



**SACRAMENTO
HOUSING AND REDEVELOPMENT
AGENCY**



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March 7, 1989

Budget and Finance Committee
of the City Council
Sacramento, CA

Honorable Members in Session:

SUBJECT: Revised Budget Management Plan for the Central
Library Project


SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the Redevelopment Agency of the City of Sacramento.

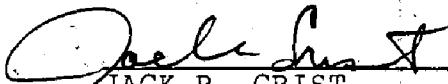
RECOMMENDATION

The staff recommends approval of the attached resolution approving the funding allocations.

Respectfully submitted,


ANDREW J. PLESCIA
Acting Executive Director

TRANSMITTAL TO COMMITTEE:


JACK R. CRIST
Deputy City Manager

Attachment



Correspondence
B&F

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY



March 7, 1989

Redevelopment Agency of the
City of Sacramento
Sacramento, CA 95814

Honorable Members in Session:

SUBJECT: Revised Budget Management Plan for the Central Library Project

SUMMARY

This report provides an update of the Central Library Expansion Project, and outlines the budget ramifications of the phasing plan adopted for the project in April of 1988. Based on information received on the bidding implications of phasing the project, the report recommends that the project be completed in one phase. While no previously unanticipated costs are involved in this action, this will entail commitment of funds sufficient to cover expenses we had planned to defer under the phasing plan. Out of concern for the City's budget status, emphasis has been placed on additional Redevelopment Agency funds as opposed to City general funds to complete this project.

The report also recommends that the Agency commit project contingency funds for certain additional project improvements.

BACKGROUND

On August 4, 1987, the Redevelopment Agency of the City of Sacramento (Agency) approved a Disposition and Development Agreement (DDA) with the Library Plaza Group (LPG) for the development of a library, galleria, office and parking complex on the block bounded by 8th, 9th, "I" and "J" Streets. The original budget for the public portions of the project, including the new library, library remodel, galleria, parking structure and streetscape improvements, was \$32.4 million. That amount was totally derived from the proceeds of Redevelopment Agency tax increment funds, except that the City forgave \$1.0 million annually in Redevelopment Agency obligations under the Light Rail Certificate of Participation Repayment Agreement in return for the Agency's contribution. On April 5, 1988, an additional \$2.154 million in Redevelopment Agency funds was allocated to the project to fund design modifications, which included excavation of the basement level beneath the galleria for use as a technical services area, relocation of the children's library to the subterranean floor of the new structure, and certain unanticipated toxic removal expenses. A portion of the funds was additionally allocated to the project contingency to accommodate Agency-directed change orders in both the library and garage.

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On August 23, 1988, modification of the 9th Street side of the galleria and new library was approved. The galleria and southernmost stack wing of the library were recessed by 30 feet, creating a courtyard in front of the galleria entrance. The one-story cafe remains extended to the original building line, and parallels the existing library structure. In addition to the design modification, additional items were added to the scope of our contract with LPG at a cost of \$489,051. Funds for the expanded project scope were allocated from several sources. The City agreed to a fee reduction of \$122,600 and allocated \$77,400 from its general fund. One hundred thousand dollars in construction cost savings was achieved by the recess of the library stack wing, and \$189,051 was allocated from the project contingency fund.

Phasing Plan

At the meeting of April 5, 1988, the Agency additionally approved a project phasing plan in order to establish a sufficient contingency fund to provide for the possibility of excessive court judgements related to property valuation. The portions of the approved project to be completed in the initial construction phase were the first, second and third floors of the new library, the children's library and the galleria. Remodel of the existing library, the fourth and fifth floor interior improvements along with the streetscape would be completed as funds from the reserve account became available (should there be money remaining following acquisition) or allocated from future Agency revenues.

To date, considerable progress has been made. Construction drawings for the library and galleria complex will soon be complete, and the project will be ready for release for bid. In the context of the preparation of the project bid package, staff has reassessed the costs and benefits associated with the phasing plan. The potential costs vary from \$200,000 to \$600,000, depending upon the date that the Agency is able to authorize the second phase improvements, as explained below.

