



STAFF REPORT ON PROPOSED LEGISLATION

To: Mayor Gavin Buckley

From: David Jarrell, Public Works Director
Teresa Sutherland, City Manager

Date: January 10, 2020

Subject: O-40-19: Capital Budget and Capital Improvement Program – Maintenance Facilities

This ordinance changes the description of the Maintenance Facilities capital project in the Capital Budget (FY2020) and Capital Improvement Program (FY2021 – FY2025) to:

“This project replaces the Public Works facilities located at 932/935/937 Spa Road with a new Public Works Maintenance Facility at 39 Hudson Street. The new facility will house the maintenance and operations functions for City facilities, streets, vehicles, water distribution system, sewer collection system, and stormwater facilities. The project includes a new salt barn.”

The current project description, which contemplated building the facility on either Spa Road or Forest Drive, is:

“This project replaces the Public Works facilities formerly located at 935/937 Spa Road. The old facility sustained significant snow damage during the historic snowstorm in February 2010. As a result, the building was condemned and demolished. Where the replacement facility is built is contingent on negotiations with the owners of adjacent parcels on Forest Drive that might be exchanged for the property on Spa Road. Therefore, the total project cost will likely change. The total project cost shown below is based on a 25,000 SF facility at \$175/SF.”

In July 2019, the City Council adopted R-37-19, forming a task force to provide the City Council with benefits and detriments of locating the Maintenance Facilities at either the existing Spa Road site or the potential Forest Drive site. During the task force’s deliberations, another potential site at 39 Hudson Street came onto the market. This parcel, zoned I-1, is a total of 6.88 acres, with approximately 3.3 acres being developable. The site has a grading permit obtained by the owner, has been cleared and graded, includes the required sediment and erosion controls, and has been stabilized since grading operations were completed earlier this year.

City staff believe that the Hudson Street site is superior to both the existing Spa Road site and the proposed Forest Drive site. The Hudson Street parcel is large enough to house Public Works’ facilities, fleet, sewer, storm water, streets, and water operations in an area where other industrial and commercial uses are located, rather than near residential uses on Spa Road or Forest Drive. Additionally, because the site has already been cleared and graded and the required sediment and

erosion controls are already in place, construction can begin sooner than it could begin on either Spa Road or Forest Drive. This will allow Department of Public Works employees and operations to move into a permanent home sooner.

Funding History and Expenditures to Date

The funding history of this capital project is as follows:

Fiscal Year 2011	\$ 310,000
Fiscal Year 2013	251,857
Fiscal Year 2014	50,000
Fiscal Year 2015	4,375,000
Fiscal Year 2016	500,000
Fiscal Year 2018	325,000
Total	\$ 5,811,857

To date, the City has spent \$1,502,799 for the following purposes, leaving an available appropriation of \$4,306,058.

- Design and permitting for the proposed facility at Spa Road
- Demolition of the existing buildings at Spa Road
- Erosion and sediment control installation and maintenance for the Spa Road site
- Taylor Avenue storage yard lease
- Security fencing around the Spa Road and Taylor Avenue sites
- Weems-Whelan Field geotechnical sampling and analysis

Construction Cost Increases

Construction costs have increased significantly since the project budget was developed in 2014 for the FY2015 Capital Budget. Additionally, the existing budget appropriations were intended only for Phase I of the project. Phase II, which includes 10 storage facilities, vehicle storage (canopy), paving, and stormwater management, is not included in the existing budget. Also, the scope of the project has changed to include a new salt storage facility because the existing salt barn is past its service life.

Consequently, regardless of whether the facility is built on Spa Road or Hudson Street, the cost will be significantly more than the current budget appropriations.

Spa Road

Staff provided the estimated costs to build the facility on Spa Road to the Maintenance Facilities Task Force several months ago. However, the estimated costs provided to the task force did not include:

- The increased cost of stormwater management treatment from 75% to 100% (because DPW was unable to estimate the cost for 25% treatment off-site without identifying a site).
- The cost to replace the fuel station at Spa Road (because the City could purchase fuel elsewhere instead of replacing the fuel station).
- Remediation of Weems-Whelan Field (because the likely remediation was unknown at the time of the Task Force’s deliberations. Staff has since met with the Maryland Department of the Environment and does not anticipate the remediation will be extensive or expensive if

Weems-Whelan remains a playing field.)

- Overhead at 5% of design and construction costs.
- Contingency at 5% of the total project cost.

