

To	Marchell Adams-David, City Manager
Thru	Richard Kelly, Engineering Services Director
From	Priscilla Tyree Williams, City Construction Projects Administrator, Construction Management
Department	Engineering Services
Date	June 11, 2025
Subject	Approval of Contract Amendment No. 5 to increase Guaranteed Maximum Price - City Hall (Civic Campus East Civic Tower) Summary

Background

In September 2018, the City Council adopted the Civic Campus Master Plan, which was the result of efforts that started in 2016. The City of Raleigh had initiated this study to investigate the benefits of a consolidated campus. The master planning process found a new campus that combined the City's dispersed downtown presence (five separate locations) into one location would improve customer service, civic engagement, and staff efficiency. A newly consolidated facility could meet current and future space needs, and consolidation could also create opportunities for economic development.

Since this time, City Council has taken additional actions (a thorough history and discussion of the project is included in a companion memorandum) to advance the East Civic Tower project, the first phase of the Civic Campus Master Plan. Actions included approval of design team and Construction Manager At Risk (CMAR) contracts and their associated budget authorizations, approval of the conceptual design, demolition of the former Raleigh Police Headquarters, and authorization to complete, design, and bid the project to develop a Guaranteed Maximum Price (GMP) for Council approval. Most recently in March 2023, City Council approved design contract amendments and accepted staff-recommended design modifications to manage costs to a project budget of \$206M.

Throughout the project design development process, budget, and scope reconciliations were performed above and beyond standard practices to validate initial building program assumptions and budget constraints. As City council is aware, the project experienced significant cost escalation due to the pandemic, including labor and material shortages and increases, supply chain and manufacturing delays, increases in fuel prices, and other factors. These factors increased the cost of the project, but through focused cost management and accepted scope reductions, the overall project

budget increase was managed to \$206M, approximately 8.4% over the originally approved project budget of \$190M. Council approved this new budget in March 2023.

Construction industry forecasters recommended on-going escalation projections through 2023 for construction estimates, and escalation will continue to accrue until the project is fully bid. While the construction market has not stabilized, the volatility in pricing is abating, and the slowing office market should offer some capacity in the commercial construction industry.

Guaranteed Maximum Price

As noted earlier, City Council previously authorized the CMAR project delivery method for this project. This is an alternate delivery method permitted by enabling legislation NCGS 143-128.1. The CMAR delivery methodology enables the ongoing monitoring of construction costs and trends that have informed the development of the guaranteed maximum price (GMP) to be presented today. The CMAR, in conjunction with the design and City Core teams, advances a phased bidding strategy that incorporated bidding of early packages in September. These early packages, 15 in total, represent 67% of the estimated construction budget. The remainder of the bid packages will be bid after building permit review is complete. The initial value of the GMP for this project was \$181,500,000, which included the cost of work, associated fees, and escalation.

As required by NCGS 143-128.1(c), the CMAR prequalified all first-tier subcontractors. The CMAR's MWBE plan was previously approved by the City. With two remaining packages to be bid, Staff is pleased to report that the CMAR has exceeded the City's MWBE goal of 15% and achieved MWBE participation at 22.52% with 14.13% MWBE participation at the Tier 1 level and 8.39% participation at the Tier 2 level. Eight (8) packages were awarded to MWBE firms at the Tier 1 level.

On March 7, 2023, City Council unanimously approved the revisions to the project scope and budget. The originally approved budget of \$190M was increased to \$206M and therefore requires a budget amendment with approval of the GMP to transfer \$16M to the project budget.

On July 2, 2024, City Council unanimously approved a third amendment to the CMAR's contract, which added fees for previously unfunded project elements: furniture, fixtures, and (specialized) equipment. This was included in the FY25 budget.

On December 3, 2024, City Council unanimously approved a fourth amendment to the CMAR's contract, which transferred funds to upfit the 13th floor and transfer funds from the project account for the natural gas generators.

