



# CITY OF LONG BEACH R-12

LONG BEACH AIRPORT

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August 21, 2012

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the termination of Contract No. 31981 for Construction of Phase I Improvements to the Terminal Area at the Long Beach Airport, with Edge Development, Inc. (Edge); and

Approve and authorize the City Manager to execute any and all necessary documents to enter into a Takeover Agreement with Safeco Insurance Company of America and Liberty Mutual Insurance Company (Surety) to complete Contract No. 31981 for the Construction of Phase I Improvements to the Terminal Area at the Long Beach Airport. (District 5)

## DISCUSSION

On December 14, 2010, the City Council awarded Contract No. 31981 (Contract) to Edge Development, Inc. (Edge) for the Construction of Phase I Improvements to the Terminal Area at the Long Beach Airport (Project) in an estimated amount of \$24,757,741, plus a 15 percent contingency. After construction commenced, Edge faced financial hardship and the Surety company for Edge voluntarily stepped in under the terms of the surety bonds provided for the Project, working closely with the City and Edge, in order to meet Project schedules and without interruption to work progress to date.

Despite those efforts, Edge has declared its voluntary default of the Contract. As a result thereof, Surety desires to enter into a Takeover Agreement with the City in order to complete or procure the completion of the remaining work in accordance with the Contract documents and the surety bond obligations for the Project. Surety intends to have the remaining work completed by a competent and qualified contractor, subject to the City's qualification requirements imposed by the original Contract. Surety has arranged for the completion of the remaining work to be performed by Soltek Pacific Construction (Soltek), who is a competent, qualified, and properly licensed contractor. Surety intends to execute a completion agreement with Soltek to complete the Project and provide the necessary indemnifications and insurance policies. Surety's bonds previously furnished for the Project shall continue to remain in full force and effect in accordance with its original terms.

City Council approval is being requested to terminate the Contract with Edge, and to authorize entering into a Takeover Agreement with the Surety for completion of the Project's remaining work per all of the terms and conditions of the original Contract

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documents. The Takeover Agreement will preserve the work in place and expedite completion of the Project.

This matter was reviewed by Deputy City Attorney Linda Trang on August 3, 2012, and Budget Management Officer Victoria Bell on August 6, 2012.

### SUSTAINABILITY

The Project will attain Leadership in Energy and Environmental Design (LEED) certification. The Takeover Agreement maintains all LEED requirements of the Contract.

### TIMING CONSIDERATIONS

City Council's authorization to terminate the Contract with Edge, and approval and authorization of the Takeover Agreement with the Surety are being recommended concurrently in order to expedite completion of the Project. Timely approval of the Takeover Agreement will allow the Project to continue without interruption. It is anticipated that the Project will be completed within the Contract allowable time.

### FISCAL IMPACT

The Takeover Agreement will neither change the City's contractual obligation for the Project nor will it impact the General Fund.

Sufficient appropriation was authorized by the City Council on October 19, 2010, in the Airport Enterprise Fund (EF 320), as part of the authorization for the sale of revenue bonds. The appropriation will be funded by the proceeds of the revenue bond sale. It is anticipated that the Project will provide for approximately 300 jobs. Authorization of the Takeover Agreement will preserve these jobs. The Contract remains subject to Project Labor Agreement No. 31821 authorized by the City Council on August 3, 2010, which contains provisions for priority referrals for Section 3 and local residents.

### SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

  
MARIO RODRIGUEZ  
DIRECTOR, LONG BEACH AIRPORT

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APPROVED:

  
PATRICK H. WEST  
CITY MANAGER