

File No. 160021

Committee Item No. 8
Board Item No. 14

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 27, 2016

Board of Supervisors Meeting

Date February 2, 2016

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
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Completed by: Linda Wong Date January 22, 2016

Completed by: Linda Wong Date January 28, 2016

AMENDED IN COMMITTEE

1/27/16

FILE NO. 160021

ORDINANCE NO. _____

RO#16018

SA#70-18

[Appropriation - Transfer from Wastewater Enterprise Funds to City Administrator to implement the Central Shops Relocation Project - \$62,200,000 - FYs 2015-2016 and 2016-2017]

Ordinance appropriating \$62,200,000 transfer from Public Utilities Commission Wastewater Enterprise Funds to City Administrator for ~~pre-development costs of~~ the Central Shops Relocation Project in FYs 2015-2016 and 2016-2017, and placing \$45,000,000 on Budget and Finance Committee reserve.

Note: Additions are single-underline italics Times New Roman; deletions are ~~strikethrough italics Times New Roman~~. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available in FYs 2015-2016 and 2016-2017.

SOURCES Appropriation

Fund	Index/Project Code	Subobject	Description	Amount
1G AGF ACP	XXXXXX	9305C	Transfer In from	\$62,200,000
GF-NON-PROJECT- CONTROLLED	CADCSR00		Wastewater Enterprise Funds	
Total SOURCES Appropriation				<u><u>\$62,200,000</u></u>

Section 2. The uses of funding outlined below are herein appropriated in Subobject 06700 (Buildings Structures and Improvements), and reflect the projected uses of funding to

1 effect the relocation of the Central Shops from 1800 Jerrold Avenue, pursuant to companion
 2 legislation on file with the Clerk of the Board of Supervisors in File No. 151226 (the
 3 "Companion Ordinance"), *which is* incorporated herein by this reference, wherein this Board of
 4 Supervisors would authorize the transfer of jurisdiction of properties between the General Services
 5 Agency (GSA) and the Public Utilities Commission (SFPUC), subject to the terms and conditions of the
 6 Memorandum of Understanding between those departments (the "MOU") the execution of a Pre-
 7 Development Agreement for necessary improvements to 555 Selby Street, 1975 Galvez Avenue and the
 8 leased premises of 450 Toland Street to effect said Central Shops Relocation.

9
 10 **USES Appropriation**

Fund	Index/Project Code	Subobject	Description	Amount
1G AGF ACP	70CSRELO	06700	Buildings Structures	\$62,200,000
GF-NON-PROJECT-	CADCSR00		and Improvements –	
CONTROLLED			Central Shops	
			Relocation	
Total USES Appropriation				<u>\$62,200,000</u>

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 19 Section 3. The uses of funding outlined above for ~~\$62,200,000~~^{\$26,400,052}\$45,000,000
 20 are herein placed on Controller's Budget and Finance Committee Reserve pending approval of
 21 phase II of the Project Delivery Agreement by the Board of Supervisors, and Controller
 22 certification of funds availability, including proceeds of indebtedness, and transfer of available funds
 23 from the Wastewater Enterprise Fund, consistent with the terms and conditions of the
 24 MOU including proceeds of indebtedness.

1 Section 4. The Controller is authorized to record transfers between funds and adjust
2 the accounting treatment of sources and uses appropriated in this Ordinance as necessary to
3 conform to Generally Accepted Accounting Principles.
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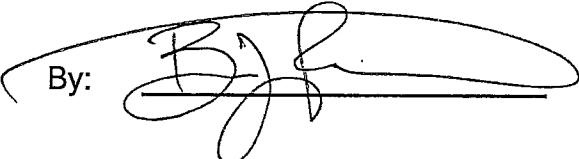
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8 APPROVED AS TO FORM:
9 DENNIS J. HERRERA, City Attorney

10 By:


11 BUCK DELVENTHAL
12 Deputy City Attorney
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FUNDS AVAILABLE
BEN ROSENFELD, Controller

By:


BEN ROSENFELD

<p>Items 7 and 8 Files 15-1226 and 16-0021</p>	<p>Departments: San Francisco Public Utilities Commission (SFPUC) General Services Agency (GSA) Office of Contract Administration (OCA) Real Estate Division (RED)</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- File 15-1226: Ordinance (a) authorizing the Director of Property to execute a Project Delivery Agreement with Oryx, LLC (developer) to design and construct improvements to City-owned properties at 555 Selby Street and 1975 Galvez Avenue and City-leased property at 450 Toland Street for new Central Shops at a total estimated cost of \$55,000,000 from San Francisco Public Utilities Commission (SFPUC) Wastewater Enterprise funds; (b) exempting the project from Administrative Code Chapter 6 contracting requirements and approving the selection of Oryx LLC as Developer and Developer’s selection of FM&E Architecture & Design to serve as Project Architect and Charles Pankow Builders, Ltd, to serve as General Contractor, without competitive bidding; (c) authorizing the jurisdictional transfer of 1800 Jerrold Street from the General Services Agency’s (GSA) Office of Contract Administration (OCA) to the SFPUC and authorizing the jurisdictional transfer of 555 Selby Street, 1975 Galvez Avenue and 450 Toland Street from the SFPUC to OCA, subject to the Memorandum of Understanding (MOU); and (d) finding that the proposed transactions are in conformance with the City’s General Plan and the eight priority policies of Planning Code, Section 101.1.
- File 16-0021: Ordinance appropriating \$62,200,000 as a transfer from the SFPUC’s Wastewater Enterprise Funds to the City Administrator for pre-development costs for the Central Shops Relocation Project in FY 2015-16.

