


CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: March 18, 2020

To: Municipal Facilities Committee

From: Gary Lee Moore, PE 
City Engineer

Richard H. Llewellyn Jr. 
City Administrative Officer

Subject: **LOS ANGELES STREET CIVIC BUILDING PROJECT – APPROVAL TO CANCEL THE DESIGN BUILD FINANCE OPERATE AND MAINTAIN PROCUREMENT PROCESS AND EXPLORE PROCUREMENT ALTERNATIVES**

RECOMMENDATIONS:

1. **Authorize the Bureau of Engineering (“BOE”) to (a) cancel the Request for Qualifications (“RFQ”) to Design, Build, Finance, Operate and Maintain (“DBFOM”) the Los Angeles Street Civic Building (“LASCBS”) project through a Public-Private Partnership (“P3”) procurement process and partnership agreement (the “P3 LASCBS Project”) and (b) not issue a Request for Proposals (“RFP”) for the P3 LASCBS Project.**
2. **Direct BOE, with the assistance of the Office of the City Administrative Officer (“CAO”) and Economic Workforce Development Department (“EWDD”), to (a) explore procurement alternatives to build the LASCBS, and (b) report back within 45 days with a report on procurement alternatives.**
3. **Direct BOE to report back within 45 days on the status of the funding provided in Adopted FY 2019-20 Budget for the DBFOM predevelopment work, and on any additional needs for the recommended procurement alternative(s).**

PROJECT STATUS:

The City intends to use its site at 150 North Los Angeles Street as the location for a new municipal building. The City Council, at its meeting on March 24, 2017, certified the Final Environmental Impact Report (“FEIR”) for the LASCBS project (C.F. 14-1604). Alternative B3 from the FEIR was the Preferred Project and featured the construction of an approximately 27 story high rise building complex with a gross area of approximately 753,740 square feet. The maximum height of the building was approximately 450 feet and the facility would have underground parking for approximately 1,173 vehicles. The former Parker Center demolition Statement of Completion was issued on February 6, 2020.

The DBFOM (C.F. 14-1604) method of project delivery was approved by the City Council on July 3, 2018. Since that time, a working group of City staff from various stakeholder departments, including the Mayor’s Office, Office of the City Administrative Officer (“CAO”), Office of the Chief Legislative Analyst (“CLA”), City Attorney (“CA”), Department of General Services (“GSD”), BOE and others have worked with several City consultants to prepare the necessary pre-procurement documents for the P3 LASCBS Project.

On March 21, 2019, the Municipal Facilities Committee (“MFC”) authorized BOE to issue an RFQ and select and certify a short-list of qualified Respondents to proceed to an RFP phase of the DBFOM procurement process. On March 29, 2019, the Board of Public Works authorized the City Engineer to issue and advertise the RFQ in local publications and to professional organizations, as well as in the City’s Los Angeles Business Assistance Virtual Network (BAVN). The RFQ was released on April 1, 2019.

Five project teams submitted their statements of qualifications (“SOQ”) packages by the due date of May 28, 2019. The SOQ package evaluation and review was conducted by evaluation committees for responsiveness, design and construction, finance, and operation and maintenance. The Selection Recommendation Panel (“SRP”) conducted workshops to evaluate strengths and weaknesses and scoring in accordance with the criteria established in the RFQ. The review and evaluation process ran from June through August 2019.

On August 29, 2019, the City publicly announced the following recommended short-list of eligible proposers, subject to consideration and approval by the Board of Public Works.

<u>DTLA Civic Partners</u>	<u>LAC3 Partners</u>	<u>Plenary Collaborative Los Angeles</u>
Equity Members Meridiam DTLA Civic, LLC Edgemoor Infrastructure & Real Estate LLC	Equity Members Macquarie Financial Holdings Pty Limited JLC Infrastructure Fund I L.P.	Equity Member Plenary Group USA Concessions Ltd.
Lead Contractors Clark Construction Group – California, LP	Lead Contractor Hensel Phelps Construction Co.	Lead Contractor Webcor Construction L.P.
Lead Designer Skidmore, Owings & Merrill LLP	Lead Designer Morphosis Architects	Lead Designers SmithGroup Renzo Piano Building Workshop
Lead O&M Provider ENGIE Services Inc.	Lead O&M Provider Honeywell International Inc.	Lead O&M Provider Johnson Controls, Inc.

DBFOM PROCUREMENT BUDGET AND COST IMPACTS:

During the preparation of the DBFOM RFP, it became apparent that the P3 LASCBS Project may no longer be in the best interest of the City. This can be attributed to five factors:

1. The estimated capital cost increase for the P3 LASCB Project;
2. The estimated operations and maintenance cost increase for the P3 LASCB Project;
3. The reduction of the estimated offsets from selling another City asset;
4. The lack of savings that might have resulted from terminating a City office lease; and
5. The City's other critical fiscal priorities.

We, therefore, recommend the cancellation of the current procurement process.

The most recent analysis of the P3 LASCB Project's estimated capital, operations and maintenance cost is higher than was originally projected for a DBFOM project delivery approach. A comparison of the 2018 cost analysis and the 2020 cost projection is detailed below.

