



**Centre City  
Development  
Corporation**

REPORT NO. CCDC-07-28

DATE ISSUED: July 25, 2007

ATTENTION: Honorable Chair and Members of the Redevelopment Agency  
Docket of July 31, 2007

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Amendment to the Construction Agreement for the Rehabilitation  
of the Historic Balboa Theatre (located at Fourth Avenue and E  
Street) – Horton Plaza Redevelopment Project

COUNCIL DISTRICT: 2

REFERENCE: None

STAFF CONTACT: Gary J. Bosse, Senior Project Manager – Construction  
619-533-7163

REQUESTED ACTION: That the Redevelopment Agency (“Agency”) take such actions as necessary to approve Change Order No. 5 to the Agreement with PCL Construction Services, Inc., (“PCL”) in the amount of \$206,278.

STAFF RECOMMENDATION: That the Agency approve Change Order No. 5 to the Agreement with PCL in the amount of \$206,278 for ornamental painting of all historic public lobby spaces, temperature control energy management system enhancements, structural modifications, and telecommunications/data and electrical revisions.

SUMMARY: On April 5, 2006, bids were opened for the final renovation phase of the Balboa Theatre (“Theatre”). Bids were submitted by three pre-qualified General Contractors. The lowest, responsible, and responsive bid was submitted by PCL in the amount of \$16,956,300. Based upon the January 24, 2006 Agency approval of the request to bid, the Agency was authorized to award the contract up to the estimated construction of \$14,038,000.

In order to keep the project on schedule, and to mitigate continued escalation of construction costs, Centre City Development Corporation (“Corporation”) staff proposed the following contracting strategy to the Corporation Board Budget/Finance and Administration Committee on April 12, 2006. It was proposed to award the contract to PCL without Alternate Bid Items 1 through 6, and to execute a deductive Change Order No. 1 removing the theatrical equipment package and ornamental painting allowances simultaneous with the execution of the contract. The omission of the Alternate Bid Items would result in a \$386,000 bid decrease, and the

deletion of the theatrical equipment package and ornamental painting allowances decreased the bid by \$1,834,000 and \$800,000 respectively. These reductions totaled \$3,018,079 and reduced PCL's bid under the authorized amount, allowing the Agency to award the contract.

Change Order No. 2 reinstated the theatrical equipment package and ornamental painting allowances as well as the Alternate Bid Items 1 through 6. Alternate Bid Items 1 through 6 are briefly described as (1) Dressing room millwork, (2) Wood louver doors at toilet partitions, (3) Lobby expansion at the Rotunda, (4) Exterior lighting, (5) Third floor build-out, and (6) Wayfinding signage. The reinstatement of these items was critical to the Balboa having the theatrical performance capabilities and historic legitimacy that it needs to be successful. Change Order No. 1 was disclosed and Change Order No. 2 was approved at the Agency meeting of July 25, 2006.

With the approval of Change Order No. 2, Corporation contracting policy allows for the execution of subsequent change orders (single or cumulative) up to \$200,000 to be authorized by the President subject to disclosure of the change orders at the Board meeting immediately following the change order execution. Thus, Change Order Nos. 3 and 4 (attached) totaling \$197,565 were executed for additional work performed by PCL and were disclosed at the May 30<sup>th</sup> and June 27<sup>th</sup> Corporation Board meetings respectively.

Change Order No. 5, the subject of this report, now requires "approval" by the Corporation and the Agency. The Agency should be advised that Corporation staff has directed PCL to proceed with the work described in Change Order No. 5 in order that the project not be delayed and the re-opening postponed. This change order totaling \$206,278 is primarily comprised of two major items of additional work. Ornamental painting in the historic entry vestibule, first floor lobby, and second floor Salon has been added for a cost of \$155,458. An energy management system ("EMS") of the HVAC system has been incorporated at a cost of \$26,713. During the design of the project, the EMS was value engineered out of the project to save approximately \$35,000. Due to favorable budget conditions, it is now possible to add this technology back into the project at a very reasonable cost. The remainder of the change order items are smaller cost items related to structural modifications, and telecommunications/data and electrical revisions.

