



CITY OF POMONA COUNCIL REPORT

March 5, 2018

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Meg McWade, Public Works Director
Linda Matthews, Human Resources/Risk Management Director

Subject: **Adopt a Resolution Amending the FY2017-18 Capital Improvement Program (CIP) Budget to Create a New CIP Project “City Stable Facility,” Project No. 428-2590-xxxxx-71054; Receive and Appropriate \$949,380 of Property Coverage Proceeds**

OVERVIEW

Recommendations - That the City Council:

1. Adopt a Resolution (Attachment 1) creating a new CIP project “City Stable Facility,” Project No. 428-2590-xxxxx-71054 and receiving and appropriating \$949,380 from Property Coverage Proceeds; and
2. Direct Staff to review project options with Historic Preservation Commission and Parks and Recreation Commission and return to City Council with recommendations.

Fiscal Impact- To date, the City has incurred \$127,408 in expenses for stabilization of the City stable. Those stabilization costs included engineering studies, the labor to implement the stabilization plan and on-going monthly costs for the braces currently used to maintain the stability of the building. The costs for the bracing are an on-going expense of \$3,457 per month. The City’s property coverage through Alliant Property Insurance Program (APIP) has a deductible of \$100,000. As the amount paid by City has exceeded this deductible, the City will be reimbursed \$27,408, which is the cost in excess of the deductible. While the City is entitled to reimbursement for any costs exceeding the \$100,000 deductible, such as the on-going monthly bracing rental, at some point, the carrier may indicate it will no longer cover these costs as the City has a duty to mitigate its damages. This mitigation would be in the form of demolishing the building or, moving forward with efforts to rebuild the stable to its pre-collapse condition.

After an investigation by the engineers engaged by the property coverage pool, an offer of \$1,049,380 was extended to the City for the damage to the stable. The experts engaged by the property pool opined that the cost to return the stable to its pre-collapse condition (condemned/unusable structure) was \$1,316,140. From that amount, \$166,760 was deducted for depreciation of the building leaving a balance of \$1,149,380. The City’s deductible under the property coverage program is \$100,000 and after subtracting this deductible, the City received \$1,049,380 in settlement proceeds. The City will reimburse the \$100,000 that has already been expended on engineering costs and stabilization efforts, leaving a remaining

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balance of \$949,380 for the project which is currently coded to 101-9999-40229-00000. Now that the settlement proceeds have been received, the City will be considering various options related to the Stable project. The following table provides preliminary financial information related to possible options:

Options	Rough Estimates	Potential Additional Project Costs	Available Funding
1 – Demolish & use remaining funds for historical sites	\$200,000* Demolition	Lead, Asbestos Removal Site Contamination CEQA Process	\$ 949,380
2 – Demolish & use remaining funds for other City purposes	\$200,000* Demolition	Lead, Asbestos Removal Site Contamination CEQA Process	\$ 949,380
3 – Rebuild to pre-collapse state (Unusable)	\$1,316,140* Rebuild to Pre-collapse state	Lead, Asbestos Removal Site Contamination CEQA Process Costs for ongoing main- tenance/necessary improvements	\$ 949,380
4 –Rebuild to usable condition (including tenant improvements)	\$1.7M to \$2.2M**	Lead, Asbestos Removal Site Contamination CEQA Process Costs for ongoing maintenance	\$949,380
5 – Leave as is – Not long-term solution	Unknown	Purchase of bracing materials Costs for removal or liability if further collapse occurs	\$ 949,380

*These estimates were not obtained through a Request for Proposal or Engineer’s Estimate process and are for discussion purposes only. Actual costs could be higher or lower.

**This estimate was provided prior to the February 2017 collapse. It is assumed the actual costs would be significantly higher due to the additional structural work that will be needed.

In terms of ongoing fiscal impact, it is anticipated as a result of this settlement the property coverage premium the City pays each year will increase. At this time, the amount of this potential increase is not known as the property coverage renewal process has just begun. It should also be noted that any potential increase to this premium could also be due, in part, to the series of catastrophic losses that have occurred recently including the California wildfires and the hurricanes in Texas, Florida and Puerto Rico.

Prior City Council Action – On June 19, 2017, the City Council received an update on this item in Closed Session.

EXECUTIVE SUMMARY

On February 8, 2017, the Pomona stable – a structure condemned in the 1970’s located at 636 Monterey in the City Yard – suffered a partial collapse of the roof and the north, east and south walls. The collapse of the stable was covered under the City’s property coverage. After an investigation by the engineers engaged by the property coverage pool, an offer of \$1,049,380 was extended to the City for the damage to the stable. The City received the check in late January 2018. After reimbursing the \$100,000 spent on stabilization efforts to date, a remaining balance of \$949,380 could be used for the project. The proposed City Council action will result in creation of a Capital Improvement Project and appropriation of these funds while the City makes a determination as to best project approach.

