

# Agenda Report

**TO:** CITY COUNCIL

August 11, 2003

**FROM:** CITY MANAGER

**THROUGH:** FINANCE COMMITTEE

**SUBJECT:** MODIFICATIONS TO SCOPE, AMENDMENT OF CONTRACTS, AND APPROPRIATION OF FUNDS FOR THE CITY HALL SEISMIC RETROFIT PROJECT

## **STAFF RECOMMENDATIONS**

It is recommended that the City Council:

1. Receive and file the attached City Hall Seismic Retrofit Project status report.
2. Approve revisions to project scope and corresponding reductions in costs by \$5,268,000 in order to substantially reduce the imbalance between the City Hall Seismic Retrofit project cost estimate and the budget approved by City Council on April 22, 2002.
3. Approve an increase to the City Hall Seismic Retrofit project budget by \$4,478,000. Of this amount, \$2,678,000 is from unanticipated revenue that will be paid to the general fund and parking meter fund from this project which has not been included in any City financial projections; \$1,000,000 is from the Building Maintenance Fund due to the reduced cost of insurance, housekeeping and maintenance at City Hall during the three-year duration that City employees will have vacated the building; and \$800,000 from Information Technology Services Division Fund balance to cover ITSD-related relocation expenditures.
4. Authorize an Amendment in the amount of \$206,895 to Contract Number: 16899-1 with Architectural Resources Group ("ARG") for interior space planning services related to the seismic retrofit of City Hall, thereby increasing the amount of Contract Number: 16899-1 from \$6,100,000 million to \$6,306,895 (Attachment #1).
5. Authorize an Amendment in the amount of \$416,254 to Contract Number: 16976-1 with Daniel, Mann, Johnson, Mendenhall, Holmes and Narver (DMJMHN) for staff relocation services and reimbursable expenses related to the seismic retrofit of City Hall, thereby increasing the amount of Contract Number: 16976-1 from \$2,950,000 to \$3,366,254 (Attachment #2).

6. Authorize an Amendment in the amount of \$63,918 to Contract Number: 18084 with EIP Associates for additional work related to the preparation of an Environmental Impact Report relative to the seismic retrofit of City Hall, thereby increasing the amount of Contract Number: 18084 from \$181,805 to \$245,723 (Attachment #3).
7. Authorize an increase to the Purchase Order Contract Number: 18366 with Sindik Olsen Associates ("SOA") in the amount of \$34,872 for space programming services rendered related to the seismic retrofit of City Hall, thereby increasing the amount of Purchase Order Contract Number: 18366 from \$74,900 to \$109,822 (Attachment #4).
8. To the extent any of the proposed amendments represent work that may be considered separate and should be bid separately, it is recommended that the City Council grant the proposed amendments an exemption from the Competitive Selection process of the Competitive Bidding and Purchasing Ordinance, pursuant to P.M.C. section 4.08.049(B), contracts for which the City's best interests are served. Competitive bidding is not required for any of these services pursuant to City Charter Section 1002(F) contracts for professional or unique services.

#### **CITY HALL RESTORATION OVERSIGHT COMMITTEE RECOMMENDATION**

1. Staff Recommendations items #2 and #3: On July 9th, 2003, a motion was approved by the City Hall Restoration Oversight Committee in support of Staff Recommendations items #2 and #3 above.
2. Staff Recommendations items #4 and #5: The City Hall Restoration Oversight Committee has discussed staff's intent to add budgeted scope-of-work to the above contracts and, while no formal action was taken, acknowledges that this is a proper contracting approach for the project.
3. Staff Recommendations items #6 and #7: The City Hall Restoration Oversight Committee has been apprised of the status of these contracts and that such contract increases have been accounted for in the current project cost estimate. The Oversight Committee has not specifically reviewed these contracts.

#### **BACKGROUND**

On April 22, 2002, the City Council approved the recommendation presented by the City Hall Restoration Oversight Committee to retrofit and rehabilitate the City Hall building. The total project cost for this project is \$92.3 million (approximately \$3.6 million in prior expenditures and \$88,795,000 for the approved plan going forward).

On September 30, 2002, the City Council approved a project implementation plan for the restoration of City Hall.

On February 10, 2003, and May 12, 2003, the Committee presented informational progress reports to the City Council.

