



Atascadero City Council

Staff Report – Administrative Services Department

Historic City Hall Rehabilitation Project Update

RECOMMENDATION:

Council direct staff to move forward with the Historic City Hall Rehabilitation Project and approve construction management multi-prime strategy for bidding as the most cost effective approach.

DISCUSSION:

At the City Council meeting on April 27, 2010, Council authorized the City Manager to execute a contract for Phase I of Historic City Hall with Bernards for Construction Management/Project Management. The Bernards team has been hard at work over the last few months preparing for deconstruction and later reconstruction of the building. Bernards is on site now in the construction office across the street from the Historic City Hall and is working hand-in-hand with the City's Project Team and the architects and engineers.

Key components of the pre-construction activities include the development of a practical and cost-effective bidding strategy, a more refined construction budget, a comprehensive construction schedule, and a community outreach program.

Bidding Strategy

The team focused on two commonly accepted bidding strategies that would best fit the City and the Project:

- (1) Construction management multi-prime; and
- (2) Construction management agency/general contractor.

The factors of both of these differing approaches were carefully analyzed to determine which would result in the highest quality and least costly Project. While there are benefits and costs of each strategy, staff believes that the construction management multi-prime approach would be in the best interest of the City for this project. It is

anticipated that the use of this strategy will save significant taxpayer dollars over the agency/general contractor approach.

Construction management multi-prime means that the City will hold multiple contracts with many different construction vendors versus the agency/general contractor approach in which the City would hold one contract with a general contractor, who would in turn hold multiple agreements with the various sub-contract specialists. The primary benefits of the construction management multi-prime strategy lie in control and efficiency of both time and money.

In a construction management multi-prime scenario, Bernards would act as the City's representative, and would appear in the field to be similar to a general contractor. Bernards would manage the project on site, with a key difference being that the City would actually hold the agreements with each of the contractors. This allows for the City to save on general contractor overhead costs, but still retain represented control in the field, while also leaving room for flexibility in bidding and scheduling.

One of the primary benefits of the multi-prime strategy is the projected cost savings. With the agency/general contractor approach, the general contractor charges the City for overhead and profit on all of the sub-contracts. If the City holds the sub-contracts directly, there is significant Project savings in not paying a general contractor for oversight. Bernards will already be on site through the entire Project, therefore, using Bernards in a general contractor-type capacity will save significant tax payer money.

Beyond the profit charged by the general contractor on the sub-contract work, the City can also expect to save on the site preparation costs known as "general conditions." The general conditions are essentially the items that are required to make the site into a construction zone. These include fencing, sanitary facilities, construction offices, and temporary utilities. Bernards has been busy at work getting informal bids for these items that the City can directly purchase as allowed by the City's Purchasing Policy. Purchasing these items directly saves the City and the Federal Emergency Management Agency (FEMA) the profit/overhead costs that the general contractor would typically charge.

Another key benefit of the multi-prime method is the flexibility it allows in bidding and scheduling. As phases of the project are ready, those can go out to bid and construction can begin as the bid packages for the following phases continue to be developed. Additionally, if there are problems with a particular trade vendor, the flexibility of the multi-prime approach allows the City to resolve that issue without affecting the work on the remainder of the project. For example, if an un-resolvable issue arose with the plumbing sub-contractor, the City could much more easily and efficiently dissolve the contract and bid for a new plumber while continuing to move forward with the electrical work. This leads to more efficiency and ensures the project remains on schedule.

The construction management multi-prime approach does, however, have some inherent risks. With this approach, there would be an increase in the City staff time for administration of higher number of contracts, management, and related paperwork.

Additionally, there are risks of scope of work gaps which could result in legal remedies brought forth from construction vendors. Since the City will hold the contracts directly, the City is inherently at a higher risk to these financial unknowns. However, the team believes that thorough bid packages and detailed contracts will mitigate this issue, and overall, the benefits outweigh the costs and risks.

There is also a risk of funding gaps. FEMA will be paying for much of the cost of the construction management team as part of the allowable rehabilitation costs. There is a potential risk that FEMA may not pay the full cost of the construction management as it relates to the multi-prime strategy because the cost of this as a percentage of the total construction costs will likely be at a level higher than FEMA's standard allowable percentage. In discussion with City consultants and other experts in the field, staff believes that this risk can be mitigated with proper documentation of overall project savings, and in constant communication with FEMA up front and during the process.

The agency/general contractor approach is another bidding strategy that is frequently used. In fact, the City used this approach for the construction of the Colony Park Community Center. The Historic City Hall Project, however, is significantly different than the Community Center Project, and therefore it cannot be assumed that the agency/general contract method would be the best option.

The primary benefits of the agency/general contractor approach are that there are less coordination and administration required on the City's behalf, because the general contractor is filling those roles. Many people are familiar with this strategy and wouldn't think about anything else for construction of a new home, for example.

