



City of Ann Arbor

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Resolution to Approve an Amendment to the Construction Manager Agreement with Clark Construction Co. for the Courts/Police Building (\$35,874,422.00)

Based on prior City Council actions, we have retained Clark Construction Co. and Quinn Evans Architects as the Construction Manager - Architect team to design and construct the 15th District Court/Ann Arbor Police Services Bldg. project. As Construction Manager (CM), Clark has assisted during the preconstruction phase and is now poised to let the subcontracts and proceed to construct the project. They have provided a Guaranteed Maximum Price (GMP) of \$38,148,745.00. Construction will begin later this month and be completed in the spring of 2011. We are now requesting your approval of the attached resolution which authorizes an amendment to the CM Agreement with Clark to construct the project. The total amount of the amendment is \$35,874,422.00.

The project includes 103,000 sq. ft. of new space for the 15th District Court, Ann Arbor Police, and IT Services. Also part of the project are new elevators for the Larcom Bldg.; rehabilitation of the basement of Larcom for new police locker rooms; remodeling of the first floor for Customer Service, Planning and Development, and Community Services Administration; and remodeling of the sixth floor for Public Services Administration and Human Resources. Extensive sustainable and green building features are employed in the project including zero storm water discharge from the site and LEED Gold certification. A LEED certified building meets the highest green building and performance measures, including a superior building envelope for reduced energy consumption, the use of environmentally friendly materials such as locally produced or recycled materials, the use of water and energy conserving equipment, and even reduction of construction waste sent to landfills. The project is included in the current Capital Improvements Plan with an "urgent" priority.

Because the budget is fixed and timing is critical, we have chosen to use the "construction manager at risk" form of project delivery. The CM joins the owner-architect team in the design period and provides its construction expertise during both the design development and construction document phases. Areas where the CM adds value include constructability issues, value engineering, life cycle cost analyses, cost estimating, scheduling, and site logistics.

The CM also assists the architect in preparing several subcontractor bid packages. The first package, for earth work, foundations, structural steel, elevators, mechanical,

and electrical, was already bid by Clark in late December. Two more packages - for the remainder of the Courts/Police addition and the Larcom renovation - will follow over the next two months. The process of using separate bid packages for certain work (such as long lead time items like structural steel and elevators) allows the project to be completed sooner than with the traditional design-bid-build process where no bids are taken until all the plans are one hundred percent complete. The various subcontractor bids to Clark are handled following standard City procedures, including public bid openings and awards to the lowest responsible bidders.

In order to bring the project costs into budget we have been continuously refining and reducing costs by value engineering and other means. To date we have cut over \$1,757,000.00. Some examples include using standard hinged doors on the new entrance instead of stainless steel revolving doors, reduced and simplified the west and south facade sunshades, eliminated an entrance canopy, reduced the quantity of terrazzo flooring, reduced interior architectural millwork, and reduced the amount of ceramic tile in the bathrooms. Reductions to date have been reviewed with the Building Committee and further reductions will be too. The budget contemplates an additional \$340,000 in value engineering for yet to be identified specific items, and we have proposed reductions worth approximately \$680,000.00 that we are reviewing. We also developed with the Committee a list of items we would most like to add back if the remainder of the bids are favorable. We will continue to seek additional savings during the life of the project.

Clark Construction has provided a Guaranteed Maximum Price of \$38,148,745. With it, Clark now accepts the performance risk of getting the job done, and the price risk of doing it for the GMP. They also will provide insurance, a performance bond, and a labor and material bond, as we require on all projects. Clark will be reimbursed for its labor and other direct costs, and receive a 2.9% fee to cover overhead, bonds and insurance, risk, and profit.

Attached is an overall cost estimate for the project. The top section shows the factors leading to the GMP, while the lower section shows items not part of the GMP.

