



September 11, 2020

TO: CADA Board of Directors

**SUBJECT: September 18, 2020 Board Meeting  
AGENDA ITEM 5  
AUTHORIZATION TO AMEND CONTRACT WITH ARCHITECT FOR THE  
1322 O STREET AFFORDABLE HOUSING PROJECT**

**CONTACT:** Renée Funston, Development Manager  
Tom Kigar, Special Projects Director  
Wendy S. Saunders, Executive Director

### **RECOMMENDED ACTION**

Staff recommends the Board adopt a resolution authorizing the Executive Director to amend the design contract with Williams + Paddon Architects for the 1322 O Street Affordable Housing Project.

### **BACKGROUND**

In July 2019, the Executive Director executed a contract with Williams + Paddon Architects (W + P) to provide Architectural Services for the Yield Study (Phase 1) for the 1322 O Street Affordable Housing Project at a cost of \$14,144. At the August 16, 2019 meeting, the Board authorized the Executive Director to approve Amendment #1 of the contract to proceed with the Schematic Design Phase (Phase 2) and the Design Development Phase (Phase 3) at an additional cost of \$121,902. At the January 24, 2020 meeting, the Board authorized the Executive Director to approve Amendment #2 to proceed with the Construction Documentation and Permit Processing Phase (Phase 4) at a cost of \$206,808, and the Bidding and Construction Administration (Phase 5), at a cost of \$84,391. At the March 20, 2020 meeting, the Board authorized the Executive Director to approve Amendment #3 for \$70,000 for W + P contract to hire Holmes Structures to incorporate cross-laminated timber into the Project bringing the total W + P contract amount to \$497,245.

### **ANALYSIS**

#### **Amendment #4 to Contract with Williams + Paddon Architects *Change Order #3 – Value-Engineering***

Amendment #4 includes W + P Change Order #3 in the amount of \$39,760 to cover the cost of completing in-depth value-engineering for the Project.

The general contractor, Tricorp Group, based the preliminary hard construction cost estimate of \$11,726,000 as shown in **Table 1** on the Design Development Documents. They used historical costs adjusted for inflation from previous jobs. When Tricorp obtained subcontractor bids based on the Construction Documents, they came in \$1.3 million over budget. Tricorp and W + P completed an in-depth value-engineering of the Construction Documents to reduce hard construction costs by \$541,000. Tricorp worked closely with their electrical and mechanical subcontractors to thoroughly

review the proposed systems and materials along with W + P to successfully achieve this significant cost savings.

**Amendment #4 to Contract with Williams + Paddon Architects**  
**Change Order #4 – Increase Project Site**

Amendment #4 includes W + P Change Order #4 in the amount of \$38,500 to cover the cost of revising the plans to increase the Project site to .26 acres and make several design changes.

Staff submitted an HCD Transit-Oriented Development (TOD) Housing Program application for 1322 O Street on July 30, 2020 seeking \$10 million in grant funding. Given financing uncertainty and high competition for affordable housing funds, staff pursued creative approaches to maximize the project’s score.

The TOD program awards points for encouraging higher densities, which includes “consolidating multiple small lots into a single parcel for the Project.” Staff identified the opportunity to split a portion of the California Department of General Services (DGS)-owned property at 1316 O Street adjacent to the Project, which is currently used as a four-car garage and to process a Lot Line Adjustment to add that land to the Project site. DGS authorized this property transfer, which constitutes consolidation of two lots into a single parcel for the Project.

The Project site is currently .24 acres and the proposed Lot Line Adjustment will increase it to .26 acres. A single-story building will be constructed on the additional land and the bicycle storage and security/storage facilities currently located on the ground floor of the Project will be moved to the single-story building. Relocation of these facilities allows for creation of two apartments in their place, increasing the unit count from 56 to 58 – now 57 affordable units plus a Manager’s Unit. See **ATTACHMENT 1** for the preliminary site plan that integrates the 1316 O Street garage land into the Project.

The total amount of Amendment #4 is \$78,260.

Total estimated project costs stand at \$18.4 million as shown in **Table 1** below. The increase is primarily due to increases in hard costs including the addition of the single-story building and two residential units.