This report represents the City Council progress update for the period April 1, 2003, through June 30, 2003.

### **PROJECT DESCRIPTION**

The seismic retrofit and rehabilitation of the City Hall building includes the installation of base isolation seismic systems; construction of a reinforced arcade on the Euclid Street side with a habitable subsurface basement; historical rehabilitation of exterior building surfaces and selected interior areas of the building; replacement of all substandard mechanical, electrical and plumbing systems; rehabilitation of landscaping and site work areas; construction of Americans with Disability Act (ADA) improvements; and additional life-safety systems as required to meet current code requirements. As supported by both staff and the Oversight Committee, this report recommends revising the project description for the scope adjustments as outlined below in Project Status Report, Section 7B, including the elimination of the habitable basement previously proposed below the east wing arcade located adjacent to Euclid Street.

### **PROJECT STATUS REPORT**

The status of the project is as follows:

1. Project Design
  - A. Schematic Design: The schematic design phase of the project was completed on time on April 11, 2003. On June 19, 2003, a schematic design review session, attended by various city departments, staff and project consultants was held to review project direction and solicit comments on 100% schematic drawings. Comments generated by the project team and City departments will be incorporated into the design development submittal package.
  - B. Design Development: The design development phase of the project started on April 12, 2003. The design development drawings will show further refinement of all exterior restorations, interior space planning and building systems. Field surveys of City Hall exterior conditions are 90% complete. Detailed structural analysis and corresponding computer modeling will be completed and shown on the structural floor plans and building sections. The project team anticipates the 50% design development submittal to be completed by the end of September, 2003.
2. Project Schedule

The overall project is on schedule with staff relocation and construction efforts commencing in June, 2004, and concluding in June, 2007. The detailed project schedule has been updated based on the completion of the schematic design phase of the project. A summary of the project milestones is listed in Attachment #5 and noted below:

  - A. Project designs and general contractor selection efforts will be ongoing through May 2004.

- B. 50% Design Development drawings will be submitted to the City by ARG by the end of September, 2003. 100% design development drawings are scheduled to be completed in November, 2003.
- C. Construction Documents: Construction documents will be prepared in two bidding packages. Package #1 construction documents, which address work associated with building, site and tree protection, hazardous materials abatement, soft demolition, moat construction and base isolator procurement, will be submitted to the City in March, 2004. The bid and award duration for Package #1 will extend through May 2004. The balance of the work, Package #2, will be submitted to the City in July, 2004. The bid and award duration for Package #2 will extend through September, 2004.

3. Draft Environmental Impact Report (DEIR)

In October, 2002, the City awarded a contract to EIP Associates to prepare the Environmental Impact Report (EIR). EIP Associates has completed the Draft EIR. On July 9th, 2003, a motion was approved by the City Hall Restoration Oversight Committee acknowledging that the draft environmental impact report (DEIR) sufficiently addresses the significant environmental effects of the City Hall Seismic Retrofit project. The 45-day public review period commenced on June 12, 2003, and concluded on July 28, 2003. Two separate public review meetings were held jointly by the Design Commission/Historic Preservation Commission and the Planning Commission/City Hall Restoration Oversight Committee on July 21, 2003, and July 23, 2003, respectively. The final EIR will be brought before City Council for certification in late September, 2003, or early October, 2003.

Based on the level of detail and the evolving nature of the project alternatives required to prepare the DEIR, the EIP Associates contract requires an increase to offset added scope-of-work to study additional alternatives and respective impacts associated with the east wing arcade area of the project. This report requests City Council to authorize the City Manager to authorize a \$63,918 increase to the not-to-exceed EIP Associates Contract No. 18084. EIP's contract is to be increased from \$181,805 to the amount of \$245,723 (Attachment #3).

4. Staff Relocation

Staff housed in the City Hall building will be temporarily relocated from the City Hall building for a period of three years. The two-week relocation period remains unchanged and will commence in June, 2004. Staff housed in the City Hall building will be temporarily relocated to four major facilities as follows:

- A. Municipal Services Trailer: Staff functions requiring public interaction will be supported in temporary trailers located within the Civic Center plaza area (Garfield /Holly Streets).

