



**Date:** November 17, 2014

**To:** Thomas J. Bonfield, City Manager

**Through:** W. Bowman Ferguson, Deputy City Manager

**From:** Joel V. Reitzer, Jr., Director, General Services Department

**Subject:** Additional funding and construction contracting authority for City Hall Annex and Building Envelope Project

### **Executive Summary**

From 2009-2013, the Capital Improvements Program (CIP) provided funding for design and renovation of City Hall envelope and associated work. The project scope addresses functional and safety issues, replacement of the City Hall chillers, and partial renovation of the City Hall Annex plaza. In Fall 2013, the General Services Department (GSD) opened bids for a General Contractor to perform the work. But after unreasonable delay and non-responsiveness by the apparent low bidder in securing bonds and executing a contract, the City rejected all bids. Due to the complexity of the logistics and phasing aspects of the project, GSD recommended that the project approach should be re-evaluated and a Construction Manager at Risk (CMAR) project delivery method be used.

On May 5, 2014 Balfour Beatty Construction, LLC (Balfour Beatty) was selected as the most qualified Construction Manager at Risk firm to perform the "City Hall Complex" Renovations Project. City Council approved a contract for preconstruction and construction services on June 16, 2014. Balfour Beatty performed preconstruction services, including constructability review, value management, cost estimating, logistics/phasing plans and scheduling, culminating in advertisement for bids on Sept. 7, 2014. The work performed during the pre-construction phase permitted additional information and detail to be included in the bid packages.

Twenty-five bid packages were opened October 7, 2014. While most bids came in at or below budget, a few large packages came in above, throwing the overall bid to approximately 23% over the original 2013 budget. Post-bid scope review and negotiations reduced that overage to approximately 9%. However, GSD requests that two add alternates be included in the project, which brings the final cost a net 13% over budget and creates a \$750,000 deficit.

When the project was bid in 2013 the construction budget was \$4.6 million. In the last year, construction material and labor escalation has been 4 percent. Other reasons for higher-than-expected bids were: additional detail in the plans and scope descriptions, inclusion of off-hours/restrictive work hours, attractiveness of the project within the current bid market, and risk associated with unknown conditions, and scope clarity. Post-bid scope review and negotiations reduced that overage to approximately 9% over the subcontract cost of work

budget. GSD also recommends two add alternates to fully complete work. These alternates include high-efficiency, lower maintenance chillers, and paving, landscaping and employee amenity improvements along Mangum Street.

### **Recommendation**

The General Services Department recommends that the City Council:

1. Adopt an ordinance amending the General Capital Improvement Project Ordinance, Fiscal Year 2014-15, as amended, the same being Ordinance #14623 for the purpose of adding funding in the amount of \$750,000.00 to the City Hall Annex and Building Envelope Project.
2. Authorize the City Manager to negotiate and execute change orders on the City Hall Annex and Building Envelope CMAR contract, provided the total project cost does not exceed \$6,119,730.00, the amount budgeted for preconstruction and construction services including the project contingency.
3. Receive a presentation regarding the City Hall project.

### **Background**

City Hall was constructed in 1976 and the City Hall Annex was constructed in 1964. Major interior renovations and accessibility upgrades to City Hall and the first floor of the City Hall Annex as well as full roof replacement at City Hall were completed in 2009.

In May 2008, the General Services Department commissioned a study to quantify work required to address envelope-related problems at the City Hall and City Hall Annex buildings. In July 2009, City Council allocated funds for the City Hall Envelope and Annex Roof project. In September 2011, construction was completed on the City Hall Annex Roof Replacement. Initial design for the City Hall Envelope phase of the project commenced in October 2009; however, issues were identified with respect to the fiber-reinforced concrete and plywood panel cladding on the building. Further investigation determined that the exterior building panels would require replacement, and that additional funds would be necessary for this work. Replacement of exterior cladding will result in improved insulation and energy efficiency and extend the useful life of the building. In July 2011, City Council allocated additional funds for replacement of the concrete panel cladding system.

Replacement of the waterproofing in the City Hall Annex Plaza and chiller replacement at City Hall are included in this project. The existing chillers at City Hall were installed in the 1976 construction of the building and have reached the end of their useful life. Replacement of the chillers with new, modern equipment will improve energy efficiency, system functionality and user comfort. The City Hall Annex Plaza Renovation will replace the slab and waterproofing system which protects the parking garage on the ground level of the Annex. The Annex plaza waterproofing system has failed in several locations and requires replacement to ensure continued integrity of the parking level below. In addition to waterproofing replacement, the plaza renovation will include replacement of the existing non-compliant handrail system with updated guardrails and include ADA accessibility improvements.

