



## Legislation Text

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**File #:** 22-85, **Version:** 1

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**TITLE:**

The 203 Project Guaranteed Maximum Price

**PURPOSE:** The purpose of this item is to provide the Council with the cost to construct the 203 Building for consideration and approval.

**DEPARTMENT:** Public Works, Finance, Planning

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**INFORMATION:** The 203 Project has been bid and Barnhill Contracting Company, the Town's Construction Manager at Risk, has developed a Guaranteed Maximum Price (GMP) for construction of the building. The final GMP, as detailed in Attachment 1, will be the contract value awarded to Barnhill Contracting Company and will be used to obtain project financing and Local Government Commission (LGC) approval. Other project costs outside of direct construction costs are detailed in Attachment 2, Total Project Budget and are reflected in Attachment 3, Amended Project Ordinance. This total project budget includes provisions for Furnishings, Fixtures and Equipment (FFE), and owner's contingency. Further explanation of these costs is detailed below.

*Furnishings, Fixtures and Equipment (FFE):* These are costs associated with furnishing the building and providing the IT, security, and other equipment necessary to operate the building and make use of the building programming. This budget also includes funds to install solar photovoltaic panels on the building.

*Owner's Contingency:* This is a Town controlled budget to account for unforeseen design changes and other challenges that arise during construction that fall outside of the Construction Manager's scope of work. If these funds are not used, they will return to the Town's General Fund.

Based on comments from the Orange County Board of Commissioners, staff have investigated options to reduce the County's project cost through a reduction in programming. These options are detailed below and will be considered by the County Board of Commissioners at their March 15, 2022 regular meeting in addition to the consideration of approval of the GMP as presented.

*Option 1:* Delete the Orange County Skills Development Center from the project with minimal redesign. This option would entail the removal of one level from the building and one level of the parking deck. This option keeps the current design mostly intact. The estimated time for redesign is five months plus an additional two months for re-permitting and bidding (7 months total). Design and preconstruction costs for this option are estimated at \$605,000. Construction cost savings have been estimated to be \$3,765,000.

*Option 2:* Delete the Orange County Skills Development Center from the project with a more comprehensive redesign. This option would take the design back to a conceptual phase but could result in greater cost savings due to the opportunity to utilize a pre-cast parking deck. Additional public hearings and design approvals would be required. The estimated time for redesign with associated approvals is estimated to be fourteen months plus an additional three months for permitting and bidding (17 months total). Design and preconstruction costs for this option are estimated at \$1,539,000.

Based on an analysis of the construction market by Barnhill, construction costs are not expected to decline over the foreseeable future. Escalation of material and labor costs is expected to continue nationally due to supply and demand. Other large construction projects in central North Carolina are currently being developed and as a result the project may experience less contractor interest and less competitive pricing if the project is re-bid at a future date.

The current finance schedule for the project requires that the GMP be approved by the Town Council and County Board of Commissioners by March 25<sup>th</sup> to meet the application deadline for the May 3<sup>rd</sup> LGC meeting. If either governing board delays approval or takes alternative action, the matter will be brought back to the Council and Commissioners on March 22<sup>nd</sup> for resolution. Staff will request the County Commissioners hold a special meeting due to there currently not being a regular meeting scheduled.

**FISCAL & STAFF IMPACT:** The total project cost including design, construction, FFE and contingency is \$41,174,840. The Town's share of the total project cost is \$18,955,958. After reviewing different financing strategies with its Financial Advisor, First Tryon Advisors, staff have concluded that a combination of cash and debt-financing should be used to cover the Town's share of costs as detailed in Attachment 3, Amended Project Ordinance. Annual operating costs for the Town are estimated to be \$80,000.

**RECOMMENDATION:** Staff recommend that the Council consider approving the GMP by adopting the attached resolution and the amended project ordinance.