

Capital and Schools Subcommittees
Report on Article 7
May 28, 2020

The Capital and Schools Subcommittees of the Advisory Committee held a joint public hearing on Thursday, May 21, 2020 at 5:30 PM on Article 7. The meeting was held using the Zoom meeting platform.

Attending were Capital Subcommittee members John Doggett, Harry Friedman, Amy Hummel, Fred Levitan, Pam Lodish, and Carla Benka, and Schools Subcommittee members Cliff Brown, Dennis Doughty, David Lescohier, Janet Gelbart and Paul Warren. Also attending were Advisory Committee members Carlos Ridruejo, Kim Smith, and Carol Levin; Select Board Member Nancy Heller; Building Commission member George Cole; Town Meeting members Mark Levy and Mark Gray; Deputy Town Administrator Melissa Goff; Assistant Town Administrator Justin Casanova-Davis; Town Finance Director Jeana Franconi; Assistant Town Counsel Jonathan Simpson; School Deputy Superintendent for Administration and Finance MaryEllen Normen; School Director of Operations and Facilities Matt Gillis; School Committee Members Susan Wolf Ditkoff and Helen Charlupski; Assistant Head of School Hal Mason; and Town Building Department staff member Ray Masak. Also attending were Project Director Andy Felix from Hill International, Inc.; Andy Jonic and Sam Lasky from William Rawn Associates, Architects; Jim Craft and Rob Mulligan from Skanska USA Building, and members of the public.

Summary

Article 7 seeks Town Meeting's authorization to bond an additional \$32.2 million for the Brookline High School expansion and renovation project. If approved, the project's budget will total \$237.8 million, an amount that does not include the future cost or schedule impacts associated with COVID-19, suspension of anticipated MBTA operational support (i.e., the ability of Brookline to "piggyback" on the MBTA's closure of the "D" Line to do its own work), or potential additional future costs associated with the eminent domain taking of 111 Cypress Street.

At the end of the three-hour hearing, the Subcommittees tabled their vote (10-0-1).

Background

The project team consists of William Rawn Associates, architects; Skanska USA Building, general contractors; and Hill International, the Owner's Project Manager. The MBTA's role, as defined in a Memorandum of Agreement with the Town, is pivotal, both in terms of impacting the construction schedule of both 111 Cypress and improvements to the Brookline Hills T stop, as well as the construction costs of the latter.

In 2018, after the successful passage of a debt exclusion ballot question, Town Meeting voted to approve \$186.8 million in bonding which, when combined with other funding, provided a total of \$205.6 million for the expansion and renovation of the school. Major components of the original budget and plans were 1) the taking by eminent domain of 111 Cypress Street, and the construction of an academic building on the newly acquired site, with a portion of the building to span the MBTA tracks; 2) the demolition of the Roberts wing of the main academic building and construction of a 3-story STEM wing on the site; 3) a gut rehab of the third floor over the Schluntz Gym, converting science labs to classrooms, offices, and learning centers; 4) renovations to the Tappan Street gym; and 5) renovation of the Cypress Playground and athletic field (a project of the Parks and Recreation Commission).

Crews arrived on site in June 2019, with demolition of the Roberts wing of the main building and 111 Cypress Street starting in September. Value engineering and scope changes began early in the process in response to trade bids that came in higher than originally estimated. In addition, during the first half of 2019, the MBTA's review at the 30%, 60%, and 90% stages of plans for the platform and T station resulted in a number of costly changes.

Between July 2019 and February 2020, approximately \$25 million of construction had been undertaken. In February, because of growing cost overruns, Article 7 was submitted for the 2020 Annual Town Meeting.

Discussion

In advance of the May 21st hearing, members of both the Capital and School Subcommittees submitted questions to the High School Building Committee Co-Chairs, based on the power point presentation of the project that was made to the School Committee at the end of April.¹ Some of their questions were answered by Andy Felix's presentation at the hearing and others were addressed in the question and answer period that followed.

