

DATE ISSUED: July 13, 2005

REPORT NO. CCDC-05-28

ATTENTION: Chair and Members of the Redevelopment Agency
Docket of July 19, 2005

SUBJECT: Additional Expenditure to subsidiaries of Allied Waste ("Allied Waste") for Landfill Fees at the "Smart Corner" (located on the block bounded by 11th Avenue, Park Boulevard, Broadway and C Street) – Core Redevelopment District of the Expansion Sub Area of the Centre City Redevelopment Project

REFERENCE: Smart Corner Site Plan
Allied Waste Cost Summary Spreadsheet

STAFF CONTACT: John L. Anderson, Senior Project Manager - Public Works
David N. Allsbrook, Manager-Contracting and Public Works

SUMMARY

Issue - Should the Redevelopment Agency ("Agency") authorize the Additional Expenditure to subsidiaries of Allied Waste ("Allied Waste") for the landfill fees at the Smart Corner project, in the amount of \$487,241? The maximum compensation will not exceed \$1,144,241.

Staff Recommendation - That the Agency approve the Additional Expenditure to Allied Waste for the landfill fees at the Smart Corner project, in the amount of \$487,241. The maximum compensation will not exceed \$1,144,241.

Centre City Development Corporation Recommendation - On June 22, 2005, the Corporation Board of Directors (Dillon, Johnson, McNeely, Rafflesberger, Sadler) unanimously voted to recommend approval, with LeSar and Vilaplana excused.

Other Recommendations - None.

Fiscal Impact - Funds are available in the Fiscal Year 2005-2006 Centre City Redevelopment Project Budget for the Smart Corner Development.

BACKGROUND

This project advances the Visions and Goals of the Centre City Community Plan and the Objectives of the Centre City Redevelopment Project by:

- adding to the range of downtown housing opportunities,
- thereby increasing the downtown residential population, and
- contributing to the vision of downtown as a major residential neighborhood.

In October 2000, the Corporation issued a Request for Qualifications/Proposals ("RFQ/P") for the development of the "Smart Corner" project located on the block bounded by 11th, 12th, Broadway and "C" streets (the "Site"). The Agency has entered into a Disposition and Development Agreement ("DDA") with CJUF-Smart Corner LLC, ("Developer") to construct the Smart Corner project on the site. The Agency is responsible for the cost of remediation of the site.

Gradient Engineers, Inc. is the environmental service consulting firm under contract to the Corporation for the Smart Corner site. Gradient prepared Phase I and II Environmental Site Assessment Reports in the Spring and Summer of 1998, and entered into an environmental testing and monitoring agreement in October 2002 with the Corporation. Gradient has identified two types of contaminated soils that are required to be tested and disposed of at the appropriate landfills:

- Petroleum Hydrocarbon impacted soil, and
- Lead impacted soil.

On October 27, 2004, Gradient prepared the following chart containing the cost(s) for landfill disposal, impacted soil and quantities:

Type of Soil	Cubic Yards	Tons	Unit Cost/Ton	Landfill Disposal Cost(s)
petroleum impacted soil	9,000	13,500	\$27.00	\$364,500
*lead impacted soil (1)	5,200	7,800	\$27.00	\$210,600
*lead impacted soil (2)	2,000	3,000	\$27.25	\$ 81,750
Totals	16,200	24,300		\$656,850

*lead impacted soil (1) transported to Allied Waste Otay Mesa Landfill

*lead impacted soil (2) transported to Allied Waste Copper Mountain Facility in Arizona

In many projects, the disposal facility would be selected by the environmental consultant, and the disposal fees would be paid through the consultant's contract, usually at a mark-up of 10-20%. The Corporation is contracting directly with the landfill recommended by the environmental consultant to avoid this charge.

The project is currently 99.9% complete in the removal of contaminated soil from the site. Unfortunately, the total contaminated soil quantity and cost has increased significantly from the original estimate of October 2004.

The contaminated soil was transported to two landfill sites both operated by Allied Waste: Copper Mountain, Arizona; and Otay Mesa Landfill, California. Following are the original and revised quantities and costs for the two landfills:

Copper Mountain

Original quantity	Original cost	Revised quantity	Revised cost
3000 tons	\$81,750	1847.25 tons	\$ 49,797.10

Total cost decrease to Copper Mountain: (\$31,952.90)

Otay Mesa Landfill

Original quantity	Original cost	Revised quantity	Revised cost
21,300 tons	\$575,100	39,669.75 tons	\$1,071,091.90

Total cost increase to Otay Mesa Landfill: \$495,991.90

Total landfill cost increase: \$495,991.90 - (\$31,952.90) = \$464,039.00

Proposed Additional Expenditure:

Total Revised Cost	\$1,119,809
Original Agreement	<u>(657,000)</u>
Additional Costs Including 5% Contingency	<u>\$ 487,241</u>

The following provides a summary of the financial status of the Agreement:

Original Agreement (November 2004)	\$657,000
Paid to Date	<u>(657,000)</u>
Remaining Balance	\$ -0-
Proposed Additional Expenditure	<u>\$487,241</u>
Amount Available Subsequent to Additional Expenditure	<u>\$487,241</u>

JUSTIFICATION OF INCREASE IN CONTAMINATED SOIL QUANTITY AND COST

Four components are responsible for the increase in contaminated soil at the site. Please see attached site map and the cost summary spreadsheet:

1) Three wells encountered at the site during excavation

During the excavation of the site to subgrade, three previously undiscovered, improperly abandoned dry wells were encountered. The top of each well was at least 10 feet below street grade. The wells had been filled with debris. Subsequent to the improper abandonment of these wells, they were buried. Upon encountering the wells during the excavation, samples were taken of the contents and the

sidewalls of each well. The results of the analytical tests resulted in manifests for the disposal of the material found in and adjacent to the wells. The three wells were not in the original estimate.

