



Memorandum

TO: COMMUNITY & ECONOMIC
DEVELOPMENT COMMITTEE

FROM: David Sykes

SUBJECT: SEE BELOW

DATE: February 16, 2012

Approved

Date

2/17/12

COUNCIL DISTRICT: Citywide
SNI AREA: All

**SUBJECT: STATUS REPORT ON THE DESIGN AND CONSTRUCTION PROGRESS
OF THE SAN JOSE MCENERY CONVENTION CENTER EXPANSION
AND RENOVATION PROJECT**

RECOMMENDATION

Accept this status report on the design and construction progress of the San José McEnery Convention Center Expansion and Renovation Project (Project).

BACKGROUND

The Convention Center opened in 1989 and currently offers 425,000 square feet of exhibit, ballroom and meeting space. Since 1989, San José's hotel and tourism industry has grown to an estimated \$123 million in hotel revenue, generating over \$10 million annually in tax revenue to support city services. The expansion will add an additional 125,000 square feet of flexible ballroom and meeting room space, increasing San José's Convention Center space to 550,000 square feet of usable space.

The project is a key component of the city's Economic Strategy and will be delivered through a Public Works led, design-build approach, similar to the award-winning San José Mineta International Airport's successful billion dollar terminal area improvement program. In 2009, the Convention Center Facilities District was formed to institute a special, dedicated tax on hotel properties to finance the project. The tax can only be used to support capital improvements at the Convention Center and includes ongoing revenue for future capital repair and replacement needs.

The Project will showcase San José's innovative spirit, unifying the facility's urban appearance, increasing operational efficiency, and providing long-term sustainability that will improve

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service delivery. As described in the report to City Council on February 23, 2010, the Project components consist of the following:

The expansion elements proposed are:

- 35,000 square feet of column-free ballroom with 30 foot clear ceilings and operable wall divisibility.
- 25,000 square feet of flexible meeting room space.
- Pre-function, food preparation and back of the house areas and systems to service the expansion space.
- Way finding and signage package connecting the expansion and existing center;
- Construction to a LEED-Silver rating.
- Furniture, fixtures and equipment for the expansion.
- An exterior architectural treatment that enlivens the convention center district and the downtown.
- Demolition of the former Martin Luther King Jr. Library and site preparation for the expansion.
- Restrooms to accommodate the additional space needs.
- Off-site sidewalk improvements as required by the City.

The renovation elements proposed are:

- Installation of a new central plant. This will support the expansion area and existing Convention Center as well as the adjacent Hilton Hotel that receives utilities under contract with the City. This work includes replacing the heating, ventilation and air conditioning system including related pumps, chillers, exhaust fans, boilers, heat exchangers, cooling towers and related electrical systems.
- Installation of a new fire alarm system for the entire Convention Center.
- Installation of a direct digital controls building management system for the entire Convention Center.
- Construction of necessary ADA improvements needed to integrate the expansion space with the garage and lobby areas of the existing building.

In addition to these elements of the Project, other renovation improvements were identified as desirable if budget allowed. These included:

- Cosmetic and functional upgrades in the existing ballroom and exhibit space.
- Upgrades to the existing kitchen, restrooms and employee spaces.
- Additional ADA improvements in the existing space as provided for in the ADA improvement plan for the convention center and garage.

On December 14, 2010, City Council authorized the City Manager to negotiate and execute a contract with Hunt Construction for a not-to-exceed amount of \$117,000,000. Council also approved a City-controlled contingency in the amount of \$3,000,000.

The various cost elements are shown below.

Summary of Cost Estimate in Millions		
Element	Cost	Notes
Demolition	\$2.6 million	Old King Library
New Construction	\$62.8 million	125,000 new square feet
Central Plant	\$13.7 million	New chillers, boilers, cooling towers, pumps
Systems	\$12.9 million	New fire alarm, building management system
Renovation	\$20.0 million	Cosmetic front of house
Contingency	\$3.0 million	2.5% of \$120 million
Delivery Costs	\$5.0 million	Project delivery, art
Total	\$120 million	

The delivery costs are \$3.4 million for project delivery, \$0.6 million for special inspection and testing, \$0.6 million for public art, and \$0.4 million for construction support consultants.