FISCAL CONSIDERATIONS: Funds are available in the Fiscal Year 2007 Horton Plaza Redevelopment Project, Balboa Theatre budget.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On June 27, 2007, the Corporation Board of Directors voted 6-0 to recommend that the Agency approve Change Order No. 5 to the Agreement with PCL.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: In 2003, at the initiation of the design, the design team performed a program and budget development process via a series of work sessions with the stakeholders. These work sessions provided the stakeholders, which included the Corporation, San Diego Theatres, potential user groups, technical representatives, and public representatives, a forum to define the mission, design goals, program requirements, budget goals, and schedule objectives. Ultimately these goals were incorporated in the Project Planning Guide.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: The key stakeholders for the project are the proposed future operator, San Diego Theatres, and the future arts organizations that will use the Theatre.

### BACKGROUND

The rehabilitation of the Theatre advances the Visions and Goals of the Centre City Community Plan and the Objectives of the Horton Plaza Redevelopment Project by:

- Eliminating blight through the rehabilitation and upgrade of a significant historic structure;
- Strengthening the Arts District, thereby contributing to the growth of making downtown the dominant regional center for the arts, entertainment, dining and public festivals; and
- Providing a community facility to cater toward both downtown residents and visitors.

In addition, the Historic Preservation Focus Plan and the 2004-2009 Implementation Plans for Centre City and Horton Plaza specifically list the rehabilitation of the Theatre as a focus project.

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

Original Bid Amount*	April 5, 2006	\$16,570,000
Change Order No. 1	May 3, 2006	(\$2,634,000)
Change Order No. 2	July 25, 2006	\$3,020,300
Change Order No. 3	Disclosed May 30, 2007	44,575
Change Order No. 4	Disclosed Jun. 27, 2007	\$152,990
Current Contract Amount		17,153,865
Paid to Date	Through May 30, 2007	\$8,169,145
Remaining Balance		\$8,984,720
Proposed Change Order No. 5		\$206,278
Amount Available Subsequent to this Change Order		<u>\$9,190,998</u>

The total construction encumbrances are as follows:

January 10, 2006	\$14,038,383
July 7, 2006	\$ 3,020,300
May 8, 2007	<u>\$ 1,150,000</u>
<b>Total</b>	<b>\$18,208,683</b>

This results in a remaining contingency of \$848,540.

ROLE/FIRM	CONTACT	OWNED BY
PCL Construction Services, Inc.	Darin Chestnut District Manager	Privately Owned

Firm Name: PCL Construction Services, Inc.		
PRINCIPALS AND PRIMARY STAFF ASSIGNED TO CONTRACT	TITLE	PRIMARY CONTACTS
Darin Chestnut	District Manager	✓

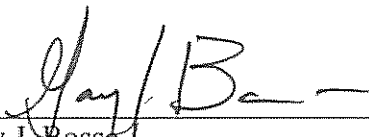
Environmental Impact – On March 27, 2001, the Agency adopted Resolution No. R-03314 certifying that the Agency had reviewed and considered information contained in the Master Environmental Impact Report (MEIR) and the Environmental Secondary Study prepared for the Balboa Theater Rehabilitation. The Secondary Study found the project to be in compliance with the MEIR and the Planned District Ordinance. No additional environmental documents are required.

CONCLUSION

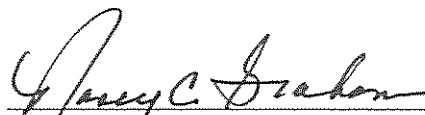
The restoration of the Theatre will play a vital role in fostering community participation in the arts and economic growth. The Theatre will become a multi-purpose performing arts center in the heart of downtown San Diego. This community treasure will become an exciting venue for cultural, commercial, community and convention activities. Approval of this Change Order ensures the Theatre will meet these objectives.

Respectfully submitted,

Concurred by:



\_\_\_\_\_  
Gary J. Bosse  
Senior Project Manager - Construction



\_\_\_\_\_  
Nancy C. Graham  
President

Attachments: A - Change Order Nos. 3, 4, and 5