



## Board Report

File #: 2024-1164, File Type: Project

Agenda Number: 11.

### CONSTRUCTION COMMITTEE MARCH 19, 2025

**SUBJECT: METRO CENTER PROJECT CLOSE-OUT**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

AUTHORIZE an increase to the Life of Project budget in the amount of \$13,000,000 from \$143,688,310 to \$156,688,310 for the Metro Center Project to fully resolve all claims and complete the close-out of the Project.

#### **ISSUE**

The Metro Center Project (Project) achieved Substantial Completion on August 30, 2024, and occupancy of the facility on December 9, 2024. This Board Report requests a Life of Project (LOP) budget increase for the final settlement of all Project costs, including construction support services and contractor claims. This LOP budget increase encompasses a settlement of a comprehensive claim submitted by the design/builder contractor, S.J. Amoroso Construction Company, LLC (SJA), which fully resolves all outstanding changes and claims to close out the Project.

#### **BACKGROUND**

The Metro Center Project is 99% complete, pending administrative close-out. This Project, which co-locates the Emergency Operations Center (EOC) with a Security Operations Center (SOC) to enhance Metro's security, disaster, and counter-terrorism response capabilities in support of the existing and future transit facilities, was awarded by the Board to S.J. Amoroso Construction Company, LLC in October 2020 with an LOP budget of \$130,688,310.

The existing Metro EOC had reached capacity and required expansion to accommodate the new transit lines under Measures R and M. The new EOC enhances regional transportation response efforts by improving coordination and communication with regional partners to prevent, mitigate, respond to, and recover from major incidents, hazards, or terrorist threats.

Co-locating the EOC and SOC ensures continuous safety and security support, enhanced law enforcement coordination for bus and rail incidents, and seamless operational connectivity across all transit systems.

As previously reported to the Board in April 2023, the Project faced unexpected challenges due to its location on the site of the former Aliso manufactured gas plant. This site, dating back to the late 1800s and later redeveloped for industrial and commercial use in the 1970s, still contained remnants

of the old gas plant infrastructure encountered during excavation. These discoveries led to unanticipated design modifications and the need for hazardous waste mitigation. In addition, in February 2023, a Special Review of the Project was conducted by Management Audit Services for Proposition 1B California Transit Security Grant Program funds and independent assessment of cost to complete the Project. As a result, the budget was revised, and in April 2023, the Board approved an increase of \$13,000,000, bringing the total LOP budget to \$143,688,310.

A key assumption in the Project completion estimate was a significant delay in the design of the uninterrupted power supply (UPS) system. Initially attributed as a Contractor-caused delay that was later determined to stem from conflicts within various sections of the Contract Documents.

### **DISCUSSION**

The Project schedule impacts cited above ultimately resulted in claims of cost escalation of materials, labor costs, and conflicts with the adjacent Division 20 Portal Widening Project that could be attributed to the delay of design approvals and supply-chain restraints. The impacts of delays on some materials resulted in certain inefficiencies or temporary conditions to advance the work. A total of seven claims were submitted by the Contractor for these and other impacts from delays in third-party approvals and design conflicts in the amount of \$18 million.

The Contractor asserted that the design changes required for the abandoned infrastructure, third-party approvals, and design specification discrepancies resulted in delays. These delays were also compounded with the adjoining Division 20 Portal Widening Project due to the shared access points and adjoining work impacting site access. The Contractor also asserted that the uninterrupted power supply (UPS) system, a key component of ensuring the functionality of the Operations Centers, had discrepancies in the design criteria that were not fully evident until the design development, resulting in delays of several months. Although Metro previously categorized this as a contractor-caused delay in the estimate to complete, the Contractor subsequently demonstrated that conflicting requirements in different sections of the technical specifications were the root cause. While the Project team initially reviewed and denied the claim, the team should have maintained the potential cost as a risk item, making the cost to complete estimate accurate of all known and potential costs.

The claims were all reviewed by Metro and, through several fact-finding meetings with the Contractor, further refined for cost and schedule delays. Concurrently, the claims were internally evaluated through Independent Cost Estimates (ICE) and a Quantitative Risk Assessment (QRA) that provided a range of cost probability. Ultimately, given the complexity of the impacts, Metro and the Contractor chose to consider a total closing settlement of \$11.15 million and a declaration that all changes are resolved and closed.

