



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY MANAGER

File #: 18-632

Board Meeting Date: 8/7/2018

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: John L. Maltbie, County Manager
Deborah Bazan, Project Development Unit Director

Subject: Revised Capital Projects Budgets and Revised Capital Projects Financing Plan (Project Development Unit)

RECOMMENDATION:

Accept the Revised Capital Projects Budgets and Revised Capital Projects Financing Plan for the Cordilleras Health System Replacement Project, the San Mateo Health System Campus Upgrade Project, the South San Francisco Health Campus Project, the County Office Building 3 Project, Parking Structure 2 Project, the Skylonda Fire Station Project, and the Lathrop House Relocation Project.

BACKGROUND:

In January 2017, the County Manager's Office formed the Project Development Unit (PDU) to oversee and manage County ground-up construction projects.

In March 2017, the Board held a study session to consider various new capital projects that were recommended in County feasibility and master plan studies as efficient and responsible long-term responses to address: (1) the County's overuse of lease space; (2) the County's reliance on aging and outdated facilities; (3) upcoming costly mandatory seismic compliance work; (4) public accessibility and navigation challenges; (5) parking shortages at multiple facilities; (6) rising environmental standards; (7) staff growth; and (8) a need to update and modernize County work spaces. At the end of the study session, PDU staff were directed to further pursue several of the considered projects, including the Cordilleras Health System Replacement, the Health System Campus Upgrade, the County Office Building 3 (COB3), the Parking Structure 2 (PS2), the Skylonda Fire Station, and Lathrop House Relocation to make way for the new government center campus construction.

On April 11, 2017, the Board gave direction to the County Manager to include in the FY 2017-2019 Budget a preliminary Capital Projects Financing Plan which allocated initial funds for construction of the aforementioned capital projects based on high-level conceptual project estimates.

On April 24, 2018, the Board held a study session to receive updates on the ongoing capital projects. At this study session, PDU staff presented updated design, program, timing, and cost estimate information related to several of the projects and were given direction by the Board to proceed with design development and project planning.

Based on the information presented at the April 24, 2018, study session, the preliminary Capital Projects Financing Plan has been revised.

DISCUSSION:

As the concept, design, programming, and timing for the projects described above has developed, PDU has been able to update the preliminary Capital Projects Budgets. The Revised Capital Projects Budget for each of the relevant projects is set forth below and reflects the recent local boom in construction, skilled labor shortages, diminished material availability, and increased cost of materials due to demand and tariffs, and other reasonably anticipated drivers of cost escalation. The PDU requests that the board accept the Revised Project Budgets set forth below.

PDU Projects	Increase due to:	New Budget
Cordilleras Health System Replacement	Add ZNE, Cost Escalation	\$120,000,000
San Mateo Health System Campus Upgrade	Add ZNE, Cost Escalation, Façade Materials	\$120,000,000
South San Francisco Health Campus	Add ZNE, Increase square footage	\$37,000,000
County Office Building 3 *\$75M Circle Star Proceeds*	Add ZNE, Increase square footage, cost escalation, shuttle	\$152,000,000 (<i>\$75M Circle Star Proceeds</i>)
Parking Structure 2 - 850 stalls	Add ZNE, cost escalation, 1020 stalls	\$47,190,000 (<i>Contribution from Redwood City under consideration</i>)
Homeless Shelter		\$21,000,000
Project Costs		\$497,190,000 (-\$75M from Circle Star)

Measure K / General Fund Projects		
Skylonda Fire Station	Rain Delays, New Septic Tank	\$9,900,000
Lathrop House Relocation	Deep Foundation	\$1,200,000
Pescadero Fire Station		\$3,000,000
Animal Shelter	Add ZNE, square footage, system upgrades	\$26,600,000 (<i>County will not seek reimbursement from cities for \$1.8M</i>)
Anticipated General Fund - Measure K		\$40,700,000

With these increases, it is now estimated that the annual debt services for the financing of these projects will increase by \$4.5 million per year to \$27 million annually.

A. Cordilleras Health System Replacement Project

The Cordilleras Mental Health Center located at 200 Edmonds Road, Redwood City is a 117 bed

psychiatric facility serving mentally ill residents. The building, constructed in 1952, was designed as a hospital for tuberculosis patients, and is deteriorating and expensive to maintain. In March, 2017 your Board approved a project budget of \$101,500,000. The Cordilleras Health System Replacement Project will construct five 16 bed single-story Mental Health Rehabilitation centers for up to 80 clients, and a 57 bed four-story Adult Residential Facility, increasing the bed availability from 117 to 137 beds that meet modern standards of care for seriously mentally ill individuals. The new facility will provide state-of-the-art care and rehabilitation for the County's most vulnerable mentally ill residents in a serene natural setting. Consistent with the County Municipal Green Building Policy, Cordilleras will be designed to operate at Zero Net Energy (ZNE) and to achieve certification in Leadership in Energy and Environmental Design (LEED).

The County has selected and entered into a contract with Cannon Design for Architectural and Engineering Professional Services and a Construction Manager at Risk agreement with Skanska for the management of the construction. Based on current design, project timing, and projected construction and materials costs, which include significant earthwork at the site, the estimated project cost for the Cordilleras Health System Replacement Project is \$120,000,000.