2) Three Unknown Underground Storage Tanks

The first unknown underground storage tank ("UST") was encountered during the demolition phase of the redevelopment. The UST was located beneath the northeastern end of the basement foundation of the former Bargain Center store, located on the southeast parcel of the site. The original site assessment report had reviewed records from the County of San Diego and the City of San Diego Fire Department, which had no records of the unknown UST. Samples were taken of the contents of the tank and the surrounding impacted soil. The contaminated tank, contents, and contaminated surrounding soil was removed under the required permits and manifests.

The second and third USTs were encountered during the shoring installation of the site redevelopment. The USTs were located along the western wall of the site excavation. The likely source of the tanks was the former White Garage located at 1029 11th Avenue. The original site assessment report had reviewed records from the County of San Diego and the City of San Diego Fire Department, which had no records of the unknown USTs. The tanks were located approximately five feet below grade under the sidewalk on 11th Avenue. One of the two tanks was punctured during the drilling of the shoring piles. The third tank was found a short distance to the south of the second tank by further site investigation. Samples were taken, and the contaminated tanks, contents, and contaminated surrounding soil was removed under the required permits and manifests.

3) Fill Soil Impacted With Lead at the Northeast Corner of the Site (containing the Trolley existing transformers, now relocated)

The fill soil located beneath the Metro Transit Parcel in the northeast corner of the site was not originally exposed during the demolition phase of the project. The soil was not originally sampled or profiled for disposal due to no access to the site, as the access was blocked by the Trolley transformers and associated equipment. In January 2005, the electrical transformers, concrete slab, and the concrete stairs were removed. The soil was then sampled, and appropriate disposal manifests obtained for the contaminated soil disposal. This work was not in the original estimate.

4) Additional Contaminated Soil at Kwik Korner Parcel

Prior to site demolition, the environmental consultant had assessed the extent of the soil hydrocarbon plume to the extent feasible (only the parking lot of the former Kwik Korner parcel was accessible due to structures on the rest of the parcel). Upon

demolishing the site structures and removing the asphalt and concrete slabs from the site, it became apparent that the petroleum hydrocarbon impacted soil in the original sampled area was greater than initially anticipated.

The costs associated with the removal of the additional soil are presented in the cost summary table. The Corporation will pursue cost reimbursement of the petroleum impacted soil associated with the Kwik Korner property, under the Polanco Redevelopment Act, with a negotiated reimbursement from Conoco Phillips of 55% of the total costs. The total cost is \$812,408.40. Fifty-five percent (55%) reimbursement of the landfill fees from Kwik Korner: $\$812,408.40 \times .55 = \$446,824.62$ to be reimbursed to the Corporation by Conoco Phillips.

CONTRACTING FIRM

The contracting firm is comprised of the following principal and primary contact:

Firm Name: San Diego Landfill Systems ("Allied Waste")		
PRINCIPAL AND PRIMARY STAFF ASSIGNED TO THE CONTRACT	TITLE	PRIMARY CONTACT
Charles Cotros	Company CEO	Don Johnson

EQUAL OPPORTUNITY

This is a sole source agreement due to the limited availability of landfills in Southern California and other adjacent states that are authorized to accept material that will be generated during the Smart Corner excavation. Allied Waste provides the best disposal price while also meeting other important requirements such as insurance coverage, regulation by the appropriate environmental authorities, and corporate assets.

City of San Diego Equal Opportunity Contracting ("EOC") staff contacted Allied Waste Systems June 21, 2005. Marci Jones, of Allied Waste, reported that Otay Landfill has 29 employees, of which 3 are female and 27 are from an under represented ethnic group consisting of:

- 1 Hispanic Male in Management & Financial
- 4 Hispanic Males in Administrative Support
- 2 Hispanic Females in Administrative Support
- 11 Hispanic Males in Crafts
- 1 Hispanic Male in Transportation
- 7 Hispanic Male Laborers
- 1 Hispanic Female Laborer

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Current under representations:

1 Asian in Craft
1 Filipino in Craft
2 females in Admin Support

City of San Diego EOC staffs working with Marci Jones of Allied Waste Systems to ensure that the areas of under representations are addressed via an EO Plan.

SUMMARY/CONCLUSION

The Corporation is required to pay for the remediation of the site per the DDA. The landfill disposal fees are a required part of the remediation scope of work. Additional contaminated tanks and soil were discovered as the developer excavated the basement. The original site condition of existing buildings and transformers limited the testing done in the original Site Assessment Reports. Therefore, it is recommended that the Redevelopment Agency approve the Additional Expenditure to Allied Waste for the landfill fees at the Smart Corner project.

Respectfully submitted,

John L. Anderson
Senior Project Manager - Public Works

Approved: Peter J. Hall,
President

David N. Allsbrook
Manager - Contracting and Public Works

Attachments: Smart Corner Site Plan
Allied Waste Cost Summary Spreadsheet