

Memorandum

Agenda Item 4

TO: Bay Area Headquarters Authority

DATE: February 19, 2014

FR: Executive Director

W. I. 9130

RE: Contract Amendment - Construction Services: McCarthy Building Companies, Inc. (\$33,240,000 plus \$830,000 additional contingency)

This item would authorize the Executive Director or his designee to negotiate and enter into the following contract amendment with McCarthy Building Companies, Inc. (“McCarthy”):

Scope	Authorized Contract	Requested Contract Amendment	Revised Contract Value	Authorized Owner Construction Contingency	Requested Addition to Owner Construction Contingency	Revised Owner Construction Contingency
Soft Demolition	\$5,550,916	N/A	\$5,550,916			
Hard Demolition and Seismic Retrofit	\$17,800,000	N/A	\$17,800,000			
Mechanical/Electrical/Plumbing	\$38,000,000	N/A	\$38,000,000			
Core and Shell and Finishes	\$5,000,000	\$33,240,000	\$38,240,000		\$830,000	
Total Construction Contract	\$66,350,916	\$33,240,000	\$99,590,916	\$3,500,000	\$830,000	\$4,330,000

Table 1: Current value of McCarthy Construction Contract with revised values if approved by Authority. Revised Total Contract Value of \$99,590,916 includes \$4.0 million CMAR Contingency.

Background Information

Attachment A provides background on the Construction Manager at Risk (CMAR) construction model and the Preconstruction and Construction Contracts with McCarthy. Attachment B provides the cost and funding plan.

Proposed Contract Amendment: Core and Shell and Finishes work

In December 2013, BAHA authorized \$5 million for early work related to Bid Package #4, Core and Shell and Finishes. McCarthy’s Guaranteed Maximum Price (GMP) for Bid Package #4 is proposed at \$38.2 million, less \$5 million previously authorized, as follows on the next page.

	Cost Category	Scope	Cost*
1.	Subcontracted Work	Various (see Attachment C)	\$26.4 million
2.	McCarthy Self-performed Work	Concrete, General Works	\$8.4 million
3.	Allowances		\$4.5 million
4.	Overhead and Profit		\$1.3 million
5.	Reductions	Scope reductions and negotiation of cost.	(\$2.9 million)
6.	Subtotal		\$37.7 million
7.	CMAR Contingency	Held by CMAR	\$1.9 million
8.	Total GMP #4		\$39.6 million
9.	Savings Transfers	Savings moved from Soft Demolition to Core and Shell and Finishes.	(\$1.4 million)
10.	Less: 12/2013 Authorized	Early work previously authorized	(\$5.0 million)
11.	2/2014 Request		\$33.2 million

*Cost still under negotiation; line item costs may vary from above.

Verification of GMP Cost

Subcontracted work was divided into 18 scopes and issued for competitive bidding by McCarthy; subcontractors were selected based on the lowest responsible responsive bids. Staff and the Architect/Engineer reviewed the bids to ensure consistency with the design scope, engineering estimates, and the project budget.

McCarthy proposes self-performing work related to Concrete (remaining scope includes infill of slab openings) and General Work (e.g. doors, frames, fixtures, rough carpentry). McCarthy's cost proposals were reviewed by BAHA's cost estimating consultant (TBD Consultants) and negotiated to what staff believes to be a fair market value.

The Allowances cover scopes of work identified by McCarthy that are not fully understood because of unknown site conditions or because the design was still being developed during the bid phase. McCarthy's allowances will be administered on a time and materials basis to cover this work. These costs have been reviewed by TBD Consultants and the total value falls within the CMAR's GMP.

Overhead and profit were determined during the original CMAR procurement as a fixed percentage (3.3%) of the Direct Cost of Work.

Non-Agency Tenant Work Included Within the GMP

The GMP includes \$3 million to accelerate work related to the build-out of the non-agency tenant floors on Levels 2 through 5. Performing this work will make this space more attractive to prospective tenants and will allow them to begin their tenant improvements as early as January 2015. Accelerated work on Levels 2 through 5 includes:

- Installing atrium glass (previously was designed to be gypsum board);
- Building out restrooms;
- Replacing defective windows and re-caulking windows; and
- Installing perimeter window shades on Levels 3-5.

These costs are advance funded from the project budget, but will be recovered later from non-agency tenant improvement allowances.

McCarthy's GMP for Core and Shell and Finishes is within the authorized project budget. Therefore, staff recommends that BAHA authorize the requested GMP for this Bid Package #4 while staff continues to negotiate with McCarthy. Staff also recommends that BAHA authorize a revision of the Owner Contingency to add \$830,000 for a total Owner Contingency of \$4,330,000.

