



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: NOVEMBER 7, 2017
DEPARTMENT: PUBLIC WORKS
BY: DON REYNOLDS, ACTING DIRECTOR OF PUBLIC WORKS
TITLE: EL GABILAN LIBRARY PREDEVELOPMENT AGREEMENT

RECOMMENDED MOTION:

A motion is requested to approve a Resolution that approves a predevelopment agreement to design, develop, and build the new El Gabilan Branch Library with the Griffin/Swinerton development team.

RECOMMENDATION:

It is recommended that the City Council approve a Resolution that authorizes the City Manager to execute a predevelopment agreement with the Griffin/Swinerton development team to design, build, and deliver the new El Gabilan Branch Library.

EXECUTIVE SUMMARY:

The community engagement and schematic design process for the new El Gabilan Branch Library was initiated by Anderson Brulé Architects (“ABA”) in 2016 and culminated in a presentation to the City Council in June 6, 2017. On July 10, 2017, after receiving approval from the Budget and Finance Committee, an RFP was published to recruit a development team to work with ABA to complete the design process and deliver the building. On September 5, 2017, the City Council approved Resolution No. 21254 (N.C.S.) approving the Public Finance Group to assist the City finance the Library project and implement the “IRS 63-20” delivery process. This report provides the outcome of the RFP and recommends that the City execute a predevelopment agreement with Griffin/Swinerton to complete the design process, develop, and build the new El Gabilan Branch Library.

BACKGROUND:

El Gabilan Branch Library is located at 1400 North Main Street and was built in the 1960’s on .83 acres. It consists of 3,350 square feet. In 2007, the State of California conducted a Statewide needs study and estimated that the population being served by the El Gabilan Branch Library requires a library facility that is 15,000 square feet. According to the City’s General Plan, this facility should be at least 22,000 square feet.

In July 2015, the City entered into a 40-year ground lease with the allUS Credit Union for approximately 5,000 square feet of 1410 North Main Street in exchange for the advance rent payment of \$1.4 million dollars. This property is immediately adjacent to the El Gabilan Branch Library. These funds and this partnership initiated the development of a new El Gabilan Branch Library.

On September 13, 2016, City Council approved a resolution authorizing the City Manager to execute an agreement with Anderson Brulé Architects Inc., for \$396,212 to plan the improvements for a new El Gabilan Branch Library. The agreement specified that ABA would complete the following work:

- Engage the community to develop a shared vision for the EG Library;
- Determine the space needs to fulfill the shared vision and meet funding goals;
- Prepare a comprehensive and complete program addressing the services and functions performed by the library;
- Build on the work already completed in concert with the allUS Credit Union construction project as far as site development and site plan;
- Develop preliminary plan designs leading to a site and schematic acceptable to the community; and
- Provide a cost estimate that includes construction, design and furnishing the new El Gabilan Branch Library.

On June 6, 2017, ABA presented the results of the Library community engagement effort and program development. ABA presented various programs common to modern library functions that reflect the diversity of the City's demographics, and specifically those who live in the immediate service area. There are programs to serve all ages and abilities plus classroom and meeting space. These programs require at least 20,000 square feet of space. To fit a building of this size on the property will require two-stories. The cost model used in June 2017 relied upon several large contingencies and estimated a total cost (including furniture and fixtures and equipment) to be between \$18-\$21 million dollars.

On July 10, 2017, a strategy to finance the new EG Library was shared with the Budget and Finance Committee. They approved the use of the "IRS 63-20" delivery system which is the same process being used for the new Police Service Headquarters. ABA's commitment to the community demonstrates a learned experience about the El Gabilan Branch Library that is truly valued and unique, and could not be duplicated by bringing in a second architect. On August 9, 2017, the Library and Community Services Commission received the results of ABA's survey conducted to select the best site plan. ABA's June 6 report to the City Council and the selected site plan was included in the RFP.

The RFP describes the program and delivery process. It includes a predevelopment agreement and a development agreement. The RFP is the critical tool that asks the development team to place a value on the anticipated risk. It provides a hard cost estimate from ABA of \$12,153,796 dollars. It seeks cost estimates regarding the escalation of materials supplies and labor over the next two years, associated developer and contractor fees, and other associated soft-costs. The more risk the development team will assume, the lower the cost to the City. The RFP seeks a Developer and

Contractor to work with ABA through a predevelopment agreement with the City. At the end of the pre-development phase, the project will undergo a final cost estimate (to occur next February-March) that results in Guaranteed Maximum Price (“GMP”). Assuming that the City and development team agree to the GMP, the project then shifts into the development phase. The City will consider the execution of a lease agreement with a non-profit, public benefit corporation, and the non-profit will execute the development agreement with the development team. With these partnerships secured, bonds are sold to finance the project using the completed development as collateral. The non-profit then builds the Library. The City’s rent paid to the non-profit is the same amount as the debt service. When the debt is retired, the ownership transfers to the City.

