

Staff Report

INDOOR AQUATIC CENTER UPDATE

November 23, 2021

BACKGROUND:

The Ames Municipal Pool, owned by the City and situated on Ames Community School District property, will close at the end of February 2022. The building will then be demolished in early March in order to finish construction on the new high school. At that time, there will no longer be an indoor community pool in Ames. The City Council has made it a priority to construct a new warm-water Indoor Aquatic Center (IAC) at 122 North Oak, which is property currently owned by the Iowa Department of Transportation (IDOT).

City staff has been concentrating on six core issues related to the IAC over the past several months, which are discussed in this report. The first three issues indicated below require City Council direction, while the remaining three issues are only updates for Council information:

ISSUES REQUIRING CITY COUNCIL DIRECTION:

- Whether to use an architect in conjunction with a General Contractor, or a Construction Manager, or a Construction Advisor to assist the staff in completing the Indoor Aquatic Center project
- Whether to move ahead immediately to hire RDG to design the Indoor Aquatic Center or create a competitive process that would solicit proposals from all companies that are interested in providing these services
- Whether to design the Indoor Aquatic Center with two floors or only one floor

INFORMATIONAL UPDATES:

- IDOT land update regarding the appraisal amount and date for access to property for construction
- Private fundraising totals
- Latest total project cost estimate

ISSUE 1 (Council direction requested):

Whether to use an architect in conjunction with a General Contractor, or a Construction Manager, or a Construction Advisor to assist the staff in completing the Indoor Aquatic Center project

There are three potential project delivery methods. The pros and cons of each of these methods are detailed in Attachment A.

Option 1: Architect and a General Contractor

The more traditional method that most people are familiar with is the use of an architect and a general contractor (GC). In this scenario, the architect serves as the owner's representative on the project to make sure the contractor is building the project in accordance with the plans and specifications. This method involves one bid package, and the GC holds the contracts with the subcontractors. Therefore, the GC is responsible for the quality of work of the subcontractors. When problems arise, the owner's representative only has to deal with one entity, the general contractor, in correcting problems. The general contractor aggregates the requests for progress payments from all of the subcontractors and submits one unified bill to the City for payment. The architect advises the City whether the bill for the work is justified.

Some of the shortcomings of this method include: a potential adversarial relationship between the architect and GC due to the architect holding the GC accountable to building to plans and specifications, possible inaccurate cost estimating if the architect is not knowledgeable of the latest construction techniques and material costs, possible increase in the number of costly change orders since no construction expertise is provided during design phase, requires significant amount of City staff time to manage the project since the architect only provides periodic inspections of the project, and possible longer project schedule due to the sequential project delivery process. Finally, when disputes arise between the architect and the general contractor, it is difficult for the architect serving as the owner's representative to provide impartial recommendation to the City for resolving the dispute.

Option 2: Architect and a General Contractor with Construction Advisor

The second method is similar to the first; however, a construction advisor (CA) is hired to serve as the owner's representative. The CA would have input during the design process and may be able to alleviate some of shortcomings stated for the first method. Specifically, the CA would provide construction expertise during the design phase reducing the probability of costly change orders and reduce the amount of City staff time to manage the project since the CA will be on site more frequently. The downside of this method is that it would be more expensive as the City would not only be paying the GC's markup, but also the cost of the CA. The City did use a CA for the Library project so there is some familiarity with this approach.

Option 3: Architect and a Construction Manager

The third method is the use of an architect and a construction manager (CM). With this approach, the CM acts as an extension of the owner's staff and the GC is eliminated. The owner holds all the individual contracts and the CM competitively bids the different elements of construction (bid packages). Because of this approach, some tasks can take place simultaneously, thus shortening the overall project timeline. For example, a demolition and site work package could be bid prior to the overall design being completed. This method allows the CM to be involved in the design process which has

the potential to minimize change orders, uses a collaborative team approach between owner, architect, CM, and contractors. It is hoped that the increased cost to hire a CM is offset by the elimination of the GC's markup to the construction bid amount.

