

# City of Sacramento

## Legislation Text

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**File #:** 2018-01528, **Version:** 1

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**Title:**

**Supplemental Agreement for a Guaranteed Maximum Price for the Sacramento Convention Center Renovation and Expansion Project (Published for 10-Day Review on 11/1/2018)**

File ID: 2018-01528

**Location:** 1400 J Street, District 4

**Recommendation:**

Pass a Resolution: 1) allocating \$194,197,290 in 2018 Transient Occupancy Tax Revenue Bonds (Fund 6110) to the Convention Center Complex Renovation (M17100100) project and increasing the expenditure budget for the Convention Center Complex Renovation (M17100100) project; 2) authorizing the City Manager or City Manager's designee to execute Supplemental Agreement No. 4 to Contract No. 2017-0912 for Phase 1 of the Guaranteed Maximum Price (GMP), with Hunt Construction Group, Inc., in the amount of \$142.5 million for the construction of the Sacramento Convention Center (SCC) Renovation and Expansion Project; 3) increasing the City Manager's authority to approve single change orders without Council authorization for the construction phase of the SCC for City Agreement No. 2017-0912; 4) authorizing the City Manager or City Manager's designee to execute Supplemental Agreement No. 4 to Contract No. 2017-0634 with Populous, Inc. for an amount not to exceed \$3,226,875 for construction administration services of the SCC; 5) authorizing the City Manager or City Manager's designee to execute a professional services agreement with O'Connor Construction Management, Inc. for an amount not to exceed \$3,337,925 for construction management services of the SCC; 6) authorizing the City Manager or City Manager's designee to execute a professional services agreement with O'Connor Construction Management, Inc. for an amount not to exceed \$2,670,431 for construction management services of the Sacramento Community Center Theater Renovation Project (CCT); 7) authorizing the City Manager or City Manager's designee to execute Supplemental Agreement No. 1 to Contract No. 2015-2259 to increase the not to exceed amount by \$558,000, and authorizing Alliant Insurance Services, Inc., to secure an Owner Controlled Construction Insurance Program (OCIP) on behalf of the City in an amount not to exceed \$5,679,433; and 8) authorizing the City Manager or City Manager's designee to make any necessary budgetary adjustments to repay the City Council authorized interfund loans.

**Contact:** Ofelia Avalos, Senior Engineer, (916) 808-5054; Fran Halbakken, Assistant City Manager/Project Executive, (916) 808-7194; Office of the City Manager

**Presenter:** None

**Attachments:**

- 1-Description/Analysis
- 2-Resolution
- 3-Background
- 4-Exhibit A - Supplemental Agreement for Professional Services with Hunt Construction Group, Inc.
- 5-Exhibit B - Supplemental Agreement for Professional Services with Populous, Inc.
- 6-Exhibit C - Professional Services Agreement with O'Connor Construction Management, Inc. for the Sacramento Convention Center
- 7-Exhibit D - Professional Services Agreement with O'Connor Construction Management, Inc. for the Sacramento Community Center Theater
- 8-Exhibit E - Supplemental Agreement for Professional Services with Alliant Insurance Services, Inc.

**Description/Analysis**

**Issue Detail:** Staff recommends authorizing the City Manager to execute Supplemental Agreement No. 4 with Hunt Construction Group, Inc. ("Hunt") for Phase I construction with a Guaranteed Maximum Price (GMP) in the amount of \$142.5 million for construction of the Sacramento Convention Center (SCC) Renovation and Expansion project. The full amount of the GMP is expected to be \$182.5 million with the addition of the ballroom but the project will be approved and completed in two phases. The first phase includes expanded exhibit space with new east and west lobbies, a new plaza between the SCC and the Sacramento Community Center Theater (CCT) and additional meeting rooms. The second phase would include a new ballroom on the second floor of the west side of the SCC contingent upon the successful judicial validation of the Sacramento Tourism Improvement District (STID) assessment revenue and successful issuance of STID bonds. Staff expects to return to City Council in Spring 2019 to obtain authorization to issue the STID bonds for the portion of the project related to the ballroom. Subsequent to the targeted completion of the issuance of STID bonds, staff will bring a separate report to City Council that will approve the GMP for Phase II of the project for up to \$40 million.