The non-profit organization builds the Library on behalf of the City; this is the meaning of “IRS 63-20.” There are several benefits to this arrangement. Incentives are built into the contingencies to incentive the project being built on-time and under budget. The development team and non-profit share the savings, and the non-profit invests the savings back into the project. Several efficiencies can be applied to reduce costs through private cost negotiations between the developer, contractor, suppliers and labor. The threat of litigation is limited to the value of the bonds being sold, as these are the only assets that the builder will control. This process protects the City from potential large losses of time and money.

The RFP was advertised August 16, 2017. The bid process included the publication of the notice inviting bids in The Californian, and posting of the RFP on the City’s Planet Bid portal. When posted on Planet Bid, an alert was sent by e-mail to more than 181 prospective bidders, building exchanges and plan rooms. Thirty-five bidders identified themselves as prospective bidders, 28 downloaded project files and 11 identified themselves as “local.” On August 25, a pre-proposal conference was held at the allUS Credit Union. Three prospective bidders attended. Bids closed September 25, 2017, and two responsive bids were received.

The Bid Evaluation Team included John Finke from Public Facilities Group, Pamela Anderson of Anderson Brulé Architects, and representatives from the Library and Community Services and Public Works Departments. After a review of the two proposals both were invited to interviews. References were checked for both teams. In the end, it was a unanimous decision to select the Griffin/Swinerton team as the best fit for the job.

The Griffin-Swinerton team is currently the team the City selected to develop the Police Service Headquarters. Their portfolio includes seven recently completed libraries, including one just finished in the County of Los Angeles that provided an excellent recommendation. All of these references are P3 projects that are the same or similar to the City’s preferred delivery system. It is clear that the Griffin-Swinerton team clearly understands the “IRS 63-20” process and its shared risk. Their completion of the Estimated Budget is \$16,541,773 (not including the architect’s fee), more than \$1 million less than the other proposal. Their interview team included key players who are all identified in the Proposal. One team member has been working on libraries for more than 15-years.

Griffin/Swinerton agrees to accept both the Pre-Development Agreement and Development Agreement as presented. Exhibit C in their proposal provides a schedule indicating the pre-development phase to end in February. The GMP is projected to be agreed upon in the spring of

2018, and targets the start of construction in the summer of 2018. It is estimated to take twelve months to build the new El Gabilan Branch Library.

In summary, staff is recommending that the City adopt a resolution whereby the City Council select Griffin/Swinerton as the Development Team and approve their pre-development agreement for the new El Gabilan Branch Library.

CEQA CONSIDERATION:

Pre-development work is not by itself a “Project.” The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378). In addition, CEQA Guidelines Section 15061 includes the general rule that CEQA applies only to activities which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Because the proposed action and this matter have no potential to cause any effect on the environment, or because it falls within a category of activities excluded as projects pursuant to CEQA Guidelines section 15378, this matter is not a project. Because the matter does not cause a direct or foreseeable indirect physical change on or in the environment, this matter is not a project. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

The development of the new El Gabilan Branch Library is a significant investment in, aligns best with, and responds directly to the City Council’s Strategic Plan Goal V: Quality of Life. It also advances the Council’s goal to have a “Safe Livable Community.” Replacing the 1968 3,000 square foot El Gabilan Library with a state-of-the-art 20,000 square foot facility is consistent with the Council’s goal toward Effective, Sustainable Government and “Well Planned City and Excellent Infrastructure.”

FISCAL AND SUSTAINABILITY IMPACT:

The action sought by this report is to execute a predevelopment agreement that will take design up to the construction documents. The project will pause to arrive at a Guaranteed Maximum Price, and except for design, no funds will be borrowed or spent to build the new El Gabilan Branch Library until the actual costs are shared with the Council and agreed to with the development team.

