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**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND
AGENDA REPORT**

2009 NOV 19 PM 7: 28

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: December 1, 2009

RE: **A Report And Possible Action On The Status Of The Central Gateway Fill
And Demolition Project At The Former Oakland Army Base**

SUMMARY

Staff have prepared this report to recommend that the Agency Board forgo any action on a possible contract for the Central Gateway Fill and Demolition Project at this time, and to provide clarification regarding the issues and circumstances around this project, within the larger context of plans for development of the former Oakland Army Base.

Since the Agency Board's action of July 28, 2009 to select AMB/CCG as its master developer, Oakland Redevelopment Agency ("Agency") staff have worked in concert with staff from the Port of Oakland and AMB/CCG on an implementation plan to move forward with reuse of the Army Base under a proposed "One Vision, One Team, One Project" infrastructure development plan for the entire Army Base property. This implementation plan includes the portions of the base controlled by both the Agency and the Port. The plan contemplates the appropriation and allocation of federal, state and local funds to construct the infrastructure necessary to allow the vertical development of the entire Army Base property. This work will require rebuilding of the Base infrastructure, including the soil upon which the development will be constructed. The mechanisms of the administration of the Army Base redevelopment project, including the process of preparing the ground for vertical development, are elements which are part of the Exclusive Negotiating Agreement (ENA) development process with AMB/CCG, negotiations for which are currently underway. The report addresses some of the issues involved with the ground in the Central Gateway portion of the Army Base.

The Port of Oakland has been informed that it is eligible to apply for up to \$284 million in State of California Trade Corridor Improvement Funds (TCIF) for use at the former Oakland Army Base. In recent months, as part of the proposed One Vision, One Team, One Project infrastructure development plan, it has become clear that the Agency Army Base funds identified for the Central Gateway Fill and Demolition Project could be an ideal source of needed matching funds for the TCIF monies, which are proposed to be matched at a two to one ratio. With this approach, the \$1,659,900 amount associated with the proposed Central Gateway Fill and Demolition Project RFP could potentially leverage nearly \$5,000,000 in TCIF monies for the Army Base One Vision, One Team, One Project infrastructure development plan.

Item: _____
CED Committee
December 1, 2009

Based on a number of factors, including the Army Base One Vision, One Team, One Project, the leveraging of TCIF monies, and the master developer timing issues, staff is recommending that the Central Gateway Fill and Demolition Project be placed on hold for now.

FISCAL IMPACT

There is no fiscal impact associated with this report and its recommended action.

BACKGROUND

Over time, the Army Base property has experienced soil settlement which has resulted in a large depression running through the Central Gateway Area. To further identify the nature and extent of the soil settlement, staff worked with Kimley-Horn and Associates and AMEC Geomatrix to complete a fill study to understand the specific fill material requirements for the site. The fill study concluded that the southern portion of the Central Gateway area is approximately one to three feet lower than the northern portion, resulting in ponding and flooding during periods of wet weather. This lower area is identified in the Fill & Grading Plan that resulted from the fill study. To prepare the Central Gateway Area site for future redevelopment, the area needs to be filled with approximately 140,000 cubic yards of fill materials. Staff solicited engineer's cost estimates for purchasing, placing, compacting and grading 140,000 cubic yards of materials to fill the large depression; the estimates received ranged from \$5.1 million to \$7.7 million to complete the project as a normal public works fill project.

An unusually large number of large public works contracts may commence in 2009 and 2010 as part of the federal stimulus funds, including the Caldecott Tunnel 4th Bore project. Agency staff, in conjunction with input from Environmental Services staff, Engineering and Construction staff and geo-technical and civil engineering consultants, have therefore pursued a strategy to take advantage of the pre-development time period and the large number of public works projects to complete the fill project through a business opportunity for in-kind services approach. With this strategy, Agency staff attempted to leverage the use of vacant, unimproved land in exchange for placement, compaction and grading of the approximately 140,000 cubic yards of fill at the Central Gateway Area.

In addition to the Fill project, the RFP also addressed the need for demolition of several existing structures within the Fill Project area which are also part of the Environmental Remediation Program. The demolition of Buildings 6 and 70, and the removal of Building 6T, would provide an opportunity to address several environmental remediation sites under the buildings.

Additionally, staff noted that if Building 6, a 16,000 square foot concrete building, and Building 70, a 6,700 square foot concrete building, were demolished, it could support recycling and

Item: _____
CED Committee
December 1, 2009

sustainability by providing a source of recycled aggregate materials for use in the fill project. By recycling the materials, the City could meet its waste diversion goals by diverting the waste materials away from landfills and into a recycling use.

In August 2009, in an effort to be ready to accept fill material which might be made available through the Caldecott Tunnel effort and other projects, staff issued a Request for Proposals (RFP) for the Central Gateway Fill and Demolition Project. This RFP was issued in the context of the analysis which made clear the need for fill work as a precursor to the site's ultimate vertical development. However, as the One Vision, One Team, One Project infrastructure development plan began to emerge, and the possibilities of maximizing the value of the TCIF funds became more clear, staff concluded that it was premature to award a contract for the Central Gateway Fill and Demolition Project at this stage.