This method does come with some shortcomings which include administrative challenges associated with managing multiple contracts held by the owner, unfamiliarity of this method to the City, the City assuming the risk associated with increased cost of materials, and the difficulty of determining the cost savings due to CM involvement.

ISSUE 2 (Council direction requested):

Whether to move ahead immediately to hire RDG to design the Indoor Aquatic Center or create a competitive process that would solicit proposals from all companies that are interested in providing these services

RDG Planning and Design was selected through a Request for Proposal (RFP) process to develop a conceptual design for the Healthy Life Center (HLC). When Council directed staff to apply for the Iowa Reinvestment District Program, it also approved using RDG to develop a conceptual design for the IAC which was based on the aquatics portion of the HLC. Through the development of the HLC and the IAC, RDG has developed a very good understanding of the City's goals as it relates to an aquatic facility.

Council could choose to take one of two paths as the City moves forward with final design for the IAC. The first would be to direct staff to develop an RFP and begin the process of selecting an architect based on this new competitive selection process. This approach could slow down the design process as the City would issue an RFP, receive and review submittals, interview potential architects, select an architect, then develop and have Council approve a contract. If a firm other than RDG is selected, staff will need to bring that firm up to speed regarding how the City has gotten to this point.

The second potential path would be for the City Council to waive purchasing policies and award a contract to RDG. This path would be quicker as staff can finalize a scope of services with RDG and negotiate a fee that would be brought to Council for approval. RDG is familiar with the project and could get into schematic design rather quickly.

ISSUE 3 (Council direction requested):

Whether to design the Indoor Aquatic Center with two floors or only one floor

Staff originally presented City Council with two options for the IAC. One option called for a one-level structure with just the aquatic components with the possibility to expand the building to the east on the proposed site. The second option was for a two-level building with a walking track and multipurpose space on the second level. At that time, City Council approved pursuing the two-level option to provide non-aquatic related activities for users.

In August 2021, the City hired Stecker Harmsen to provide an updated cost estimate in 2023 dollars for the one-level and two-level options. An additional option was added to obtain a cost estimate for a one-level building which included the aquatic components, as well as 9,000 square feet of multipurpose space (a walking track and multipurpose rooms). Stecker Harmsen has indicated that by moving the walking track and multipurpose space to the first level, the estimated cost savings will be \$796,898 versus the two-level option. Additionally, operational savings should be expected with the one level building with multipurpose addition.

The one downside to this approach is that the one level structure with the walking track and multi-purpose space would eliminate the possibility for expansion on this site in the future.

ISSUE 4 (Informational only):

Iowa Department of Transportation update regarding the land cost and date for access to property for construction

As the City Council is aware, staff is continuing to work with IDOT leadership regarding the City purchasing the land at 122 North Oak and a timeline for IDOT to vacate the buildings located on the site. **In the Iowa Reinvestment District Program application, the City indicated a purchase price of \$2,000,000. This value was provided to the City by the IDOT staff based on their prior internal estimate. In early November, the IDOT shared with City staff a copy of their formal appraisal with the final value being \$2,900,000.**

City staff has also expressed the desire for the IDOT to vacate the buildings on the said property no later than fall 2022. This will allow for the City to demolish the buildings and parking lots so construction can begin as soon as possible. The IDOT has a large renovation project of the northwest wing coming up and it is currently conducting a space study to determine if all employees from the northwest wing and the buildings at 122 North Oak can be relocated to the main building. **To date, City staff has not received a final decision from IDOT as to when the City could take possession of the site.**

City staff believes we should move ahead with project before an agreement is reached regarding the purchase price of the site and the date transferring the site to the City.