- B. Other Commercial Space: RFP solicitations/bids for commercial office space have been received by the City. Staff is in the process of reviewing and recommending interim lease options.
- C. Highland Plastics Building: In conjunction with B above, staff is solidifying which departments are to be temporarily relocated into the Highland Plastics building. Staff is in the initial stages of coordinating the design of "tenant improvement" work and corresponding space planning efforts based on occupancy.
- D. Council Chambers: Staff is evaluating alternate locations for City Council meetings during this time.

DMJMH&N will be assisting in the coordination of both construction activities and staff relocation efforts. This report recommends a \$416,254 increase to the not-to-exceed amount of Contract Number: 16976-1 with DMJMH&N, which represents the budget for completing staff relocation efforts (\$129,317), and reimbursable expenses (\$286,937) for the three-year construction phase. As a result, the DMJMH&N contract will increase from \$2,950,000 to \$3,366,254 (Attachment #2).

5. Architectural Space Programming

ARG's scope-of-work is to be increased to include interior space planning services. ARG has retained Interior Space International ("ISI") to complete interior space planning services. ISI will be coordinating an existing furniture inventory analysis as well as design both interim and final City Hall space assignments as the project moves forward. This report recommends a \$206,895 increase to the not-to-exceed amount of Contract Number: 16899-1 with Architectural Resources Group ("ARG"), which represents budgeted interior space planning services. ARG's contract will increase from \$6,100,000 to \$6,306,895 (Attachment #1).

The space programming work performed by Sindik Olson Associates ("SOA") has been completed. During the City Hall Project Manager transition period, work performed by SOA inadvertently exceeded the amount of the approved purchase order contract by \$34,871.56. SOA's purchase order contract needs to be increased from \$74,950 to \$109,821.56 in order to pay for services rendered. Funds for the work performed by SOA are part of the project budget (Attachment #4).

6. Financial Reporting

Under the guidance of the Oversight Committee, Staff is in the initial stage of developing a detailed financial reporting and tracking system specifically for the City Hall project. A list of annual expenditures for FY 2002 and FY 2003 is listed in Attachment #6.

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7. Project Budget

On April 22, 2002, the City Council approved funding for the project at \$88,795,000. On May 9, 2003, DMJMH&N and DMJMH&N's cost estimating consultant, Iskander and Associates ("Iskander"), completed a building cost estimate based on the 100% Schematic Design submittal. Staff, DMJMH&N and other members of the design team refined and solidified the cost estimate for the balance of the budget categories, including design services, project management and staff relocation. As referenced in Attachment #7, the budget analysis progression was as follows:

- A. The project cost estimate totaled \$101,362,000, which equated to \$12,567,000 over budget. On May 14, 2003, staff reviewed the cost estimate with the Oversight Committee. The major cost increases (decreases) were as follows:

<u>Item</u>	<u>Description</u>	<u>Amount</u>
1)	Tree/building protection	\$1,259,000
2)	Street usage/parking meter fees	1,914,000
3)	General Contractor general conditions	2,060,000
4)	Building/permit fees	2,523,000
5)	Consultant fees	1,054,000
6)	Staff relocation	2,360,000
7)	ITSD relocation	1,547,000
8)	Project management & advertising	(150,000)
	Total Budget Overage	\$12,567,000

Recognizing that the cost estimate was over budget, staff scheduled a series of budgetary review work sessions to brainstorm and prioritize potential scope reduction and/or cost savings topics.

- B. The City Hall Restoration Oversight Committee, project design team and staff developed a list of potential cost-saving and/or scope-reducing measures with the goal of eliminating the budget overage. With the assistance of both the cost estimator and the design team, DMJMH&N estimated the construction costs associated with each topic. Staff reviewed the list of topics with the Oversight Committee and recommended that \$5,268,000 of cost-saving and/or scope-reduction measures be implemented into the scope-of-work for the project. On July 9th, 2003, a motion was approved by the City Hall Restoration Oversight Committee in support of staff's recommendation. The project scope-of-work adjustments were as follows:

