



Atascadero City Council

Staff Report – Administrative Services Department

Historic City Hall Rehabilitation Project

RECOMMENDATION:

Information only

REPORT IN BRIEF:

This report is intended to update the City Council on the Historic City Hall Rehabilitation Project. An updated cost estimate has been received, and the new projected budget for rehabilitation of the building is significantly more than the prior estimate. That information is included in the report. There are options available to provide the funding and cash flow necessary to move forward discussed in the report.

The City has not yet received a response to the second appeal filed with FEMA in April, 2009. Contracts for hazardous materials / environmental clearance and construction management are nearly complete and will be brought to Council for award. Phase I and Phase II construction documents have been reviewed by the building department on the first plan check, and Phase I (deconstruction) is expected to begin this summer.

DISCUSSION:

General History of the Project

The San Simeon earthquake dealt significant damage to the Historic City Hall building. Although this pride of the City was able to remain standing through the ordeal, it sustained enough damage to render it unusable in its current condition. The process to rehabilitate the building to its pre-earthquake condition has been long and complex. The City's architects and staff have been laying the ground work that will lead the way to the rehabilitation of the building. Most of the work to date is largely invisible to the general public, and has involved meticulous examinations of the building, testing and research, creation of construction drawings, and ongoing communications with the Federal Emergency Management Agency (FEMA).

In a major rehabilitation situation such as this, the important first step is to identify what condition the building is in, what condition it should be in at the end of the project, and then to create a map to get most effectively from point A to point B. Logically then, the first place to start is to examine the original construction documents of the structure and use them to evaluate the condition of it. Unfortunately, even after exhaustive searches, the original construction drawings have never been found. The architects required some base document to begin their work, however, so the obvious option was to carefully examine the entire building to gather enough information to re-create original drawings (these re-created drawings are also called As Builts). This was a difficult and time-consuming process. The building is extremely complicated and was erected with a mixture of construction methods. Much of the heart of the structure is covered with architectural finishes and is thus not visible upon inspection. Additionally, more recent renovations to the structure have occurred that have added even more complexity to the task. To compound the issues further, the building is yellow-tagged, meaning that loose materials could become detached and potentially injure people in or around the building. Also, large cracks and crevices in the exterior fabric of the building have allowed the accumulation of mold and pigeon guano, both of which are considered to be hazardous materials.

Amongst all of the complexities and dangers of the building, the architects were able to gather enough information to create the As Builts drawings. These drawings were then used as the basis point to map out all of the earthquake related damage in the building. While this seems like a rather straight-forward task, it is actually very much the opposite. The architects and their teams of experts scaled every inch of the dangerous building, documenting the quake damage. Each damaged element was carefully measured and evaluated with special focus on the severity of the damage and the significance of the damage to the integrity of the building as a whole. The accurate mapping of quake related damage was extremely critical for two reasons: 1) a complete understanding of the extent and volume of damage has a direct effect on the repair scheme and is crucial to the safe and effective rehabilitation of the building, and 2) the funding of the project by FEMA depends on precise data and the integrity of the information. FEMA relies on the applicant (the City) to provide complete and accurate records of damages sustained from the event. FEMA then verifies the information provided by the applicant via a physical inspection and approves a scope of work relevant to the damage. If the City fails to identify quake related damage, it is likely that the costs of the repairs will not be funded by FEMA and will need to be funded by the City.

Everything about this Project is complex: the building; creating drawings from scratch; identifying quake damage in the dangerous building; identifying deferred maintenance repairs necessary for re-occupancy of the building; maintaining the historical fabric of the structure and site; protecting the public from falling debris; completing all the documentation required by FEMA; obtaining funding; and maintaining the delicate relationship between FEMA and the City. All of these influencing factors are absolutely critical and cannot be ignored, rushed through, or glazed over. Any one of these issues would complicate any large rehabilitation project, but taken together, the size of the Project is that much more immense.

Construction Timeline to Date

The complexity of the Project and its funding sources are reflected in the lengthy process the City has gone through to get to this point. Progress has been made, but here we are 6 years later and no visible construction has begun. The FEMA funding process has significantly and unavoidably delayed the process for a period of almost 3 years; however substantial progress has been made on this very large and complex Project. Below is a general timeline of the significant milestones related to construction of the Project. (The timeline does not reflect all FEMA activities or all Council meetings, etc.)

- December 22, 2003- A magnitude 6.5 earthquake strikes the central coast approximately 11 kilometers north-east of San Simeon. The City incurred extensive damage to its City Hall and is forced to relocate to temporary facilities.
- May 11, 2004- City Council authorizes the City Manager to negotiate and execute a contract with Pfeiffer Partners and subs including Nabih Youssef & Associates.
- July 2004- City concludes negotiations for work on a damage assessment and rehabilitation plan and executes a contract with Pfeiffer Partners for the Project. City also hires As-Built Services to draw up “as-built” drawings for the building.
- April 4, 2005- After 8 months of work by Pfeiffer Partners team (includes architecture, structural engineering, materials conservation specialists, code consultants, lighting consultants, cost estimators, and MEP consultants), As-Built Services, and Earth Systems Pacific, a Damage Assessment and Rehabilitation Plan is produced and submitted to FEMA and OES. A cost estimate is produced as part of the report showing a total construction cost of \$27.5 million.
- April 2005 – December 2007 - The City assists FEMA and performs additional testing at FEMA’s request, but little is done to move construction of the Project forward. FEMA and OES representatives have told the City that if the City does work outside the approved scope of work, that the Project will be considered an Improved Project and the funding will be capped. There is no approved scope of work so proceeding with Design Development, Schematic Design etc. would not have been productive during this 33 month time frame.
- December 13, 2007- The City receives FEMA’s Project Worksheet (which includes the approved scope of work) for this Project.
- January 8, 2008- City Council hears an update of the City Hall Project as part of the strategic planning process.
- February 1 2008- The City files its first appeal challenging several of FEMA’s determinations regarding eligibility of work and categorization of work.
- February 12, 2008- City Council reviews FEMA funding and the City’s first level appeal to FEMA.

- April 1, 2008- City receives a proposal from Pfeiffer Partners for repair and hazard mitigation scope of work. The City begins negotiations and requests additional information from the Pfeiffer Partner team regarding their proposal.
- May 11, 2008- Redevelopment Agency Board appropriates an additional \$6.5 million and assures CCHE that it intends to move forward with the Project.
- July 8, 2008- City Council approves continuing the next phases of the architecture and engineering contract for the repair and hazard mitigation scope of work. The contract includes A & E services for schematic design, design development, construction documents, bid assistance and construction administration. The contract is a flat fee contract of \$3.9 million plus any reimbursable expenses such as copies, plans, postage and travel expenses.
- October 6, 2008- Schematic Design project manual and documents are complete and are submitted to the City.
- December 17, 2008- The City receives FEMA's response to the first appeal.
- February 27, 2009- Design Development documents are complete and submitted to the City.
- March 12, 2009- City Council Workshop on Historic City Hall. Council affirms moving forward with the Project.
- April 9, 2009- The City files the second appeal with FEMA.
- August 1, 2009- 100% Construction Documents for Phase I work are submitted to the City for permitting and plan checking.
- September 30, 2009- 100% Construction Documents for Phase II work are submitted to the City for permitting and plan checking. The City begins the plan check process.
- October 13, 2009- RFP for hazardous materials and environmental clearance survey services is issued and a RFQ for construction and project management services is issued.
- December 9, 2009- Interview hazardous materials and environmental clearance survey consultants.
- December 10, 2009- Interview construction and project management firms.
- January 2010- Begin negotiations and development of contract scope of work with Millennium for hazardous materials and environment clearance survey.
- January 2010- The City analyzes the latest cost estimate received from Davis Langdon for Phase I & Phase II work. These estimates came in higher than anticipated so City staff asked the A&E team to analyze the differences and report back.
- February, 2010- The City receives preliminary analysis of some of the cost differences with details to follow.