Recommendation

Staff recommends the Authority authorize the Executive Director or his designee to negotiate and enter into a contract amendment with McCarthy which amends the Construction Contract to add an amount not to exceed \$33,240,000 for Core and Shell and Finishes and adds \$830,000 to the Owner Contingency to be used at the Executive Director or his designee's determination.



Steve Heminger

Attachments

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REQUEST FOR AUTHORITY APPROVAL
Summary of Proposed Contract Amendment

Consultant: McCarthy Building Companies, Inc. (San Francisco)

Work Project Title: Contract Amendment - McCarthy Building Companies, Inc. for Construction Services: Core and Shell and Finishes Work

Purpose of Project: Provide Construction Manager at Risk (CMAR) services for the BAHA Facility renovation and retrofit

Brief Scope of Work: Core and Shell and Finishes work at 375 Beale Street in San Francisco, which will serve as the Regional Agency Facility Headquarters.

Project Cost Not to Exceed: \$33,240,000 and an Owner Contingency of \$830,000 to be used at BAHA's sole discretion (this amendment)
\$66,350,916 and an Owner Contingency of \$3,500,000 to be used at BAHA's sole discretion (total Contract before this amendment)
\$99,590,916 and an Owner Contingency of \$4,330,000 to be used at BAHA's sole discretion (Total Authorized Contract after this amendment)

Funding Source: BAHA FY 2013-14 Budget

Fiscal Impact: Funding is included in BAHA's FY 2013-14 Budget.

Motion by Authority: That the Executive Director or his designee is authorized to negotiate and enter into a contract amendment with McCarthy Building Companies, Inc. to provide construction services as described above and in the Executive Director's memorandum dated February 19, 2014 and the Treasurer and Auditor is directed to set aside funds in the amount of \$33,240,000 for such contract amendment and an additional amount of \$830,000 for the Owner Contingency.

BAHA Chair: _____
Amy Rein Worth

Approved: Date: February 26, 2014

CMAR Background Information
2/19/2014

CMAR Model

The construction contract model selected for this project is Construction Manager at Risk (CMAR). CMAR is called such because the firm that is selected to complete construction management services during design is then eligible to propose a Guaranteed Maximum Price (GMP) to the owner to construct the project. The firm's risk is serving as general contractor and completing construction for a cost not to exceed the GMP.

During design, the CMAR and owner execute a Preconstruction Contract, under which the CMAR provides services that include estimating, value engineering, prequalification of subcontractors, and development and advertisement of subcontract bid packages. When the scope of the design is developed enough for the owner and the CMAR to have high confidence they are reasonably certain of the project cost (anywhere between 50% and 100% design), the CMAR presents to the owner a GMP for the cost to construct the project. If the price is acceptable to the owner, the owner and the CMAR will execute a Construction Contract, which makes the CMAR responsible for completing construction at a cost not to exceed the GMP. If the terms of a GMP cannot be negotiated, the owner has the option of re-advertising the CMAR contract or converting the project to Design-Bid-Build and issuing an Invitation for Bid.

Bid Packages

BAHA and McCarthy executed a Preconstruction Contract in April 2012. During the preconstruction work, BAHA, the Architect/Engineer (Perkins + Will) and the CMAR (McCarthy) determined the project should be divided into four bid packages to accelerate the construction schedule. Early bid packages will be constructed while design and engineering continues for later bid packages. For each bid package, McCarthy will provide a GMP that will be presented to BAHA for approval as an amendment to the Construction Contract.

The four bid packages are as follows:

1. Soft Demolition: Includes removal of interior partitions, ceilings, and infrastructure. (November 2012 BAHA: authorized)
2. Hard Demolition and Seismic Retrofit: Includes the seismic retrofit and structural demolition of slabs for the atrium (June 2013 BAHA: authorized).
3. Mechanical / Electrical / Plumbing / Fire Protection (MEPF): Includes rehabilitation of the existing mechanical system, upgrades to the electrical distribution and plumbing system and rehabilitation of the fire protection systems. (September 2013 BAHA: authorized).
4. Core and Shell and Finishes: Includes modifications to the building exterior and the build-out of the agency floors (February 2014 BAHA: pending authorization).

