



**PUBLIC WORKS DEPARTMENT**

CITY HALL

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**CITY COUNCIL STAFF REPORT**

Meeting: October 16, 2018

Subject

Budget Adjustment to proceed with a Request for Proposals for architectural services for a New City Hall, an Interim City Hall, and to add one 3-Year Limited Term Project Manager

Recommended Action

Staff recommends Council adopt Resolution No. 18-XXX amending FY 18/19 Operating Budget to appropriate \$6,175,000 to Public Works, as follows:

1. \$5,500,000 for architectural design services for a New City Hall, funded by the Capital Reserve, and;
2. \$500,000 for architectural design and other services as needed for the Interim City Hall, funded by the Capital Reserve, and;
3. \$87,500 to add one 3-year Limited Term Project Manager in the Department of Public Works, funded by the General Fund

Vallco Town Center Background

On September 19, 2018, the Cupertino City Council adopted the Vallco Town Center Specific Plan including resolutions to certify the Environmental Impact Report and associated General Plan Amendments. In addition, the City Council introduced and conducted the first reading to adopt a Development Agreement (DA) between the City and Vallco Property Owner LLC (Developer), as well as introduced and conducted the first reading for ordinances to amend the Municipal Code and the Zoning Map. On October 2, 2018, the Cupertino City Council conducted the second readings and adopted the DA and amended the Municipal Code and the Zoning Map. Although the DA will not be effective until November 2, the schedule for the New City Hall and Interim City Hall designs are on a very aggressive schedule and by proceeding at this time, Requests for Proposals for both efforts will be able to be issued in November.

The DA includes a number of community benefits for the City if the Developer chooses to construct a project on the site that conforms to the Tier 2 option established in the Specific Plan. One of the community benefits included in the Development Agreement is a one-time payment of \$30,000,000 from the Developer to the City (In-Lieu Payment), or for the Developer to construct a core and warm shell building for a New City Hall, conforming to the preferred alternative from the Civic Center Master Plan (a background of the Civic Center Master Plan, and a chronology of related actions is provided as Attachment A). The City may accept the In-Lieu Payment at its discretion at any time

prior to the Developer's contracting with a general contractor for the work or commencement of construction of the New City Hall. If the City elects to receive the In-Lieu Payment, the Developer would pay the full amount prior to issuance of occupancy for the first office building. The core and warm shell will be for a 40,000 square foot, two story building, built to Essential Facility standards, including approximately 118 parking stalls one-level underground garage, and associated site work in the construction area. Although the Developer's obligation under the DA for the New City Hall is to construct a core and warm shell building that has been fully designed and permitted by the City, this budget request includes a scope for the full design of the project, including the design of tenant improvements that are the City's financial and construction obligation.

#### Timing of Developer's Commitment to New City Hall Construction

If Developer commences construction or installation of "Project Specific Work" for the SB 35 Project, then Developer shall pay City within 30 days following City's demand therefor an amount equal to 50% of the reasonable out-of-pocket costs and expenses incurred by City in connection with the design and planning for the New City Hall, not to exceed Three Million Dollars (\$3,000,000).

"Project Specific Work" is defined as work that is specific to either the SB 35 Project, a Tier 1 development project, or the Tier 2 Project under the Development Agreement, contemplated to be work beyond the Project Neutral Work. This would most notably be work associated with a building permit, such as a foundation permit or other construction associated with vertical infrastructure.

"Project Neutral Work", as defined in the DA, includes demolition, rough grading, make-ready utility work, offsite work, excavation and shoring, and such other work as the parties may mutually agree is Project Neutral Work.

#### Developer's Scope of Work for Core and Warm Shell Building

As part of the core and warm shell construction to be delivered by the Developer, the following items will be included:

- Concrete one level parking garage with shotcrete walls included and furnished with code minimum fire sprinkler system, fire alarm system and lighting.
- The New City Hall building will be core and shell (warm shell box) where the box will consist of building envelope and roof.
- Mechanical units will be provided on the roof and will be stubbed into the building for distribution under tenant improvement scope performed by City.
- All utilities, including fire stand pipes, will be stubbed in to the building and will be distributed as part of the tenant improvement work.
- Electrical panels will be provided and electrical services will be brought from the existing transformer connection location point into the building to a location to be shown in the construction drawings.

- The exterior envelope will be either wood frame with stucco and glass windows or metal stud framing with stucco and glass windows.
- The building will be designed to Essential Facility seismic codes.
- Store front doors will be provided. All exterior doors and hardware will be provided.
- All utility connections from the existing connection points to be brought into the building to a location to be shown in the construction drawings.
- The site work in the construction zone is included to have standard landscaping with irrigation and the parking lot to be asphalt, and concrete sidewalks commensurate with existing improvements. Any damage will be restored to original state.
- The civil and structural portions of the building will be designed by the City to LEED Silver.
- Roofing will be an industry standard roofing material.
- Roof will be designed and built to allow for solar panels to be installed by the City.

