

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: May 30, 2024

To: Municipal Facilities Committee

From: Steven Fierce, AIA
Principal Architect
Bureau of Engineering



Subject: **MADRID THEATRE – (COUNCIL DISTRICT 3) – REQUEST TO ESTABLISH A PHASE II DESIGN AND CONSTRUCTION, APPROVAL OF BUDGET UPDATES AND APPROVAL OF THE CRA/LA FUNDING SWAP**

RECOMMENDATION

The Bureau of Engineering (BOE) recommends that the Municipal Facilities Committee (MFC):

1. Approve the revised Phase I budget of \$13,400,000;
2. Approve the Phase II scope of the Madrid Theatre Renovations Project to include:
 - a. Design and construction of a new audio and visual (A/V) system and theater equipment that was removed from Phase I construction
 - b. Design and construction of the building infrastructure to remove gas powered equipment and effectively decarbonize the Madrid Theatre;
3. Approve the preliminary Phase II project budget of \$6,400,000; and,
4. Approve the funding swap of \$3,575,996.50 in CRA/LA Excess Non-Housing Bond Proceeds (EBP) with past Municipal Corporation of Los Angeles (MICLA) expenditure, and direct the Board of Public Works accounting staff to make revisions to the construction award documents as necessary to the meet the intent of this report.

MADRID THEATRE PROJECT



COUNCILMEMBER BLUMENFIELD, CD 3



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Discussion/Background:

The Madrid Theatre renovations project (Project) is located at 21622 Sherman Way, Canoga Park, CA 91303 in Council District (CD) 3. The theatre, constructed in 1997, has a total capacity of 430 seats, and services programs organized by the City's Department of Cultural Affairs (DCA).

DCA and CD 3 initiated the efforts to renovate the Madrid Theatre in 2016. The Council Office has been an ardent supporter of the project and looks forward to completing the project and inviting the community back to enjoy this Canoga Park cultural institution.

The renovations designed for the Project include upgrades to the front façade, lobbies, theatre, and back-of-house support spaces. Specifics of the work are as follows:

- The façade work includes enclosing an existing exterior balcony with a new curtain wall above, and the installation of a new marquee with custom signage.
- Improvements near the entry include the installation of a new ornate ceiling under the marquee, and a new sidewalk with top-seeded mirror glass.
- Improvements in the lobbies include the installation of new restrooms, millwork, lighting, carpets, minor food service, and the relocation of the elevator machine room.
- Improvements to the theatre include new seating, stage lighting equipment, audio video equipment, and the replacement of the stage floor.
- Improvements to the backstage area include the installation of a new restroom with a shower, and various tenant improvements.

On August 11, 2022, the MFC recommended that the Project move forward to the Board of Public Works to award the construction contract with the understanding that there was a project funding gap of \$3,310,322, which would be addressed via supplemental funding sources in the City Budget process in the fiscal year (FY) 2023-24 (Attachment No 1).

On September 28, 2022, the Board of Public Works awarded the construction contract totaling \$10,743,000 to Waisman Construction (Waisman) and on November 14, 2022, BOE issued the notice to proceed to initiate this renovation work.

Project Phase II Description

Phase II of the Project was initially created to address the value engineering needed to award the project with a reduced project shortfall. This effort also gave the team the opportunity to redesign the A/V and information technology (IT) equipment to meet current industry and DCA standards. The deletion of the A/V and IT scopes of work from Phase I were negotiated with the contractor as noted in the funding tables below and a deduct change order will be processed subsequent to the approval of this report. This credit will relieve the City from funding this scope under the Phase I contract and will subsequently release funding to be used for the design and construction of A/V and theatrical equipment in Phase II. The A/V and IT conduit infrastructure is being installed as part of Phase I to limit any re-work.

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During construction, it was found that there is water intrusion through the exterior exposed construction masonry units (CMU) throughout the building. To remedy these issues, as part of the Phase II construction, waterproofing of the entire building envelope will be addressed.