	2018 DBFOM COST ANALYSIS ¹	2020 DBFOM COST PROJECTION ²
TOTAL CAPITAL COST IN YEAR OF EXPENDITURE	\$708.9 M	\$743.4 M
TOTAL OPERATIONS & MAINTENANCE 30-YEAR COST IN YEAR OF EXPENDITURE	\$573.3 M	\$987 M

1. 2018 DBFOM cost analysis per CF No. 14-1604, July 3, 2018.
 2. 2020 DBFOM and Cumming's Cost Estimate, January 10, 2020.

In the two (2) years between the two studies, an approximately \$35M estimated increase in the capital cost is attributable to the impact of new tariffs, to construction cost escalation, and to a booming construction market which has increased labor and material costs.

The estimated cost increase for the operations and maintenance is based on a more robust City-supplied security staff than was previously anticipated, and on detailed estimates for City-supplied janitorial, information technology, and landscape services, rather than a private provider.

The affordability of the P3 LASCB Project has been impacted by the estimated net proceeds for the projected sale of the Public Works Building. The assumed building sale proceeds to offset the P3 LASCB Project cost is lower than was anticipated in 2018.

The potential savings from terminating the lease at the Garland building cannot be realized. The estimated P3 LASCB Project completion date will not accommodate the occupants in alignment with the expiring Garland building lease.

PROCUREMENT ALTERNATIVES:

While we recommend the cancellation of the current procurement process, we strongly support the continuation of the redevelopment of the Civic Center, including a civic office building at the Los Angeles Street site. We believe it is important, however, for the City to explore a variety of methods to achieve the City's goals for a revitalized Civic Center.

BOE will assess the following alternatives to the current procurement process. Potential procurement alternatives include:

1. A Request for Information ("RFI") may be issued to the development community soliciting their input for a comprehensive development within the Civic Center. This may include phased development for housing, retail and/or office uses, of which the LASCBS site may be a component. An RFI may also consider a revised P3 procurement process, in conjunction with the development of a new Civic Center Master Plan to be studied pursuant to the California Environmental Quality Act ("CEQA"), that balances the incorporation of City office and civic space needs with private development of residential, recreational, retail, and/or commercial office opportunities while providing City cost off-sets.
2. A Design Build project utilizing the technical documents, specifications and guidelines currently prepared for the P3 LASCBS Project, with the development of added design details. There will be a need to modify some of the programming details for this new project delivery method.
3. A Design Bid Build project, utilizing the traditional project delivery method.

The foregoing alternatives may also include a project de-scope, including a reduction of square footage, building footprint, underground development, and/or parking, as determined by the City.

ADDITIONAL STEPS/CONSIDERATIONS:

BOE is finalizing current consultant services to ensure that the LASCBS technical documents currently being prepared are as complete as possible to provide the greatest flexibility for the final procurement alternative. BOE's goal will be to prepare the most transferable technical documents for the LASCBS moving forward under any project delivery method.

BOE has appointments scheduled to communicate with community stakeholders to provide an update on the recommendations to the MFC and on the P3 LASCBS Project status.

BOE will coordinate and inform all P3 LASCBS Project consultants and the recommended short-listed teams to provide an update on the recommendations to the MFC and on the P3 LASCBS Project status.

FISCAL IMPACT STATEMENT:

Approval of the recommendations in this report will not have an additional impact on the General Fund.

FINANCIAL POLICY COMPLIANCE STATEMENT:

The actions recommended in this report comply with the City's Financial Policies.

GLM/MK:ab

cc:

Alma Lopez, Office of the Mayor
Christopher Hawthorne, Office of the Mayor
Dan Caroselli, Office of the Mayor
Jennifer Pope McDowell, Office of the Mayor
Kiana Taheri, Office of the Mayor
Nicholas Maricich, Office of the Mayor
Paul Wang, Office of the Mayor
Paul Habib, Office of Councilmember Huizar, CD 14
Shawn Kuk, Office of Councilmember Huizar, CD 14
Jessica Caloza, Board of Public Works
Bernyce Hollins, City Administrative Officer
Jacqueline Vernon Wagner, City Administrative Officer
Mandana Khatibshahidi, City Administrative Officer
Megan Cottier, City Administrative Officer
Yolanda Chavez, City Administrative Officer
Joshua Drake, City Legislative Analyst
Matias Farfan, City Legislative Analyst
Edward Jordan, City Attorney's Office
Sean Torres, City Attorney's Office
Timothy McWilliams, City Attorney's Office
Craig Weber, City Planning Department
Kevin Keller, City Planning Department
David Paschal, General Services Department
Melody McCormick, General Services Department
Tony Royster, General Services Department
Valerie Melloff, General Services Department
Deborah Weintraub, Bureau of Engineering
Mahmood Karimzadeh, Bureau of Engineering
Maria Martin, Bureau of Engineering
Reza Bagherzadeh, Bureau of Engineering

Q:\GLM\City Engineer\GLM Signed Documents\2020 Documents\MFC Report- LASCB - Procurement Options 3-17-2020.docx