



## CITY OF BEVERLY HILLS STAFF REPORT

**Meeting Date:** May 27, 2009  
**To:** Honorable Mayor & City Council  
**From:** David Lightner, Deputy City Manager  
Alan Schneider, Director of Project Administration  
**Subject:** City Hall Remodel - Phase II  
**Attachments:** 1. Cost Comparison

---

### INTRODUCTION

Three years ago, the City initiated a comprehensive upgrade of the City Hall building, which was last remodeled over 20 years ago. The overall project was approved in 2006. However, the project was broken into two phases in order to avoid the need to close the entire City Hall. Construction began in 2008 for Phase I, in which the first floor was remodeled into a one-stop Customer Service Center. That work has been completed. The award of contract for Phase II was originally presented for approval in April 2009. However, the City Council requested that this item be deferred until a study session presentation and discussion on the Phase II project. This report provides background for the study session discussion and outlines the options and implications of alternatives.

### DISCUSSION

Tower General Contractors Inc. has submitted the lowest responsive and qualified bid, which would amount to \$2.843 million with contingency, for the remodel of the second and third floors of City Hall. This project includes office space for the Community Services Department, the City Clerk, the Communications Office, the City Attorney's Office and the Administrative Services Department. All 55 Administrative Services employees who do not work in the recently completed first floor Customer Service Center have been moved to temporary trailer facilities on Third Street in anticipation of this work.

#### **Project Scope:**

The primary impetus for the remodel of the second and third floors is to complete necessary infrastructure improvements that will continue to extend the useful life of the building, avoiding the need for new office space. These improvements include:

Meeting Date: May 27, 2009

- HVAC Upgrades – Air circulation problems currently cause hot and cold zones, stale air and health concerns.
- Electricity Upgrades – Current systems are inefficient and do not meet current “green” standards.
- Lighting Upgrades - Current systems are inefficient and ineffective.
- Fire Alarm Upgrades – Need to be upgraded to the same level and same system as previously remodeled areas.
- Accessibility and Safety Upgrades – The areas being remodeled need ADA upgrades and changes to comply with new OSHA standards.
- Space Planning Upgrades – The current layout was developed prior to the consolidation of departments that was implemented starting 6 years ago. The spaces are laid out in a manner that is very inefficient and scattered for today’s usage and does not support the consolidation of departments.

All of these issues were addressed in the Phase I remodel of the first floor. However, that floor also had a major component of public areas, including creation of the one-stop Customer Service Center and creation of a new main entrance to City Hall. By contrast, the Phase II project focuses mainly on the office space and has only the small elevator lobby on the third floor as a general public area and therefore does not include the quantity of finer materials associated with the earlier Phase. The City’s policy has been that “what we do, we do right” after ensuring that the funding is in place to do things properly and with an eye to long-term, life-cycle value. The implementation of that concept for Phase II will mean durable, simple office spaces with efficient adjacencies and quality energy and life safety systems.

It should be noted that in order to accomplish the project design, the Parking Enforcement operation must be relocated from the second floor of City Hall. In 2006 the City Council approved the renovation of portions of the second floor of the Public Works Facility on Foothill to consolidate various divisions of the department that were located in other locations, such as City Hall. That project accounted for the relocation of all Public Works and Transportation staff into the Public Works Facility except for the Parking Enforcement operation which has so far remained in City Hall. Relocation of that staff of 30 is one of the key objectives of a proposed remodel of the first floor of the Public Works Facility, also on the agenda for consideration by the City Council.

### **Project Funding:**

The funding for this project is from \$4.3 million of restricted bond proceeds, issued in 2007 for this purpose. The use of these funds was described as City Hall Remodel at the time of issuance and is limited to building construction projects for facilities used for municipal purposes only. The deadline for expenditure of these funds is January 2010.

Since December 2006, the City Council has reviewed the City Hall remodel plan and related actions at various stages of development as shown chronologically below:

December 2006:	Review of two-phase concept and approval of Phase I design
April 2007:	Bond issuance for both phases
September 2007:	Award of contract for Phase I construction
May 2008:	Approval of architect’s agreement for Phase II design
June 2008:	FY 08/09 CIP budget approval for Phase II construction
September 2008:	Modular temporary building lease extension for Phase II

Meeting Date: May 27, 2009

Staff is mindful that this chronology does not include a City Council informal presentation of the specific design elements of Phase II that would have been similar to the review of the more extensive changes in Phase I. That presentation will be provided at the May 27 meeting and pursuant to City Council direction, future major projects will be placed on a City Council agenda for a final review before the projects are put out to bid.

