



**Date:** April 4, 2022

**To:** Wanda S. Page, City Manager  
**Through:** Bertha T. Johnson, Deputy City Manager  
**From:** Jina B. Propst, Director, General Services Department  
**Subject:** Amend the FY2021-22 Capital Improvement Program; and Amend the Design-Build Services Contract with Skanska USA Building Inc. for Major League Baseball Facility Standards Upgrades at the Durham Bulls Athletic Park

**Executive Summary**

The City of Durham is renovating the Durham Bulls Athletic Park (DBAP) in order to comply with the Bulls Organization’s Player Development License with Major League Baseball. Skanska USA Building Inc. (Skanska) has been contracted for design-build services for this project.

The original project budget of \$5,220,000 was based on a preliminary cost estimate and before the scope of work was fully identified. However, through the design and estimating process, the previously established budget is insufficient for the required scope of work. Skanska’s current Design Development phase cost estimate shows the project requires an additional \$5,354,000 to complete the required compliance scope of work. Review and analysis show the ongoing impacts of Covid-19 on the construction industry leading to these increases. Lack of available labor and raw materials has reduced supplies, slowed/stopped deliveries, impacted labor markets and other market volatility resulting in severe cost escalations. Increased funding is required to support the increased costs.

**Motion**

To adopt an ordinance amending the Ball Park Capital Improvements Project Ordinance, Fiscal Year 2021-22, as amended, the same being Ordinance #15878, for the purpose of adding the amount of \$5,354,000 to the Major League Baseball Facility Standards Upgrades at the Durham Bulls Athletic Park project;

To authorize the City Manager to execute a Design-Build amendment with Skanska for the construction of the Durham Bulls Athletic Park facility upgrades, so long as the City’s contribution to the total construction costs does not exceed \$9,119,000 and the Durham Bulls pays Skanska for the remaining balance due;

To establish a contingency fund for the City’s contribution to the contract in the amount of \$520,000, which is inclusive of the original established contingency of \$399,209; and

To authorize the City Manager to negotiate and execute change orders and amendments to the Design-Build contract so long as the City’s total contribution does not exceed \$10,471,370, and the Durham Bulls pays Skanska the remaining balance due.

## **Background**

The City leases the Durham Bulls Athletic Park (DBAP) to the Durham Bulls Minor League Baseball team (Bulls) for use as their home ballpark. The City and the Bulls renegotiated the terms of the DBAP lease in 2013 (DBAP Lease Agreement) after significant improvements were made at the facility. The terms of the DBAP Lease Agreement require that the City maintain the facility standards of DBAP at a level necessary to comply with baseball governing body franchise standards.

Major League Baseball via its affiliate, MLB Professional Development Leagues has undertaken a restructuring of the relationship between MLB Clubs and Minor League Clubs. As a part of this restructuring, new agreements contain requirements for facility standard upgrades at DBAP. The facility standards were shared with the Bulls and a grading rubric was completed which scored the existing facility against these standards.

The City will be making required facility upgrades to comply with the Bulls Organization's Player Development License with Major League Baseball. Upgrades include, but are not limited to, the addition of a new batting tunnel, front office and player locker room reconfigurations and upgrades, training room upgrades and any associated HVAC, plumbing, electrical and architectural finishes. All design and construction efforts required of the facility upgrades need to be complete before April 2025.

The Request for Qualifications for Design-Build Services was advertised on March 15, 2021. Interviews were held on April 27, 2021, and the interview team determined Skanska/ DLR the top ranked Design-Build team for the project. On June 21, 2021, City Council approved the project in the amount of \$5,220,000.

Design of the renovations began in May 2021, and the schematic design estimate was received on September 17, 2021, indicating that the overall project was approximately \$6,000,000 over budget. After reconciling the cost split between the City and the Bulls, the City's portion of the overage was reduced to approximately \$4,650,000, including all project costs belonging to the City of Durham. Design has progressed with efforts to reduce cost as much as possible, and the current design development cost estimate has the City's portion of the project approximately \$5,354,000 over the available budget. Actual market conditions will determine the ultimate project cost when the project is bid, but this represents Skanska's best estimate of the projected cost.

The project is scheduled to advertise for bid in April 2022, with construction starting in August for the office area, September for the player development areas and October for the batting tunnels. The office area is projected to be complete in January 2023, with player development areas following in March, and the batting tunnels complete in mid-April. It's critical that all work related to the offices and player development be complete before the start of the new Bulls season in April 2023. If that deadline is not met and games are cancelled, that would result in the loss of approximately \$300,000 in revenue per cancelled game for the Bulls. The project timeline is extremely tight for such an extensive project, and funding is needed by early June 2022 in order to keep the project on schedule and start construction on time.

## **Issues and Analysis**

Construction cost escalations over the past two years have severely impacted the project's budget. Skanska reported an actual escalation in the construction market of approximately 11% between March 2021 and September 2021 and expects additional escalation between September 2021 and when the project goes out to bid in May 2022. This equates to about \$1,500,000 in

escalation since March 2021. Additional escalation prior to March 2021 also contributes to the overage. Skanska reports that material costs alone are up an average of 45%.