Key Points

- Central Shops is currently located at 1800 Jerrold Avenue. The SFPUC plans to occupy 1800 Jerrold Avenue, which is adjacent to the Southeast Water Pollution Control Plant (Plant), as part of the SFPUC’s Sewer System Improvement Program (SSIP). The Board of Supervisors recently approved leasing property at 450 Toland Street and purchasing properties at 555 Selby Street and 1975 Galvez Avenue for the relocation of Central Shops.
- The proposed Project Delivery Agreement is not in final form; the final form of the Agreement will be submitted to the Board of Supervisors by Monday, January 25, 2016.

Fiscal Impact

- The ordinance (File 15-1226) estimates Phase I, Design of the Project Delivery Agreement to cost \$8,430,000. The City is now estimating Phase I will cost \$10,263,517, including development management fees of up to \$1,239,000.
- The acquisition, capitalized 10-year lease expenses, and construction cost to replace the existing Central Shops facilities are estimated to total \$73,700,000.
- The proposed supplemental appropriation (File 16-0021) would transfer \$62,200,000 from the SFPUC's Wastewater Enterprise Funds to the City Administrator for pre-development costs for the Central Shops Relocation Project, which is \$11,500,000 less than the total \$73,700,000 cost to reflect that SFPUC previously funded the acquisition of the properties at 555 Selby Street and 1975 Galvez Avenue.

Policy Consideration

- City departments must conduct a competitive process in accordance with City Code. However, the proposed ordinance (15-1226) would waive the City's competitive bidding requirements and approve the selection of the developer, architect and general contractor on a sole source selection basis in order to expedite the proposed project. The City's requirements for competitive bidding promote larger public policy objectives of providing an open process to obtain the most competitive price for the City.

Recommendations

- Amend the proposed ordinance (File 15-1226) to (a) clarify that the Board of Supervisors is only approving Phase I Design of the Project Delivery Agreement, and (b) reflect that the Phase I costs are no longer estimated to be \$8,430,000 but rather are currently estimated to be \$10,263,517, or not to exceed \$10,300,000.
- The Real Estate Division will be submitting further amendments to File 15-1226 to exempt this project from the Chapter 29 requirements regarding fiscal feasibility in accordance with Section 29.1(c)(4).
- Approval of the proposed ordinance (File 15-1226), which would authorize sole source contracts and waive competitive bidding as required by the City's Administrative Code on the proposed Central Shops relocation project, is a policy decision for the Board of Supervisors.
- Amend the proposed supplemental appropriation ordinance (File 16-0021) to place \$45,000,000 of the total requested \$62,200,000 on Budget and Finance Committee reserve. Given that the Budget and Legislative Analyst considers File 15-1226 to be a policy matter, the companion ordinance (File 16-0021) is also considered to be a policy decision for the Board of Supervisors. The OCA and Real Estate should request the release of the remaining \$45,000,000 at the same time when they request approval of Phase II of the Project Delivery Agreement by the Board of Supervisors.

MANDATE STATEMENT

City Administrative Code Chapter 6 specifies the City's public works contracting policies and procedures, with Section 6.61 addressing the award of Design-Build contracts.¹ In accordance with Sections 6.61(b) and (c), prior to selecting and awarding Design-Build contracts, City departments must conduct a competitive process. Such a competitive process may include a pre-qualification process through either an invitation for bids or a request for qualifications or a combined request for qualifications and request for proposals, with selection based on a ranking process.

City Administrative Code Chapter 23, Article II establishes the policies and procedures for the jurisdictional transfers of City property from one department to another. These procedures include that the Director of Property shall prepare a report regarding the estimated fair market value of the property to be transferred and that the Board of Supervisors approve such jurisdictional transfers of City properties.

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

BACKGROUND

The City's Central Fleet Maintenance Shop (Central Shops) is currently located on a City-owned 5.3-acre site at 1800 Jerrold Avenue² under the jurisdiction of the City's General Services Agency (GSA). Central Shops provides repair services to the City's non-revenue vehicle fleet. Located immediately adjacent to 1800 Jerrold Avenue is the San Francisco Public Utilities Commission (SFPUC) Southeast Water Pollution Control Plant (Plant). As part of the SFPUC's Sewer System Improvement Program (SSIP), the SFPUC plans to occupy the 1800 Jerrold Avenue site in order to rehabilitate the adjacent Plant and/or as a potential location for the Biosolid Digesters Facilities Project³.

