



City of Emeryville

CALIFORNIA

MEMORANDUM

DATE: November 1, 2016

TO: Carolyn Lehr, City Manager

FROM: Maurice Kaufman, Public Works Director/City Engineer

SUBJECT: Senior Center Renovations, EPW 102-15, Project Completion

RECOMMENDATION

Staff recommends that the City Council adopt the following resolutions for the Senior Center Renovation Project:

Resolution Of The City Council Of The City Of Emeryville Authorizing The City Manager To Enter Into A Third Amendment To The Construction Contract With Southland Construction Management, Inc. Increasing The Contract Amount By \$86,077.84 To An Amount Not To Exceed \$2,372,127.84 For The Senior Center Renovations, Project No EPW 102-15 (CIP # 14650011) And Appropriating \$86,078 From The General Capital Fund 475 CIP Implementation Reserve To Said Project.

Resolution Of The City Council Of The City Of Emeryville Accepting The Senior Center Renovations, Project No. EPW 102-15 (CIP # 14650011) As Complete And Authorizing The City Engineer To File A Notice Of Completion For Said Project With The Alameda County Clerk.

BACKGROUND

The building housing the Emeryville Senior Center was originally constructed in the 1930s. The last major renovation to the facility was completed in the mid 1990s. Since December 2011, the Public Works Department has been working on the project to rehabilitate the Senior Center facility. The original scope of work for the project was limited to replacing the leaking roof. However, at the request of the Commission on Aging, staff met with the Commission to determine additional high priority items that needed updating in the facility. The City then contracted with the architectural firm of Ratcliff Architects ("Architect") to work with City Staff to develop a scope of work consistent with the Commission's requests. After review and recommendation of the proposed scope of work by the Public Works Committee, the City Council approved a First Amendment to Ratcliff Architect's agreement with the City to prepare design documents for the following improvements to the facility:

- Roof Replacement
- Repair of miscellaneous dry rot/water damage
- Installation of roof mounted solar panels
- New unisex restroom in the first floor

- Repairs to existing restrooms on the first floor
- Miscellaneous improvements to the multipurpose room on first floor
 - Acoustical Wall Panels
 - New lighting
 - Refinish existing wood flooring
 - New window shades
 - Convert storage room adjacent to stage to laundry room
- Miscellaneous improvements to the exercise room on second floor
 - New flooring
 - New lighting
 - New storage room
- Replacement of Windows on the south side of the building
- Installation of an HVAC system for the second floor offices (alternate)
- New code compliant ramp leading to main entry
- Interior Painting & Exterior Painting
- Replacement of the existing 80 year old pipes for the steam heating system
- Voluntary seismic improvements

On March 5, 2015, the City Council approved the scope of the improvements and authorized the City Engineer to advertise the project for public bids once the City Engineer had reviewed and approved the plans and specifications. The Architect's estimate for construction of the improvements amounted to \$1,800,000, not including a contingency.

On June 22, 2015, the City Council authorized the City Manager to enter into a construction contract with Southland Construction Management, Inc. (Southland) in an amount not to exceed \$1,916,050. The contract amount included a \$150,000 contingency (8.2% over the base bid amount) for unforeseen work that could arise during construction. The contract included 100 working days to complete the project, and anticipated the contractor would complete the work on the roof before the rainy season began in November.

On December 1, 2015, the City Council authorized the City Manager to enter into a First Amendment to the Construction Contract with Southland, increasing the contract amount by \$250,000 to an amount not to exceed \$2,166,050 for unforeseen work and additional scope for the Senior Center Renovations.

On May 17, 2016, the City Council authorized the City Manager to enter into a Second Amendment to the Construction Contract with Southland, increasing the contract amount by \$120,000 to an amount not to exceed \$2,286,050 for additional unforeseen work and scope. At this time, the City Council expressed concern over the additional costs of the project and suggested that the Public Works Department engage a third party to review the project to determine how the City could improve its process in future projects to avoid additional costs.

The Project is now complete and ready for acceptance by the City Council and a notice of completion must be filed with the Alameda County Clerk. The final negotiated cost for the contract is in the amount of \$2,372,127.84. Given that to date the City Council has authorized a contract not to exceed \$2,286,050, a Third Amendment to the Construction Contract with Southland will be needed, increasing the contract amount by \$86,077.84 to an amount not to exceed \$2,372,127.84.

