



EXECUTIVE SUMMARY

MEETING DATE: February 16, 2024

HCR24-017

SUBJECT: Building Rehabilitation Contract for Pacific Village

COUNCIL DISTRICT: 2

ORIGINATING DEPARTMENT: Real Estate

CONTACT/PHONE NUMBER: Josh Hoffman (619) 727-4491

REQUESTED ACTION:

Approve the execution of a contract with LDCo., Inc. for general construction services in an amount not to exceed \$13,149,934 at Pacific Village at 3737-3747 Midway Drive, San Diego, 92110, which the San Diego Housing Commission owns and manages.

EXECUTIVE SUMMARY OF KEY FACTORS:

- On January 26, 2024, the Housing Commission completed its purchase of the property at 3737-3747 Midway Drive, San Diego, CA 92110, now known as Pacific Village, to create 62 affordable rental housing units with supportive services for individuals experiencing homelessness.
- The Housing Commission Board previously approved the project budget November 20, 2023. The project budget consists of funds from the State Department of Housing and Community Development (HCD) Homekey Program grant, the City of San Diego and the County of San Diego.
- SILLMAN was engaged as the project architect to design the project and process construction plans through the City of San Diego Development Services Department under their new "Affordable Housing Permit Now" process.
- The rehabilitation scope of work includes, but is not limited to: the installation of kitchenettes in all units; addition of a fire sprinkler and alarm systems; upgrades to existing building systems and utility services to extend the useful life of the property and accommodate new kitchenettes and fire systems; upgrades to life safety systems; security additions, including the installation of cameras and perimeter fencing; replacement of bathroom fixtures; roof replacement; painting of the interior and exterior of the building; accessibility upgrades, including path of travel to units and common areas; termite fumigation; and other site improvements.
- In the aftermath of heavy rainfall and associated flooding that displaced many households from their homes in the City of San Diego, the Housing Commission identified Pacific Village as a site for a short-term emergency shelter for storm-impacted households.
- The rehabilitation of Pacific Village will commence after the short-term emergency shelter has concluded.
- The Housing Commission engaged in a two-step solicitation process with a Request for Qualifications followed by an Invitation for Bid (IFB).
- The bid LDCo provided was deemed reasonable when compared to cost estimates from a pair of third-party firms and the project's Housing Commission Board-approved capital budget.
- LDCo is a well-qualified contractor that has successfully worked with the Housing Commission on unrelated projects in the past.
- The agreement with LDCo. will represent an amount not to exceed \$13,149,934. Including the additional contingency in the project pro forma, the total hard cost budget for the project is \$14,420,126. This amount aligns with the total hard cost line that was included in the development budget presented to the Housing Commission Board on November 20, 2023, to acquire the property.



REPORT

DATE ISSUED: February 8, 2024

REPORT NO: HCR24-017

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of February 16, 2024

SUBJECT: Building Rehabilitation Contract for Pacific Village

COUNCIL DISTRICT: 2

Advance notice of San Diego Housing Commission (Housing Commission) hearing of the following matter has been provided to the Housing Authority Members pursuant to the provisions of San Diego Municipal Code Section 98.0301(e)(4)(A)-(B)

REQUESTED ACTION

Approve the execution of a contract with LDCo., Inc. for general construction services in an amount not to exceed \$13,149,934 at Pacific Village at 3737-3747 Midway Drive, San Diego, 92110, which the San Diego Housing Commission owns and manages.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) Board of Commissioners (Board) take the following actions:

- 1) Authorize the President and Chief Executive Officer (President and CEO), or designee, to enter into a contract with LDCo. Inc. (LDCo.) in an amount not to exceed \$13,149,934 for general construction services at Pacific Village at 3737-3747 Midway Drive, San Diego, 92110, which the Housing Commission owns and manages. The contract term shall align with the completion date required by the State of California Department of Housing and Community Development (HCD) Homekey Program, currently set at January 9, 2025.
- 2) Authorize the President and CEO, or designee, to use project contingency and amend the contract, as needed, as long the total amount of the contract plus amendments does not exceed \$14,420,126 without further approval from the Housing Commission Board. The contingency will not be expended unless there is a demonstrated need.
- 3) Authorize the President and CEO, or designee, to substitute the identified contract funding sources with other available funding sources, as long as the total activity amount after substitution does not exceed the approved total hard cost budget, including the contingency, of \$14,420,126, should the need arise, without further action by the Housing Commission Board or Housing Authority of the City of San Diego, but only if and to the extent that funds are determined to be available for such purposes.

- 4) Authorize the President and CEO, or designee, to execute all documents and instruments that are necessary and/or appropriate to implement these approvals, in a form approved by General Counsel, and take such actions as are necessary and/or appropriate to implement these approvals, provided that a copy of the documents, signed as to form by General Counsel, is submitted to each Housing Commissioner.

SUMMARY

Pacific Village, originally built in 1958, consists of one “U shaped” two-story structure with 64 units at 3737-3747 Midway Drive, San Diego, CA 92110. Each unit is equipped with private bathrooms but does not currently have cooking facilities. One unit is designated as the manager’s unit. The property also includes a main office, lobby, and a common laundry room.

On January 26, 2024, the Housing Commission completed its purchase of the property. The Housing Commission Board previously approved the project budget November 20, 2023. The project budget consists of funds from the State Department of Housing and Community Development (HCD) Homekey Program grant, the City of San Diego and the County of San Diego. The Housing Commission acquired the property, which previously operated as a hotel, to create affordable rental housing units with supportive services for households experiencing homelessness in the City of San Diego.

SILLMAN was engaged as the project architect to design the project and process construction plans through the City of San Diego Development Services Department under their new “Affordable Housing Permit Now” process. This collaborative process was designed to expedite the plan approval process for qualifying deed-restricted affordable housing projects. The project plans are currently “permit ready” and will be ready for issuance following notification to the City of the selection of the General Contractor.

The rehabilitation scope of work includes, but is not limited to: the installation of kitchenettes in all units; addition of a fire sprinkler and alarm systems; upgrades to existing building systems and utility services to extend the useful life of the property and accommodate new kitchenettes and fire systems; upgrades to life safety systems; security additions, including the installation of cameras and perimeter fencing; replacement of bathroom fixtures; roof replacement; painting of the interior and exterior of the building; accessibility upgrades, including path of travel to units and common areas; termite fumigation; and other site improvements.

In the aftermath of heavy rainfall and associated flooding that displaced many households from their homes in the City of San Diego, the Housing Commission identified Pacific Village as a site for a short-term emergency shelter for storm-impacted households. HCD granted the Housing Commission a 105-day extension to the project schedule for the purpose of this interim use of the property. On February 3, 2024, households began moving into the property for temporary shelter stays. The rehabilitation of Pacific Village will commence after the short-term emergency shelter has concluded.

The Housing Commission engaged in a two-step solicitation process with a Request for Qualifications followed by an Invitation for Bid (IFB).

On January 2, 2024, the Housing Commission issued an RFQ for General Contracting Services, seeking well-qualified general contractors to perform the rehabilitation work at the property. RFQ RED-24-10 included a detailed Scope of Work, architectural drawings, and supplemental information to describe the project.

The RFQ was publicly posted and made available for download on both the Housing Commission's and the City of San Diego's PlanetBids platforms. In addition, electronic notices were sent by PlanetBids to all general contractors registered on the Housing Commission's and the City of San Diego's portal, inviting contractors to participate in the RFQ. A total of 3,063 notices went to contractors, and 94 parties downloaded the RFQ. A non-mandatory preproposal virtual meeting was held on January 5, 2024, and 19 participants attended. A non-mandatory site walk was conducted in person on January 10, 2024, and representatives from six general contracting firms attended.