- February 23, 2010- The City conducts a working interview with the top two construction management firms.
- February 23, 2010- The City Council receives an update on the history, construction progress, funding plan, options and other information related to the City Hall Project.

Current Budget

On a project of this size, complexity, and significance, it is important to have a solid budget and funding plan to insure that the project can be completed in the manner intended. It is also important to understand the risks associated with each number included in that budget. This section will look at the estimated project costs and proposed funding sources.

Construction documents were completed for the Phase I work and the Phase II work in September of 2009 and a cost estimate based on the construction documents was completed in December of 2009. Once all associated costs were factored into the equation, this estimate came in significantly higher than hoped with a total project cost as follows:

Historic City Hall Rehabilitation Projected Uses and Sources As of February 23, 2010				
	Repairs	Mitigation	Other	Total
PROJECTED USES:				
Phase I Construction	\$ 1,467,000	\$ 1,876,000	\$ -	\$ 3,343,000
Phase II Construction	9,446,000	10,327,000	-	19,773,000
Phase III Construction	-	-	5,000,000	5,000,000
Hazardous Materials Mitigation	920,000	260,000	130,000	1,310,000
Construction Management, Inspection, and Permitting	1,090,000	1,220,000	500,000	2,810,000
Architecture & Engineering	2,110,000	2,360,000	600,000	5,070,000
Contingency	2,180,000	2,440,000	1,000,000	5,620,000
Total Expenses	(17,213,000)	(18,483,000)	(7,230,000)	(42,926,000)
PROJECTED SOURCES:				
FEMA Funding	17,213,000	10,825,491	-	28,038,491
CCHE Funding	-	1,638,375	361,625	2,000,000
Projected Redevelopment Funding	\$ -	\$ 6,019,134	\$ 6,868,375	\$ 12,887,509

REPAIR COLUMN

Projected Uses

This column includes the estimated total costs for those items that FEMA has approved as repair items. This includes the following:

- Phase I includes disassembly of the exterior of the Upper Rotunda to structure (including removal and salvage of roofing tiles at the dome and skirt roofs, removal and salvage of brick and stone work, and removal and salvage of wood cornices and deco rafter tails), the removal of finishes from the interior of the Upper Rotunda, the removal of interior finishes (as noted on the drawings) due to damage caused by the earthquake, the demolition and salvaging of stair railing #2, and the demolition of the non-compliant ADA access ramp.
- Structural floor repairs include repairing cracks in the concrete floors and slab level repairs at the 2nd floor hallway in front of the elevator.
- The dome repairs include new steel bracing, a concrete bond beam to perimeter of dome, new plywood sheathing, reconstruction of existing single wythe masonry wall with seismic anchors, and new metal stud framing at the single wythe wall at upper rotunda.
- Repairs to the 4th floor penthouses include replacing the interior plaster at perimeter walls with new structural integral cement plaster, reinforced with heavy gauge metal lath.
- The entire exterior façade, excluding the level 4 penthouse walls (which are included within the mitigation work). The façade repair will be done in accordance with the guidelines set forth by Preservation Briefs #2 ("Repointing Mortar Joints in Historic Masonry Buildings") and #7 ("The Preservation of Historic Glazed Architectural Terra Cotta"). Façade repair work includes repairs of terra cotta glaze spall, terra cotta bisque spall, displaced brick or terra cotta, spalled terra cotta, brick or cast stone, delaminated cement plaster parge, cracked terra cotta, brick or cast stone, cracked terra cotta water table block, cracked or separated mortar in mortar joint, abandoned metal insert, missing stone insert piece, organic growth on masonry surface, efflorescence on masonry surface, mortar droppings on masonry surface, open of deteriorated mortar joints, soiled masonry, and paint removal.
- Roof repair work is to be done in accordance with the guidelines set forth by Preservation Brief #30 ("The Preservation and Repair of Historic Clay Tile Roofs"). Roof repair work includes replacement of missing roof tiles, cleaning of

		Historic City Hall Rehabil Projected Uses and Sou	
		As of February 23, 20	
		Repairs	Mi
PROJECTED USES:			
Phase I Construction	\$ 1,467,000	\$ 1	
Phase II Construction	9,446,000	10	
Phase III Construction	-		
Hazardous Materials Mitigation	920,000		
Construction Management, Inspection, and Permitting	1,090,000	1	
Architecture & Engineering	2,110,000	2	
Contingency	2,180,000	2	
Total Expenses	(17,213,000)	(18)	
PROJECTED SOURCES:			
FEMA Funding	17,213,000	10	
CCHE Funding	-	1	
Projected Redevelopment Funding	\$ -	\$ 6	

organic growth from tiles, repair of damaged eaves, replacement of missing rainwater leader, secure drain strainers, repair of flashing terminations, and replacement of skylight in the north penthouse. It also includes repairs of specific roof elements such as eave damage, missing tiles, missing rain water leader, drain inspection and securing drain strainer, inadequate termination, and organic growth on tiles.

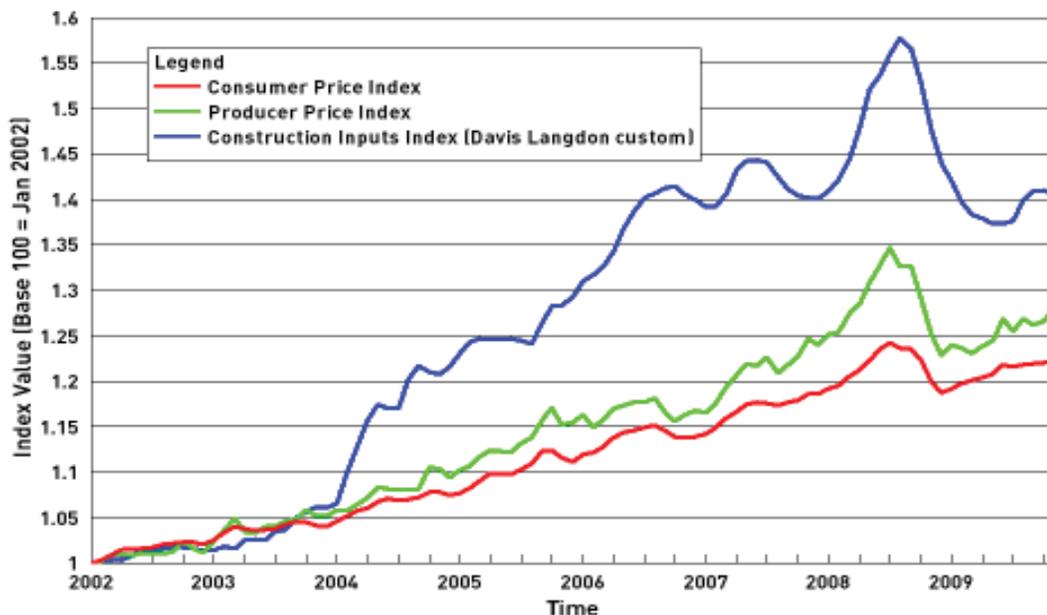
- Floor repairs include filling cracks in the concrete paving in the first floor rotunda, replacement of carpet on 3rd & 4th floors, patching and repair of vinyl flooring in the first and second floor corridors and in areas where major structural work needs to occur.
- Interior wall plaster repairs include repair of interior cracks and plaster delamination. Repair work will be done in accordance with the guidelines set forth in Preservation Briefs #21 ("Restoring Historic Flat Plaster") and #23 ("Preserving Ornamental Plaster") of the Guidelines by the International Institute for Lath and Plastering. It also includes the replacement of the drywall and finish impacted by the structural repair. Fourth floor hollow tile walls mitigation work includes installation of reinforced plaster / stucco over all interior wall surfaces and repair ceilings.
- Ceiling repair includes repair of damages due interior cracks, plaster delamination and water infiltration. Repair work will be done in accordance with the guidelines set forth by International Institute for Lath and Plastering. It also includes replacement of the upper rotunda interior dome ceiling and decorative features due to structural work, and repair of the ornate plaster ceiling in the first floor rotunda.
- Windows that have jammed due to the earthquake are to be reconfigured and re-hung, with all work to be done in accordance with the guidelines set forth by Preservation Brief #9 ("The Repair of Historic Wooden Windows"). The Upper Dome round windows are to be repaired and reinstalled, unless replacement is required due to extensive damage. All glass in the Upper Rotunda skylight (including broken and unbroken) is to be replaced with safety glass.
- Site work includes allowance for replacing existing hardscape / landscape approx 15'-0" around the perimeter of the building due to construction.
- Mitigation of hazardous materials associated with construction of the repair items is also included.