However, in this case, the profit realized by the general contractor would be a significant cost to the City and FEMA and is avoidable by simply choosing the multi-prime option. The experience and coordination that would ordinarily be provided by the general contractor can, in the case of Historic City Hall, be provided by the construction management department of Bernards. As discussed above, Bernards will be on site through the entire Project, regardless of the bidding strategy selected, and the increase in cost of the Bernards contract as a result of choosing the multi-prime strategy is negligible.

The chart below details the difference between the two strategies:

	Construction Management Multi-Prime Strategy:	Agency / General Contractor Strategy:
Cost Savings	<p>more cost effective method</p> <p>eliminates general contractor overhead and profit</p> <p>slightly higher costs for construction management and administration</p>	<p>none</p>
Flexibility	<p>greater flexibility in bidding and scheduling</p> <p>allows for rebidding of specific trades if necessary without delaying project</p>	<p>less flexibility in bidding and scheduling</p> <p>all phases of project must be complete prior to going to bid</p> <p>potential of delays if rebidding is necessary</p>
Control	<p>greater control over contractors</p> <p>more coordination of contractors will be required by City staff and Bernards team</p>	<p>City's contractual obligation is with general contractor, and has less control over (sub) contractors</p> <p>ability to control resolution of issues with particular contractors is monitored through general contractor</p>
Risk of scope gaps	<p>higher risk of legal remedies in the event of scope gap issues</p>	<p>less risk of legal remedies in the event of scope gap issues because general contractor will be responsible to the (sub) contractors</p>
Risk of funding gaps	<p>potential risk that FEMA may not reimburse all costs of construction management</p>	<p>Project management costs are more in line with FEMA's typical reimbursement percentages</p>

There are potential benefits and risks associated with all the strategies, but in the professional opinion of the City Project Team, architect and engineer team, and the construction management team, the multi-prime strategy of bidding will be the best approach to provide a successful rehabilitation; on time and on budget.

Construction Budget

Bernards has also focused efforts on refining and confirming the Project budget. They have carefully reviewed the construction drawings and familiarized themselves with many of the intricacies of this complex building.

Based on their review and evaluation of an ideal bidding strategy, they are combing through the Project budget to ensure that the Project can be fully completed within the current funding allotment.

They have reviewed the initial cost estimate provided by Davis Langdon, and have been able to confirm those original estimates. The Bernards team has successfully received real-time feedback from contractors in today's market that verify the various portions of the Project budget. By creating a detailed plan of how each of the rehabilitation components will move forward, Bernards can further refine costs and confirm that the Project can be completed with the funding as planned.

As discussed above, there are significant savings of taxpayer dollars projected with the use of the multi-prime strategy. The savings will be realized by FEMA, the California Emergency Management Agency (Cal EMA), and the City.

Construction Schedule

Bernards continues to develop a detailed construction schedule for the Project. As the bidding strategy becomes clearly defined, they can move forward with bid packaging, which will in turn allow the actual deconstruction/reconstruction work to begin. Bernards has been able to confirm scheduled components of each of the trades through the same process as the cost verifications. Market contractors have confirmed the rehabilitation schedule estimated by the architecture and engineering teams.

As discussed earlier in the multi-prime bidding strategy section, the use of multi-prime bidding will allow flexibility in the schedule in the event of unanticipated delays in an area of work or one bid package. If this occurs, the remainder of the work and contractors can continue to move forward and thereby keep the Project on schedule.

The building is old and quite complex, and while it has been examined as thoroughly as possible, there is still a very real possibility that unexpected issues may arise. The Project schedule is effectively planned out, and also allows for some amount of “construction surprise.”

With all of this in mind, Bernards, along with the City’s Project Team and architects, are confident that the Project will be completed on schedule by June 2013.

Community Outreach

Bernards has been working closely with the City staff and various local organizations on the development of a Community Outreach program. A committee has been organized with representatives from the City of Atascadero, Bernards, the Chamber of Commerce, the Historical Society, the Atascadero Main Street, the Builders Exchange and the Atascadero Unified School District.

The Community Outreach Committee has initially adopted three primary objectives:

1. keeping the community informed of progress and details of the project;
2. keeping the Construction Manager and the City Staff informed of upcoming community programs and issues; and
3. providing information to local contractors, suppliers, and job seekers with contact information for bidding and employment opportunities.

Bernards has attached a project webpage to the City of Atascadero’s website. The content for this page will be updated monthly by the Bernards’ onsite management staff.

Several links are being developed for greater sharing of information and project details. There will be employment forms and links to local agencies that will distribute qualified candidate resumes for available positions. Detailed monthly reports including progress photos and scheduled timeline progress will be posted and archived for ongoing reference.

Staff and the City's consultants all realize the importance and significance of this Project to the entire community and will work hard to be a good neighbor during the process and produce a project that everyone can take pride in. The renovation of the Historic City Hall will likely spur additional private investment in the downtown corridor, and will help to revitalize the whole City.

FISCAL IMPACT:

There is a potential savings of up to a million dollars through the use of the multi-prime bidding strategy over the agency/general contractor method of bidding.