There are a few improvements still on-going at the Senior Center that were not awarded to Southland as a change order. Those items, which are being performed by another contractor at a more complete price than received from Southland, include a new floor and counter top in the Bar Room at a cost of \$26,808 and an additional guard railing on the new ADA ramp at a cost of \$7,938 in the front of the Senior Center. The upgrades to the Bar Room were not in the original scope of work of the project but Staff directed this work to be performed given the worn condition of this facility. This additional work is scheduled to be completed by the end of October 2016.

DISCUSSION:

Over the course of construction, more than 100 change orders were negotiated and approved by the City resulting in an additional 135 working days added to the contract. During the project closeout negotiations, the Contractor demanded that they be paid for their Schedule Extension and Weather Protection on the project beyond what was approved in all the various change orders, which amounted to demand of over \$250,000 in additional compensation to close out the project. The contract's General Conditions require the City to pay the contractor for Delays and Extensions to the work if it is not the fault of the contractor. In evaluating the contractor's demand, staff reviewed all change orders to date, and categorized them to ensure that the additional cost was justified. Based on this review and analysis, staff negotiated the proposed final close out payment to an additional 30 days at \$56,308, instead of the contractor's original demand of 135 days at over \$250,000.

In addition, as discussed in further detail below, staff attributes some of the change orders to design related issues. Those change orders were reviewed with Ratcliff Architects. Ratcliff Architects has agreed to not invoice for \$7,938 of their hourly fee of the outstanding balance on their contract with the City. This amount covers the cost of the additional guardrail that must be constructed in front of the Sr. Center Disabled Ramp.

Staff has summarized all the approved contract Change Orders amounting to \$606,077.84 as shown in Exhibit A, into the categories discussed in further detail below.

Differing Site Conditions \$202,025 11 % over base bid amount

The largest share of the contingency was spent on Differing Site Conditions at 11% over the base bid amount. This category includes changes that resulted from conditions in the field that did not agree with information on the plans. This category also includes increased costs to the contractor for Schedule Extension and increased Site Protection due to the wet weather because the project's schedule extended into the rainy season.

It should be noted that the Architect used existing as-built drawings and non-destructive visual inspection to base assumptions on the existing building design. Also, an environmental firm performed a survey of the structure for hazardous materials and performed testing in the areas where work was to be performed to quantify any lead and asbestos abatement required as part of the project.

The additional work performed for items in this category would have been difficult to avoid without an extensive field investigation prior to completing the plans. A pre-design, extensive field investigation would have required opening walls with lead and asbestos issues. The lead and asbestos abatement ahead of the field investigations would have required the closing of the Senior Center and would have disrupted services to the building occupants. These investigations, combined with the abatement, in advance of the project would have been very costly, potentially exceeding the amount in change orders spent. Furthermore, such expense may not have guaranteed that all the unforeseen items would have been identified. Therefore, instead of a forensic examination, the City opted to make certain assumptions about the design and physical condition of the building.

Deferred Building Maintenance Upgrades \$78,288 4.3% over base bid amount

This category includes changes incorporated into the project that were not part of the original scope of work but made sense to complete while the structure was being remodeled since the items would need to be performed as maintenance later.

Some of these items could have been added to the project plans before bidding the project if the Architect's scope of work had included a site assessment and the design effort into their scope of services and fee. However, a site assessment was not included in the scope of work because the project as originally contemplated, was not intended to be a complete renovation of the Senior Center. Some of these items completed could have been performed after the renovation project was completed. However, the City could realize cost savings by having the maintenance items performed by the contractor already mobilized on the site during the renovation. Furthermore, performing maintenance items during the renovation would have the least impact on the operations of the Senior Center and the residents served at the Senior Center. Therefore, based on both hard and opportunity cost savings realized, staff believes that it made more sense to complete the maintenance work items with the Renovation Project while the building was not occupied.

City Request \$104,100 5.6% over base bid amount

This category includes Scope of Work added to the project to improve the usability or appearance of the facility.

The Category for *City Request* in the amount of 5.6% over the base bid could have potentially been reduced. However, these items, such as updating the IT Data wiring throughout the structure, renovating the multipurpose room chandeliers and the new blinds, added value to the project and are very much appreciated by the users of the

facility. Given the magnitude of the overall project it made sense to City Staff to add all these items to the scope to improve the comfort and usability of the facility.

Design Related \$60,529 3.3% over base bid amount

This category includes Changes that resulted from inaccuracies in the project plans or specifications, or a deficient design.