FEMA has included all of these items in their Project Worksheet scope of work and the Stafford Act calls for FEMA to fully fund repair items included in the Project Worksheet. There is however a concern and a risk for the City. FEMA had estimated that this work would cost only \$5.2 million. The City has estimated this work at \$17.2 million. A preliminary review of the current cost estimates versus FEMA's Project Worksheet show some of the discrepancies are as follows:

- While FEMA included wording to fund Architecture and Engineering costs, they did not include the cost of the Schematic Design, Design Development, Construction Documents, Bid, and Construction Administration Phases.
- While FEMA included some funding for construction management, inspection, and permitting, the City's estimates are significantly higher than FEMA proposed

- FEMA did not include funding for the abatement of hazardous materials necessary for the construction of the repairs.
- Although it is prudent to include a contingency, FEMA does not include funding for contingencies in its funding formula. Instead, as items are discovered during construction, the City will be required to document the items and send a request to FEMA for additional funding or what is called a “Version” to the Project Worksheet.
- As part of developing construction documents it was determined that it was necessary to add ply sheathing to the dome roof and that the cost of dome roof tile removal and installation would be significantly more than expected due to necessary waterproofing details. Many of these items were added due to additional exploration in the interstitial space of the upper rotunda.
- It was also determined that due to a lack of ply sheathing, the acoustical plaster layer in the upper rotunda would need to be thicker than originally thought at the pre-design phase.
- Vertical structure and exterior cladding projected costs increased due to detailed seismic analysis that was completed during the design phase in order to ensure that the design complies with current building codes.
- During the schematic design phase it was determined that the original interior stairwell was damaged more severely than previously believed.
- Construction costs have increased since the last cost estimate was prepared in March of 2005. Although we have seen a very significant drop in construction prices recently, this drop has not brought us back down to March 2005 levels. This general increase does contribute to the difference between FEMA’s funding level and current projections.

Comparison of Construction Inputs to Published PPI and CPI



Projected Sources

What does this mean to the City? As stated above, the Stafford act calls for FEMA to fully fund all items included in the repair scope of work; therefore staff expects and the project budget shows that FEMA is fully funding all of the work included in the repair scope of work.

Historic City Hall Reha	
Projected Uses and S	
As of February 23,	
	Repairs
PROJECTED USES:	
Phase I Construction	\$ 1,467,000 \$
Phase II Construction	9,446,000
Phase III Construction	-
Hazardous Materials Mitigation	920,000
Construction Management, Inspection, and Permitting	1,090,000
Architecture & Engineering	2,110,000
Contingency	2,180,000
Total Expenses	(17,213,000)
PROJECTED SOURCES:	
FEMA Funding	17,213,000
CCHE Funding	
Projected Redevelopment Funding	\$ - \$

There are however risks and cash flow issues that must be considered. On a typical project, FEMA would determine the estimated cost of the scope of work, and write up the Project Worksheet, funding the project at their estimated cost level. Any differences in the Project would be funded at project closeout once the project is complete. In this particular instance, that would mean that the City would have to pay out \$12 million to contractors and professionals prior to FEMA releasing their funding for the Project. In talking with the City's representatives from James Lee Witt and Associated and from CalEMA (formerly OES) we believe that this scenario is unlikely.

Because the gap is so large, the City can, ask for a "Version" prior to that. (Versions are changes to the Project Worksheet. These can be either changes to the approved scope

of work or changes in the approved funding level.) FEMA would review the City's request to determine if the request was valid. Are the items being included in the cost only those items in the approved scope of work and is the projected cost reasonable? In discussions with our consultant assisting us with the FEMA process and in discussions with representatives from CalEMA (OES), it is unlikely that FEMA will increase the Project Worksheet dollar amount at this time, but once the project is competitively bid and the proposals come in, the numbers may at that time be determined reasonable and the increased funding amount approved. So while it is likely that the City will have to go out to bid and award the bid before FEMA formerly increases the funding, it is unlikely that it will have to front the increased costs through the end of the project.

Staff will be working with FEMA prior to the bid so that they have time to review the bid package well in advance in order to determine that it does in fact only include those items in the approved repair scope of work. This will then leave only the reasonableness of cost determination until after the bids come in, hopefully speeding up the process.

While it is expected that FEMA will fund 100% of the costs of repairs, that does not relieve the City of its obligation to make sure that the repair methods are both cost

effective and efficient. Prior to going out to bid the construction documents will be reviewed thoroughly to insure that the tax payers dollars are being spent effectively.

MITIGATION COLUMN

Projected Uses

This column includes the estimated total costs for those items that FEMA has approved as a Section 406 Mitigation Grant. These are items that FEMA has determined were not damaged as a result of the Earthquake, but believes should be funded as a grant to prevent damage during future events. This includes the following:

- Phase I work includes the demolition of the foundation and all associated elements in preparation for hazard mitigation work in Phase II. This includes the removal of 4'-0" of partitions & finishes from the perimeter wall on the 1st through 3rd floors for the application of shotcrete, the removal of 2'-0" of partitions and finishes from the perimeter wall on the 4th floor for the application of FRP, the removal of the mezzanine floor, balcony railing and stair #5, and the removal of exterior finishes at the 4th floor penthouses for encapsulation.
- Structural work includes replacing the slab on grade (to get access to the foundations), new micro piles below existing foundations as well as new 12" diameter micro piles, pile caps, and shotcrete applied to the inside of the existing exterior perimeter wall (from basement to bottom of 4th floor concrete deck). Structural hazard mitigation work also includes strengthening of the URM walls, FRP overlay to the inside of the 4th & 5th floors (central dome walls), exterior encapsulation of the penthouse hollow tile walls, repairing cracks in the concrete floors, connecting the mezzanine balcony to the perimeter wall, and new plywood sheathing at level 5 mezzanine floor.
- Structural mitigation work also includes the removal and replacement of previous structural bracing of the balustrade at 4th floor roof deck, removal of existing penthouse roofing, new plywood sheathing and allowance for new rafter tails of penthouse roofs.
- Façade hazard mitigation work includes anchoring the face wythe of brickwork to back-up wythes, anchoring all obtuse corners of brickwork at the lower rotunda, rebuilding brick at sill and jambs of altered windows, installing new cement plaster parge coating at top surface of brick parapet, removal of existing concrete

