

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: August 20, 2019

CAO File No. 0220-05151-0136

Council File No. 17-0090

Council District: 2, 4, 5, 8, 15

To: Proposition HHH Citizens Oversight Committee

From: Richard H. Llewellyn, Jr., City Administrative Officer

Subject: **INCREASED CONSTRUCTION COSTS FOR CITY-SPONSORED PROPOSITION HHH FACILITIES PROGRAM PROJECTS AND STATUS OF COMMITMENTS**

SUMMARY

This report describes increased construction costs for City-sponsored Proposition HHH (Prop HHH) facilities projects in the Fiscal Year (FY) 2017-18 and 2018-19 Project Expenditure Plans (PEPs) and provides recommendations to amend the FY 2018-19 PEP to address these increased costs. It also includes an update on the status of Prop HHH funding.

In addition to \$10.5 million for City-sponsored projects recommended in this report, two (2) concurrent reports from the Housing and Community Investment Department are scheduled for consideration with recommended commitments of \$351.1 million: the Prop HHH Permanent Supportive Housing 2018-19 Round 3 Call for Projects (\$231.1 million); and the Prop HHH Housing Challenge Request for Proposals (\$120 million). The recommendations in these reports will fully commit the \$1.2 billion in Prop HHH bond authority.

RECOMMENDATIONS

That the Proposition HHH Citizens Oversight Committee review and forward the following recommendations to the Proposition HHH Administrative Oversight Committee:

1. Approve the Amended Fiscal Year 2018-19 Proposition HHH Facilities Program Project Expenditure Plan (Attachment A) for 21 projects totaling \$48,239,418, which includes the following amendments:
 - a. Updated City-sponsored project costs totaling \$26,069,271 as follows:
 - i. Sherman Way Navigation Center – \$6,520,914;
 - ii. Gardner Library Bridge Housing – \$3,498,698;
 - iii. Council District 8 Navigation Center – \$8,984,260;
 - iv. Navigation Center at San Pedro Harbor Police Station – \$7,065,399; and
 - b. Withdrawal of the Saban Community Clinic Beverly Health Center Renovation Project – \$784,036.
2. Authorize the City Administrative Officer to reprogram funds in the amount of \$784,036 issued for the Saban Community Clinic Beverly Health Center Renovation Project to address increased costs for City-sponsored Prop HHH Facilities Program projects.
3. Authorize the use of interest earned on Proposition HHH bond proceeds to address

increased costs for City-sponsored Prop HHH Facilities Program projects.

4. Authorize the City Administrative Officer to reprogram Prop HHH bond proceeds to projects in Mayor- and City Council-approved Proposition HHH Project Expenditure Plans to ensure timely project construction.
5. Authorize the City Administrative Officer or designee, to prepare Controller instructions and make necessary technical adjustments consistent with the Mayor and City Council action on this matter, subject to the approval of the City Administrative Offer, and request the Controller to implement these instructions.

BACKGROUND

The Fiscal Year (FY) 2017-18 and 2018-19 Prop HHH PEPs included \$14,766,000 for four (4) City-sponsored projects: three (3) navigation centers in Council Districts (CDs) 2, 8, and 15, and the Gardner Library women's interim housing project in CD 4. All four (4) projects are currently under construction. The Bureau of Engineering (BOE) is managing project design and construction in cooperation with the Department of General Services (GSD). BOE reports that, due to increasing construction costs, additional funds are needed to complete these projects. (Attachment B).

DISCUSSION

City-Sponsored Prop HHH Facilities Shortfall

The BOE reports that bids for construction elements such as concrete, demolition and grading, asphalt, and structural steel, are higher than projected in the original budgets for the four (4) City-sponsored Facilities Projects (Attachment B). These increased costs are attributed to the strong economy and construction market in Los Angeles and a labor shortage.

Table 1 below provides the shortfall for each project based on the revised Prop HHH project budgets and approved Prop HHH funds in the FY 2017-18 and 2018-19 PEPs. The total shortfall is \$11,303,271. Revised Prop HHH project budgets include both direct construction costs and contingency funds requested by BOE and GSD to avoid project delays in case of further increased cost. The City Administrative Officer (CAO) recommends that the Mayor and Council approve the attached Fiscal Year 2018-19 Proposition HHH Facilities Program Project Expenditure Plan (Attachment A), which is amended to include additional funds to address the project shortfall for City-sponsored Prop HHH Facilities projects.

