



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

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**OPERATIONS COMMITTEE
JUNE 18, 2009**

**SUBJECT: BAUCHET STREET STORAGE AND FACILITIES MAINTENANCE
STRUCTURE**

ACTION: APPROVE INCREASE IN THE LIFE-OF-PROJECT BUDGET

RECOMMENDATION

Increase the life-of-project budget (LOP) for the Bauchet Street Storage and Facilities Maintenance Structure by \$4,430,000, increasing the LOP from \$12,925,000 to \$17,355,000.

RATIONALE

The Bauchet Street Warehouse and Facilities Maintenance Structure project is required to accommodate centralization of Materiel bulk warehousing and several Facilities Maintenance and Communications functions into a central building within an expanded Metro Support Services Center (MSSC) (adjacent to Union Station/Gateway complex). These functions, such as warehousing, stops & zones, property maintenance, and the sign shop are currently located at Metro's former South Park facility (Location 14), which is over 100 years old and inefficiently located in a predominantly residential neighborhood six miles south of the MSSC and the Union Station/Gateway complex. Construction of the new proposed warehouse and shop structure will allow these departments and functions to vacate the South Park facility, allowing Metro to centralize these critical services in a more efficient location and also accommodate the planned turnover of the South Park facility to the City of Los Angeles.

The proposed Project will be constructed on two parcels adjacent to the MSSC, the 490 and 496 Bauchet Street properties. The 60,540 square foot (or 1.39 acre) 490 Bauchet Street property was acquired by Metro in 2005, and the 1.5-acre 496 Bauchet Street property was acquired by Metro in 2008. The proposed building is planned to be approximately 62,000 square feet on slightly less than 3 acres, and accommodates surface parking for the reallocated Metro service vehicles currently being operated out of South Park. The building will contain high-bay warehousing space for parts and bulk materials, administrative space, a state-of-the-art sign shop, and shop and storage space for Property Maintenance and Stops & Zones. Upon completion, the properties will be efficiently integrated into the existing MSSC campus.

The original LOP budget for this project was approved by the Board of Directors in June 2007. Preliminary engineering commenced upon approval of the LOP and was completed in March 2008, and a design/build contract was subsequently advertised for final design and construction. Upon completion of preliminary engineering, the Metro engineer's estimate prior to bidding was approximately \$15 million for the building in hard costs alone, substantially higher than the costs proposed when the Board approved the LOP. Reasons for this included, but were not limited to, the following changes in scope:

- Increase in building square footage from 60,000 square feet to 75,000 square feet
- Due to sizing issues, the building was changed from metal to concrete tilt-up
- Reconfiguration of the building location to add 100 parking spaces
- Addition of mezzanine space to house administrative personnel
- Addition of Leadership in Energy and Environmental Design (LEED) Silver Certification
- Escalation and material costs in the construction market rose significantly from the time of LOP adoption

On July 31, 2008, three bids were received for the project which ranged from \$20.8 to \$23.5 million in hard costs alone, significantly higher than both the budget and the estimate. Based on the extremely high bid prices, Metro canceled the project bidding and elected to value engineer and redesign the project in an attempt to bring the project in under budget. A rendering of the former project concept is included as Attachment A.

In August 2008, staff began the value engineering and redesign process to bring the project costs significantly down and as close to budget as possible. In September 2008, staff completed a new preliminary design package for bidding. Specific value engineering approaches to bring costs down included reduction of the building square footage to 62,000 square feet, change in building material back to metal siding, and reconfiguration of the building location. The Metro engineer's estimate at time of preliminary engineering completion was \$12 million. Staff subsequently made the determination that building costs had been decreased as much as practicable, and the project was issued for a second bidding attempt in January 2009. A rendering of the revised design concept used for the second bidding is included as Attachment B.

