



Lompoc City Council
Lompoc Redevelopment Agency
Agenda Item

City Council Meeting Date: August 3, 2010

TO: Honorable Mayor and City Council Members/
Honorable Chair and Agency Board Members

FROM: Laurel M. Barcelona, City Administrator/Executive Director
L_Barcelona@ci.lompoc.ca.us

SUBJECT: Lompoc Valley Senior Community Center Project Root Cause Analysis

RECOMMENDATION

That the City Council/Agency Board:

1. Establish specific guidelines for future City Council-appointed Ad Hoc Committees; and
2. Define future City projects involving construction of new, or significant rehabilitation of public buildings in three phases for Council's approval:
 - Phase I - preliminary project, project description, planning, site selection, award of architect, pre-design, and architect's cost estimate;
 - Phase II - design and funding approval; and
 - Phase III - bid and project management award, construction through project completion; and/or
3. Provide staff direction as deemed necessary.

BACKGROUND

At your meeting on May 4, 2010, Councilmember Lingl requested and you directed staff to conduct a Root Cause Analysis of the Lompoc Valley Senior Community Center (the "Project") to determine the cause for project delays and increased costs. The stated

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purpose of this Analysis is to identify for the City Council/Agency Board areas for improvement when planning future City public facilities projects.

To conduct the Root Cause Analysis, a City team (the “Team”) was formed comprised of Public Works Director Larry Bean, Community Development Director Arleen Pelster, Parks, Recreation and Urban Forestry Director Dan McCaffery, Fire Chief Linual White, Management Services Finance Director Brad Wilkie, Utility Director Ron Stassi, Administrative Aide Carol Smith and myself. A chronology of Project events was compiled by Administrative Aide Carol Smith and, once compiled, the Team reviewed the timeline of events to date, critiqued the events, and made findings and recommendations.

DISCUSSION

Staff approached the Root Cause Analysis researching all public records on the Project, including news articles from the *Lompoc Record*, the minutes of City Council, City Commissions and Ad Hoc Committee meetings, related staff reports and miscellaneous support documents. Staff formatted a presentation addressing the following eight components:

1. Articles from the *Lompoc Record*: Pre-Hospital Healthcare District Bond, Measure E2005
2. Proposal to Exchange Lompoc Valley Community Center for Lompoc Hospital District Building
3. Appointment and Meetings Held by Lompoc Valley Community Center Ad Hoc Committee
4. Consideration and Search for New Community Center Site
5. Lease/purchase Options of 1110 and 1120 West Ocean Avenue for the Future Lompoc Valley Senior Community Center (LVSCC)
6. Architectural Design Work and Approval of Floor Plan
7. Funding for Construction and Rehab of LVSCC
8. LVSCC Bid Opening and Award

Upon review of the Project events, the Team believes the root cause for project delays could be attributed to the lack of: a) regular reporting, b) a well-defined guideline of objectives provided to the volunteer Lompoc Valley Community Center Ad Hoc Committee (the “Committee”), and c) expertise. These three problem areas largely contributed to City Council abandoning the building site (15,500 square feet of the old hospital) that was initially proposed for relocation of the Lompoc Valley Community Center (LVCC). Following several City Commission meetings, alternative sites were considered and a new building (1120 West Ocean Avenue) was considered to be

adequate for senior programs and community events. Official negotiations between the City and the Hospital District commenced following voter approval of the Healthcare District Bond in September of 2005. After nearly five years of preliminary activity, Council approved the sale of Redevelopment Agency (RDA) Tax Allocation Bonds (TABs) and directed staff to proceed to solicit bids for construction of the Project.

1. *Lompoc Record* – Pre-Hospital Healthcare District Bond, Measure E2005

News articles of the *Lompoc Record* revealed several preliminary discussions as early as March 8, 2002, between the Hospital District and the City. These articles reported a mutual understanding between the District and the City in support of the District's search for land properly zoned for the new hospital site. Following a successful campaign and voter approval of the Healthcare District Bond, Measure E2005 passed on September 13, 2005. At that time, the Hospital District formally approached the City Council and proposed exchange of the Lompoc Valley Community Center and a portion (15,500 square feet) of the Hospital building to facilitate development of the new hospital, at the District's selected site on Seventh Street, adjacent to the Community Center. Several subsequent public meetings were held, and appraisals of the Hospital and the Community Center came in at \$5.3M and \$2M, respectively.