The GSA plans to relocate Central Shops from 1800 Jerrold Avenue to two sites near its current location. The two sites are: (1) 1975 Galvez Avenue and 555 Selby Street, two adjacent parcels which would be purchased and merged into one site for Central Shops heavy duty fleet repair operations, such as fire trucks, dump trucks and street sweepers, and include administrative offices and support functions; and (2) 450 Toland Street, which would be leased for the Central Shops light duty fleet repair operations, such as light duty trucks, body and paint shop and

¹ Design-Build is defined as an approach to the procurement of design and construction services, whereby a single entity is retained to provide both professional design services and general contractor services.

² The City's Department of Technology (DT) Public Safety Division is also located at 1800 Jerrold Avenue, which is responsible for radio repair/installation in public safety vehicles and repair/installation of the City's fiber infrastructure. Real Estate is currently negotiating a new lease for DT's Public Safety Division to relocate from the City-owned 1800 Jerrold Avenue to a private facility, which will be subject to Board of Supervisors approval later this year.

³ The SFPUC is currently undergoing environmental review for the Biosolids Digester Facilities Project. Biosolid digesters break down solid waste as part of the sewage treatment process.

related employee support functions. On December 15, 2015, the Board of Supervisors approved (File 15-1215; Resolution No. 525-15) authorizing:

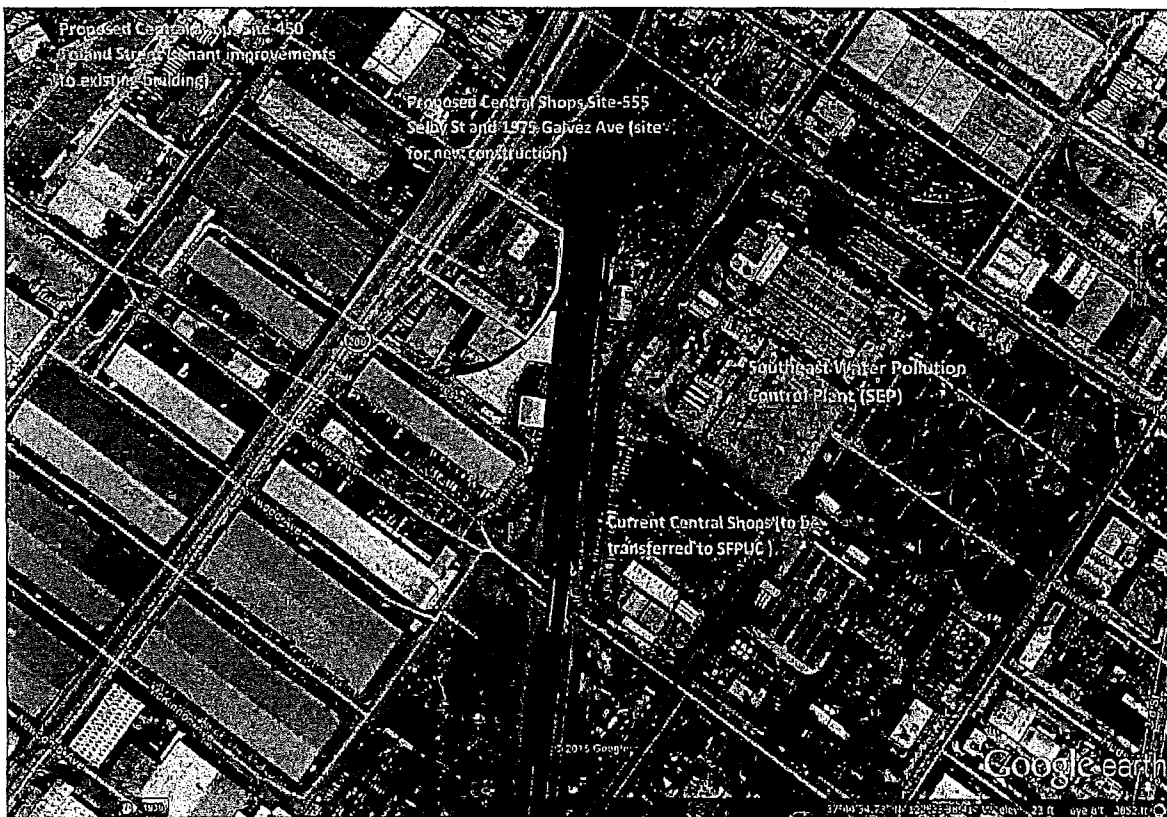
(1) a new lease between the City (as tenant) and Four Fifty Toland, LLC (as landlord) for 450 Toland Street for a term of ten years, with two five-year options to extend, for an initial cost of \$735,600 per year with three percent annual increases;

(2) a purchase and sale agreement between the City (as buyer) and Selby and Hudson Corporation (as seller) for 555 Selby Street for \$6,300,000; and

(3) a purchase and sale agreement between the City (as buyer) and W.Y.L. Five Star Service Industries, Inc. (as seller) for 1975 Galvez Avenue for \$5,000,000.

Figure 1 below shows the current and proposed locations for Central Shops.

