

STATE OF CALIFORNIA
Capital Outlay Budget Change Proposal (COBCP) - Cover Sheet
 DF-151 (REV 07/20)

Fiscal Year 2021-22	Business Unit 7760	Department General Services	Priority No. 3
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Budget Request Name 7760-038-COBCP-2021-GB	Capital Outlay Program ID 6340	Capital Outlay Project ID 0002632
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Project Title
 Sacramento Region: Resources Building Renovation

Project Status and Type
 Status: New Continuing Type: Major Minor

Project Category (Select one)

<input checked="" type="checkbox"/> CRI <i>(Critical Infrastructure)</i>	<input type="checkbox"/> WSD <i>(Workload Space Deficiencies)</i>	<input type="checkbox"/> ECP <i>(Enrollment Caseload Population)</i>	<input type="checkbox"/> SM <i>(Seismic)</i>
<input type="checkbox"/> FLS <i>(Fire Life Safety)</i>	<input type="checkbox"/> FM <i>(Facility Modernization)</i>	<input type="checkbox"/> PAR <i>(Public Access Recreation)</i>	<input type="checkbox"/> RC <i>(Resource Conservation)</i>

Total Request (in thousands) \$ 452,106	Phase(s) to be Funded Design-Build	Total Project Cost (in thousands) \$ 460,980
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Budget Request Summary

The Department of General Services (DGS) requests \$452,106,000 from the Public Buildings Construction Fund in 2021-22 for the design-build phase of the Resources Building Renovation project located at 1416 Ninth Street in Sacramento. Total project cost is estimated to be \$460,980,000 (\$8,874,000 for performance criteria and \$452,106,000 for design-build). Current tenants include departments within the Natural Resources Agency, which will relocate to the New Natural Resources Agency Headquarters Building when it is completed in November 2021. Proposed tenants include the Employment Development Department currently located at 800 Capitol Mall, 750 N Street, and 751 N Street, as well as other departments within the Labor and Workforce Development Agency. This project would continue implementation of the Ten Year Sequencing Plan.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed Click or tap here to enter text.	CCCI 6854
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Requires Provisional Language <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Budget Package Status <input type="checkbox"/> Needed <input checked="" type="checkbox"/> Not Needed <input type="checkbox"/> Existing
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Impact on Support Budget

One-Time Costs <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Swing Space Needed <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Future Savings <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Generate Surplus Property <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Future Costs <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Julie Sanchez	Date	Reviewed By Jason Kenney	Date
Department Director Jennifer Osborn	Date	Agency Secretary Yolanda Richardson	Date

Department of Finance Use Only	
Principal Program Budget Analyst Barbara Taylor	Date submitted to the Legislature 1/8/2021

A. COBCP Abstract:

Sacramento Region: Resources Building Renovation—\$452,106,000 from the Public Buildings Construction Fund for the design-build phase in 2021-22. The project includes the renovation and modernization of the approximately 520,000 net usable square foot (657,000GSF) Resources Building located at 1416 Ninth Street, utilizing the Progressive Design-Build project delivery method. Total project cost is estimated to be \$460,980,000 (\$8,874,000 for performance criteria provided in 2019-20 and \$452,106,000 for design-build phase). The design-build phase amount includes \$394,520,000 for the contract, \$27,616,000 for contingency, \$6,030,000 for architectural and engineering services, and \$23,940,000 for other project costs. The performance criteria phase began July 2019 and is scheduled to be completed September 2021. The design-build phase is scheduled to begin November 2021 and will be completed November 2024.

B. Purpose of the Project:

Problem: A renovation study completed in 2008 (updated in 2013) identified various fire and life safety, building code, hazardous materials, and other infrastructure deficiencies at the Resources Building. The 17-story structure has been continuously occupied and has received no significant renovation since it was constructed in 1964. It is considered a historic building by the State Historic Preservation Office (SHPO) and requires their review. In addition, a facility condition assessment completed in 2015, ranked the Resources Building first in Sacramento, state-owned, DGS-controlled office buildings requiring renovation or replacement.

Program Need: This building has a potential capacity of approximately 2,500 staff, and is a prominent state asset in a desirable downtown location. The building contains approximately 520,000 net usable square feet, and is necessary to fulfill office space needs in the Sacramento Region. This project includes critical life safety upgrades, code deficiency corrections, and space modernization that will allow the building to be reutilized. Current tenants will relocate to the New Natural Resources Agency Headquarters Building in the Fall of 2021, at which time the 1416 Ninth Street building will be vacant, providing a "once in a building lifetime" opportunity to complete a comprehensive renovation. Proposed backfill tenants include the Employment Development Department (EDD) offices currently occupying 800 Capitol Mall, 750 N Street, and 751 N Street, and other departments within the Labor and Workforce Development Agency.

