

<b>Item 2</b> <b>File 12-0041</b>	<b>Department(s):</b> Public Utilities Commission (PUC) Department of Public Works (DPW)
<b>EXECUTIVE SUMMARY</b>	
<p><b>Legislative Objective</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would authorize the General Manager of the San Francisco Public Utilities Commission to execute an amendment to Architectural and Engineering Design Services Agreement for the new San Francisco Public Utilities Commission (PUC) administration building located at 525 Golden Gate Avenue to (a) extend the agreement's duration by four months from June 30, 2012 through October 31, 2012, and (b) increase the not-to-exceed amount by \$2,374,758 from \$12,040,000 to \$14,414,758.</li> </ul> <p><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• 525 Golden Gate Avenue, which will serve as the PUC's headquarters, is a 13-story, environmentally-designed building. The 525 Golden Gate Avenue project has a total budget of \$190,600,000, funded by Certificates of Participation and sales proceeds from PUC properties. The project is expected to be completed in June 2012, two months ahead of the scheduled completion date in August 2012.</li> <li>• PUC entered into an agreement with KMD/Stevens and Associates (a joint venture) to provide engineering, design, and construction administration services for the 525 Golden Gate Avenue project in June 2006. The agreement has five previous amendments, with a total not-to-exceed amount of \$12,040,000, and a termination date of June 30, 2012.</li> <li>• PUC is requesting a sixth amendment to the agreement with KMD/Stevens and Associates to increase the not-to-exceed amount by \$2,374,758 in order to pay for (a) design changes to the roof and biological wetland waste water technology (\$414,420), (b) increased construction administration staffing from three to five positions (\$1,760,337), and (c) a contingency for future change orders. The \$2,374,758 would be funded by the project's contingency fund, which has a remaining balance of \$3,500,000.</li> <li>• PUC is requesting a four-month extension of the agreement with KMD/Stevens and Associates in the event that the completion date extends beyond June 30, 2012 to ensure adequate time for KMD/Stevens to complete construction administration and project close out.</li> </ul> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the resolution.</li> </ul>	

## MANDATE STATEMENT

Charter Section 9.118 requires the Board of Supervisors approval of agreements entered into by City departments having a term in excess of ten years or requiring anticipated expenditures of \$10,000,000 or more, or which modify or amend such agreements for more than \$500,000.

## BACKGROUND

In June of 2000, the Board of Supervisors authorized the Real Estate Division (RED) to purchase the land and building at 525 Golden Gate Avenue, on behalf of the City, from the State of California at a cost of \$2.00 (Resolution 474-00). In June of 2006, the Board of Supervisors authorized the sale of the property from the City to the San Francisco Public Utilities Commission (PUC) at a cost of \$9,900,000 (shown in Table 1 below as Site Acquisition cost), in order for the PUC to build a new headquarters building at 525 Golden Gate Avenue and authorized a sole source agreement with KMD/Stevens + Associates (KMD/Stevens), a joint venture of architects, to provide architectural, engineering and construction administration services for the new PUC headquarters building (Resolution 360-06)<sup>1</sup>.

According to Mr. Brook Mebrahtu, Department of Public Works (DPW) Senior Project Manager, the new building at 525 Golden Gate Avenue will be a LEED (Leadership in Energy and Environmental Design) Platinum<sup>2</sup>, 13-story plus one basement level, 277,500 square foot office building. The original total estimated construction cost of \$190,600,000 is shown in Table 1 below.

**Table 1**  
**525 Golden Gate Avenue Project Budget**

<b>Project Costs</b>	<b>Budget</b>
Site Acquisition	\$9,900,000
Engineering, Architecture, and Construction Administration	11,550,000
Demolition, Construction, and Related Costs	144,420,000
Construction Management	5,211,000
Contingency (4.2 Percent)	8,000,000
Tenant Improvements, Furnishings and Fixtures, Art Enrichment	7,540,000
DPW, PUC, City Attorney, City Permitting, and Other Costs	<u>3,979,000</u>
Total	\$190,600,000

Source: PUC

According to Mr. Mebrahtu, the completion of the new PUC headquarters building at 525 Golden Gate Avenue will allow the PUC to relocate staff from 216,932 square feet of office space, which the PUC currently leases at 1145 and 1155 Market Street.

<sup>1</sup> According to Mr. Mebrahtu, because KMD|Stevens had already completed an initial design for a new City Administration building at 525 Golden Gate Avenue, DPW felt it was in the best interests of the City to request a sole source agreement with KMD/Stevens for completion of the architectural and engineering design services for a new PUC building at the same location.