ISSUE 5 (Informational only):

Private Fundraising Update

Dan Culhane, President and CEO of the Ames Chamber of Commerce has graciously volunteered to privately fundraise \$8 million for the IAC and City staff is very appreciative of his efforts. To date, Dan has secured \$8,232,500 in donations and/or pledges. This amount does not include \$2 million of city funding from the Geitel Winakor estate. Any

fundraising over \$10 million could be used to cover project cost overruns or reduce the amount of bonding needed for the project. Some of the pledges have been made for up to three years, rather than in one lump sum up-front prior to the City entering into a construction contract. Therefore, there will be some risk that not all of the pledges will be honored.

One issue that has arisen is that most of the individuals making the pledges would prefer to donate the money to the Ames Foundation, which would collect the donations and then transfer the funds to the City, rather than donating the funds directly to the City. In addition, there is nothing yet in writing to verify these pledges. Therefore, City staff is exploring the creation of a pledge document that will allow donations to be directed to the Ames Foundation and also bind individuals who are making the pledges, and their estates, to honor these pledges to the City.

ISSUE 6 (Informational only):

Project Cost Estimate Update

The chart below shows the cost estimates that have been provided throughout this process. The second column is the original estimate provided by RDG in February 2021. The third column is the current estimate with a 15% increase over the original estimate which accounts for the increase in material costs. The fourth column uses the information provided by Stecker Harmsen and includes \$3 million for the land and the use of a CM. The fifth column is the estimate provided by Stecker Harmsen for a one-level building with 9,000 square foot multipurpose space addition. This estimate also includes a \$3 million land purchase price and the use of a CM.

Best Estimates -Subject to Change!	Two-Level	Two-Level	Two-Level	One-Level w/Addition
Items	Original Estimate	Current Estimate Shown to Council (15% over Original Estimate)*	Revised w/Stecker Harmsen Estimate & Const. Mgr.	Revised w/Stecker Harmsen Estimate & Const. Mgr.
Construction Cost	\$ 19,739,000	\$ 22,699,850	\$ 20,230,673	\$ 19,537,718
Land	\$ 2,000,000	\$ 2,000,000	\$ 2,900,000	\$ 2,900,000
FFE	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Construction Manager**			\$ 1,400,000	\$ 1,400,000
Design Fees	\$ 1,480,000	\$ 1,702,000	\$ 1,702,000	\$ 1,702,000
Soils, Survey, Testing	\$ 390,000	\$ 390,000	\$ 390,000	\$ 390,000
Subtotal	\$ 23,909,000	\$ 27,091,850	\$ 26,922,673	\$ 26,229,718
Contingency (15%)	\$ 3,585,000	\$ 4,063,778	\$ 4,038,401	\$ 3,934,458
Total	\$ 27,494,000	\$ 31,155,628	\$ 30,961,074	\$ 30,164,176

***Current total rounded to \$31,200,000**

****Estimate based on \$22 million construction cost and 18-month construction schedule**

STAFF COMMENTS:

Based on the above information, staff is seeking direction regarding the following issues:

1. Issue 1. Staff believes that this project is too large and complex not to secure construction expertise for our team and, therefore, supports the additional expense of a Construction Manager. The Construction Manager will assure on-site daily inspection/supervision of the construction project and provide the expertise to help with any design needed to hold construction costs within the budgeted amounts.

If Council concurs, a competitive process will be utilized to select the Construction Management firm. It is expected that the actual cost for this service will be less than the amount of the mark-up charged by a General Contractor.

2. Issue 2. Staff supports continuing the relationship with RDG, the company that provided the design concepts for the Indoor Aquatic Center beginning with the Healthy Life Center. RDG is familiar with our proposed project and can move quickly to begin the design of the facility when the City is ready to proceed.

If Council concurs, staff will begin negotiations with RDG with the expectation that the final design fee will be less than the amount shown above for the updated project cost estimates.

