

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: New City Hall Plan Process
DEPARTMENT: City Manager's Office
PRESENTED BY: Eric C. Swansen, Senior Management Analyst *ES*

PROBLEM/ISSUE STATEMENT:

Staff would like to outline the process for the design and construction of a new City Hall with Council. This process will outline the major steps that need to be undertaken, the sequence of these steps and the outcomes for each step. Reaching consensus on the process outlined for a new City Hall will minimize delays, extra work and costs.

The big picture problem we are solving here was well defined shortly after incorporation by the first City Council. The City has little control over the costs of leasing and maintaining office space for City Hall. In addition, the City's customer service locations have become de-centralized between two buildings, which creates a barrier to providing quality customer service. Furthermore, the City's image lacks a sense of community while it occupies leased office space in two adjacent buildings.

FINANCIAL IMPACT:

The financial impact of this project is not fully known at this time. Significant differences between sites, construction delivery methods, market conditions and the City's ability to afford a project are all factors that will determine the cost of this project. While the Capital Improvement Program (CIP) contains \$15.1 million for this project, as Council is aware the more work we do on this project the greater the certainty about costs will be. However, clearly, we have limited resources that we can devote to this project with our current revenue sources. Staff will not propose a City Hall project that we will not be able to afford in terms of both capital and operating expenses.

Funds to complete this process are budgeted in the revised 2002 CIP.

RECOMMENDATION

No action is required on this item. Staff is seeking Council's consensus support for the process outlined in this staff report for proceeding with the City Hall Project.

Approved By: City Manager *LB* City Attorney *ES*

INTRODUCTION

Staff would like to outline the process for the design and construction of a new City Hall with Council. This process will outline the major steps that need to be undertaken, the sequence of these steps and the outcomes for each step. Staff is seeking Council's consensus support for the process outlined in this staff report for proceeding with the City Hall Project.

BACKGROUND

The City completed a pre-design study for a City Hall in 2000. However, due to financial constraints, it was clear the City was not able to afford a City Hall project that would meet the City's needs over the next twenty or thirty years. Since that time, the City has seen a further erosion of our ability to afford a project, due to the loss of sales tax equalization, property tax limitations, and a regional slow down in economic activity.

This project was discussed with Council at the budget retreat last September. At that time, we committed to assess prior work on this project and develop a plan and process leading to a new City Hall.

DISCUSSION

In order to accomplish this project, the City will need to rely greatly on outside consultants to provide objective information about financial conditions, modern construction management techniques, architectural and engineering solutions, and the most suitable project delivery method. These disciplines fall outside of the expertise of City staff, and would be prohibitively expensive to develop in-house.

Staff has divided this project into a series of tasks, each using a different array of skills and expertise, which will need to be completed to build a new City Hall. For the purposes of this discussion, we will focus on these tasks and how they fit with each other. We will outline what information will need to be collected, the expertise that will be required and the basic sequence of each task in relation to others. These tasks are: extending current leases, deciding on the City's affordability, determining the City's building needs, determining the most appropriate project delivery method, and selecting a site for the project.

This process is anticipated to take 6-7 months, culminating in a decision on delivery method and a list of preferred sites. The steps are visually outlined on Attachment A: City Hall Project – Draft Project Plan.

Extending Current Leases

The City currently occupies portions of two building which are leased through February and May of 2003. The City will need to negotiate extensions on these leases to obtain a concurrent term and provide as much flexibility about when the leases expire as possible. This will allow us to fully explore the options for various sites, project delivery systems, with enough time to make a decision based on objective analysis with little time constraints. Staff has already contacted our landlords about our needs, and negotiations are underway.

Decide on the City's ability to afford a new City Hall

As Council is aware, cost is a significant constraint to this project. Since this project will create an asset, with a life of at least 40 years, issuing debt is the most appropriate way to finance this project. As a result, the City will issue debt for the first time in its history. As a matter of prudent financial management, we can only issue debt less than or equal to our ability to repay debt service obligations. We must be careful to ensure that future operating budgets include the resources to repay this debt. While a portion of this work has recently been completed as part of the CIP review, staff feels it is important for Council and the community to understand the specifics of this project and the impact it will have on future operating budgets. In order to determine what we can afford, we will examine the factors that will determine future operating budgets and what that equates to as funds in today's dollars to complete this project.

Determining the City's building needs

Once we've determined what we can afford, we will need to start the process of designing a building that will fit into our budget. To start this process, staff is suggesting we seek the expertise and experience of a project/construction management firm who will work with staff to manage this project from concept to occupancy. This expertise and experience is something that our current staff does not have, and would be prohibitively expensive to duplicate given the lack of architectural projects the City is likely to build in the near future.

Given the high profile, cost and schedule considerations of this project, it is imperative that staff keeps this project within budget and on schedule. Experience with these projects suggests that few factors that result in cost and schedule growth are beyond the control of the project owner. The factors that could potentially lead to increased costs are: commercial terms (market conditions for financing), the presence of onerous clauses in contracts (needless "red tape"), the level of new construction (type, quality, intensity), and the project team chemistry. For schedule growth, the project delivery system (whether the project is constructed using a traditional design, bid, build process, or a lease-to-own process), subcontractor experience with the type of facility, the type of facility being constructed and underestimating the project schedule, are the factors most influential. By understanding and anticipating these factors, we will minimize the potential for them to adversely impact both the schedule and the cost of this project.

