

Memorandum of Understanding

Joint Rules Committee, California State Legislature

And

Department of Finance

And

Department of General Services

This First Amendment to Memorandum of Understanding (“First Amendment”) is entered into this 16th day of March 2023, among the Joint Rules Committee, California State Legislature (“JRC”), the Department of Finance (“Finance”), and the Department of General Services (“DGS”) (collectively, the “Parties”).

RECITALS

WHEREAS, pursuant to Government Code Sections 9112(b), 9113, 9114.5, 9125, and 14692, the Parties entered into a Memorandum of Understanding (“MOU”) on November 9, 2018, to pursue the construction of a new, restored, rehabilitated, renovated, or reconstructed capitol building annex and associated projects (“Annex Projects”); and

WHEREAS, JRC prepared a Project Overview and Sequence Report (“POS Report”) in consultation with the other Parties providing more specific information on the scopes, schedules, budgets, and delivery methods for the New Capitol Annex Building (“NCAB”), the new parking structure, and West Wing modifications and preliminary information on the scope, schedule, budget, and delivery method for the Visitor Center Project; and

WHEREAS, the Parties approved the POS Report and, pursuant to the MOU, are required to amend the MOU to incorporate the POS Report; and

WHEREAS, after completion of any additional required environmental review and approvals, the Parties desire to amend the POS Report to include updated information on the scope, schedule, budget, and delivery method for the new Visitor Center Project; and

WHEREAS, the Parties intend for Finance to direct transfer from the State Project Infrastructure Fund to the Operating Funds of the Assembly and Senate the remaining amounts necessary for the NCAB, the new parking structure, and the West Wing modifications upon the effective date of this First Amendment; and

WHEREAS, the Parties intend for Finance to direct transfer the remaining amount appropriated for the Annex Projects in the State Project Infrastructure Fund to the Operating Funds of the Assembly and Senate for the Visitor Center Project after the future amendment of the POS report; and

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WHEREAS, Chapter 48 of the Statutes of 2022 revised certain provisions of law relating to the Annex Projects to, among other things, remove the State Public Works Board's authority to issue lease-revenue bonds, notes, or bond anticipation notes for the Annex Projects, state the intent to use available cash sources to fund the Annex Projects, and state that JRC is required to execute and manage all work for the Annex Projects, with DGS providing counsel and advice to JRC for purposes of the work; and

WHEREAS, the Parties desire to amend the MOU to incorporate the POS Report, clarify the required transfers of funds for the Annex Projects, and make other changes to conform with existing statutory law; and

NOW, THEREFORE, in consideration of the foregoing recitals, the Parties hereby agree as follows:

FIRST -- Section 2 of the MOU is amended to read:

"2. Annex Projects: Scopes, Schedules, Budgets, and Delivery Methods

- a. Except as provided in Section 2.b, the scopes, schedules, budgets, and delivery methods for the Annex Projects (including the NCAB, the new parking structure, and West Wing modifications) are set forth in the POS Report dated March 8, 2023, which was prepared by JRC and approved by all Parties. The POS Report is attached as Attachment A.
- b. JRC shall prepare in consultation with the other Parties and distribute to the other Parties an amendment to the POS Report set forth in Attachment A that provides updated information on the scope, schedule, budget, and delivery method for the new Visitor Center Project, which is part of the Annex Projects. Upon approval of the POS Report amendment by all Parties, the Parties shall amend this MOU to incorporate the POS Report amendment as the new Attachment A.
- c. Changes to Scopes, Schedules, Budgets, and Delivery Methods. JRC may at any time change the scopes, schedules, budgets, and delivery methods set forth in Attachment A upon providing written notice to DGS and Finance, provided that JRC shall obtain written approval by DGS and Finance prior to making any significant scope change to any of the Annex Projects. The Parties recognize that JRC shall have the preeminent role in making decisions about the design and management of the Annex Projects, and DGS and Finance shall not unreasonably object to any significant scope change desired by JRC, subject to the California Environmental Quality Act. For purposes of this Section 2.c (Changes to Scopes, Schedules, Budgets, and Delivery Methods), "significant scope change" is defined as a change in the scope of an Annex Project as set forth in Attachment A that has an associated cost of more than \$10 million, delays substantial completion of an Annex Project by more than six months from the schedule set forth in Attachment A, or changes the size of an Annex Project by more than 50,000 square feet from the size set forth in Attachment A.