Payment to CMAR

Payment terms for McCarthy are defined as follows:

1. Preconstruction Services: bid by McCarthy as a fixed fee using assumptions laid out in BAHA's Request for Qualifications/Request for Proposals (RFQ/RFP).
2. Direct Cost of Construction: the bid price of subcontracted and self-performed work.
3. Construction General Conditions: which include field oversight and indirect costs identified by BAHA in the RFQ/RFP, have been revised for the project as part of the Hard Demolition and Seismic Retrofit GMP negotiation to a fixed amount of \$6,899,625.
4. Overhead and Profit: which include home office costs, were also bid as a percentage of the total Direct Cost of Construction.
5. Shared CMAR Contingency: BAHA's contract incentivizes McCarthy to reduce change orders by sharing a portion of the CMAR Contingency if it is unused. For more information on the CMAR contingency, see Attachment A-1. The shared savings are defined as 30% of the unspent CMAR Contingency, not to exceed 0.9% of the total Direct Cost of Construction.

Project Contingency
2/19/2014

Definitions

The **Design Contingency** is established to be used during the design phase and is drawn down as the scope solidifies and details that were not accounted for in earlier design packages are accounted for and added to the project cost estimate.

The construction contingency for this project includes **CMAR Construction Contingency** and **Owner Construction Contingency**.

The CMAR Contingency is negotiated during establishment of the Guaranteed Maximum Price (GMP) and held by the CMAR to correct preventable costs, excluding defective work, that are the CMAR's responsibility. The CMAR can use this contingency if:

1. The CMAR performs design-build work and costs are incurred as a consequence of errors or omissions in the plans or specifications of the CMAR's designs.
2. Costs are incurred as a consequence of CMAR's errors or omissions in performing Preconstruction or Construction phase services, so long as costs do not result from CMAR's gross negligence or willful misconduct.

BAHA's contract incentivizes McCarthy to reduce change orders by sharing a portion of the CMAR Contingency if it is unused. The shared savings are defined as 30% of the unspent CMAR Contingency, not to exceed 0.9% of the total Direct Cost of Construction.

The Owner Contingency is held by BAHA to change the scope of the work during construction, or to address differing site conditions.

Owner Operating Support is for work performed by BAHA's facility management consultant and existing maintenance contractors to maintain operability of systems used by BAHA's existing tenant during construction.

Current Use of Contingency

The initial \$18 million contingency covered design and construction costs. Ten million dollars has been incorporated into the project as the design has developed from the schematic phase through design completion. Eight million dollars remains for construction, which has been allocated as follows:

	Project Phase	Allocation
1.	CMAR Construction Contingency	\$4.0
2.	Owner Construction Contingency	\$4.3
3.	Total Construction Contingency	\$8.3

Figures expressed in \$1,000,000s.

375 Beale Street Cost and Funding Plan by Bid Package

2/14/2014 draft

Attachment B

2/19/2014

Guaranteed Maximum Price Forecast

		35% Design Authorized	65% Design Estimate	95% Design	GMP (Forecast)
1	Building Purchase	93	93	93	93
	Renovation				
a	A/E, Consultant Support Fees, and CMAR Preconstruction	9	10	10	10
b	Soft Demolition*	5	5	5	4
c	Hard Demolition and Seismic Retrofit*	17	17	17	17
d	Mechanical/Electrical/Plumbing/Fire Protection*	29	31	36	36
e	Core and Shell and Finishes, and Fixtures	33	35	33	38
f	Technology	6	6	6	6
g	Furniture	5	5	5	5
h	Contingency	18	13	12	8
2	Total Renovation	122	122	124	124

Figures expressed in \$1,000,000s

*Owner and CMAR Contingency captured in 1h) Contingency

Attachment C
 Core and Shell and Finishes: Subcontractor Bids
 2/19/2014

	Scope	Subcontractor	Number of Bids
1	Concrete	McCarthy Building Companies	1 (self-performed)
2	Landscaping	Shooter and Butts	2
3	Steel	Glazier Iron Works	3
4	Glazing	Alcal Specialty Contracting, Inc.	2
5	Atrium Enclosure	Novum Structures California LP	2
6	Finish Carpentry	North Western Design	3
7	Roofing and Waterproofing	Alliance Roofing	3
8	General Works	McCarthy Building Companies	1 (self-performed)
9	Flashing and Sheetmetal	Mauck Sheet Metal	3
10	Overhead Coiling Doors	The Smith Company Inc.	2
11	Drywall	California Drywall	5
12	Floorings	ProSpectra Flooring	2
13	Ceilings	Spacetone	4
14	Painting	George E. Masker	6
15	Lab Casework	Dow Diversified	2
16	Elevators	Ascent	2
17	Technology	Redwood Electric Group	4
18	Selective Demolition	Silverado	2