The attached amended FY 2018-19 Prop HHH Facilities Program PEP also reflects removal of the Saban Community Clinic Beverly Health Center Renovation Project (\$784,036) in CD 5. As previously reported, this project withdrew from the Prop HHH Facilities Program as a result of unforeseen construction cost increases due to the age of the building (C.F. 17-0090). Prop HHH Bond proceeds issued for this project will partially offset funds needed for City-sponsored Prop HHH Facilities Program projects. As such, the shortfall for Facilities Projects is reduced to \$10,519,235 (Table 1).

Table 1. City Sponsored Prop HHH Facilities Projects Shortfall

Project Name	(A) Revised Prop HHH Project Budget	(B) Approved Prop HHH Funds	(A)-(B) Project Shortfall
Sherman Way Navigation Center	\$6,520,914	\$2,641,000	\$3,879,914
Gardner Library Bridge Housing	\$3,498,698	\$1,875,000	\$1,623,698
CD 8 Navigation Center	\$8,984,260	\$6,100,000*	\$2,884,260
San Pedro Navigation Center	\$7,065,399	\$4,150,000	\$2,915,399
Subtotal City-Sponsored Facilities Projects	\$26,069,271	\$14,766,000	\$11,303,271
Saban Community Clinic Beverly Health Center Renovation Project	\$0	\$784,036	(\$784,036)
Total Facilities Program Shortfall	\$26,069,271	\$15,550,036	\$10,519,235

* Total of Prop HHH funds approved in the FY 2017-18 (\$3,100,000) and FY 2018-19 (\$3,000,000) PEPs

If the above amendments are approved, the total amount of the Prop HHH Facilities Program FY 2018-19 PEP will increase from \$37,720,183 to \$48,239,418. In order to control expenditures on City-sponsored facilities projects, funds for these projects will be disbursed on a reimbursement basis and contingency funds will not be appropriated without prior review and authorization.

Status of Proposition HHH Commitments

To date, Prop HHH funding in the amount of \$634.9 million has been approved for Permanent Supportive Housing (PSH) and facilities projects in the FY 2017-18, 2018-19, and 2019-20 PEPs. An additional \$212.9 million has been committed for projects in previous PSH Loan Program Calls for Projects (CFPs). Concurrent with this report, HCID recommendations are pending Prop HHH Citizens Oversight Committee (COC) consideration relative to new commitments in the amount of \$351.1 million from the 2018-19 Prop HHH PSH Loan Program Round 3 CFP (\$231.1 million), and the Prop HHH Housing Challenge Request for Proposals (RFP)(\$120 million).

With the \$10.5 million recommended in this report to complete City-sponsored Facilities Program projects, a total of \$1,209,512,678 in Prop HHH funds are committed or pending commitment – \$9.5 million in excess of the \$1.2 billion authorized by Proposition HHH. This deficit is partially offset by \$5.8 million in interest collected to date on the proceeds from the first two (2) Prop HHH bond issuances. The remaining gap amounts to approximately \$3.7 million. Table 2 below summarizes Prop HHH PEP amounts, commitments, pending commitments, and the resulting Prop HHH balance.

As discussed in the CAO report on the Prop HHH Fiscal Year 2019-20 PEP, this Office will reprogram funds from the Prop HHH account when approved projects are ready to expend funds. Reprogramming will not impact existing or future PSH Loan Program commitments and all reprogramming activity will be included in Prop HHH Quarterly Reports. It is expected that sufficient interest will be earned on Prop HHH proceeds to address the \$3.7 million gap.