RFQ proposals were due on January 23, 2024, and one response was received, from LDCo. Using scoring criteria outlined in the RFQ, an evaluation committee determined that LDCo. was a qualified respondent. Neither the number of responses nor the number of qualified respondents were disclosed in the RFQ process.

The second step of the solicitation process was the issuance of an Invitation for Bid (IFB) to LDCo, which was the only qualified respondent to the RFQ, on January 29, 2024. The number of qualified respondents was not disclosed in the IFB. The IFB closed on February 5, 2024, and LDCo provided a response.

LDCo's bid for the base project scope plus a list of defined cost add alternates totaled \$11,378,943.29. The bid LDCo provided was deemed reasonable when compared to cost estimates from a pair of third-party firms and the project's Housing Commission Board-approved capital budget. Additionally, LDCo provided unit costs for the selective repair and replacement of structural framing, sheathing and decking, and replacement of existing site lighting and existing plumbing fixtures previously identified to remain. These unit costs will be the basis for negotiated allowances to be added to the contract. Any unused allowances will be credited back to the project by way of negative change order at the conclusion of the project.

LDCo is a well-qualified contractor that has successfully worked with the Housing Commission on unrelated projects in the past. Staff is confident LDCo will provide outstanding services as a reliable partner to the Housing Commission.

Once the rehabilitation is complete, the development will consist of 62 units dedicated to individuals experiencing homelessness, one manager's unit and unit to be used as a service provider office. The Housing Commission has committed 62 federal Project-Based Housing Vouchers to help pay rent for residents experiencing homelessness. Of these vouchers, 15 are Veterans Affairs Supportive Housing (VASH) vouchers committed to assist veterans experiencing homelessness. Veterans with VASH vouchers will receive case management and clinical services from the U.S. Department of Veterans Affairs (VA).

The remaining population intended for this site would consist of people experiencing chronic homelessness; people experiencing literal homelessness; and Transition-Age Youth in need of permanent affordable rental housing with supportive services. Residents would be identified through referrals from the Coordinated Entry System and would include individuals experiencing chronic homelessness with serious mental illness.

Through a Memorandum of Agreement (MOA) with the County of San Diego Health and Human Services Agency and through the VA, all tenants will receive the following supportive services: outreach and engagement; mental health services; healthcare/physical health services; behavioral health services; substance use services; case management; care coordination; life skills training; education and employment services; assistance obtaining benefits and essential documentation and transportation services.

The proposed project aligns with the goals of the Community Action Plan on Homelessness for the City of San Diego to increase access to permanent housing solutions for people experiencing homelessness and increase access to services for people with behavioral health needs.

FISCAL CONSIDERATIONS

The agreement with LDCo. will represent an amount not to exceed \$13,149,934. Including the additional contingency in the project pro forma, the total hard cost budget for the project is \$14,420,126. This amount aligns with the total hard cost line that was included in the development budget presented to the Housing Commission Board on November 20, 2023, to acquire the property.

The proposed Fiscal Year (FY) 2024 funding sources and uses were not included in the FY 2024 Housing Commission Budget approved by the Housing Authority. However, on November 20, 2023, the Housing Commission Board voted 5-0 to authorize the Housing Commission to amend its budget in the amount of \$28,692,562 and expend funds in that aggregate amount from the State’s Homekey program, the City of San Diego and the County of San Diego toward the acquisition and rehabilitation of Pacific Village.