Due to the settlement amount and administrative costs, the Project must increase the LOP budget in the amount of \$13 million to make the final payment and properly close out the Project.

Attachment A provides the cost allocation of the \$13.0 million in the LOP Budget Increase. Attachment B includes the funding and expenditure plan.

### **DETERMINATION OF SAFETY IMPACT**

This Project will enhance Metro's security, disaster, and counter-terrorism response capabilities by the following:

- Creating a central location to gather and process all threats/all hazards information and disseminate critical information to Metro staff, ROC, BOC, and security/law enforcement response teams.
- Creating a uniform incident command.
- Creating a central location to coordinate with 88 partner cities, federal government, local/state/federal/private emergency service, and private sector stakeholders.
- Establishing a direct line of communication with contract and non-contract law enforcement dispatch centers.
- Reducing response and incident management timeframes for greater effectiveness and early transition back to normal operations.
- Allowing for the collocated coordination of regional events/emergencies (National SEAR level events, 7.0 earthquakes, wildfires, floods, etc.).
- Establishing a central hub for Metro employees to contact in the event of a security incident or emergency.

### **FINANCIAL IMPACT**

If the Board approves the action, the LOP budget will be increased by \$13.0 million from \$143.7 million to \$156.7 million. The projected expenditure in FY 2025 is \$26.7 million, which can be accommodated within the FY 2025 adopted budget.

#### **Impact to Budget**

The source of funds is Proposition C 40%, which is eligible for Metro bus and rail operations. Other operating-eligible and available funding sources may be considered. The funding plan for the proposed LOP budget is included as Attachment B.

### **EQUITY PLATFORM**

The Metro Center Project is an essential facility that supports the entire Metro Bus and Rail systems serving communities in 88 cities across Los Angeles County. The facility co-locates emergency and security operations to enhance security, disaster, and counter-terrorism response capabilities of Metro's transit and is staffed with security professionals with specialized training to improve the overall rider safety on Metro's rail and bus lines.

Since project inception, Metro has engaged the surrounding communities and incorporated their input where feasible into the project, e.g., Metro Art programs during construction, including temporary construction banners reflecting the local community and architecturally integrated public artwork on the building façade, both selected by a community-based panel. Metro closely coordinated with the adjacent communities to avoid, reduce, and mitigate impacts during construction activities. Metro Construction Relations, Art, and Project teams provided in-person updates to the Los Angeles River Artists and Business Association Land Use Committee since 2020, as well as updates to the public

through bi-monthly virtual meetings.

### **VEHICLE MILES TRAVELED OUTCOME**

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.\* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it co-locates emergency and security operations to support the safety of Metro's entire Bus and Rail system. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item generally supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

\*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The Project supports Strategic Goal 2: Deliver outstanding trip experiences for all users of the transportation system. The Project will enhance Metro's ability to plan and respond to special events. The Project also supports Strategic Goal 5: Provide responsive, accountable, and trustworthy governance within the LA Metro organization. The Project is being designed and constructed in close coordination with the community and third-party stakeholders as well as internal stakeholders within Metro to streamline Metro's systems and processes for efficient operations.

### **ALTERNATIVES CONSIDERED**

The Board may choose not to move forward with amending the LOP budget. This is not recommended as the Project cannot be closed within the current LOP budget.

### **NEXT STEPS**

Upon approval by the Board, the LOP budget will be amended, and staff will resolve all outstanding claims and close out the Project.

### **ATTACHMENTS**

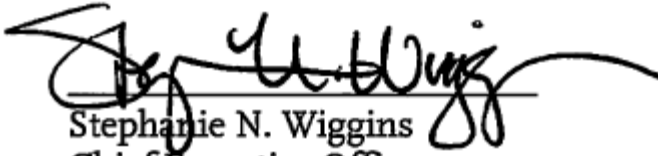
Attachment A - Projected Breakdown of Cost Allocation Funding  
Attachment B - Funding and Expenditure Plan

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**METRO CENTER STREET PROJECT  
 PROPOSED LOP INCREASE FEBRUARY 2025  
 Projected Breakdown of Cost Allocation**