As Council knows, City staff is prudent to utilize the expertise and demonstrated experience of a construction manager to guide us around these common mistakes. This expertise will be invaluable in understanding what is or isn't an "onerous clause" in a contract, what the best project delivery system will be for this type of project, what experience a subcontractor has with similar projects, etc. Staff suggests we first seek a construction/project management firm, whose business is focused on meeting a client's project needs, to assist staff and Council in making these decisions, before major decisions about professional services, site, project delivery method, construction type and quality, and design have been made. We will need to work as a team with outside consultants to make these decisions if we are to be successful at delivering the project.

on time and within the budget allotted. This construction management firm will also assist with:

- Developing realistic schedules for the project design and construction
- Evaluating construction materials and techniques that will meet the City's needs over the long run, beyond the immediate construction cost.
- Reviewing cost estimates for design and construction work
- Evaluating change orders to ensure they are necessary, prudent and cost-effective
- Gauging project completion for making pay estimates and withholding contractor retainage
- Inspecting and testing the project construction for adherence to specifications, plans and overall quality
- Evaluating the building prior to acceptance and following up with any needed corrections or warranty work

We will also seek the assistance of an architect, who will review the 2000 pre-design study and revise it to fit our budget constraints, ensure specialized space needs are met and make sure the project envisioned is consistent with the collective vision and preferences of Council. The architect will compile these needs into a building program that we can afford and guide the subsequent design and specifications of the proposed building in later phases.

Determining the most appropriate project delivery method

Once there is a decision about what our building needs are, which are consistent with what we can afford. We will turn our focus to what the best way will be to build this building.

Contrary to popular perception, the City has at least two options about how this project is built. The City does not have to go through the traditional design-bid-build process. The City could enter into an agreement for a "lease to own" financing instrument that results in a private contractor building a building for the City and handing us the keys. These project delivery methods, design-bid-build and lease to own, are two options that should be considered.

It is important to note that two common project delivery methods used in the private sector and other government agencies, "design-build", and "GCCM", are not delivery methods that are available to the City directly. Design-build allows an owner to enter into an agreement with an architect and contractor combination, selected in a competitive process, to design and build the project in rapid succession. GCCM allows the owner to competitively select a contractor who agrees to participate in project design and ultimately build the project for a fixed price. State law currently prohibits Cities under 150,000 residents from employing these project delivery methods. While the City is unable to use these methods, a developer could employ them in a lease to own delivery method to obtain similar results, but perhaps at a premium cost to the City.

This decision will be based on Council's preferences likely based on cost certainty, schedule predictability, level of control in determining the final product, overall cost and delivery speed. The various project delivery methods have advantages and

disadvantages when it comes to these preferences. Each of these preferences is related in some way to each other, and must be balanced with risk. If we are most concerned, for example, about cost certainty, we may need to be less concerned about the delivery schedule or the level of control we have over the finished product. Conversely, if we want to have a great deal of control over the finished project, we may need to factor in a greater cost contingency or construction window. Once we define these preferences, we can determine which project delivery method is best suited to fit our needs.

Depending upon the project delivery method selected, we will be able to set a budget, schedule and determine a site for the project.

Selecting a site

Determining where the project will be constructed, and how this site will be acquired, will be one of the most visible signs of progress on this project. While it is possible to select and acquire a site ahead of the decisions related to our building needs, project delivery method or even affordability, staff is suggesting we hold off on making a final decision until a project delivery method is determined. This is because we could prematurely narrow our project delivery options and financing options if the City obtains title to a property. Nevertheless, we do not want to wait until that point to narrow our options, as this could result in missed opportunities and/or more expensive sites.

To narrow site options, staff recommends we develop criteria that we can use to compare potential sites to one another. These criteria, based on Council preferences for a site, will be the measure for determining the final site options. These criteria can include factors such as: central location, convenience to customers and customer service delivery, availability of transit, co-location potential with public/private partners, proximity to other City buildings, net gain of public space, impact on neighborhood traffic, disability access, economic development potential, seismic protection, ability to accommodate future growth and impact on existing businesses.

The criteria would be objectively applied to determine the best possible sites by score. The weighting could be equally applied or weighted to factor in the comparative value of each criteria element.

Staff further suggests we always keep more than one potential site on the list until a seller accepts an offer by the City. This will maximize our ability to keep the project costs in line, and counter the perception that sellers could inflate land costs by taking into account public information about the project to determine our willingness-to-pay and what site is the "best site" based on the application of the siting criteria.

Future Steps

Once a project delivery method and site are selected, staff will return with a project plan and process that take the project from site acquisition to occupancy. This will include a revised budget and schedule, based on the decisions and information we have collected during the process outlined above.

RECOMMENDATION

No action is required on this item. Staff is seeking Council consensus support for the process outlined in this staff report for proceeding with the City Hall Project.

ATTACHMENTS

Attachment A: City Hall Project – Draft Project Plan.

Draft City Hall Project Plan

