



City of Santa Ana
20 Civic Center Plaza, Santa Ana, CA 92701
Staff Report
April 19, 2022

TOPIC: Increase Spending Capacity for the Homeless Navigation Center Construction

AGENDA TITLE:

Approve Increase in Spending Capacity with Dyer 18 LLC for Unforeseen Tenant Improvement Costs Relating to the Homeless Navigation Center (Non-General Fund)

RECOMMENDED ACTION

Authorize the City Manager to increase spending capacity with Dyer 18, LLC for tenant improvements at the Homeless Navigation Center, in the amount of \$1,200,000.

DISCUSSION

On March 2, 2021, the City Council approved a lease agreement with Dyer 18 LLC for an industrial building located at 1815 Carnegie Avenue to be used as a homeless navigation center. This lease agreement included tenant improvements (construction), as well as a purchase option. The original tenant improvement costs were estimated as \$8,500,000 with an additional contingency of \$850,000.

On February 15, 2022, the City Council approved an additional \$2,000,000 to complete the project when it became apparent that the original tenant improvement estimate would be insufficient to complete the work on this site. Since this time, unforeseen conditions have continued and have impacted costs. Pandemic-related supply chain costs and changes to scope have had the greatest impact to the increased costs. Not only was there a disruption in service when goods were unavailable, but there was also an increase in costs of materials.

The totality of issues at the site have created these unforeseen financial impacts and necessitate increased expenditures. The contractor reports remaining tenant improvement costs to be \$2,017,391. At the onset of the agreement with the contractor the City paid a retainer of \$850,000, which was to be used at the conclusion of construction. The total additional spending authority needed will be the anticipated costs, minus the retainer requiring an increase in spending authority in the amount of \$1,200,000, for a total construction of \$12,550,000 to complete tenant Improvements and allow occupancy.

At this project's onset, the general contractor made assumptions that certain portions of work had been completed by the prior contractor when estimating tenant improvement costs. As the construction progressed, it was determined that many of the items believed to have been addressed by the prior contractor had not been completed and needed to be added to the scope of work for current tenant improvements. Those costs, coupled with both increased labor and materials costs, have escalated total costs.

FISCAL IMPACT

Funds in the amount of \$1,200,000 will be available, pending City Council approval for appropriation adjustment, in the Homeless Housing, Assistance and Prevention Program (HHAP) 3 grant, Payment to Subagent account (no. 12218717-66200) for expenditure in the current fiscal year.

EXHIBIT(S)

1. Lease including Addendum
2. Schedule of Values Matrix

Submitted By: Steven Mendoza, Assistant City Manager

Approved By: Kristine Ridge, City Manager