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- d. The Parties agree that scope changes with regard to the Annex Projects, especially after construction commences, are discouraged and should be limited to only those necessary to correct significant issues.
- e. Input on Design Layout and Impacting Elements. DGS shall provide to JRC (i) an architectural space program within the Executive Branch's allocated space delineating the space, size, and function that will be required for the space to be occupied by the Executive Branch and (ii) input regarding the Impacting Elements (as defined in Section 4.e (Director of Operations Approval))."

SECOND -- Section 4.f of the MOU is amended to read:

- "f. The Executive Committee shall make decisions related to changes in scope as set forth in Attachment A and decisions that deviate from Attachment A."

THIRD -- Section 13 of the MOU is amended to read:

"13. Use, Transfer, and Return of Funds

- a. Upon recognition of the scope, budget, schedule, and delivery method for the Projects set forth in this MOU (prior to amending this MOU to incorporate the POS Report), Finance shall direct transfer to the Architectural Revolving Fund an amount sufficient to fund design activities for the State Office Building and shall direct transfer to the Operating Funds of the Senate and Assembly an amount sufficient to fund preparation of the POS Report and owner representative services with regard to the Projects.
- b. In accordance with Government Code Section 14692(a)(2)(C)(iii), upon amending this MOU to incorporate the POS Report, Finance shall direct transfer of funds in the State Project Infrastructure Fund to the Operating Funds of the Senate and Assembly for the remaining amount needed for the NCAB Project, new parking structure, and West Wing modifications. Upon amending this MOU to incorporate the POS Report amendment pursuant to Section 2.b, Finance shall direct transfer of the remaining balance of funds appropriated for the Annex Projects in the State Project Infrastructure Fund to the Operating Funds of the Senate and Assembly to be used for the new Visitor Center Project.
- c. Construction of the State Office Building is anticipated to be funded with lease revenue bonds, notes, or bond anticipation notes as authorized in Government Code Section 9125.5; however, if available and by written agreement of the Parties, cash may be used for the State Office Building as well.

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- d. In the event that cash is not needed for all or a portion of the Annex Projects, said cash may be returned to the State Project Infrastructure Fund in accordance with Government Code Section 16351.5.
- e. To the extent that lease revenue bonds are used for the State Office Building, a Project Delivery Agreement is required for the State Office Building, the form of which is in Attachment C.
- f. The total amount to be transferred from the State Project Infrastructure Fund to the Operating Funds of the Assembly and Senate pursuant to this Section 13 shall be \$1,100,000,000 for the Annex Projects. This total amount is inclusive of the \$37,000,000 for the West Wing, pursuant to Government Code Section 9114.5. Any interest earned on, or other increment derived from, investments or deposits pursuant to Government Code Section 9113.5 is in addition to the funds specified in this Section 13.f.
- g. The Parties agree that DGS shall not charge more than 3% of the budget for the Annex Projects to perform any services related to the Annex Projects or more than 6% of the budget for the State Office Building to perform services related to the State Office Building contemplated under this MOU.”

FOURTH -- Subdivision (f) is added to Section 15 of the MOU, to read:

- “f. Severability. If for any reason this MOU or any part thereof (including the Attachments) is held or made invalid, void, or unenforceable by a court of competent jurisdiction, all of the remaining terms of this MOU shall nonetheless continue in full force and effect.”

FIFTH -- Attachment A to the MOU is hereby deleted in its entirety and replaced with the POS Report, which is attached to the First Amendment as Attachment A.

SIXTH -- All other terms and conditions of the MOU shall remain the same.

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Jointly by:  Signature

By: 
Assembly Member James Ramos
Chair, Joint Rules Committee


Date: 3-16-23

Department of Finance

By: 
Joe Stephenshaw, Director
Department of Finance

Date: 3-16-23

Department of General Services

By: 
Ana M. Lasso, Director
Department of General Services

Date: 3-16-2023

Attachment A
Project Overview & Sequence Report
Capitol Annex Projects
Scopes, Schedules, Budgets, and Delivery Methods
March 8, 2023

General Overview

In December 2017, the *California State Capitol Annex Project Planning Study* was completed. It summarized the elements of the Annex Projects as:

- Annex Replacement
- Adjacent parking structure
- Visitor Center

Following the Joint Rules Committee hearing on February 21, 2018, the Department of General Services (DGS) reviewed the project elements and provided a conceptual cost estimate in its March 2018 document *Capitol Annex Costs Review*.