<sup>2</sup> LEED Platinum is the U.S. Green Building Council's highest certification for environmentally efficient buildings.

Mr. Mebrahtu advised that the demolition and construction of the new PUC headquarters at 525 Golden Gate Avenue began in October of 2009 and will be completed in June of 2012, approximately two months ahead of the August 9, 2012 construction contract deadline. As of the writing of this report, Mr. Mebrahtu advised that the building construction is approximately 85 percent to 90 percent complete. Mr. Mebrahtu further stated that the PUC will require between one and two months after the new headquarters building is completed to relocate staff from their existing leased locations at 1145 and 1155 Market Street to the new headquarters building, such that PUC staff are anticipated to be fully relocated into the new headquarters building by early August 2012.

## DETAILS OF PROPOSED LEGISLATION

In June of 2006, the PUC awarded an agreement to KMD/Stevens + Associates (KMD/Stevens), a joint venture of architects, to provide architectural, engineering and construction administration services for the new PUC headquarters building for an original not-to-exceed amount of \$1,650,000. Since 2006, the PUC has approved five amendments to the initial agreement, and is proposing a sixth amendment, as shown in Table 2 below.

**Table 2**  
**Amendments to Architectural, Engineering and Construction Administration Services**  
**Agreement with KMD/Stevens + Associates for 525 Golden Gate Avenue**

	Date	Not to Exceed Amount	Agreement Duration Increase	
Original Agreement	June 27, 2006	\$1,650,000	12 months	Architectural services agreement awarded to KMD/Stevens
Amendment 1	December 11, 2007	Not Applicable	3.5 months	Extended agreement by 3.5 months to complete architectural services
Amendment 2	December 24, 2007	\$2,900,000	Not Applicable	Funded and authorized the completion of design development, including the acceleration of steel design and exterior building envelope
Amendment 3	January 2, 2008	Not Applicable	Not Applicable	Updated the amount of the project's design fixed budget limit
Amendment 4	April 1, 2008	\$7,000,000	26 months	Funded and authorized completion of construction documents, bidding, value engineering integration, construction administration and warranty and extended agreement by 26 months
Amendment 5	April 16, 2010	\$490,000	25 months	Funded design changes needed to complete the construction documents and extended agreement by 25 months
<b>Subtotal</b>		<b>\$12,040,000</b>		
Amendment 6	Proposed	\$2,374,758	4 months	Funds design changes and extends agreement by four months
<b>Total</b>		<b>\$14,414,758</b>	<b>70.5 months</b>	

Source: PUC

In accordance with Charter Section 9.118, the Board of Supervisors approval was not required for the original agreement and the first three amendments, because the agreement's term was less

than ten years and the amount of the agreement was less than \$10,000,000. The Board of Supervisors approved the fourth amendment in March 2008, increasing the agreement's not-to-exceed amount by \$7,000,000, from \$4,550,000 (\$1,650,000 plus \$2,900,000) to \$11,550,000. The fifth amendment was not subject to Board of Supervisors approval because this amendment was for an additional \$490,000, which was less than the \$500,000 threshold required under Charter Section 9.118. Based on the original agreement, plus these first five amendments, the agreement with KMD/Stevens to provide architectural, engineering and construction administration services for the new PUC headquarters building is for a total not-to-exceed amount of \$12,040,000.

The proposed sixth amendment to the Architectural and Engineering Design Services Agreement between KMD/Stevens and the PUC, which is the subject of the proposed resolution, would (a) extend the agreement's duration by four months from June 30, 2012 through October 31, 2012, and (b) increase the not-to-exceed amount by \$2,374,758 from \$12,040,000 to \$14,414,758.

According to Mr. Mebrahtu, the estimated completion of the 525 Golden Gate Avenue project is June 2012, which is two-months ahead of the original completion date of August 9, 2012. The PUC is requesting the four month extension of the agreement with KMD/Stevens from July 1, 2012 through October 31, 2012, in the event that the completion date extends beyond June 30, 2012 to ensure adequate time for KMD/Stevens to complete construction administration and project close out.

Mr. Mebrahtu advises that KMD/Stevens design services include: (a) program/design validation, (b) design development, (c) construction documents, (d) bidding, (e) construction administration, (f) cost estimating, (g) implementing contractor's construction comments, (h) wind tunnel analysis, (i) value engineering, (j) implementation of art enrichment, and (k) warranty.

