



Legislation Text

File #: 19-0689, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute a Second Amendment to Contract No. 34242 with Plenary Properties Long Beach, LLC, of Los Angeles, CA, for facility additions relating to operating and maintenance costs, lifecycle costs, and insurance modifications requested by the Port of Long Beach. (District 2)

On December 15, 2015, the City Council approved an agreement (Agreement) with Plenary Properties Long Beach, LLC (Plenary), for the design, build, finance, operation, and maintenance of a new Civic Center, including a City Hall, Main Library, Port of Long Beach Headquarters, and revitalized Lincoln Park (Project). At that time, the City Council approved a budget contingency to address various design updates and unforeseen conditions that might be experienced during construction. Over the past three years, the Project team has worked to finalize and construct a facility that meets the requirements of City operations. Numerous meetings were held to discuss building design and functionality to deliver a modern, energy efficient workspace. Through this process different elements were approved and the updates became part of the construction effort. All changes were accomplished within the budgeted construction contingency.

Plenary has met the Project completion date and delivered the facilities to the City on June 28th. Currently, staff is fully engaged in the work necessary to move, occupy, and open the new City Hall and Port of Long Beach Headquarters. The public grand opening event is scheduled for July 29, 2019. The Main Library public opening is scheduled for September 21, 2019. With the imminent occupancy and opening of the new facilities, the following updates are needed to the Project Agreement:

- Amend Appendix 9 (Insurance Requirements), and any related documents, to allow certain insurance requirements to be satisfied by Plenary corporate policies rather than project-specific policies. The proposed changes are technical language adjustments and do not impact the City's coverage;
- Correct Appendix 18 (Capital Fee Schedule) to show the portion of the Service Fee for capital costs, excluding operations and maintenance (O&M). The current language incorrectly shows estimated amounts. There is no impact to costs or the agreement, this is a technical correction;
- Amend Article 12 (Private Development Sites), and any related documents, to address the timing of conveyance of the mid-block site and certain logistical issues related thereto;
- Amend Appendix 22 (Port FM Fee and Allocable FM Fee Schedules) to adjust the Port FM Fee and Port Allocable FM Fee to reflect the O&M costs associated with new

- equipment installed from previously-approved change orders;
- Add a new Appendix 27 to establish City Hall adjusted O&M Fees and lifecycle replacement costs resulting from new fixtures and equipment added through previously -approved change orders;
- Amend the Project Agreement to adjust the scheduled occupancy and longstop date associated with the construction of the new Lincoln Park to accommodate the City's and Plenary's consideration of additional design elements;
- Amend the Project Agreement to require monthly payments be made on the first of the month. This will slightly adjust the rent payment from the 28th day of the month to the beginning of the month, which is consistent with other City payment processes; and,
- Amend the Agreement, as necessary, to address other additions approved through the change order process (e.g., recognize the new exterior building lighting and responsibility for maintenance).

The Board of Harbor Commissioners will independently consider authorizing the execution of this amendment at a future meeting.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on June 24, 2019 and by Budget Analysis Officer Julissa José-Murray on June 27, 2019.

City Council action is requested on July 16, 2019, to prepare for Civic Center occupancy.

As provided in the Project Agreement, the City will make Service Fee payments to Plenary for the duration of the 40-year term for the Civic Center. The Service Fee includes compensation for the Civic Center financing, construction costs, O&M costs, and lifecycle costs to replace equipment when needed (included in O&M). O&M costs will be provided by Johnson Controls (JCI) who will also oversee the necessary replacement of building systems and equipment. As previously approved with the original Project Agreement, approximately 35 percent of the Service Fee payment increases annually with inflation, and the remaining 65 percent increases at a fixed 2.18 percent rate annually.

Some of the design changes approved during the construction of the Civic Center have impacted the annual O&M costs, including both the routine O&M component and the lifecycle component. To accommodate these changes and provide for full maintenance of the Civic Center, the Service Fee component for routine O&M has increased an estimated \$150,000 annually in the first full year (FY 20) and will increase with inflation thereafter. The lifecycle costs for the changes (equipment replacement) total approximately \$11,000,000 over 40 years, and are paid for by an increase in the Service Fee starting at an estimated \$311,000 a year in FY 20 and increasing annually with inflation. The total initial annual increase in FY 20 is projected at \$461,000 and will increase by inflation thereafter. In the last full year of the Project Agreement, the equivalent annual payment will be \$1,120,000, assuming that inflation is 2.4 percent per year. All the annual costs may change if the inflation rate is different.

These costs will be added to the Service Fee payments to Plenary, which are charged to, and paid through, the Civic Center Fund. The Civic Center Fund receives offsetting revenues by allocating these costs to the various departments (excluding Harbor) and funds that reside in the new City Hall and Main Library. There will be some increases to the Harbor Service Fee for similar and other reasons, but those costs are approved by the Harbor Commission and paid by the Harbor Department. The General Fund is expected to pay approximately 70 percent of the costs for the new Civic Center and the proposed FY 20 budget includes funding for these increased General Fund costs. Other funds should be able to absorb their share of the increased costs. A supplemental budget appropriation for the Civic Center Fund will be requested during FY 20 to allow for the additional costs to be paid to Plenary. None of the other Project Agreement changes referenced in this recommended action are anticipated to result in any cost for the City or have any impact on City risk.

This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

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CRAIG A. BECK
DIRECTOR OF PUBLIC WORKS

APPROVED:

PATRICK H. WEST
CITY MANAGER