Figure 1: Current and Proposed Locations for Central Shops



Source: City Staff

DETAILS OF PROPOSED LEGISLATION

- The proposed ordinance (File 15-1226) would approve and authorize the following:
 1. The Director of Property to execute a Project Delivery Agreement⁴ with Oryx, LLC (developer) for the design and construction of proposed improvements to City-owned properties at 555 Selby Street and 1975 Galvez Avenue and tenant improvements to City-leased property at 450 Toland Street, for a new relocated City Central Fleet Maintenance Shop (Central Shops) at a total estimated cost of \$55,000,000 from SFPUC Wastewater Enterprise funds;
 2. Exempt the project from certain contracting requirements in Administrative Code Chapter 6 by waiving Sections 6.61(b) and 6.61(c)(1)-(4) and approving the selection of Oryx LLC as Developer and Developer's selection of FM&E Architecture & Design as subcontractor to serve as Project Architect and Charles Pankow Builders, Ltd, as subcontractor to serve as General Contractor, without competitive bidding;
 3. Authorize the jurisdictional transfer of 1800 Jerrold Street from the General Services Agency's (GSA) Office of Contract Administration (OCA)⁵ to the SFPUC Wastewater Enterprise and authorize the jurisdictional transfer of 555 Selby Street and 1975 Galvez Avenue and the leasehold of 450 Toland Street from the SFPUC to OCA, subject to the terms and conditions of the Memorandum of Understanding (MOU) entered into between the RED, OCA and SFPUC; and
 4. Find that the proposed transactions are in conformance with the City's General Plan and the eight priority policies of Planning Code, Section 101.1.⁶
 5. Find that the Proposed Project is fiscally feasible consistent with Administrative Code Chapter 29.
- The proposed ordinance (File 16-0021) would appropriate \$62,200,000 as a transfer from the SFPUC's Wastewater Enterprise Funds to the City Administrator for pre-development costs for the Central Shops Relocation Project in FY 2015-16. This ordinance would also

⁴ The Project Delivery Agreement includes a General Conditions document as an attachment, which specifies the City code requirements, obligations, arbitration, change order and contingency provisions, etc.

⁵ OCA currently holds jurisdiction to 1800 Jerrold Street property and Central Shops is under OCA.

⁶ The Eight Priorities of City Planning Code Section 101.1 include: (1) existing neighborhood-serving retail uses be preserved and enhanced, and future opportunities for resident employment in and ownership of such businesses enhanced; (2) existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods; (3) the City's supply of affordable housing be preserved and enhanced; (4) commuter traffic not impede Muni transit service or overburden our streets or neighborhood parking; (5) a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced; (6) the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake; (7) landmarks and historic buildings be preserved; and (8) parks and open space and their access to sunlight and vistas be protected from development.

place the \$62,200,000 on Controller's Reserve pending transfer of the funds from the Wastewater Enterprise Funds including proceeds of indebtedness⁷.

Current Plan and Timeframe

Currently, Central Shops occupies 80,577 square feet of improvements on 263,102 square feet of land at 1800 Jerrold Avenue. Central Shops will occupy 98,000 square feet of improvements on 167,347 square feet of land at the combined 555 Selby Street, 1975 Galvez Avenue, and 450 Toland Street locations, a reduction of 95,755 square feet of land (a 36% reduction), and an increase of 17,423 square feet of improvements (a 22% increase). According to Mr. Updike, the SFPUC needs to occupy 1800 Jerrold Avenue by June 30, 2017 in order to meet the SSIP project timeline. The current estimated timeframe to relocate the Central Shops, including designing and constructing the new Central Shop facilities is approximately 18 months, or June 2017.

Waiver of City's Competitive Bidding Requirements

The proposed ordinance (15-1226) would waive the competitive bidding requirements in the City's Administrative Code and approve the selection of Oryx LLC as Developer and the Developer's selection of FM&E Architecture & Design as Project Architect and Charles Pankow Builders, Ltd, as General Contractor. The ordinance states that due to time constraints coupled with "the current extraordinarily competitive real estate market for industrial land", the "Director of Property informally approached entities capable of executing the Proposed Project and identified one team reasonably available and deemed capable of carrying the Proposed Project within the time frame required and within the budget developed".

Mr. John Updike, Director of Real Estate advises that to complete the City's competitive bidding processes can take approximately a year, whereas sole source selection requires six months, a reduction of approximately six months. Given that the City was not certain of acquisition and leasing sites to relocate Central Shops until late fall of 2015, and the SSIP's project timeline completion of June of 2017, Mr. Updike advises that sole source selection was necessary to secure the proposed project team of developer, architect and general contractor expeditiously.

Mr. Updike advises that the proposed team was selected because given the current economic climate and number of ongoing projects in the City, six or seven other firms capable of executing this project were not currently available. Both Oryx and FM&E Architecture & Design have completed several private development and architecture projects respectively, but neither has previously contracted with the City. Charles Pankow Builders recent projects include the City's Public Safety Building and the War Memorial Veterans Building.