According to Mr. Mebrahtu, the new PUC headquarters at 525 Golden Gate Avenue is a highly complex building that is at the forefront of technological innovation by incorporating many non-traditional building components, including integrated wind turbines and solar panels that combined will generate approximately eight percent of the building's energy needs, and a biological wetland system that will treat grey and black waste water, such that the building will release no sewage into the City's sewage system. Mr. Mebrahtu states that during the project's four year initial design phase (2006 through 2010), the project required adjustments to the design documents in order to address cost, sustainability, constructability, and regulatory and code related changes. According to Mr. Mebrahtu, early in the design process, KMD/Stevens conducted a value engineering exercise to redesign some components of the building while advancing the design for construction bid packages in order to reduce the projected increasing construction costs within the project's limited budget.

## **FISCAL ANALYSIS**

Table 3 below shows the budget for the proposed sixth amendment for \$2,374,758, which will increase the total not-to-exceed agreement amount from \$12,040,000 to \$14,414,758.

**Table 3**  
**Proposed Sixth Amendment Budget**

<b>Task</b>	<b>Budget</b>
Design Changes (Design Phase)	\$414,420
Construction Administration	1,760,337
Contingency for Future Change Orders	200,000
<b>Total</b>	<b>2,374,758</b>

Source: PUC

According to Mr. Mebrahtu, \$414,420 for design changes and \$1,760,337 for Construction Administration are services that KMD/Stevens has already provided. According to Mr. Mebrahtu, the design changes that have required the additional services from KMD/Stevens include (a) changes to the building skin and roof due to seismic requirements when the construction of the building was changed from steel to concrete, (b) inclusion of the biological wetland waste water technology to treat grey and black waste water, (c) changes to the roof layout, and (d) addition of various innovative sustainable features.

Mr. Mebrahtu also advises that the original staffing level for the construction administration services provided by KMD/Stevens was inadequate for this project due to the project's significant technological complexities and non-traditional building components that required more KMD/Stevens staffing than anticipated. As a result, the PUC and KMD/Stevens agreed to increase the construction administration staffing from two positions in 2006 to the current five positions, which resulted in the increased costs of \$1,760,337 shown in Table 3 above.

Mr. Mebrahtu also advises that, as shown in Table 3 above, an additional \$200,000 is being allocated for possible future change orders that may occur before the project is completed.

According to Mr. Carlos Jacobo, the source of funding for the overall 525 Golden Gate Avenue PUC building is approximately \$33 million from the sale of PUC properties in 2008 and approximately \$167 million from the sale of Certificates of Participation (COPs) in 2009. The COPs will be repaid by the PUC over the next 30 years, with revenues received from PUC water and wastewater ratepayers.

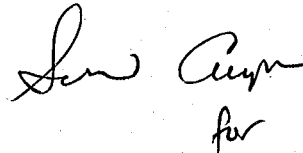
As shown in Table 1 above, the overall 525 Golden Gate Avenue PUC project contingency was budgeted at \$8,000,000 or approximately 4.2 percent of the total project's cost of \$190,600,000. According to Mr. Mebrahtu, to date, \$4,500,000 of the \$8,000,000 contingency has been expended, such that \$3,500,000 in contingency funds remain. This requested sixth amendment for \$2,374,758 would be funded with these remaining available contingency funds.

As also shown in Table 1 above, the original project budget for engineering, design, and construction administration was \$11,550,000. However, approval of the proposed sixth amendment would result in a total not-to-exceed amount for the subject engineering, design, and construction administration agreement between the PUC and KMD/Stevens of \$14,414,758, which is \$2,864,758 more than the \$11,550,000 originally budgeted for this agreement. According to Mr. Mebrahtu, the fifth amendment to this agreement, which was for \$490,000, was funded by transferring surplus funds from the DPW, PUC, City Attorney, City Permitting, and Other Costs line item. As noted above, the proposed sixth amendment to the agreement for \$2,374,758 would be paid from available, remaining contingency funds.

According to Mr. Mebrahtu, total spending for the 525 Golden Gate Avenue PUC project will not exceed the original project budget of \$190,600,000.

**RECOMMENDATION**

Approve the proposed resolution.



Harvey M. Rose

- cc: Supervisor Chu
- Supervisor Avalos
- Supervisor Kim
- President Chiu
- Supervisor Campos
- Supervisor Cohen
- Supervisor Elsbernd
- Supervisor Farrell
- Supervisor Mar
- Supervisor Olague
- Supervisor Wiener
- Clerk of the Board
- Cheryl Adams
- Controller
- Rick Wilson