



DATE ISSUED: October 15, 2008 REPORT NO.: CCDC-08-31

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of October 21, 2008

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Balboa Theatre (868 Fourth Avenue) – Change Orders No. 11 and
12 with PCL Construction Services, Inc. and Request to Encumber
Funds -- Horton Plaza Redevelopment Project

COUNCIL DISTRICT: Two

REFERENCE: None

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

REQUESTED ACTION:

That the Redevelopment Agency of the City of San Diego (“Agency”) take such actions as necessary to approve two final change orders to the agreement with PCL Construction Services, Inc. (“PCL”), and encumber funds from the Balboa Theatre (“Theatre”) budget for the final phase of the Theatre renovation.

STAFF RECOMMENDATION:

That the Agency:

- Approve Change Order No. 11 (Attachment A) to the agreement with PCL in the amount of \$153,441, and Change Order No. 12 (Attachment B) to the agreement with PCL in the amount of \$6,820, for a total amount not to exceed \$160,261; and
- Increase the encumbrance in the amount of \$25,000 for the final phase of renovation of the Theatre, located at 868 Fourth Avenue in the Horton Plaza Redevelopment Project, to be completed by PCL.

SUMMARY:

On April 5, 2006, bids were opened for the final renovation phase of the Theatre. Three pre-qualified general contractors submitted bids with the lowest, responsible, and responsive bid 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 cost 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 to the Budget/Finance and Administration Committee on April 12, 2006, to award the contract to PCL without Alternate Bid items one through six, 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 resulted 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 one through six. Alternate Bid items one through six are briefly described as follows:

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 Theatre 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) of up to \$200,000 to be authorized by the President, subject to disclosure of the change orders at a Corporation Board meeting immediately following the change order execution. Thus, change order nos. 3 and 4 totaling \$197,565, were executed for additional work performed by PCL and were disclosed at the May 30, 2007 and June 27, 2007 Corporation Board meetings respectively.

Change Order No. 5, totaling \$206,278, required approval by the Corporation Board and Agency. These approvals were secured on June 27, 2007 and July 31, 2007 respectively. Change order nos. 6 and 7 followed totaling \$199,996 for additional work performed by PCL, were disclosed at the October 17, 2007 Corporation Board meeting.

Change Order No. 8, totaling \$225,027, was approved by the Corporation Board and the Agency on October 17, 2007 and October 30, 2007.

Change Order No. 9, totaling \$198,420, was disclosed at the February 27, 2008 Corporation Board Meeting.

Change Order No. 10, totaling \$85,674, was approved by the Corporation Board and the Agency on March 26, 2008 and April 29, 2008.

Change Order No. 11 in the amount of \$153,441, and Change Order No. 12, in the amount of \$6,820, are the final change orders related to the agreement with PCL for the rehabilitation of the Theatre. These two change orders will compensate the contractor for various changes required in the scope of work including but not limited to, structural modifications, electrical upgrades, repair and replacement of vintage plumbing pipes, architectural enhancements and door/hardware revisions, HVAC/mechanical modifications, and items of work related to the organ accommodation.

FISCAL CONSIDERATIONS:

Agency funds in the amount of \$25,000 are available in the Fiscal Year 2009 Horton Plaza Redevelopment Project Theatre budget.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On September 24, 2008, the Corporation Board of Directors voted unanimously in favor of the proposed change orders.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: None.

OTHER RECOMMENDATIONS: None.

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:

	Approval/Disclosure Date	Total Amount
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

	Approval/Disclosure Date	Total Amount
Change Order No. 3	Disclosed May 30, 2007	\$ 44,575
Change Order No. 4	Disclosed June 27, 2007	\$ 152,990
Change Order No. 5	July 31, 2007	\$ 206,278
Change Order No. 6	Disclosed October 17, 2007	\$ 193,286
Change Order No. 7	Disclosed October 17, 2007	\$ 6,710
Change Order No. 8	October 30, 2007	\$ 225,027
Change Order No. 9	Disclosed February 27, 2008	\$ 198,420
Change Order No. 10	April 29, 2008	\$ 85,674
Current Contract Amount		\$ 18,069,260
Paid to Date	Through Jan. 2008	\$ 18,039,260
Remaining Balance		\$ 30,000
Proposed Change Order No. 11	Contingent upon approval	\$ 153,441
Proposed Change Order No. 12	Contingent upon approval	\$ 6,820
Amount Available Subsequent to this Change Order		\$ 190,261

The total construction encumbrances are as follows:

Date	Total Amount
January 10, 2006	\$14,038,383
July 7, 2006	\$ 3,020,300
May 8, 2007	\$ 1,150,000
Pending Board and Agency approval	\$ 25,000
Total	\$18,233,683

Without approval of the proposed change orders, a remaining contingency of \$20,838 remains, therefore, it is necessary to move \$25,000 from the Theatre budget into the PCL agreement to fund the two final change orders. It should be noted that the change order experience on the entire Theatre rehabilitation project, which was comprised of five separate, publicly-bid contracts plus eight FF&E solicitations was 7.5%, well below the acceptable industry standard of 10% for new construction.

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

Environmental Impact – This activity is not a “project” under the definition set forth in CEQA Guidelines Section 15378. Therefore, pursuant to CEQA Guidelines Section 15060(c)(3), the activity is not subject to CEQA.

CONCLUSION:

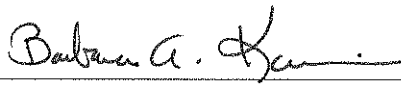
The restoration of the Theatre is playing a vital role in fostering community participation in the arts and economic growth. The Theatre has become a multi-purpose performing arts center in the heart of downtown San Diego. This community treasure is an exciting venue for cultural, commercial, community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

Respectfully submitted,

Concurred by:



Gary J. Bosse
Senior Project Manager - Construction



Barbara A. Kaiser
Vice President – Real Estate Operations

Attachments:

- A – Change Order No. 11
- B – Change Order No. 12