



# City of Culver City

Mike Balkman  
Council Chambers  
9770 Culver Blvd.  
Culver City, CA 90232  
(310) 253-5851

## Staff Report

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**CC - CONSENT ITEM: (1) Approval of Amendments to the Existing Construction Contracts with Cornerstone Construction Group, Inc. in an Aggregate Amount Not-to-Exceed \$1,396,969 for Electrical Connection, Trenching and Other Required Improvements at City-Owned Properties (Known as Project Homekey) at 3868 and 3900 Sepulveda Boulevard; and (2) FOUR-FIFTHS VOTE REQUIREMENT: Approval of a Related Budget Amendment Appropriating \$207,197 from General Fund Unassigned Fund Balance to CIPs PF034 (Interim Housing - Deano's) and PF035 (Permanent Housing - Sunburst).**

**Meeting Date:** May 22, 2023

**Contact Person/Dept:** Elaine Warner / Office of Economic and Cultural Development  
Tevis Barnes/ Housing and Human Services Department

**Phone Number:** (310) 253-5777  
(310) 253-5782

**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 (05/18/2023)

**Department Approval:** Jesse Mays, Assistant City Manager (5/16/2023)

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### **RECOMMENDATION:**

Staff recommends the City Council (1) approve amendments to the existing construction contracts with Cornerstone Construction Group, Inc (CCG) in an aggregate amount not-to-exceed \$1,396,969 for electrical connection, trenching and other required improvements of City-owned properties (known as Project Homekey) at 3868 and 3900 Sepulveda Boulevard; and (2) approve a related budget amendment appropriating \$207,197 from General Fund Unassigned Fund Balance to CIPs PF034 (Interim Housing - Deano's) and PF035 (Permanent Housing - Deano's) **(four-fifths vote required)**.

### **BACKGROUND/DISCUSSION:**

On March 15, 2022, Culver City was awarded \$26.6 million to create interim and supportive permanent housing at two adjacent motel sites on Sepulveda Boulevard. The Project 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. The project will provide housing for approximately 20% of the City's current unhoused population.

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.

Construction of the project was initiated in October 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.

Furthermore, when Southern California Edison (SCE) determined that a new transformer and upgraded electrical service was required for the motels, staff began coordinating that work. SCE has developed plans for the electrification and service at both sites. In March, the City Council approved a mid-year budget allocation of \$984,550 to provide funding for this work as well as other utility connections.

In February 2023, the City Council approved an amendment to the existing construction contract in an amount not-to-exceed \$2,407,058 pursuant to the City's construction management consultant's (KOA) recommendation for completion of the building envelope. Despite their best estimate, additional unforeseen conditions and delays have continued to emerge as work continues. As a result, an amendment to the existing contract is needed in an amount not-to-exceed \$1,396,969 for electrical connection, trenching and other required improvements. Additional funding/budget authority in the amount of \$207,197 is required to finish the project until applicable credits and allowances are confirmed. Details of the remaining work and funding sources are included in the fiscal analysis section of this report.

## **FISCAL ANALYSIS:**

The Revised Budget for Fiscal Year 2022-2023 includes \$343,000 of available funds in Project Homekey operating accounts. Since operations at the motels not begin until next fiscal year, the allocated funding will not be needed in the current year. Of the \$343,000, \$57,000 is recommended to be used for fencing at the motel sites. The remaining \$286,000 can be reallocated to Interim Housing - Deano's (CIP No. PF034) and Permanent Housing - Sunburst (CIP No. PF035) for the amendment to the construction contracts.

On March 13, 2023, funding in the amount of \$984,550 was appropriated in the Midyear Budget adjustments for the required utility and electrical work. \$492,350 was added to CIP PF034 (Interim Housing - Deano's), and \$492,200 was added to PF035 (Permanent Housing - Sunburst). Of this amount, \$80,788 has been allocated to the Golden State Water and SCE for providing the utility connections. \$903,772 is available to be allocated to the amendments to the construction contracts which include the trenching and cabling required for electrical service.

An additional \$207,197 is required to fund the difference. Staff recommends that Council appropriate \$207,197 from the General Fund Unassigned Fund Balance for CIP PF034 and PF035 to complete the work (**requires a four-fifths vote**). As noted previously, KOA anticipates that there are several credits forthcoming at the completion of the contract which may reduce the total amount ultimately required to deliver the project. If that happens, funds will be returned to the General Fund at the end of the project.

### **ATTACHMENTS:**

None.

### **MOTION:**

That the City Council:

1. Approve a budget amendment appropriating \$207,197 from General Fund Unassigned Fund Balance to CIPs PF034 (Interim Housing - Deano's) and PF035 (Permanent Housing - Sunburst) (**requires four-fifths vote**);
2. Approve amendments to the existing construction contracts with Cornerstone Construction Group, Inc., in an aggregate amount not-to-exceed \$1,396,969 for electrical connection, trenching and other work;
3. Authorize the City Attorney to review/prepare the necessary documents; and,
4. Authorize the City Manager to execute such documents on behalf of the City.