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Two phasing scenarios are possible: 1) Should the Agency obtain favorable judgements in all cases by next fall and therefore be able to authorize the contractor to proceed with the Phase II improvements without extension of the construction schedule, the cost would be approximately \$200,000. This cost reflects lost economies of scale, as subcontractors would be required to purchase materials in two packages, and cost escalations, since contractors would build into their initial bids the anticipated inflation of materials costs; 2) Should the Agency not resolve its acquisition disputes by next fall and, therefore, be unable to issue a timely authorization to proceed to the subcontractors, the construction period would have to be extended for the second phase improvements, resulting in additional costs of up to \$400,000, depending on when authorization to proceed is issued. This amount would be in addition to the \$200,000 for lost economies of scale and escalation, resulting in a cost of approximately \$600,000.

Staff believes that in either case, the amount required to phase the project is excessive. Staff also believes, however, that it is imperative to maintain a substantial contingency fund for acquisition. It is therefore recommended that additional funds be allocated to the project so that it might be completed in one phase while a prudent acquisition reserve is maintained. The April 5, 1988 action set aside approximately \$1.55 million in construction funds and \$500,000 for streetscape improvements for Phase II of the project. Staff recommends that these amounts be allocated to the project at this time, and that excess funds in the acquisition reserve be returned to the Agency for re-allocation once acquisition of the library properties is complete.

Additions to the Project Scope of Work

City staff and Agency staff along with the project architects have requested that the project scope of work be expanded to include several additional items which will increase the library's longterm maintainability and efficiency. These were items which were not included within the scope of the original DDA. The preliminary estimates for these items have been obtained, and the staff recommends that the cost for these items be shared by the Agency and the City. The Agency's portion (\$240,000) would be allocated from the project contingency.

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The City's portion (\$545,000) consists of items which will either be covered in future Certificates of Participation or can be deferred for several years. No specific recommendation on these items is included in this report. City staff will provide additional information regarding their share of the cost in the near future. The items and budget breakdown are listed in Exhibit "A."

In addition to the listed items, the City staff has recommended that the contract include \$300,000 for a thermal storage system. The thermal storage system would produce ice during the night which would be used to air condition the library during the day. The benefit of the system is that it reduces energy consumption during peak consumption times (1 p.m. to 9 p.m. during summer months) and thereby decreases the peak period burden on the utility district. The estimated cost of the system is \$300,000, and City staff is researching several financing programs offered by SMUD and the State of California - Energy Commission for the project. The financing programs offer loans to implement energy efficiency systems which are repaid by the savings achieved due to the system. The thermal storage system would only be implemented if construction financing is made available to the City and if adequate energy savings to ultimately pay for the system is assured.

FINANCIAL DATA

The recommended actions have the following financial implications:

1. Allocation of \$240,000 of the project contingency for project improvements. There is currently \$475,000 in the project contingency fund. The balance will therefore be \$235,000.
2. Allocation of \$2.05 million in additional Redevelopment Agency funds to the project in order to proceed with construction of all improvements in one phase while maintaining a prudent acquisition reserve.

The overall change in the project budget is presented in Exhibit "B."

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The actual expenditure of the funds will not occur until 1990. The additional money will be provided by debt to be issued in early 1990. This will either come from the proceeds of a bond to be issued on our existing Agency parking garages prior to March of 1990 (estimated at \$10-12 million), the proceeds of our planned 1990 Downtown Tax Allocation Bond Issue (estimated at \$20 million), or from short term debt against either parking or tax increment revenues if neither issue can be consummated in time. Staff will report back on this issue in the near future.

POLICY IMPLICATION

The recommended actions are consistent with the Merged Downtown Sacramento Redevelopment Plan and Implementation Strategy.

MBE/WBE IMPACT

The general contractor (Rudolph & Seltten) for this project has long since been selected. They have been instructed on the Agency's MBE/WBE goals (20/5 percent) and will make every effort to bring the additional work required into compartment.

VOTE AND RECOMMENDATION OF COMMISSION

At its meeting of February 27, 1989, the Sacramento Housing and Redevelopment Commission adopted a motion recommending approval of the attached resolution. The votes were as follows:

AYES: Amundson, Moose, Sheldon, Simon, Simpson, Strong,
Wiggins, Wooley, Yew

NOES: None

ABSENT: None

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RECOMMENDATION

The staff recommends approval of the attached resolution which authorizes the allocation of contingency funds to specific project items, and authorizes the allocation of additional funds in order to complete the project in one phase. The resolution further authorizes the Executive Director to amend the Agency's DDA with LPG to reflect these changes.