Cost Overages

Mr. Felix noted that the drivers of the cost overruns fell into four categories. The first, rapid escalation in construction market costs, included significant spikes beginning in May 2018, just around the time Town Meeting approved funding the project, and continuing through the first quarter of 2020. Whether the impact of COVID-19 will cause construction market costs to continue to increase or to begin to decrease is currently unknown. Building Commission meeting minutes from July 2019 and the following months indicate that, in light of the escalating costs, value engineering and scope changes were ongoing. Both the design development estimate and the 60% construction cost estimate showed that the project was over budget and value engineering resulted in decreases of \$3.2 million and \$4.8 million in the respective estimates.

Two specific unknown conditions, the second category of cost overruns, included unsuitable soils north of the MBTA tracks and the unforeseen condition of the interface between the wall of the main building and the Roberts wing. In the first instance, unsuitable soils necessitated adjustments to the installation of footings for the new academic building. Tests borings had been undertaken at various locations north of the T tracks in both 2018 and early 2019 but during construction, unstable soil conditions were found to exist between the tested areas.

With regard to the Roberts wing, Ray Masak stated that although the construction drawings to build the wing in the 1930s still existed, the as-built drawings did not. As a consequence, issues relating to the

¹<https://www.brookline.k12.ma.us/cms/lib/MA01907509/Centricity/Domain/722/2020-04-30%20BHS%20School%20Committee%20Presentation%20-%20FINAL%20R1.pdf>

structural soundness of the existing walls were unknown until demolition began.

The third category of cost overruns is entitled “MBTA.” The T became involved as a result of the design to provide access to the 111 Cypress building over the T tracks rather than via the existing Cypress Street bridge. The T required that the plans for the foundation of the Brookline Hills station platform be changed from slab on grade to helical piles, and that the platform be modified to withstand train derailments. Site access and additional diversions also increased costs.

Discussions with the T regarding the platform and station designs began in 2018, with review by the T at various stages of the plan’s development. The original budget for the T platform and station and overhead catenary was \$8.8 million; that amount has increased by approximately \$3 million. The original budget for T diversions (the cost of providing transport for riders when the station is closed) was \$1,500,000; that amount has increased by approximately \$7.4 million. Other costs associated with partnering with the T totaled approximately \$1 million; that number has increased by approximately \$1.1 million.

A fourth cost driver mentioned in the discussion was “added scope.” A change in the design of the MBTA plaza in response to requests by some members of the community was offered as one example. A second example was the decision not to use the existing foundation for the STEM wing as originally planned, but rather to remove the old foundation and build on top of a new one. The new plan was recommended by the contractor to reduce risk to the campus’s infrastructure.

Not included in the \$26 million to \$32 million worth of overages are the impacts of COVID-19 and the temporary suspension of MBTA operational support. At the time of the hearing, neither the construction team nor members of the High School Building Committee were able to provide any guidance on possible additional costs but acknowledged that they could be substantial.

Impact on Tax Bills

BHS Building Committee Co-Chair Nancy Heller noted that because the actual interest rate for bonding the original cost of the project was

considerably lower than the interest rate assumed in the original projections, the \$32.2 million in cost overruns and thus greater borrowing would not increase the final impact on taxpayers beyond the original forecasts. While acknowledging this as fortunate, some Subcommittee members noted that taxpayers would still be paying for an additional \$32.2 million of project costs and that the cost overruns were 13.5% of the budget, while others noted that although taxpayers wouldn't see an increase on their tax bills beyond what had been anticipated, they also would not benefit from the lower interest rates.

Potential Additional Costs

Two significant unknowns in moving forward are potential additional expenses related to the MBTA's decisions regarding operational support and additional expenses related to COVID-19. Discussions with the T regarding resumption of its own construction projects after June 1 and the possibility of "piggybacking" are ongoing. However, even if there is agreement on a schedule with the T, there are no guarantees that there won't be subsequent changes and thus additional diversion costs in the future.

The impact of the pandemic on the costs of construction and construction materials as well as on the delivery of materials is also unknown. Some in the construction industry believe that a 10%-20% increase in costs is possible, while others believe the increase will be much smaller or even that reduced construction demand may lead to more competitive bidding. Much depends on when the current restrictions on various trades will be loosened, whether there will be another shutdown, and how long the pandemic lasts.

A third unknown is whether there will be future costs associated with the eminent domain taking of 111 Cypress Street, with the amount paid by the Town now in litigation with the prior owner.