**Table 1 - Development Budget**

<b>Cost Category</b>	<b>5/8/20</b>	<b>9/18/20</b>
Hard Construction Costs	\$ 11,726,000	\$ 13,458,009
Architecture and Engineering	\$ 784,000	\$ 640,000
Construction Period Interest and Construction Financing Fees	\$ 390,000	\$ 587,250
Building Permits and Fees	\$ 635,000	\$ 420,000
Legal	\$ 185,000	\$ 150,000
Transit Passes and Operating Reserves	\$ 260,000	\$ 264,836
Developer Fee	\$ 1,900,000	\$ 2,136,491
Construction Contingency (% of hard costs)	\$ 400,000	\$ 582,940
Other Costs	\$ 320,000	\$ 170,314
<b>Total Cost</b>	<b>\$16,600,000</b>	<b>\$18,409,840</b>

As shown in **Table 2**, CADA's contribution stands at \$3.1 million. (The Board had approved a CADA contribution of up to \$4.5 million at the May 15<sup>th</sup> meeting.)

**Table 2 - Financing Sources**

<b>Financing Sources</b>	<b>5/8/20</b>	<b>9/18/20</b>
State and Federal Tax Credit Equity Proceeds	\$ 4,660,000	\$ 4,692,833
Commercial Permanent Loan	\$ 5,700,000	\$ 0
Transit-Oriented Development (TOD) Funding	\$ 0	\$10,000,000
CADA Permanent Loan	\$ 4,500,000	\$ 3,100,000
Deferred Developer Fee	\$ 1,740,000	\$ 617,007
<b>Total Financing Sources</b>	<b>\$16,600,000</b>	<b>\$18,409,840</b>

### **Unit Count and Affordability**

To maximize the amount of TOD funding and tax credit equity the project is eligible to receive, staff set the affordability levels based on a percentage of Area Median Income (AMI), unit mix, and rents as shown in **Table 3** below.

**Table 3 - Unit Mix and Rents**

<b>Unit</b>	<b>Number of Units</b>	<b>Gross Rent</b>	<b>Max Income Level<sup>1</sup></b>
Studios @ 40% AMI	22	\$605	\$24,200
Studios @ 50% AMI	28	\$756	\$30,250
Studios @ 60% AMI	7	\$907	\$36,300
Manager's Unit	1	--	--
<b>Total Units</b>	<b>58</b>	--	--

Note: <sup>1</sup> Sacramento County median income is \$60,500.

### **Schedule**

Staff will submit for tax credits and bonds by the September 24<sup>th</sup> deadline. Pending Board authorization of contract Amendment #4, W + P will update the construction documents to incorporate the additional land and reconfigure the ground floor. Next, Staff will submit for a building permit. TOD Housing Program awards are expected in October. Tax credit and bond awards are anticipated in December. Following award of tax credits and bonds, Staff will pull the building permit. Construction is expected to commence in June 2021.

### **FINANCIAL IMPACT**

The \$78,260 cost of the proposed amendment will come from the Development Reserve.

### **CONTRACT AWARD CONSIDERATIONS**

Staff is requesting Board approval to amend the W + P contract because the amount exceeds the Executive Director's \$50,000 professional services contract authority.

