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### **REPORT TO COUNCIL**

#### **SUBJECT**

Award a Contract for Design and Construction Support Services to SmithGroup, Inc. for the Civic Center Phase 1 Project (F19-083)

#### **REPORT IN BRIEF**

Approval is requested to award a contract in an amount not-to-exceed \$16,288,023 to SmithGroup, Inc. of San Francisco for design and construction support services for the Civic Center Project, and for a 10% contingency in the amount of \$1,628,802.

#### **EXISTING POLICY**

Pursuant to Chapter 2.08.060 of the Sunnyvale Municipal Code, contracts for this type of professional service are awarded pursuant to a competitive negotiation and best value process, in this case conducted through Request for Qualifications F17-067, unless otherwise exempt from the competitive bidding process. Additionally, pursuant to Section 2.08.040 of the Sunnyvale Municipal Code, City Council approval is required for the procurement of goods and/or services exceeding \$100,000 in any one transaction.

#### **ENVIRONMENTAL REVIEW**

An Environmental Impact Report (EIR) is a required informational document under the California Environmental Quality Act (CEQA) that describes the environmental effects of the project, identifies ways to minimize the significance of the adverse impacts, responds to comments made during the public comment period, and discusses reasonable alternatives to the project that modify the environmental impacts. Certification means that the EIR was completed in compliance with CEQA, that the agency has reviewed and considered the EIR, and the EIR reflects the agency's independent judgment and analysis.

On September 25, 2018, City Council adopted a resolution to:

- a. Certify the EIR;
- b. Make the Findings Required by the California Environmental Quality Act;
- c. Adopt the Statement of Overriding Considerations and Mitigation Monitoring and Reporting Program.

Findings and Mitigations required by the EIR will be incorporated into the design documents.

#### **BACKGROUND AND DISCUSSION**

The Sunnyvale Civic Center, located at the corner of El Camino Real and Mathilda Avenue, is home to the City's primary administrative facilities (City Hall), Library, and Department of Public Safety Headquarters. Civic Center buildings range in age between 30 and 60 years old.

In early 2015, the City began an extensive community engagement process to evaluate how facilities at the Civic Center could be renovated or replaced. Through this process, the City developed a Needs Assessment, Vision Statement, and Success Criteria for the project that were intended to guide further planning efforts.

On October 25, 2016, City Council approved a scope of services for the Civic Center Modernization Project Master Plan (RTC No. 16-0072). The scope outlines specific consulting services needed to complete a long-term Master Plan for the Civic Center and further defined what elements of the project would be implemented as part of the first phase of construction. The scope of work also documented decisions that had already been made by the Council and specific studies that were needed to support decision making during the master planning process.

A multi-step public procurement process was used to solicit interest and select a consultant to complete the Civic Center Master Plan. On May 23, 2017, Council awarded a contract to SmithGroup JJR (now SmithGroup Inc.) for master planning services (RTC No. 17-0136). SmithGroup Inc. (SmithGroup) is an architecture firm with extensive experience preparing campus master plans and designing modern, sustainable and attractive buildings. The City's Consultant Services Agreement for Civic Center Master Planning Services with SmithGroup includes a detailed scope of services, and project schedule that identifies Council decision points and community outreach activities throughout the master planning process.

On July 25, 2017 Council reviewed options for expanding the existing Public Safety Building and considered whether the City Hall Annex Building could be renovated and used for NOVA Workforce Services (RTC No. 17-0617). After considering the options, Council gave direction to pursue an addition to the existing Public Safety Building of approximately 11,000 square feet as part of Phase 1 of the Civic Center Project. Also, that the City Hall Annex Building be replaced and space for NOVA Workforce services be included in City Hall.

In 2017, two Master Plan options for the Civic Center were developed for building placement, site circulation, parking facilities, and open space features. In November 2017, the City Council selected Option 1 - Plaza as the alternative for further environmental analysis (RTC No. 17-0835).