The City's obligations for the New City Hall project, as identified in the DA are the following:

- City will be responsible for designing, preparing construction documents and obtaining all necessary discretionary approvals and building permits for the New City Hall.
- The target budget (not including Design Deviations) for the work to be completed by the Developer for the core and warm shell New City Hall, consistent with the criteria established in the Civic Center Master Plan, assuming commencement of construction within 24 months, is Thirty One Million Dollars (\$31,000,000)
- City will commence design work within 30 days following the effective date of the Development Agreement for the Tier 2 Vallco Town Center Specific Plan (Effective Date). Thereafter, City will diligently proceed with any discretionary and ministerial approvals for the New City Hall, including any required architectural approvals, preparation of construction documents and permitting, including demolition, tree removal, make-ready utilities, excavation and building permits. The City shall complete all approvals and acquire permits for the New City Hall within 21 months of the Effective Date, subject to extensions that may occur per the DA.
- In order to allow for Developer's timely construction of the New City Hall, City shall vacate the Existing City Hall and deliver possession of the Existing City Hall site to Developer for construction within 24 months of the Effective Date, subject to extensions that may occur per the DA.
- If the City does not meet the above scheduled deadline, the Developer has the option to provide the In-Lieu Payment to the City instead of constructing the New City Hall.

If Developer elects to proceed with development of the Tier 2 of the Vallco Town Center Specific Plan, the Developer shall complete the New City Hall core and shell construction and deliver a Warm Shell New City Hall to the City within thirty six (36) months after the date that the City provided the approved building permits and relinquished the site to the Developer.

If the City's construction plans, specifications and drawings for the New City Hall deviate from the New City Hall Criteria and the deviations increase the cost to construct the New City Hall, the Developer will pay the cost of the design deviations not to exceed Four Million Dollars (\$4,000,000). Any design deviations that increase the New City Hall costs above the deviation cost allowance will be the responsibility of the City.

#### Interim City Hall

Staff will begin to monitor and assess the potential and likely cost to acquire sufficient building lease space for City Hall staff relocation for the potential 4-5 year period that the warm shell and tenant improvements are being constructed. Possibilities of moving City Hall staff to two or more lease spaces will also be considered. However, in the event that sufficient lease space will not be available when the relocation is to occur, staff will need to begin to design and estimate the cost of locating portable buildings, providing temporary utilities, and constructing parking on the Library Field. This design will need to begin early in order to be able to implement the relocation of City without delay if necessary, but the effort would be abandoned if offsite lease space is able to be acquired and the City Council directs staff to do so. More information and a cost comparison will be brought to the City Council by early spring, 2019.

#### City Financial Obligations for New City Hall Delivery

Along with the budget adjustments recommended in this report, the City will be responsible for either the construction of the Interim City Hall in portables on Library Field, very roughly estimated at \$5 million, and the operations and maintenance of those facilities for approximately five years, or the lease cost for five years if the City is able to secure sufficient space at the needed time. For example, if 24,000 square feet of lease space is secured at the current market rate of about \$4.60/sf, then the lease will cost the City approximately \$6,600,000 over the five years. Additionally for either option, the cost for staff and equipment relocations to the Interim City Hall would be necessary, as would the cost to relocate back into the New City Hall.

The City will also be responsible for tenant improvements once the Developer has completed the core and warm shell structure. Assuming \$400-\$500 per square foot for tenant improvements (based on approximate rates for similar improvements in comparable buildings) to the 40,000 square foot building, the tenant improvement costs could be in the range of \$16-\$20 million.

Although without any plans to estimate at this time, the total cost for the project, from beginning of design until move-in, would be:

Design of New City Hall	\$ 5,500,000
Design of Interim City Hall	\$ 500,000
Construction of Interim City Hall	\$ 5,000,000
Construction of Tenant Improvements	\$15-20,000,000
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City Cost Subtotal	\$26-31 million
Developer's core and warm shell	\$ 31 million
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Total Project Cost	\$57-62 million

Total, all-inclusive estimate with contingencies, as presented to the City Council in February 2018, was \$69,150,000. So roughly, the Developer's construction of the core and warm shell has reduced the estimate by \$8-13 million, on top of the \$31 million construction that will be funded and constructed by the Developer.

