



DATE ISSUED: June 3, 2009 REPORT NO: CCDC-09-13

ATTENTION: Honorable Chair and Members of the Redevelopment Agency
Docket of June 9, 2009

ORIGINATING DEPT.: Centre City Development Corporation

SUBJECT: Seventh and Market Environmental Remediation (block bounded by Market Street, Seventh, Eighth and Island avenues) – Request to Bid Construction – East Village Redevelopment District of the Expansion Sub Area of the Centre City Redevelopment Project

COUNCIL DISTRICT: Two

REFERENCE: None

STAFF CONTACT: William Yee, Associate Project Manager, Public Works
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REQUESTED ACTION: That the Redevelopment Agency of the City of San Diego (“Agency”) approve all actions as necessary for the construction of the Seventh & Market Environmental Remediation Project in the East Village Redevelopment District of the Expansion Sub Area of the Centre City Redevelopment Project (Attachment A–Site Map).

STAFF RECOMMENDATION: That the Agency:

- Authorize the Corporation, on behalf of the Agency, to advertise and receive bids for construction of the Seventh and Market Environmental Remediation Project in the East Village Redevelopment District of the Expansion Sub Area of the Centre City Redevelopment Project (“Project”);
- Authorize the Executive Director of the Agency, or his designee, to award the construction contract to the lowest responsible bidder, provided bids are within the established budget of \$2,637,000, that the construction contract shall not exceed \$2,637,000, and all other requirements are met;
- Authorize the Agency’s Executive Director or designee to execute the construction contract with the lowest responsible bidder;
- Authorize the Corporation, on behalf of the Agency, to administer said construction contract;

- Authorize the Executive Director of the Agency, or his designee, or a representative of the Corporation, to execute the Memorandum of Understanding (MOU) with the State Water Resources Control Board (“State Water Board”) for the State of California Orphan Site Cleanup Subaccount (OSCA) cleanup grant; and
- Authorize the Corporation to implement the OSCA grant and accept the OSCA grant funds for deposit with the Agency upon receipt.

SUMMARY: The project consists of the following:

- Demolition of an existing 55,000 square-foot parking lot on an Agency-owned property located on the block bounded by Market Street, and Island, Seventh and Eighth avenues;
- Excavation and shoring of a portion of the site;
- Remediation of a portion of existing contaminated soils;
- Backfill/compaction of the existing excavation; and
- Reconstruction of the surface parking lot to current Centre City Planned District Ordinance (PDO) design standards.

FISCAL CONSIDERATIONS: Agency funds in the amount of \$2,637,000 are available in the Redevelopment Agency Fiscal Year 2009 (FY09) East Village District Budget.

CENTRE CITY DEVELOPMENT CORPORATION RECOMMENDATION: On April 15, 2009, the Corporation Board of Directors voted unanimously in favor of the proposed Project. The Corporation Board also directed staff to provide full block environmental remediation cost information at the Corporation’s Budget/Finance & Administration Committee meeting of May 6, 2009.

BACKGROUND

The proposed Project advances the Visions and Goals of the Centre City Community Plan (CCCP) and the Objectives of the Centre City Redevelopment Project by:

- Removing contaminated soils from Agency-owned properties;
- Improving public safety and health conditions; and
- Increasing the quality of life for downtown residents, visitors, and businesses by removing harmful contaminated soils from surrounding properties.

In January 2006, the Corporation submitted an application for an OSCA cleanup grant. The OSCA Program, established in January 2005, was created to provide grants to clean up “brownfield” sites contaminated by petroleum underground storage tanks (USTs) where responsible parties were not identified to pay for response actions at a site. The OSCA Program reimburses eligible response costs paid or incurred for cleanup of these contaminated sites.

The Corporation’s application was approved in September 2006, and a grant of \$1,500,000 was awarded. Grant monies from the same OSCA Program were awarded to the Corporation and successfully used during environmental remediation activities of the Smart Corner Mixed-Use

Project (block bounded by Broadway, C Street, Eleventh Avenue and Park Boulevard), completed in 2007.

Originally, the Seventh and Market grant awarded in September 2006 was to be used in conjunction with construction of the Seventh and Market Mixed-Use Project. Negotiations for that project were terminated by the Corporation in November 2008.

In fall 2008, Corporation staff was directed to proceed with the current Project and to utilize the state cleanup grant funds as soon as possible. The original \$1,500,000 OSCA grant, which was awarded for a portion of the Seventh and Market site, expired in March 2008. However, State Water Board staff, which administers the grant program, was intent on these monies being utilized and agreed in March 2008 to extend the fund reimbursement deadline to May 2010.

A MOU between the State Board and the Agency is required to move the Project grant funding forward. The draft MOU is attached (Attachment B – Draft MOU).

In addition, when the Agency acquired the 55,000 square-foot Project site in the late 1990s, the Corporation's due diligence identified several areas of contaminated soils on the site. For the Ma/Franke parcel at the northeast corner of the site (Eighth/Market), an environmental holdback of \$925,000 was completed to cover expenses incurred by the Agency during site cleanup. In addition to the \$1,500,000 OSCA Program grant funds, the Ma/Franke environmental holdback monies of which \$900,000 remains, are also available to help offset the Agency environmental remediation costs during construction. It is anticipated that this Project may not address all of the lead-impacted soils for the Ma/Franke parcel. The Agency has the discretion to use some or all of the \$900,000 for this Project, or retain a portion for the future redevelopment project. Total recoverable funds for environmental remediation total \$2,372,000 (see table on pages 4-5). The remediation efforts during construction of this Project will focus primarily on 10,000 square feet of the Ma/Franke parcel, where the petroleum release occurred.