Table 2. Proposition HHH Funding Status

Prop HHH Uses of funds	Prop HHH Amount	Note
Project Expenditure Plan (PEP) Amounts		
PSH - FY 2017-18 PEP	\$ 73,157,162	
PSH - FY 2018-19 PEP	\$ 238,895,511	Original PEP amount was \$238,515,511. Additional funds committed in subsequent actions.
PSH - FY 2019-20 PEP	\$ 271,919,489	Original PEP amount was \$281,340,750. Project budgets adjusted down by sponsors applying for No Place Like Home.
Facilities - FY 2017-18 PEP	\$ 12,004,219	
Facilities - FY 2018-19 PEP	\$ 37,720,183	\$784,036 available to be reprogrammed from a withdrawn project (Saban Community Clinic).
First Year Staffing/Other Costs	\$ 1,203,933	Issued for staff costs in FY 2017-18
Subtotal PEP Amounts	\$ 634,900,497	
Pending Commitments		
PSH - Outstanding Commitments to Projects for Future PEPs (From Previous Rounds)	\$ 212,972,000	Includes \$7,000,000 to be committed for 11010 Santa Monica.
PSH - Estimated 2018 Round 3 PSH CFP Commitment Recommendations	\$ 231,120,946	
Prop HHH Housing Challenge RFP	\$ 120,000,000	
Increase to Facilities FY 2018-19 PEP Amount	\$ 10,519,235	\$11,303,271 project shortfall for City-sponsored Facilities projects, offset by \$784,036 from withdrawn project.
Subtotal Pending Commitments	\$ 574,612,181	
TOTAL PEP and Pending Commitments	\$ 1,209,512,678	
Prop HHH Balance		
Total Prop HHH Authority	\$ 1,200,000,000	
Interest Proceeds to date (8/5/2019)	\$ 5,768,262	
Total	\$ 1,205,768,262	
<i>(PEPs and Commitments Pending Approval)</i>	<i>\$(1,209,512,678)</i>	
Prop HHH Gap	\$ (3,744,416)	

FISCAL IMPACT

There is no anticipated impact to the General Fund. This Office estimates that sufficient interest will be collected on Prop HHH bond proceeds to address the gap in funding for City-sponsored Prop HHH Facilities projects.

Attachment A – Amended Fiscal Year 2018-19 Proposition HHH Facilities Program Project
Expenditure Plan

Attachment B – Memo from the Public Works Bureau of Engineering

RHL:YC:MTB:EMM:16200009

No.	Submitting Agency/Organization	Project Name	Project Type	Homeless or At-Risk of Homelessness Population Served	Council District	HHH Funds Recommended	Other Funds Committed	Total Project Cost	% HHH Funds/ Total Cost	Estimated Start	Estimated Completion	Construction Type	Address
Non-City-Sponsored Projects													
1	St. Barnabas Senior Center	St. Barnabas Senior Center of Los Angeles	Service Center	Seniors	1	\$ 276,955	\$ -	\$ 276,955	100%	1/1/2019	8/1/2019	Rehabilitation	675 South Carondelet St. Los Angeles, CA 90057
2	New Economics for Women	La Posada	Transitional Housing	Single Women and their children	1	\$ 2,974,841	\$ -	\$ 2,974,841	100%	9/1/2018	3/1/2019	Rehabilitation	375 Columbia Ave. Los Angeles, CA 90017-1274
3	Haven Hills	Service Center Minor Rehabilitation Project	DV Shelter	Domestic Violence Survivors	3	\$ 100,000	\$ -	\$ 100,000	100%	3/1/2019	5/30/2020	Rehabilitation	Domestic Violence Shelter locations are confidential. Main office located in zip code 91335
4	Haven Hills	Crisis Shelter ADA Accessibility Compliance Project	DV Shelter	Domestic Violence Survivors	3	\$ 278,338	\$ -	\$ 278,338	100%	7/1/2018	3/1/2019	Rehabilitation	Domestic Violence Shelter locations are confidential. Main office located in zip code 91335
5	Haven Hills	H2 Seismic Retrofit & ADA Accessibility Project	DV Shelter	Domestic Violence Survivors	3	\$ 599,824	\$ 24,000	\$ 623,824	96%	9/1/2018	4/28/2020	Rehabilitation	Domestic Violence Shelter locations are confidential. Main office located in zip code 91335
6	Volunteers of America Los Angeles	Wraparound Recuperative Care Center	Shelter	Individuals	9	\$ 1,742,200	\$ 602,180	\$ 2,344,380	74%	8/1/2018	6/1/2019	Rehabilitation	6800 S. Avalon Blvd. Los Angeles, CA 90003
7	St. John's Well Child and Family Center	Primary Care Wellness Project	Clinic	Individuals and Families	9	\$ 3,500,000	\$ -	\$ 3,500,000	100%	8/1/2018	8/31/2019	Rehabilitation	6800 S. Avalon Blvd. Los Angeles, CA 90003
8	Coalition for Responsible Community Development	Ruth's Place	Shelter	Transitional-Age Youth	9	\$ 3,500,000	\$ -	\$ 3,500,000	100%	10/1/2018	4/1/2019	Rehabilitation	4775 S. Broadway Los Angeles, CA 90037
9	Jenessee Center	Fannie Lou Hammer Emergency Shelter	DV Shelter	Domestic Violence Survivors	10	\$ 750,800	\$ -	\$ 750,800	100%	1/1/2019	12/31/2021	Rehabilitation	Domestic Violence Shelter locations are confidential. Main office located in zip code 90008.
10	Good Seed Community Development Corp.	The Good Seed	Emergency Supportive Housing, Office, and Storage	Transitional-Age Youth	8	\$ 172,500	\$ -	\$ 172,500	100%	10/1/2018	4/1/2019	Rehabilitation	6568 5th Avenue Los Angeles, CA 90043
11	New Directions, Inc.	Veteran Opportunity Center	Transitional Housing Facility	Women Veterans, Chronically Homeless, Individuals with mental health and/or disabilities	11	\$ 826,980	\$ 100,000	\$ 926,980	89%	10/1/2018	4/1/2019	Rehabilitation	11303 Wilshire Blvd., Bldg. 116 Los Angeles, CA 90073
12	People Assisting the Homeless (PATH)	PATH's Interim Facility	Transitional Housing	Individuals, Veterans, Chronically Homeless, and Families	13	\$ 1,945,468	\$ -	\$ 1,945,468	100%	9/1/2018	6/15/2019	Rehabilitation	340 N. Madison Ave. Los Angeles, CA 90004

