Minutes of the **Regular Meeting of the Board of Directors** of the **Redevelopment Agency of Riverdale City** held **Tuesday, November 15, 2005**, at 7:50 p.m. at the Riverdale Civic Center, 4600 South Weber River Drive.

Members Present:	Bruce Burrows, Chairman Nancy Brough David Gibby Stan Hadden Stacey Haws Shelly Jenkins
Others Present:	Larry Hansen, Executive Director Randy Daily, Community Development Director Steve Brooks, City Attorney Cindi Mansell, City Recorder

Gary Griffiths	Steve Kier	Scott Kier
Jeri Taylor	Russ Taylor	Rex Palmer
Bob Arbuck	Dan Lundgren	

Chairman Burrows called the meeting to order and welcomed all those present.

Consideration of Meeting Minutes

Chairman Burrows indicated the Redevelopment Board has the October 18, 2005 meeting minutes before them at this time.

Redevelopment Agency Income & Operations – September 2005

Mr. Hansen referenced the informational RDA Income Statement format, stating it is hoped this will represent an easier format to follow. He stated this is illustrative of RDA income by type and expenditure by type (all shown by area), as well as including a functional report on housing, loan program and the senior facility. He stated everything for the month was fairly routine, with the exception of the Senior Debt Service for inter-city loans being taken out of the Riverdale Road and Weber River RDA areas.

Mr. Hansen stated if the process is continued to make payment on an annual basis or it is determined to accelerate, already the 10-year loan term has been reduced in the first year to five years. He stated the housing loan fund program has funds available just under $700,000. He stated there are some current inquiries, as well as a fair amount of requests as to availability and use of that program.

Mr. Haws expressed concern as to payments being made out of RDA Areas 1 and 3, rather than out of the Senior Facility. Mr. Hansen stated this could be corrected and moved, but when decisions were made policy-wise it was based on available cash balances in those specific areas. He discussed the need to keep those expenditures identified more by area, and including description consistent with why it was done.

Motion: Mr. Gibby moved to approve the consent items as presented. Mrs. Brough seconded the motion. The motion passed unanimously.

Senior Housing/Facility – Change Order No. 10

Mr. Hansen explained that Change Order #10 consists of multiple proposed change orders which have accumulated. He stated he would like to see effort this evening as to whether these can be reconciled and resolved as presented. If there are any differences that need to be handled, this can also be done at this time during the course of discussion.

Mr. Hansen discussed difference as to opinion of acceptability or responsibility. He stated the facility is essentially complete, except for a punch list of remaining items to be resolved. He stated tenants took occupancy as of July 1, 2005. Mr. Hansen stated the question is whether the RDA should accept this change order and pay the contractor for all incurred expenses. He stated approval action may provide cost savings, operational improvements, beneficial functional ability, or the RDA to temporarily and with protest, expedite contract completion in good faith and until final agreeable resolution is achieved.

Mr. Hansen then distributed a faxed transmittal from Richard Chong in response to his review of Change Order #10. He stated he would like to address each item individually.

Discussion followed regarding the Quilting Racks, with Dan Lundgren (Chong & Associates), stating this would address Proposed Change Orders (PCO#3, 22, 23). He explained this is a result of the architectural engineer coming to the project and recommending extra structural work that was not included in the original design. He stated this is relative to the structure of the quilting racks, closet frames, etc. and contributes to the betterment of the project because of increased value.

Chair Burrows inquired if this oversight had not been missed in the project beginning, would the RDA still be considering this type of price for the change order. Mr. Lundgren explained it would have been included in the original cost. He discussed the effort to look at the cost of each particular item to determine if it is fair for the amount of work done; and if not, include an extra change order. He stated bottom line, if it was originally included in the contract cost, it would have been higher.

Mr. Hansen stated the RDA had an approved budget and are now hearing that even though the budget is expended, the RDA has received the value and should now pay up. Mr. Lundgren stated the value for these additions, if not included in the original contract, must be taken as a change order. He stated this is not a great deal, as there is always some extent of these types of items involved with any project.

Chair Burrows expressed concern that change orders are the reasonable approach for items that are unforeseen. He stated he has a hard time justifying to the citizens that the contracted architect, who is a member of the American Association of Architects, did not catch these types of items.