Costs in the GMP include:

- +Construction cost - estimated total of the subcontractor bids.
- +Construction contingency - Construction Manager's contingency. 3% for items bid already, 5% for Court/Police addition items not bid yet, 8% for Larcom renovation and site work not bid yet. These contingencies began at 15-20% and have been steadily reduced as the project scope and details became more firm.
- +CM construction supervision and reimbursables - Clark personnel assigned to the site to manage the project (e.g., project superintendent) and reimbursable expenses like construction trailer, utilities, and barricades.
- +CM fee (2.9%) - Covers overhead, bonds and insurance, risk, and profit.

Items not included in the GMP are:

- +Architectural - Quinn Evans costs, which are currently authorized at \$5, 273, 603.00.
- +CM preconstruction services - Clark's costs for its assistance during the preconstruction phase of the work.
- +QC testing and staff time - testing of soils, concrete, steel, roofing, asphalt, etc. plus the costs of City staff as they work on the project until its completion. A resolution to approve a contract for testing will be presented to you in about thirty days.
- +Financing - bond issuance costs and interest during construction.
- +City building permit and utility connection charge - general building permit, plan review fees, and new fire service connection permit charge.
- +Site readiness and relocation - temporary parking lot on the north side of Larcom; relocation of utilities (AT&T, Detroit Edison, Comcast, etc. including necessary misc. asbestos removal); and move-in of personnel and equipment at project completion.
- +1% for Art - this contribution is capped at \$250,000.00 for projects over \$25,000,000.00.
- +Contingency - for unanticipated changes not the responsibility of the CM.

As the base project will require virtually the entire budget, we do not recommend further consideration of the New Community Meeting Room alternate.

The Larcom sixth floor roof and the Larcom penthouse (seventh floor) roof are in need of repair. This need is independent of the current project but can most likely be performed by the current project's roofing contractor, when it is on site performing other roofing work, for less cost than bringing in an outside contractor. Therefore we plan to seek a quotation for this added work during the project, and probably add it to the contract as an extra, funded by the Fleet & Facilities budget at that time. This has a likely value of \$150,000.00. Similarly, the IT Services Unit needs to purchase a larger uninterruptible power supply unit before they move to the new building. This may be less expensive if furnished and installed by the project electrical subcontractor, so we plan to seek a quotation for this added work also. It would be funded by our City IT Unit, with support from the Washtenaw County IT dept. Its expected value is also about \$100,000.00. If either of these options becomes desirable, separate requests will be brought to you.

Clark Construction Co. received Human Rights and Living Wage approval on March 20, 2008. Sufficient funds for this amendment are included in the project budget. With this amendment, the value of the Clark contract will be \$38,243,745 .00(existing contract \$2,369,323.00 + this Amendment \$35,874,422.00 = \$38,243,745.00).

Prepared by: William R. Wheeler, P.E., Major Projects Manager
 Reviewed by: Sue F. McCormick, Public Services Administrator
 Approved by: Roger W. Fraser, City Administrator

Whereas, The approved Capital Improvements Plan includes the "Courthouse and Police Facility Project", Project ID No. MF-CB-01-01, with an "Urgent" priority rating;

Whereas, Clark Construction Co. was approved by Council on April 7, 2008 (Enactment No. R-08-144) to be retained as Construction Manager and to provide a Guaranteed Maximum Price to construct the project;

Whereas, It is now necessary to amend said Construction Manager Agreement to provide for the construction of the facility for a guaranteed maximum price of \$38,148,745.00;

Whereas, Sufficient funds are available in the project budget, Fund 0008; and

Whereas, Clark Construction Co. received Human Rights and Living Wage approval on March 20, 2008;

RESOLVED, That an amendment in the amount of \$35,874,422.00 be authorized to the Construction Manager Agreement with Clark Construction Co. to provide for the construction of the facility;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute said amendment after approval as to substance by the City Administrator and approval as to form by the City Attorney;

RESOLVED, That the City make the following declaration for the purpose of complying with the reimbursement rules of Treasure Regulations 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended, that the City reasonably expects to reimburse itself for expenditures for the costs of the Project with proceeds of Bonds; and

RESOLVED, That the City Administrator be authorized to take any administrative actions necessary to implement this resolution.