

# CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

## Policy Session Worksheet

**Presentation Date:** 5/17/23      **Approx. Start Time:** 10:30 am      **Approx. Length:** 30 min.

**Presentation Title:** Gladstone & Oak Lodge Budget Update and Approval

**Department:** Transportation and Development

**Presenters:** Cindy Becker, Project Coordinator

**Other Invitees:** Dan Johnson, Mitzi Olson, Jason Varga

### WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Staff is requesting that the Board approve the budgets for the Gladstone and Oak Lodge Library locations including an additional request of up to \$900,000 for cost increases. Approval of these budgets will fully fund the construction of the Oak Lodge and Gladstone library buildings and would allow for the start of construction.

### EXECUTIVE SUMMARY:

Pursuant to an Intergovernmental Agreement with the City of Gladstone, the County agreed to construct two buildings to serve the Oak Lodge and the Gladstone Library Service Areas. It is important to note that these two buildings are considered one library with two locations and will be operated as such.

There have been several Policy Sessions with the Board over the past couple of years to discuss financing and design of these two new libraries buildings.

- In May, 2022, the Board directed staff to delay both projects for a year due to significant projected cost increases. During this same meeting, the Board also directed staff to complete the design work for both properties and bring updated estimates back to the Board for review in the Spring, 2023.
- In October, 2022, the Board approved \$6 million in American Rescue Plan Act (ARPA) funds for the Gladstone Library and \$9 million in ARPA funds for the Oak Lodge Library.
- In February, 2023, the Board approved an additional \$2.4 million for Gladstone and \$5.7 million for Oak Lodge for a total of \$8.1 million in County General Funds.

### Funding Approved to Date

#### Gladstone (\$10.05M)

Beginning Fund Balance	\$0.3M
County ARPA	\$6.2M
State ARPA	\$0.5M
County General Fund	<u>\$2.4M</u>
	\$9.4M

#### Oak Lodge (\$20.6M)

Library District Reserve	\$2.9 M
Capital Reserve	\$1.0 M
Beginning Fund Bal.	\$0.75M
State ARPA	\$0.75M
County ARPA	\$9.0 M
County General Fund	<u>\$5.7 M</u>
	\$20.1 M

## Additional Funding Request

As noted in February 2023, construction costs were still estimates. As expected, these costs have increased due to a combination of factors. The main factors are inflation, supply chain issues and design refinements:

- General inflation is up over 7% from a year ago.
- Unemployment remains very low which has helped drive up labor rates.
- There are still supply chain issues with some trades. Certain electrical gear still has lead times up to a year which is 2-3 times longer than it used to take pre-pandemic. Higher fuel costs are also contributing to these increases.

While these issues are expected to continue, staff fully expects to be able to cover any near term increases with contingencies and the additional funding request.

Below is a comparison of the budget information brought to the Board last April and the current budgets. The Gladstone figure for May is based on 100% design drawings. The Oak Lodge Library figure is based on approximately 85% drawings; however, staff is confident in using the figure below as a cap.

	<b>April 2022 Estimate</b>	<b>May 2023</b>	<b>\$ Increase</b>	<b>% Increase</b>
Gladstone	\$9.4 million	\$10.05 million	\$0.65 million	6.9%
Oak Lodge	\$20.1 million	\$21.50 million	\$1.40 million	7.0%
Total	\$29.5 million	\$31.55 million	\$2.05 million	6.9%

Staff have identified funding for the majority of the increased cost as follows:

Total cost Increase	\$2.05 m
Increased Beginning Fund Balance (Oak Lodge)	-\$0.25 m
Unspent General Fund in forecast for this project	-\$0.90 m
<b>Cost Delta</b>	<b>\$0.90 m</b>

Based on the information illustrated above, an additional \$900,000 of funding would need to be authorized from the Board to advance construction of the libraries in question. It should be noted that these the budgets include approximately \$2 million in contingencies. With this we believe that the current cost estimate is more than sufficient to advance construction, provide sufficient buffer to additional cost escalation and may even be reduced once design on the Oak Lodge library is completed.

As noted in prior discussions, this funding can essentially come from a limited number of sources, namely an increase in one-time general fund subsidy and/or additional ARPA fund distribution to the library. Staff is aware of the time limits and funding caps associated with the distribution of ARPA revenues and should the Board support the use of these funds affirm staff will coordinate with County ARPA representatives and County Counsel to ensure adopted ARPA guidance is clearly followed.