Proposition HHH Facilities Program
Project Expenditure Plan for Fiscal Year 2018-19

No.	Submitting Agency/Organization	Project Name	Project Type	Homeless or At-Risk of Homelessness Population Served	Council District	HHH Funds Recommended	Other Funds Committed	Total Project Cost	% HHH Funds/ Total Cost	Estimated Start	Estimated Completion	Construction Type	Address
Non-City-Sponsored Projects (continued)													
13	Los Angeles House of Ruth Little Tokyo Service Center	Viki's House	DV Shelter	Domestic Violence Survivors	14	\$ 1,219,185	\$ 213,490	\$ 1,432,675	85%	8/1/2018	1/1/2019	Acquisition + Rehabilitation	Domestic Violence Shelter locations are confidential. Main office located in zip code 90033.
14	Community Development corporation	Kosumosu Transitional Facility	DV Shelter	Domestic Violence Survivors	14	\$ 943,191	\$ 1,971,280	\$ 2,914,471	32%	9/1/2018	6/1/2019	Rehabilitation	Domestic Violence Shelter locations are confidential. Main office located in zip code 90013.
15	Midnight Mission	The Midnight Mission Center	Shelter	Individuals, Families, & Youth	14	\$ 3,100,000	\$ -	\$ 3,100,000	100%	10/1/2018	6/30/2019	Rehabilitation	601 S. Pedro St., Los Angeles, CA 90014
16	The People Concern	Village Renovation	Transitional Housing	Chronically homeless, Individuals with AIDS, mental illness, physical disability, and/or substance use disorders	14	\$ 1,367,150	\$ -	\$ 1,367,150	100%	9/1/2018	3/1/2019	Rehabilitation	526 San Pedro St., Los Angeles, CA 90013
17	Watts Labor Action Committee	WLCAC Homeless and Housing Access Center	Service Center	Individuals, Chronically Homeless, Youth, Families	15	\$ 1,839,666	\$ 218,115	\$ 2,057,781	89%	2/1/2019	12/31/2019	Rehabilitation	958 E. 108th St. Los Angeles, CA 90059
Non-City-Sponsored Total						\$ 25,137,098	\$ 3,129,065	\$ 28,266,163	89%				