ANALYSIS

Economic Impact

A study completed in 2009, by Keyser Marston, a consultant hired by the City of San José, studied hotel tax trends, economic trends, and project details. The report detailed positive results about the value and benefit of the expansion and renovation project. The study was completed at the height of the economic downturn and is a conservative look at positive economic impacts to our local economy:

- Estimated 650 construction jobs, 200 ongoing services jobs
- Estimated \$247.7 million in economic impact from construction
- Estimated \$12.6 million in new economic impact from new events & visitors, FY 2009-10 generated \$89 million in economic impact to San José's economy.
- Estimated \$261,000 annual net positive to City's General Fund
- Adds a minimum of 25,000 Hotel Room Night's Annually

In the Summer/Fall 2012, the Office of Economic Development and Team San Jose will jointly present to the Community and Economic Development Committee on the hospitality industry and its input into the Downtown. This will include an overview and analysis on the following:

- How the existing Transient Occupancy Tax (TOT) structure is applied in San Jose
- How the renovation and expansion will maximize the Convention Center
- How TOT investment generates hotel room nights
- How theater activation is impacting Downtown
- The economic impact from new events

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Design

In collaboration with Team San José (TSJ), the Hoteliers, and the Downtown Association, design work was initiated in July and ran concurrently with the initial construction activity of demolition of the Old Martin Luther King Library (OMLK). One of the benefits of the design-build project delivery process was quickly realized by this ability to run design and construction activities in parallel.

Design work has continued with daily interaction with TSJ, weekly project meetings to coordinate Convention Center events with construction activities, and several stakeholder design conferences with participation by TSJ and the Hoteliers. These design conferences have enabled the stakeholders to review, comment, and guide the design of the Project. Although the design documents are currently at the 100% completion level, there are still several design details that are being discussed and developed with TSJ.

Of particular importance to the design team consisting of Hunt / Populous, Public Works, and TSJ, is the coordination of the renovation work in the existing facility with scheduled convention center events. Detailed strategies and schedules are being developed to ensure efficient construction activities with minimal impact to convention center clients and revenue.

Concerns have been raised by stakeholders about the expansion portions of the project having a poor interface with West San Carlos Street. Of particular issue is the fact that the bottom floor of the building is below grade. This was necessitated by the need to match floor elevations of the existing building. Matching the floor elevations was a key reason the new project could deliver the same square footage as the previously planned project for \$120 million while the previously contemplated project was \$330 million.

In order to address the concerns the project team has attempted to provide better architecture to the San Carlos frontage and more building articulation. It should be noted that the design is substantially unchanged from the project that was presented to the Council in 2010.

Scope and Budget

At the start of 2011, Public Works staff negotiated and finalized the details of the design-build contract with Hunt Construction in preparation for an immediate execution upon availability of bond funds. In addition, task orders were prepared that identified discrete portions of work for the Project and authorized Hunt to proceed on these tasks for a stipulated not-to-exceed dollar amount. Task orders have been executed for design work through 100% construction documents, haz-mat abatement and demolition, deep foundations, Central Utility Plant (CUP) equipment that will require extended time for procurement, and structural steel. The details of these Task Orders are presented in Attachment 1, Project Cost Summary.

The attached Project Cost Summary identifies that of the total Hunt contract of \$112 million available for design and construction, \$32.45 million has already been committed through task orders executed to date. The City and Hunt are currently working together to define a detailed scope of work that is consistent with the program approved by City Council and that aligns with

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the budget. This will be formalized by the City's acceptance of a guaranteed maximum price (GMP) for construction from Hunt that does not exceed \$112 million. The determination of the GMP is scheduled to be completed in February and approved by the City in early March

Although current cost estimates show the Project to be approximately \$121 million, Hunt and City staff have identified various cost saving items and will ensure that the \$120 million program budget will be met.

During the course of design of the project, three components of the existing facility were identified that need special attention. The components include various critical repairs to the HVAC system, a partial renovation to the existing kitchen, and an enhanced redesign of the existing plaza. Staff is currently identifying potential sources of funding for these additional components and will seek Council approval for any budget augmentations.

Construction Activities and Schedule

Except for the sub-grade portions of the OMLK, demolition was complete by mid November and currently site preparations are being completed for start of the new expansion's deep foundations later this month or early March. Pile driving is the first part of the deep foundations and will continue through May. Structural steel erection is scheduled to start in June and continue for approximately 3 months.