Amount		Description
\$11,150,000		<p><b>CONSTRUCTION</b></p> <ol style="list-style-type: none"> <li>1. Address all remaining open claims, Requests for Information (RFIs), and Change Orders (COs).</li> <li>2. Complete final testing and commissioning activities.</li> <li>3. Resolve punch list and project closeout items</li> </ol>
\$1,850,000		<p><b>PROFESSIONAL SERVICES</b></p> <ol style="list-style-type: none"> <li>1. Metro Staff Oversight: Gateway and field office personnel providing oversight across various disciplines through project closeout.</li> <li>2. Design Support During Construction (DSDC): Engineering and design support services provided by HDR.</li> <li>3. Construction Support Services (CSS): Center Street Management Partners JV delivers support for Metro staff, including oversight in key construction disciplines such as field inspection, resident engineering, engineering, and other construction-related roles.</li> <li>4. Metro Ops and Contingency</li> </ol>
<b>\$13,000,000</b>		<b>Total LOP Increase</b>

**Attachment B - Metro Center Project LOP Funding and Expenditure Plan**

Item No.	Description	\$143.7 M LOP Budget (Apr 2023)	Expenditures		\$156.7 M Revised LOP Budget
			Actuals thru Nov 2024	Forecast thru End of FY25	
	<b>USE OF FUNDS (\$ in Millions)</b>				
1	Preliminary Engineering Design & Engineering Support Services	\$26.30	\$26.35	\$0.00	\$26.30
2	Contractor's Design Build Cost	\$86.00	\$89.38	\$11.15	\$97.15
3	Public Art	\$0.40	\$0.33	\$0.00	\$0.40
4	Design Support & Construction Support Consulting Services	\$14.40	\$16.08	\$0.27	\$14.67
5	Third Party/Street Vacation & Agency Staff Costs	\$8.40	\$7.87	\$0.80	\$9.20
6	Ops and Contingency	\$8.20	\$3.69	\$0.78	\$8.98
7	<b>TOTAL PROJECT COSTS</b>	<b>\$143.70</b>	<b>\$143.69</b>	<b>\$13.00</b>	<b>\$156.70</b>
	<b>SOURCES OF FUNDS (\$ in Millions)</b>				
8	Prop 1B: California Transit Security Grant Program Funds	\$81.20	\$81.20	\$0.00	\$81.20
9	Local, TDA ART 4, PROP C 5% & PROP C 40%	\$62.50	\$62.49	\$13.00	\$75.50
10	<b>TOTAL FUNDING</b>	<b>\$143.70</b>	<b>\$143.69</b>	<b>\$13.00</b>	<b>\$156.70</b>



# Metro Center Project Close-Out

*2024-1164*

*Construction Committee*

*March 19, 2025*



**Metro**



# Metro Center Project Close-Out

## RECOMMENDATION:

A. Increase to the Life of Project budget in the amount of \$13,000,000 from \$143,688,310 to \$156,688,310 for the Metro Center Project to fully resolve all claims and complete the close-out of the Project.

# Metro Center Project Close-Out

**Project Completion: 99%** Substantial Completion on August 30, 2024. Close-Out in process.

Previous LOP increase in April 2023 based on known claims, changes, and risk.

- Building UPS system claim was categorized as a Contractor caused delay.
- Considered in the audit as a credit of liquidated damages.

Contractor resubmitted claim in June 2023

- Contractor subsequently demonstrated that conflicting requirements in different sections of the technical specifications were the root cause.
- Duration of the delay was 11 months that would impact delays in plan approvals, ordering of materials; during a period of supply chain disruptions.
- Total of seven claims for \$18m
- Claims were evaluated through independent estimates, risk evaluations, and technical reviews.
- Given the complexity the timing of approval of plan sets, when materials were ordered, delays in supply chain issues, Metro and the Contractor chose to agree to a settlement of \$11.15M.

# Metro Center Project Close-Out

## Funding/Expenditure Plan

Item No.	Description	\$143.7 M LOP Budget (Apr 2023)	Expenditures		\$156.7 M Revised LOP Budget (Feb 2024)
			Actuals thru Nov 2024	Forecast thru End of FY25	
<b>USE OF FUNDS (\$ in Millions)</b>					
1	Preliminary Engineering Design & Engineering Support Services	\$26.30	\$26.35	\$0.00	\$26.30
2	Contractor's Design Build Cost	\$86.00	\$89.38	\$11.15	\$97.15
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The Proposed LOP includes:

- Construction settlement
- Construction Support Services
- Third-party costs
- Metro labor for admin/system integration