Current Request

When City Council approved the GMP in October 2023, it was informed of the unfunded non-construction related items not included in the original project funding allocation. These items would be included in future budgeting processes. Within the estimated

\$21M, the budget for RTN was estimated at \$2M and this unfunded investment has been funded. The CMAR's contract is being amended to add the funding for RTN. This action represents an administrative transfer of project funds to the GMP contract.

Project team members have been diligent in seeking opportunities for investments through grants and other programs. The following opportunities were identified as potential funding sources that could benefit the project: Green Stormwater Infrastructure (GSI) reimbursement, Duke Energy's New Construction Energy Efficiency Design Assistance program, and Office of Sustainability grant. To date, applications for all of these funding opportunities have been submitted. At present, awards have been made for GSI funds and the Office of Sustainability grant. The estimated rebate associated with Duke Energy's New Construction Energy Efficiency Design Assistance Program totals \$93,000. These reimbursement funds will be awarded after the verification process is completed, which usually occurs after final completion, and are not included in this approval request. When the Final Adjusting Change Order is presented to Council for approval, these funds will be addressed.

The new City Hall is one of the first City projects to submit application for reimbursement of GSI elements designed and to be constructed in the project. The City's GSI Policy requires the evaluation of GSI on City-led projects and promotes its installation to reduce stormwater runoff, improve water quality, and provide ecological benefits. An MOU has been executed with the Stormwater Division, Engineering Services Department, to reimburse the new City Hall project for GSI elements that were designed and are to be constructed for this project. The design and construction reimbursements total \$674,840, with \$118,747 for design and \$556,093 for construction. The GSI funds reimbursing the applicable design fees were transferred to the project account by journal voucher. Funds for construction will be handled similarly once the work is complete, which is anticipated in the spring of 2026. The total amount, \$674,840, will be included in the CMAR amendment.

The project submitted a grant application to the Office of Sustainability to cover the costs of the solar-powered bike racks that were requested to be installed at the new City Hall. The solar-powered bike racks that were the basis for design and included in the accepted bid are no longer manufactured. The replacement bike racks selected by the design team resulted in a net increase of \$45,283 for a total value of the solar-bike racks of \$70,476.32. The project was awarded a grant of \$5,000. This amount is included in the CMAR contract amendment.

The Civic Campus Master Plan envisioned a three-part phased approach to the redevelopment of the Avery C. Upchurch Municipal Complex. Phase I is the new City Hall. The recommendation for Phase II is a complementary tower. After the relocation of staff from the Raleigh Municipal Building (RMB), the building will be vacant. Constructed in 1983, RMB has exceeded its useful life. This vacant building will not be maintained and will be demolished once a hazardous materials assessment has been completed and any identified hazardous materials have been abated. This action seeks to move \$1M from the project account to the GMP to cover the costs of hazardous

materials assessment and abatement, building demolition, and final grading. This work will make this parcel more attractive for interest in potential development consistent with the recommendation from the Master Plan.

The Master Agreement will be amended to increase the GMP by \$3,679,840 with the following allocations: 1) \$2M will be placed in an allowance for RTN, 2) \$674,840, the value of the Stormwater CIP GSI fund reimbursement, will be applied to the owner's contingency, 3) \$5,000 from the Office of Sustainability grant to be applied to the owner's contingency, and 4) \$1M from the project account for hazardous material assessment and abatement, demolition, and final grading for RMB to be applied to owner's contingency.

The contract duration is also extended with this amendment. Two approved cost change proposals add a total of twenty-five (25) calendar days to the contract. The contract duration is therefore increased by twenty-five (25) calendar days, which changes to date of substantial completion to December 29, 2026, extends the final completion date to March 29, 2027.

Recommended Actions

Authorize the City Manager to execute a fifth amendment to the Master Agreement with Brasfield & Gorrie in the amount not to exceed \$3,679,840 and extend the contract by twenty-five (25) calendar days.