TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PUBLIC WORKS

DATE: JULY 14, 2008

CMR:290:08

SUBJECT: ADOPTION OF A BUDGET AMENDMENT ORDINANCE AMENDING THE BUDGET FOR FISCAL YEAR 2008-09 TO PROVIDE AN ADDITIONAL APPROPRIATION OF $3,436,981 TO CAPITAL IMPROVEMENT PROGRAM PROJECT PE-98020 AND APPROVAL OF CONTRACT WITH ROSSDRULISCUSENBERY ARCHITECTURE INC. IN THE TOTAL AMOUNT OF $3,807,801 FOR DESIGN AND CONSTRUCTION DOCUMENTS AND COST ESTIMATING FOR THE PUBLIC SAFETY BUILDING, CAPITAL IMPROVEMENT PROGRAM PROJECT PE-98020

RECOMMENDATION

Staff recommends that Council:

1. Adopt the attached Budget Amendment Ordinance (BAO) in the amount $3,436,981 (Attachment A) to provide an additional appropriation for the Public Safety Building, Capital Improvement Program (CIP) Project PE-98020;

2. Approve and authorize the City Manager or designee to execute the attached contract (Attachment B) with RossDrulisCusenbery Architecture, Inc. (RDC) in the amount of $3,461,637 for engineering, architectural design and construction document basic services for the Public Safety Building Project, and $346,164 for additional services that may develop during the project.

BACKGROUND

The City has been exploring the feasibility of constructing a new public safety building (PSB) since the mid 1980’s. In 2006, a Blue Ribbon Task Force (BRTF) was appointed by the Council to evaluate overall programmatic space needs and to study feasible sites within the City. The BRTF met 13 times and considered 28 different sites within the City, including expansion of the existing site. To ensure the building size was carefully assessed, the BRTF convened a space subcommittee to evaluate the space and functional need of each program area, room-by-room. The subcommittee also compared the existing space with the proposed space needs. This re-examination of the building size by the subcommittee and eventually the BRTF resulted in a 15% space reduction of the new PSB from 58,076 to 49,600 square feet (sf).

On June 26, 2006, the BRTF issued a report concluding: (1) that the most cost effective means of upgrading and modernizing the facility was to construct a new building, rather than retrofitting and expanding the existing facility; (2) that a minimum 49,600 sf building would be required to
accommodate all required programming needs; and (3) that the Park Boulevard site was the most feasible location for the new PSB.

On September 25, 2006, the City Council approved a consultant services contract with RossDrulisCusenbery Architecture, Inc. (RDC) to prepare an environmental impact report (EIR), preliminary engineering and architectural design drawings and cost estimates to a 25% level of effort for a new, approximately 50,000 sf Public Safety Building (PSB) proposed for two parcels on Park Boulevard (CMR:374:06).

On November 19, 2007, the City Council certified the Environmental Impact Report analyzing various site and building configurations located at 2747 and 2785 Park Boulevard and approved a purchase option agreement with Essex Park Boulevard, LLC to acquire the 2785 Park Boulevard property (CMR:420:07).

The EIR noted the aesthetic (visual resource) impacts of the building may create a perception of excessive building mass and an overly fortified appearance. The City’s Architectural Review Board (ARB) and Planning and Transportation Commission (P&TC) strongly supported the large community plaza feature which mitigates this issue and softens the project massing. The plaza further supports the Comprehensive Plan Policy T-23 which encourages pedestrian-friendly design features that also includes street trees, gardens and outdoor furniture. Another concern raised by the P&TC was to enhance the pedestrian/bicyclist connection with the surrounding area; the plaza provides this area for this type of use.

On February 11, 2008, the City Council reviewed various financing options for the planned building and directed staff to pursue PSB funding through issuance of Certificates of Participation (COPs). Staff was directed to return to Council as soon as possible with a consultant scope of services to continue design and construction documents for the PSB project (CMR:144:08).

On March 18, the Finance Committee received an overview of the updated General Fund Infrastructure Plan, showing a “backlog” of unfunded General Fund Infrastructure projects of about $455 million (2008 dollars) over the next 20 years. The committee directed staff to provide the overview presentation to the full Council, in conjunction with Council’s consideration of the plan to finance the Public Safety Building. On April 14, 2008 (CMR:186:08 Attachment D), staff presented the infrastructure backlog to the City Council and Council directed staff to develop an infrastructure implementation plan during the next budget cycle in FY 08/09 while continuing with the PSB project.