BACKGROUND

The Pomona City stable was originally designed by Ferdinand Davis and construction of the building was completed in 1909. The building is described as a 2.5 story, unreinforced brick structure on concrete footings. The building measures 98 feet long x 44 feet wide, built of approximately 180,000 bricks laid in three (3) courses. The walls are eighteen inches thick and the roof consists of asphalt shingles. The stable was originally used to house the City’s horses and mules, and until 1937, also stored the City’s fire, police and mail buggies. After 1937, the building was apparently used for storage purposes and sometime thereafter, to house the City’s Public Works Department. The building was condemned in the 1970’s and has remained unused since that time.

In 2003, members of the Pomona Historical Society began an effort to have the building placed on the National Register of Historic Places. Ultimately, these efforts proved successful as the stable was listed on the Register on October 6, 2004. According to documents prepared by the United States Department of the Interior: National Park Service in 2004, it was indicated the stairs to the second story of the building “are in such a condition that they could be very dangerous to travel.” Further, at least 70% of the roof is missing to the degree that the sky is clearly visible. It was also indicated the floor of the second story and ceiling of the first floor are “highly deteriorated and in considerable danger of caving in.” The documents go on to state that in the 1970’s the building was declared unsafe for occupancy and was condemned.

As noted previously, on February 8, 2017, the stable suffered a partial collapse of the roof and walls due to a combination of factors including excessive rain, clogged roof drains, vibrations from the nearby railroad tracks and the general state of decay of the building. The collapse was immediately reported by Staff to the City’s property coverage pool, Alliant Property Insurance program (APIP) and efforts began to stabilize the building. A stabilization plan was developed by Degenkolb Engineering with stabilization efforts completed by the end of February 2017. The efforts were complicated because of a second collapse during this time frame which required a new set of stabilization plans to be developed. Once the building was stabilized, this then allowed representatives from J.S. Held, the restoration experts hired by APIP, to assess the damage and develop a cost estimate to restore the stable to its pre-collapse state; the pre-collapse state was a

condemned unusable structure. The experts opined the cost would be \$1,316,140 including stabilization costs to date. From that amount, \$166,760 was deducted for building depreciation leaving a balance of \$1,149,380. The City’s deductible under the property coverage program is \$100,000; after subtracting this deductible, the City was offered a settlement in the amount of \$1,049,380.

Shortly thereafter, Degenkolb Engineering indicated the estimate for repair developed by J.S. Held was low and that Degenkolb would prepare a separate rehabilitation estimate based upon their expertise in historic building preservation. If the Degenkolb estimate resulted in a higher rehabilitation estimate, this would translate to the City receiving a larger amount of settlement monies that could be used to rehabilitate the stable. Despite numerous requests from staff and APIP personnel, this revised estimate was never received. Thus, the City was presented with a “proof of loss” form from APIP in the amount of \$1,049,380. This proof of loss form is in essence a release of the pending claim. However, Staff had concerns regarding the wording of the proof of loss. Staff’s concern was that by executing this proof of loss, it would preclude the City from presenting a further claim if the cost to return the building to its pre-collapse state was higher than the settlement offer of \$1,049,380. Thereafter, the City was presented with a new “partial proof of loss” form which meant that if the cost to rehabilitate the building to its pre-collapse condition was in excess of \$1,049,380, the City could present a claim for the additional, higher amount. This partial proof of loss was executed and returned to APIP on October 25, 2017. The City then received the settlement check on January 16, 2018. After \$100,000 in stabilization expenses to date were reimbursed, the remaining funding available for the project is \$949,380.

DISCUSSION

As the City is now in receipt of the settlement payment, the decisions shift to what course of action should be taken regarding the stable. Although not all-inclusive, the following is a list of options that could be considered when making a determination as to project approach:

- 1) Demolish the stable and use proceeds to assist in rehabilitation efforts of the City’s remaining historic structures
- 2) Demolish the stable and use the settlement proceeds for unnamed purposes
- 3) Rebuild the stable to its pre-collapse condition (unusable structure)
- 4) Rebuild to usable condition
- 5) Leave stable as is – Not a long-term solution

Option 1 - Demolish Stable and Use Proceeds to Rehabilitate Other Historic City Properties

There is an option to demolish the stable and use the settlement proceeds to assist in the rehabilitation of other historic properties the City owns. It should be noted, there is not any requirement the City use the settlement funds to rebuild the stable. As such, the City could use those funds for whatever purposes are deemed necessary. However, the City will be responsible for the cost to demolish the building. Staff obtained a very rough estimate of approximately \$200,000 to complete the demolition process. This estimate was not gathered through an RFP process and does not include any attempts to save any of the brick from the stable or any other potentially historic artifacts contained within the structure. Further, this rough estimate does not take into account the possible existence of asbestos, lead paint or contamination below the building. To obtain a precise cost for demolition of the building, a Request for Proposal (RFP) will need to be issued. Based upon

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the RFP process, the cost to demolish the stable could either increase or decrease from the \$200,000 figure.

