



KEYSER MARSTON ASSOCIATES  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

**To:** Bonnie Teaford, Public Works Director  
City of Burbank

**From:** Cal Hollis  
Denise Bickerstaff

**Date:** December 4, 2006

**Subject:** Review of the Community Services Building Project

Keyser Marston Associates, Inc. (KMA) has been retained by the City of Burbank (City) to review the Community Services Building (CSB) Project. KMA was asked to address the following questions in its review:

1. Has the project management process utilized by City staff for the CSB Project been adequate and appropriate given the type and scope of the project?
2. Is the Guaranteed Maximum Price (GMP) proposal submitted by Swinerton Builders (Swinerton) reasonable and competitive, and was the contractor selection process reasonable, given the type and scope of the project?

This memorandum summarizes the results of our review of the processes utilized by staff and the GMP.

**PROJECT HISTORY AND CURRENT STATUS**

The City is in the process of planning and developing a new CSB. The process began in 1998, when the City Council directed staff to begin the process of demolishing the former Municipal Services Building (MSB) that was severely damaged in the 1994 Northridge Earthquake and begin work on a new building for some of the functions formerly housed in the MSB.

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The conceptual Master Plan<sup>1</sup> for the Civic Center that included the CSB was accepted by the City Council in December 2000 after almost two years of site studies and programming efforts to determine the long-term need for space for city departments. Staff commenced with the design and construction process. After careful consideration, the City determined that the best approach to the design and construction of the CSB would be to use a fixed-fee, GMP contract with a qualified general contractor rather than the traditional design-build approach, and the City Council adopted a resolution to that effect in July 2001. The architecture firm of Widom Wein Cohen O'Leary Terasawa (WWCOT) was selected to design the CSB in November 2001, and Turner Construction was selected to provide pre-construction services in January 2002. A schematic design for the CSB that was LEED<sup>2</sup> Certified was approved by the City Council in December 2002.

In January 2003, the CSB Project was put on hold<sup>3</sup> for almost a year until November 2003, at which time the project resumed with a new architecture and engineering team led by Leo A. Daly (Daly). Daly was retained to re-evaluate the design and develop cost-effective re-design alternatives. By November 2004, the design development phase of the CSB Project was complete and the construction document phase of the project commenced. However, the estimated \$28.1 million construction cost exceeded the City's budget and staff continued its efforts to reduce construction costs through a value engineering process. The project drawings and specifications were approved by the City's Building Division in January 2006.

The City utilized a two-step process for selecting a general contractor for the CSB. The City issued a Request for Qualifications (RFQ) to identify qualified bidders. From the short list of qualified bidders, the City solicited cost proposals utilizing a Request for Proposals (RFP) process. Based upon its review of the three cost proposals received, the City further negotiated costs with the most responsive bidder, Swinerton. Swinerton then used an extensive outreach effort to competitively bid the subcontracts, and compile a final GMP proposal that was submitted to the City.

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<sup>1</sup> In addition to the CSB, the Master Plan contemplates a new Central Library, a new 500-space parking garage, a new Administrative Services Building behind the existing City Hall, and streetscape improvements within the Civic Center area.

<sup>2</sup> Leadership in Energy and Environmental Design.

<sup>3</sup> The CSB Project was placed on hold due to the uncertain fiscal health of the State of California and potential fiscal impacts on the City.

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The CSB Oversight Committee has reviewed the GMP and has recommended approval of an agreement with Swinerton for the construction of the CSB. Construction is expected to take approximately sixteen months, with a projected construction start in January 2007, and completion of construction in May 2008. The CSB would be occupied by July 2008.

## **OVERSIGHT AND PROJECT MANAGEMENT CONTROLS**

When the CSB Project was initially undertaken, the City formed a Steering Committee to guide major policy decisions and make recommendations to the City Council.<sup>4</sup> In November 2001, the City formed a Project Team that included members of the City Manager's Office, City Attorney's Office and the executive team, two City Council Members, and the Capital Projects Manager. The Capital Projects Manager, Mr. Phillip Clifford, was retained as a consultant in early 2001 to oversee major capital improvement projects, including the CSB Project. Mr. Clifford meets regularly with the Public Works Director to discuss the status of the project. Based upon Mr. Clifford's resume, in addition to being a licensed general engineering and building contractor, Mr. Clifford is a professional mechanical engineer and has approximately twenty years of experience in project and construction management. The CSB Project is also overseen at the executive staff level by the Development Oversight Committee, which meets weekly to discuss major City projects. This Committee includes the City Manager, Assistant City Manager, the Public Works Director, the Community Development Director, the Financial Services Director and the City Attorney. In addition, the City Council has designated an Oversight Committee of two Council members to monitor the CSB Project and make reports and recommendations to the City Council as a whole.