Historic City Hall Rehabilitation
Projected Uses and Sources
As of February 23, 2010

	Repairs	Mitigation	Other
PROJECTED USES:			
Phase I Construction	####	\$ 1,876,000	\$
Phase II Construction	####	10,327,000	
Phase III Construction		-	5,000,000
Hazardous Materials Mitigation	####	260,000	
Construction Management, Inspection, and Permitting	####	1,220,000	
Architecture & Engineering	####	2,360,000	
Contingency	####	2,440,000	1,000,000
Total Expenses	####	(18,483,000)	(7,000,000)
PROJECTED SOURCES:			
FEMA Funding	####	10,825,491	
CCHE Funding		-	1,638,375
Projected Redevelopment Funding	\$ -	\$ 6,019,134	\$ 6,019,134

block infill in balustrade and installation of temporary balusters, and dismantling, cleaning, and reinstalling terra cotta capping. Hazard mitigation work includes the removal, storage, and reinstallation of all windows in areas affected by shotcrete installation.

- Façade mitigation work also includes all encapsulation to the exterior penthouse walls and related work. Repairs to the 4th floor penthouses include installing new structural integral cement plaster, reinforced with heavy gauge metal lath as well as window and door repairs.
- Roof mitigation work at the penthouses include replacing existing roofing, new plywood sheathing, and replacing roof structure and eaves overhang as needed.
- All interior works are to be done in accordance with the standards outlined in the Repair scope above.
- Interior work categorized as hazard mitigation includes all partition walls, floors, and ceilings affected by structural repair work (4'-0" from exterior walls for shotcrete installation on 1st to 3rd floors and 2'-0" from exterior walls for FRP installation on 4th & 5th floors), basement partitions, and carpet replacement on first and second floors affected by structural mitigation work.
- Removal, storage, and re-installation of all interior doors are categorized as hazard mitigation work.
- Reinstallation of the staircase to Level 5 Mezzanine, reinstallation of mezzanine floors, and reconstruction of mezzanine balcony railing.
- Site work includes construction of the new ramps and stairs and an allowance for unidentified site repairs.

Original construction (no soft costs) estimates for Phase I and Phase II work that FEMA has considered hazard mitigation came in at \$10.4 million; current estimates put it at \$1.8 million higher. Some of the differences include:

- Foundation Repair is expected to come significantly lower than previously expected due to the change from a standard pile system to the micro pile foundation system being proposed.
- As part of developing construction documents and additional field investigation, it was determined that the windows were not supported by the masonry walls as thought, but instead are supported by interior stud walls. Shotcrete must be installed at the interior face of the exterior walls and so all materials at those locations will be necessary along with removal & reinstallation of the windows at shotcrete walls.
- Removal of ceilings and other finishes adjacent to shotcrete were originally included in the cost of HVAC repair. This work will have to be done as part of shotcreting.
- Once final engineering calculations on wall strength were run, it was determined that the thickness of the shotcrete walls had to be increased in order to meet current code.
- At the pre-design phase it was believed that the project would be done at one time rather than phased. The need for phasing increased costs for waterproofing and protection. (Staff is currently re-evaluating whether it is now more cost effective to combine Phase I and Phase II).

- Other items include costs associated with the mitigation work that were previously classified as either HVAC work, electrical etc... For example the foundation work in the basement will require work to restore the HVAC system that was damaged, removed, etc as part of the foundation work.

Projected Sources

The City received \$2,000,000 in grant funds from the California Cultural and Historical Endowment Fund to put towards the repair and rehabilitation of City Hall. \$1.6 million of this has been applied toward the architecture and engineering costs of the mitigation portion of the project. The City has currently spent about \$1.3 million of these funds to date.

In addition to the CCHE grant, FEMA has included a \$10.8 million grant to fund "hazard mitigation" work. This funding was determined based on a benefit cost analysis which looks at use of the building, expected damage/casualties in future events, probability of future events and other similar items. It then looks at the items being proposed to determine if the cost is worth the expected benefit of the improvement.

	Repairs	Mitigation	Other
PROJECTED USES:			
Phase I Construction	###	\$ 1,876,000	\$-
Phase II Construction	###	10,327,000	-
Phase III Construction	-	-	##
Hazardous Materials Mitigation	###	260,000	##
Construction Management, Inspection, and Permitting	###	1,220,000	##
Architecture & Engineering	###	2,360,000	##
Contingency	###	2,440,000	##
Total Expenses	###	(18,483,000)	##
PROJECTED SOURCES:			
FEMA Funding	###	10,825,491	-
CCHE Funding	-	1,638,375	##
Projected Redevelopment Funding	\$ -	\$ 6,019,134	##

The \$10.8 million grant was just enough to cover construction of the items classified as construction (using 2005 construction costs) but did not include funding for architecture and engineering, hazardous materials abatement, construction management, inspection, permitting or other items that might arise during construction.

Included in City's second appeal to the FEMA is the transfer of some items from the mitigation category to the repair category. The Section 406 grant for hazard mitigation has already been committed at \$10.8 million. This flat maximum amount is available to the City to make improvements to the building. The amount is not reduced by any transfers from mitigation to repairs. In essence, a shift as requested in the second appeal would ensure 100% FEMA funding on the transferred items and would reduce the City's portion of the contribution necessary under the mitigation category.

Based on the Stafford Act, FEMA policy, and past practice, staff and City's consulting experts agree that much of the restoration work that FEMA categorized as mitigation was categorized incorrectly and is, in reality, repair work. Although the categorization of the items may seem quite straight forward to the average person, as discussed above, decisions like this are subject to individual interpretation by the FEMA. In the event that FEMA upholds its previous decision and disagrees with the City on the transfer between

categories, there will be a \$6 million funding gap that will need to be picked up the City or RDA.

While most of the items categorized under mitigation are actually repair items and are required to be done in order to repair the building according to the current code, there may be some true mitigation items that are choices. We are currently working with our architects and engineers and look forward to working with our construction management team in examining all of the work proposed under hazard mitigation to determine if there are some items that can be eliminated from this scope of work, thus reducing costs. Of course, true hazard mitigation is intended to save property and lives in future events, so a current costs savings and potential future losses must be balanced. Staff will bring any potential eliminations/savings from this category of work to Council at a future meeting.

OTHER COLUMN

Projected Uses

This column includes the cost for items that are not included in either the FEMA repair scope of work or the FEMA Hazard Mitigation scope of work, but are necessary for City Hall to be moved back into the building. The bulk of the costs here are related to code upgrades which are of course, designed for the safety of the building and its occupants.

	Repairs	Mitigation	Other	
PROJECTED USES:				
Phase I Construction	###	####	\$ -	\$
Phase II Construction	###	####	-	1
Phase III Construction	-	-	5,000,000	
Hazardous Materials Mitigation	###	####	130,000	
Construction Management, Inspection, and Permitting	###	####	500,000	
Architecture & Engineering	###	####	600,000	
Contingency	###	####	1,000,000	
Total Expenses	###	####	(7,230,000)	(4)
PROJECTED SOURCES:				
FEMA Funding	###	####	-	2
CCHE Funding	-	####	361,625	
Projected Redevelopment Funding	\$ -	####	\$ 6,868,375	\$ 1

This, however, is also the category in which there is significant discrepancy over other items that can affect the final project costs.