Approximately \$1.1 billion has been allocated to these projects through various Budget Act appropriations, of which \$263 million has been transferred to the Operating Funds of the Assembly and Senate, with \$837 million remaining in the State Project Infrastructure Fund. The balance will be transferred pursuant to the terms of the Memorandum of Understanding (“MOU”) entered into the 9th day of November 2018, among the Joint Rules Committee, the Department of Finance, and DGS, as it may be amended.

Boundaries and Site

The general boundaries of the Capitol Annex Projects are those areas within Capitol Park bounded by 10th Street, 12th Street, L Street, and N Street.

The Capitol Annex Projects include the upgrade or replacement of existing site infrastructure, incidental alterations, and tree relocations to Capitol Park where necessary, incidental alterations to the historic West Wing where necessary, demolition of the current Annex, addition of a New Capitol Annex Building with an associated parking structure, and any other necessary ancillary improvements to construct a working Annex, parking structure, and Visitor Center for the California State Government.

It is assumed that the existing historic West Wing and Capitol Park grounds will remain and be extensively protected, except as otherwise specifically required to implement the New Capitol Annex Building project, parking structure, and Visitor Center.

Circulation and Accessibility

The Annex Replacement (New Capitol Annex Building or NCAB) will improve the accessibility of the Capitol grounds using universal access design to create an enhanced, welcoming experience for all Californians. Particular attention will be paid to the organization and layout of access points to the grounds and buildings in order to support and enrich the experiences of both the tourist and non-tourist visitor. Additionally, limited modifications to the West Wing of the State Capitol will occur in compliance with the Americans with Disabilities Act (ADA).

I. New Capitol Annex Building Project

A. Scope

The NCAB Project includes the New Capitol Annex Building, West Wing modifications, and new parking structure, as described below. The Visitor Center Project will be considered separately from the other Annex Projects and the MOU will be amended to incorporate a POS Report amendment for the Visitor Center – see Section II. below.

i. New Capitol Annex Building

The NCAB Project includes the planning, design, and construction of a new, approximately 525,000 gross square foot building to replace the current Annex facility.

The NCAB will provide the Legislature, the visiting public, and Capitol employees with safer, updated, current code-compliant facilities that satisfy current state standards for government offices, public assembly, office accessibility, along with common use facilities for employees and the public (such as toilet rooms, exit stairs, elevators, clear circulation, shared utility and mechanical/electrical spaces, areas for public waiting, daylighting, and enhanced, updated, and essential security infrastructure). Additionally, the NCAB will reduce energy and water usage and upgrade site infrastructure to account for future growth. The NCAB will be comprised of seven floors, which shall be aligned where possible with the floors of the historic West Wing. The floors may be approximately the same height and depth as the Capitol West Wing, including the basement floor, which should be similar or greater in height to the first floor. A mezzanine will be added between the first and second floors.

The Executive Branch (Governor's office, Lieutenant Governor's office, Department of Finance executive office, and limited California Highway Patrol (CHP) space) will occupy a similar proportional amount of floor space in the NCAB as utilized by the Executive Branch in the existing State Capitol Annex Building.

The NCAB will be designed to achieve LEED Silver certification for new construction (at

a minimum) and will target Zero Net Energy performance via a power purchase agreement.

The NCAB cooling system will utilize chilled water from the State's Central Plant. However, the heating system will utilize an onsite all-electric approach to deliver a carbon-free building solution. An enclosed roof structure will include mechanical air handling equipment, storage, and window-cleaning equipment.

The NCAB will include California Environmental Quality Act (CEQA) mitigation measures as a requirement of permitting. The project will also include off-site work to provide utilities to the NCAB including electrical, water, storm drainage, and phone and data services, to relocate all existing utilities to the adjacent Legislative Office Building, and to join the NCAB to the City's existing civil infrastructure.

