due diligence on potential DB partners and their experience with DHS and DPHS as well as other entities to ensure there is chemistry and strong working relationships between potential DB teams and State agency counterparts.
3.1	Modular Construction	Explore the use of modular construction, which may lead reduce the Project schedule timeline.
3.2	Pre-Cast Design/Pre-fabrication building components	Consider pre-cast cell innovations that enable conduits and fixtures to be standardized and constructed in-place. Consider pre-fabrication of building components, which can reduce costs and shorten schedule durations. Use of prefabricate components has now greatly expanded to elements like walls, plumbing and electrical; this construction approach can help contractors realize efficiencies, improve quality control and overcome on-site storage constraints which together help Projects benefit from expedited delivery and installation..
3.3	Design	Recommend clarifying which requirements in the reference documents are conceptual as a guide and which ones have been identified as specific requirements for the final design.
3.4	Design	Consider conducting additional design work beyond what is required in a typical procurement to prepare for questions/consideration of alternate technical concepts, focus bidder efforts (and evaluation scoring) on meeting essential strategic needs and minimize owner-requested change orders in the future.
3.5	Design	Incorporate anticipated long-term uses and potential changes in the design specifications; incorporate flexibility where needed; however, try to avoid excessive scope optionality.
3.6	Operations & Maintenance	Recommend State to retain operational control with an O&M service provider delivering hard maintenance requirements for the facility.
3.7	Operations & Maintenance	Consider full-risk maintenance option that covers a wide range of maintenance issues with no burden on the State, or at least maintenance program with mature/comprehensive deduction regime
3.8	Operations & Maintenance	Consider ways to incentivize the O&M service provider to incorporate energy efficiency strategies into the Project; Hawaii has highest energy pricing in the US. Consider O&M contracting strategy that splits energy savings 50/50 with owner if benchmarks are achieved.
3.9	Operations & Maintenance	Inquire with industry sources to ensure that the deduction regimes are in keeping with industry standards and not placing O&M contractors in a position where they must increase the contract price to adequately compensate themselves for the risk (this will detract from the Project VfM).
3.10	Technology	Consider the total cost of ownership when it comes to planning and implementing technology in prisons, including the cost of life cycle equipment replacements and upgrades and the cost/usage of energy (gas, electricity, water, sewerage).
3.11	Technology	Consider incorporating the use of central plant into the Project design concept that provides chilled water, heating, electrical, etc. Such a facility could be used by both the new OCCC and the AQS and could potential yield cost savings.