In July 2012, City Council allocated funds through the CIP process for the replacement of the City Hall chillers and replacement of the City Hall Annex plaza waterproofing system.

On September 4, 2012, City Council approved a professional services contract with Roughton Nickelson DeLuca Architects (RND Architects) to complete design and construction documents to address three scopes of work:

1. Renovation of City Hall Envelope (inclusive of replacement of existing concrete panel system and brick at the northwest corner);
2. Replacement of City Hall Chillers; and
3. Renovation of City Hall Annex Plaza as required to renovate waterproofing systems.

During the investigation phase in Fall 2012, it was determined that two walls of brick veneer at the northwest corner of City Hall were inadequately supported. This was a serious safety concern. Installation of anchor bolts to stabilize the exterior walls was completed as an emergency repair in February 2013. In July 2013, City Council allocated funds for the additional scope to replace the exterior walls with new brick and structural support in the unsupported area on the northwest and west elevations.

Six bids were opened on October 24, 2013. Unfortunately, the apparent low bidder failed to provide required contract compliance documents, which had the effect of detrimentally delaying the project. Supporting GSD's recommendation that the project approach should be re-evaluated and a Construction Manager at Risk (CMAR) project delivery method be used, the City Manager rejected all bids. A request for CMAR qualifications for the project was issued, six CMARs provided submittals and interviews of the top two firms were conducted. Balfour Beatty, the CMAR on the prior interior City Hall project, was selected as the most qualified.

Balfour Beatty completed preconstruction services and submitted a preliminary Guaranteed Maximum Price (PGMP) for the project. The PGMP, which included cost of work plus General Conditions, CM contingency, CM Fee and insurances/bonds, was within budget for available funds. Bids were advertised September 7, 2014 and 25 bid packages were opened October 7, 2014. The total cost of work for the apparent low bidders was approximately 23% over budget. Post-bid discussions and value engineering reduced that overage to 9%. During this process, the GSD also determined that it was in the best interests of the City to also accept two alternates, adding approximately \$300,000 in cost to the project. These alternates include higher efficiency, lower maintenance chillers and improvements along Mangum Street to simplify circulation, improve accessibility, provide additional outdoor seating for employees and complement the new aesthetic of City Hall and the Annex Plaza. Therefore, due to higher-than-expected bids and the inclusion of alternates, additional funding is required to complete the project.

### **Issues/Analysis**

The City Hall Annex and Building Envelope project is a high profile project. Use of the CMAR has resulted in the ability for GSD staff to plan and communicate impacts to employees and the public with confidence. It is critical that the project be completed in accordance with weather constraints, project schedule constraints and the City's usage requirements for the City Hall Complex.

Advantages of utilizing CMAR on this project include:

- high level of communication amongst the project team, owner and architect and downtown business and other stakeholders

- commitment to perform work on weekends/nights or as otherwise needed to meet the schedule and accommodate the City's needs
- scheduling and phasing expertise
- ability to respond quickly to non-performing subcontractors as necessary
- expertise in managing complex logistical projects
- compliance with SDBE program goals and ability to package subcontractor bid opportunities to meet or exceed programmatic goals.

The City will execute the contract for construction in two phases. GMP #1 will include all work within current funding and includes all work except for the Mangum Street improvements alternate, plastering, landscaping, site pavers and Annex waterproofing. The City anticipates executing this contract and issuing a Notice to Proceed to construction by November 21, 2014. Construction will start December 1, 2014. GMP #2 shall include all remaining work and is expected to be executed no later than January 15, 2015.

**Alternatives**

General Services staff recommends allocating additional funding for the project so that the project can be completed as designed. Completing the project in full to prevent future short-term maintenance and repair issues is the only viable alternative.

**Financial Impacts**

**Project Funding Sources**

Existing Project Funding		\$6,540,751
Additional Funding Request	Future Debt	\$750,000
<b>Total Project Funding</b>		<b>\$7,290,751</b>

**Funding Uses Summary**

<b>Prior:</b>		
Design Services		\$896,644
Design Contingency		\$28,584
Other Costs		\$245,793
<b>Total</b>		<b>\$1,171,021</b>
<b>Current:</b>		
Pre-Construction Contract		\$22,380
Construction Contract – GMP#1		\$5,064,152
Construction Contract – GMP #2		\$776,649
Construction Contingency		\$256,549

<b>Total</b>		<b>\$6,119,730</b>
<b>Funding Uses Total</b>		<b>\$7,290,751</b>

**SDBE Summary**

This item is a funding request and was not reviewed by the Department of Equal Opportunity/Equity Assurance for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting. SDBE participation requirements are in place for construction related to this project.