### Contracting

P&C Construction is our Construction Manager/General Contractor (CMGC) for both the buildings. They were selected in September 2021 in a competitive RFP process. One of the benefits of the CMGC process is that they can assist the design team throughout the design process with constructability reviews and estimating.

These construction costs are based on competitive subcontractor bids. P&C did reach out M/W/ESB firms to encourage them to participate in bidding on the project. They sent out invitations to over 40 different firms, received bids from 12 of those firms and will end up using 4 of those firms.

We have also gone through a value engineering process after each design milestone to determine where we could provide better value for the project.

We will continue to work with our design team and contractor to determine if there are any other areas where costs can be reduced. However, at this time we don't see any areas in the design where we will realize significant cost savings.

#### Timeframe

P&C is proposing the project duration to be 11 months for the Gladstone Library. With approval, construction is anticipated to start in June and completing construction in May/June 2024. For Oak Lodge the approximate project duration is 14 months. Construction would start in September/October this year and be completed in November/December 2024.

#### FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget?  YES  NO  
What is the cost? \$ \$900,000 What is the funding source? General Fund or ARPA

#### STRATEGIC PLAN ALIGNMENT:

##### How does this item align with your Department's Strategic Business Plan goals?

This aligns with the BCS strategic result of preserving, improving, and enhancing the quality and capacity of managed properties and facilities. The construction of the new libraries supports the Oak Lodge and Gladstone Library program so the public can access publically funded diverse materials and services to achieve their individual goals.

##### How does this item align with the County's Performance Clackamas goals?

This project aligns with the Vibrant Economy Goal: It provides economic development, public spaces, and community enrichment services to residents, businesses, visitors, and partners so they can thrive and prosper in healthy and vibrant communities.

#### LEGAL/POLICY REQUIREMENTS:

There is an IGA between County and City of Gladstone in which the County agreed to construct and manage two libraries buildings: Gladstone and Oak Lodge.

#### PUBLIC/GOVERNMENTAL PARTICIPATION:

Numerous public outreach engagements have been conducted over the past couple of years, including the creation of dedicated Task Forces for each Library site. Task Force members met with design consultants and County staff to develop Master Plans, discuss/review design elements and provide input throughout the design process.

#### OPTIONS:

- 1) Approve an increase in one-time General Funds Support to cover the additional \$900,000 in increased construction cost for both library buildings.
- 2) Approve an increase in ARPA funds to cover the additional \$900,000 in increased construction cost for both library buildings.
- 3) Approve an increase in ARPA funds, up to \$900,000 to cover increased construction costs for both library buildings, and authorization to allocate an increase in one-time General Funds support up to cover those none ARPA qualifying expenses, not to exceed \$900,000 from both funding sources.
- 4) Do not approve additional funding.

**RECOMMENDATION:**

Option 3: Approval an increase in ARPA funds, up to \$900,000 to cover increased construction costs for both library buildings, and authorization to allocate an increase in one-time General Funds support up to cover those none ARPA qualifying expenses, not to exceed \$900,000 from both funding sources.

**ATTACHMENTS:**

Gladstone Library Building Cost Summary Sheet  
Oak Lodge Library Building Cost Summary Sheet

**SUBMITTED BY:**

Division Director/Head Approval \_\_\_\_\_  
Department Director/Head Approval \_\_\_\_\_  
County Administrator Approval \_\_\_\_\_

For information on this issue or copies of attachments, please contact Jason Varga @ 503-351-4012

## Attachment: Gladstone Library Building Cost Summary

### **Where were the increases in cost and why? (From P&C)**

Approximately \$400,000 of this increase is due to overall inflation.. We attribute approximately another \$150,000 to trade specific inflation that outpaced overall inflation. The electrical cost increased over 30% from our previous estimate. Earthwork increased by almost 20% due to higher diesel fuel costs and increased labor costs.

We did end up with some added costs due to design changes during the final phase of design. Most of these changes were in the concrete trade and for added temporary shoring due to changing retaining wall heights and thickness. This amounted to approximately \$150,000. We estimate approximately \$250,000 total in design changes. These changes were necessary to meet structural, civil and fire and life safety requirements.