There are code issues related to egress and fire protection over which the Building Official and Fire Department will be making determinations. While most code issues are very straight forward, the historical building code gives the Building Official some latitude in determining requirements. Balancing the desire to meet current codes with the desire to preserve historical integrity will be at the discretion of the Building Official.

The more flexible issues relate to programming, comfort, and visual appeal, and may be subject to decisions that the Council and community make. For example, one item that would fall under this category would be the location of the Council Chamber. If the decision is made to house the Chamber on the fourth floor rotunda space, then

allocations must be made to upgrade the elevator, restrooms, and emergency egress. Housing the Chambers on the first floor rotunda space would not trigger elevator, restroom, or egress issues, but would spur other costs and efficiency issues. This specific issue of the location of the Chamber will be discussed in detail at a later Council meeting. For now, it is important to remember that there are decisions to be made that will affect the final budget for this project.

Work currently categorized as falling under the City’s responsibility includes the following:

- Programming, design, and construction of the interior spaces of the building in order to insure the most effective use of space while retaining the historic fabric of the building. This work includes demolition, revising floor plans, revising ceiling plans, revising interior spaces, security design and lighting design changes.
- Code upgrades including stair #1 enclosure, stair #1 egress directly to the exterior, fire rating impacts (doors and walls), sprinkler system, toilet count, ADA improvements including the elevator, and exiting and emergency lighting.
- There will also be code impacts related to the location of the City Council. These upgrades are dependent upon where Council chooses to locate the Chambers but may include restrooms at the fourth floor, sprinkler systems, changes to the penthouse layouts, acoustical work (if on first floor), and path of travel/security.
- Mechanical, electrical and plumbing work (if denied by FEMA) will include mechanical system replacement including mechanical plant, ceiling impacts due to mechanical and related code upgrades.
- Restoration Items funded by the CCHE grant include replacement of the entry door with a more historically accurate door and parapet balustrade replacement.

Projected Sources

The funding for the items currently categorized as “Other” will be solely the City’s responsibility. The City remains hopeful that some of the code requirements and the HVAC system will eventually be funded by FEMA; however it is prudent to budget the project assuming the worst case scenario. In other words if for some reason FEMA does not agree to repair the HVAC system, it is still broken and it still must be repaired/replaced prior to moving back into the building. The proposed budget is meant to insure that the City has a plan prior to the start of the project that will allow it to complete the project.

	Repairs	Mitigation	Other	
PROJECTED USES:				
Total Expenses	###	####	(7,230,000)	(
PROJECTED SOURCES:				
FEMA Funding	###	####		
CCHE Funding	-	####	361,625	
Projected Redevelopment Funding	\$ -	####	\$ 6,868,375	\$

The City has actively been seeking grants for the project and was successful in obtaining a \$2 million grant from CCHE. While the majority of this grant is being applied

toward architecture and engineering costs for work categorized as hazard mitigation, there is about \$361,000 slated toward the purchase of a front door, which will be more in line with the historical character of the building, and for replacement of the balustrades with a more historically accurate substitute.

The City has recently applied for an additional \$500,000 in CCHE funds and is looking at the possibility of applying for ARRA fund to assist with the HVAC replacement. Staff will continue to look for grant and donation opportunities to help alleviate the projected \$6.9 million redevelopment contribution toward the work categorized as “Other”.

HOW SOLID ARE THE NUMBERS?

Where do the budgeted numbers come from and how solid are they? These are both valid questions. After all, it was only a year ago that the City was expecting that the Project would come in substantially below the current estimates. Obviously, the exact cost of the project cannot be determined until after it is complete, but as more data is collected and prepared, the total project estimate is better able to approximate the real cost. Current numbers are substantially more solid than those projected last March.

In March, the project estimates still relied on the accuracy of the cost estimate that was prepared back in March of 2005. At that time, the only available information from which to prepare the estimate was the preliminary repair and rehabilitation plan. Adjustments to the estimate were expected with the flow of new information and data, and all of the changes that have come about in the last five years. During this time, significant work has occurred that has provided additional detail on which to base the cost estimate. Current project estimates are now based on information as detailed below:

- Phase 1 & Phase II Construction: These estimates were taken from cost estimates prepared by Davis Langdon. Davis Langdon provides comprehensive construction cost management services and has been part of our

	Repairs	Mitigation	
PROJECTED USES:			
Phase I Construction	\$ 1,467,000	\$ 1,876,000	\$
Phase II Construction	9,446,000	10,327,000	
Phase III Construction	-	-	\$

Architecture and Engineering team since the beginning. The construction costs estimates that they developed were based on the 100% construction documents that were submitted to the City in October of 2009 for plan checking. Some of the assumptions that went into the estimates were as follows:

- A start date of April 2010 for Phase I and of January 2011 for Phase II. (We are currently about 2 months behind these start dates, however, current construction market data is not projecting significant movement in the construction market in the next few months.)
- A construction period of 6 months for Phase I and a construction period of 18 months for Phase II.

- The contractor will be required to pay prevailing wages.
- The general contractor will have full access to the site during normal business.
- There are no sub-phasing requirements.
- The general contract will be competitively bid with qualified general and main.
- There will not be small business set aside requirements.

The costs developed by Davis Langdon are for construction costs only and exclude other “soft costs” such as: architecture, engineering, testing, inspection, and hazardous materials handling. A complete list of exclusions is included in their report which is attached.

- The estimate for Phase III Construction was developed by Pfeiffer Partners. The Phase III scope of work has not been defined yet and will be dependent on:

Historic City Hall Rehabilitation Projected Uses and Sources As of February 23, 2010			
	Repairs/Mitigation	Other	
PROJECTED USES:			
Phase I Construction	####	####	\$ - \$
Phase II Construction	####	####	1\$
Phase III Construction	-	-	5,000,000 \$

- Success of the FEMA appeal process. There are several code requirements that have been denied by FEMA and are under appeal. In addition to the code items, FEMA has denied funding for the HVAC system until the City can prove that the units are damaged. (As part of deconstruction, the City will have easier access to some of the HVAC units and will be doing testing and providing documentation to FEMA at that time.)
- Location of City Council Chambers. The code requirements and associated costs will be different depending on where the Council Chambers are located.
- Extent of changes to the interior space. The City has the desire to make the Historic City Hall into the most efficient City Hall possible, but this will require some changes to the non-historic interior spaces. The cost of these changes will vary depending on the choices that the City selects.

The City has not yet contracted with the Architecture and Engineering team for Phase III work, so there are no drawings and there have been no formal decisions on what this work will include. This estimate has not been developed by a cost estimator using construction documents. Instead, this estimate is an informed guess developed by Pfeiffer based on their knowledge of the building and conversations with City staff. The estimate assumes that:

- FEMA funding will remain the same (no progress will be gained from appeal).
- The Council Chambers will remain on the fourth floor.
- Interior renovations will include substantial changes to interior spaces.

- Hazardous Materials Mitigation is a rough estimate based the pre-design estimates

	Repairs	Mitigation	Other	Total
PROJECTED USES:				
Phase III Construction	-		5,000,000	5,000,000
Hazardous Materials Mitigation	920,000	260,000	130,000	1,310,000
Construction Management, Inspection, and Permitting	1,000,000	1,220,000	500,000	2,810,000

from the architecture and engineering team. The exact extent and additional cost of this work is not known at this time. The City is in the process of contracting with a hazardous materials testing and consulting firm. The first phase of their work will include testing the entire building to determine what hazardous materials are in the building and must be abated. At this point it is assumed that the majority of the hazardous material exists on the third and fourth floors and will be included in the repair scope of work, so 70% of the estimated cost is currently allocated to repair, while 20% is allocated to mitigation and 10% to other.