It was at this time, however, the Lompoc seniors began to express opposition to the property swap proposal.

Finding: *The exchange of property was proposed following voter approval of the Healthcare District Bond, Measure E2005.*

2. Proposal to Exchange Lompoc Valley Community Center for Lompoc Hospital District Building

From October, 2005, to January, 2006, Council was briefed on the status of property negotiations with the hospital for a new Community Center, and the Planning Division held an informal public Scoping Meeting.

At the Regular Council meeting of February 7, 2006, Council conceptually approved the "Two Moves Transition Plan," and Council directed the City Administrator to include the plan in a draft Memorandum of Understanding (MOU) between the Hospital District and City.

On March 20, the Senior Commission submitted a report outlining the possible gains and losses to services provided to local seniors.

A staff report from the City Administrator dated May 2, noted remodeling the 15,500 square foot building was estimated at \$100 per square foot, or \$1,550,000. The report noted there was uncertainty about the cost of remodeling the kitchen, noting "if the kitchen and dining room were acceptable 'as is,' the remodel costs could be as low as \$500,000. The City's costs to relocate to a remodeled portion of Lompoc Hospital could be zero. However, staff believes that the City Council should be prepared to fund unforeseen contingencies"

Finding: *The "Two Moves Transition Plan" was the initial Project, and the remodeling costs outlined in the City Administrator's staff report of May 2 were staff estimates.*

3. Appointment and Meetings Held by the Lompoc Valley Community Center Ad Hoc Committee

At the Regular Council meeting of May 16, 2006, "Council established an Ad Hoc Committee for the specific and limited purpose of working with a professional architect to design the remodel of the Lompoc Hospital Building for use as the new Lompoc Valley Community Center, and directed the Ad Hoc Committee be comprised of two Parks and Recreation Commissioners, two Senior Commissioners, two Youth Commissioners, three members of the staff of the Parks, Recreation and Urban Forestry Department, and two members of the public."

The City Administrator recommended "...the Ad Hoc Committee be advised that the difference between the cost of the architect and the \$700,000 (\$200,000 allocated from Community Development and \$500,000 to be paid by Hospital) is the budget for the remodel, and that the architect be instructed to design to that cost." The report further noted, "Lompoc City Council will always have the opportunity to provide additional funding if it so desires; however, a cost limitation imposed at the time may avoid the runaway cost projections experienced during the design phases of the existing Lompoc Valley Community Center and the Lompoc Aquatic Center."

Finding: *Council established an Ad Hoc Committee with clear guidelines for comprising the Committee, and outlined that the specific and limited purpose of the Committee was to work with a professional architect to design the remodel of the Lompoc Hospital Building for use of the new Lompoc Valley Community Center.*

4. Consideration and Search for a New Community Center Site

The Ad Hoc Committee held multiple meetings during June 2006 through July 2007. The City Council appointed two "at large" community members to the Committee. The Parks & Recreation, Senior and Youth Commissions met as well to discuss the property swap and remodel of the hospital. The Community Center Architectural Selection Panel interviewed two architectural firms, and selected Kruger, Bensen, Ziemer (KBZ) Architects for remodeling the Hospital property.

During this period of time, several concerns were identified by the Ad Hoc Committee, City Commissioners and senior citizens related to the use of the old hospital for a new Senior Community Center. Among the concerns identified, primary concerns included the fact that evening programs and special events would be too noisy for the residential neighborhood due to the amplified music from live bands, disc jockeys and mariachis. Additionally, Lompoc seniors expressed concerns about occupying a facility where they had lost family and friends.

In September, 2007, a joint meeting was held between the Parks and Recreation, Youth, and Senior Commissions to discuss a recommendation to abandon the hospital property and consider taking the monetary value (\$2M) of the Lompoc Valley

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Community Center. Consideration to make improvements to the Anderson Recreation Center at 125 W. Walnut Avenue for home of senior programs, and use the remaining monies to offset the cost of a City-PAL Athletic Center, to be constructed at the old municipal pool site, was proposed and discussed.

At the Regular Council Meeting of October 16, consideration of relocating the LVCC to the Anderson Recreation Center was presented, and Council requested staff provide more information at a future Council meeting.

On December 3, 2007, a report addressed to the City Administrator from Community Development Director Arleen Pelster and Planning Manager Lucille Breese compared three proposed sites: the hospital, Sobani property (old GTE building appraised at \$1.2M for front parcel and \$1.22M for the rear parcel) and Anderson Recreation Center. Staff concluded that use of the Anderson Recreation Center for the Senior Community Center was not adequate based on limited parking.