As it would have been cost prohibitive to the City to renegotiate the contract with Waisman to add these scope items to the current construction contract, it was determined to be in the best interest of all stake holders to create a Phase II of the project and bid the scope specified above as a separate construction contract.

The Phase II scope of the Project will include design and construction of the following:

- A/V and theatrical equipment components,
- Mechanical and Plumbing Building infrastructure to decarbonize the facility,
- Interior auditorium painting (handrails, catwalks, balcony soffits, fascia, etc.)
- Information Technology (IT) equipment; including access controls as well as back of house and front of house communications systems,
- Waterproofing of the building envelope (CMU walls and roof)

Additionally, the Project was determined to be a good candidate to receive funds from the City's Decarbonization Program, as noted in the Discussion section and the Funding tables.

Funding Gap Closure

The Project received \$3,310,322 in Capital and Technology Improvement Expenditure Program (CTIEP) funds in FY 2023-24 via the First Construction Projects Report (CPR) (CF 23-0842). The Second CPR in FY 2023-24 (CF 23-0842-S1) transferred \$2M in funding from the State Designated Grant – Canoga Park Cultural Arts District to an Engineering Special Service Fund. These two funding allocations provided an additional \$5,310,322 for the Project.

On February 23, 2024, the Council approved a Motion to amend the February 9, 2022, Council File regarding the funding allocated to the Madrid Theatre Improvements Project. This amendment reallocated \$3,575,996.50 in CRA/LA Excess Non-Housing Bond Proceeds (EBP) from the Reseda/Canoga Park Redevelopment Project to increase the EBP funding for the Project to a total of \$6,589,695.50. On May 17, 2024, the Council approved a Motion to amend the previous Motion on February 23, 2024, that modified the total EBP funding for the Project to bring the total to \$6,499,695.40. This additional funding is to be utilized in the design and construction to complete both phases of the Project.

On June 29, 2023, the MFC approved \$2 million in funding for the decarbonization scope for the Madrid Theatre. The decarbonization effort will be included in Phase II of the Project that is being established through this report.

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Funding Status and Project Cash Flow

The Project’s funding sources, as shown in Table 1 below, are comprised of Community Redevelopment Agency Excess Bond Proceeds (CRA/EBP), Municipal Improvement Corporation of Los Angeles (MICLA) funding, State Designated Grant – Canoga Park Cultural Arts District Fund, and CTIEP funding which amounts to a total funding of \$19,310,017.40.

TABLE 1: Total Project Funding	
Funding Source	Funding Amount
CRA Bond Funds	\$ 6,499,695.40
MICLA Funds FY19/20 (reauthorized FY 22/23 – 2 nd CPR)	\$ 5,500,000
State Funds	\$ 2,000,000
CTIEP FY 23/24	\$ 3,310,322
MICLA Funds FY18/19 – Solar Energy Installation on Municipal Facilities	\$ 2,000,000
Total Project Funds	\$ 19,310,017.40

TABLE 2: Phase I Project Costs	Previously Approved	Proposed
Pre-Design costs	\$ 1,292	\$ 1,292
Design Consultant	\$ 800,000	\$ 800,000
Additional Services Design Consultant		\$ 184,135
Other Direct Costs (BCA, Materials Testing, Artwork, Permits)	\$ 644,580	\$ 644,580
Construction Base Contract Amount	\$ 10,743,000	\$ 10,743,000
15% Construction Contingency	\$ 1,611,450	\$ 1,611,450
5% Construction Contingency per award Board Report		\$ 561,249
Subtotal Project Cost	\$ 13,800,322	\$ 14,545,706
Estimated A/V and Theater Equipment Credit Change Order		\$ (1,145,706)
Phase I Project Costs	\$ 13,800,322	\$ 13,400,000