The first phase of the SCC will begin in December 2018 and will be completed in November 2020. The SCC will reopen for business, although while construction work will continue for the new ballroom. The second phase of the SCC will be completed in April 2021.

Given the increase in the not-to-exceed amount of the contract from \$1,441,366 (for the design portion), to \$142.5 million for construction, staff is requesting that the City Manager's authority to approve single change orders for the City's Agreement with Hunt (Agreement No. 2017-0912) be increased from \$100,000 to \$500,000, and that the cumulative limitation on the City Manager's

change order authority be increased to \$8,550,000.

Staff is also recommending approval of the agreement with Populous Group ("Populous") for an amount not to exceed \$3,266,875 to provide construction administration services for the SCC project. As the architect on the SCC project, their services will include, but will not be limited to: submittal review, request for information responses, attending scheduled construction meetings, review of pay applications, change order preparation and review, and punch list preparation.

In addition, staff is recommending approval of the agreement with O'Connor Construction Management, Inc. ("O'Connor") to provide construction management services for an amount not to exceed \$3,337,925 for the SCC project and for an amount not to exceed \$2,670,431 the CCT project. As the construction manager for the SCC, O'Connor will provide quality control and assurance; coordinate City building inspection; coordinate oversight of all activities related to the construction of the project; maintain close liaison with the City's project manager; review any change orders; monitor the contractor's performance and schedule; make recommendations to reduce costs; oversee materials testing; handle document management; assist with punch list review and project closeout; and sign-off on the certificate of completion. O'Connor was selected through a competitive Request For Proposals process for both projects.

Given the nature of this project, staff has determined that an Owner Controlled Construction Insurance Program ("OCIP"), would be of benefit to both projects. The City's insurance broker in coordination with our Risk Management Division have evaluated the insurance program in terms of potential loss, coverage, self-insured retentions, deductibles, and policy limits and recommend the purchase of the OCIP policy. The total cost for the OCIP policy to be secured by Alliant Insurance Services, Inc. has been estimated at \$5,679,433 to secure policies for Excess Liability, Excess Workers' Compensation, Property, and other insurance including Crime and Pollution to protect the City from covered losses for premiums. The estimate may change as some quotes are not finalized and in some instances the City may receive additional insurance quotes that would lower the cost. Approval of the policy and cost is critical, as the Notice to Proceed (NTP) will be issued to the contractor for the SCC on or about November 14, 2018. Failure to purchase the insurance policy would place the Convention Center and Community Center Theater at risk.

With the issuance of the bonds as approved by Council, \$194,197,290 from the 2018 Transient Occupancy Tax Revenue Bonds, Series A & C tax-exempt proceeds will be allocated to the SCC Project (M17100100) in Fund 6110.

**Policy Considerations:** The improvements to the SCC support the following goals and policies of the City's General Plan:

- **ERC 4.1.3 City-Owned Resources.** The City shall enhance the quality of existing City-owned arts and cultural resources and facilities through reinvestment, communications and

marketing.

- ERC 4.1.5 The city shall support renovation and expansion of SCC facilities and adjacent supportive infrastructure, including hotels, to attract top tier national and international events.

The renovation and expansion of the SCC will allow the facility to remain attractive and competitive in the future, while providing a nationally-recognized convention venue for residents, visitors and convention attendees. It is also anticipated to generate increased Transient Occupancy Tax (TOT) revenue as more events will likely lead to more hotel night stays and may generate the need for additional hotel development in the downtown core.

**Economic Impacts:** The agreement requires compliance with the recently approved Community Workforce and Training Agreement (CWTA), which will require local hiring and allow for targeted employment opportunities for Sacramento residents.