The other major components of the Project consist of the new CUP, renovations to the existing facility, and new systems which include the fire alarm system and a new building management system (BMS). The CUP construction is scheduled to start in spring and the other components in the summer. Currently construction is 14 work days behind schedule due to a longer than anticipated duration of concrete crushing on-site. However, Hunt is aggressively pursuing strategies for recovering this time and is confident it will be able to do so. Assuming the schedule can be recovered, the overall Project completion is scheduled for the first week of September 2013.

COORDINATION

This memorandum was coordinated with the Office of Economic Development and City Attorney's Office.

/s/

DAVID SYKES
Director of Public Works

For questions, please contact HARRY FREITAS, Acting Assistant Director, Public Works at (408) 535-8300, or LEE WILCOX, Downtown Manager, Office of Economic Development, at (408) 535-8172.

Attachment

Attachment 1

San José Convention Center Expansion & Renovation
Project Cost Summary - 2011-12-31

ITEM NO. (a)	DESCRIPTION (b)	TASK ORDER/ MATTER # (c)	DATE (d)	BUDGET (e)	EXPENDED/ COMMITTED (f)	BALANCE (e) - (f)
A.	DESIGN/BUILD (Hunt)					
A.1	AGREEMENT LIMIT			\$ 112,000,000		
A.2	TASK ORDERS (TO)					
A.2.a	Design					
1)	Convention Center 0% - 30% Design	SJCC-001a	2011-07-14		\$ (5,995,703)	
2)	Convention Design 30% - 70% Design	SJCC-002a	2011-09-04		(4,060,806)	
3)	Convention Design 70% - 100% Design	SJCC-003a	2011-12-01		(2,948,599)	
	Subtotal - Design				\$ (13,005,108)	
A.2.b	Construction (Build)					
1)	Abatement & Major Demolition	SJCC-001b	2011-08-16		\$ (3,609,615)	
2)	Shoring, Deep Foundations, Long Lead CUP Items, Misc. Construction	SJCC-001b PT 2	2011-11-29		(6,812,117)	
3)	Structural Steel, Operable Walls (Engineering Only), Misc. Construction	SJCC-001b PT 3	2011-12-09		(9,023,588)	
	Subtotal - Construction (Build)				\$ (19,445,320)	
	SUBTOTAL - DESIGN/BUILD			\$ 112,000,000	\$ (32,450,428)	\$ 79,549,572
B.	CONSTRUCTION ADMINISTRATION, ENGINEERING, AND INSPECTION					
B.1	CONSULTANT/PROFESSIONAL SERVICES					
1)	Conversion Management Assoc., Inc. (Hotel Technical Rep/Liaison bet. City, Hoteliers and TSJ)			\$ 99,900	\$ (38,380)	\$ 61,520
2)	Johns/Rife Group (Project Field Office Planning and Move Management)			22,800	(14,438)	8,363
3)	Engineering Economics (Enhanced Commissioning)			12,000	(7,200)	4,800
4)	Nova Partners, Inc. (Costs & Scheduling)	SO #1		50,000		50,000
5)	Construction Testing Services (Special Inspection)	SO #1		250,000	(191,520)	58,480
6)	RMA Group (Special Inspection)			250,000	(195,708)	54,292
7)	San José Fire Department			75,000	(17,243)	57,757
	Subtotal - Consultant/Professional Services			\$ 759,700	\$ (464,489)	\$ 295,211
B.2	PROJECT MANAGMENT					
1)	PW Labor Charges				\$ (1,073,063)	
2)	Non-PW Labor Charges				(116,077)	
3)	Non-Personnel Charges				(3,486)	
	Subtotal - Project Management			\$ 3,590,300	\$ (1,192,626)	\$ 2,397,674
	SUBTOTAL - CONST. ADMIN., ENGINEERING AND INSPECTION			\$ 4,350,000	\$ (1,657,114)	\$ 2,692,886
C.	PUBLIC ART			\$ 650,000	\$ (650,000)	
D.	CONTINGENCY			\$ 3,000,000		\$ 3,000,000
E.	GRAND TOTAL - PROJECT COSTS			\$ 120,000,000	\$ (34,757,542)	\$ 85,242,458