- Construction Management, Inspection and Permitting are estimated at 10% of the cost of construction. This line item includes the cost of professional construction management, necessary inspections, plan check costs, other permitting costs, and other miscellaneous costs associated with construction. The City is in the process of hiring a construction management firm and will be bringing a contract before the Council in the near future.

- Architecture and Engineering costs were generated from two sources. In July of 2008, the

	Repairs	Mitigation	Other
PROJECTED USES:			
Construction Management,	1,000,000	1,220,000	500,000
Architecture & Engineering	2,110,000	2,360,000	600,000
Contingency	2,180,000	2,440,000	1,000,000

City executed a contract with Pfeiffer Partners for Phase I & Phase II work. The contract was a fixed fee contract totaling \$3.9 million + reimbursables. (The City has spent \$2.9 million to date on this contract.) The City has not executed a contract for Phase III work and this amount will be negotiated as the scope of work develops. The current budget figure for Phase III is estimated as a percentage of construction.

- Contingency figures are estimated at 20% of construction. For planning purposes on capital projects, it is generally considered reasonable to include in the budget a 10% to a 20% contingency for unanticipated issues that may arise. In the case of the rotunda project, it is particularly important to include a 20% contingency when estimating total project costs. The building was constructed over 90 years ago. The original construction documents are not available, so some assumptions were made about the construction types and methods. Additionally, the building's functions have varied greatly over the years from office-type settings to a boys' boarding school. Certainly, modifications on the building's interior were made during that time. Additionally, there are likely many components of the building's construction that just aren't able to withstand over 90 years of wear and tear. Many of these items are visible and have been

identified, but it is reasonable to presume that other items may become apparent after the building is opened up and more carefully examined. Staff anticipates that the full 20% budgeted for contingency will be used for the benefit of the project.

FUNDING

This project is huge. It is the largest project in the history of the City in terms of financial commitment, grant funding, community interest, and profile. Based on the estimates discussed above, the RDA, acting in support of the City, will need to fund almost \$13 million to pay for the rehabilitation costs that are not currently funded by FEMA or CCHE. With the economy as it is, the City is tightening its belt just like many of the individual members of the community are. The City has been actively working on Council's top priority of economic development with the end result of enhanced quality of life for the community and fiscal stability for the organization. Unfortunately, the results of this work haven't yet netted a windfall of \$13 million for use on the project. How, then, would the City even begin to complete the rehabilitation?

BONDS

Bonds may be the answer. Initial discussions with bond brokers have indicated that the City could issue \$14.6 million in bonds, to be secured by redevelopment increment. The chart below indicates what Redevelopment Agency's financial statements might look like with such an issuance:

COMBINED REDEVELOPMENT AGENCY (Excludes Only Low/Moderate Housing Fund)					
	Estimated 2009/2010	Estimated 2010/2011	Estimated 2011/2012	Estimated 2012/2013	Estimated 2013/2014
Revenues					
Tax Increment	\$ 2,354,070	\$ 2,359,580	\$ 2,377,710	\$ 2,409,380	\$ 2,470,200
ERAF Shift	(1,335,320)	(275,990)	-	-	-
Rent Income	373,600	373,600	373,600	60,000	-
Interest	176,600	61,900	54,250	60,750	74,750
Total Revenue	1,568,950	2,519,090	2,805,560	2,530,130	2,544,950
Expenses					
Operations & Main Street	(706,010)	(721,650)	(742,530)	(762,720)	(782,980)
Debt Service- 2004 bonds	(966,420)	(968,160)	(968,370)	(968,020)	(966,930)
Debt Service - New Bonds	-	(526,740)	(704,320)	(714,270)	(769,310)
Economic Development	(133,330)	(75,000)	(90,000)	(90,000)	(95,000)
Printery	(32,010)	-	-	-	-
Creek Improvements	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Zoo Restroom & Entrance	(987,170)	-	-	-	-
Lake Park Sign & Frontage	(430,180)	-	-	-	-
Streetscape II & III	(1,998,420)	-	-	-	-
Historic City Hall	-	-	-	-	-
Maiden Statue Restoration	(286,880)	-	-	-	-
Other	(20,380)	(5,000)	(6,000)	(6,000)	(6,000)
Total Expenses	(5,585,800)	(2,321,550)	(2,536,220)	(2,566,010)	(2,645,220)
Net Income	(4,016,850)	197,540	269,340	(35,880)	(100,270)
Available Fund Balance Beginning of Year	10,122,998	5,401,318	5,269,848	5,797,188	5,761,308
Other Sources / (Uses)					
(Loans To) / Repayment From Historic City Hall Fund	-	(605,000)	(1,242,000)	-	3,569,000
Colony Square Loan Guarantee	(1,500,000)	-	1,500,000	-	-
Loan From / (Repayment To) Affordable Housing Fund	795,170	275,990	-	-	(1,071,160)
	\$ 5,401,318	\$ 5,269,848	\$ 5,797,188	\$ 5,761,308	\$ 8,158,878

The issuance of \$14.6 million of City / Agency Lease revenue bonds would net approximately \$13 million in funds for the Historic City Hall Project. The debt service numbers above reflect the wrap around lease financing as proposed by Mark Curran at Council's January 30, 2010 strategic planning session.

Every decision carries with it the potential to seize either a current opportunity, or to reserve an opportunity for the future. By holding fiscal responsibility as a key priority, the present and past Councils have agreed on policies that have afforded the City options related to funding for this project. Finding a way to rehabilitate the building

would have been much more difficult had the existing and previous Councils not had the foresight to hold the improvement and maintenance of fiscal stability as a top priority. Fortunately, the City is now in a good position to seize the opportunity to issue bonds to fund \$13 million of the project. After the bond issue, the Agency will have sufficient funds to bank roll this large project. Looking forward through fiscal year 2013/2014, it is estimated that there will be approximately \$4 million - \$5 million available for other projects for the next five years. While the bond issue allows for some flexibility to fund other projects, a significant piece of the Agency's funding capacity will be used for the City Hall rehabilitation. This project will enhance the downtown area, but at the same time, will lessen the Agency's capacity to accomplish other improvements and capital projects in the Redevelopment Area.

CASH FLOW

On a project of this size, it is critical to estimate the cash flow necessary to complete the task. The \$13 million is the City's portion of rehabilitation costs. That does not include the amount of cash flow to cover the period from expenditure to FEMA reimbursement, nor does it include the 10% retention that is withheld from reimbursement until the close out of the project. Ideally, the City should be able to request reimbursement from FEMA up to 30 days prior to the actual expenditure of funds. Requesting funds in advance of the release of the check assists the requesting agency in the management of cash flow. However, the funding requests (which come from FEMA through Cal EMA) have historically taken greater than 30 days to be processed. So while the 30-day reimbursement turn-around helps to expedite the funding, cash flow will still be affected.

The other half of the cash flow issue is the 10% retention. FEMA withholds 10% of the project reimbursement through the close out of the project. Unfortunately, the final close out could take a couple of years following the completion of the construction. With the information available today, the estimate for the FEMA funded portion of the project is \$28 million. Ten percent of that would bring the retention amount to \$2.8 million. Staff is estimating that previously (\$1.7 million) and currently allocated (\$1.8 million) RDA loans will cover the cash flow needs related to the delay of reimbursement funding.