When the CSB Project was resumed in November 2003, the Project Team, working with Daly, undertook a value engineering review to improve the design of the CSB without compromising the quality, aesthetics or function of the building. This effort resulted in reduction to the total budget of approximately \$2.47 million.<sup>5</sup>

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<sup>4</sup> Executive level staff was comprised of the Assistant City Manager, Deputy City Manager, Community Development Director, Public Works Director, Financial Services Director, and the Parks, Recreation and Community Services Director.

<sup>5</sup> Based upon staff's comparison of the WWCOT budget estimate during the design development phase.

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In April 2006, an independent third party review of the project was completed by Brookwood Program Management (Brookwood). The Brookwood review was intended to assess the effectiveness of the management process used for the CSB Project, management decisions made, the program, design and bidding effort, and project controls. Brookwood completed a review of the building design and construction documents; the process used to select the general contractor (Swinerton); the construction delivery method and construction agreement; preconstruction services; the project schedule; the project budget; the processes for construction progress reporting, project accountability, and approvals; and the project management tools in place.

Overall, Brookwood found the project management processes utilized to be consistent with industry norms, stating:

“In general, the project has been managed utilizing standard industry practices and standards of care. The project team selection process has been thoughtful and documented, and the drawings and specifications appear comprehensive and well-coordinated.”

The Brookwood report identified five areas of concern and made a series of recommendations to improve project controls and overall project management. The areas of concern identified by Brookwood were:

- The use of a GMP for an agreement, given the advanced stage of completion of the construction documents;
- The lack of an approved budget for the project;
- The need for a schedule to avoid further project delays;
- The contingency funds in the budget appeared inadequate and its purpose poorly defined; and
- The administrative responsibilities for the LEED certification were loosely defined.

The Brookwood report reviewed and summarized each area evaluated and made a series of specific recommendations to address each of the five areas of concern described above.

Staff utilized the recommendations in the Brookwood Report to develop specific steps and an action plan to address the issues raised in the Report, and to monitor the implementation of these steps in the CSB Project.

## **CONTRACTOR SELECTION AND THE GMP PROPOSAL**

The City utilized a process of multiple steps to solicit construction bids for the CSB. The City issued an RFQ to interested construction firms. The City then evaluated the qualifications submitted and developed a short list of qualified firms.

An RFP was issued to pre-qualified contractors in February 2006 for a general contractor to develop the GMP and construct the CSB. The RFP solicited information on each firm's project experience, staff qualifications, staff costs, insurance and bonding costs, and a fixed-fee proposal as a percentage of anticipated construction bids from subcontractors. The GMP proposals were evaluated based upon staff costs, collective staff and project experience, and experience in the construction of LEED certified buildings. Of the three qualified proposals received, the GMP proposal received from Swinerton was determined to be the most responsive in terms of overall fees and experience. As noted in the Brookwood Report, Swinerton's compensation proposal, at approximately eleven percent of projected direct costs, compared favorably to the projected compensation provided by Turner Construction during the project design and development phase of approximately fourteen percent. The City further negotiated the contractor's compensation<sup>6</sup> with Swinerton as part of the GMP development process. Swinerton then solicited bids from qualified subcontractors, evaluated the bids and submitted them along with its recommendations for review to the City. The selected subcontractor bids were submitted along with Swinerton's negotiated fees in a final GMP of \$28,979,500. This represented a reduction of \$1.558 million from the initial Swinerton GMP proposal.

### **Comparison of CSB Project Costs with Other Public Facilities**

Swinerton's final GMP totaled \$28,979,500 and included Swinerton's contractor's contingency, general conditions, contractor's fee, insurance and subcontractor's guarantees, and a payment and performance bond. The total GMP equals \$400.45 per square foot of building.

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<sup>6</sup> Includes pre-approved general requirements, general conditions, the contractor's fee, a construction contingency allowance, and insurance and bonding costs.

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For purposes of comparison, KMA compared these costs on a per-square-foot basis to other construction bids and current budgets for municipal buildings in Southern California. These data were gathered from several sources including projects with which KMA is familiar for current and recent municipal clients, published reports and other information contained on city and county websites regarding bids received or budgets for projects soon to be bid, and information from other cities that responded to a previous request from staff for comparison costs for projects for which construction had begun in 2006. KMA was able to obtain budget or bid information for two comparison city halls, nine other municipal buildings, and two schools. As shown on the attached Table 1, construction costs for the Chino Hills City Hall is currently projected to equal \$392.38 per square foot (PSF). This represents a budget estimate with the project scheduled to be bid in the first quarter of 2008. The City of Calabasas received four bids in October 2006 for a new civic center, including a two-story city hall. The low bid for the city hall was \$423.69 PSF. While each of these buildings is unique, they do provide some indication that the CSB budget is within the range of current good quality public service buildings.