B. San Mateo County Health System Campus Upgrade Project

The San Mateo County Health System Campus is located at Edison Street between 37th Avenue and 39th Avenue in San Mateo. The site houses the San Mateo Medical Center and the Health Services departments. In March, 2017 your Board approved a project budget of \$99,861,470. The San Mateo Health System Campus Upgrade Project is a complex project comprised of: (1) demolition of the outdated Health Services Building and the 1954 Administration Building; (2) renovation of the ground floor of the Nursing Tower and the Central Plant to accommodate essential Office of Statewide Health Planning Development (OSHPD) functions; and (3) construction of a new 70,000 SF non-OSHPD administration building to support hospital functions. As part of this project, approximately 300 employees will be relocated to the County Office Building 3 as described below. Consistent with the County Municipal Green Building Policy, upgrades and construction will be designed to operate at ZNE and to achieve LEED certification. This Project will occur in phases with the earliest construction commencing November 2018 and project completion estimated for December 2021.

The County selected and entered into contract with Taylor Design, a leader in the design of healthcare facilities, as the project architect. Truebeck Construction, Inc. was selected and entered into a Construction Manager at Risk agreement to provide construction management services. Based on current design, project timing, and projected construction and material costs, the estimated project cost for the Upgrade Project is \$120,000,000.

C. South San Francisco Health Campus Project

The South San Francisco Health Campus is located at 1050 Mission Road, SSF. The project will add a new Medical Office Building to the site that will house numerous medical services for the North County community. In March, 2017 your Board approved a project budget of \$32,078,800. The proposed building is intended to be approximately 45,000 SF with surface parking to provide adequate accommodations for public and staff. Consistent with the policy, the new building will be designed to operate at ZNE and to achieve LEED certification. Based on current design, project timing, and projected construction costs, the estimated project cost is \$37,000,000.

D. Skyllonda Fire Station 58 Project

The Skyllonda Fire Station No.58 is located at 17290 Skyline Boulevard adjacent to Alice's Restaurant. The new Station will contain barracks and administrative offices, conference and training rooms, and other related support services. In March, 2017 your Board approved a project budget of

\$8,575,000. The original scope of work and cost estimates were based on replacing existing barracks and office structures. The current conditions, site challenges, a new septic tank, and rain delays have led to additional scope changes and an increase in overall project budget. The estimated project cost is \$9,900,000.

E. County Office Building 3 and Promenade Project

In March, 2017 your Board approved an \$86,739,536 project budget for the County Office Building 3 (COB3). As the design plan evolved, COB3 will be an elevated structure, approximately 186,000 to 200,000 square feet in size, and contain four levels of offices and shared amenities. The ground level will consist of outdoor public space with a multi-function board chambers for public meetings and events. The building footprint will utilize a significant portion of the site, requiring relocation of the Lathrop House and demolition of other buildings, possibly including the Traffic Court. Consistent with the County Municipal Green Building Policy, COB3 will be designed to operate at ZNE in collaboration with Parking Structure 2 and to achieve certification in LEED. The building will be occupied by approximately 612 County employees, approximately 300 of whom will be relocating from the Health System Campus. The project includes construction of a public promenade and plaza along Hamilton Street. Construction on COB3 and the Promenade is slated to begin August 2019 with targeted substantial completion at the end of 2020. Based on current information related to the size of the structure, green building elements, its design, project timing, and projected construction and material costs in the competitive Northern California market, the estimated project cost for the project is \$152,000,000, with \$75,000,000 of this budget from Circle Star Profits.

F. Parking Structure 2 Project

In March, 2017 your Board approved Parking Structure 2 (PS2) ranging in size from 850-1200 parking stalls with a project budget of \$36,465,000. Working closely with our parking consultants and the Office of Sustainability the recommended structure will contain approximately 1020 spaces. Consistent with policy, PS2 will be designed to operate at ZNE in collaboration with COB3 and to address a potential future decrease in demand for parking so that a portion of the space will be suitable for conversion to other uses. Construction on this project is slated to begin August 2019 with targeted substantial completion in the fall of 2020. Based on current information related to the size of the structure, green building elements, its design, project timing, and projected construction and material costs in the area, the estimated project cost is \$47,200,000.

G. Lathrop House Relocation Project

To allow for construction of COB3 and development of the Campus Promenade, the Lathrop House will be relocated to the rear of the Historical Courthouse. In March, 2017 your Board a project budget of \$900,000. Based on current information related to the project timing, costs of moving the building, the need for a deep foundation, and costs of preparing the site at the rear of the Historical Courthouse, the estimated project cost is \$1,200,000.

H. Animal Shelter Replacement Project

On or about September 9, 2014, the cities and towns within the County of San Mateo entered into an agreement to share the construction costs of a new Animal Care Shelter Facility. The agreement provides that the County will advance the funds for construction to be repaid by the municipalities according to their share, through a 30 year, interest-free lease agreement. The agreement further provides that project costs were initially estimated to be \$20,200,000. The County has received a revised estimated project cost for the Animal Care Shelter Facility in the amount of \$26,600,000.00. The additional anticipated costs are the result of cost escalation in the construction market and design, added square footage, mechanical enhancements necessary to ensure proper and humane

animal care. An upgraded Heating Ventilation Air Conditioning (HVAC) unit (\$600K) and a Photovoltaic System (\$1.2M) were added to meet a required air exchange for the animals and to meet the County's Green Policy, both of which the County will not seek reimbursement from the cities.

FISCAL IMPACT:

Pursuant to the Board's direction on April 11, 2017, on the capital plan, staff has appropriated \$23,786,289 of General Fund in the FY 2018-19 Recommended Budget to cover those cost associated with keeping the plans moving. Based on the revised estimates to be reviewed and approved by the Board as discussed above, staff will prepare the County's Financing Plan, in consultation with the County's financial advisors and present it to the Board in the Fall. The current estimate for the debt service of these projects is estimated at \$27 million annually. Due financial constraints as discussed at the April 24, 2018 Board meeting, the County's limit for the next five years on capital spending of approximately \$500 million.

We will continue to provide the Board with updates on major budget issues, impacts and the progress of the financing associated with these projects.