Finding: *The Project moved in a new direction, beyond the original Project proposal and guidelines, as a result of public input and consideration.*

5. Lease/Purchase Options of 1110 and 1120 West Ocean Avenue for Future LVSCC

Records document that search for a new site was underway between October 2007 through July 25, 2008, when a lease of the premises at 1110 and 1120 West Ocean was entered into.

At the Regular City Council meeting of August 5, 2008, Council reviewed an Environmental Assessment (HD08-0008) prepared for the LVSCC; determined the proposed project was not a project that will result in a significant impact on the quality of environment; directed the City Administrator to execute the lease and option to purchase agreements to acquire 1110 and 1120 W. Ocean Avenue for use as the future LVSCC; and directed staff to file the Notice of Exemption in accordance with CEQA and approved reprogramming CDBG funding allocations, subject to HUD's Consolidated Plan Amendment Process to allow use of CDBG funding for lease and acquisition of the LVSCC.

(A Phase I Environmental Site Assessment Report conducted by Chapparral Associates, LLC, regarding property and structures at 1120-1124 West Ocean Avenue dated 2004 was received and reviewed by staff prior to Council's approval. No recognized environmental conditions were identified.)

On August 19, 2008, Council adopted a Lompoc Redevelopment Agency Resolution to reimburse certain Redevelopment Agency Expenditures from the proceeds of indebtedness (the bond proceeds were projected to be approximately \$8M).

On November 4, 2008, Council approved appropriation of \$1.5M in CDBG funds to complete the acquisition of 1120 West Ocean Avenue for use as future LVSCC, and authorized the City Administrator to proceed with acquisition and execute all related

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purchase agreements; and approved appropriation of up to \$425,000 from RDA TAB proceeds to complete the acquisition cost of a vacant lot located at 1110 West Ocean Avenue for use as a portion of the Center, and authorized the Executive Director to proceed with acquisition and execute all related purchase agreements.

On November 14, 2008, a Lead Survey Report, Hazardous Materials Assessment and Asbestos Survey Report of the West Ocean building by Sigma Engineering, Inc. were provided. The three reports identified lead-based paint and lead-containing paint on the property; mercury in fluorescent light bulbs and ballasts; and asbestos present, rated as "Fair," which is an acceptable rating.

On November 18, 2008, the City Administrator reported to Council at a Regular meeting and directed that a Lot Line Adjustment be initiated and processed prior to purchase of the West Ocean Property. City Council accepted the Lot Line Adjustment by Resolution to accommodate parking. The Staff report noted funding for acquisition, design, and construction was anticipated to be provided by the Community Development Block Grant (CDBG) program, the Lompoc RDA tax increment bond proceeds, and the \$2M payment from the Lompoc Hospital District. The cost of purchase and construction was believed to total \$4,787,500. While staff reported the net cost after the \$2M payment from the Lompoc Hospital District was estimated to be \$2,787,500, staff verbally reported to Council the project could cost as high as \$6M. Council by Resolution accepted conveyance of real property to be used as the site of the future Lompoc Valley Senior Community Center at 1110 and 1120 West Ocean Avenue, and directed execution of all documentation necessary on behalf of the Lompoc RDA and City of Lompoc to complete purchase of the property.

On December 16, 2008, at a Regular Council meeting, Council approved the Amendment to Agreement for Transfer of Title to Real Property stating City has decided to develop a community center on property not owned or controlled by Hospital, and transfer or use of the Hospital property is no longer desired or required, and on August 1, 2009, City shall transfer to LHD all of City's rights, title and interest in the City Property and after the transfer, LHD shall hold title in fee simple to the City Property, and LHD shall pay City the sum of \$2M for transfer and timely vacation of the City property.

Finding: *The reported cost of purchase and construction was incomplete as reported, because it did not include such factors as cost of design, construction management, development planning, contingency and furniture. The \$2M payment from the Hospital District for purchase of the LVCC reimbursed three funds (CDBG, RDA and General Funds) used to construct the LVCC. Hence, this payment did not reduce the net cost.*

6. Architectural Design Work and Approval of Floor Plan

On September 2, 2008, Council authorized an agreement between the City and KBZ Architects for design of the LVSCC in an amount totaling \$301,950, and a notice to proceed was sent to KBZ Architects on September 19, 2008. Also, in September 2008,

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appraisal reports were received for 1110 West Ocean Avenue (vacant parcel) for \$375,000, and 1120 West Ocean Avenue (building) for \$1.5M.