For the category of *Design Related* which amounts to 3.3% over the base bid amount, Staff has been discussing these items with the Architect with the intention of having the Architect cover some of the costs. Staff believes that some of these cost increases could have been avoided if the plans were more sufficient. However, the Architect believes that some of these items represent value added to the project such as the improved lighting in the Multipurpose room. As stated above, the Architect, because of these discussions and as a gesture of good will, has agreed to not invoice for \$7,938 of their hourly fee of the outstanding balance on their contract with the City. This amount covers the cost of the additional guardrail that must be constructed in front of the Senior Center Disabled Ramp.

***Fire/Building Inspector Identified Code Upgrades and Regulatory Compliance
\$177,278 9.7% over base bid amount***

This category includes code upgrades or added scope raised in the field by the Fire/Building inspectors. These items were not raised during plan check review by the Building Division since the information was not part of the original scope of work on the project and therefore not detailed on the project plans.

Some of the code upgrades on this project could have potentially been identified ahead of bidding the project if the Architect and/or Staff project manager had scheduled a site visit with the Building Official and Fire Marshall before completing the plans, to determine what code upgrades they would require on the structure that were not shown on the plans. Of course, adding any code related items to the bid documents that were not related to the Architect's scope of services would have triggered additional architectural fees for the additional design service needed to address those code related items.

It should be noted that the Building Official or Fire Marshall usually does not perform an inspection of a structure before a renovation plan is approved for a building permit. The initial review by the Building Official and Fire Marshal is always based on the plans provided to the Building Department for plan check. Therefore, existing code violations can easily be missed during the plan check process and then caught in the field by the Building Inspector or Fire Marshall when the project is under construction. However, for future City Building Facility Renovations, a site visit with the Building Official can easily be incorporated into the project design phase to minimize the risk of last minute code upgrades during construction.

FISCAL IMPACT

An additional \$86,078 must be appropriated to the Senior Center Project to pay for the Third Amendment to the Construction Contract with Southland. Funding for this additional appropriation can be taken from the General Capital Fund 475 CIP Implementation Reserve. Funding for the Bar Room improvements and the additional guardrail amounting to \$34,746 will be taken from the appropriations in the CIP project for Facilities Maintenance General Major Maintenance Program.

CONCLUSION

Rehabilitating a building the age of the Senior Center is more challenging than rehabilitating a more modern building. The challenges arise from not having reliable as-built drawings for the facility, the technology of construction standards used, and the presence of hazardous materials within the structure. During the planning stages which began in 2011, the project was never envisioned to cover as extensive a scope of work as was eventually required to be performed on the structure in 2015/16. Typical renovation projects include contingency budgets for unforeseen items that arise. It is very rare to have a renovation project that does not encounter extra work for the contractor. To prepare a perfectly accurate set of plans and specification would require excessive design work and field investigations that add a large expense to the architect's fee, disrupt operations in the facility, and delays to the project delivery schedule. Even with all the up-front investigations and planning, there would still be a risk that there could be an error in the bid documents. An industry standard for cost overruns on building renovation projects is in the order of 15 to 25% of the base bid depending on the type and age of the structure. The Senior Center project had a total cost overrun in the amount of 33% of the base bid. The original contract amount included a contingency in the amount of 8.2% of the base bid amount which was well below the industry standard for completing a renovation project of a facility the age of the Senior Center. It should be noted that if the deferred maintenance items and the additional City requested scope items were not added to the project, the cost overruns would have been on the high side of industry standard.

The lessons learned for future building renovation projects include the following:

- Schedule a site visit of the facility with the Building Official and Fire Marshal to identify any visible code violations that would need to be addressed with the project.
- Meet with the users of the facility to identify all desired upgrades to the facility.
- Perform a facilities assessment in advance of completing plans and specifications to identify major deferred maintenance items that should be incorporated into the project.
- Inform the City Council of the above items during the design phase so they can approve or not approve them as part of the overall project scope thereby reducing added scope items during construction.
- Budget within the industry standard including the project contingency

It should be noted that to date Staff has not engaged a Third Party to review the overall Senior Center Project to outline what went wrong and the lessons learned. To do so will require consultant costs for the Third Party consultant as well as additional fees to the Architect and Construction Manager to provide the necessary background information to the Consultant. If the City Council still desires to perform the Third Party review, Staff is ready to proceed with this work effort.

Staff recommends that the City Council adopt the attached two resolutions to close out the project.

PREPARED BY: Maurice Kaufman, Public Works Director/City Engineer

**APPROVED AND FORWARDED TO THE
CITY COUNCIL OF THE CITY OF EMERYVILLE**



Carolyn Lehr, City Manager

Attachments:

- 1 Exhibit "A" to Staff Report
- 2 Resolution re: Third Amendment to Southland Construction
- 3 Resolution re: Accepting the Project as Complete