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CITY COUNCIL STAFF REPORT

Meeting: November 15, 2022

Subject

Consider City Hall Renovation Project update.

Recommended Action

1. Receive report of the City Hall Project Subcommittee; and
2. Direct staff to include the City Hall Renovation Project as part of the fiscal year 2023-24 proposed Capital Improvement Program (CIP) project and budget.

Executive Summary

City Council appointed Councilmembers Moore and Willey to the City Hall Project Subcommittee to evaluate the most efficient solution for the City Hall renovation project. The City Hall Project Subcommittee reviewed details of facility needs for City Hall in a series of six meetings. The meetings covered six broad topics and allowed the Subcommittee to delve into the details of each category. Although the individual topics provide a basis for the decision, all factors combined, including project costs and funding, were necessary to complete the final recommendation. The Subcommittee is confident in their final recommendation to Council in identifying a direction.

Based on the Subcommittee's recommendation, the Council may consider directing staff to develop a project for Council consideration in the Fiscal Year (FY) 2023-24 Capital Improvement Program (CIP) Budget that provides for a renovation of City Hall to Risk Category II (as defined by section 1604.5 of the California Building Code) seismic standards, addressing deferred capital maintenance and space programming needs, with a target project cost of $25.6 million. Separately, the Subcommittee recommends that the upcoming CIP include short and medium-term Civic Center parking solutions that provide modest parking improvements, allowing future evaluations of significant parking modifications.

Background

At the July 19, Council meeting, Councilmembers Moore and Willey were appointed to the City Hall Project Subcommittee. The purpose of the Subcommittee was to review the City Hall facility, evaluate viable solutions and bring forward recommendations for Council's consideration. The review would include options for seismic upgrades to the existing

building, renovations to the existing building, replacement of the existing building, and other elements to support ongoing city operations. To support the work of the Subcommittee, staff enhanced the amount of information available on a project specific webpage: https://www.cupertino.org/our-city/departments/public-works/capital-improvement-program-projects/city-hall-project. Presentations to the Subcommittee are also posted on this webpage.

On August 2, the City Hall Project Subcommittee met for the first time. The Subcommittee meetings were set to cover the following topics and meetings five and six were ultimately combined as the Subcommittee made fast progress in reviewing the topics:

Meeting 1 – Orientation, background, facility tour
Meeting 2 – Seismic deficiencies and options
Meeting 3 – Emergency Operations Center (EOC) needs and options
Meeting 4 – Space programming
Meeting 5 – Parking
Meeting 6 – Funding options and recommendations

The last Subcommittee meeting took place on October 21.

Although addressed individually, the topics among the six meetings are interrelated. For example, seismic upgrade needs are influenced by the location of the EOC. This, and the cost considerations, led to the Subcommittee's recommendation on October 18 to include the EOC as part of the City Hall Annex scope.

At the first meeting, staff provided a background of elements associated with the project and a meeting schedule consisting of specific topics across planned meetings. The identified goal of the meetings was to conduct a deep dive into each agenda item so that the Subcommittee could fully understand the necessary considerations, ask questions, and ultimately present a full understanding of the subject matter to the entire Council. Through condensing the amount of time between meetings and extending the duration of each meeting to exceed two hours, the Subcommittee was able to finish the discussion ahead of the planned timeline, allowing for a timely discussion of this item by the Council as a whole.

Discussion

This section of the staff report tracks each of the topics discussed by the Subcommittee, providing highlights of the discussion and key considerations.

Project Orientation – The first meeting of the Subcommittee focused on sharing the current status of ongoing efforts, available information collected through studies over the years, and potential project elements that trigger further project scope. The Subcommittee was able to provide a series of questions that helped staff to be prepared for future discussions.

The meeting also provided an opportunity to tour the entire City Hall facility, including areas that are normally not accessible to the public or councilmembers. During the tour, the Subcommittee was able to experience the aged equipment in the lower level, including mechanical and electrical equipment. The location of the generator within the building was noted as a concern as well, both from a safety and functionality perspective. The age and the condition of the equipment means that replacement of that equipment will be required in the short term, irrespective of whether or not a City Hall project proceeds.

In addition to the aging equipment, the Subcommittee observed cracking and spalling in columns around the perimeter of the building which became the emphasis of meeting #2 discussion that focuses on addressing seismic deficiencies.

The Subcommittee also noted the inefficiency of space programming for all City Hall staff, especially when looking at the underutilized EOC, residing in the former Council Chambers.

