# CITY OF BEVERLY HILLS
# STAFF REPORT

**Meeting Date:** July 7, 2009

**To:** Honorable Mayor, City Council & Parking Authority

**From:** Alan Schneider, Director of Project Administration
Allen Rubenstein, Project Manager

**Subject:** 455 Crescent Garage Status Report

**Attachments:** Site Plan, Garage Floor Plan and Traffic Diversion Plan

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## INTRODUCTION

On January 22, 2009, the Parking Authority approved a lease amendment with the Wallis Annenberg Center for the Performing Arts ("Annenberg Center"), which in part, requires the Parking Authority to construct the 455 Crescent Garage ("Garage").

This report provides the status of the Garage project, including the relocation of utilities, construction schedule, coordination with the Annenberg Center plans, the type of construction contract, selection of the general contractor, and other related matters.

The formal agenda for the July 7, 2009 City Council meeting, includes staff recommendations for multiple actions at a joint session of the City Council and Parking Authority including:

1. City approval and Parking Authority acceptance of a grant deed and license conveying property to the Parking Authority for the purpose of constructing a subterranean parking structure at 455 North Crescent Drive;

2. Approval of an agreement between the Parking Authority and Matt Construction Corporation for preconstruction services, general conditions and guaranteed maximum price for the initial utility relocation phase of development of the 455 Crescent Garage project, and approval of a purchase order in the amount of $3,765,000 for these services and contract work; and

3. Resolution of Intent to Bond. Bonds will be issued in an aggregate principal amount, which is sufficient to raise funds for the project in an approximate amount of $30 Million.

## DISCUSSION

*Project Description*

The project contains two major components. The Annenberg Center will renovate the historic Post Office and construct a 500 seat theater on the eastern portion of the site fronting Crescent Drive. The Garage will be located beneath Crescent Drive and the west City Hall lawn, and provide approximately 470 parking spaces on three subterranean levels. Access and egress will be provided by driveways from Santa Monica Boulevard South, Crescent Drive, and a valet ramp from the Annenberg Center motor court.

Crescent Drive between Santa Monica Boulevard North and Santa Monica Boulevard South, and the west City Hall lawn will be excavated for the Garage construction and reconstructed once the Garage is completed. The City project also includes the street improvements around the Annenberg Center that was stipulated in Environmental Impact Report. The City is responsible for the street improvement costs associated with the garage and the Annenberg Center is responsible for the costs associated with the theater.

International Parking Design, a well recognized parking architect, was engaged to design the Garage in March 2008. Review of the above ground building elements, such as the elevator and stairway will be presented to the Architectural Commission for their input. The construction documents are currently being prepared and will be completed in the fall 2009. The architect and Psomas, a civil engineering firm, were engaged to prepare plans for the relocation of the utilities in Crescent Drive.

*Construction Challenges*

While any construction project of this scale will include complex coordination issues, this project is particularly challenging in that two projects (the theater and the garage) are essentially being constructed at the same time, in the same excavation by two different owners. To address this issue, the construction approach has been tailored to the needs of this project with a focus on lowest cost, well-qualified contractors, limiting cross-liability concerns and maintaining the schedule.

*Project Approvals*

The City Council action on January 22, 2009, certified the Environmental Impact Report for the Annenberg Center and Garage and approved a comprehensive Lease Amendment. The Lease includes a Work Letter outlining coordination among the parties to complete construction. The Work Letter provides for selection of a single contractor selected by Tenant and the Parking Authority in order to minimize costs and expedite the overall project.

The Work Letter also provides that all contracts shall be based on a stipulated sum or cost of the work with a guaranteed maximum price.

*Benefits of a Common General Contractor*

There are mutually beneficial advantages in having one contractor because of the close physical integration of the Garage and the Annenberg Center, the constraints of the urban site, and the tight interdependent schedule. Both projects have contiguous subsurface walls and interlock horizontally and vertically. Construction crews from both projects will have to cross property boundaries to build efficiently, and the Garage excavation requires ramps that also cross into the Annenberg Center site. Both projects benefit from cost savings resulting from shared general contractor management, economies of scale, common subcontractor trades and integrated schedules.