Mr. Kier explained change orders in the construction industry are not necessarily viewed as a bad thing. He stated they are a fact and part of this industry; and an everyday occurrence. He stated

the drawings that the architect provides and the resulting construction are not a perfect science. He stated he would encourage owners to carry a healthy change order budget on every project. Mr. Kier stated although some change orders can be resolved, and Kier did eat a lot of costs, the result is not bad. He stated he feels the change orders are reasonably priced. Discussion followed regarding the change orders at hand, with Mr. Kier stating he would admit the RFI's (Request for Information) were excessive on this project.

Mr. Kier stated his firm is working on a similar project in West Jordan that is twice the size of this building; and the mechanical contractor had seven RFI's on mechanical, 31 total. He stated there have been over 40 in mechanical; and 141 total on this project all together. He continued the average for change orders per project is between 2-5%; and if all change orders as requested are approved – Riverdale will be under 6%.

Mr. Hansen stated he would argue these are design errors. Mr. Kier stated there are no labor costs included in these change orders, as they are strictly for materials. He stated there was also an oversight of change order markup during contract negotiation, which is set at 6% yet typically runs between 8-12%.

Mrs. Jenkins inquired if the RDA and staff were able to accurately express their needs to the architect during the design phase of the center. She inquired if the RDA is in error because they did not articulate their needs – or is it specific to architectural design that did not allow desires to occur in that particular manner. Mr. Lundgren stated there is more involved than just omissions or things being overlooked. He stated these change orders are requests from the owners themselves and for items that simply were not thought about prior to building. Mr. Hansen stated he would reference the column indicating two owner initiated items. He stated in the interest of completing the facility and deferring to a later date, he would like to proceed.

There did not appear to be RDA Board consensus for payment on PCO's 8, 22, and 23.

Mr. Kier stated PCO #6 has been voided. He stated Kier dropped the ceiling at no cost to accommodate the light fixtures; and credit was received for the recessed fixtures in the lounge.

Discussion followed regarding PCO #8, adding ductwork for the dishwasher. Russ Taylor, Project Manager for Team Mechanical, explained an exhaust fan showed up on the drawing with no ductwork or detail of any sort. Mr. Lundgren stated he does not feel this is architect error, will not accept responsibility, and feels that value has been added to the facility. Mr. Kier stated these types of items are hard to put a figure on before construction or after. He clarified that no architect would accept a contract if they had to accept responsibility for every mistake they made.

Chair Burrows inquired as to the cost of all these change orders being paid by Kier. Mrs. Jenkins inquired as to a reasonable agreement and the option of the RDA to remedy the issue for the time being. She stated the RDA should take the high side, as Kier is obviously not making out like a bandit on this job and have stated it has not been profitable. Mr. Hansen stated in context and perspective, weekly meetings were held to discuss the issues. He stated some of these issues came about early on and had to be resolved. He stated because of difficulties with regards to RFI's and design omissions and in the interest of completing the project, staff felt compelled to move

forward. He stated some of the change orders had to be addressed as the project moved along; yet there are many that are older and still in need of discussion.

Discussion followed regarding PCO #93 in the amount of $29,105.40 for general condition extension. Mr. Hansen stated he interprets this as Kier wanting the owner to pay an additional $29,000 because the architect made mistakes. He stated this is because of difficulty dealing with errors and omissions that came from these construction documents; and questioned both legal and moral responsibility. He stated this then brings him back to the joint response to the Request for Proposal where Kier and Chong came hand in hand and wanted to do the job. He stated they brought each other to the table and now Kier is saying they want $29,000 because Chong screwed up. He stated this smacks him as a moral problem.

Mr. Kier explained there are provisions in the contract that allow the request for general provisions. He stated the excessive change orders overtaxed his staff and the project ran over schedule by a couple of months. He stated one cannot imagine the massive delays and inefficiencies that were experienced; and he could have asked for the entire $42,000 but chose not to. He stated many of the RFI's were brought on by Riverdale City, and provided consideration because of their requests. Mr. Kier stated the RDA and the City Attorney made a determination to split the contracts at a point and change the entire setup and payment system. Mr. Hansen stated he would argue that it would be a great stretch to attribute $29,000 to Riverdale initiating change orders.

Mr. Hansen discussed separate professional contracts, and other RFP's. Mr. Kier stated his firm was hired to build the building, and he inquired if Riverdale City is now saying they are unwilling to abide by the signed contract agreement that they have with Kier Construction. He stated change orders are about whether or not the contractor has done the work; and had he known there would be this much difficulty, Kier would not have moved forward on the change orders without a signed agreement.