On October 21, the Council approved an Architectural Status report on the new Community Center. The staff report noted that two Ad Hoc Committee meetings were held on October 8 to define the use of space for the Center, and the architect provided the Committee three conceptual floor plan renderings. The architect was to present a conceptual plan at the next meeting of October 29, 2008 (this meeting was postponed to November 5). News releases announcing the meeting had been released to encourage public attendance.

On November 5, an Ad Hoc Committee meeting was held to review the floor plan and site plan; revisions were made and presented at the Senior Commission Meeting.

In December of 2008, City departments provided conditions of approval in Development Review Board (DRB) meeting with the architect.

On January 6, 2009*, following public comment at a Regular Council meeting, Council requested the Ad Hoc Committee and staff reconsider the proposed Lompoc Valley Senior Community Center's capacity and architect's scope of work to include redesign and estimation of operating costs of a larger convention center facility.

On January 14, the Project was discussed at the Planning Commission meeting.

An Ad Hoc Committee meeting was held on February 2, 2009.

On February 3, at the request of Council, during a Regular Council meeting, Parks, Recreation and Urban Forestry Director reported on the LVSCC budget projections, noting the Ad Hoc Committee took significant time to consider the various design options as presented by the architect in regard to form, function and resource. He reported the design would allow staff to offer more programs simultaneously and expand the current rental program, allowing multiple events to be conducted at the same time.

Another Ad Hoc Committee was held on February 9.

*The City Council included two newly-seated members, Cecilia Martner and Bob Lingl, along with newly-appointed City Administrator and City Attorney, Laurel Barcelona and Matt Granger, respectively.

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At the Regular Council meeting on February 19, 2009, the Parks, Recreation and Urban Forestry Director reported the Ad Hoc Committee met five times to date, and recommended Council approval of the floor plan and design for the new LVSCC. Council requested the Committee reconsider the existing floor plan, and bring back to Council other alternatives, as well as provide a detailed financial analysis regarding rental revenue. Council also recommended expanding the committee by two additional members, and submit the requested information within six to eight weeks.

On March 9 and 16, the Ad Hoc Committee met and appointed two new at large members.

At the Regular Council meeting of March 17, the Parks, Recreation and Urban Forestry Director returned and Council authorized the City Administrator to execute an Agreement for Extra Services between the City and KBZ architects for additional design work for the LVSCC, not to exceed \$27,500, appropriated from RDA funds.

At the Regular Council meeting of April 7, Council approved LVSCC Floor Plan #1, as endorsed by the Ad Hoc Committee.

On May 5, Council met in Closed Session to discuss potential litigation regarding a written demand that the City Council cure certain alleged violations of the Ralph M. Brown Act.

The Ad Hoc Committee met on May 9.

On May 12, Council held a Special Meeting, for rescission of Council's approval on April 7. Presentation of all LVSCC floor plans and costs were given, and Council accepted and approved Floor Plan #1, as recommended by the majority of the Ad Hoc Committee.

During the course of the design work, in July 2009, KBZ Architects identified the need for unforeseen work. The need for this work could not be identified during preliminary inspections of the building; substandard conditions are commonly identified during the design phase when rehabilitation and change of occupancy are undertaken for an older structure. The total cost of the additional work to mechanical/plumbing; electrical; thermal/waterproofing; finishes; and site work was \$1,284,000, bringing the estimated construction cost to \$4,368,577.

Due to increased estimated construction costs, in December 2009 the Architect was directed to review cost saving options. After review of the components considered for elimination, staff found that elimination or phasing of most elements would significantly impact the operations and aesthetics of the facility, and diminish opportunities for revenue generation.

Finding: *During this nine-month period of time, the factors of change impacting the Project included two new Council members as well as two newly-appointed executive staff. Council requested reconsideration of the existing floor plan and provision of other alternatives, as well as a detailed financial analysis regarding rental revenue. The Ad*

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Hoc Committee was expanded by two additional members, and Council authorized an Agreement for Extra Services with KBZ Architects for additional design work. The additional design work identified another \$1,284,000 in construction costs. The Architect undertook a review of cost saving options, which revealed potential negative impacts of altering the original floor plan and design.