Approving this action does not further increase the FY 2024 budget. Funding sources and uses related to the current fiscal year budget will be as follows:

| Fiscal Year 2024 Funding Sources: | |
|--|---------------------|
| California Department of Housing and Community Development Homekey | \$3,261,898 |
| City of San Diego | \$5,386,947 |
| County of San Diego | \$5,771,281 |
| Total | \$14,420,126 |

| Fiscal Year 2024 Funding Uses: | |
|---------------------------------------|--------------|
| Hard Costs (Not to Exceed) | \$13,149,934 |

| | |
|--|---------------------|
| Hard Cost Contingency (Remainder of Approved Budget Sources) | \$1,270,192 |
| Total | \$14,420,126 |

PREVIOUS HOUSING COMMISSION BOARD OF COMMISSIONERS ACTIONS

On July 8, 2022, the Housing Commission Board voted 5-0 to authorize the Housing Commission to execute a Purchase and Sales Agreement by and between the Housing Commission and Anjali Enterprises, LLC (Seller), with a purchase price not to exceed \$11,623,000 for the property at 3737-3747 Midway Drive, San Diego, CA 92110. The Housing Commission Board also approved the commencement of Due Diligence activities and a Due Diligence budget not to exceed \$250,000 (Resolution No. HC-1954).

On February 9, 2023, the Housing Commission Board voted 4-0 to authorize the Housing Commission to approve the execution of a sole source architectural design contract with Sillman Architects for the property at 3737-3747 Midway Drive, San Diego, CA 92110, in an amount not to exceed \$753,770 and the associated pre-development budget (Report No. HCR23-005).

On May 12, 2023, the Housing Commission Board voted 4-0 to authorize the Housing Commission to submit an application to the State of California Department of Housing and Community Development Homekey Program for grant funds in an amount not to exceed \$18,000,000 for the property at 3737-3747 Midway Drive, San Diego, CA 92110 in accordance with the March 29, 2023, Notice of Funding Availability for the Homekey Program.

On November 13, 2023, the Housing Commission Board voted 5-0 to approve the acceptance of \$16,850,000 in State of California (State) Homekey Program Funds, \$5,921,281 in City of San Diego HOME Investment Partnerships American Rescue Plan Program (HOME-ARP) funds, and \$5,921,281 in County of San Diego American Rescue Plan Act (ARPA) funds; to Amend the San Diego Housing Commission’s Fiscal Year 2024 Budget in the Amount of \$28,692,562; to Expend \$28,692,562 to Support the Proposed Acquisition and Rehabilitation of the Ramada Inn Property at 3737-3747 Midway Drive; and to Acquire and Rehabilitate the Property at 3737-3747 Midway Drive, to be known as Pacific Village.

EQUAL OPPORTUNITY CONTRACTING AND EQUITY ASSURANCE

LDCo., Inc is a certified small business and has included a diverse list of subcontractors (Small, Small Local, Section 3, Minority and Woman-owned business concerns) for this project. Staff will obtain a commitment to equity and inclusion certification from LDCo., during the contract signature process.

HOUSING COMMISSION STRATEGIC PLAN

This item also relates to Strategic Priority Area No. 1 in the Housing Commission Strategic Plan for Fiscal Year (FY) 2022-2024: Increasing and Preserving Housing Solutions.

ENVIRONMENTAL REVIEW

The City of San Diego conducted an environmental review and determined the project is exempt from CEQA pursuant to CEQA Guidelines Section 15301 (Existing Facilities) and 15304 (Minor Alterations to Land). This activity is exempt pursuant to CEQA Guidelines Section 15301 (Existing Facilities), as there are no changes planned to building and unit footprints, or property

use. The activity is also exempt pursuant to 15304 (Minor Alterations to Land), as the renovations will be limited to immediate needs such as those identified for fire and life safety, accessibility and path of travel, and remediation for hazardous materials and pests. None of the exceptions to the exemptions as outlined in CEQA Guidelines Section 15300.2 would apply. The City of San Diego approved a National Environmental Policy Act determination that this project is Categorical Excluded Subject to Section 58.5 on May 8, 2023.

Respectfully submitted,



Josh Hoffman
Vice President of Development Services
Real Estate Division

Approved by,



Jeff Davis
Deputy Chief Executive Officer
San Diego Housing Commission

Attachments: 1) Evaluation Criteria

Hard copies are available for review during business hours at the information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101. Docket materials are also available in the "Governance & Legislative Affairs" section of the San Diego Housing Commission website at www.sdhc.org.