Process Risk

According to Town Hall staff, the increase in funding would need to be reviewed and approved by the Department of Revenue, a requirement intended to prevent "project creep" in debt exclusion-funded projects. The vote of this Town Meeting authorizing the additional funds would

not require the approval of Brookline voters since they were asked to approve the project but not a specific limit on the amount of borrowing. However, a further request for additional funds beyond the amount approved by this Town Meeting would have to be approved by another override vote. It has not yet been determined whether any of the COVID-related additional costs might be covered by FEMA or by the CARES Act. There are currently no references to capital projects or overages in the legislation.

Options

Subcommittee members discussed a range of options for next steps, including the following:

1. Approve Article 7 and authorize the bonding of \$32.2 million. This has the advantage of keeping the impact on tax bills negligible and possibly getting the job done. It has the disadvantage of not covering whatever additional costs may materialize.
2. Approve borrowing more than \$32.2 million to provide a contingency for an increase in costs resulting from COVID-19 and MBTA decisions related to diversions and scheduling.

This has the advantage of theoretically covering currently unknown future costs but the disadvantages of not knowing final project costs or the ultimate impact on tax bills.

3. Approve bonding a smaller amount and fund the improvements for the Tappan Street gym and Cypress Field, the remaining third floor renovations, and deferred maintenance items via future CIPs.

This has the advantage of reducing the increase in the project's budget, but the disadvantage of not funding the two components of the project – the gym and Cypress Field – that benefit all Brookline residents and were part of the project as originally presented to the voters. Furthermore, improvements to the gym were intended to be part of the 1995 High School renovation, but were subsequently eliminated due to cost

overruns. Moreover, further deferring maintenance items (such as investment in a new boiler for the UAB, fire protection upgrades, replacements of variable frequency drive pumps and heat exchangers) will likely lead to increased operating and/or maintenance costs down the road. Finally, there is expected to be tremendous pressure on the CIP in the coming years, and diverting CIP funds to complete the remaining portions of the high school project will necessitate postponing other CIP projects.

4. Do not support the Article.

The hearing ended with differing views expressed by several Subcommittee members, including supporting the entire \$32.2 million increase; supporting the entire \$32.2 million increase but making it clear that there could be another funding request to address increased costs due to the MBTA and/or COVID-19; supporting sufficient funding to complete the entire project with the exception of improvements to the Tappan Street gym and Cypress Field; and supporting the project but only if the Driscoll budget were reduced by \$32.2 million or some other significant amount.

Other members urged looking at the current status of the High School project in a larger context. While supporting Article 7, they expressed concern regarding the political impact of these increases on future capital projects, viewing the High School as at least politically linked to the Driscoll and Pierce School projects. Since Driscoll is at the 50% Design Development stage, now is the time to hit the “Pause” button and to rethink the project in terms of designing a new school for less money. A smaller price tag for Driscoll would counterbalance the increased cost of the High School, reduce the total cost of ongoing projects closer to levels originally presented to taxpayers, and, for practical purposes, make clear that the Town and Schools were willing to share the benefit of lower interest rates with taxpayers.

Similarly, these members believed that the Pierce project should be included in this financial impact scenario and be postponed in light of the costs of the High School and Driscoll and until there is a greater understanding of the impact of COVID-19 on the MSBA and its funding programs. The combined costs of the High School and Driscoll and their

impact on tax bills should be given time to be accommodated and absorbed, particularly under the current economic circumstances and particularly to preserve the credibility of the Town undertaking large and expensive projects. As one member summed it up, “We must show the voters that we have their backs.”

Along the same lines of placing the High School project in a broader context, it was noted that if there is a successful passage of the Welltower articles by Town Meeting, there will be a debt exclusion vote to acquire the former west campus of Newbury College. Moreover, cuts to the FY 21 budget are likely to encourage some to push for an operating override in FY 22. Additionally, the Pierce School project will require a debt exclusion as will the renovation/replacement of the Town’s fire stations, necessitated by concerns with the environment of the stations and its impact on the health of Brookline firefighters.

Recommendation

With the hope of having more information in the near future about the MBTA’s scheduling plans and the potential impact of the pandemic on construction costs, by a vote of 10-0-1, the Subcommittees tabled their vote.