The August 2009 RFP generated three submittals from qualified respondents. After reviewing the submittals with a team of technical experts, and completing its due diligence, staff issued a notice to the three respondents with a preliminary recommendation to select and award PARC Services, Inc with a contract in the amount of \$1,659,900. Staff believes that this RFP process will ultimately be of value when the proper time for a contract award for the Central Gateway Fill project has been reached.

KEY ISSUES AND IMPACTS

1) Request for Proposal (RFP)

The Central Gateway Fill & Demolition Project RFP included a standard public works contract for the Fill Project, the Fill Project Grading and Fill plan, the Army Base Remedial Action Plan/Remedial Management Plan (RAP/RMP), reference materials and drawing sheets including a Site Demolition Plan, As-Builts of the three buildings to be demolished, and a lead & asbestos survey. The RFP also included the Standard City of Oakland Public Works Specifications including the City's Import Materials specifications (Part 2 – Construction Materials, Section 211 – Soils and Aggregate Tests) and Earthwork specifications (Part 3 – Construction Methods, Section 300 - Earthwork) which were revised to incorporate compaction and engineered fill specifications for the Project. Additionally, the following technical specifications were created for the project and included in the RFP:

Section 01010 – Summary of Work
Section 01025 – Measurement and Payment
Section 01340 – Safety and Environmental Submittals
Section 01410 – Regulatory Requirements
Section 01411 - Regulatory Requirements for Hazardous Materials
Section 02111 – Handling of Potentially Contaminated Material
Section 02220 – Demolition

Item: _____
CED Committee
December 1, 2009

The Army Base property is subject to the environmental standards and protocols dictated by the State of California Environmental Protection Agency Department of Toxic Substances Control provided in Army Base Remedial Action Plan and Remedial Management Plan (RAP/RMP). The Army Base RAP/RMP standards and thresholds for imported soil and materials is lower in most cases than the City's Standard as defined in Part 2 – Construction Materials, Section 211 – Soils and Aggregate Tests. The Fill & Demolition RFP uses the City's stricter standards for imported soils and aggregates.

The RFP, bid documents and Fill Project Contract produced and issued as part of the RFP process contain various Agency oversight, monitoring and observation provisions and elements for both the environmental issues and concerns (acceptance and receipt of import fill material) and the geo-technical issues and concerns (placement, compaction and grading of these materials) of the Project. The contract and associated RFP documents assign oversight, monitoring and observation responsibility to the Agency and/or its designated representative or consultant.

2) Evaluation of RFP Responses

Agency staff received three RFP submittals. Table 1 provides the cost breakdown of the four components of the bids submitted by the respondents and the total of each bid. Column two provides the cost breakdown for each component of the PARC Service's bid. Column three provides the cost breakdown for the Evans Brothers bid. Please note the Evans Brothers contract bid price less the proposed Lease Rent makes the Evans Brothers bid the lowest net total bid. Column four provides the cost breakdown for the Gallagher & Burk bid.

TABLE 1	PARC Services	Evans Brothers	Gallagher & Burk
General	\$160,400	\$106,304	\$134,910
Grading	\$375,000	\$807,280	\$1,602,300
Demolition	\$305,000	\$326,890	\$477,500
Environmental	\$819,500	\$822,820	\$772,450
Total Contract Cost	\$1,659,900	\$2,063,330	\$2,987,160

3) One Vision, One Team, One Project

As described above, the Agency, the Port and AMB/CCG, the selected Army Base master developer, have been implementing a One Vision, One Team, One Project infrastructure development plan for the entire Army Base property. The infrastructure plan contemplates the appropriation and allocation of federal, state and local funds to construct the infrastructure necessary to allow the vertical development of the entire Army Base property. The existing infrastructure at the former Army Base is more than sixty years old, is obsolete and degraded. In order for the Agency's and the Port's Army Base property to be developed with new buildings,

new rail yards, and new logistics and warehouse operations, new infrastructure must first be developed and constructed.

As part of the One Vision, One Team, One Project infrastructure development plan, Agency Army Base funds are needed as matching funds for the state of California TCIF funds, at a proposed matching ratio of two to one. For example, the proposed \$1,659,900 contract amount for the Central Gateway Fill & Demolition Project RFP could potentially leverage nearly \$5,000,000 in TCIF monies for the Army Base Project.

Finally, it is important to note staff developed and issued the Fill & Demolition Project RFP as the One Vision, One Team, One Project infrastructure development plan was evolving. Staff recommends that the Fill & Demolition Project be placed on hold for now.

4) Master Developer Concerns

During the Fill Project RFP development, staff communicated the basic, conceptual elements of the proposed project to the candidates for the master developer role to ascertain the potential developer's thoughts and commitment on the proposed Fill Project.