3. Issue 3. Staff supports designing a one level building. Given the additional cost to acquire the site than was originally planned for, the construction of a single floor building will save approximately \$800,000 as compared to a two-story structure. While the ability to expand on the site will be eliminated with this decision, expansion of the current site would have been difficult or impossible anyway because of the lack of sufficient land to accommodate the required parking for any expansion. Therefore, in the event of expansion, more land will need to be acquired.

NEXT STEPS:

- Perform an Environmental Phase Study
- Prepare an RFP for Construction Management services for Council approval
- Negotiate a design contract with RDG (assuming the Council concurs with the staff recommendation)
- Finalize agreement with IDOT which will include the purchase price and timeline for transferring site to the City

ATTACHMENT A

PROJECT DELIVERY METHODS

Architect and a General Contractor (GC)

This is a traditional project delivery method which is linear in nature, where one phase is completed before the next one is started.

Pros:

- Architect serves as owner's representative, frees up staff time
- One bid package for construction
- Traditional method that most people are familiar with
- Understood by all parties
- Often easier to manage a linear process

Cons:

- Potential adversarial relationship between contractor and architect/engineer
- Restricted owner control due to separation of roles and responsibilities
- Accurate cost estimating requires architect to be knowledgeable of latest construction techniques and market
- No opportunity for contractor input prior to construction which may increase the probability of costly change orders
- Requires owner resources to manage
- Owner may have to act as "referee" to resolve disagreements
- Longer time frame due to linear or sequential process
- If bid is over budget, there will be delays and possibly additional costs for redrawing and rebidding
- Architect not on site very often for inspection

Architect and a General Contractor (GC) w/a Construction Advisor (CA)

This project delivery method is very similar to the first, however, a CA is hired to address some of the shortcomings associated with the first method.

Pros:

- CA serves as owner's representative, frees up staff time
- One bid package for construction
- A variation of a traditional method that most people are familiar with
- Understood by all parties
- Often easier to manage a linear process

- CA can be involved from design through construction providing construction expertise to all project phases

Cons:

- Potential adversarial relationship between contractor and architect/engineer
- Restricted owner control due to separation of roles and responsibilities
- Accurate cost estimating requires architect and/or CA to be knowledgeable of latest construction techniques and market
- No opportunity for contractor input prior to construction, however, the CA can serve this role
- Requires owner resources to manage
- Owner may have to act as “referee” to resolve disagreements (CA can help with this)
- Longer time frame due to linear or sequential process
- If bid is over budget, there will be delays and possibly additional costs for redrawing and rebidding
- May be the more expensive option (GC markup plus CA fee)
- CA on-site for inspections more often than Architect, but not continuously

Architect and a Construction Manager (CM)

In this project delivery method, the construction manager acts as an extension of the owner’s staff and the general contractor is eliminated. The owner holds all contracts and each subcontractor becomes a prime contractor and is responsible for cost, schedule, quality, and safety on the project. The construction manager competitively bids the different elements of construction (bid packages).

Pros:

- The CM is on the owner’s side as the risk is contracted to the prime contractors
- Selection of CM can be based on firm’s qualifications and cost can be negotiated
- Pre-construction services are provided by qualified individuals that are knowledgeable about current construction methods and costs
- Produces more predictable and manageable results through a collaborative effort of entire team
- Increases opportunity for local participation of vendors, material suppliers, and subcontractors
- Non-adversarial effort reduces risks for owner, architect, and construction manager
- Owner holds all contracts
- Option to fast track by phasing bid packages allows quicker facility usage
- Allows for more owner control in selecting CM and subcontractors

- Potential to minimize change orders
- May be the least expensive option

Cons:

- Multiple contracts held by owner can create administrative challenges
- Potential challenge to determine who is “at fault” if project is delivered late with multiple prime contracts
- It is an unfamiliar method to the City of Ames
- City will assume the risk associated with increased costs due to material shortages and delivery delays
- May be difficult to determine cost savings due to CM involvement