



Agenda Item Number 6d.

Park Place Building Preservation and Maintenance Strategy

Date: June 27, 2019

Presenter: Brenda Wilson

Action Recommended: Approve Strategy and Replacement of Elevators

Background: The Park Place Building, the largest capital asset of LCOG, is a significant source of revenue. LCOG leases space to tenants and with the MMWIX housed in the building, it is imperative to preserve and maintain the property.

After going through an RFP process last year, EMG was chosen to conduct the building assessment. EMG issued a report with findings and recommendations noting the current general physical condition of the PPB. The report was provided to the Board in February of this year.

While the property has been well maintained since it was first occupied by LCOG and is in good overall condition, the report identified some issues that need to be addressed.

The report split issues into three categories: Immediate, anticipated lifecycle replacements depending on any issues arising and on-going periodic maintenance, and on-going periodic maintenance is highly recommended.

Immediate repairs are repairs that require immediate action as a result of: (1) material existing or potential unsafe conditions, (2) material building or fire code violations, or (3) conditions that, if not addressed, have the potential to result in, or contribute to, critical element or system failure within one year or will most probably result in a significant escalation of its remedial cost. These items were identified as Immediate:

1. Patio, Terrace, and Balcony - The balcony deck coatings on the Fourth and Fifth Floor balconies show widespread degradation. A new elastomeric coating should be applied to these areas. This is being done as a part of regular maintenance this fiscal year.
2. Building Elevators and Conveying Systems. The elevators appear to provide adequate service, but are the originally installed system and are utilizing outdated controls and equipment. Full elevator modernization was recommended.
3. Building Heating, Ventilating, and Air Conditioning (HVAC). Approximately 80 percent of the HVAC equipment is original. While the HVAC equipment appears to be functioning adequately overall, some problems with inadequate heating and cooling have been reported. However, due to the inevitable failure of parts and components over time, some of the equipment will require replacement.
4. Exterior Windows and Doors – The storefront glazing is showing significant evidence of sealant degradation. Additionally, the solar heat gain on the east and west elevations through the glazing is reported to be problematic. Some of the windows are difficult to open and close. Window replacement was recommended.
5. Interior Finishes – While no significant issues were identified, some carpeting is beginning to show wear. This will be done as a part of regular maintenance.

CAPITAL CONTINGENCY ACCOUNT: The Capital Contingency Account is funded at \$660,000 in FY20. No funds have been removed from this Contingency Account since its establishment with all repairs and maintenance coming out of other funds.

LCOG leases out space in its Park Place Building. Currently, there are no vacant spaces in the Park Place Building. The expected rental income for FY20 totals about \$713,000. This does not include Occupancy Costs paid by LCOG in the amount of \$392,093.

PPB expenses for FY18 totaled about \$680,000, which included routine maintenance. With rental income, including Occupancy costs, around

\$850,000 for FY19, and about \$1.1 million for FY20, the PPB should have carryover revenue in excess of \$150,000 for FY19 and over \$250,000 for FY20. It is estimated that excess revenue available for Preservation and Maintenance costs should be between \$200,000 and \$250,000 per Fiscal Year for at least the next five years.

PRESERVATION AND MAINTENANCE STRATEGY: A strategy must be based on the immediate need for the repair combined with the availability of resources. Looking at issues that require immediate action, a table for a five-year strategy (Attachment A) was created based on the information provided in the report and our anticipated Capital Contingency Reserve amounts.

The cost estimates were provided by EMG and are based on Invoice or Bid Document/s provided either by LCOG’s Property Management Company (Pacific Real Estate) and EMG’s experience with past costs for similar properties, city cost indexes, and assumptions regarding future economic conditions.

ELEVATOR REPLACEMENT RECOMMENDATION: EMG recommended replacement of the elevators as an immediate action. To facilitate the development of an RFP, LCOG hired Lerch Bates to perform a site survey and to prepare and review bid documents. The RFP process included five bidders and received three out of the five proposals: Kone, Thyssenkrupp, and Otis.

	KONE	THYSSENKRUPP	OTIS
BASE QUOTATION	\$642,000.00	\$605,861.00	\$558,076.00
Item 1: Modernize Elevators 1 and 2	\$440,000.00	\$441,035.00	\$398,314.00
Item 2: Modernize Elevator 3	\$135,000.00	\$89,052.00	\$93,577.00
Item 3: Related work	\$67,000.00	\$75,774.00	\$66,185.00
MAINTENANCE			
Interim (/unit/month)	\$350.00	\$1,200.00	\$925.00
Twelve-Month Warranty (/month)	\$1,000.00	\$975.00	\$875.00
Contract (/month)	\$1,200.00	\$975.00	\$1,075.00
Service Tool Replacement	\$0	\$2,750.00	\$2,500.00
ALTERNATES			
Alt. 1: VE Voluntary Deduct: Remove battery lowering.	No Deduct	(\$15,000.00)	Excluded
Schedule Impact:	No Impact	No Impact	No Impact
Total of Items 1-3 and Alternate 1	\$642,000	\$590,861	\$558,076

All of the vendors are qualified to replace the elevators. Otis is the current maintenance provider and may have some advantage based on their historical knowledge of the building and our current elevators. Kone had the highest bid, which included the related building work required to pass the final inspection.

Elevator 3 serves the basement space and opens to the outside. Bids were submitted separately to provide the option of waiting until later to replace that elevator. While this elevator is in better condition than the inside two elevators, it does have some issues – like opening and remaining open to the outside. Because costs continue to rise, and because it would be more expensive to have this elevator replaced in the future as part of a new project, I am recommending we replace all three elevators at once.

Kone can start the project in February 2020 and complete the project by July 2020. Thyssenkrupp can start the project in September 2019 and complete the project in March 2020. Otis can start the project in September 2019 and complete the project in February 2020.

At their June 11, 2019 meeting, the Executive Committee unanimously voted to recommend the Board accept the strategy, and replace the elevators with Otis as the vendor. Otis is familiar with our current elevator equipment and our building, they can complete the project in the shortest amount of time, and their cost is the lowest.

PROPOSED MOTION: Accept the five-year strategy for Preservation and Maintenance of the Park Place Building; and approve the replacement of all three elevators with Otis as the vendor.

Attachments: A – Preservation and Maintenance Strategy