



August 14, 2020

TO: Board of Directors

SUBJECT: **August 21, 2020 Board Meeting**

AGENDA ITEM 7

RATIFICATION OF CONTRACTS TO REPAIR GAS LEAKS AT 1420 O STREET

CONTACT PERSON: Marc de la Vergne, Deputy Executive Director

RECOMMENDED ACTION:

Staff recommends the Board ratify the Executive Director's emergency action authorizing CADA to enter into contracts with Elite Service Experts, Inc. for the repair of gas leaks at 1420 O Street in the amount of \$231,000.

BACKGROUND:

1420 O Street is a 29-unit apartment building constructed in 1956. It consists of 29 apartments arranged on two sides of a central hallway, on three levels. The building is a wood-framed and sits on a slab-on-grade foundation. In March 2020, a building resident reported smelling the odor of natural gas on the east side of the building. CADA's Maintenance Department staff immediately contacted PG&E, who confirmed the odor was present on the east side of the building. PG&E turned off gas service to four out of the seven units on that side of the building (six apartments and one house meter which supplies gas to the building's heating system). They performed a pressure test on the remaining three gas lines on the east side and found they were leaking as well. PG&E determined CADA needed to replace gas service to all seven units. Staff moved affected tenants immediately to a nearby hotel.

Maintenance staff reported the situation to Deputy Executive Director and requested permission to retain Elite Service Experts to repair the leaks. Elite Service Experts is a full-service general contractor CADA has successfully used in the past to make a variety of repairs to CADA buildings and grounds. CADA's contracting policy allows staff to make an exception to the agency's formal bidding procedure and to award contracts in emergency situations to qualified contractors where the Executive Director has determined that a public emergency or necessity exists. CADA awarded Elite a not-to-exceed \$80,000 contract to make the east side repairs. Elite's work took about 5 weeks to complete. The work was finished in May.

At PG&E's recommendation, CADA also performed pressure tests of the gas lines serving fourteen apartments on the west side of the building. That test revealed that the gas lines serving the fourteen apartments on the west side were also leaking. Accordingly, CADA awarded a second emergency contract to Elite, in the amount of \$151,000. Elite started work at the end of June. As of August 7, Elite was in its fifth week of work. It started work on the third floor and worked its way down to the first floor, working on one floor at a time. CADA's Resident Services Manager, Merri Stutes, managed placement of residents in a nearby hotel with kitchens in each room. This made the relocation easier on tenants, particularly during the pandemic when restaurants are not operating normally. Elite's work should be finished by approximately August 14th.

During the course of the gas repair work, staff found asbestos in the ceiling texture coating of one of the apartments and directed Belfor Property Restoration to remediate it. CADA has an annual asbestos abatement contract with Belfor, so the work was able to be assigned and completed quickly, at a cost of \$10,000.

POLICY ISSUES

CADA's Contract and Bid Procedures Policy Statement requires that all public works contracts greater than \$50,000 must be awarded by the Board of Directors pursuant to CADA's formal bidding procedure. The Policy Statement provides an exception to the formal bidding procedure where the Executive Director has determined that a public emergency or necessity exists. In that case, CADA may dispense with bidding procedures and award a contract to a contractor of its choosing. The Executive Director determined the situation at 1420 O Street to be an emergency and authorized the repair work to begin immediately under a contract with Elite and to continue once it was determined that additional apartments were affected and that more work was needed.

STRATEGIC PLAN

The proposed action supports the accomplishment of the CADA Strategic Plan goal to be a leader in urban property management.

FINANCIAL IMPACTS

CADA maintains property insurance coverage through the Public Entity Property Insurance Program (PEPIP) with a \$25,000 deductible. The PEPIP policy covers the replacement cost to remediate minor damage, reconstruction costs for major damage, and loss of rents for the units while they are uninhabitable. CADA filed an insurance claim, but the claim has been denied. The insurance company is taking the position that the leaks were the result of defective original piping or defective installation and thus not eligible for coverage. CADA's Risk Manager is considering appealing this decision.

Two contracts for the gas line repair work at 1420 O Street were awarded to Elite Service Experts, one for \$80,000 (C20-134) for the east side work and as second for \$151,000 (C21-045) for the west side work.

ENVIRONMENTAL ISSUES

This item does not require CEQA review or certification.

CONTRACT AWARD POLICY

CADA's Executive Director authorized staff to enter into two contracts with Elite Service Experts. These emergency contracts were awarded CADA's emergency contract procedures to Elite Service Experts, Inc. Staff is requesting that the Board approve a resolution ratifying the Executive Director's action.

Approved for transmittal to the Board:

Wendy S. Saunders, Executive Director

RESOLUTION NO. 20 – 23

August 21, 2020

Adopted by the Capitol Area Development Authority

**RATIFYING THE EXECUTIVE DIRECTOR'S EMERGENCY ACTION TO ENTER INTO
CONTRACTS WITH ELITE SERVICE EXPERTS TO REPAIR GAS LEAKS AT 1420 N
STREET**

WHEREAS, the CADA-managed apartment building at 1420 O Street has experienced unexpected gas leaks that required immediate repair; and

WHEREAS, the CADA Contract and Bid Procedures Policy Statement allows an exception to the formal bidding procedures where the Executive Director has determined that a public emergency or necessity exists; and

WHEREAS, the Executive Director determined the situation to be an emergency and authorized repairs to begin immediately; and

WHEREAS, Maintenance identified Elite Service Experts as a firm that could quickly and competently make the needed repairs; and

WHEREAS, the Executive Director has authorized staff to suspend bidding and enter into two contracts with Elite Service Experts in an amount totaling \$231,000 under CADA's emergency contract provisions.

NOW, THEREFORE, BE IT RESOLVED, by the Capitol Area Development Authority, that the Board of Directors hereby ratifies the Executive Director's action under the emergency contract procedures to award contracts to Elite Service Experts in an amount totaling \$231,000.

Ann Bailey, Chair

ATTEST:

Jill Bagley-Azevedo
Acting Secretary to the Board of Directors