RFQ EVALUATION CRITERIA

Following the opening of the SOQs, the SOQs will be evaluated by an Evaluation Selection Committee. The Committee will recommend the most highly qualified to successfully deliver the Services after consideration of the RFQ criteria listed below. The submittal documents for this RFQ contained in this section must align with and reflect the elements contained in the scope of services, as described in this RFQ.

| RFQ EVALUATION CRITERIA | POINT VALUES |
|--|----------------------------|
| <p>A. Minimum Threshold Requirements: Contractor will be immediately disqualified if:</p> <ul style="list-style-type: none"> • Any answers to questions 1 through 6 of <i>Section C. Essential Criteria Questions of Attachment 1 Contractor Questionnaire</i> is “NO”; • Any answers to questions 7 through 13 of <i>Section C. Essential Criteria Questions of Attachment 1 Contractor Questionnaire</i> is “YES”; • Any contract (or portion thereof), if any entered into by the Respondent that has been terminated for cause, or which required completion by another party, within the last five years; and • Any debarment or suspension, if any, from performing work for the federal government, any state or local government, or any foreign governmental entity, against the Respondent. | <p>Pass or Fail</p> |
| <p>B. Qualifications: Qualifications will be evaluated on the following:</p> <ul style="list-style-type: none"> • Understanding of work to be performed; • Understanding of federal, state, and local requirements applicable to the Commission and for the services specified herein; • Proposed project approach, communication plan, methodology and quality assurance/quality control plans, and scheduling; • Identification of all critical functional relationships between project management, executive oversight, construction management, quality management, and environmental compliance; and • Sufficient bonding capacity and financial strength to complete the project. | <p>25</p> |
| <p>C. Experience: Experience will be evaluated on the following:</p> <ul style="list-style-type: none"> • Responses to <i>Section D. Qualification Questions</i> and <i>Section E. Project References of Attachment 1 Contractor Questionnaire</i>. Respondent is required to answer questions 1 through 21 of Section D. Qualification Questions and must provide additional information to the Commission for any questions where the answer is not “0”. The Commission may require additional information from Respondent to verify the accuracy of the responses provided; • Experience in providing general contractor services that the Respondent and each major participant has managed and/or constructed; • Experience with the constructions of projects of similar scope and complexity; and • Experience of the proposed participants successfully working together as an integrated team. | <p>40</p> |

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| <p>D. Key Personnel and Project Readiness: Key Personnel and Project Readiness will be evaluated on the following:</p> <ul style="list-style-type: none"> • Responses to <i>Section B. Current Organization and Structure</i> of Attachment 1 Contractor Questionnaire. The Commission may require additional information from Respondent to verify the accuracy of the responses provided; • Identification of individuals (including any subconsultants) that will be assigned to the Project; • The qualifications and experience of Key Personnel; • Description of internal practices and procedures utilized to meet deadlines for construction, program reporting and fiscal requirements; • Outline of the ability to adhere to the Project Schedule, including the capability in responding to the IFB, preparing contracts with the Commission and subcontractors, and beginning operations in a short timeframe; and • Quality of detailed timeline describing the major tasks and milestones for implementing operations. | 25 |
| <p>E. Equity and Inclusion: Respondent must demonstrate their knowledge, experience and commitment to equity and inclusion. Provide a narrative on how you demonstrate your commitment to diversity equity and inclusion within your organization and how equity and inclusion is incorporated into the services the Respondent provides.</p> <p>Also include specific examples of activities and initiatives including but not limited to:</p> <p>Knowledge in the principles and practices of diversity, equity, and inclusion (DE&I). Staff trainings, recruitment and workplace practices, outreach efforts to ensure, to the greatest extent possible, potential candidate pools for new hires includes diverse applicants.</p> <p>Knowledge and/or experience in recommending effective supplier diversity/historically underutilized business programs.</p> | 10 |
| 100 TOTAL POSSIBLE POINTS | |