Chair Burrows inquired as to legal opinion in moving forward. Mr. Brooks stated he would refer to the Executive Summary statement relative to moving forward under protest; or possibly seeking legal adjudication on items that the RDA is not comfortable paying outright without some compensation back. Chair Burrows stated he feels this could be possible, with the exception of the $29,105.30. He stated he feels the Board should move forward and address anything that is actual construction or physical changes, and then address the general condition extension separately.

Mr. Kier stated PCO #87 is also voided because credit was received. Mr. Lundgren stated the architect is willing to make concession on PCO #100. Mr. Hansen stated there were issues and serious delays involved with the refrigerators in the ADA units.

Further discussion followed regarding PCO #93, with Mr. Kier stating this is nothing tangible that can be seen or felt. He stated it is because his company was held on the job site longer and due to site overhead. He stated Kier has never asked for interest as required by Utah State Law; and the RDA is still holding $130,000 on retention. He stated he has worked with Riverdale in the past, and has enjoyed this project. He stated he has no intention of "loading" change orders.

Discussion followed regarding PCO #48, furnace room changes. Mr. Kier explained there were a number of problems, but basically, these furnace rooms were too small to accept the specified furnaces. He stated the closets were framed according to the drawings, and hollow metal doors installed per procedure. He stated at that point an RFI was submitted, and the answer was given that the building should have been built around the furnaces. Mr. Kier stated his company is doing another project with Team Mechanical with the same heating units, yet they work fine with the design as provided from that mechanical engineer. He stated his crew had to physically remove the hollow metal doors from the frames and return them to Pioneer Door to have them remachined and dimpled for reinstall. He stated the fee requested is minimal as to what it really cost.

Mr. Gibby stated he sees no choice but to make the contractor whole, regardless of issues in terms of the facility.

Mr. Kier referenced two change orders that came about as a result of the value engineering effort to get the cost of the project down for Riverdale City. He stated the duct changes in the amount of $18,000 were as a result of the value engineering that did not work. He stated credit was unable to be obtained for the round ductwork.

Mr. Hansen stated Administration would agree that Kier should be made whole. He stated each step along the way, staff has felt very comfortable in meeting with Rich Wolthius and Rex Palmer. He stated they feel good about their response, support and willingness to work through these issues. Mr. Hansen stated there are legally two contracts, and with regard to Chong and Associates and in fairness to Mr. Lundgren, he has stepped into a difficult situation and tried to work this situation through. Mr. Hansen stated Mr. Lundgren is the fourth architect that Chong has placed on this project. He summarized that although there are issues to be resolved, he would suggest the RDA Board move forward and approve the amended Change Order amount.

Motion: Mr. Gibby moved to approve Change Order #10 in the amended amount of $105,500.06 to Kier Construction for work completed. Mr. Hadden seconded the motion.

Roll call vote: Mr. Hadden, Yes; Mrs. Brough, Yes; Mr. Gibby, Yes; Mr. Haws, Yes; and Mrs. Jenkins, Yes. The motion passed unanimously.

Chair Burrows stated he appreciates the professionalism and patience of everyone involved in the completion of this project in such a timely manner.

Mrs. Jenkins stated for the record, the reduction in the percentage taken in these change orders is duly noted. She stated she does want to let Mr. Kier know that his efforts are appreciated.

RDA Annual Agency Report to Taxing Agencies

Mr. Hansen explained it is legally required for the RDA to submit an Annual Report to Taxing Agencies for an estimate of property taxes to be paid. He stated Jonnalyne Walker has provided assistance in preparation of the analysis and numbers put forth. He stated this is relative to monies expected to receive for the current calendar year in the amount of $1,018,238; and the amount requested of taxing agencies for the oncoming calendar year in the amount of $1,075,000. He stated staff would request the RDA Board accept and approve the report to submit to Taxing Agencies as proposed.

Motion: Mr. Gibby moved to approve the RDA Annual Agency Report to Taxing Agencies as proposed. Mr. Haws seconded the motion. The motion passed unanimously.

With no other business to come before the Board at this time Mr. Gibby moved to adjourn the meeting. Seconded by Mr. Haws. The motion passed unanimously. The meeting adjourned at approximately 9:13 p.m.

Attest:

Approved: December 6, 2005

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Larry Hansen
Executive Director

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Bruce Burrows
Chairman