Infrastructure Deficiency: This renovation project includes the correction of numerous and serious code deficiencies such as the lack of fire suppression, inadequate fire alarms, presence of hazardous materials, poor indoor air quality, lack of proper emergency exiting, and inadequate structural integrity (including exterior precast concrete panel skin). The project would also replace deficient plumbing, mechanical, HVAC, electrical, telecommunications, and security systems. Additional infrastructure corrections include replacing roof and windows to alleviate water intrusion and increase energy efficiency, updates and repairs for ADA compliance, and replacing elevators and elevator equipment/controls.

C. Relationship to the Strategic Plan:

Supports the DGS Real Estate Services Division's strategic mission to provide the highest level of customer service in fulfilling state agencies' facility and real property needs by providing new office space to replace existing deficient office space.

Is consistent with statutory directives and requirements used to guide state office space planning and development (including energy efficiency measures) as referenced in DGS's 2021-22 Five-Year Infrastructure Plan.

Aligns with the results of the 2015 Sacramento Region Office Planning Study, which ranked the Resources Building first in Sacramento and statewide for office buildings requiring renovation or replacement

D. Alternatives:

Because of the pervasive code and infrastructure deficiencies at the 1416 Ninth Street building, partial or phased renovations are not options. It is very unlikely that the State Fire Marshal would permit the state to reoccupy the building before significant fire and life safety, and other code corrections, hazardous materials removal, and building systems replacements occur. Recognizing the merits of the building's central location and access to transit and other services, viable alternatives include:

1. Comprehensive Renovation, Progressive Design-Build

- a. Scope—This option includes correction of building-wide fire and life safety deficiencies, renovation or replacement of all major building systems, hazardous materials abatement, replacing the roof and windows, replacing elevators and related equipment, and corrections to ADA deficiencies.
- b. Cost—\$461 million for comprehensive renovation of the building, which is an \$8.4 million savings over traditional Design-Build.
- c. Funding Source—the Public Buildings Construction Fund (0660) for the Design-Build phase.
- d. Program Benefits— Using the Progressive Design-Build method delivers the finished space approximately five months sooner than traditional Design-Build by shortening the solicitation process and expediting the start of design. Other program benefits include providing office space that complies with all necessary codes, introducing energy efficiency and modern technology into the space, and maintaining the use of an existing state asset in a prime location.
- e. Facility Management Benefits—The renovated building will include enhanced energy savings and sustainability for the state, as well as provide modern and efficient office space to client agencies.
- f. Impact on Support Budget—The long-term impact to the support budget has not been determined, but will include moving and rent expenses related to the renovated building. However, the reduced project cost associated with Progressive Design-Build will result in lower debt service as compared to the cost for traditional Design-Build.

2. Comprehensive Renovation, Traditional Design-Build

- a. Scope—This option includes correction of building-wide fire and life safety deficiencies, renovation or replacement of all major building systems, hazardous materials abatement, replacing the roof and windows, replacing elevators and related equipment, and corrections to ADA deficiencies.
- b. Cost—\$469.4 million for comprehensive renovation.
- c. Funding Source—the Public Buildings Construction Fund (0660) for the Design-Build phase.
- d. Program Benefits—The program benefits include providing office space that complies with all necessary codes, introducing energy efficiency and modern technology into the space, and maintaining the use of a historic state asset in a prime location.
- e. Facility Management Benefits—The renovated building will include enhanced energy savings and sustainability for the state, as well as provide modern and efficient office space to client agencies.

- f. Impact on Support Budget—The long-term impact to the support budget has not been determined, but will include moving and rent expenses related to the new facility.

3. Do nothing

- a. Scope—This alternative would place the Resources Building in “Warm Shutdown” subsequent to the current tenants vacating after the completion of the new Natural Resources Headquarters Building.
- b. Cost—No capital outlay costs for this alternative, however this option would result in a loss related to the performance criteria phase expenses already incurred.
- c. Funding Source— N/A.
- d. Program Benefits—The only known benefit to this alternative is the capital outlay cost avoidance of renovating the Resources Building.
- e. Facility Management Benefits—There are no known facility management benefits to this alternative. The vacant building would create a potential liability for the state and would need to be secured and maintained.
- f. Impact on Support Budget—The estimated annual “Warm Shutdown” cost for the Resources Building is \$1.9 million.

E. Recommended Solution:

- 1. Which alternative and why?

Alternative 1: Comprehensive Renovation of the Resources Building—Progressive Design-Build.