*Contract Form*

The Guaranteed Maximum Price (GMP) agreement is the best form of contract to assure that both the Annenberg Center and the Garage have the same contractor and meet the integrated schedule, as required by the lease.

This form of agreement retains competitive bidding of all the trades to be involved in the construction, which is essential for determining the least cost, with the bidding to be done in phases. In concept, this contract methodology will mirror the traditional General Contractor form of contracting by requiring complete bidding of the work, as well as, competitive overhead costs and fees charged by the contractor.

The principal advantages of the GMP method are:

- In a GMP, the General Contractor is selected early so that they can "partner" with the design team and provide continuous value engineering, constructability, budgets, and input during in the design process, rather than after the construction drawings are completed. These factors are essential in a complex project. The General Contractor can also plan the project, so that when the work starts it can proceed expeditiously and be completed faster than under traditional methods.

- The maximum price includes all errors and omission Change Orders, whereas under the conventional procedures errors and omissions in the drawings are paid for by the City. However, unforeseen conditions and changes in scope would still increase the contract amount, as in any agreement.

- The GMP process allows the trades to be limited to prequalified bidders, and results in the selection of the lowest bidder in each trade. In the conventional bidding process, the sub-bidders are entirely selected by the general contractor, and the low bid General Contractor is rarely the lowest bid in each trade.

- The same General Contractor can be used for both projects, and provide lower management fees to each. They can coordinate the schedules of the work, and resolve the work area issues and alleviate jurisdictional disputes.

*Safe Guards*

Under a GMP, the General Contractor provides periodic cost estimates that will be refined as the drawings progress. In the event that the subcontractor's bids exceed the cost estimates by a prescribed amount, the City would have the right to terminate the agreement and bid it in a conventional manner.

*General Contractor Selection*

The GMP General Contractor review process consisted of obtaining detailed information from six large contractors. The Annenberg Center, in coordination with City staff, narrowed the group to three firms on the basis of relevant experience and qualifications. These firms were Matt Construction Corporation, Hunt Construction Group, and Charles Pankow Builders. The contractor finalists then competed on fee, preconstruction services, general conditions (onsite project management and supervision, temporary facilities, job equipment, and contract closeout), shared savings, insurance and bonding, staffing, and construction time. A summary of the major business points that were considered in the process are:

| | Matt | Pankow | Hunt |
|---|---|---|---|
| Fee | 2.5% | 3.25% | 3.0% |
| General Conditions | $1.7million | $1.8 million | $2.2 million |
| Shared Savings | 75% owner/ 25% contractor | 100% owner | 100% owner |
| Change Order Fee | 2.5% | 4.0% | 3.0% |
| Preconstruction Fee | $51,000 | $151,000 | $67,000 |
| Construction time | 19 months | 23 months | 24 months |

While the factors considered are wide ranging, financially these items generally represent approximately 10% to 15% of a final GMP. The remaining 85% to 90% of the total cost are the actual subcontractor bids. After careful evaluation of the business points, staff recommends the selection of Matt Construction Corporation as the General Contractor, which is the same firm independently selected by the Annenberg Center. Their experience includes numerous large garages, museums, office buildings, schools, and a wide range of other facilities. They presented the best combination of fee and costs, and a highly qualified team to build the Garage.

*Guaranteed Maximum Price (GMP)*

The GMP format can be used because the Parking Authority has discretion in selecting various methods for contracting work, as compared to the City's compliance with the Public Contracting Code for lowest responsive bid. This requires that the Garage site be transferred to, and accepted by the Parking Authority. The Grant Deed will implement that transfer, except for the street right-of-way surface of Crescent Drive, which will remain City street right-of-way. The Deed also provides a license for the Parking Authority to rebuild the right-of-way over the garage. This transfer has no impact on the Annenberg Center for the Performing Arts, which has a three-party agreement (lease) among the Annenberg Center, the City and the Parking Authority.

*Matt Agreement Business Points*

The GMP agreement contains the business points and basic language required for the entire project with a guaranteed maximum price for the utility relocation work. This would allow the general contractor to begin work immediately and provide the preconstruction and utility relocation to clear the Garage site so that the excavation can begin in January 2010.