Staff has compiled an estimate for renovations of various historic City buildings and the approximate costs for each site are indicated in the table on the following page. Please note that a detailed breakdown of the rehabilitation costs for each building is listed in Attachment 2.

Site	Estimated Rehabilitation Cost
Adobe de Palomares	\$ 312,000
Casa Primera	\$ 282,000
Barbara Greenwood Kindergarten	\$ 80,000
Phillips Mansion	\$1,463,000
Currier House	\$2,330,000

The costs to rehabilitate the City’s public historic properties are considerable with no funding source identified to provide for these maintenance needs. After stable demolition costs are accounted for, this option would direct at least a portion of the remaining insurance proceeds be utilized for historic site renovations.

Option 2 - Demolish Stable and Use the Settlement Proceeds for Unnamed Purposes

Similar to the option listed above, this option would demolish the building. Any remaining funds would be utilized for any purpose the City deems appropriate.

Option 3 - Rebuild to Pre-Collapse State (Unusable Structure)

Should it be decided that rebuilding the stable is the preferred option, the available funding will not cover the cost to rebuild the stable and return it to the condition it was in prior to the collapse. It has already been determined by the coverage pool’s restoration expert the cost for this would be approximately \$1.3 million, yet the amount currently available is \$949,380. Should the cost to rebuild the stable to the pre-collapse state exceed this amount, the City could make an additional claim against the property coverage and possibly receive additional funds. However, when the project is completed, the building would be susceptible to further deterioration as the windows will not be repaired nor will any doors. Further, it is not likely the coverage will pay for a complete new roof to the stable as this would be considered betterment. As such, any portion of the roof still standing that has holes in it will remain after the rebuilding process. The potential for a collapse of the building in the future cannot be ruled out should this option be selected since no funding source has been identified to perform the additional necessary work.

Option 4 - Rebuild to Usable State

As with any rebuilding effort, the money available from the insurance proceeds will not cover the anticipated costs. Several years ago, a rough estimate of \$1.7 to \$2.2 million was obtained to return the building to usable condition including tenant improvements. Should it be decided that rebuilding the stable to a usable state is the preferred option, the City will have to identify a funding source for the improvements. As mentioned previously, this facility would be used for City Yard purposes and would not be open to the public.

Option 5 - Leave Stable As Is – Not Long-Term Solution

Currently, the stable is being stabilized with the use of bracing apparatus. For the time being, this bracing is performing its function however, over time, as pressures of the collapsed portion of the building continue and deterioration continues, the possibility of a further collapse cannot be ruled out. Should this occur during the workday, there is a possibility of City Staff being injured by flying debris from the further collapse. Additionally, the City is incurring \$3,457 per month for rental fees for the bracing. While at present the City will be reimbursed for this cost, should the City fail to take further action such as rebuilding the stable or, demolishing it, more than likely the property carrier will decline to continue reimbursing the City for these costs. While Staff has not received any indication from the property carrier regarding this point, the property adjuster handling this matter has raised this as a possibility. Should a determination be made to leave the stable as is, the City would pursue the option to purchase the bracing materials. These costs would be taken from the settlement proceeds further reducing the amount available for a long-term solution.

Potential Additional Costs

For any options that will be considered, there are potential additional costs related to unknown building hazards such as asbestos or lead. There also may be site contamination issues related to prior use which may need to be addressed with any site demolition or construction. Additionally, the City will need to follow the appropriate environmental processes depending upon the option selected. While there are no current estimates for these unknowns, these costs would need to be funded from the settlement proceeds as part of the project.

Next Steps

This action will create the CIP project to enable Staff to implement the option that is selected. Due to the historic nature of the building, Staff recommends reviewing the options with the Historic Preservation Commission to obtain input. Additionally, although the Stable is not within the purview of the Parks and Recreation Commission, Staff further recommends the options are presented to the Parks and Recreation Commission for consideration since the proceeds in one of the options may be utilized for Parks facilities. The recommendations from both Commissions would be presented to City Council at a future meeting, as part of the decision-making process. Once City Council has selected an option, Staff will proceed with project implementation including any necessary Historic Preservation Commission and environmental approvals.

Attachments: 1. Resolution
2. Priority Needs by Site List