Mr. Dan McKenna of Central Shops reports that a private architecture, engineering and construction management firm, Gannett-Fleming, was hired by OCA at a cost of \$400,000 to peer review the proposed project, including validating the 2013 Fleet Management Space Needs Assessment Report, reviewing the Program Plan prepared by DPW, the project design

⁷ The source of funding for this ordinance is through the SFPUC's SSIP program, which is funded with Wastewater Enterprise revenue bonds and repaid with by wastewater ratepayers. The SFPUC anticipates issuing an additional \$500 million of Wastewater Enterprise revenue bonds on approximately April 15, 2016.

and construction plans to be prepared by the development team and to provide consulting services during the construction phase regarding change orders, schedules and budget.

Project Delivery Agreement

The City is currently negotiating a final Project Delivery Agreement for the Central Shops Replacement Facilities Project on a sole source basis with Oryx, LLC to complete the development, design, management and construction of the proposed project, including entering into and overseeing all contracts for GSA's heavy equipment repair facility at 555 Selby Street and 1975 Galvez Avenue, and GSA's lighter equipment repair facility at 450 Toland Street. As specified in the draft Project Delivery Agreement, all other contracts required for the completion of the project will be entered into by Oryx, without subsequent approvals. Mr. Updike advises that, except for the developer, architect and general contractor agreements, limited use of design-assist subcontractors and limited performance of concrete work and rough carpentry by the general contractor, all subcontracts will comply with the Chapter 6 competitive bidding provisions of the Administrative Code.

However, as of the writing of this report, the proposed Project Delivery Agreement is not in final form. Therefore, the Budget and Legislative Analyst's report is based on the draft Project Delivery Agreement. Mr. Updike advises that the final form of the Agreement will be submitted to the Board of Supervisors by Monday, January 25, 2016.

Under the Project Delivery Agreement, the Project would be completed in two phases:

- (1) Design Phase, and
- (2) Construction Phase.

The Board of Supervisors is currently being requested to approve Phase I, the Design Phase of the Project Delivery Agreement, as summarized in Table 1 below:

Table 1: Summary of Phase I of the Project Delivery Agreement

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|--|
| <ul style="list-style-type: none"> • Complete project design, including demolition, permitting, site grading and piles; • Select and retain licensed architect to design the project; • Select and retain licensed general contractor to construct the project; • Provide City with all analyses, surveys, designs, engineering, permits, warranties, etc.; • Comply with Local Hire, First Source and Local Business Enterprise Program Requirements; • Design project within project budget of \$55 million to be completed by June 29, 2017; • Procure trade subcontractors on competitive basis, with award to lowest responsive bid; • Developer may procure design, preconstruction or design-assist subcontractor services based on qualifications only, subject to City representative sole discretion, up to 7.5% of total subcontract costs; • Developer through its General Contractor may self-perform specific trade work; • Provide Guaranteed Maximum Price and Schedule for completion; • Conditioned on agreement to proceed with Phase II (construction), developer will provide the City with a completed project. |
|--|

The proposed ordinance estimates Phase I to cost \$8,430,000. However, based on further due diligence, the City is now estimating Phase I will cost \$10,263,517, as shown in Table 2 below, including development management fees of up to \$1,239,000 (\$846,000 + \$393,000).

Table 2: Current Estimated Costs for Phase I, Design

Acquisition due diligence	\$25,000
Architect and sub-consultants	2,532,299
Design- build sub-consultants	479,737
Pre-construction services (Pankow)	627,000
Permits and fees	925,475
Legal, insurance, accounting and administration	215,000
Development Management Base Fee	846,000
Development Management Bonus Fee	393,000
Demolition/Site-grading/Piles	3,286,960
Contingency (10%)	933,047
Total	\$10,263,517

When the architect completes the construction drawings, the developer will provide a guaranteed maximum price and schedule for completion. If the price and schedule are acceptable, the City may authorize the construction and completion of the project, subject to Board of Supervisors and Mayoral approval. If the price exceeds \$55 million, the City will work with the developer to reduce the scope of the project, or seek Mayor and Board of Supervisors approval of supplemental authorization. At that time, the Board of Supervisors would be requested to approve an amendment to this Project Delivery Agreement, to increase the not to exceed amount, dates and requirements for completion.

Given the changes noted above, the proposed ordinance (File 15-1226) should be amended to (a) clarify that the Board of Supervisors is only approving Phase I Design of the Project Delivery Agreement, and (b) reflect that the Phase I costs are no longer estimated to be \$8,430,000 but rather are currently estimated to be \$10,263,517, or not to exceed \$10,300,000.

Jurisdictional Transfer of Properties

The proposed ordinance states that OCA consents to a jurisdictional transfer of 1800 Jerrold Avenue to the SFPUC, provided that OCA receives compensation sufficient to enable occupancy of functionally equivalent facilities and for necessary incurred relocation expenses. Approval of an MOU among the SFPUC, OCA and Real Estate provides that the SFPUC commits \$73,700,000 of Wastewater Enterprise funds to the Central Shops Relocation Project to pay for the purchase of 555 Selby Street and 1975 Galvez Avenue, 10-year lease payments for 450 Toland Street, and design and construction costs of the Central Shops facilities. The MOU specifies the following jurisdictional transfers:

- 1800 Jerrold Avenue site from OCA to the SFPUC; and
- 555 Selby Street, 1975 Galvez Avenue and 450 Toland Street sites from SFPUC to OCA.