The agreement anticipates that it would be amended when the bids for the garage excavation, construction, and street work are received; and the GMP increased for those components of the project. As additional oversight and control by the Parking Authority, the approval of the future amendments will reflect all sub bids for work before they are engaged by Matt Construction.

The business terms for the GMP contract were negotiated as follow:

- Contractor's fee ..... 2.5%
- Fixed general conditions (for greater scope than initially bid) .....$1,929,000
- Shared savings .....75% owner / 25% contractor
- Fee for the first $250,000 of change orders ..... 0
- Fee for change orders over $250,000 ..... 2.5%
- Contractor's contingency (% of GMP) ..... 1.5%
- Contractor's fee for certain items, such as insurance and bonds ..... 0
- Liquidated damages .....$5,000 per day

*Construction Phasing & Schedule*

The current plan is to relocate the existing utilities beneath Crescent Drive commencing late summer, with the goal of completing the work in the public right-of-way prior to the 2009 holiday season. The utilities include Southern California Edison power feeds (serving City Hall, Fire Station #1, and the Post Office), a large City sewer line, Time Warner cables, and a City water pipe line. The Garage construction, including closing Crescent Drive, shoring and excavation would begin in January 2010, with completion in the fall of 2011.

The Garage construction schedule has been coordinated with that of the Annenberg Center. At the present time, it is our understanding they intend to begin their construction in March-April 2010.

*Traffic Diversion Plan*

The Garage construction requires the closure of Crescent Drive. Staff engaged a traffic consultant to study ways to minimize the potential disruption, congestion, and traffic diversion into residential areas that may result from the closure. The recommended plan, which would be implemented in January 2010 prior to the Garage excavation work, includes new signalization, signing, and striping that directs traffic to and facilitates movement to Santa Monica Boulevard North and South, and on Canon Drive south of Santa Monica Boulevard North. The study predicts that congestion will be unavoidably increased due to increased traffic volumes. The Utility Relocation work will not require street closure since those activities will be planned during non-peak hours so that the impact of the closure of Crescent Drive will be limited to one holiday season.

## FISCAL IMPACT

The current budget estimate for the total project, based on schematic drawings and best estimates, is as follows:

| | |
|---|---|
| Utility Relocation | $ 3,465,000 |
| Garage Construction | $ 36,030,000 |
| Street Improvements (including Crescent Drive reconstruction and landscaping at City Hall) | $ 3,205,000 |
| Consultants & Fees | $ 2,100,000 |
| Contingency | $ 2,200,000 |
| Total Project | $ 47,000,000 |

The initial phase and current GMP agreement submitted for approval is for the utility relocation, as follows:

| | |
|---|---|
| Matt Construction Agreement (preconstruction & utility relocation) | $ 3,465,000 |
| City contingency | $ 300,000 |
| Total | $ 3,765,000 |

*Funding*

Funding for this project will be a combination of the following sources:

- $13.3 million in the FY 09-10 Capital Improvement Program budget for this project account
- $7.1 million contributed by the Annenberg Center for their 100 parking spaces in the garage ($5 million in cash and $2.1 million in bonds to be issued by the Parking Authority, but supported by the revenue on the Center parking spaces)
- $1 million in additional Annenberg funding pursuant to a Lease provision that requires the Annenberg Center to fully fund amenities they propose for the Garage that would be beyond the scope of a municipal garage (the current budget estimate includes just over $1 million of such upgrades primarily related to the inclusion of escalators adjacent to the Center)
- $25.6 million acquired from bonds issued by the Parking Authority

*Resolution of Intent to Bond*

This Resolution is required to be adopted by the Parking Authority, in order to use a portion of the proceeds of the bonds to reimburse expenditures made by the Parking Authority within 60 days prior to issuing the bonds, This coverage offers flexibility for the Parking Authority should the cash funding available for this project in the Capital Improvements Project funds is retained. Actual bonds issuance is not expected until September or October 2009 subject to the Parking Authority approval.