Respectfully submitted,


ANDREW J. PLESCIA
Acting Executive Director

AJP/WS:cmc

TRANSMITTAL TO COUNCIL:

WALTER J. SLIPE
City Manager

0361C

RESOLUTION NO.

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF

ALLOCATION OF FUNDS TO COMPLETE THE LIBRARY PROJECT ALLOCATION OF FUNDS TO EXPAND THE SCOPE OF WORK

Whereas, the Central Library Expansion Project ("Project") Disposition and Development Agreement ("DDA") was approved by Resolution No. RA 87-055 on August 4, 1987; and

Whereas, a phasing program was approved for the Project on April 5, 1988 to assure sufficient contingency reserves; and

Whereas, the completion of the Project in one phase is desired in order to avoid additional costs; and

Whereas, an increase in the scope of the Project is desired to enhance future efficiency of the Project.

NOW, THEREFORE, BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1: A budget allocation of \$2,050,000 to the Project contingency reserves from future Agency funds is hereby approved.

Section 2: The allocation of \$240,000 from the Project contingency reserve fund to certain improvements as described in Attachment 1 is hereby approved.

Section 3: The Project budget shall be amended as follows:

	<u>Approved Budget</u> <u>April 5, 1988</u>	<u>Proposed Budget</u>
Remodel	Phase II	
		\$18,169,018
Library & Galleria Construction	\$16,622,732	
Garage Construction	7,824,299	7,824,299
Hazardous Waste Removal	650,000	650,000
Housing Replacement	1,000,000	1,000,000
Offsite Improvements	Phase II	500,000
Construction Mgmt.	206,000	800,000
		(Increase approved as part of 1989 Agency Budget)
Acquisition (Deposits with court and previously settled)	5,414,000	5,414,000
Acquisition Contingency		2,330,509
Legal Fees	3,201,489	316,000
Relocation		554,980
TOTAL	\$34,918,520	\$37,558,806

Source of Funds:

Originally Approved	\$34,918,520
Allocated in 1989 Budget	594,000
Additional Funds Required	<u>2,046,286</u>
	\$37,558,806

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Section 4: The Executive Director is authorized to take such action, execute such contracts and amend such documents as are required by this resolution.

CHAIR

ATTEST:

SECRETARY

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Exhibit "A"

ADDITIONS TO SCOPE OF WORK

- 1. Carpet Tiles. The City now uses carpet tiles for all new and refurbished buildings (as in City Hall). They find that carpet tiles are much easier to maintain since individual tiles may be replaced if damaged. Carpet tiles are more expensive than the rolled carpet which has been budgeted. We will require a supplement to the budget to pay for this item.

Agency's Portion: \$80,000 City's Portion: \$80,000

- 2. Dual Glazed Windows. The City staff recommends that all windows be dual glazed in order to maximize heat and air conditioning efficiency.

Agency's Portion: \$35,000 City's Portion: \$-0-

- 3. Cabinetry. Built-in cabinetry is not a part of the original scope of work but is required for the function of the library.

Agency's Portion: \$75,000 City's Portion: \$75,000

- 4. Floor Covering for Stairs. The City staff have requested that a durable material, such as terazzo, be used on the library stairs instead of carpet.

Agency's Portion: \$50,000 City's Portion: \$-0-

- 5. Interior Signage. Libraries require more signage than most public facilities due to the number of public areas which must be identified.

Agency's Portion: \$-0- City's Portion: \$160,000

- 6. Vinyl Wall Covering. Protective wall covering will be required because of the extent of traffic through public areas.

Agency's Portion: \$-0- City's Portion: \$200,000

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7. Electrical Surge Protection. This is required to protect computers from uneven flow of electricity.

Agency's Portion: \$-0-

City's Portion: \$10,000

8. Trash Compactor.

Agency's Portion: \$-0-

City's Portion: \$20,000

TOTALS:

Agency: \$240,000

City: \$545,000

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Exhibit "B"

	<u>Approved Budget</u> <u>April 5, 1988</u>	<u>Proposed Budget</u>
Remodel	Phase II	\$18,169,018
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