TABLE 3: Phase II Project Costs	
Phase II Scope	
- A/V and Theater Equipment	\$ 2,015,706
- Painting	\$ 193,755
- PRV Main Shut Off Valve and Roof Hatch	\$ 21,502
- ITA Direct Funding	\$ 291,822
- Access Control and BOH & FOH Communication Rooms	\$ 122,290
- Water Barrier for Exterior Exposed CMU	\$ 250,000

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- Allowance for Permits and Commissioning	\$	50,000
- Mobilization	\$	74,288
- Escalation	\$	647,637
15% Phase II Contingency	\$	383,000
Building Decarbonization	\$	1,800,000
10% Decarbonization Contingency	\$	200,000
Additional Design Services	\$	350,000
Phase II Total Costs	\$	6,400,000

Phase I Project Costs	\$	13,400,000
Phase II Project Costs	\$	6,400,000
Total Project Costs	\$	19,800,000
Total Project Funding	\$	19,310,017.40
Estimated Phase II Project Cost Shortfall	\$	(489,982.60)

TABLE 4: Construction Phase Cash Flow - Phase I

Funding Sources	Prior Phases* Expended/Committed	Construction Phase Expended Amount	Construction Phase Remaining Amount	FY23/24 4th Qtr	FY24/25 1st Qtr	TOTALS
CRA Bond Funds**	\$800,000	\$2,098,564	\$3,601,131	\$115,135	\$3,069,860	\$6,499,695
MICLA Funds FY 19/20	\$108,000	\$5,365,678	\$26,322			\$5,500,000
State Funds	\$0	\$0	\$2,000,000	\$500,000		\$2,000,000
CTIEP	\$322	\$2,188,147	\$1,121,853	\$300,000		\$3,310,322
TOTALS	\$908,322	\$9,652,389	\$6,749,306	\$915,135	\$3,069,860	\$17,310,017

* Prior Phases include pre-design, design, bid and award

** Total CRA Bond funding will be utilized for both Phase I and Phase II

Currently, there is sufficient funding to complete construction of Phase I and the design of Phase II. While there is a shortfall currently shown for the total combined phases of the Project, Phase I is completely funded. Phase II cost estimates will be further refined, upon the completion of the design, and presented to the MFC to address any estimated funding gaps.

CRA/LA Excess Non-Housing Bond Proceeds (EBP) Funding Swap

As stated in the discussion section above, on February 23, 2024 the Project was allocated an additional \$3,485,996.50 in EBP funding to provide the necessary capital for both phases of the Project. However, all of the EBP funding is set to expire in September

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2024. Therefore all of the EBP funding must be utilized by September 2024. Phase II of the Project is in the early design phase and cannot expend the amount.

In order to meet the funding deadline, we recommend the EBP funds be used to pay back past MICLA expenditures, and the reauthorization of those MICLA funds in the next fiscal year. Without the ability for the Project to utilize the allocated EBP funding, the Phase II portion of the Project will develop a significant funding gap.

Project Support Considerations

DCA and CD 3 consider the Madrid Theatre Renovation Project a priority project, as it is an important community asset and is integral to this areas commitment to equitable community investment and economic sustainability. The venue is expected to bring together local artists, art organizations, performers, and cultural providers which will in turn have a positive impact to the local economic development of historic Canoga Park.

Fiscal Impact Statement

Although the remaining Phase 1 funds will be moved to Phase II, we currently estimate a shortfall that may impact the General Fund in future fiscal years.

cc:

Bernyce Hollins, Mayor's Office
David Giron, Council District 3
Elizabeth Ene, Council District 3
Melinda Gejer, City Administrative Officer
Christie Hwang, City Administrative Officer
LaTanya Roux, City Administrative Officer
Elis Lee, City Administrative Officer
Deborah Weintraub, Bureau of Engineering
Bernadette Hernandez, Bureau of Engineering
Katrina Forbes, Bureau of Engineering
Daniel Tarica, Dept. of Cultural Affairs
Alma Miranda, Dept. of Cultural Affairs