In addition, an analysis was prepared by Halo Hospitality with assistance from Visit Sacramento to look at the potential effect of the project on additional event growth and hotel room night demand. Based on that analysis, which assumed an additional 350-room hotel, The Sawyer hotel, and other in-progress downtown hotel projects would be built while SCC construction is underway, the SCC expansion may result in an estimated increase in occupancy from 48% to 62% within five years of completion of the SCC project. In addition, the estimated number of citywide conventions that generate significant hotel demand and drive economic impact may increase from a current annual average of about 36 events to 61 events by 2025. This could result in an estimated annual increase of over 150,000 new hotel room nights.

### **Environmental Considerations:**

**California Environmental Quality Act (CEQA):** In accordance with CEQA, the City, as “lead agency”, determined that an Environmental Impact Report (EIR) should be prepared for the SCC Renovation and Expansion Project. On June 19, 2018, City Council approved Resolution No. 2018-0252 certifying the Environmental Impact Report and Mitigation Monitoring Plan for the SCC Renovation and Expansion Project.

**Sustainability:** The SCC project will be designed utilizing energy efficient standards and will reduce the carbon footprint contribution, therefore helping meet the City of Sacramento’s sustainability goal. The City is pursuing Leadership in Energy and Environmental Design (LEED) Silver certification with the U.S. Green Building Council for the SCC Renovation and Expansion Project in accordance with City policy LU 8.1.5 LEED Standard for City-Owned Buildings, which requires LEED (Leadership in Energy and Environmental Design) Silver or equivalent standard. The CCT project will be designed in accordance with City policy LU 8.1.5 and will meet the LEED Silver equivalent standards.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** The SCC improvements will enable the facility to remain competitive with convention centers in California. In addition, the project is expected to bring more jobs, spending, visitors, and hotel stays in Downtown Sacramento. Without these improvements, Sacramento's competitive position is expected to decline with more events and conventions selecting other destinations.

Approval of these supplemental agreements, authorization to secure the OCIP, and the new agreements with O'Conner are necessary to move forward with the construction phase of the project.

**Financial Considerations:** With the allocation of tax-exempt bond proceeds to project M17100100 in the amount of \$194,197,290, there will be sufficient funds available for the following agreements.

- Supplemental Agreement No. 4 (Contract No. 2017-0912-4) with Hunt Construction Group, Inc. for Phase 1 of construction of the SCC with a Guaranteed Maximum Price (GMP) for an amount not to exceed \$142.5 million for the SCC.
- Supplemental Agreement No. 4 (Contract No. 2017-0634-4) with Populous Inc. for an amount not to exceed \$3,226,875 for the SCC.
- A professional services agreement with O'Connor Construction Management, Inc. for an amount not to exceed \$3,337,925 for the SCC.
- A professional services agreement with O'Connor Construction Management, Inc. for an amount not to exceed \$2,670,431 for the CCT.
- Supplemental Agreement No.1 (Contract No. 2015-2259) with Alliant Insurance Services to increase the not to exceed amount by \$558,000, and authorizing Alliant Insurance Services, Inc. to secure an Owner Controlled Construction Insurance Program policy on behalf of the City at a total cost not to exceed \$5,679,433 for the SCC and the CCT.

Additionally, as reported to Council on September 25, 2018, the following interfund loans will be paid back with the bond proceeds as follows:

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Council Date	Resolution Motion	Loan Amount	Fund Name	Funding Repayment
2/14/2017	2017-0057	\$5,000.00	Community Center	Fund Balance
5/16/2017	2017-0171	\$350.00	Community Center	Fund Balance
5/30/2017	2017-0216	\$3,800.00	General	Fund Balance
5/30/2017	2017-0216	\$3,800.00	Innovation and Growth	Fund Balance
5/30/2017	2017-0216	\$3,400.00	Community Center	Fund Balance
5/1/2018	2018-0149	\$200,000	General	APP Maintenance (I17000500)
Total		\$16,550,000		

**Local Business Enterprise (LBE):** The contractor, Hunt Construction and the construction management firm, O'Connor are LBE firms. The architect, Populous is not an LBE firm.