Working with our contracted design-build firm, we have reached out in the past month to multiple vendors in the major trades and learned that across the board, subcontractor and supplier costs have increased by at least 20% since the beginning of 2018. When including this 20% cost escalation factor and 5% overhead, the estimated cost to construct the Maintenance Facilities at Spa Road is as follows:

Spa Road		
	Best Case	Worst Case
Beginning construction cost – Phase I	\$ 4,286,000	\$ 4,286,000
Additional cost for rear site on Spa Road – Phase II	1,720,000	1,720,000
Inflation – two years (2017 & 2018) at 5.1%	628,000	628,000
Additional design costs	50,000	75,000
Salt barn	100,000	150,000
Remove the fuel system	70,000	200,000
Additional cost - from 50% to 75% stormwater treatment	30,000	60,000
Subtotal – cost estimate provided to the Task Force	6,884,000	7,119,000
20% cost escalation since 2018	1,376,800	1,423,800
5% overhead	413,000	427,200
Contingency	433,700	448,500
Total estimated cost – Spa Road	\$ 9,107,500	\$ 9,418,500

Hudson Street

The following estimate to build the facility on Hudson Street is based on the building design for Spa Road. We anticipate design revisions (which will include revised drawings, dimensions, roof pitch, and square footage) will simplify the building exterior and the complexity of the prior design, resulting in reductions to the costs shown below. However, we do not know how much that reduction might be until we complete the redesign of the project for Hudson Street.

Land Acquisition based on the lower of two independent appraisals (\$2.2 million and \$2.4 million) plus \$10,000 for closing costs		\$ 2,210,000
Design		280,000
Construction		
General Conditions	\$ 325,000	
Engineering Support	250,000	
Site Work (driveway, parking lots, SWM)	1,260,000	
Building #1 (fleet maintenance bays, admin offices)	4,000,000	
Building #2 (heated and unheated vehicle storage)	1,000,000	
Salt barn (1,000-ton storage capacity)	400,000	
Storage bins (10 bins)	50,000	
Contingency (5%)	364,000	
Construction total		7,649,000
Overhead		396,500
Total estimated cost – Hudson Street		\$ 10,535,500

Summary

- The above estimates, based on the current building design for Spa Road, show the cost to purchase and construct the Maintenance Facilities on Hudson Street, is approximately \$1.1 - \$1.4 million more than the estimated cost to construct the facility on Spa Road. However, we anticipate redesign will simplify the building exterior and the complexity of the prior design, resulting in reductions to the costs shown for Hudson Street.
- If the facility is built on Hudson Street, the City can sell its property on Spa Road once DPW operations are moved into the completed Hudson Street facility. The west side of Spa Road, where the fleet maintenance operations and salt barn are currently located, is a 3.73 acre parcel that appraised for \$900,000 and \$935,000 in two appraisals obtained in 2018.
- The east side of Spa Road, which is 8.24 acres including Weems-Whelan field, appraised for \$3,300,000 and \$4,675,000 in 2018. Both appraisals assumed there were no environmental contamination issues. We have not obtained appraisals of the 8.24 acres of Spa Road with the known contamination of the Weems-Whelan field, nor have we appraised the site without the field.
- City staff met with Maryland Department of the Environment (MDE) staff to review the results of environmental testing of the Weems-Whelan field. Upon the completion of additional environmental testing at the field, we will submit all test data to MDE to allow them to make a determination on the extent of remediation that will be required for continued use of the field for athletic and recreation purposes. Based on our discussion with MDE, we do not anticipate the remediation of the field will be extensive or expensive if it remains an athletic field.
- We have not obtained appraisals for the east side of Spa Road excluding the Weems-Whelan field. However, given that this 5.64 acre parcel is significantly larger than the 3.73 acre parcel on the west side that appraised for \$900,000-\$935,000, we anticipate the City could sell the east and west side parcels, exclusive of Weems-Whelan field, for more than the cost differential between the Hudson Street and Spa Road locations, should the project cost more on Hudson Street once the redesign is complete.
- The existing appropriations in the Maintenance Facilities capital project are sufficient to cover the Hudson Street land acquisition and the redesign costs, leaving \$1.8 million available for construction. Consequently, the staff will be seeking an additional appropriation of approximately \$6.23 million in the proposed FY2021 budget to fully fund this project. *We expect the revised pricing based on the project redesign to be complete before the City Council votes on the proposed budget in June, giving an opportunity to reduce the additional amount required if the revised pricing results in lower costs as we anticipate.*

We are prepared to make a detailed presentation to the Finance Committee on the estimated costs of both sites.

Prepared by David Jarrell, Public Works Director, and Teresa Sutherland, City Manager