## **ENVIRONMENTAL CONSIDERATIONS**

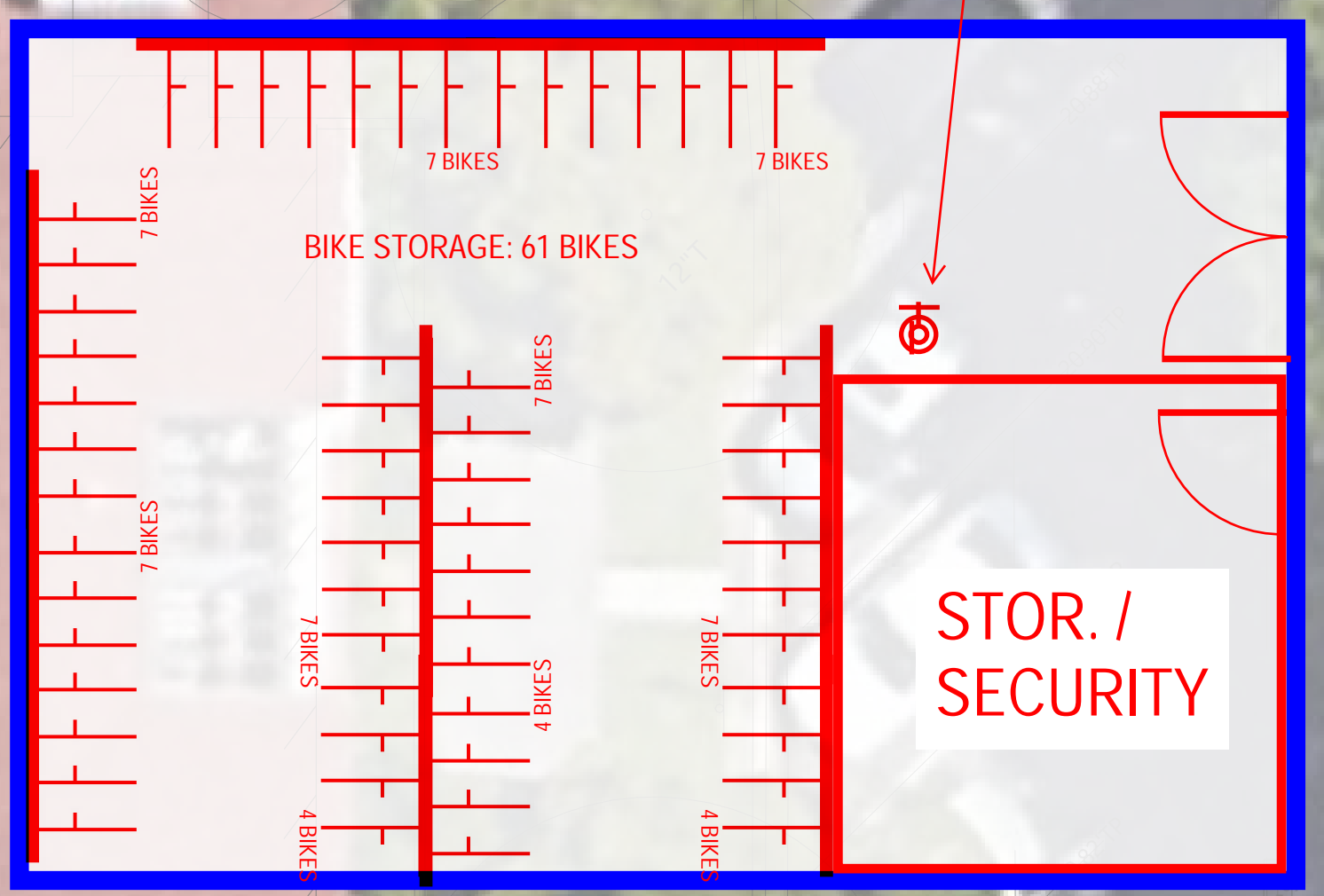
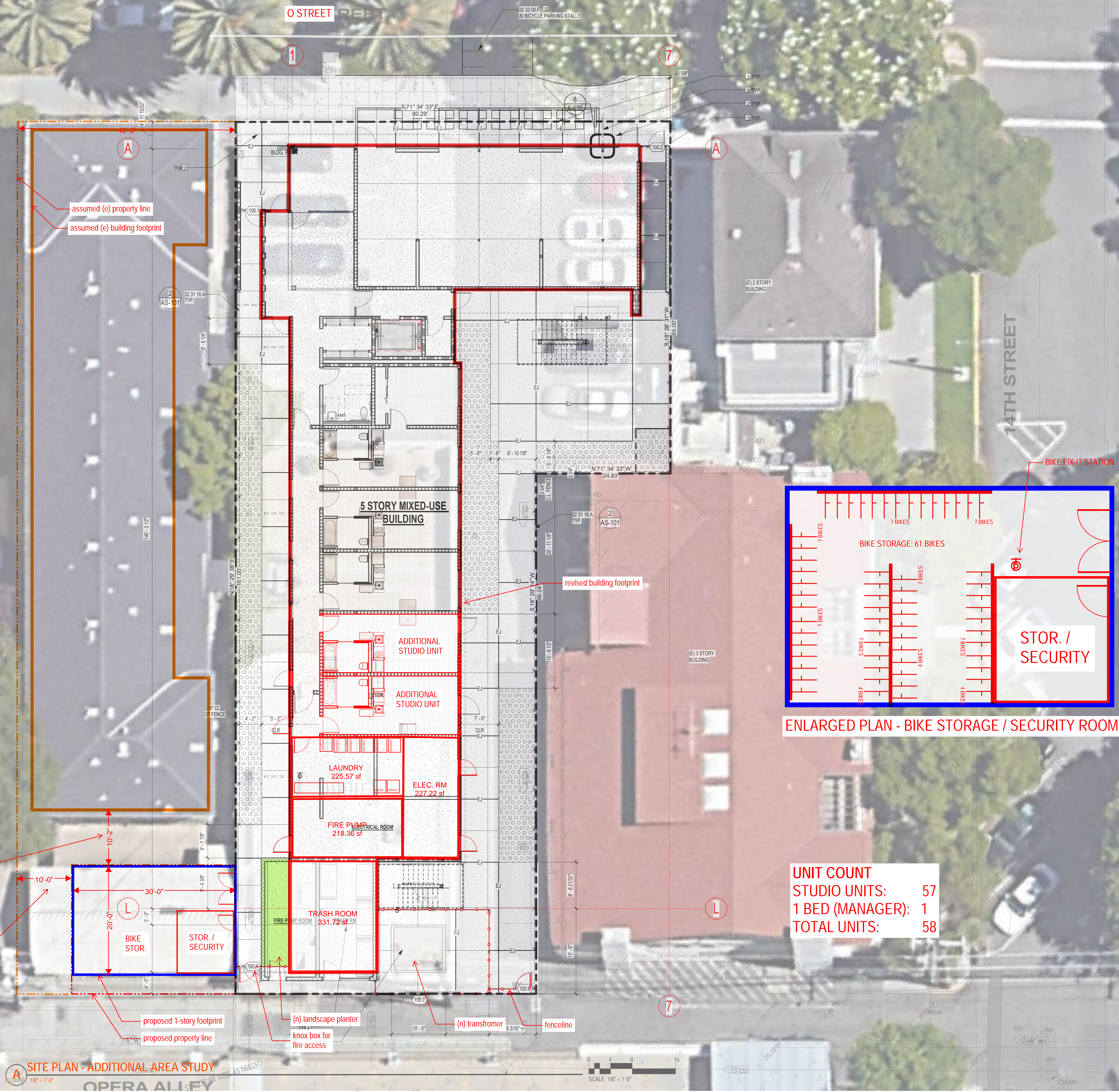
At the November 13, 2019 meeting, the Board found the project to be exempt from CEQA based upon consistency with the Central City Specific Plan and EIR. Staff filed a Notice of Exemption.