Bids were received April 30, 2009, and the lowest, responsive, responsible bidder won the competition with a base bid amount of \$9,740,000 (plus options), 20 percent less than our engineers estimate. Using the actual price bid information, staff developed a new LOP budget analysis (included as Attachment C), which includes the construction costs, staff labor, property acquisition, professional services, and a contingency reserve of 6%. Totaling all costs required to deliver the project, the final LOP requested will be \$17,355,000. The LOP budget request is \$4,430,000 over the previously approved LOP budget, for the following reasons:

- Property acquisition costs were 15% higher than originally estimated
- Addition of structural framing to allow the potential for future mezzanine office space

- The original LOP budget did not include costs for LEED Silver certification
- Project administration costs have risen approximately 10% due to the project redesign and re-bidding efforts
- Although the current construction market is functioning at near zero escalation, the original 2007 LOP budget was subjected to severe labor and materials escalation between 2007 and 2008. At present, the current market has not de-escalated enough to cover the previous two years worth of escalation.

Upon review of the winning bid and pricing information, and analysis of published information regarding pricing within the current construction market, staff believes that this is the best possible price that can be achieved for construction of this much-needed project, and staff recommends moving forward with the project. If the new LOP budget is approved by the Board, the design/build construction contract for the project will be awarded in July 2009. Given a contract award date of July 2009, the project will be complete by October 2010.

FINANCIAL IMPACT

This action will increase the LOP budget for this project by \$4,430,000, resulting in an increase from \$12,925,000 to \$17,355,000 for Project Number 202246, Bauchet Street Storage and Facilities Maintenance Structure project. Funding for this project is included within the proposed FY10 budget in CP#202246 and cost center # 3340, Facilities Maintenance.

Impact on Enterprise Fund Bus and Rail Operating and Capital Expenses

The source of funds for this LOP increase is TDA4. These funds are eligible to be used for bus operating or bus capital projects. Since this is a multi-year project, the Project Manager will be responsible for future year budgeting.

The project budget and funding plan are included in Attachment C.

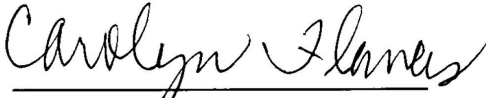
ALTERNATIVES CONSIDERED

The Board of Directors may choose not to authorize the life-of-project budget increase for this project. This alternative is not recommended, since rejection of the LOP increase would prohibit staff from completing this much-needed project to centralize Facilities Maintenance functions and Metro's material and warehousing operations. Further, the project is required for Metro to relocate from our former South Park facility, which has been acquired by the City of Los Angeles.

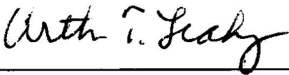
ATTACHMENTS

- A. Former Design Concept for Bauchet Project
- B. Current Design for Bauchet Project (after Value Engineering)
- C. Bauchet Street Warehouse and Facilities Maintenance Structure: Life-of-Project Budget and Funding Plan

Prepared by: Tim Lindholm, Director of Capital Projects, Facilities-Operations
Denise Longley, Deputy Executive Officer, Facilities-Operations



Carolyn Flowers
Chief Operations Officer



Arthur T. Leahy
Chief Executive Officer

ATTACHMENT A
Former Design Concept for Bauchet Project



**BAUCHET STREET STORAGE AND
FACILITIES MAINTENANCE STRUCTURE**

ATTACHMENT B
Current Design for Bauchet Project (after Value Engineering)



**BAUCHET STREET STORAGE AND
FACILITIES MAINTENANCE STRUCTURE**

ATTACHMENT C

**CP 202246 Bauchet Street Storage and Facilities Maintenance Structure
Funding/Expenditure Plan**

	ITD June 2009	FY10	FY11	FY12	Total	% of Total
Uses of Funds						
Design Build Construction	\$0	7,094,000	3,006,000	283,000	10,383,000	59.8%
Prof Services	\$65,877	175,000	175,000	25,000	440,877	2.5%
Project Administration	\$316,208	575,000	500,000	88,216	1,479,424	8.5%
Acquisition of Land	\$4,013,699	0	0	0	4,013,699	23.1%
Contingency		700,000	315,000	23,000	1,038,000	6.0%
Total Project Cost	\$4,395,784	8,544,000	3,996,000	419,216	17,355,000	100%
Sources of Funds						
TDA4		8,544,000	3,996,000	419,216	17,355,000	100%
Total Project Funding		\$8,544,000	\$3,996,000	\$419,216	\$17,355,000	100%