

● **Board of Directors**
Engineering, Operations and Real Property Committee

June 12, 2001 Board Meeting

8-3

Subject

Authorize \$690,000 and delegate authority to award a construction contract for modifications to Metropolitan's building at Union Station (Appn. 15361)

Description

When Metropolitan's building at Union Station (Union Station) was completed in 1998, the eighth floor was left vacant pending leasing opportunities. A space utilization plan for Union Station has been revised to implement the reorganization and assess the availability of additional space for leasing. The plan indicates that Metropolitan needs can be satisfied while vacating the north wings of floors 2, 3, 4, and 5. Accordingly, the following construction is proposed:

- Build-out of the eighth floor with twelve hard-wall offices, two conference rooms, two copier areas, three storage rooms, and a videoconference room.
- Construction of one hard-wall office, one vault and modification of an existing room for the Geographic Information System (GIS) and the Supervisory Control and Data Acquisition (SCADA) system on the seventh floor.
- Construction of one hard-wall office on the fifth floor.
- Conversion of existing work space to a conference room on the second floor.
- Construction or modification of space for Board use on the second floor.
- Construction of six hard-wall offices and modification of one conference room on the first floor for a prospective tenant.
- Construction of demising walls on floors 3, 4, and 5.

As a result of revenues anticipated from leasing opportunities facilitated by this construction, the payback period is expected to be within two to three years. See [Attachment 1](#) for the Detailed Report and [Attachment 2](#) for the Financial Statement.

Policy

Metropolitan Water District Administrative Code Section 5108: Capital Project Appropriation, and Metropolitan Water District Administrative Code Section 8113: Construction Contract Award.

CEQA

Metropolitan's Board of Directors certified the Final Environmental Impact Report (FEIR) for the Union Station Building Project and approved the project on November 14, 1995. Since the original FEIR analysis assumed total build-out of Union Station, the proposed action does not pose new substantial information or new significant environmental impacts that have not already been fully addressed and publicly disclosed in the original FEIR.

The CEQA determination is: Determine the prior environmental review satisfies the provisions of CEQA in regard to these matters; no further environmental review or documentation is necessary for the Board to act on this request.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination, appropriate \$690,000, and authorize the Chief Executive Officer to have all work performed, and delegate to the CEO the authority to award a construction contract for modifications to Union Station.

Fiscal Impact: Budgeted Capital Investment Plan (CIP) expenditure of \$690,000 for fiscal year 2001/02 under new Appropriation No. 15361.

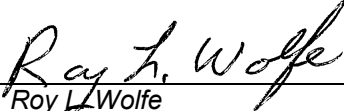

Option #2

Defer construction of modifications to Union Station at this time.

Fiscal Impact: Inability to complete office moves to accommodate leasing opportunities.

Staff Recommendation

Option #1

 Roy L. Wolfe Manager, Corporate Resources	<hr/> 5/22/2001 Date
 Ronald R. Oster President & Chief Executive Officer	<hr/> 5/24/2001 Date

[Attachment 1 – Detailed Report](#)

[Attachment 2 – Financial Statement](#)

BLA #1129

Detailed Report

Purpose/Background. Metropolitan's building at Union Station (Union Station) was completed in mid-1998 and occupancy began shortly thereafter. Upon completion of staff moves, it was anticipated that approximately 435,000 square feet of the building's 535,000 square feet would be occupied. One floor, the eighth, was not built out in its entirety when Union Station was constructed. In July 1999 the Board adopted a far-reaching restructuring plan that has resulted in the development of a new organizational structure for Metropolitan. In addition to this ongoing restructuring, Caltrans requested contiguous leased space in Union Station on an urgent-need basis in May 2000. Vacating the fourth floor to allow for Caltrans' occupancy of 15,000 square feet on June 1, 2000 was the most expeditious and least costly way to accommodate the request. Recently, Caltrans declined to enter into an additional lease agreement that would have permitted them to occupy an approximate total of 53,000 square feet of office space.

Since that time, other parties have expressed interest in leasing available office space at Union Station. In addition, the need for relocation of Metropolitan staff has been identified through the reorganization process in order to align staff with their new functional roles and organization structures, thereby increasing their efficiency. As a result of the reorganization and the potential to lease up to 83,653 square feet of office space in the north wing of floors 2, 3, 4, and 5, approximately 885 Metropolitan employees will need to be relocated to various floors at Union Station. In the future, Metropolitan's Glendora facility will be closed and up to 65 employees will be relocated to Union Station and other facilities, to realize additional cost savings. Finally, important functions like Metropolitan's SCADA system hardware will be moved to Union Station's data server center.

Current project description. In order to accommodate these personnel relocations, provide suitable space for relocated functions, and realize potential leasing opportunities, a number of construction efforts must be undertaken within Union Station such as:

- Build-out of the eighth floor with twelve hard-wall offices, two conference rooms, two copier areas, three storage rooms, and a videoconference room.
- Construction of one hard-wall office, one vault and modification of an existing room for the GIS and SCADA system on the seventh floor.
- Construction of one hard-wall office on the fifth floor.
- Conversion of existing work space to a conference room on the second floor.
- Construction or modification of space for Board use on the second floor.
- Construction of six hard-wall offices and modification of one conference room on the first floor for a prospective tenant.
- Construction of demising walls on floors 3, 4, and 5.

Under this project, Metropolitan would prepare plans and specifications, administer the construction contract, and inspect the construction. In order to streamline award of the construction contract and to complete construction to accommodate leasing and reorganization needs in a timely manner, this letter seeks the Board's approval of delegation of authority to the CEO to award the construction contract immediately following competitive bids in accordance with Section 8113 of Metropolitan's Administrative Code.

Current cost estimate. Attachment 2 shows a breakdown of the total estimated cost of \$690,000. As a result of revenues generated from leasing opportunities facilitated by this construction, the payback period is expected to be within two to three years.

ACTIONS AND MILESTONES

- August 2001 - Complete coordination, final design and specifications for Union Station Modifications
- September 2001 - Open bids for Union Station Modifications construction contract
- October 2001- Begin construction of Union Station Modifications
- March 2002 - Complete construction of Union Station Modifications

FINANCIAL STATEMENT

A breakdown of the Board Action No. 1 for Appropriation No. 15361 to finance design and construction to modify Metropolitan’s building at Union Station is as follows:

	BOARD ACTION NO. 1 JUNE 2001
Owner Costs (Project Management, Facilities Management)	\$ 37,000
Design and Specifications	85,000
Construction Support & Inspection	59,000
Incidental Expenses	5,000
Contracts	472,000
Remaining Budget	32,000
Total:	\$ 690,000

FUNDING REQUEST

Program Name: Union Station Building Modifications			
Source of Funds: Construction Funds (possibly General Obligation, Revenue Bonds, Pay-As-You-Go Fund)			
Appropriation No.:	15361	Board Action No.:	1
Requested Amount:	\$690,000	Capital Program No.:	N/A
Total Appropriated Amount:	\$690,000	Capital Program Page No.:	N/A
Total Program Estimate:	\$690,000	Project Goal:	N/A