7. Funding for Construction and Rehab of LVSCC

On July 21, 2009, at the Regular meeting, Council authorized the Mayor to execute a grant deed to transfer title of the LVCC property at 1501 East Ocean Avenue to the Lompoc Valley Medical Center for \$2M.

During August of 2009, the City Engineering Division received a first submittal of grading plans; Engineering requested the architect investigate alternatives to a proposed sump pump for parking lot drainage. Plans were submitted to the Building Division.

At the Regular meeting of October 6, Council voted to name the Center after the late Mayor Richard L. DeWees. Council also voted to continue a Public Hearing item to the meeting of October 20 (the Public Hearing was continued to the meeting of November 3), for approval of use of RDA Tax Increment Funds for construction and rehab projects for Community Recreational Facilities and Structures.

At the Council/RDA Workshop meeting of November 3, the Council/Agency voted to continue the workshop for purpose of RDA funding of the LVSCC and Aquatic Center dehumidification projects, directing staff to return at a later date for approval.

From November 2009 through February 2010, the Engineering Division advertised for Constructability Review and awarded Harris Associates, who provided Constructability Comments. In February, Engineering assisted the Finance Department with a total project cost estimate, using an October 28, 2009, Jacobus & Yuang constructing estimate. In April, Engineering worked with Finance to prepare the project construction budget.

At the Regular meeting of April 20, 2010, Council authorized staff to proceed with the steps necessary to issue an RDA Tax Allocation Bond to fund the LVSCC and Lompoc Aquatic Center Dehumidification System, allocated \$1.5M from CDBG for construction of the Community Center, and directed staff to solicit bids for construction of the projects. The Parks, Recreation and Urban Forestry Director advised Council of the additional work and estimated costs as identified by the architect for the LVSCC. At this meeting Council requested the City Administrator conduct a Root Cause Analysis.

During May, the architect responded to Constructability Comments incorporated to the building permit.

On June 1, 2010, the Agency Board authorized the sale of Tax Allocation Bonds. The fiscal environment at the time of the sale was favorable such that RDA received quotes as if the TABS had an A- rating, even though the RDA received a bbb+ rating from

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Standard and Poor's. The favorable environment enabled the sale on June 15, 2010 to produce net proceeds in excess of \$900,000 over the cost estimate for the Community Center and Dehumidification projects, and \$430,000 over what had been expected at the time that the sale was approved by the RDA Agency Board.

Finding: *This eleven-month period of time includes steps necessary to develop a funding plan through the sale of RDA TABs. The projected budget increased or changed because the Project changed from the original scope of work.*

8. LVSCC Bid Opening and Award

The Public Works Engineering Division took over the project management and advertised the Project for bids on May 28.

On July 8, the City Clerk and Public Works Engineering Division opened all contractors' sealed bids. Of the six bids received, all were lower than the architect's estimate, by an average of \$400,000.

The construction bid award will be agendized at a future Regular Council meeting to process a bid protest pursuant to the Lompoc Municipal Code. That award will be to the low responsive responsible bidder.

Finding: *While the funding for construction of the LVSCC is secured through the sale of TABs, the apparent low bid is being reviewed and will be agendized at a future meeting.*

FISCAL IMPACT

The Root Cause Analysis was prepared by Staff; no consultant fees associated with this Analysis were incurred.

CONCLUSION

The purpose of Staff's report is to identify the root cause of the Project delay and increased costs. Staff acknowledges that the process (to date) used for the LVSCC Project contributed to delays in siting the project and resulted in conceptual cost information that was incomplete and, therefore, conceptually misunderstood when preliminarily reported to Council. Both of these shortcomings resulted from failure to define the role of the Ad Hoc Committee and expanding the Committee's scope of work and purpose beyond those which were originally considered, receiving community input on an ongoing basis, including expanding the architectural services beyond the original contract amount to reconsider the design of the approved floor plan. Hence, the Team finds that:

The root cause for the Project delay and believed increased costs resulted from the lack of regular reporting and established timelines, the lack of a well-defined guideline for the Ad Hoc Committee, and an incomplete preliminary cost estimate formulated by staff rather than a professional architect.

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Considering the findings of this Analysis, and to best prevent delays and increased costs during the preliminary phasing of future City projects, Staff recommends Council consider establishing specific guidelines for Council-appointed Ad Hoc Committees, and define future City projects in three phases for Council's approval. Staff's recommendations are outlined for Council's consideration.

Respectfully Submitted,

Laurel M. Barcelona,
City Administrator/Executive Director