The MOU also provides that, given that SFPUC ratepayers are paying the cost to purchase sites and relocate Central Shops, if Central Shops fails to occupy, vacates or ceases to use the two acquired properties for Central Shop functions before the useful life of the facilities expire in 30

years, then the SFPUC ratepayers will be reimbursed an amount equal to the unamortized value of the acquisition and improvement costs. The leased property at 450 Toland Street is not included in this provision because if Central Shops ceases to function there, the lease could be terminated.

CEQA and Planning Code Provisions

On October 28, 2015, the Planning Department found that the proposed relocation of Central Shops from 1800 Jerrold Avenue to 555 Selby Street, 1975 Galvez Avenue, and 450 Toland Street was categorically exempt from the California Environmental Quality Act (CEQA). On November 5, 2015, the Planning Department found that the proposed project is in conformity with the City's General Plan and Planning Code Section 101.1.

Administrative Code Chapter 29

Mr. Updike requests that an amendment to the proposed ordinance be approved to invoke the exception to Chapter 29 of the Administrative Code regarding fiscal feasibility permitted in Section 29.1(c)(4) which states that Chapter 29 will not apply to any project that is a utility capital improvement project under the jurisdiction of the San Francisco Public Utilities Commission (SFPUC). According to Mr. Updike, the proposed relocation of Central Shops would not be necessary if the SFPUC utility project did not require the site at 1800 Jerrold Street and the SFPUC is the sole funding source for these projects. Therefore, Mr. Updike will be submitting an amendment at the Budget and Finance Committee meeting on January 27, 2016 to state that the project qualifies under the exemption in Section 29.1(c)(4).

FISCAL IMPACT

The proposed ordinance states that the Director of Real Estate determined that the current fair market value of 1800 Jerrold Avenue is less than the expense required to relocate Central Shops to functionally equivalent facilities, including property acquisition costs, rent, development, design and construction of improvements. Mr. Updike notes that an appraisal, conducted by David Tattersall, determined the fair market value of the 1800 Jerrold Avenue property to be \$12,750,000.

Cost of Functional Replacement

According to Mr. Updike, SFPUC will pay OCA the "functional replacement costs" to relocate Central Shops from 1800 Jerrold Avenue to the three new locations. Functional replacement involves an administrative settlement payment to mitigate OCA's costs to relocate Central Shops to the three new locations, including the costs of constructing improvements. The acquisition, capitalized 10-year lease expenses, and construction costs to functionally replace the existing Central Shops facilities at the Selby/Galvez and Toland sites are estimated to total \$73,700,000, as summarized in Table 2 below.

Table 2: Total SFPUC Costs

Acquisition of 555 Selby Street	\$6,500,000
Acquisition of 1975 Galvez Avenue	<u>5,000,000</u>
Subtotal Acquisitions	\$11,500,000
10-Year Lease of 450 Toland Street	6,900,000
Construction of new Central Shops	55,000,000
Moving Expenses	300,000
Total	\$73,700,000

Previous and Proposed Appropriation of Funds

Mr. Carlos Jacobo Budget Director for the SFPUC advises that to date \$69,552,948 of Wastewater Enterprise Sewer System Improvement Program funds have been appropriated for this project, pending the sale of Wastewater revenue bonds. The balance of \$4,147,052 to total \$73,700,000 will be appropriated in the FY2016-17 budget, subject to appropriation approval by the Board of Supervisors.

The proposed supplemental appropriation (File 16-0021) would transfer \$62,200,000 from the SFPUC’s Wastewater Enterprise Funds to the City Administrator for pre-development costs for the Central Shops Relocation Project in FY 2015-16. The requested \$62,200,000 is \$11,500,000 less than the total \$73,700,000 cost shown in Table 2 above, to reflect that the SFPUC funds were used directly to acquire the two properties at 555 Selby Street and 1975 Galvez Avenue.

Given that the proposed ordinance (File 15-1226) is (a) requesting the Board of Supervisors to approve Phase I of the Project Delivery Agreement at an estimated cost not to exceed \$10,300,000, and (b) lease payments for ten years at the 450 Toland Street site totaling \$6,900,000 were previously approved by the Board of Supervisors, for a total of \$17,200,000, amend the proposed supplemental appropriation ordinance (File 16-0021) to place \$45,000,000 of the total requested \$62,200,000 on Budget and Finance Committee reserve. The OCA and Real Estate can request the release of the remaining \$45,000,000 at the same time when they request approval of Phase II of the Project Delivery Agreement by the Board of Supervisors.