This alternative will optimize project schedule and lower costs by delivering the project five months earlier and \$8.4 million less than traditional Design-Build. Due to its age, the Resources Building is considered historic and subject to review by the State Historic Preservation Office. This alternative will make maximum use of available square footage, extend the useful lifespan of the building by 50 years, and improve tenant safety and comfort. The updated office space plan will allow greater flexibility and functionality. Long-term energy, maintenance, and operations costs will be reduced because the new systems would be more reliable and energy efficient. The exterior upgrades would halt damaging water intrusion, prevent microbial growth, and remove falling hazards. The comprehensive renovation will provide the improved space necessary to backfill with EDD programs from the 800 Capitol Mall and 751 N Street locations, as identified by the Ten Year Sequencing Plan.

The Progressive Design-Build process is a streamlined form of Design-Build, which DGS has utilized to deliver the Swing Space building at 10th/O for the Legislature. That project was able to reduce its schedule by approximately 18 months compared to traditional Design-Build. In addition to the positive impacts on the Resources Renovation schedule, Progressive Design-Build will also result in time and cost savings for the sequenced projects that will subsequently occur, and provides for increased contractual risk reduction. Additionally, Progressive Design-Build provides for the same cost reassurance as traditional Design-Build, and continues to mitigate the risk of design liability on the part of the state.

2. Detailed scope description.

This project will renovate and upgrade the existing Resources Building, and correct building-wide deficiencies including:

- a. Fire and life safety deficiencies including installation of fire sprinklers, which will likely require demolition of every ceiling in every room and the installation of an on-site water tank; renovation of three 17-story stair towers to enhance fire and smoke separation assemblies to meet existing fire code and correct seismic deficiencies; correct other seismic deficiencies related to lateral resistance strength, inter-story drift, and the potential for failure at structural connections in a seismic event.
- b. Seismic corrections will also include replacement of the exterior precast concrete panel skin, the connections of which are suspected of being too brittle to withstand the building's movement during a seismic event.
- c. Replace deficient building systems including plumbing, mechanical, HVAC, electrical, telecommunications and security. This also includes the addition of modern control and lighting systems.
- d. Replace remaining components of the building envelope (roof and windows) to alleviate water intrusion and increase energy efficiency. The Office of Emergency Services (OES) will relocate the rooftop equipment and associated infrastructure related to the Public Safety Communication System from the existing Resources Building prior to the start of demolition. This scope of work will be performed and funded as a separate OES project. Some of these elements will be relocated to 1021 O Street as part of the 10th & O Street Project.
- e. Hazardous materials abatement (asbestos-containing mastics and fireproofing, and lead paint are pervasive).
- f. Updates and repairs for ADA compliance, including the need for larger restrooms.
- g. Replace elevators and elevator equipment/controls.
- h. Office space modernization using modular systems furniture and an open layout.
- i. Improved energy efficiency, targeting a minimum of LEED Silver and ZNE.

3. Basis for cost information.

Project costs are based on a three-page estimate completed by DGS in July 2020.

4. Factors/benefits for recommended solution other than the least expensive alternative.

The recommended solution would renovate and modernize a historic and iconic state office building, correct critical deficiencies, and improve energy and space efficiencies beyond what is available under existing conditions.

5. Complete description of impact on support budget.

The long-term impact to the support budget has not been determined, but will include moving and rent expenses related to the renovated building. However, the reduced project cost associated with Progressive Design-Build will result in lower debt service as compared to the cost for traditional Design-Build.

6. Identify and explain any project risks.

DGS anticipates that unknown conditions will be encountered during the building renovation that may increase the cost of the project, and time needed to complete the work. While some of this risk is mitigated by the project's contingency and other factors, an unexpected issue could delay the state's Ten Year Sequencing Plan.

7. List requested interdepartmental coordination and/or special project approval (including mandatory reviews and approvals, e.g. technology proposals).

This project will include any necessary CEQA, State Fire Marshal, Division of the State Architect, local planning entities, and other regulatory approvals as part of development. The project will also require close coordination with client agency tenants and the Department of Finance to plan support budget impacts to rental rates and other project-related budget impact not included in the rental rate.

F. Consistency with Government Code Section 65041.1:

Does the recommended solution (project) promote infill development by rehabilitating existing infrastructure and how? Explain.

The project utilizes existing infrastructure and building stock. The recommended project assures the continued productive use of one of the state's architecturally significant buildings, and will protect and enhance a valuable state asset for the future.

Does the project improve the protection of environmental and agricultural resources by protecting and preserving the state's most valuable natural resources? Explain.

The renovation of the Resources Building reduces the amount of natural resources and materials used to construct a comparable new facility. The project will also increase the energy efficiency of the building, reducing energy consumption and energy production byproducts, and helping to reduce the need for future power infrastructure projects.

Does the project encourage efficient development patterns by ensuring that infrastructure associated with development, other than infill, support efficient use of land and is appropriately planned for growth? Explain.

The recommended project is consistent with efficient development patterns and practices. The project is a renovation of an existing building. The project does not meaningfully increase or change the demand on transportation infrastructure.