In addition, the original, preliminary budget was based on the list of MLB requirements alone. However, once designers were engaged in the project and the list of requirements was developed into a more holistic scope of work, a more accurate estimate of cost was established. Designing the required elements within the confines of the existing building resulted in a more complicated project than first conceived. Projected costs for equipment, security and testing services have also been added for a complete project budget.

The Bulls and the City have determined those portions of improvements to the DBAP that are the responsibility of the City under the DBAP Lease Agreement between the Bulls and the City. For efficiency, the Bulls have requested that the City include in its Design-Build contract with Skanska additional improvements beyond what would otherwise be required under the DBAP Lease Agreement. The City, the Bulls and Skanska have negotiated a cost sharing agreement whereby the Bulls will contribute and pay Skanska directly for the portions of improvements that are not the contractual obligation of the City, while effectively utilizing the construction opportunity for additional improvements. As part of this cost sharing agreement the City and Skanska will execute change orders to the Design-Build agreement identifying and allocating the portion of work to be paid by the Bulls. The City’s financial obligation under the Design-Build agreement will be capped at an amount authorized by the City Council.

**Alternatives**

All design and construction efforts required of the Major League Baseball need to be complete by April 2025. If this deadline is not met, Durham’s baseball franchise could be in jeopardy. However, design is proceeding well, and once the additional funds are secured, the project should be on track to deliver the required improvements on time.

The additional funds could be provided but delayed until the start of Fiscal Year 2023. However, in order to keep the aggressive project schedule on track and avoid having to cancel games at the beginning of the next baseball season, this option is not recommended.

**Financial Impact**

Funds for this project are budgeted or needed as follows:

<b>FUNDING SOURCES</b>	<b>City of Durham</b>
Current CIP	\$ 5,000,000.00
DBAP Fund	\$ 220,000.00
Additional Funds Needed	<u>\$ 5,354,000.00</u>
<b>Total Revenues</b>	<b>\$ 10,574,000.00</b>

<b>PROJECT COSTS</b>	<b>City of Durham</b>
Design and Pre-Construction	\$ 832,370.00
Construction	\$ 9,119,000.00
Contingency	\$ 520,000.00
Equipment, Furniture, Security	\$ 72,500.00
Other Owner Costs	<u>\$ 30,130.00</u>
<b>Total Expenditures</b>	<b>\$ 10,574,000.00</b>

## Equal Business Opportunity Summary

The Equity & Inclusion Department reviewed the proposal submitted by Skanska of Durham, NC and have determined that they are in compliance with the Equal Business Opportunity Program Ordinance. The goals for the design and pre-construction phase of this project are MUBE 8% and WUBE 6%.

### UBE REQUIREMENTS

Skanska is utilizing the following certified firms for the design and pre-construction phase of the project:

Firm	ID	City/State	Amount	% of Contract
Engineered Designs, Inc.	WUBE	Cary, NC	\$137,600.00	39%
SEPI Engineering & Construction	WUBE	Raleigh, NC	\$53,600.00	12%
Lynch Mykins Structural Engineers, PC	WUBE	Raleigh, NC	\$16,000.00	3%
Surface 678	MUBE	Durham, NC	\$5,600.00	1%

Skanska submitted 54% WUBE and 1 % MUBE participation. The MUBE was not met, whereas the WUBE goal was exceeded. Skanska demonstrated a good faith effort in trying to obtain the MUBE goal.

The construction portion of the project has Underutilized Business Enterprise (UBE) goals set as 11% Minority and 7% Woman overall, and the project team is planning to exceed these goals. Skanska has a robust UBE participation plan, including outreach to local companies and assistance with pre-qualification and bidding. Should opportunities arise throughout the life of the project, Skanska will continue to engage local UBEs to make certain they have the ability to participate on the project.

### Contractor Workforce Diversity & Hiring Practices

According to the contractor's responses to the "Contractor Workforce Diversity Questionnaire," the contractor is a large employer (over 100 employees) consisting of mostly professional/skilled workers. The contractor believes it has a diverse workforce because they constantly engage diverse candidates while engaging Historically Black Colleges and Universities as well as Community Colleges for potential candidates. Job descriptions are also constantly reviewed to make the language included less restrictive and more inclusive. This has also resulted in minority groups and women receiving opportunities for growth within Skanska. The contractor did list a few examples of efforts it makes to have a more diverse workforce.

### Part A – Employee Diversity Breakdown Table for Primary Location

Employment Category	Total Employees	Total Males	Total Females	M-----a-----l-----e-----s					F-----m-----a-----l-----e-----s				
				White	Black	Hispanic	Asian or Pacific Islander	Indian or Alaskan Native	White	Black	Hispanic	Asian or Pacific Island	Indian or Alaskan Native
Project Manger	112	94	18	84	6	2	2		18				
Professional	50	33	17	25	5	2		1	11	3	3		
Labor													

Clerical	4		4						3	1			
Totals	166	127	39	109	11	4	2	1	32	4	3		

**Attachments**

DBAP MLB DD Cost Estimate and Budget Impacts

Ball Park Capital Improvement Project Ordinance, FY2021-22 as amended, the same being Ordinance #15878

Contractor Workforce Diversity Questionnaire