



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** COUNTY MANAGER

**File #:** 22-065

Board Meeting Date: 1/25/2022

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors

**From:** Michael P. Callagy, County Manager / Clerk of the Board  
Adam Ely, Project Development Unit Director

**Subject:** Amendment to Truebeck Agreement for Trade Contract Buyout, Guaranteed Maximum Price, Project Budget

### **RECOMMENDATION:**

Adopt a resolution authorizing:

- A) The President of the Board of Supervisors to execute an amendment to the agreement with Truebeck Construction incorporating trade contractor buyout, increasing the agreement amount by \$88,487,293, establishing a guaranteed maximum price of \$181,775,460 for the County Office Building 3 (COB3) project, and establishing a total adjusted contract value of \$231,379,827 for the County Government Center projects; and
- B) The Director of the Project Development Unit or designee to issue change orders that will increase the maximum fiscal obligation under the agreement by no more than 10% in aggregate; and
- C) An increase in the COB3 project budget, modifying the amount from that set forth in the adopted 2021-2026 Capital Improvement Plan to incorporate, *inter alia*, tenant improvement on building level 3 and an appropriate project contingency, and to establish a Final Project Budget of \$230,000,000.

### **BACKGROUND:**

In March 2017, this Board considered recommendations for generational capital improvements to address: (1) the County's reliance on increasingly outdated facilities (2) elevated maintenance and operational costs; (3) the County's reliance on approximately 400,000 square feet of leased space subject to cost growth and insecurity; (4) the desire to consolidate the County workforce in owned facilities for long-term savings and site control; (5) upcoming deferred maintenance costs including for mandatory seismic compliance; (6) rising environmental standards; and (7) locational, service, and programming improvements needed to better serve residents.

This Board, thereafter, directed staff to pursue various projects, including the County Office Building 3 Project (COB3). This Board adopted 2021-2026 Capital Improvement Plan established a target budget of \$216,000,000 for the COB 3 project. The target budget was based on construction of the building with one floor reserved as unfinished cold shell space for future use, though a tenant has since been identified and the design and cost for tenant improvements (competitively bid as alternates and estimated at \$13,606,569) are currently being finalized. The tenant improvements to the cold shell were not part of the original target budget of \$216,000,000.

As currently designed, COB3 will be a 5-level mid-rise building that will strengthen the public realm, instill a sense of gravitas befitting its function, and provide efficient, modern, and flexible workspaces that incorporate design features that recognize the challenges that a pandemic imposes in the workplace. Examples of these features include operable windows, touchless elevators, well-spaced workstations, and additional stairs for floor-to-floor communication. It will provide 208,000 square feet of programming for up to 612 County employees. It will reduce County reliance on lease space providing multiple levels of offices, workspaces, conference rooms, and shared amenities, along with a large multi-purpose room and Board chambers. The project will create a modern office building that will serve its important civic purpose while helping the County to attract and retain a talented workforce. In addition, COB3 will enhance the County Civic Center by adding two new public plazas and a new public promenade to connect COB3 with existing facilities and downtown Redwood City.

The design, which will achieve LEED Platinum Certification and operate at Zero Net Energy (ZNE), will set a new standard for a sustainable, generational, civic building. Sustainability features include construction using primarily mass timber, on-site solar, natural gas-free operations, optimization of passive systems, and maximization of daylighting and air exchange. Other important design features include narrow floor plates to take advantage of natural lighting, operable windows that provide natural ventilation, and exposed mass timber surfaces creating a warm, long-lasting, and state of the art civic space. Because the building structure is primarily mass timber, the building's embodied carbon footprint is significantly lower than other buildings built of concrete and steel, making COB3 a leading example of sustainability, particularly in civic buildings, in California.

Project environmental permitting and design have been substantially completed, construction is underway, and trade buyout is in the final stages. The building is generating well-paying union construction jobs that help our local economy and create opportunities for hundreds of workers during a time when the COVID pandemic has put some building projects on hold. It is anticipated the project will be substantially complete by year end 2023.

## **DISCUSSION**

On June 5, 2018, this Board adopted a resolution awarding Truebeck Construction (Truebeck) the Construction Manager at Risk (CMR) Agreement for the County Government Center projects (Parking Structure 2, Lathrop House, and COB3).

The agreement anticipated phased establishment of a guaranteed maximum price (GMP) for each component project through amendment(s) as design progresses, scope is finalized, and trade contracts are competitively bid-out to market.

In June 2020, this Board adopted a resolution authorizing an agreement with Skidmore, Owens, and Merrill Architects (SOM) as the new Architect of Record for the COB3 project, and in January 2021,

this Board adopted a resolution authorizing an amendment to the SOM agreement, approving the addition of an approximately 41,000 square foot 5th floor to the design.

On July 20, 2021, the Board approved an amendment to the agreement with Truebeck to incorporate a substantial portion of the trade contractor competitive buyout, increasing the contract amount commensurately.

This amendment incorporates nearly all remaining trade contractor competitive buyout (approximately 95% of all trades) into the guaranteed maximum price and includes, but is not limited to, foundations, cross-laminated timber, exterior skin, interior-build out, mechanical, electrical, plumbing, vapor barrier, operable windows, and door hardware.

Based on the award of trade subcontracts, preconstruction work completed, project general conditions, project general requirements, bonds, insurance, taxes, and allowances, the GMP for construction of the County Office Building 3 Project is \$181,775,460, with the remaining overall Government Center contract value comprised of PS2 (\$48,092,275) and Lathrop House (\$1,512,092). A portion of projected costs for tenant improvements on the floor initially designated as shell space are included in the updated project budget; staff will attempt to cover the additional costs with project contingency and savings that may be identified as the project moves forward.

The PDU, in collaboration with the Board, County Departments, the Architect of Record, and Truebeck, have worked diligently through development of the design, permitting, programming, and bidding to minimize costs, and optimize the project scale and scope. Despite substantial inflation, significant supply-chain disruptions, large-scale pandemic-influenced design revisions, and the building's unique features, the total costs per square foot for this project remain consistent with prevailing area market levels for Q4 2021. PDU recommends that this Board authorize the requested GMP for construction of the Project and the requested overall project budget, incorporating the 3<sup>rd</sup> level build-out and an appropriate project contingency.

The amendment adds no costs or commitments to the PS2 or Lathrop House Projects.

The amendment establishing the GMP has been reviewed and approved by the assigned project manager and the Director and Assistant Director of the Project Development Unit.

County Counsel has reviewed and approved the Resolution as to form.

**FISCAL IMPACT:**

The COB3 project will be funded primarily by General Fund monies reallocated through steps taken under the County's plan of finance and other measures approved by this Board to most efficiently utilize available funds, including \$46,155,000 of original 2018 bond proceeds, securing a \$45,000,000 contribution from the Human Services Agency to pay its cost share of COB3; allocating \$21,200,000 in reimbursement to the General Fund generated by the 2021 Lease Revenue Bond issuance for costs incurred on the Cordilleras Mental Health Center project; reallocating \$25,000,000 of General fund from the San Mateo Medical Center project and reallocating all other bond proceeds to the San Mateo Medical Center project in the amount of approximately \$55,000,000 to cover costs of building the morgue and other medical center project expenses, leveraging available state reimbursement; reallocating \$4,000,000 in unspent funds associated with the completed parking structure 2 project; and using approximately \$10,000,000 General Fund set aside for the Homeless

Shelter made available by the award of Project Homekey funds. These measures reduce overall costs and debt service associated with COB3. The remaining COB3 will be funded through general fund as part of the upcoming fiscal year 22-23 budget although may also be funded through other sources that may become available that would align with these objectives.