**RECOMMENDATION**

Staff recommends that the City Council receive and file this report in anticipation that the City Council and Parking Authority will consider at the regular meeting scheduled for July 7, 2009, the following action items:

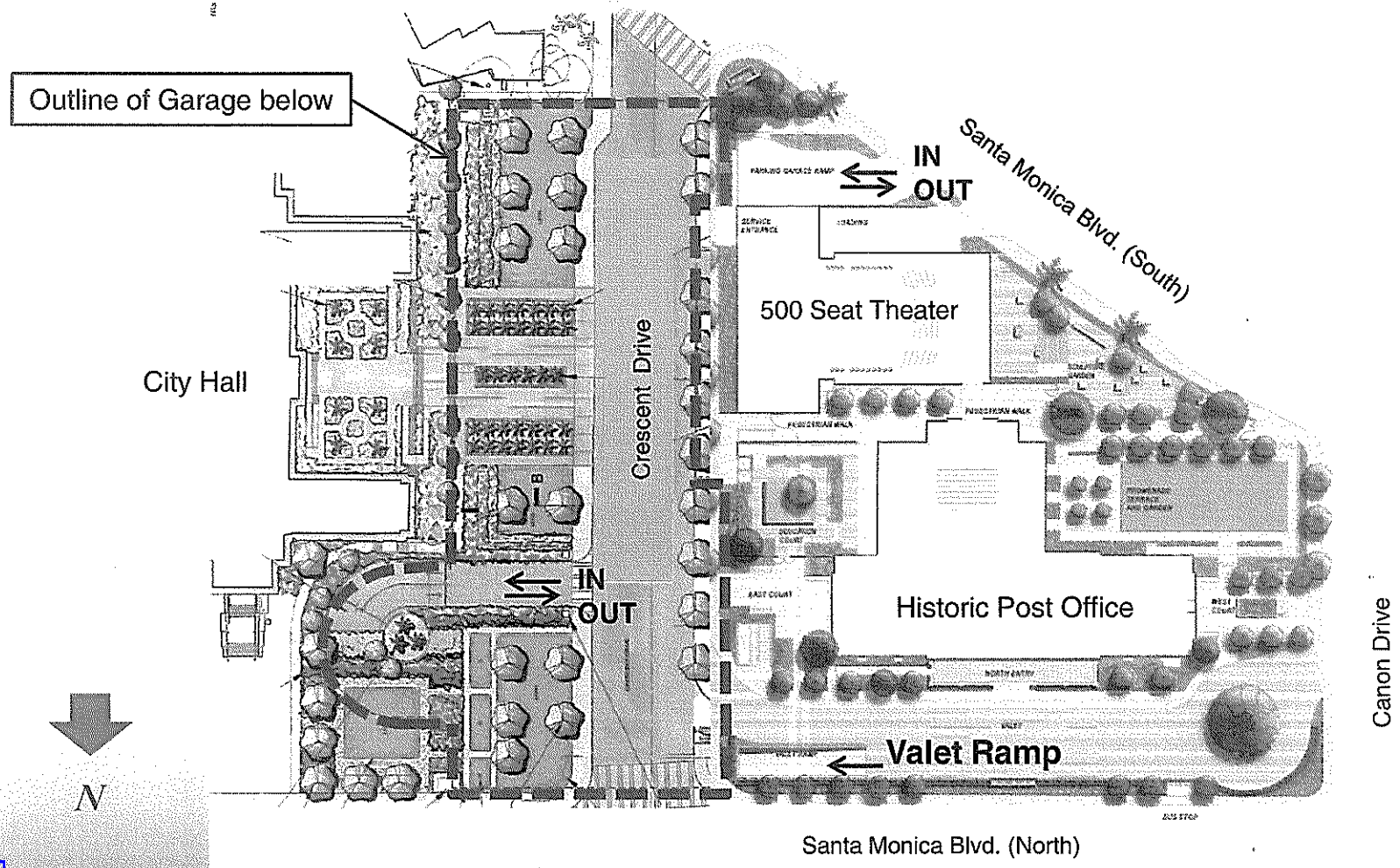
1. City approval and Parking Authority acceptance of a grant deed and license conveying property to the Parking Authority for the purpose of constructing a subterranean parking structure at 455 North Crescent Drive

2. Approval of an agreement between the Parking Authority and Matt Construction Corporation for preconstruction services, general conditions and guaranteed maximum price for development of the 455 Crescent Garage project, and approval of a purchase order in the amount of $3,765,000 for these services and contract work.