Information concerning budgets and bids for other municipal buildings and public schools were also reviewed. While these types of buildings may differ from the CSB in many respects, these data were considered to assess the level and range of construction costs for municipal and public buildings in general. The information included three public libraries, two police/sheriff stations, a fire administration building, a health center built on a public school site, two recreation centers and two public schools (see Table 1). Construction costs ranged from a low of \$392.38 PSF for the Chino Hills City Hall building to a high of \$776.79 PSF for a new high school in Los Angeles. Ten of the eleven projects had budget estimates or construction bids between \$400 and \$550 PSF, consistent with the CSB cost.

## **CONCLUSIONS OF THE KMA REVIEW**

### **The Project Management Process Utilized for the CSB Project**

The City has had executive-level staff, including the City Manager, the Public Works Director, and the Community Development Director involved in the planning, design and bidding phases of the CSB Project since its inception. The Council Oversight Committee and full City Council have been kept informed and involved at all steps of the project, including providing direction on project enhancements and value engineering. The bidding processes used by staff to select and procure programming, architecture/engineering, and pre-construction services, have been those typically utilized by the public sector for projects of this size and scope. In addition, the City hired a well experienced Capital Projects Manager specifically to oversee this project, and the other major capital projects undertaken by the City. Based upon our review of the Brookwood

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Report, interviews with staff, and our knowledge of how other cities have undertaken large capital projects, the project management processes utilized for the CSB Project appear to be adequate and appropriate, given the type of project and its scope and scale.

### **The GMP Proposal**

Based upon our review of the GMP process, GMP proposal, and comparison of the GMP to other budget projections and actual construction bids for city administrative buildings and other municipal buildings, the GMP appears to be reasonable and competitive, given the nature of the CSB Project and its scope. In addition, the two-tiered approach to the bidding process utilized by the City is not uncommon and appears to have been fair and reasonable.

### **DISCLAIMER**

Keyser Marston Associates, Inc. has prepared this report based upon a review of available documents and information received from the City, and from independent review of current construction costs on a limited basis. Our review has been limited to a reasonableness test. KMA is not a licensed architecture or engineering firm, nor a licensed general contractor or cost estimator.

**TABLE 1  
COMPARISON OF CONSTRUCTION COSTS  
REVIEW OF COMMUNITY SERVICES BUILDING PROJECT  
BURBANK, CA.**

<u>Project &amp; Description</u>	<u>Gross Sq. Ft.</u>	<u>Construction Costs</u>	<u>Cost PSF (Gross)</u>
<b>Burbank CSB</b> 3-story, LEED certified; no underground parking; excludes FF&E	72,368	\$28,979,499	\$400.45
<b>City Halls</b>			
Chino Hills City Hall 2-story, no underground parking; budget estimate as of Nov. 2006 Bids 1st Q 2007	59,000	\$23,150,200	\$392.38
Calabasas City Hall 2-story; low bid received Oct. 2006	30,902	\$13,092,800	\$423.69
<b>Other Municipal Buildings</b>			
Calabasas Public Library Bid received in Oct. 2006	25,059	\$13,348,400	\$532.68
Chino Hills Public Library One-story; budget estimate as of Nov. 2006 Bids 1st Q 2007	28,000	\$12,166,900	\$434.53
Long Beach Public Library LEED certified; reflects bid received in July 2006	16,000	\$8,000,000	\$500.00
Chino Hills Sheriff's Station One-story; budget estimate as of Nov. 2006 Bids 1st Q 2007	30,000	\$12,145,000	\$404.83
LA - Hollenbeck Police Station New police station w/ vehicle maint. facility, high-level security features; multi-level parking structure; const. contract awarded in Mar. 2006	54,000	\$31,100,000	\$575.93
Chino Hills Fire Admin. Bldg. One-story; budget estimate as of Nov. 2006 Bids 1st Q 2007	17,000	\$6,859,700	\$403.51
LA - Sun Valley Health Center Budget estimate as of June 2006	10,800	\$5,218,614	\$483.21
LA - Downey Recreation Center Childcare center; construction contract awarded in Jan. 2006	3,400	\$1,790,000	\$526.47
LA - Evergreen Recreation Center Childcare center; construction contract awarded in May 2006	4,150	\$2,030,000	\$489.16



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 COMPARISON OF CONSTRUCTION COSTS  
 REVIEW OF COMMUNITY SERVICES BUILDING PROJECT  
 BURBANK, CA.**

<u>Project &amp; Description</u>	<u>Gross Sq. Ft.</u>	<u>Construction Costs</u>	<u>Cost PSF (Gross)</u>
<b>Public Schools</b>			
LAUSD Central LA HS #9 New high school; contract awarded in first quarter 2006.	238,000	\$184,875,146	\$776.79
LAUSD Central LA MS #3 New middle school; construction contract awarded in third quarter 2006	90,884	\$53,662,383	\$590.45

**Notes:**

All budgets and bids exclude furniture, fixtures and equipment (FF&E).