Designing, building and delivering the new El Gabilan Library is currently estimated to cost \$18,404,196 dollars, adding the \$16.5 million dollars estimated by the development team and the architecture fees of \$1.9 million for ABA. Another 1.5% is required for the cost of borrowing funds not on hand. It is estimated at this time that Measure E can continue to support the cost of debt and a debt service for \$12,400,000.

It is the intention of the City to contribute \$6 million of cash on hand to lower the debt service costs from \$18.4 to \$12.4. Over the past four years, the City has reserved \$3 million dollars from

Measure E, (an average of \$750,000 per year). By using this cash and combining it with the Credit Union rent payment and with Library Impact fees, the cost of the debt service can be paid down an estimated \$6 million to the point where the annual debt service for the Library would range from between \$500,000 and \$600,000 per year. Measure E would be used to pay for the new El Gabilan Branch Library.

ATTACHMENTS:

Resolution- Selection of Griffin/Swinerton as the new El Gabilan Branch Library Development Team and Pre-Development Agreement

RESOLUTION NO. _____ (N.C.S.)

A RESOLUTION APPROVING THE SELECTION OF GRIFFIN/SWINERTON AS THE DEVELOPMENT TEAM TO DEVELOP AND BUILD THE EL GABILAN LIBRARY AND APPROVING THE PREDEVELOPMENT AGREEMENT

WHEREAS, on June 6, 2017, the City Council received a report from Anderson Brulé Architects (“ABA”) summarizing the results of nearly one year of public outreach and input gathered for the purpose of designing a new El Gabilan (“EG”) Branch Library, estimating the space needs to be 20,000 square feet and a cost for development of between \$18 and \$20 million dollars;

WHEREAS, at the July 10, 2017 the Budget and Finance Committee, a plan to finance the new “EG” Library was presented recommending that the City rely upon the “IRS 63-20” delivery system to develop the new library; and

WHEREAS, on August 9, 2017, the Library and Community Services Commission received the results of a community survey and selected the final site plan for the new EG Branch Library; and

WHEREAS, on August 16, 2017, a Request For Proposals (“RFP”), including the results of the community input and the site plan were published on the City’s Planet Bids website, City web site, and in the local newspaper seeking a Development Team consisting of a developer and a contractor to partner with the City’s architect ABA to design, develop and build the new EG Branch Library; and

WHEREAS, the RFP was sent directly to 181 contractors, architects, developers, builder-exchange and plan rooms, and in the end, 35 vendors registered and identified themselves as prospective bidders, 28 downloaded the project files, and 11 identified as themselves “local”; and

WHEREAS, the Bid process included a pre-proposal meeting held on Friday August 25th at the allUS Credit Union next door to the existing EG Library, and 3 interested bidders attended; and

WHEREAS, on September 5, 2017, the City Council approved Resolution 21254 confirming the use of the “IRS 63-20” delivery system outlined in the RFP to design develop and build the new EG Branch Library, and selecting the Public Facilities Group to assist the development of it; and

WHEREAS, two responsive bids were received by the due date of September 25, 2017, and the Bid Evaluation Team represented by the Public Facilities Group, ABA and the City’s Library and Community Services and Public Works Departments rated both proposals, and inviting them to interviews; and

WHEREAS, during the month of October, the Bid Evaluation Team conducted interviews of the finalists, called several references and came to the unanimous conclusion that the

Griffin/Swinerton team is clearly the most qualified, have the most experience delivering an IRS 63-20 project, delivered the best results in numerous recently completed projects, and have a demonstrated passion for work that includes several libraries and other municipal and county facilities.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby finds and determines that the above recitals and accompanying staff report are true and correct and have served as the basis, in part, for the actions of the City Council set forth below; and

BE IT FURTHER RESOLVED that the Salinas City Council concurs with the Bid Evaluation Team’s conclusion and selects the development team of Griffin/Swinerton to work with ABA and design, build and deliver to the City a state-of-the art new El Gabilan Branch Library on its behalf; and

BE IT FURTHER RESOLVED, the City Council authorizes the City Manager to execute the attached Predevelopment Agreement with Griffin/Swinerton which will become effective immediately upon execution; and

BE IT FURTHER RESOLVED, that the City Council authorizes the City Manager to take such other actions and execute such other documents as are appropriate to effectuate the intent of this Resolution.

PASSED AND APPROVED this 7th day of November 2017 by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

Joe Gunter, Mayor

ATTEST:

Patricia M. Barajas, City Clerk

Attached: Predevelopment Agreement