There are also savings that can be expected to offset some of this cost. A study session to discuss the Citywide building condition assessment project is scheduled for November 5<sup>th</sup>. At this study session, City Hall will be described as requiring up to \$13 million of expenditures over the next 10 years. These expenditures will be necessary to keep the building from failing. These expenditures would not be required upon the decision to proceed with the New City Hall project.

Although the proposed New City Hall is approximately 50% larger than the current building, future operating and maintenance cost of the building will likely be roughly similar due to many energy and water-use efficiencies, modern technologies, and an overall LEED rating of at least Silver.

#### Add One 3-Year Limited Term Project Manager

In order to manage this effort and ensure that schedules are met and that the designs of the Interim City Hall and the New City Hall meet the needs of the City, additional resources are necessary. One additional Project Manager is recommended to be added to the Public Works Department for a term of three years. This Project Manager may work on the City Hall projects, or they may work on more routine CIP projects to allow more experienced staff to work on the City Hall projects. The total estimate cost for this position is \$525,000 for the full three years. As an alternative, staff considered bringing on a Project Manager consultant, which for one person for three years billed at approximately \$250/hour would cost \$1,560,000.

## Schedule

Below is the schedule that would be necessary in order to meet deadlines in the DA:

Date	Activity
<b>October 16, 2018</b>	<b>Council approves budget appropriation to conduct RFP for Design Services</b>
November 2, 2018	Effective Date of the Development Agreement
November 5, 2018	Request for Proposals for Design Services for the Interim City Hall project utilizing On-Call consultant list
November 27, 2018	Issue Design RFQ for New City Hall
December 4, 2018	Council Approval of Design Services Agreement - Interim City Hall
January 7, 2019	Start Design Interim City Hall
<b>April 2, 2019</b>	<b>Council Approval of Design Consultant and Study Session Review of City Hall Concepts from Civic Center Master Plan and review of Interim City Hall Options</b>
June 5, 2019	Community Meeting No. 1
June 30, 2019	Conceptual Design Complete
July 12, 2019	Construction Documents Complete - Interim City Hall Project
July 26, 2019	Building Permit Approval Interim City Hall
August 21, 2019	Advertise Interim City Hall Project
September 17, 2019	Bid Opening - Interim City Hall project
September 30, 2019	Schematic Design Complete
<b>October 15, 2019</b>	<b>Award Interim City Hall project and Study Session on Schematic Design</b>
November 15, 2019	Contract Executed - Interim City Hall project
December 4, 2019	Community Meeting No. 2
December 30, 2019	Design Development Complete for City Council Review
January 2, 2020	Start Construction - Interim City Hall project
<b>January 7, 2020</b>	<b>City Council Review of Design Development – Study Session</b>
April 30, 2020	Construction Documents Complete
June 30, 2020	Building Permit Approval anticipated
August 2, 2020	City Hall Approval Deadline (ie Building Permit approvals)
September 1, 2020	Interim City Complete, receive Occupancy permit
September 15 - October 15, 2020	Transition staff to Interim City Hall
November 2, 2020	Current City Hall is completely vacated
<b>April 1, 2023</b>	<b>Award City Hall T.I. project</b>
August 9, 2023	City begins Tenant Improvements
<b>May 1, 2025</b>	<b>City Hall Complete, Opening Ceremony</b>
	LEGEND
	Interim City Hall
	Deadlines identified in the Development Agreement
	New City Hall
<b>Bold</b>	City Council Approvals/Actions

In addition to the above schedule, there will be at least monthly progress reports provided to the City Council and the public.

### Sustainability

The New City Hall, per the Civic Center Master Plan and the Vallco Town Center DA, will be at least LEED Silver rated facility.

### Fiscal Impact

Costs related to the approval of this item total \$6.175 million dollars. The City's Capital Reserve Fund 429 currently has an available fund balance of approximately \$10 million dollars and is expected to end fiscal year 2018-19 with an additional \$6 million dollars for a total available fund balance of \$16 million dollars. As part of another Item on this agenda, Staff is also recommending to de-fund approximately \$4.425 million from the approved 2018-19 Capital Improvement Program (CIP) Budget. If approved, this would make the fund balance approximately \$20.4 million. Staff recommends using the Capital Reserve to fund architectural services of \$6 million dollars, leaving either \$10 million dollars in available fund balance, or \$14.4 million if the CIP deferrals are approved on this agenda.

The fiscal impact to add one 3-Year Limited Term Project Manager position for FY 18/19 will be \$87,500. Ongoing costs will be \$175,000 in FY 19/20 and FY 20/21 and \$87,500 in FY 21/22, to be funded by the General Fund.

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Prepared by: Timm Borden, Director of Public Works Department

Approved for Submission by: Amy Chan, Interim City Manager

### Attachments:

Attachment A - Civic Center Master Plan Background

Attachment B – Draft Resolution