In late September, after its selection as the Army Base Master Developer, AMB/CCG was provided a copy of the RFP. After reviewing the specifics of the RFP, AMB/CCG forwarded a list of concerns with the Fill Project. The concerns included:

- 1) The risk to the underwriting and financing of the project if recycled aggregate products were used as part of the fill materials.
- 2) The Agency's engineer's estimates are overstated.
- 3) The proposed twenty-seven (27) month lease is too long for a Fill Project with no surcharging, and a twenty-seven month lease would jeopardize the One Vision, One Team, One Project and AMB/CCG's ability to deliver a multi-million dollar development project, with lease terms which could be in conflict with the master developer's ENA rights.
- 4) The value of the Fill Project should be included as matching funds for the TCIF Baseline Agreement.
- 5) The entire Army Base site, including Agency land and Port of Oakland land should be addressed as one project by AMB/CCG, the Master Developer for both the Agency and Port.

Staff agree that many of the concerns expressed by AMB/CCG have merit, in particular those regarding the lease duration and potential conflict between the Fill Project and the more immediate priority of negotiating and executing an ENA, and the wisdom of maximizing TCIF monies by matching them with the value of the Fill project work. The need to ensure that all site work is planned in the context of the One Vision, One Team, One Project infrastructure development plan, and the need to have that process led by the chosen master developer, are

points which should be included in the negotiating process for an ENA, which is currently underway. All of these concerns are important factors which staff considered in its recommendation to place the Fill & Demolition Project on hold for now.

PROGRAM DESCRIPTION

Interim Leasing & Pre-Development Program

Staff has been conducting reuse activities at the Army Base under Council direction for several years; the Agency's Interim Leasing Program is now in its fourth year. Staff was provided authorization, pursuant to Agency Resolution 2006-0049 C.M.S., to enter into leases, licenses and other real property related agreements necessary for Agency staff to provide asset and property management services for the approximately 165-acres of former Army Base property. The Interim Leasing Program includes: management of five tenants and nine utility customers, management of security services at the base and operation and maintenance of the utility systems at the former base.

In conjunction with the Leasing Program, Agency staff's Pre-Development Program continues to prepare the Army Base property for development and transition to AMB/CCG. The Fill Project is one of the elements of the Agency's Pre-Development Program. By using the existing opportunities presented by the unusual amount of public works projects coming online in 2009 and 2010 to place, compact and grade approximately 140,000 cubic yards of fill material in the Central Gateway Area, staff was proposing to address one of its pre-development program activities. Another of the Agency's Pre-Development Program activities is the ongoing Army Base Remediation Program actions. The aspect of the Fill and Demolition Project which includes the removal of the three buildings, and the work to address and potentially excavate the Remedial Management Plan sites located under those buildings, would represent a continuation of staff's efforts to complete the Army Base Remediation Program activities.

SUSTAINABLE OPPORTUNITIES

Economic: The Army Base project offers the potential for significant benefits to the Oakland economy, including business opportunities for Oakland firms and job opportunities for Oakland residents.

Environmental: The Army Base project will make every effort to recycle and reuse buildings materials generated by the demolition of buildings or structures at the base. The Army Base project will also make every effort to utilize soil from ongoing, local public works contracts as fill material for the project instead of using virgin market based soil. The Army Base project will make every effort to meet or exceed the City's 75% waste diversion goals.

Social Equity: The Army Base project will make every effort to meet or exceed the City's local and small local business enterprise participation goals and to provide community benefits as part of the project.

DISABILITY AND SENIOR CITIZEN ACCESS

The proposed project has no direct impact on access by seniors and people with disabilities.

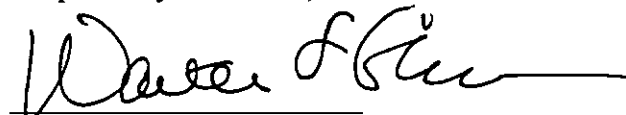
RECOMMENDATIONS AND RATIONALE

Based on a number of factors described in this report, including: 1) the emergence of the Army Base One Vision, One Team, One Project infrastructure development plan; 2) the importance of ensuring that all Army Base funds are available and used as match for the state of California Trade Corridor Improvement Fund (TCIF) monies to enable the Agency, Port and its master developer to leverage a two to one funding ratio; 3) the potential conflict between the proposed Fill Project Lease and AMB/CCG's master developer ENA rights; and 4) the need to develop a coordinated master development program and schedule for the entire Army Base, staff is recommending that the Central Gateway Fill & Demolition Project RFP be placed on hold for now.

ACTION REQUESTED OF THE CITY COUNCIL:

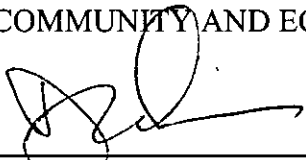
Staff requests the Agency Board accept this status report.

Respectfully submitted,



Walter S. Cohen, Director
Community and Economic Development Agency

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



Office of the Agency Administrator

Item: _____
CED Committee
December 1, 2009