

MEMORANDUM

AGENDA DATE: 5 April 2006

DATE: 23 March 2006

TO: HACSA Board of Commissioners

PRESENTED BY: James R. McCoy Development Director
Chris Todis, Executive Director
Housing and Community Services Agency of Lane County (HACSA)

AGENDA ITEM TITLE: ORDER/Resolution/In the Matter of Approving Contract 06-C-0026 for Construction Manager/General Contractor (CM/GC) Services with Meili Construction for the Turtle Creek Affordable Housing Development in Eugene.

I. PROPOSED MOTION:

IT IS MOVED THAT MEILI CONSTRUCTION BE AWARDED CONTRACT 06-C-0026 FOR CONSTRUCTION MANAGER/GENERAL CONTRACTOR (CM/GC) SERVICES FOR THE TURTLE CREEK AFFORDABLE HOUSING DEVELOPMENT.

II. ISSUE:

Board approval is required to enter into the construction management/general contractor agreement with Meili Construction for the Turtle Creek Affordable Housing Development, a proposed 27-unit development in Eugene.

III. DISCUSSION:

A. Background

In 1989, the Lane County Task Force on Homelessness and Affordable Housing recommended the formation of the Intergovernmental Housing Policy Board to coordinate local efforts in creating affordable housing. Since that time, HACSA has worked within this framework to create over 600 units of housing, including 314 "tax credit" projects—Richardson Bridge (1992), Willakenzie Townhouses (1995), Walnut Park Duplexes (1996), Laurel Gardens Apartments (1997), Jacob's Lane (1999), Sheldon Village (2003), and Munsel Park (2004).

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In February 2004, the Intergovernmental Housing Policy Board and the City of Eugene selected HACSA as the developer of choice for a 4-acre parcel located adjacent to HACSA's existing Walnut Park Duplex project. In this action, the City of Eugene agreed to provide the site and approximately \$520,000 in HOME funds to assist in its development as an affordable housing project. Additionally, the Housing Policy Board recommended to Lane County that the project receive approximately \$220,000 in Lane County road funds.

Road Construction is now complete and HACSA must assemble the development team to continue with project development. This board order authorizes the contract for construction management/general contractor services.

B. Analysis

In July 2005, a Request for Proposals for architectural services for Turtle Creek was issued. Four firms responded, and in August, a committee evaluated the proposals. The committee recommended Meili Construction as the top choice for Turtle Creek.

The CM/GC Construction Method and LIHTC Development

HACSA's prior experience indicates that using a CM/GC approach is the most practical method of obtaining construction services for LIHTC financed projects because of the need to determine construction costs at a relatively early stage in project development. The use of the traditional sealed bidding approach to obtain construction services poses a number of difficulties and significantly increases risk in project development.

The primary distinction between the CM/GC approach and the traditional General Contractor approach is that in the traditional approach the project architect designs the project or facility first, usually without input from the construction or building trades. The project is then placed out for bid to general contractors, who bid on the entire project, and an award is made on the basis of the most reasonable low bid.

Under the CM/GC method, the CM/GC firm is selected in the early stages of a project to assist with design considerations, administrative coordination, scheduling, budget estimating, constructability review, and value engineering. The CM/GC provides these services, as well as management of the construction, for a negotiated fee. In addition, the CM/GC provides, during the design process, a guaranteed maximum price (GMP) for the full value of the construction, backed up by a full performance and payment bond.

The important advantage of the CM/GC approach is that it ensures that what is designed can be constructed within a specific budget. This factor achieves particular significance with regard to LIHTC projects for several reasons:

1. Because it is a low-income housing project, the total project cost is fixed. Resources are limited and rents are restricted by federal and state law. As a result, the design of the housing must be developed such that construction occurs within the budget. Given such budgetary restrictions, the traditional method of formulating a design and then receiving bids from general contractors does not maximize the budgetary control involved with low-income, public-private financed residential projects.
2. The traditional approach does not readily lend itself to the development and construction schedule imposed by the federal low-income housing tax credit program and other sources of financing. Given the restrictive timelines imposed by these funding sources, it is vital to eliminate the delay that occurs if bids come in higher than budget and it becomes necessary to re-design and re-bid.
3. Even without the time limitations caused by the specific financial package, HACSA staff have found that the traditional bidding method increases risk when federal tax credits are part of project financing. During development, HACSA must obtain financial commitments which are based on the cost of the construction. Because bidding does not occur until immediately before construction begins, HACSA assumes the risk that if the bid is not within budget, these financial commitments will expire before the project can be re-designed and re-bid. Given the expense associated with these commitments, it is important to eliminate this risk if possible.

Adopting the CM/GC approach does not circumvent the public bidding process and state law specifically allows this type of contract selection process. All "sub-contractable" work is competitively bid to the CM/GC firm, with the oversight of HACSA. Should the CM/GC firm choose to bid any of the sub-contract work, those bids will be managed by HACSA. Provisions for the procurement of the subcontracts are specified in the contract documents.

CM/CG Contract

The proposed Agreement would be similar to prior CM/GC contracts at Richardson Bridge, Willakenzie Townhouses, Laurel Gardens, Jacob's Lane, and Sheldon Village. They will:

- * Require a "Guaranteed Maximum Price" for the construction program. This maximum is currently estimated not to exceed \$2,480,000 for construction.
- * Provide for a fixed fee for the CM/GC (4.85% of the Guaranteed Maximum Price).
- * Spell out the bidding process that must be followed in the selection of the sub-contractors.

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C. Recommendation.

Approval of motion.

E. Timing.

Immediately upon board approval, the contract shall be executed.

IV. IMPLEMENTATION/FOLLOW-UP:

Same as Item III. E. above.

V. ATTACHMENTS:

None.

IN THE BOARD OF COMMISSIONERS
HOUSING AND COMMUNITY SERVICES AGENCY (HACSA)

RESOLUTION AND ORDER

)In the Matter of Approving Contract 06-C-0026 for
)Construction Management/General Contractor (CM/GC)
)Services for Turtle Creek Affordable Housing in Eugene.

WHEREAS, HACSA carried out a Request for Proposals for CM/GC Services for the affordable housing project called "Turtle Creek" in Eugene;

WHEREAS, Meili Construction submitted a response to Request for Proposals that is reasonable and acceptable;

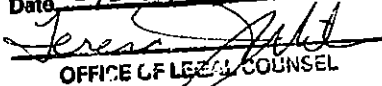
WHEREAS, HACSA wishes to obtain CM/GC services in order to proceed with the development of Turtle Creek in a timely and efficient manner;

NOW, THEREFORE, it is hereby resolved and ordered that:

That the order is approved authorizing the Executive Director or Deputy Director to Enter into an Agreement with Meili Construction for Construction Manager/General Contractor Services for the Turtle Creek Affordable Housing Development Project Where the Basis of Payment is the Cost of the Work plus a Maximum Fee (4.85%) with a Guaranteed Maximum Price.

DATED this _____ day of _____, 2006

Chair, HACSA Board of Commissioners

APPROVED AS TO FORM
Date 3/27/06 1000 county

OFFICE OF LEGAL COUNSEL

In the Matter of Approving Contract 06-C-0026 for Construction
Management/ General (CM/GC) Services for the Turtle Creek
Affordable Housing Development in Eugene, Oregon.