A separate petroleum release exists at the property located on the northwest corner of the Project site. The OSCA grant does not reimburse costs associated with this specific release, and this effort does not intend to remediate that specific release. However, to remediate the northeast corner of the Project site, some contaminated soils from this release also may be removed. Approximately \$250,000 remain from a settlement when the Agency acquired this parcel. Additionally, the Agency has negotiated a settlement with Chevron to pay for remediation of this portion of the Project site when the redevelopment project proceeds. To the extent this Project removes some of the contaminated soil from the northwest parcel, those costs will be substantially paid for with funds from one of these two sources. The remaining contamination will be removed during the future redevelopment project for the entire site.

EQUAL OPPORTUNITY

This Project will utilize the City of San Diego's ("City") Subcontracting Outreach Program (SCOPE). The mandatory subcontracting outreach percentage for this Project will be determined at a later date by the City's Engineering and Capital Improvement Projects Department.

This Project is subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2702) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

DISCUSSION

Project Description – The site currently is a 55,000 square-foot public parking lot with approximately 186 parking spaces, operated by Central Parking System, under contract to the Corporation. The parking lot was constructed in July 2000 for \$228,070. The current base rent paid monthly to the Agency is \$34,000. In addition, 75 percent of the parking receipts above \$40,000 are paid to the Agency. The average monthly rent paid to the Agency for the last nine months is \$53,000.

The proposed Project consists of the following:

- Demolition of the existing 55,000 square-foot parking lot on the Agency-owned site located on the block bounded by Market Street, and Island, Seventh and Eighth avenues, in the East Village neighborhood of downtown;
- Excavation and shoring of a portion of the site;
- Remediation of a portion of existing contaminated soils to an approximate 30-foot depth;
- Backfill/compaction of the existing excavation; and
- Reconstruction of the surface parking lot to current Centre City Planned District Ordinance (PDO) design standards.

Reconstruction of the site's surface parking lot requires a Conditional Use Permit (CUP) to ensure the design meets the current Corporation/City PDO standards. The administrative process to secure a CUP is concurrently underway and expected to be completed in May 2009.

Project Financing – The construction cost for the proposed work is anticipated to be as follows:

Scope of Work	Cost
Mobilization & General Conditions	\$125,000
Site Demolition	\$70,000
Total Earthwork – Remove & Recompact	\$356,000
Hazardous Soil Excavation & Disposal	\$660,000
Temporary Shoring	\$489,000
Sidewalk Repair	\$16,000
Parking Lot Construction	\$312,000
Subtotal	\$2,028,000
Contingency (20%)	\$406,000
Contractor OH&P (10%)	\$203,000
Total	\$2,637,000

Scope of Work	Cost
Estimated amount recoverable from OSCA Grant *	(\$1,472,000)
Ma/Franke parcel environmental holdback	(\$900,000)
Estimated Total Recoverable Funds	(\$2,372,000)
Estimated Redevelopment Agency out of pocket cost	\$265,000

(* - \$28,000 in site characterization costs already reimbursed)

Participation by Agency – The Agency will front the total cost of the Project in an amount not to exceed \$2,637,000. Per the table above, estimated total recoverable funds for the Project are \$2,372,000 with an estimated Agency out-of-pocket cost of \$265,000.

Proposed Schedule of Performance – The following is a summary of the Project schedule:

Date	Action
May 2009	Agency/Council – Request to Bid
June 2009	Bid Advertisement
July 2009	Bid Opening
September 2009	Notice to Proceed
April 2010	Project Completion (120 working days)

Project Benefits – The Project will improve the East Village neighborhood by removing harmful contaminated subsurface soils from an existing site, increasing the site’s value for future development and ensuring greater public health.

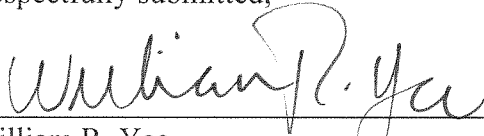
Environmental Impact – The Centre City Redevelopment Project, in which the Project is located, is covered by the 2006 Final Environmental Impact Report (FEIR), which is a program EIR under the California Environmental Quality Act (CEQA). Under the FEIR, an Environmental Secondary Study (“Secondary Study”) is prepared for all developments in the Centre City area in order to evaluate the project’s compliance with the CCCP and PDO and, therefore, the findings and conclusions of the FEIR. A Secondary Study has been completed for the Project and is included as Attachment C. As part of the Secondary Study, a traffic study was completed to evaluate temporary impacts during soil disposal truck hauling as required for larger projects under the FEIR, which found that the Project would not require the installation of any future traffic improvements identified in the FEIR in order to mitigate traffic impacts from the Project.

In addition, it was determined that the Project did not meet the thresholds under State Law that require the preparation of a Water Supply Assessment (“WSA”) from the City’s Water Department. Therefore, due to the Project’s compliance with the applicable planning and environmental documents, no further environmental review will be required for the Project under CEQA.

CONCLUSION

The approval of staff's recommendations to utilize State Water Board and private settlement agreement monies to fund the majority of the environmental remediation for the Project will help to reduce health and safety issues for this Agency-owned site, and improve the site's future development value.

Respectfully submitted,

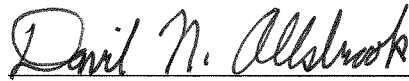


William R. Yee
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Concurred by:



Frank Alessi
Senior Vice President &
Chief Financial Officer



David N. Allsbrook
Vice President, Contracting & Public Works

Attachments: A – Site Map
B – Draft MOU w/State Water Board
C – Environmental Secondary Study