For security, the NCAB will incorporate electronic systems as determined in conjunction with the Capitol Security Partners from the California Highway Patrol and the Senate and Assembly Sergeants and will address the continuity of the Legislative and Executive Branch governmental functions. After the January 6, 2021, intrusion on the U.S. Capitol, additional security funds totaling \$64 million were added to the NCAB Project to enhance the security needs of the public, Capitol employees, and elected officials.

ii. West Wing Modifications

Modifications to the West Wing will be required to comport with the NCAB. This work will be minimal and limited to cleaning, minor repairs, modifications to address ADA compliance and safe public access, and required upgrades to building systems. Up to \$37 million has been appropriated for the West Wing modifications pursuant to Government Code section 9114.5.

iii. New Parking Structure

The new parking structure will be approximately 66,630 square feet and will include the design and construction of 150 stalls for use by Executive and Legislative Branch officials. The parking structure will utilize a vehicle stacking system and provide charging stations for electric vehicles.

B. Schedule

Subject to any additional required environmental review and approvals, the following are identified as critical milestones for the NCAB Construction Schedule:

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- Soft demolition and abatement began in March of 2022, and are scheduled to be completed by March 31, 2023. Hard demolition will take place after the completion of the hazardous material removal. Hard demolition is currently scheduled to begin on April 5, 2023, and is scheduled to be completed on or around July 16, 2023.
- Construction will begin with the signing of the NCAB contract and the issuance of a Notice to Proceed by the Joint Rules Committee, which will release the Construction Manager at Risk for the NCAB Project to proceed with contracting with its subcontractors. The physical construction of the NCAB on site will begin following the existing Annex demolition and completion of any additional required environmental review and approvals, and is currently scheduled to begin in August of 2023.
- Substantial Completion of the NCAB Project, including the new parking structure and West Wing modifications, is planned for October 1, 2026.

C. Budget

The total NCAB Project budget, including the new parking structure, West Wing modifications, enabling work, direct construction, indirect construction, allowances, soft costs, and contingency, is \$1,020,263,077, as detailed in the following chart:

New Capitol Annex Building Project

<u>Cost Category</u>	<u>Cost</u>	<u>Comments</u>
<u>Direct Costs with Contingency</u>		
Annex Building	\$ 319,616,048	
West Wing	\$ 14,139,707	Historic Fabric and 4th Floor
Parking Structure	\$ 46,925,732	
<u>Total Direct Costs</u>	<u>\$ 380,681,487</u>	
<u>Allowances - for Tenant Improvements</u>		
Annex	\$ 78,010,292	
West Wing	\$ 1,731,492	

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Scope Completion Allowances	\$	129,468,320	
Total Allowances	\$	209,210,104	
Indirect Construction Costs			
CMR Indirect Costs	\$	100,103,661	
Total Indirect Costs	\$	100,103,661	
Total Contract Cost/GMP	\$	689,995,252	
Soft Costs			
Design/Professional Services	\$	96,750,959	All professional services
Inspection (CIMB/OSFM)	\$	7,865,520	
Plan Checking/Reviews	\$	1,877,085	
Other Project Costs	\$	85,505,893	
Total Soft Costs	\$	191,999,457	
	\$	21,291,964	
Total NCAB Project	\$	903,286,673	
Total Enabling Work Costs	\$	116,976,404	Multiple Contractors
Total Project Budget:	\$	1,020,263,077	

D. Delivery Method

The NCAB, West Wing modifications, and new parking structure will be delivered through a Construction Manager at Risk (CMR) process.

II. New Visitor Center Project

After completion of any additional required environmental review and approvals, this POS Report shall be amended to include updated information on the scope, schedule, budget, and delivery method for the new Visitor Center Project.

A. Scope

The new Visitor Center Project consists of the design and construction, including any related studies, of a new, approximately 40,000 gross square foot (GSF), ADA accessible, and educational Visitor Center. The Visitor Center will provide access to tourist traffic and will be available for employees and others entering the building for purposes of participating in and advocating on matters before the Legislature.

The Visitor Center will highlight California State governance, history, civic education, geography, and related content. The Visitor Center will be the primary entrance used to welcome, engage, and easily accommodate large school and other tour groups while affording such groups access into the Capitol Building.

B. Schedule

The schedule for the new Visitor Center Project shall be set forth in an amendment to the POS Report.

C. Budget

The budget for the new Visitor Center Project shall be set forth in an amendment to the POS Report.

D. Delivery Method

The delivery method for the new Visitor Center Project shall be set forth in an amendment to the POS Report.