### **Project Options:**

Based on staff research and review of bid responses and corresponding project cost, the following options are offered for City Council considerations and direction:

1. **Proposed Project-** This is the option that can actually complete the objectives of this now half-completed project as previously approved by the City Council and for which restricted bond funds are in place and a very competitive bid is in hand.
2. **Redesign/Re-bid Project –** The City has a very competitive bid from a very good contractor. However, this option is the only way to pursue significant changes to the program aimed at achieving cost reductions. Staff has worked extensively with the potential contractor and the architect on where cost savings could be achieved. Because so much of the project is basic systems that need to be repaired and the bid is already aggressively priced, very few options have resulted. It also becomes necessary to factor in the additional cost of redesign when the current drawings are to be scaled back. If the project were re-bid, it would be to try to achieve savings by leaving the third floor restroom facilities in place. This layout causes extensive wasted corridor space wrapping around the facilities and blocks off most opportunity to functionally connect Administrative Services functions. However, it might save approximately \$400,000 in net cost after redesign. It is important to note that the current bid already takes advantage of the current favorable bidding climate for owners and therefore the usual considerations of the risk of re-bidding a project apply. Under this option it is also possible to proceed with awarding the bid for only the second floor should the City Council choose to do so.
3. **Abandon Project –** Under this option the vacated areas on the second and third floors would be restored with an estimated cost of over \$1,000,000 of total expenditures. Since the project has been fully developed and bid, this option represents a zero net return on the investment. As noted, 55 full time employees have been moved into leased modular office space on Third Street. The vacated areas in City Hall have significant damage to carpet and paint and damage from removed built-in furniture that would require additional investment just to move employees back into the same spaces. Office modules that have been disassembled, moved and reassembled once already are not expected to be reusable. It is equally important to note that the full scope of the project would remain a critical need of the City for a future implementation date.

### **FISCAL IMPACT**

Included in the approved project budget and noted in prior reports describing this project, is approximately \$450,000 for workstation components/furniture that is not part of the construction contractor's work. Replacement of furniture is required under all three options described. The expected costs of the three described options, including 12% contingency, are as follows:

Meeting Date: May 27, 2009

Option 1 – Proposed Project - \$2,843,000  
Option 2 – Redesign/Re-bid Project - \$2,458,000  
Option 3 – Abandon Project - \$1,276,000

The project is fully funded from \$4.3 million of restricted bond funds. The engineer's estimate for the project as proposed was \$3.5 million and the lowest responsive bid came from a very well qualified contractor at \$2.7 million. This bid has been extended but will expire on July 2, 2009.

### **RECOMMENDATION**

Staff recommends proceeding with Option 1 – Proposed Project. The significant compromise to the program in Option 2 and the risk associated with redesign and re-bid when such a competitive bid is in hand, do not appear commensurate with the expected savings of \$400,000. Option 3 is burdened with the significant sunk costs it would create without net gain and with the ongoing need for the planned improvements.

The office space in City Hall was last renovated as part of the Civic Center complex in the 1980's. The conditions and function of the workspace has been virtually unchanged since then. This upgrade extends the useful life of the existing building by providing basic infrastructure upgrades and efficient space planning.

While the Award of Contract is on the May 27 formal agenda, it is understood by all parties that the City Council's decision on whether to act on that formal item will depend on the results of the study session discussion.

David Lightner   
Approved By

**CITY HALL REMODEL PROJECT - PART II**  
**COST COMPARISON OF OPTIONS FOR REMODEL OF 2ND 3RD FLOORS**  
**5/27/09**

	OPTION 1 Award Contract to Tower for Remodel 2nd & 3rd Floors per original Bid	OPTION 2 Award Contract to Tower for Remodel 2nd Floor & Re-design/Re-bid 3rd Floor	OPTION 3 Reject All Bids & Move Administrative Services Dept Back to City Hall
Costs to proceed with Options 1, 2 or 3			
	Remodel 2nd & 3rd floors (per original bid) <sup>1</sup> \$ 2,893,000	Remodel 2nd floor (per original bid) <sup>2</sup> \$ 1,033,000	Architectural & engineering design fees
	Value engineering cost reductions \$ (50,000)	Redesign 3rd floor fees \$ 75,000	Leasing modular building (until Oct 2009)
		Remodel 3rd floor (re-bid reduced scope) <sup>3</sup> \$ 1,350,000	Furniture replacement
			Refurbish 3rd floor to move back
			Design fees to refurbish space
			Moving costs back to City Hall
	<b>Total Cost</b> \$ 2,843,000	<b>Total Cost</b> \$ 2,458,000	<b>Total Cost</b>
Footnotes	<sup>1</sup> Base Bid = \$2,593,000 + \$300,000 contingency	<sup>2</sup> Base Bid = \$893,000 + \$140,000 contingency	
		<sup>3</sup> Estimated Bid = \$1,200,000 + \$150,000 contingency	