Attachment No. 1 – Madrid Theatre MFC Report from August 11, 2022

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Date: August 11, 2022

To: Municipal Facilities Committee

From: Steven Fierce, AIA
Municipal Facilities Program Manager
Bureau of Engineering



Subject: **MADRID THEATRE – (COUNCIL DISTRICT 3) – APPROVAL TO AWARD THE CONSTRUCTION CONTRACT AND TO IDENTIFY FUNDS IN THE 2023-24 FISCAL YEAR TO CLOSE THE FUNDING SHORTFALL OF \$3.31 MILLION DOLLARS**

RECOMMENDATION

The Bureau of Engineering (BOE) recommends that the Municipal Facilities Committee (MFC):

1. Recommend that the Board of Public Works (Board) approve the award of the construction contract for the Madrid Theatre Renovations Project (Work Order No. E1908443) to Waisman Construction, Inc. (Waisman), for an amount not to exceed Ten Million, Seven Hundred Forty-Three Thousand Dollars (\$10,743,000).
2. Instruct CAO staff to work with Council District 3 (CD 3) to identify supplemental funding sources to address the anticipated shortfall of \$3.31 Million, which may include additional contributions of City capital funds that will be pursued as a last recourse through the City Budget process for the upcoming 2023-24 Fiscal Year budget.

Discussion/Background:

The Madrid Theatre Renovations project is located at 21622 Sherman Way, Canoga Park, CA 91303, and is in Council District 3. The Theatre, constructed in 1997, has a total capacity of 430 seats, and services programs organized by City's Department of Cultural Affairs (DCA).

DCA and CD3 initiated the efforts to renovate the Madrid Theater in 2016. The Council Office has been an ardent supporter of the project and looks forward to completing the project and inviting the community back to enjoy this Canoga Park cultural institution.

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The renovations designed for the Project include upgrades to the front façade, lobbies, theatre, and back-of-house support spaces. Specifics of the work are as follows:

- The façade work includes enclosing an existing exterior balcony with a new curtain wall above, and the installation of a new marquee with custom signage.
- Improvements near the entry include the installation of a new ornate ceiling under the marquee, and a new sidewalk with top-seeded mirror glass.
- Improvements in the lobbies include the installation of new restrooms, millwork, lighting, carpets, minor food service, and the relocation of the elevator machine room.
- Improvements to the theatre include new seating, stage lighting equipment, audio video equipment, and the replacement of the stage floor.
- Improvements to the backstage area include the installation of a new restroom with a shower, and various tenant improvements.

Bid Solicitation

The Board of Public Works (Board) approved Motion number 2022-0238, on April 13, 2022, authorizing the solicitation of bids for the construction of the Project (Attachment No 1).

The proposed bidders submitted a request for a bid extension, and the Board subsequently approved Motion number 2022-0511, which revised the bid due date to June 1, 2022 (Attachment No. 2).

On June 1, 2022, the Board received a total of three (3) bids for the Project as summarized below:

No.	Contractor	Base Bid Amount
1	Royal Construction Corp. (Royal) (SBE)	\$ 10,736,000
2	Waisman (SBE, LBE).	\$ 10,743,000
3	Green Building Corporation (Green) (LBE)	\$ 12,260,000

BOE conducted the review of all of the bids, and while Royal Construction's bid was the lowest, they made errors in their bid package that reduced the scoring of their bid.

The Bid received from Waisman was found to be in order and it is hereby recommended that the Board award the construction contract for the Project in the amount of Ten Million, Seven Hundred Forty-Three Thousand Dollars (\$10,743,000) to Waisman as the lowest responsive and responsible bidder.