POLICY CONSIDERATION

In accordance with Chapter 6 of the City’s Administrative Code, prior to selecting and awarding contracts, City departments must conduct a competitive process. However, the proposed ordinance (15-1226) would waive the competitive bidding requirements in the City’s Administrative Code and approve the selection of Oryx LLC as the developer and the developer’s selection of FM&E Architecture & Design as the architect and Charles Pankow Builders, Ltd, as the general contractor. While recognizing that using a sole source selection of the developer, architect and general contractor will expedite the proposed project, the City’s requirements for competitive bidding promote larger public policy objectives of providing an open process to obtain the most competitive price for the City.

RECOMMENDATIONS

1. Amend the proposed ordinance (File 15-1226) to (a) clarify that the Board of Supervisors is only approving Phase I Design of the Project Delivery Agreement, and (b) reflect that the Phase I costs are no longer estimated to be \$8,430,000 but rather are currently estimated to be \$10,263,517, or not to exceed \$10,300,000.
2. The Real Estate Division will be submitting further amendments to File 15-1226 to exempt this project from the Chapter 29 requirements regarding fiscal feasibility in accordance with Section 29.1(c)(4).
3. Approval of the proposed ordinance (File 15-1226), which would authorize sole source contracts and waive competitive bidding as required by the City's Administrative Code on the proposed Central Shops relocation project, is a policy decision for the Board of Supervisors.
4. Amend the proposed supplemental appropriation ordinance (File 16-0021) to place \$45,000,000 of the total requested \$62,200,000 on Budget and Finance Committee reserve. Given that the Budget and Legislative Analyst considers File 15-1226 to be a policy matter, this companion ordinance (File 16-0021) is also considered to be a policy decision for the Board of Supervisors. The OCA and Real Estate should request the release of the remaining \$45,000,000 at the same time when they request approval of Phase II of the Project Delivery Agreement by the Board of Supervisors.

<p>Item 9 File 15-1216</p>	<p>Department: General Services Agency - Department of Public Works (DPW)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • The proposed resolution would approve an amendment to the existing agreement between Public Works and Hellmuth, Obata & Kassabaum, Inc. (HOK) for architectural and engineering design and other related consulting services for the San Francisco Police Department's (SFPD) new Traffic Company and Forensic Services Division Facility to be located at 1995 Evans Street. • The amendment increases the not-to-exceed agreement amount by \$10,868,353, from \$993,952 to a total not-to-exceed amount of \$11,862,305. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The City intends to construct a new 110,000-square-foot facility at 1995 Evans Street, which would relocate the (SFPD Traffic Company and Forensic Services Division from the Hall of Justice to 1995 Evans Street. • Based on the results of a competitive Request for Qualifications process, DPW selected HOK to provide design services for the proposed facility. • On September 15, 2015, Public Works awarded an agreement to HOK in the amount of \$993,952 to provide program validation and conceptual design phase services. • DPW is seeking authorization to amend the agreement with HOK to complete schematic design, design development, construction documents, bidding/negotiation, construction administration, and warranty phase services for the proposed facility. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The total project budget for the new SFPD Traffic Company and Forensic Services Division Facility is \$165,000,000. • The \$11,862,305 agreement between the City and HOK constitutes 7.2 percent of the total budget. • The project is funded by the \$400 million Earthquake Safety and Emergency Response Bonds approved by San Francisco voters in June 2014. 	
<p style="text-align: center;">Recommendation</p>	
<ul style="list-style-type: none"> • Approve the proposed resolution. 	

MANDATE STATEMENT

City Charter Section 9.118(b) states that agreements entered into by a department, board, or commission having a term of (a) more than 10 years; (b) anticipated expenditures of \$10 million or more; or (c) modifications to these agreements of more than \$500,000, require Board of Supervisors approval.

BACKGROUND

The City intends to construct a new 110,000-square-foot facility at 1995 Evans Street, which would relocate the San Francisco Police Department's (SFPD) Traffic Company and Forensic Services Division from the Hall of Justice at 850 Bryant Street to 1995 Evans Street. The new Traffic Company and Forensic Services Division Facility will include forensic laboratories, laboratory support and office space, and storage and offices for the fleet of motorcycle police officers who provide traffic enforcement.

Construction of the new Traffic Company and Forensic Services Division Facility is part of Public Works' Justice Facilities Improvement Program to replace the Hall of Justice due to seismic deficiencies and obsolete building systems.

Public Works issued a competitive Request for Qualifications (RFQ) on August 8, 2014, for an architectural and engineering team to provide design and other related consulting services to the Traffic Company and Forensic Services Division Facility project. Based on the results of the RFQ process, DPW selected Hellmuth, Obata & Kassabaum, Inc. (HOK) to provide design services for the proposed facility.

On September 15, 2015, Public Works awarded an agreement to HOK in the amount of \$993,952 to provide program validation and conceptual design phase services.

Public Works is seeking authorization to amend the agreement with HOK to complete schematic design, design development, construction documents, bidding/negotiation, construction administration, and warranty phase services for the proposed facility.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve an amendment to the existing agreement between Public Works and HOK for architectural and engineering design and other related consulting services for the SFPD's new Traffic Company and Forensic Services Division Facility to be located at 1995 Evans Street. The amendment increases the not-to-exceed agreement amount by \$10,868,353, from \$993,952 to a total not-to-exceed amount of \$11,862,305, as shown in Table 1 below. The total not-to-exceed amount includes an 11 percent contingency amount of \$1,078,391.