No.	Submitting Agency/Organization	Project Name	Project Type	Homeless or At-Risk of Homelessness Population Served	Council District	FY 2018-19 Prop HHH Project Expenditure Plan	FY 2017-18 Prop HHH Project Expenditure Plan	Total HHH Project Cost	Estimated Start	Estimated Completion	Construction Type	Address
City-Sponsored Projects												
18	City of Los Angeles	Sherman Way Navigation Center	Storage		2	\$ 6,520,914	\$ -	\$ 6,520,914	1/19/2018	5/27/2019	New	11839 W. Sherman Way, Van Nuys, CA 91405
19	City of Los Angeles	Women's Bridge Housing	Shelter		4	\$ 3,498,698	\$ -	\$ 3,498,698	10/2/2018	4/12/2019	Rehabilitation	1403 N. Gardner St., Los Angeles, CA 90046
20	City of Los Angeles	CD8 Navigation Center	Navigation Center		8	\$ 5,884,260	\$ 3,100,000	\$ 8,984,260	6/30/2018	6/30/2019	New	729 W. Manchester Ave., Los Angeles, CA 90044
21	City of Los Angeles	Navigation Center at San Pedro Harbor Police Station	Navigation Center		15	\$ 7,065,399	\$ -	\$ 7,065,399	2/1/2019	3/16/2020	New	2175 John S. Gibson Blvd, San Pedro, CA 90731
City-Sponsored Total						\$ 22,969,271	\$ 3,100,000	\$ 26,069,271				
City Project Costs												
Bureau of Engineering Projected 2018-19 Consultant Costs						\$ 133,049	\$ -	\$ -				
City Project Costs Total						\$ 133,049	\$ -	\$ -				

FY 2018-19 Project Expenditure Plan Category	Amount
Non-City-Sponsored Projects	\$ 25,137,098
City-Sponsored Projects	\$ 22,969,271
City Project Costs	\$ 133,049
Grand Total	\$ 48,239,418

ATTACHMENT B

FORM GEN. 160 (Rev. 11-02)

CITY OF LOS ANGELES
INTERDEPARTMENTAL CORRESPONDENCE

Date: June 28, 2019

To: Elyse Matson,
Office of the City Administrative Officer

From: Allan Kawaguchi, Division Engineer
Bureau of Engineering
Department of Public Works

Subject: **PROPOSITION HHH HOMELESS INITIATIVE – BIDDING ENVIRONMENT**

Executive Summary:

As part of the Mayor's Homeless Initiative, The Homeless Facilities Division has issued Notice to Proceed (NTP) on multiple Homeless Projects to General Services Department (GSD). As bids are received, BOE is finding a commonality of a high bidding environment across all projects currently in construction: CD4 Women's Bridge Housing, CD8 Navigation Center, CD15 Navigation Center, and CD2 Navigation Center.

At this time, all Bureau of Engineering (BOE) project managers have been tasked to revisit their project's cost and scope to determine opportunities for cost savings. Each project has been valued engineered and scope reduction to remain within budget. BOE has met with each council office to discuss the value engineering and scope reduction. On some projects, bids are on hold pending further funding is appropriated due to high bids bringing the projects over the allocated construction budgets. Attached is Cost to Complete for each project. Shortfall is approximately \$11 million for the 4 projects.

Price Escalation:

The economy in the Los Angeles area is very strong. Leading to a healthy construction environment. The booming construction climate is placing competition for labor, subcontractors and general contractors. Discussion with various general contractors, the general contractors have expressed the higher bids do to competition between projects, having to get electricians, plumbers, drilling subcontractors etc., from outside the state and being too busy to bid.

The Proposition HHH program is utilizing GSD to construct the 4 facilities. GSD uses a combination of their own work force, hiring from the hiring hall (for labor) and subcontracting (GSD preapproved subcontract list). GSD is procuring separate bids from their preapproved list of contractors for work, such as:

- Concrete
- Demolition
- Grading

- Asphalt
- Structural steel

Higher bids and construction cost being received can be attributed to the following;

- Availability of labor at the hiring hall
- Limited pool of subcontractors (preapproved list)
- Short bidding duration
- Bidders are too busy to bid, resulting in no bids received

If you have any questions, please contact me at 213-485-4687.

attachment