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Funding Status

Upon identifying the lowest, responsible, and responsive Bid of \$10,743,000 for the construction of the Project, the BOE updated the project budget and available funding, and subsequent project shortfall. To reduce the funding shortfall, the BOE removed its project management and construction management staff costs from the Project budget. Further funding is required to close the current shortfall. After adding the necessary contingency amount to the construction contract budget, the funding shortfall is currently projected to be approximately \$3.31 Million, as summarized in the tables below:

Total Project Funding

Funding Source	Funding Amount
CRA Bond Funds	\$ 2,990,000
MICLA Funds	\$ 5,500,000
State Funds	\$ 2,000,000
Total Project Funds	\$ 10,490,000

Project Costs

Pre-Design costs	\$ 1,292
Design Consultant	\$ 800,000
Other Direct Costs (BCA, Materials Testing, Artwork, Permits)	\$ 644,580
Construction Contract Amount	\$ 10,743,000
15% Construction Contingency	\$ 1,611,450
BOE Project Estimate	\$ 13,800,322
Project Funding Shortfall	\$ (3,310,322)

The Project Team has confirmed the construction contract for this Project currently has funding of approximately \$10.4 Million. After adding the necessary contingency amounts to the construction contract budget, there is an approximate shortfall of \$2.76 Million for construction, which is part of the overall Project shortfall of \$3.31 Million. Thus, in order to fully fund construction activities for this Project under the construction contract as well as completing the Project, additional funds will need to be requested in the 2023-24 Fiscal Year to close the funding gap.

Funding Sources	Expended/ Committed	Amount for Construction	FY 22-23 1 st Qtr.	FY 22-23 2 nd Qtr.	FY 22-23 3 rd Qtr.	FY 22-23 4 th Qtr.	FY 23-24 1 st Qtr.	FY 23-24 2 nd Qtr.
CRA Bond Funds	\$780,203	\$2,209,797	\$400,000	\$1,500,000	\$ 309,797			
MICLA Funds	\$108,000	\$5,392,000			\$3,390,203	\$2,001,797		
State Funds		\$2,000,000				\$2,000,000		
Subtotal	\$888,203	\$9,601,797						
<i>Projected Shortfall</i>		\$3,310,322					\$2,400,000	\$910,322
TOTALS		\$13,800,322	\$400,000	\$1,500,000	\$3,700,000	\$4,001,797	\$2,400,000	\$910,322
<i>*Staff to identify supplemental funding sources to address the anticipated funding shortfall, which may include additional contributions of City capital funds that will be pursued as a last recourse through the City budget process in the 2023-24 FY.</i>								

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In order to protect the City in instances of projects that are awarded but that may be underfunded at the time of the construction award, a funding clause has been included in the contract which limits the City's liability for an awarded project to the amount of funding then appropriated at the time of the award of the project. The language is as follows:

“Notwithstanding the foregoing, the CITY’s liability for each Awarded Project shall be limited to the amount of funding then appropriated for the Awarded Project, which may be less than the Awarded Amount. If the CITY appropriates additional funds for the Awarded Project, the City’s liability shall be to the extent of such appropriation(s), subject to the terms and conditions of this Contract and the Bid Documents for the Awarded Project. CONTRACTOR shall not be required to perform any work on an Awarded Project in excess of the amount appropriated for the Awarded Project.”

This report recommends the Committee recommend that the Board of Public Works approve the award of the construction contract for the Project to Waisman, as described in this report, and direct CAO staff to work with Council District 3 (CD 3) and the Department of Cultural Affairs to identify funds to address the shortfall of approximately \$3.31 Million Dollars in the 2023-24 Fiscal Year. Once additional funds are identified, BOE staff will return to the Steering Committee to recommend the allocation of such identified funds to the Project.

cc:

Bernyce Hollins, City Administrative Officer
LaTanya Roux, City Administrative Officer
Elis Lee, City Administrative Officer
Deborah Weintraub, Bureau of Engineering
Bernadette Hernandez, Bureau of Engineering
Steven Lane, Bureau of Engineering