Outside Peer Review
At the February 11 Council meeting, Council directed staff to solicit an independent peer review of the PSB and Library/Community Center project cost estimates. Staff assembled a peer review team with architectural, construction and development expertise. At Council’s direction, the peer review group was charged with: (1) reviewing the reasonableness of the assumptions used in the cost estimates; (2) providing value engineering input for reducing costs and (3) continuing review of cost estimates during project development. Three meetings with the peer review group were held in March and April 2008. The group’s evaluation of the PSB project cost estimates, including design fees, inflation, construction costs and contingencies found that these costs were reasonable and within professional standards. However, the peer group expressed concern over
the single L shaped option’s long, inefficient rectangular parking configuration. The group suggested that acquisition of the adjacent parcel located at 2747 Park Boulevard would allow for additional design flexibility and construction cost efficiencies. In particular the group recommended that a more efficient parking layout should be explored on both the L shape and full site options to reduce project costs. Staff presented this information during a Council Study Session on May 19, 2008 (Attachment F).

Developing the full 2 parcel site option
On May 1, 2008, staff received an offer from the Brown Fairchild-Park Investment Company, L.P., to enter into a sale or option to purchase agreement with the City for the property located at 2747 Park Boulevard. During a May 12th closed session, the Council directed staff to negotiate a purchase option agreement with Brown Fairchild-Park Investment Company to acquire the .3 acre, 2747 Park Boulevard site located adjacent to the 2785 Park Boulevard site to allow for development of the entire block (Attachment E).

DISCUSSION
Public Safety Building Design
The existing contract with RDC provides for architectural and engineering design services up to only 25% design, but includes a provision to expand services through design completion should the firm prove responsive to the City’s needs and demonstrate an acceptable quality of work.

The proposed consultant contract with RDC will expand the existing services for the PSB project necessary to complete the design, construction documents and cost estimates as follows:

- Engineering and architectural schematic design of the 3 story PSB building and 4 level parking garage, (Attachment E), full site all above grade option
- Landscape design
- Architectural and engineering design and construction documents (electrical, mechanical, structural, geotechnical, civil, communications & fire)
- Essential services 911 center and Emergency Operation Center (EOC) in accordance with current 2007 Uniform Building Code, National Fire Protection Act and other applicable codes and regulations
- Value engineering design to reduce project cost with an emphasis on life cycles analysis
- Establish Leadership in Energy and Environmental Design (LEED) Silver design criteria (with LEED Gold option) and incorporate into design
- Finalize studies and incorporate mitigations into the project as described in the EIR
- Site and Design Review by Planning and Transportation Commission (P&TC)
- Design review by Architectural Review Board (ARB) and Art Commission
- Develop design and construction documents and cost estimates at the 25%, 35%, 50% and 90% levels
- Collaborate and incorporate comments from construction management firm and developers during the independent review of the constructability and cost estimates
- Assist in obtaining building and other required permits
- Incorporate comments from the City’s Development Review Committee and independent plan check consultants
- Assist in the prequalification of construction bidders
- Assist in the bidding process including answering questions and consulting with City on bid results
The design will be developed further as requested by the ARB and P&TC. Also, the EIR mitigations relating to building mass and subsurface vapor intrusion will be incorporated into the designs presented to the ARB and P&TC in Fall and Winter 2008.

The planning entitlements required for this project are a Zone Change, Comprehensive Plan Amendment and Site and Design Review. The project schedule incorporates public reviews by the Art Commission, ARB, P&TC and City Council for the above mentioned entitlements. Any continued review by boards and commissions could have an impact on the anticipated construction bid opening in Summer/Fall 2009.

**Building Size and Architectural Program Verification**

In June 2006, the Blue Ribbon Task Force (BRTF) determined that a minimum building size of 49,600 sf was necessary for the new public safety facility.

The consultant contract includes a provision for RDC to further work with the City to verify the Police Department's staffing, area and functional requirements in the new PSB prior to beginning the design process. During this process, RDC will identify any possible spaces that might be removed from the program as a means to reduce the construction cost. The program verification process will focus on areas that will not impact the core services of the Police Department.