On September 25, 2018 Council adopted a resolution to Certify the EIR, Adopt the Civic Center Master Plan and directed City Staff to proceed with design for a Net Zero City Hall Building (RTC No. 18-0799).

In accordance with the RFQ (F17-067) for Master Planning Services, the City reserved the right to amend the agreement to include the design services for the Civic Center Design Phase 1 with the selected vendor for the master planning service (SmithGroup) without further competition. Based on the current performance of SmithGroup, competitive qualifications, and efficiency of service in the master planning contract, staff recommends award of the design and construction support services for Civic Center Design Phase 1 to SmithGroup. In preparation for this, after the September 25, 2018 Council Meeting City Staff began negotiating with SmithGroup to develop an agreement, complete scope of work and costs for the Design of Phase 1 of the Master Plan, which is now complete.

### **FISCAL IMPACT**

As part of the FY 2018/19 Budget funding was transferred from the Capital Improvement Reserve to

Capital Project 831340 - Civic Center Modernization. Sufficient funding is available in the project to fund the design contract.

Staff continues to update the financing plan for the entire project, which is included as Attachment 2. The plan identifies \$236 million in funding sources. The most recent project cost estimate for phase one is \$212.5 million, which incorporates \$49.4 million for soft costs including design and construction management services. Financing is anticipated to come from a combination of sources. Staff estimates a total of \$84 million from a combination of \$63 million in revenue from the sale of multiple properties, plus \$21 million from the use of reserves already accumulated for infrastructure. In addition, a total of \$25 million of project costs is estimated to be eligible for park dedication fee revenue, bringing a total of \$109 million in cash to the project. The balance will most likely come from issuing lease revenue bonds (financing backed by the asset being constructed) which will be paid for through ongoing contributions from the General Fund, as well as from rent paid by other funds (e.g. Enterprise Funds and Internal Service Funds).

To fairly allocate the costs of phase one, a draft cost allocation study was recently completed. The study is designed to allocate the square footage occupied by the central service departments funded in the General Fund (i.e. Finance, City Attorney, City Manager, and Human Resources) to the various departments they support. This was done in a multi-step process. First the central service departments were allocated to each other. Then they were again allocated over the other non-central service departments based on each receiving department's number of employees by fund. Where appropriate (e.g. Utility Billing in Finance) space was directly allocated.

This produces an allocation percentage that can be applied to the financing of construction and ongoing maintenance through rent. It is estimated that approximately 33% of the cost is attributable to the General Fund, with the remainder going to other funds, the largest being the Internal Service Funds and the Development Enterprise Fund. Some of the cost from the Internal Service Funds will come back to the other funds through rental rates (the cost for the internal services is fully recovered from all operating funds). Additionally, approximately 14% of the space is attributable to NOVA.

Based on an estimate of a 4% coupon rate, debt service on a \$104 million financing would cost approximately \$6.2 million per year. It is estimated that rental payments from non-General Fund sources (excluding NOVA) would total approximately \$5 million per year based on current Class-A office space market rates. Staff has identified annual ongoing revenue in the General Fund of \$2.3 million per year from NOVA space rent and the annual contribution made by the General Fund and Facilities Management Internal Service Fund which would support the General Fund's share on an ongoing basis.

It is important to note that interest rates are on the rise. To the extent that the market for municipal debt is affected by rising interest rates, the cost for borrowing could also increase. Staff will continue to refine the cost estimates as well as the financing plan through the design process, and will bring the appropriate actions to Council when required.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

**RECOMMENDATION**

1) Award a design contract, in substantially the same form as Attachment 1 to the report in an amount not-to-exceed \$16,288,023 to SmithGroup, Inc. and authorize the City Manager to execute the contract when all the necessary conditions have been met; and 2) Approve a 10% design contingency in the amount of \$1,628,802.

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Reviewed by: Teri Silva, Assistant City Manager  
Approved by: Kent Steffens, City Manager

**ATTACHMENTS**

1. Draft Consultant Services Agreement
2. Preliminary Financing Plan