3. Resolution of Intent to Bond.

For David D. Gustavson
Approved By

# Site Plan




455 Crescent Garage



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# Garage Floor Plan

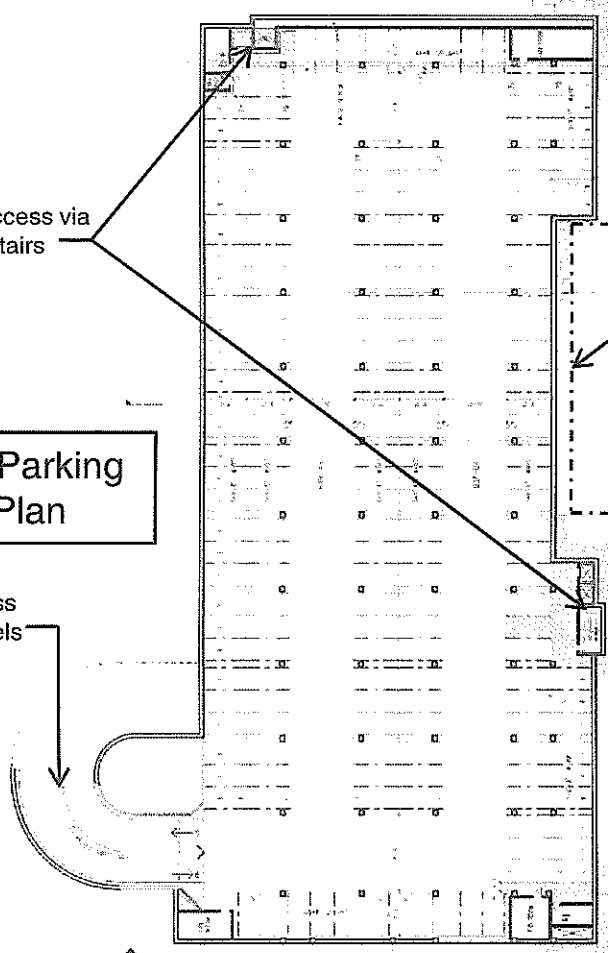
Garage Design:
3 levels of parking
Total of 470 spaces +/-

Pedestrian Access via
Elevators & Stairs

Approx outline of
the new Theater

Typical Parking
Layout Plan

Vehicle Access
Between Levels



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Santa Monica Boulevard

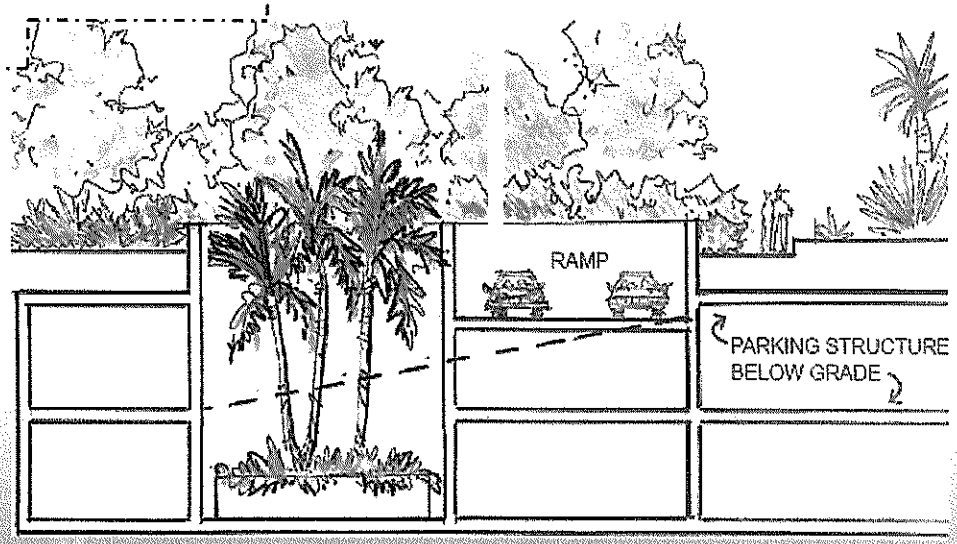


Illustration of circular vehicle ramp and light well
with tree planting at lowest level

