



County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY EXECUTIVE

File #: 22-716

Board Meeting Date: 9/27/2022

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Executive
Adam W. Ely, Project Development Unit Director

Subject: Amendment to Truebeck Construction Agreement for San Mateo County Health Campus Project Trade Contractor Buy-Out and Architectural Service Agreement Novation

RECOMMENDATION:

Adopt a resolution authorizing:

- A) The President of the Board of Supervisors to execute an amendment to the agreement with Truebeck Construction, Inc. for construction of the San Mateo County Health Campus Project to, *inter alia*, establishing a total contract value of \$176,670,712; and
- B) The Director of the Project Development Unit, or designee, to execute an agreement assigning and/or novating to Truebeck Construction, Inc. the Architectural and Engineering Service agreement between Taylor Design and the County of San Mateo.

BACKGROUND:

The San Mateo County Health Campus is located at Edison Street between 37th and 39th Avenue in San Mateo. The campus, which is in a residential area, houses the San Mateo Medical Center and other County Health Divisions, along with Coroner, Department of Public Works, and Information Services Department staff. Among the buildings on site are the San Mateo County Health Services Building, constructed in 1952, and the adjacent Hospital Administration Building, constructed in 1954. To consider the future of these aging and seismically insufficient facilities, and the future of the health Campus as a whole, in February 2016, the County commissioned the Health System Master Plan Study.

Through the study, it was determined that the 1952 and 1954 buildings had outlived their useful life, were maintained at considerable and growing cost, were seismically outdated per new State standards, and should be demolished. It was further determined that the County should direct funds to the modernization and improvement of the Health Campus, including a reduction of the number of on-campus employees, rather than investing heavily in State-mandated seismic retrofitting and other

remedial actions.

In March 2017, this Board considered recommendations for generational capital improvements to efficiently and responsibly address: (1) the County's reliance on increasingly aged and outdated facilities and associated elevated maintenance and operational costs; (2) the County's substantial reliance on approximately 400,000 square feet of leased space subject to market-based cost growth and insecurity and the desire to consolidate the workforce in County owned facilities for long-term savings and site control; (3) upcoming deferred maintenance costs including for mandatory seismic compliance; (4) rising environmental standards; and (5) locational, service, and programming improvements needed to better serve residents.

This Board, thereafter, directed staff to pursue various projects, including the San Mateo County Health Campus Upgrade Project (Project).

This complex multi-phase project was initially comprised of demolition of the 1952 and 1954 buildings, construction of new 87,000 square-foot Administration and Link Buildings, renovation of the Hospital Nursing Wing and Central Plant, reconfiguration of the site entrance, and renewed and revised landscaping. Subsequently, this Board authorized the addition of a new Coroner's Morgue and Offices, a Public Health Lab, a Biosafety Level 3 laboratory, and an updated and upgraded Fire Alarm Panel.

The Project will, among other things, relocate approximately 300 County Staff from the heavily impacted Health Campus to other locations. The Project will also create a prominent and easily navigable entrance for the modernized campus, while consolidating Coroner functions on one site.

Given the sprawling and interconnected nature of the Project, work is being completed in multiple phases. Renovation of the Central Plant and the Nursing Wing Ground Floor have been completed. This work includes, *inter alia*, renovations associated with relocation of multiple services and programs from the 1954 building including materials management, central supply, hospital linen storage, dietary kitchen, loading dock, server, café, County operators, emergency storage, and the outpatient rehabilitation clinic. In addition, the first phase of the Administration Building is nearing substantial completion with vertical construction on the main building complete and final interiors underway. Final stages of construction will include demolition of the 1954 Administration Building and 1952 Health Services Building, construction of the Link Building, and completion of campus improvements.

Challenges faced during construction, much of which has overlapped with the COVID-19 pandemic, have included, *inter alia*: (1) schedule extensions and cost increases related to significant unforeseen and unanticipated underground and as-built conditions; (2) substantial material and labor inflation exceeding industry escalation projections; (3) unanticipated large scale supply-chain disruptions; (4) COVID-19 and associated safety requirements, operational requirements, and spread reducing labor inefficiency factors; (5) COVID-19 related design revisions; (6) inconsistent permitting approaches and requirements from the State Department of Health Care Access and Information (HCAI), formerly known as the Office of Statewide Planning and Development (OSHPD); (7) delay related to defective work from the concrete subcontractor; and (8) the inherent complexity of the project due to the operational hospital, live utilities, and the necessarily sequential and interdependent nature of the Work.

DISCUSSION:

On February 28, 2017, this Board approved a contract with Taylor Design, which has since been amended, to provide initial Architectural and Engineering design services for the project. On April 24, 2018, this Board authorized the Project Development Unit (PDU) to enter into an agreement with Truebeck Construction, Inc. (Truebeck) to provide Construction Manager at Risk services for the Project. The initial contract value included preconstruction services and other early project costs. Through subsequent actions, this Board increased the agreement value to incorporate various subcontract awards for early phases of construction.

The agreement with Truebeck anticipates phased establishment of a guaranteed maximum price (GMP), or Contract Sum, through change order as design progresses, scope is finalized, and trade contracts are competitively bid. Programming, construction documents, and competitive subcontractor bidding for the Project has, with limited exceptions, been completed. The proposed amendment incorporates, *inter alia*, various subcontractor awards, project general conditions, project general requirements, bonds, insurances, taxes, contingencies, allowances for subcontracts still to be awarded, and owner allowances. The amendment also includes novation of the full architectural design agreement with Taylor Design to Truebeck Construction and their associated acceptance of future schedule and cost risk, to the extent allowable under the law. Through completion of the Project, Truebeck will act as a Design-Builder with full responsibility to complete design and construction of the project in conformance with the basis of design as set forth in the construction documents.

The amendment will, *inter alia*, increase the base Truebeck contract value to \$176,670,712, novate the design agreement with Taylor Design to Truebeck, and provide a 10 percent change order authority to the overall Agreement with Truebeck. Approval of this resolution ratifies all previously issued amendments to the Agreement.

The PDU, in collaboration with the Health System, County partners, the architect of record, and Truebeck, have worked diligently through development of the design, permitting, programming, construction, and bidding to minimize additional costs and develop solutions and strategies that are timely, effective, and financially responsible. PDU recommends that this Board authorize the requested Amendment.

The memorandum includes the standard provision authorizing execution of an additional 10 percent in change orders so long as such amendments remain within the current or revised Project budget.

The County Attorney has reviewed and approved the Resolution as to form.

FISCAL IMPACT:

Funding for the amendment is included in the Project Budget as set forth in the FY 2022-23 Final Budget Proposal. The Project is funded through allocations from 2018A Series Lease Revenue Bonds, contributions from County Health, and allocations from the General fund as follows:

Funding Source	Amount
2018A Series Lease Revenue Bonds	\$ 217,640,000
County Health Contributions	\$ 6,300,000
General Fund	\$ 3,360,000
Total	\$227,300,000