



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Katy Allen  
William F. Sherry

**SUBJECT:** SEE BELOW

**DATE:** 04-25-07

Approved

Date

4/30/07

**COUNCIL DISTRICT:** Citywide

**SUBJECT: FIRST AMENDMENT TO THE AGREEMENT WITH GILBANE BUILDING COMPANY FOR CONSTRUCTION MANAGEMENT RELATED PROFESSIONAL SERVICES FOR THE NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT**

## RECOMMENDATION

Approval of the first amendment to the agreement with Gilbane Building Company for construction management related professional services for the Norman Y. Mineta San José International Airport increasing the compensation by \$6,600,000 for a total agreement amount not to exceed \$21,600,000 and extending the term of the agreement from January 31, 2008 to February 28, 2009.

## OUTCOME

Approval of the proposed amendment will provide for the continuation of construction management services for the construction of the North Concourse at the Norman Y. Mineta San José International Airport.

## BACKGROUND

On September 30, 2003, the City Council approved an agreement with Gilbane Building Company for Construction Management related Professional Services for the North Concourse at the Norman Y. Mineta San José International Airport. The construction of the North Concourse began in the fall of 2003 using a multiple package delivery system. The first packages were 0A, 0B and 01, which were site preparation packages. Packages 02, 2A and 2C followed and installed the foundation piles, concrete foundation, utility tunnel and structural steel, respectively. The General Building Package 4, will construct the remaining portion of the North Concourse, including enclosure, fit out and general trades work and was awarded by Council on October 17, 2006.

## ANALYSIS

The original agreement for construction management services was established at \$15,000,000.00 with recognition that the final cost was subject to change as the Airport completed the building design, the required scope of services, and the package delivery schedule for each of the North Concourse project packages. In addition, in the fall of 2005 the development of the Airport's revised Terminal Area Improvement Program required that changes be made to the North Concourse design to align the building's revised functionality with the overall terminal development program. The completion of the design revisions facilitated the subsequent award of the general building package of the North Concourse.

With the North Concourse project work scope and delivery schedule finalized and adopted, there is a need to increase the compensation and time provided to Gilbane Building Company for continued provision of construction management services. The proposed First Amendment would increase the compensation by \$6,600,000 and extend the time for completion of base services to February 28, 2009. The proposed \$21,600,000 compensation for construction management services for Gilbane is one component of the soft costs associated with delivery of this building and also includes \$300,000 worth of services for the Terminal Area Improvement Program. A recent study of five other major airport programs, nationwide, shows total soft costs ranging from 20% to 27.5% of the program budget. The total budgeted soft costs for the North Concourse Program inclusive of the Gilbane construction management costs is 26.5 % of the program budget. Soft costs include Program Management, Design Management and Construction Management for both consultant and city management staff.

The amendment provides for services to attain substantial completion of the building and activation of the facility for first flight services. It includes key support services to achieve full commissioning of the basic building systems, attainment of LEED certification and installation of tenant improvements as identified by the Airport. If additional construction management services are required staff will return to Council for appropriate master agreement action.

With the award of Package 4, erection of the building structure has started and installation of the enclosure skin will follow. The building is scheduled to be weather tight in February 2008 and interior-finishing work will be completed by summer of 2008. Activation of building systems, validation of base line warranty parameters and completion of punch list items requires that the construction manager be engaged through February 2009. Amending the Agreement with Gilbane Building Company relative to time and compensation will allow construction management for the North Concourse to continue uninterrupted. If the Agreement with Gilbane Building Company were not to be amended, another construction management entity would need to be solicited to provide construction management services for the North Concourse. Soliciting and contracting with a new construction manager would result in delays and gaps in project oversight and adversely impact critical on going and upcoming construction management work required for successful completion of the North Concourse project. Amending the agreement with Gilbane Building Company is the most cost effective and expeditious option for the completion of the North Concourse.

The size of this project and the specialized nature of the construction management effort limits the City's ability to perform this work in house. However, the Department of Public Works is employing a strategy of supplementing the Gilbane staff with Public Works engineers and inspectors. The Gilbane construction management team has been augmented with City staff where possible and currently two City staff are working in the Gilbane organization. An additional engineer will be deployed to the Gilbane organization in the near future. This will allow the City staff to gain training and experience with these types of construction management endeavors. This action has been coordinated with the Association of Engineers and Architects bargaining unit.

### **POLICY ALTERNATIVES**

**Alternative #1:** Terminate the agreement with Gilbane Building Company and solicit for another construction management contractor

**Pros:** Would not require the extension of the Agreement with Gilbane Building Company for time or compensation.

**Cons:** Soliciting for another consultant and providing the new consultant sufficient time to become familiar with the North Concourse project would be lengthy and would interrupt needed construction services for the project.

**Reason for not recommending:** The construction schedule of the North Concourse would be negatively impacted resulting in additional costs to the project. Staff does not recommend this alternative.

### **PUBLIC OUTREACH/INTEREST**

- ✓ Criteria 1: Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**
- Criteria 2: Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3: Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This item meets Criteria 1. This memorandum will be posted on the City's Internet website for the May 15, 2007, Council agenda.

**COORDINATION**

This project and memorandum have been coordinated with the City Attorney's Office and the City Manager's Budget Office.

**FISCAL/POLICY ALIGNMENT**

The San José Municipal Code requires that capital projects at the Airport be consistent with the adopted Airport Master Plan. As the North Concourse is a terminal development project expressly identified in the current Airport Master Plan as Project "T-5", the amendment of the agreement for continuation of Construction Management Services for the North Concourse is consistent with the Airport Master Plan pursuant to Municipal Code Section 25.04.210(B)(2). This project is consistent with the Council approved Budget Strategy Economic Recovery section in that it will spur construction spending in our local economy.

**COST /IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION: \$ 6,600,000  
  
COST OF AGREEMENT:  
    Original Agreement \$15,000,000  
    First Amendment \$6,600,000  
    TOTAL \$21,600,000
  
2. COST ELEMENTS OF AGREEMENT: NA
  
3. SOURCE OF FUNDING: 526 – Airport Revenue Bond Improvement Fund
  
4. OPERATING COSTS: The project has been reviewed and was determined that it will have no significant adverse impact on the General Fund operating budget.

**BUDGET REFERENCE**

Fund #	Appn. #	Appn. Name	Total Appn.	Estimated Amt. For Contract	2006-07 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
526 (548)	4643	Central Plant Expansion	\$5,313,000	\$147,840	V-975	10/17/06 27888
526 (548)	4657	North Concourse Building	\$176,806,000	\$6,311,580	V-980	10/17/06 27888
526 (522)	4712	Utility Infrastructure	\$3,376,000	\$88,440	V-991	10/17/06 27888
526 (522)	4717	Electrical Distribution System	\$1,216,000	\$52,140	V-976	10/17/06 27888
		<b>Total</b>	<b>\$186,711,000</b>	<b>\$6,600,000</b>		

**CEQA**

CEQA: Resolution Nos. 67380 and 71451, PP03-08-266

KATY ALLEN  
Director, Public Works Department

WILLIAM F. SHERRY, A.A.E.  
Director of Aviation  
Airport Department

For questions please contact HARRY FREITAS, DEPUTY DIRECTOR, PUBLIC WORKS DEPARTMENT, 408-535-8300.

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