COMBINED REDEVELOPMENT AGENCY (Excludes Only Low/Moderate Housing Fund)					
	Estimated 2009/2010	Estimated 2010/2011	Estimated 2011/2012	Estimated 2012/2013	Estimated 2013/2014
Other Sources / (Uses)					
(Loans To) / Repayment From Historic City Hall Fund	-	(605,000)	(1,242,000)	-	3,569,000
Colony Square Loan Guarantee	(1,500,000)	-	1,500,000	-	-
Loans From / (Repayment To)					

Options

The rotunda building is obviously not the average City Hall. It is not just the icon of the City, but it is also a work of art. The artistry and craftsmanship that went in to the building are unmatched. However, repairs to such intricate features also come at a high price. Certainly, the costs of repair are more than anyone anticipated. And, as good stewards of the community’s money and assets, it is important to investigate all the available options to ensure that the best decision is being made. There are four relevant options.

Option #	Project Type	Repair funding	Hazard mitigation funding	Temporary facility funding
1	Standard	uncapped for scope of work	\$10 million capped	full
2	Improved	capped	none	limited
3	Alternate	capped less 10%	none	none
4	Demolition & Rebuild	capped less 10%	none	none; possibly would need to be repaid
5	Abandon	none	none	none; possibly would need to be repaid

OPTION #1- STANDARD PROJECT

The first option is to proceed as planned. This would mean that the building would be rehabilitated to its pre-disaster condition and would retain the function and size of City Hall. This option gets the highest level of financial support from FEMA. FEMA and the City agree on a scope of work for repairs, and all repairs that fall under that scope of work will be fully funded by FEMA. The additional \$10.8 million in hazard mitigation category funding is also available at the capped amount for FEMA approved elements that do not fall under the repair scope of work. The temporary facility assistance is fully funded.

OPTION #2 – IMPROVED PROJECT

Option two is an improved project. Similar to what happened with the Printery and the Youth Center, an improved project is one in which the function of the facility remains the same, but the capacity is increased. In the case of the Printery, the square footage of the new building was more than the old building, and thus the capacity was increased. Funding for improved projects is capped at the PW amount. Additionally, these projects are not eligible for hazard mitigation funding, and the funding for temporary facilities is limited. If the City, for example, decided to build a new, larger City Hall in another area of town, funding would be capped at the PW repair category amount, and the City could be asked to refund a portion of the monthly rental on the current City Hall (in the Creekside building). The \$10.8 million in hazard mitigation funding would go away.

OPTION #3 – ALTERNATE PROJECT

A third option would be to repair the rotunda building but use it for a different purpose. Alternate projects are defined by the change in function. If, for example, the building was rehabilitated and used for a museum or a performing arts center instead of City Hall, funding would be capped at the PW repair category amount, less a 10% penalty. Like option two's improved project, the \$10.8 million in hazard mitigation funding would vanish. Additionally, all of the temporary facility funding could be in jeopardy. This would be a very expensive option. Additionally, FEMA would need to approve the new use of the building in advance.

OPTION #4 – DEMOLITION AND REPLACEMENT

The fourth option is demolition. The building is listed on the National Register of Historic Places and is a California Registered Historic Landmark. Both of these distinguishing features limit the City's project options. Accordingly, the building may only be demolished if it is an imminent threat (it's in danger of collapse) or if the State Office of Historic Preservation (SHPO) has granted approval.

In the unlikely event that the City could make the findings and determine that the building was an imminent threat and it was in danger of falling over and damaging other buildings or people; that decision could be subject to several challenges. Members of the public or other interested parties could file lawsuits and FEMA would certainly be reviewing the findings prior to releasing any funds. If there were any challenges and if they were decided in the legal system that the City Hall could be demolished, work could proceed.

It is unlikely that SHPO could sign off on demolishing the building as their mission is to protect historical assets across the State. If there is no practical way to save the building and if it was rebuilt in a similar manner, with similar artistry and construction features, SHPO might approve a project. The architects have estimated that to rebuild in a like fashion would cost well over \$150 million due to the amount of detail and historic replication that would be necessary.

In both demolition scenarios, it is likely that FEMA would consider it an alternate project, and would fund accordingly. FEMA funding would be capped at the \$5 million currently allocated for repair. The \$10.8 in hazard mitigation funding would vanish. Funds to demolish the building and clear the site would be subtracted from the \$5 million allocated by FEMA and any remaining funds could be used toward a new City Hall, purchase of the Creekside building or it could be moved to another project.

OPTION #5 – ABANDON THE PROJECT

The fifth and final option is to just drop the project all together. If the City decided that it is just too costly to rehabilitate the building, and wasn't worth it, the project could be completely abandoned. The structure would still be standing in a prominent place in the middle of downtown. The Council's top priority is economic development, and development of the downtown core is one of the key areas of town. Left alone, the structure could go from a piece of Atascadero's history and culture to an eyesore.

Because of the reasons cited above, the building could likely not be demolished, and walking away from the project now would only leave the problem for coming generations to solve. Financially, this option would not necessarily be the most frugal. Funding offered by FEMA would dissolve, and the temporary relocation assistance already received from FEMA could possibly be in jeopardy. Costs would be incurred to keep people out of the building, and the associated extra work for the public safety departments and potential increase in crimes would need to be taken into consideration. The deteriorating structure could be a drag on the momentum of economic development. Because there are significant amounts of loose materials subject to falling, the building is considered dangerous and wouldn't be safely accessed for maintenance on the interior nor on the exterior or landscaped areas.

Beyond just the financial, safety, and unsightly issues cited above, are the issues of maintaining this piece of history, the concerns of the community, and the interests of the state and federal historic preservation offices. For all of these reasons, it is reasonable to assume that abandoning the project would create more problems than it would solve, and it could be a very costly option.

Each of these options was discussed at length as part of the March 12, 2009 Council Workshop on Historic City Hall. An audio and video archive of that meeting is on the City's website and is worth reviewing.

FEMA HISTORY AND UPDATE

As required by FEMA legislation and policy, the City submitted the damage assessment and rehabilitation plan to FEMA in April 2005. This was a detailed report, including two large volumes of data and narratives in excess of 500 pages and one complete set of drawings demonstrating all the quake related damages and the most cost-effective methods of repair. The City requested construction costs of about \$24 million in the category of "repairs" and another \$1.7 million of construction costs in the category of "hazard mitigation". Both the amount and the category of the request are key components of the report to FEMA. The Stafford Act, the legislation that governs FEMA, funds projects through various categories, each with pertinent rules and restrictions.

FEMA reviewed the City's original damage assessment and rehabilitation report for almost three years. During this period, the City was somewhat immobilized as far as construction progress was concerned. FEMA would not fund anything over and above the agreed on scope of work on the project. But until the City received a response to the rehabilitation report, there was no agreed on scope of work. The City did not want to allocate money to complete construction documents, just to have to change them when the FEMA report came in.

In December of 2007, FEMA finally responded to the City with a Project Worksheet (PW). A PW is essentially the contract between the City and FEMA, indicating scopes of work, approved repair methods, levels of funding, and the categories under which the funds are made available. The City disagreed with FEMA on many of the findings in the PW. Of the City's request for \$24 million in the repair category, FEMA agreed to only \$4.6 million. Many of the key elements of the project that were damaged by the quake were denied as eligible by FEMA. Hazard mitigation, which is generally a very small percent of the repair category, was funded at \$10.8 million. The funding of hazard mitigation at \$10.8 million was unexpected, and far surpassed the City's request of \$1.7 million. An inspection of the details indicated that the mitigation category funding was exceptionally large because many of the damaged elements that the City requested to be rehabilitated under the repair category were instead funded by FEMA under the hazard mitigation category. This effectively capped FEMA reimbursements and increased the City's financial risk.

