

## AGENDA



## Recommendation for Council Action

## AUSTIN CITY COUNCIL

Regular Meeting: December 13, 2018

Item Number: 003

## Austin Water

Authorize negotiation and execution of an amendment to the cost participation agreement with Desta Three Partnership, Ltd. to increase the amount of the City's participation from \$211,895.00 to an amount not to exceed \$240,155.47 of which the City's total soft cost reimbursement will not exceed \$73,983.48, and approve an ordinance waiving City Code section 25-9-62(D) limiting soft cost reimbursement.

District(s) Affected: District 8

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| <b>Lead Department</b>                                 | Austin Water   |
| <b>Fiscal Note</b>                                     | Funding is available in the Fiscal Year 2018-2019 Capital Budget of Austin Water.  |
| <b>Prior Council Action</b>                            | September 25, 2014 - Council approved a cost reimbursement agreement (20140925-009) with Desta Three Partnership, Ltd. for costs associated with the design and construction of an oversized water main and appurtenances related to Service Request No. 3455. |
| <b>For More Information</b>                            | Cole Huggins, 512-972-0250; Kevin Critendon, 512-972-0191; Denise Avery, 512-972-0104  |
| <b>Council Committee, Boards and Commission Action</b> | November 14, 2018 - Recommended by the Water and Wastewater Commission on a 10-0 vote, with Commissioner Michel absent.  |

**Additional Backup Information:**

The Terrace Block A, Lot 3 project (the “Property”) consists of approximately 7.8 acres of land located along Mopac Expressway, north of South Capital of Texas Highway, and is entirely within the City of Austin’s (the “City”) Full-Purpose Jurisdiction, Impact Fee Boundary, Austin Water’s service area, the Drinking Water Protection Zone, the South Water Pressure Zone, and the Barton Creek Watershed. Austin Water will provide retail water and wastewater service to new development within the Property.

Desta Three Partnership, Ltd. (the “Owner”) is in the process of developing approximately 221,000 sq. ft. of office space on the Property. Service Extension Request Number 3455 (SER-3455) was submitted and approved to provide City water utility service to the Property. As authorized by City Council on September 25, 2014, the City and the Owner executed a Cost Reimbursement Agreement (the “Agreement”) on January 27, 2017 for \$211,895.00 for hard costs and soft costs to construct an oversized 16-inch water main and appurtenances as proposed in SER-3455.

Under the Agreement, the Owner constructed approximately 1,345 feet of 16-inch water main along the northbound Mopac Expressway frontage road between Via Fortuna and Bartons Bluff Lane and will convey the water improvements to the City for the City’s ownership, operation, and maintenance. These water improvements were oversized as required by the City in order to serve additional properties within the South water service pressure zone, consistent with the City’s long-range planning goals for this area. Under the provisions of the executed Cost Reimbursement Agreement, the City agreed to reimburse 50% of the actual hard construction costs of the water main, including City-approved change orders associated with the approved plans, and 15% of the reimbursable hard construction costs for soft costs.

Construction has been completed and the City’s proportional share of the hard construction costs falls within the Council-approved reimbursement amount. However, actual soft costs greatly exceeded the estimated soft costs. The original cost estimate was prepared at a preliminary phase of the Project based on the conceptual water service plan identified in SER-3455 and the project’s total soft costs were estimated at \$55,277.00. Actual soft costs exceeded this amount by \$92,690.00 due to the complexity of the project, an unforeseen requirement for the Owner to prepare and submit an Environmental Resource Inventory, the lengthy review time needed to acquire a Utility Installation Review (UIR) permit from the Texas Department of Transportation, and redesign of a portion of the water main improvements due to a conflict with a Google Fiber line.

Under the proposed amendment to the Agreement, the City will increase its soft cost reimbursement by \$46,345.00. This will bring the total reimbursement (hard and soft costs) to \$240,155.47, a

\$28,260.47 increase over the amount previously approved by Council. This action requires the

waiver of Section 25-9-62(D) of the Austin City Code, which limits soft cost reimbursement to only 15% of reimbursable hard costs.

The proposed project is being managed through Austin Water staff and is located in zip code 78746, in City Council District 8.