Seismic Evaluation – The second Subcommittee meeting focused primarily on the seismic evaluations of the building. As demonstrated on the project webpage, numerous studies have been conducted over the years. These reports consistently concluded that the facility has structural deficiencies. These deficiencies stem from design errors in a 1986 remodel of the facility, wherein calculations were improperly made. The Subcommittee reviewed seismic requirements for both a Risk Category II (standard office) and a Risk Category IV (essential facilities) building. Through the course of discussion, the Subcommittee provided guidance at looking for alternative locations for the Emergency Operations Center in order to expand the options for City Hall. The Subcommittee then recommended the Council to locate the EOC at the City Hall Annex building and Council confirmed such direction on October 18. The option to incorporate Category II instead of Category IV seismic upgrades could reduce the project cost by $500,000.

Emergency Operations Center – The Subcommittee received a full overview of the EOC functions and staff provided a review of eight alternate locations for the EOC, leading ultimately to the incorporation of the future EOC into the City Hall Annex project as directed by the Council on October 18. This decision potentially relieves a future City Hall project from the obligation of Category IV seismic upgrades. In addition, this allows for use of the current EOC space for programming to meet overall space needs, a key component of identifying the future size requirements of the City Hall building.

From a financing perspective, moving the EOC to the City Hall Annex added approximately $500,000 to that project cost. The estimated addition for an EOC in a future City Hall project would be twice that amount, or approximately $1 million.

Parking and Programming – This session looked at past, present, and future needs of interior office spaces, and areas for additional parking spaces, with consideration for what elements could be addressed now and what could be done in a subsequent phase. This is most

evident in the area of parking, where several options were considered. Because current parking is not as impacted as was the case when previous evaluations were done, an incremental program was developed. This reduced parking demand is largely attributable to City staff working remotely, removing the need for an immediate expensive solution.

The parking evaluation resulted in a recommendation to implement parking along the back of Community Hall, adding 16 spaces of capacity (creating parking on both sides of the drive aisle). This work can be completed independent of any other project, serving both the Library and City Hall functions. A second phase could add approximately 21 new parking spaces along the Memorial Grove opposite of Library Field. See Figure 1, below. This would require some adjustments to Library Field and is seen as a medium-term project that can also be implemented independent of other projects and with careful community engagement.

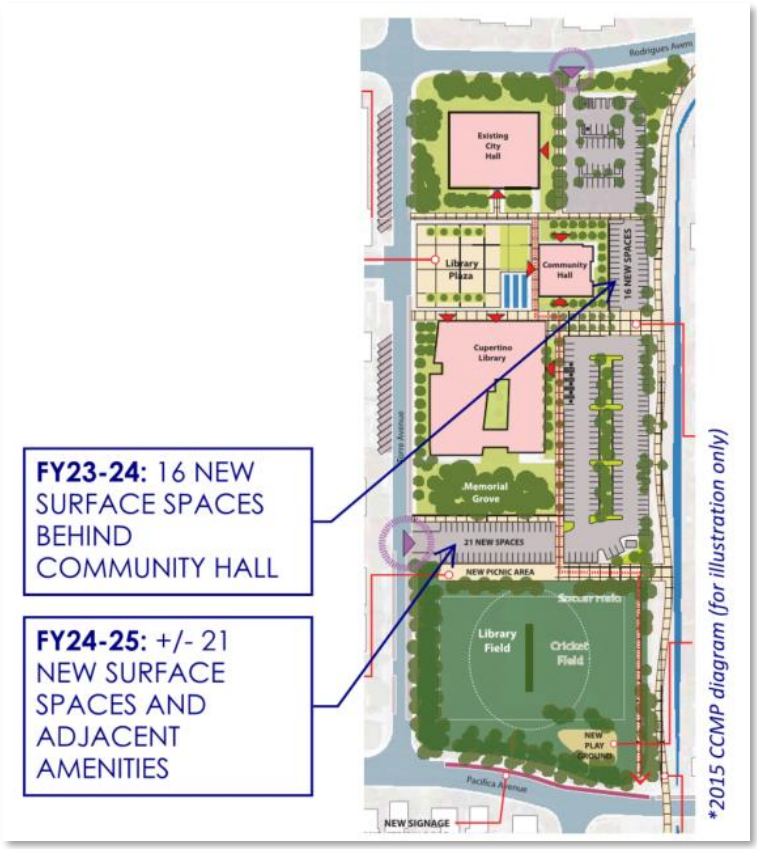

Figure 1: Locations of additional parking proposals

A longer-term option includes the construction of a parking garage to meet expanded parking needs. Given this is a more significant project, the Subcommittee recommends deferring discussions until after parking improvements are made and the parking demand is evaluated.

In addition to planning for parking, the Subcommittee evaluated the needs associated with the facility to meet the public facing service needs. Included in the evaluation was the

success of the City Hall Annex model and the potential for an additional annex building to meet growth needs in the future.