## **POLICY**

Developing 1322 O Street as a "micro-unit" affordable housing project; making use of a novel building method that has a lower carbon footprint; and building the project in collaboration with the State of California under Governor Newsom's Executive Order regarding the California housing crisis is consistent with CADA's 2016-2021 Strategic Plan that calls for urban development leadership, development of complex infill projects and collaboration with CADA's State and City partners.

Attachment:

1. Preliminary Site Plan to Add the 1316 O Street Garage Area



ENLARGED PLAN - BIKE STORAGE / SECURITY ROOM

**UNIT COUNT**

STUDIO UNITS:	57
1 BED (MANAGER):	1
<b>TOTAL UNITS:</b>	<b>58</b>

**RESOLUTION NO. 20 - 27**

Adopted by the Capitol Area Development Authority

September 18, 2020

**RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO AMEND THE CONTRACT WITH WILLIAMS + PADDON ARCHITECTS FOR THE 1322 O STREET AFFORDABLE HOUSING PROJECT**

**WHEREAS**, CADA entered into a Consulting Agreement for Design Services with Williams + Paddon (W + P) to commence the first of five phases of design work at a cost of \$14,144; and

**WHEREAS**, on August 16, 2019, the Board authorized Amendment #1 of the contract with W + P to commence work on the Schematic Design Phase (Phase 2) and the Design Development Phase (Phase 3) at a cost of \$121,902; and

**WHEREAS**, on January 24, 2020 the Board authorized Amendment #2 of the contract to approve the Construction Documentation and Permit Processing Phase (Phase 4) at a cost of \$206,808, and the Bidding and Construction Administration (Phase 5) at a cost of \$84,391; and

**WHEREAS**, on March 20, 2020 the Board authorized Amendment #3 of the contract with W + P in the amount of \$70,000 to hire Holmes Structures for incorporation of renewable construction materials bringing the total W + P contract amount to \$497,245; and

**WHEREAS**, on July 7, 2020, W + P and the General Contractor, Tricorp Group completed in-depth value-engineering of the plans to save \$541,000 on hard construction costs; and

**WHEREAS**, on July 30, 2020, Staff submitted a competitive HCD Transit-Oriented Development Housing Program application for \$10 million, which awards points for encouraging higher densities, including performing a Lot Line Adjustment to increase the Project site to .26 acres; and

**WHEREAS**, on August 11, 2020, W + P submitted a cost proposal of \$78,260 for value-engineering and revising the Construction Documents based on increasing the Project site.

**NOW, THEREFORE, BE IT RESOLVED**, by the Capitol Area Development Authority Board of Directors that the Board authorizes the Executive Director to amend the contract with W + P in the amount of \$78,260 to cover the cost of W + P completing value-engineering for the Project and to authorize W + P to revise the plans to increase the Project site to .26 acres.

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Ann Bailey, Chair

ATTEST:

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Jill Bagley-Azevedo  
Acting Secretary to the Board of Directors