<u>Item</u>	<u>Description</u>	<u>Amount</u>
1)	Eliminate habitable east wing basement area (10,000 sf)	(\$2,343,000)
2)	Eliminate ITSD relocation back to City Hall	(600,000)
3)	Delete elevator access to the 5th floor assembly area	(200,000)
4)	Reduce window scope to non-operable windows in non-historic interior areas	(200,000)
5)	Delete all work associated with concealed skylight	(72,000)
6)	Delete civil engineering storm water retention systems	(221,000)
7)	Security (budget increase)	325,000
8)	Change concrete forming systems for moat wall	(286,000)
9)	Reduce level of interior finishes (reduction in finishes allowance from \$30/sf to \$27/sf)	(300,000)
10)	Reduction in level of fire protection in moat area (sprinkler system only)	(233,000)
11)	Reduction of plumbing systems (subsurface drainage)	(150,000)
12)	Double counting of electrical systems scope in cost estimate	(300,000)
13)	General conditions (profit & overhead calculations)	(182,000)
14)	Staff relocation	(256,000)
15)	Elimination of building/permit fee contingency	(250,000)
	Total Recommended Cost Adjustments	(\$5,268,000)

- C. During the aforementioned budgetary review work sessions, staff and the Oversight Committee also reviewed and recommended \$4,478,000 in potential increases the project budget. Of this amount, \$2,678,000 is from unanticipated revenues paid to the general fund and parking meter fund from this project which has not been included in any City financial projections as follows:

<u>Item</u>	<u>Description</u>	<u>Amount</u>
1)	Funds appropriated from unanticipated revenue paid into the general fund and parking meter fund by the project:	
a)	Construction tax	\$1,094,000
b)	Street usage (construction staging area)	1,465,000
c)	Parking meter revenue (26 meters @ 50% utilization rate)	119,000
	Subtotal Item #1 Budget Increase	<u>\$2,678,000</u>

By way of this recommendation, the City Council is not being asked to exempt the City Hall seismic retrofit project from any charges that would

be applied to any other development/construction projects. However, since the project is being financed with public funds it is appropriate, and in the public interest, to reprogram the revenues that are received by virtue of City's taxes and charges back into the project.

The remaining balance of the above recommended budget increase is available from the Building Maintenance Fund (\$1,000,000) due to the reduced cost of insurance, housekeeping and maintenance at City Hall during the three-year duration that City employees will have vacated the building and the Information Technology Services Division Fund (\$800,000) to cover ITSD-related relocation expenditures. With the support of the Oversight Committee, staff recommends increasing the project budget with these appropriations as follows:

<u>Item</u>	<u>Description</u>	<u>Amount</u>
2)	Funds appropriated from unappropriated fund balances	
a)	Building Maintenance Fund	1,000,000
b)	Information Technology Services Division Fund	800,000
	Subtotal Item #2 Budget Increase	<u>\$1,800,000</u>
	Total Recommended Budget Increase	<u>\$4,478,000</u>

### **FISCAL IMPACT**

The balance of the Building Maintenance Fund subsequent to the above \$1,000,000 appropriation will be \$935,670 and the Information Technology Services Division Fund balance subsequent to the above \$800,000 appropriation will be \$1,709,633.

Funding for the project has been approved and budgeted for the amount of \$88,795,000. The implementation of the above budget appropriation increases results in a revised project budget of \$93,273,000. The implementation of the above scope-of-work reductions/adjustments leaves a project budget shortfall of \$2,821,000 as follows:


<u>Item</u>	<u>Project Budget</u>	<u>Cost Estimate</u>	<u>Budget Overage</u>
1. Project Valuation	\$88,795,000	\$101,362,000	\$12,567,000
2. Budget Adjustments	\$4,478,000	(\$5,268,000)	
3. Revised Budget/Cost Estimate	\$93,273,000	\$96,094,000	<u>\$2,821,000</u>

With the support of the Oversight Committee, staff will continue to explore potential cost-savings measures as the design of the project progresses. During the next quarter, staff will be solidifying staff relocation scope-of-work and corresponding budgetary figures. Staff is expecting to further reduce the budget overage once the staff relocation analysis has concluded. Additionally, the project team will be initiating the next project cost estimate based on the 50% design development submittal. At

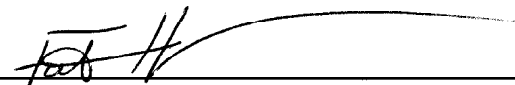


that time, the project designs will be further defined, which will allow for a more detailed cost estimate. Staff expects the final project cost estimate prepared during the construction document phase to be within the budgetary parameters as established by City Council.


Respectfully submitted,

  
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