Projecting a ten percent growth in city hall staffing, there are approximately 143 staff members who will be needing individual workspace at City Hall. Staff estimates that City Hall can accommodate between 107 and 126 staff at its current size once renovated. Several strategies can play together to address the shortfall in space:

Strategy	**Reduction in Staff at City Hall**
Remote Work – 30% of staff	43
City Hall Annex	25
Additional Future Annex Building	25

These strategies allow for workspace design flexibility. Once complete, the City Hall Annex will provide immediate relief. If approved, a new City Hall Renovation project would create a short-term need for leased space during the construction phase. Following that, the newly renovated City Hall would be able to accommodate all staffing with the continuation of a remote work program. Ultimately, the City can consider constructing additional space similar to the City Hall Annex, if the space assessment at the time warrants such a decision.

Funding Options – The Subcommittee examined a variety of cost and funding options that incorporated the consideration of project needs and wants, City available capital funds, and options for debt financing. The project costs are budgeting level estimates at this stage and options for funding have been grouped to align with potential project size and scope. The following table outlines potential funding options.

Project Size	**Funding Options**
Small ($10M)	General Fund Unassigned Fund Balance **OR** General Fund Capital Reserve
Medium (up to $45M)	General Fund Unassigned Fund Balance **AND** General Fund Capital Reserve
Large (greater than $45M)	Debt Financing

A small project would be something the City could fund through available funds while still maintaining a robust capital program. A medium size project could impact the capacity of the capital program in the short-term but is something the City could fund with available balances. A larger project would require a more intense debt financing assessment.

The following table captures a number of options as reviewed by the Subcommittee. The recommended option as highlighted, would require $25.6 million in funding, assuming construction in 2024.

Element	Area SF	Cost / SF	2023 Project Total (+25% soft costs)	2024 Project Total (+5% escalation)
City Hall Renovation - Seismic Only, Risk Category II	24,140	$216	$6,506,635	$6,831,967
City Hall Renovation - Seismic Only, Risk Category IV	24,140	$232	$7,007,540	$7,357,917
City Hall Renovation - Seismic, MEP/IT, Interior gut, Risk Category II	24,140	$807	$24,364,200	**$25,582,410**
City Hall Renovation - Seismic, MEP/IT, Interior gut, Risk Category IV	24,140	$868	$26,194,616	$27,504,347
City Hall Replacement, Risk Category II	24,140	$804	$24,250,139	$25,462,646
City Hall Replacement, Risk Category IV	24,140	$908	$27,401,918	$28,772,013
City Hall Replacement w/ Added Floor, Risk Category II	36,140	$809	$36,547,027	$38,374,378
City Hall Replacement w/ Added Floor, Risk Category IV	36,140	$914	$41,271,880	$43,335,474
City Hall Replacement w/ Added Floor + 100 spaces Underground parking, Risk Category II	70,140	$529	$46,339,451	$48,656,424
City Hall Replacement w/ Added Floor + 100 spaces Underground parking, Risk Category IV	70,140	$582	$51,064,305	$53,617,520

Note: Risk Category II is a standard office building, constructed to remain standing and allow egress for occupants following a seismic event. Risk Category IV is an "Essential Facility", constructed to remain operational following a seismic event. (Reference: California Building Code, Table 1604.5)

Conclusion – The Subcommittee considered the variables as outlined above and made the following conclusions:

- The combination of space needs, seismic deficiencies, and deferred capital maintenance justify an investment in the City Hall facility.
- Incorporating the EOC into the City Hall Annex project has relieved the requirement for a Category IV building.
- The successful acquisition of the City Hall Annex property provides space and a model for additional future space as it is needed.
- Although parking has been challenging historically, new dynamics in the workplace combined with small capacity enhancing improvements may alleviate the immediate need, allowing for the decision on expanding parking capacity to be deferred.
- The City's strong financial position could allow for a project up to $45 million.
- A City Hall renovation project investing approximately $25.6 million can meet the business needs of the City.

Thus, the Subcommittee recommends Council to consider directing staff including the City Hall Renovation project in the FY 2023-24 CIP Budget that provides for a renovation of City Hall to Category II seismic standards, addressing deferred capital maintenance, and space programming needs, with a target project cost of $25.6 million. Separately, program parking solutions for short and medium-term modest increases in parking, retaining larger parking additions for future evaluation.

Next Steps

Based on the Council discussion, staff will develop future projects for consideration with the annual CIP Budget.

Sustainability Impact

There are no sustainability impacts from this agenda item. Future projects will be evaluated for sustainability impacts as they are developed.

Fiscal Impact

There is no fiscal impact from this report. Future budget allocations will be made through the annual budget process.

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