FISCAL IMPACT

As shown in Table 1 below, the budget for HOK architectural and engineering design-related services totals \$11,862,305.

Table 1: Budget for HOK Design Services for the New SFPD Traffic Company and Forensic Services Division Facility

Services	Amount
Existing Agreement	
Program Verification	\$225,006
Conceptual Design	<u>768,946</u>
<i>Existing Agreement Subtotal</i>	<u>\$993,952</u>
Proposed Amendment	
Schematic Design	\$1,790,235
Design Development	2,434,466
Construction Documents	2,717,016
Bidding/Negotiation	131,450
Construction Administration	2,641,871
Warranty	<u>74,924</u>
<i>Additional Design Service Subtotal</i>	<u>\$9,789,962</u>
11 Percent Contingency	<u>1,078,391</u>
<i>Proposed Amendment Subtotal</i>	<u>\$10,868,353</u>
TOTAL	\$11,862,305

The SFPD Traffic Company and Forensic Services Division Facility total project budget is \$165,000,000. The \$11,862,305 agreement between the City and HOK constitutes 7.2 percent of the total budget, as shown in Table 2 below. According to Mr. Charles Higuera, Program Manager at Public Works, the 7.2 percent project budget allocated to architectural and engineering and other supporting design service is consistent with industry standards for this type of project.

The project is funded by the \$400 million Earthquake Safety and Emergency Response Bond approved by San Francisco voters in June 2014.

Table 2: Total Budget for Traffic Company and Forensic Services Division Facility

Services	Amount	Percent of Budget
Construction, Purchase, and Installation		
Principal Construction Contract	\$100,000,000	60.6%
General Contractor Contingency	1,193,440	0.7
Construction Change Order Contingency	6,903,487	4.2
Art Enrichment	1,972,425	1.2
Hazardous Materials Construction/Abatement	50,000	0.03
Temporary Utilities	450,000	0.3
<i>Construction Subtotal</i>	<i>\$110,569,352</i>	<i>67.0%</i>
Project Control		
Client Department Services	\$777,600	0.5%
DPW Project Management	4,410,939	2.7
City Administrative Services	385,000	0.2
Regulatory Agency Approvals	1,460,000	0.9
Architecture/Engineering Design	11,862,305	7.2
Conceptual Planning	844,992	0.5
Additional Architecture/Engineering Services	1,796,835	1.1
Construction Management Services	10,880,981	6.6
Geotechnical, Surveys, and Data Collection	1,541,178	0.9
Reserve	4,640,000	2.8
<i>Project Control Subtotal</i>	<i>\$38,599,830</i>	<i>23.4%</i>
Site Control	\$15,830,818	9.6%
TOTAL	\$165,000,000	100%

POLICY CONSIDERATION

As noted above, Public Works proposes to increase the agreement with HOK for the new SFPD Traffic Company and Forensic Services Division Facility by \$10,868,353, from \$993,952 to \$11,862,353. The scope of services specified in the RFQ included architecture and engineering design services for completion of the project. According to Mr. Higuera, the original agreement with HOK included a limited scope of services for only the initial program verification and conceptual design because it provides for a more certain understanding of the true scope of the project and corresponding construction cost. Public Works is now proposing to amend the agreement to include the full scope of architecture and engineering design services through the completion of the project because it provides for the necessary balance of design service aligned with the defined scope of the project.

RECOMMENDATION

Approve the proposed resolution.

160021

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *EL* Mayor Edwin M. Lee *NE*
RE: Appropriation - Transfer from Wastewater Enterprise Funds to City Administrator to implement the Central Shops Relocation Project - \$62,200,000 - FY 2015-2016
DATE: January 12, 2016

Attached for introduction to the Board of Supervisors is an ordinance appropriating \$62,200,000 transfer from Wastewater Enterprise Funds to City Administrator for pre-development costs of the Central Shops Relocation Project in FY 2015-2016.

I respectfully request a waiver of the 30-day hold and that this item be calendared in Budget & Finance Committee on January 27, 2016.

Should you have any questions, please contact Nicole Elliott (415) 554-7940.

EL
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File # 1512. d
160021
Received in Committee
1/27/16
Jan.

Services of the San Francisco Public Utilities Commission

Central Shops

File Nos. 15-1226 and 16-0021

Board of Supervisors
Budget and Finance Committee
January 27, 2016

Michael Carlin, Deputy General Manager, SFPUC

John Updike, Director, Real Estate Division

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Total Costs

Services of the San Francisco Public Utilities Commission

Item	Estimated Cost
Acquisition of 555 Selby Street	\$ 6,500,000
Acquisition of 1975 Galvez Avenue	\$ 5,000,000
10-Year Lease of 450 Toland Street	\$ 6,900,000
Construction of new Central Shops	\$ 55,000,000
Moving Expenses	\$ 300,000
TOTAL	\$ 73,700,000

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