



City of Culver City

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Staff Report

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CC - CONSENT ITEM: Approval of Amendments to the Existing Construction Contracts with Cornerstone Construction Group, Inc. in Amounts Not-to-Exceed \$1,127,755 and \$1,279,303 for the Renovation of City-Owned Properties (Known as Project Homekey) at 3868 and 3900 Sepulveda Boulevard, Respectively (Totaling \$2,407,058).

Meeting Date: February 13, 2023

Contact Person/Dept: Elaine Warner / Office of Economic and Cultural Development
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Phone Number: (310) 253-5777
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Fiscal Impact: Yes ☒ No ☐

General Fund: Yes ☐ No ☒

Attachments: Yes ☐ No ☒

Commission Action Required: Yes ☐ No ☒

Public Notification: (E-Mail) Meetings and Agendas - City Council (02/08/2023)

Department Approval: Jesse Mays, Assistant City Manager (02/02/2023)

RECOMMENDATION:

Staff recommends the City Council approve amendments to the existing construction contracts with Cornerstone Construction Group, Inc (CCG) in amounts not-to-exceed \$1,127,755 and \$1,279,303 for the renovation of City-owned properties (known as Project Homekey) at 3868 and 3900 Sepulveda, respectively (totaling \$2,407,058).

BACKGROUND:

Project Homekey (PHK) is a statewide program funded through the California Department of Housing and Community Development (HCD). The Homekey program encourages cities, counties and other public entities to develop a range of permanent or interim housing types for people experiencing homelessness. On March 15, 2022, HCD announced Culver City was awarded \$26.6 million to create interim and supportive permanent housing at two adjacent motel sites along Sepulveda

Boulevard. The Culver City PHK is designed to provide 73 harm reduction-based, low barrier Interim Housing (IH) and Permanent Supportive Housing (PSH) service enriched housing units to chronically homeless individuals. Once the units come online they will provide housing for approximately 20% of the City's current unhoused population.

PHK also included an incentive bonus that awards recipients additional funding if the project achieves 90% occupancy of the units within eight months of receiving the award. Culver City was eligible to receive a bonus award of up to \$740,000 for ongoing operating expenses if the project was able to achieve completion by November 2022.

Upon award receipt, the City formally initiated the acquisition process to purchase two motels located at 3868 Sepulveda Blvd. (Deano's Motel), and 3900 Sepulveda Blvd. (Sunburst Spa and Suites), in the City of Culver City. Deano's Motel was constructed in the early 1960s, and the Sunburst Spa and Suites was constructed in 1991. It was acknowledged that both properties required significant renovations and on-site improvements in order to be converted into interim and permanent supportive housing facilities. The renovation work relates to aesthetics, site security, building systems including electrical, plumbing, heating/ventilation/air conditioning system improvements, and compliance with the Americans with Disabilities Act (ADA) among other things.

In April 2022, the City contracted with John Kaliski and Associates (JKA) for architectural services and Katz, Okitsu & Associates (KOA) for construction management services to assess the site, develop preliminary construction drawings and identify an expedited construction schedule to meet the proposed incentive. In June 2022, a Request for Qualifications RFQ (RFQual) was issued for qualified construction contractors. CCG was selected as the lowest responsive and responsible bidder, and a contract was awarded for \$9,103,614, with a 10% contingency for both sites in September 2022.

The City received the funds from HCD for the acquisition and capital improvements of the motels on August 8, 2022. Escrow on the motels closed on August 11, 2022.

DISCUSSION:

In an effort to meet the HCD incentive deadline, construction was initiated on the site in mid-September 2022. At that time, the project plans were not fully complete, with several details that required additional design, on a time and materials basis, and permitting such as HVAC, plumbing, and electrical. As renovations began, it was discovered that several systems required substantial improvements and repairs beyond the original bid amount. Additionally, widespread mold, asbestos and termite damage required drywall and ceiling removal, structural reframing and wall replacement, interior painting and guestroom flooring which was not anticipated or included in the original bid.

Additionally, as the City and its operator Exodus Recovery developed plans for operations at the site, new elements were added to the project scope in order to accommodate construction of enhanced common areas, kitchenette upgrades to include cooktops, millwork and plumbing connections, roof replacement, perimeter wall repairs, fire alarm updates, additional on-site security provisions, door replacement, soft story retrofit and labor extensions.

Due to the number of unforeseen conditions and related design updates, as well as delays and long lead times for required work by Southern California Edison (SCE), it was not feasible to complete the

project by the incentive deadline of November (though staff is still in discussion with HCD about the incentive award considering HCD only issued grant funds in August 2022 causing delay in acquisition and consequently start construction). However, construction has continued to move forward at an expedited pace in order to deliver the project as quickly as possible and provide services for our unhoused residents.

Given the current change orders approved to date and anticipated work yet to be initiated, amendments to CCG's contracts are now required. KOA has been working with CCG to develop a comprehensive contingency for the remainder of the building envelope and recommends an additional placeholder allocation, not-to-exceed \$2,407,058. This amount is an estimate and may be reduced as work is substantiated and completed by CCG. One unknown amount, however, includes the extent of electrical work required to upgrade the power to both properties due to design service challenges with SCE. This amount also does not include the site improvements and landscaping portion of the project which will be brought to Council as a separate item for design consideration and approval. Staff will also be bringing back an amendment with KOA for extended construction management services for the remainder of the project.

FISCAL ANALYSIS:

The Adopted Budget for Fiscal Year 2022/2023 includes \$2,000,392 of available funds in Project Homekey Interim Housing - Deano's (CIP No. PF034) and Project Homekey Permanent Housing (CIP No. PF035) to augment the CCG contracts. Additional funding for the amendment and related contingency for completion of construction in the amount of \$406,666 is available in the Project Homekey Operating accounts. Since operations at the motels will begin later in the fiscal year than had been anticipated, all the allocated funding will not be needed in the current year. These funds can be reallocated to Interim Housing - Deano's (CIP No. PF034) and Permanent Housing - Sunburst (CIP No. PF035).

ATTACHMENTS:

None.

MOTION:

That the City Council:

1. Approve amendments to the construction contracts with Cornerstone Construction Group, Inc., in amounts not to exceed \$1,127,755 and \$1,279,303 for the renovation of City-owned properties (known as Project Homekey) at 3868 and 3900 Sepulveda Boulevard, respectively

(totaling \$2,407,058); and

2. Authorize the City Attorney to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City.