	Repairs	Hazard Mitigation
The City Requested	\$24,094,131	\$1,724,783
FEMA Funded	\$4,628,602	\$10,830,863

The City met on several occasions with FEMA and the State of California Emergency Management Agency (CalEMA, previously known as OES) to review the PW and try to provide the agencies additional information and supporting documentation. It was hoped that a better understanding of the project and its complexities would be communicated, therefore, leading the way to equitable solution for all parties. Unfortunately, the discussions were not an effective method in finding a common ground. The City therefore pursued its right to file a first appeal to the finding in FEMA's PW.

The first appeal was filed in February, 2008. In response to some of FEMA's concerns, the City provided FEMA new information and test results supporting the claims in the original damage assessment and rehabilitation report. The City requested that \$9.1 million of funding that FEMA categorized as hazard mitigation should be properly re-categorized as repairs. The City also updated its request for funding for architecture and engineering services (A & E). FEMA representatives had indicated that the amount for A & E should have been included in the PW, and FEMA legislation indicates that A & E is a reimbursable part of the project. The City's new total requested funding from FEMA was \$25.8 million.

Request Summary	A & E		Hazard	
	Services	Repair	Mitigation	Total
Approved PW	\$356,753	\$4,628,602	\$10,830,863	\$15,816,218
Appeal Request	2,660,628	16,448,147	-9,106,080	10,002,696
Revised PW	\$3,017,381	\$21,076,749	\$1,724,783	\$25,818,914

FEMA responded to the City in December 2008. The response was again disappointing. FEMA agreed to move only about \$5,000 from the hazard mitigation category to the repair category, and funded an additional \$166,738 of the \$10 million requested. To the City's dismay, at least one of FEMA's consulting technical experts that assisted with the preparation of the original PW also worked to prepare the first appeal. By definition, an appeal is the request for review at a higher level, never at the same level, and never the same individual. The Stafford Act and the associated FEMA policies are sometimes quite general and must be interpreted. This leads to differences of interpretation between individuals. Fair and impartial consideration is lost if the same person that helped to interpret the original request is asked to interpret the appeal as well. In the United State judicial system, an appellate court is always at a higher level than the original court. Fair and impartial consideration is implied in the Stafford Act and is one of the foundations of this country's judicial system.

Again, the City met with FEMA and members of CalEMA in efforts to come to a consensus. None was reached. The City then filed its second and final appeal with FEMA in April, 2009. The City again provided even more information and research results to FEMA, and further fine tuned its estimates. The City's requested funding increased to \$27.4 million, based on the ever-updating flow of data. To date, the City has not received any response from FEMA on the second appeal.

Request Summary	A & E Services	Repair	Hazard Mitigation	Total
Approved PW	\$356,753	\$4,628,602	\$10,830,863	\$15,816,218
City's First Appeal Request	\$3,017,381	\$21,076,749	\$1,724,783	\$25,818,914
FEMA's First Appeal Response*	\$356,753	\$4,800,712 (+\$172,110*)	\$10,825,491 (-\$5,372*)	\$15,982,956 (+\$166,738*)
City's Second Appeal Request**	\$4,463,453 (+\$4,106,700)	\$21,199,446 (+\$16,398,734)	\$1,724,523 (-\$9,100,968)	\$27,388,322 (+\$11,404,466)

*Approved in FEMA response to First Appeal: \$166,738 in additional repair funding, \$5,372 in hazard mitigation re-characterized as repair.

**Total project funding request in bold. Additional funding requested above that which has already been approved by FEMA is in parentheses.

Interacting with FEMA as the City has on this project for six years now has been an interesting experience. It is logical to think that the Stafford Act spells out the rules, and FEMA representatives simply apply the legislation and policies to the City's data, and an objective and equitable number is automatically generated. Unfortunately, the reality is that it just isn't that easy. The Stafford Act is a broad umbrella of legislation, to generally guide the workings of the Federal Agency. Subsequent to each event, specific FEMA policies are adopted that apply to the relevant event. Often times, decisions are made based on previous experiences, similar to case law. Other times, it appears that previous experiences are held invalid, and are not subject to repeat. To some degree, almost every finding is subject to interpretation. Just as a defendant may not select his or her own judge at a hearing, the City has relatively no influence on, and frequently no knowledge of, who at FEMA may be making the interpretations. Over these last six years, the City has contracted with two different consultants. Both of these experts have extensive experience in dealings with FEMA, and have provided invaluable advice to the City in regards to the appropriate level and type of communications with FEMA. In talking with other local agencies that have gone through similar rehabilitation experiences, staff has been advised to neither communicate too harshly and frequently, nor communicate too meekly or infrequently. It seems the delicate balance is most beneficial the FEMA/City relationship.

Current Progress

Pfeiffer Partners, the City's architects, have been working diligently to complete the pre-construction steps of the project. After completing the work on the damage assessment and rehabilitation report and coming to an agreement with the rest of the City's project team, the architects began drawings for the next steps. In order to keep accurate and separate records for purposes of FEMA reimbursements, this project will be completed in three phases:

- Phase I: Deconstruction
- Phase II: Construction
- Phase III: City funded repairs

Each phase requires completely separate plans and drawings. Pfeiffer has completed both Phase I and Phase II construction documents, and has submitted them to the City's building department for plan check. The first plan check has been completed. The City team is waiting for an approved funding plan, including a funding commitment from FEMA, prior to re-submitting the documents for second plan check. As indicated earlier, the City has not yet received from FEMA a response to the second appeal.

Request for Proposals (RFP) for the Hazardous Materials and Environmental Clearance Survey Services was distributed in October. The RFP was advertised in planning rooms both inside and outside the county and also posted on the City's web site. Three firms responded to the RFP, but one firm declined to interview. Based on experience, reputation, credentials, understanding of the job and fees, Millennium Consulting was the first choice of the interview panel. Millennium has years of experience with hazardous materials removal and testing and in working with historic buildings and FEMA-funded projects. City staff is completing the necessary steps to award this contract.

RFPs for Construction Management of the project were released in October and advertised in eight different California counties. Out of the twenty firms that participated in the mandatory walk-through in November, only five companies submitted proposals. All five were interviewed. Two of the five firms have been selected for a final working interview. Staff will be making a final selection, negotiating the contracts (one for FEMA work and one for non-FEMA work), and bringing the contracts to Council for award at a future date.

CONCLUSION:

Although the road has been long and dusty on the way to rehabilitation for the Historic City Hall, the Project is gaining momentum. The complexity and scale of the Project has added to the overall challenges and time necessary to complete the Project. The financial support that the City will be getting from FEMA is welcomed assistance, but in exchange, further layers of intricacy are added to the mix. Staff is hopeful for a fair and equitable response from FEMA to the City's second appeal, and looks forward to a good working discussion on the most recent cost estimate increasing the City's total project cost to \$43 million. Council will continue to be updated as more information is learned and clear options are firmed up. This is the largest project in the history of the City, and it will be rewarding for the Council, the community and for staff to finally see physical progress on the rehabilitation of the building this summer.

FISCAL IMPACT:

There is no fiscal impact to tonight's action, however the current estimated City contribution to the City Hall Project now stands at \$12.9 million.

ATTACHMENTS:

- A. [Davis Langdon Construction Document Cost Plan for Package 1- Demolition](#)
- B. [Davis Langdon Construction Document Cost Plan for Package 2- FEMA Repair and Hazard Mitigation](#)