**Value Engineering**

The contract requires the consultant to provide value engineering recommendations at all crucial design stages in order to minimize construction costs and to ensure that the City stays within the allocated construction budget. Any City-approved value engineering recommendations shall be incorporated into the design documents at no additional costs to the City.

**Sustainable Design**

RDC will retain Simon and Associates, a sustainable design consultant as part of the basic services. The project is anticipated to achieve LEED silver standards, but the City and design team will attempt to achieve LEED gold. Cost comparison between LEED silver and gold will be provided at crucial stages of design development to the Council.

**Option Agreement**

At the May 12th Council closed session, the City Council directed staff to proceed with the negotiations for purchase of the 2747 Park Boulevard site enabling the design of a less costly, more efficient, separate parking garage that utilizes surface parking on both the 2747 and 2785 Park Boulevard sites.

On May 19, 2008, staff received a letter of intent from Brown Fairchild-Park Investment Company, L.P. (Brown) to enter into an option to purchase 2747 Park Boulevard for the price of $2,732,000. Structuring this transaction as an option agreement, rather than outright purchase, allows the City to secure the property and lock in a price. This allows time to finance the project’s construction contract award anticipated next summer. The terms of the option agreement include a 23-month term beginning in July 2008 and terminating on May 29, 2010. The first payment in the amount of $109,380 secures the option for one year. Thereafter, monthly option payments in the amount of $9,106 are due starting with the thirteenth month of the option term. The option payments are nonrefundable, but will be credited against the total purchase price of $2,732,000. The City may exercise its option at any time during the option...
term by providing Brown with a 30-day written notice, setting forth the closing date of the purchase. The City may also terminate the option upon 30 days written notice.

The City has the right, during the option term, to enter the property for purposes of investigation, tests, surveys or other engineering and planning studies necessary for the City’s proposed development of the property. Brown may not execute any leases or other contracts affecting the property that are not terminable upon 30 days written notice. Brown is responsible for any loss or damage to the property until the close of escrow. The City will pay closing costs of the sale. Note that title to the property is currently vested in a family trust and that the trust is in the process of transferring its interest to the Brown-Fairchild partnership. This title transfer must be completed before the purchase option can be finalized. An escrow has been opened to expedite these issues.

The $2,732,000 purchase price is the result of negotiations between the City and Brown. The purchase price is slightly above the current appraised value due to the fact that the price is locked in for a period of two years. Acquiring the property through a voluntary sale rather than eminent domain also avoids additional litigation expense.

The full site parking option utilizes surface parking for emergency response vehicles, allows for more space to construct a more efficient and separate garage that would not be required to be built to non-essential service standards. Developing the full site option that considers these parking efficiencies results in a project cost savings of up to $3 - $4 million excluding property acquisition of the 2747 Park Blvd. parcel. Thus, acquisition of the additional parcel is anticipated, at a minimum, to be cost neutral, while allowing for reasonable design flexibility. This design flexibility will be an opportunity to develop a more compatible neighborhood design on the full site/entire block.

**RESOURCE IMPACT**

The Public Safety Building Project has a cumulative appropriation of $ 2,875,028 since fiscal year 1997-98. An additional appropriation of $3,436,981 is needed to fund the proposed expanded services of RDC to complete the design, construction documents and estimates; provide for the initial payment of the option to purchase to Brown-Fairchild-Park Investment Company, L.P.; provide for the real estate and outside counsel fees; and printing and mailing costs. The General Fund Budget Stabilization Reserve (BSR) will provide the necessary funding. A Budget Amendment Ordinance (Attachment A) in the amount of $3,436,981 is needed to increase the appropriation to CIP Project PE-98020 (Public Safety Building).

The proposed funding request for this project will bring the total appropriation to $6,312,009. Details of these appropriations are shown below:

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<tr>
<th>Date</th>
<th>Amount</th>
<th>Purpose</th>
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<tr>
<td>FY 1997-98 through</td>
<td>$839,028</td>
<td>Preliminary design and support of the BRTF</td>
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<td>FY 2001-02</td>
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<td>FY 2006-07 adopted</td>
<td>$1,000,000</td>
<td>Preliminary design, EIR certification</td>
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<td>budget</td>
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<td>FY 2007-08 adopted</td>
<td>$600,000</td>
<td>Additional funding for preliminary</td>
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The General Fund BSR has a projected balance at the end of FY 2007-08 of $21,921,445, which is estimated to be within the 15% range of the reserve policy. This is the lowest level for the current Council policy for the BSR. Any additional use of the BSR will lower it below this level and would require an amendment to the policy.

