



COUNCIL AGENDA: 04-26-05

ITEM: 3.6

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Jim McBride  
Katy Allen  
Larry D. Lisenbee

**SUBJECT:** CENTRAL SERVICE YARD  
PHASE II DESIGN

**DATE:** 04-19-05

Approved

Date

4/20/05

## RECOMMENDATION

It is recommended that Council adopt the following Appropriation Ordinance amendments in the Construction Tax and Property Conveyance Tax Fund: Service Yards Purpose:

- a) Establish a Central Service Yard Phase II appropriation to the General Services Department in the amount of \$750,000.
- b) Decrease the Ending Fund Balance by \$750,000.

## BACKGROUND

In December 1998, the City Council approved Phase II of the Central Service Yard Master Plan, as well as an accompanying financing strategy. The second phase was to accommodate the relocation of all Main Yard functions to the Central Service Yard, which include the Facilities and Fleet Management and Parks Maintenance divisions of General Services, and the Street Sweeping Operation of Transportation. These improvements were to be funded by the sale of surplus service yards properties, and issuing a bond to address the funding gap.

In 1999-2000 three properties were sold (Las Plumas Warehouse, Empire Yard, Children's Shelter site). The proceeds were used to repay a loan for Central Service Yard Phase I and the remaining funds were placed in the Service Yards Capital Program fund balance for Phase II.

Master planning for the Central Service Yard Phase II project began in 2001-2002, and project design had been originally scheduled for 2006-2007. In the Mayor's June 2004 Message, the Redevelopment Agency was directed to prepare an RFP for the possible sale and development of the Main Yard.

## ANALYSIS

In the 2005-2009 Adopted CIP, the total budget for the Phase II project was \$35.5 million, with construction expected to start in 2006-2007. The combination of a revised project scope, lower cost estimates, and an interim-financing plan, has led to the recommendation to accelerate the project. Construction of the Phase II project is now proposed to begin in 2005-2006 and be completed in 2007-2008 with a revised cost of \$31.6 million. Shown below is a breakdown of the costs and recommended funding for the revised project.

### Project Cost

Design	\$750,000
Construction	\$28,746,000
Demolition/Cleanup of Existing Site	\$2,124,000
<b>Total</b>	<b>\$31,620,000</b>

### Project Funding

Sale of Main yard	\$14,200,000
Bond Proceeds	\$8,000,000
Sale of Property in Prior Years	\$6,700,000
C&C Funds	\$2,720,000
<b>Total</b>	<b>\$31,620,000</b>

The reduction in budget comes from two areas. In the previous project, non-profits were expected to be located offsite. That project budget included costs for tenant improvements, and relocating the non-profit organizations operating from the Central Service Yard. With the current program, all non-profits will remain onsite. Savings will be achieved by avoiding tenant improvement and relocation costs. The second area of savings comes from striving to be compatible with the surrounding industrial community's architecture, and the change in building materials to meet that goal.

This recommendation requests a budget action to provide funding of \$750,000 to begin the project design phase. It should be noted that the construction cost data is a preliminary estimate. The funding recommended in this memorandum will be used to finalize the scope of work and prepare bid documents. The administration will bring forward a request to appropriate funding for the construction phase of this project as part of the 2005-2006 Proposed Service Yards Capital Budget.

Due to the fact that the Main Yard cannot be sold until construction of the Phase II project is complete and the Main Yard is demolished and cleaned up, an interim financing plan to fund the Phase II project is necessary. As a result, \$21.5 million in commercial paper will be proposed as part of the 2005-2006 Capital Budget to provide the interim financing. This commercial paper would be repaid in 2007-2008 when the proceeds from the sale of the Main Yard are available and the bonds are issued for the project.

Preliminary analysis indicated that additional ongoing maintenance costs to result from this project should be negligible, as this project will replace an existing facility.

The appropriation of \$750,000 will allow the staff to begin the preliminary design and scope of work and release bid documents for construction in the fall of this year. On this point, staff's intention is to utilize a low-bid, design-build approach for delivery this project. Based on the analysis to date this would be the most cost effective and efficient way of delivering the project. Provided that construction bids are within cost estimates and that Council approves the proposed Service Yards CIP, construction would begin in 2005-2006.

### **PUBLIC OUTREACH**

Not applicable.

### **OUTCOME**

Approval of this recommendation will result in staff moving forward with the design and cost estimate of the Central Service Yard Phase II.

### **COORDINATION**

This memorandum has been coordinated with the Redevelopment Agency, Finance Department, and the City Manager's Office.

### **COST IMPLICATIONS**

This memorandum recommends \$750,000 from the Service Yards C&C Fund Balance be used to begin design efforts and prepare the project for bid. It should also be noted that after the Phase II project is completed, incrementally additional ongoing O&M is anticipated to be negligible, as the project is replacing an existing facility. The Service Yards C&C Fund will pay the debt service associated with the bonds.