We also had some cost increases in some of the soft costs. These increases totaled approximately \$300,000 including updated architectural costs, installation of Alertus and updated furniture and book shelving costs.

We have used some of the contingency funds to reduce the increase in construction costs.

### **What have we done to bring down costs?**

We have been able to reduce costs by nearly \$850,000 with value engineering. Below is a list of design items that have been value engineered and an approximate value of those changes:

Item Description	Approximate Value
Replace Mass Timber Structure(CLT) with Structural Steel & Metal Decking	\$200,000
Reduce Roof Height above Community Room	\$165,000
Delete Radiant Floor	\$82,000
Reduce Size of Sunscreen & Eliminate Privacy Screen	\$100,000
Change Siding to Fiber Cement Board	\$65,000
Remove Skylights	\$6,000
Change Roof from TPO to SBS	\$40,000
Change concrete floor to sealed in lieu of polished	\$12,535
Deleted Wall Graphics	\$25,000
VE of lighting package	\$12,000
Delete Rooftop Concrete HVAC curbs	\$20,000
Change bird friendly glazing to applied film	\$29,100
Change Nitrogen Generator to standard air compressor for Fire Suppression dry system	\$8,000
Use PVC in lieu of cast iron piping for Sanitary System	\$15,000
Reduce amount of motorized shades	\$12,064
Reduce amount of large boulders	\$22,800
Change manufacturer for wood ceilings	\$35,000

### **What are the remaining risks for the project?**

We have two underground tanks that need to be removed. We have an allowance in the GMP for \$48,000 to remove them. We believe that should cover the removal and required reporting to DEQ.

We will be required to install temporary shoring of structural footings at the fire stations south wall. We have an engineered design and we are working on an agreement with Gladstone to install this shoring. We also will be required to install some temporary shoring on our neighbor's property directly east. We have been in contact with the apartment owner and he is willing to work with us.

## Attachment: Oak Lodge Library Cost Summary

### **Where were the increases in cost and why? (from P&C)**

Approximately \$900,000 of this increase is due to inflation, figuring for approximately 7.0% over the last fourteen months. Several of our trades have outpaced that mark due to labor rate increases, raw material shortages and supply chain issues. The electrical cost increased by approximately \$475,000 from our previous estimates. Storefront and Curtain Wall costs increased by about \$300,000.

We did end up with some added costs due to design changes totaling approximately \$400,000. These changes were spread among several trades and were expected as the design progressed.

Approximately \$500,000 of the increase was due to costs of shared site parking, hardscape and landscaping. We are splitting the cost of these shared areas with NCPRD. We finalized the shared space prior to final estimate.

Overall, our indirect costs stayed about the same. The furniture and book shelving costs increased by approximately \$175,000. Construction administration costs decreased by about \$130,000 mostly due to the overall reduction in total scope and shorter overall schedule. We also did not have an adequate budget for the Alertus system which we are estimating will cost about \$40,000.

Design & Escalation contingencies have been applied to cover some of the cost overruns to reduce the increase in construction costs. We have also reduced owner reserves/contingencies to offset some of these increases.

### **What have we done to bring down costs?**

We have been able to reduce costs by nearly \$400,000 with value engineering so far. Below is a list of design items that have been value engineered and an approximate value of those changes:

Item Description	Approximate Value(\$400,000+)
Replace CLT roof panels with DLT panels	\$100,000
Delete Radiant Floor	\$225,000
Reduce amount of Acoustic Wall Panels	\$36,030
Remove Bathroom Tile	\$12,099
Change concrete floor to sealed in lieu of polished	\$21,517
Change Nitrogen Generator to standard air compressor for Fire Suppression dry system	\$8,000
Eliminate Certified Survey	\$8,000

### **What are the remaining risks for the project?**

Material cost and lead times continue to increase with most trades. Over the past year we have seen double digit increases in material costs. Electrical equipment and materials have been difficult to estimate over the last several months. In anticipation of this we will work with the architect at the beginning of the project to approve these material submittals right away to make sure this equipment arrives on time. The sooner we can get our subcontractors to order material the better. We already put a deposit on the mass timber roof panels to make sure they would arrive just in time. They had a lead time of 12 months.

We believe there is some risk in the utility relocation scope on the project. The design is based off of previous "as-builts" and some surveys of the existing utilities. One of the first tasks when construction starts will be to relocate the utilities that run underneath the new library building.