455 Crescent Garage



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# Traffic Diversion Plan

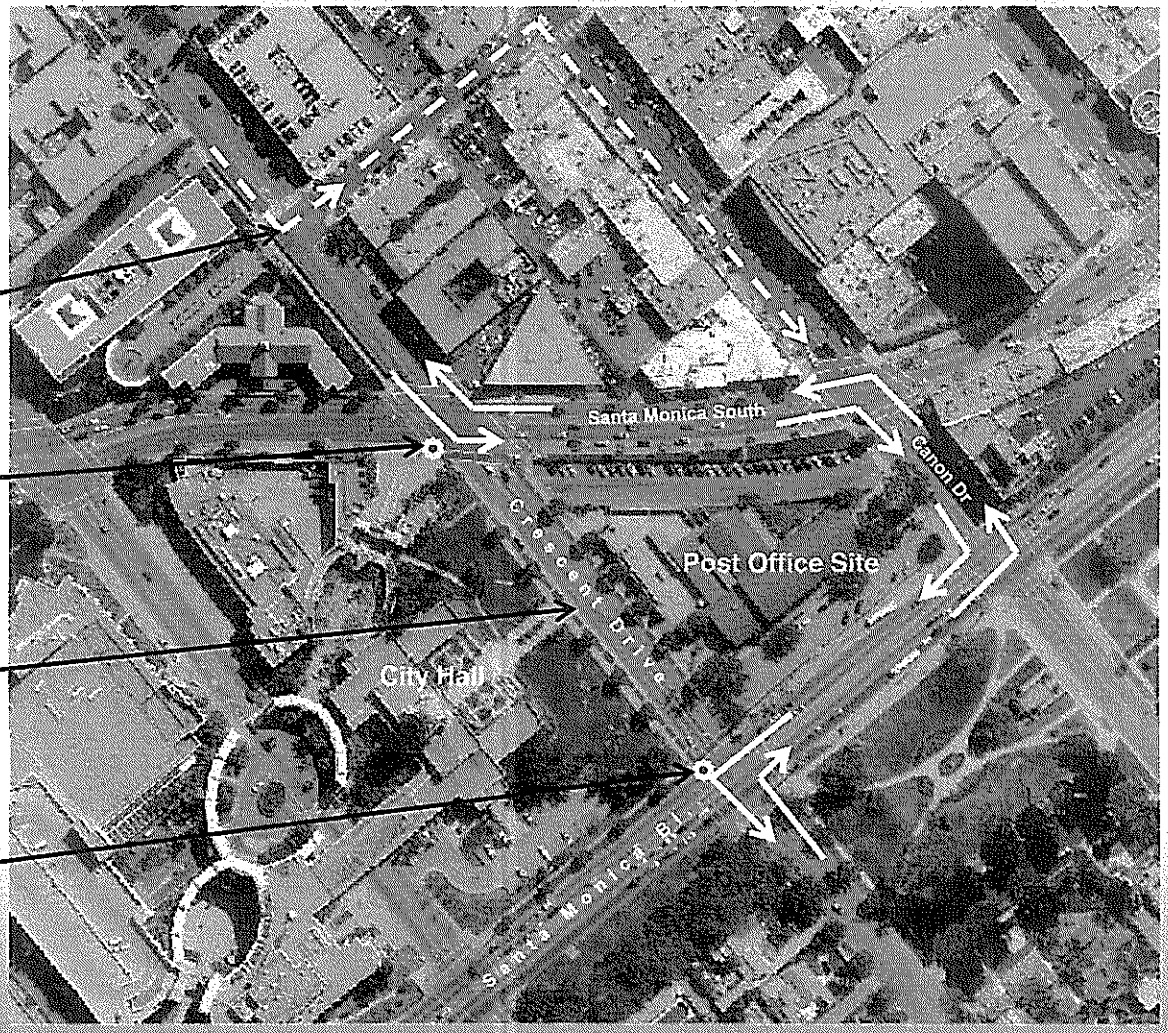
Proposed traffic diversion plan to be implemented in January 2010

Alternate Route for Northbound Traffic

Traffic Signal Left-Turn Arrow Modification to Santa Monica South Westbound

Portion of Crescent Drive closed for Garage Construction

Traffic Signal Right-Turn Arrow Modification to Santa Monica Bl Westbound




455 Crescent Garage