In February 2008, staff indicated in a report to Council (CMR:140:08) that the City anticipated to save $0.5 million by prepaying retirement and retiree medical payments to PERS. This potential savings had been identified to provide a steady stream of resource to the annual debt service to the planned Certificates of Participation for the Project. Recent information from PERS however, indicated that the anticipated savings has now been reduced to $0.2 million. This updated information was provided to the Finance Committee on June 17, 2008 (CMR:288:08). Staff intends to implement the prepayment plan since the savings of $0.2 million still provides a contribution to the debt service costs. Staff will continue to seek operational efficiencies and other potential revenues to cover for this shortfall of $0.3 million, and will review the prepayment plan on a annual basis.

There will be additional operating expenses for the public safety building. It is currently estimated that utility, custodial, and maintenance expenses for a new building will cost approximately $397,000 annually based on ($8.00 per square foot). Landscaping maintenance will cost approximately $16,000 annually. Since the facility is still in the design process, additional operating costs have yet to be finalized. For example, tree trimming, and plaza and garage cleaning costs have not been calculated to date. As the project is further defined, staff

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<td>November 2008 (BAO #4976)</td>
<td>$436,000</td>
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<tr>
<td><strong>Total Appropriation to date (as of 07/11/2008)</strong></td>
<td><strong>$2,875,028</strong></td>
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<tr>
<td>July 7, 2008</td>
<td>$3,227,701</td>
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<td>$109,280</td>
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<td>$60,000</td>
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<tr>
<td><strong>Sub-total (Proposed BAO)</strong></td>
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<td><strong>Total</strong></td>
<td><strong>$6,312,009</strong></td>
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will be able to refine the operating and maintenance cost estimates and identify potential funding sources.

POLICY IMPLICATIONS
This recommendation is consistent with the Council-appointed Blue Ribbon Task Force’s recommendation and the establishment of the Public Safety Building as a Top 3 priority for 2006. It is also consistent with the Public Safety Building as a Top 4 priority for 2007 and 2008.

PROJECT TIMELINE

Design Phase – approximately 1 year
- Award design contract with RDC Summer 2008
- Award construction management contract for staff support, project constructability & cost estimate review Fall 2008
- Award building plan check consultant contract necessary for plan review & building permit issuance Fall 2008
- Art Commission, ARB, P&TC and City Council review Fall/Winter 2008
- Constructability and cost estimate review by the construction management firm, peer review team and outside consultants Summer-Winter 08
- Complete design and construction documents Winter 2008/09

Construction Bidding Phase – approximately 6 months
- Pre-qualification of bidders Fall/Winter 2008/09
- Bid document preparation Winter 2008/09
- Advertise and Issue of bids Summer 2009
- Open bids Summer/Fall 2009

Construction Phase – approximately 2 years
- Award contract amendment with RDC for construction administration services Fall 2009
- Award construction contract Fall 2009
- Move into new building Fall 2011

Staff will provide the City Council with periodic updates on the design, cost estimates, land acquisition, financing and schedule as the project progresses.

ENVIRONMENTAL REVIEW
A Draft EIR for the PSB project was circulated on July 13, 2007. A 45 day review and comment period ended on August 29, 2007. The final EIR included revisions reflecting the comments received. The Council certified the Final EIR on November 19, 2007. The proposed change in the layout of the parking garage and public safety building (Attachment E) will be appended to the Final EIR.

ATTACHMENTS:
Attachment A: Budget Amendment Ordinance (includes CIP Page as Exhibit B)
Attachment B: Contract with RossDrulisCusenbery Architecture, Inc.
Attachment C: Option Agreement with Brown Fairchild-Park Investment Co.
Attachment D: CMR 186:08, Infrastructure Presentation City Council
Attachment E: 1.5 acre site, 3 story building, 4 level parking garage full site option
Attachment F: May 19th Peer Review PowerPoint presentation

Copies of the attachments to this CMR:290:08 may be viewed on-line at http://www.cityofpaloalto.org/knowzone/agendas/council.asp; or at the Public Works Department counter located at 250 Hamilton Avenue, 6th Floor, Palo Alto or by contacting Elizabeth Ames at 650-329-2151.

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