



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: APRIL 15, 2025**

**FROM: HOUSING AND HUMAN SERVICES      WARD: 2**

**SUBJECT: FIRST AMENDMENT TO LEASE AGREEMENT WITH THE COUNTY OF RIVERSIDE TO INCREASE THEIR BUILDING IMPROVEMENT CONTRIBUTION FROM \$2,338,176 TO \$5,053,151 FOR REHABILITATION OF A CITY-OWNED PROPERTY LOCATED AT 2800 HULEN PLACE FOR THE OPERATIONS OF A 33-UNIT PERMANENT SUPPORTIVE HOUSING PROGRAM ADMINISTERED BY THE RIVERSIDE UNIVERSITY HEALTH SYSTEMS – BEHAVIORAL HEALTH, EXTEND THE LEASE TERM TO 30-YEARS AND AWARD BID NO. 8141 TO FASONE GBC OF WHITTIER, CALIFORNIA, FOR REHABILITATION AND MODIFICATION OF 2800 HULEN PLACE IN THE AMOUNT OF \$4,046,218, PLUS A 15% CONTINGENCY OF \$606,933, AND \$400,000 IN SOFT COST, FOR A TOTAL PROJECT COST NOT TO EXCEED \$5,053,151 – SUPPLEMENTAL APPROPRIATION**

## **ISSUES:**

1. Approval of a First Amendment to Lease Agreement with the County of Riverside to increase their building improvement contribution from \$2,338,176 to \$5,053,151 for rehabilitation of a City-owned property located at 2800 Hulen Place for the operations of a 33-unit Permanent Supportive Housing Program administered by the Riverside University Health Systems – Behavioral Health and extend the lease term to 30-years; and
2. Award Bid No. 8141 to Fasone GBC of Whittier, California, for the Multi-Residential Housing Facility Rehabilitation and Modification in the amount of \$4,046,218, plus a 15% contingency of \$606,933, for a total project cost not to exceed \$4,653,151.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve a First Amendment to Lease Agreement with the County of Riverside to facilitate \$5,053,151 in building renovations of a City-owned property located at 2880 Hulen Place, and operations of a 33-unit Permanent Supportive Housing Program administered by the Riverside University Health Systems – Behavioral Health, for a 30-year period;
2. Authorize the City Manager, or his designee, to execute a First Amendment to Lease Agreement with the County of Riverside for 2800 Hulen Place, including making minor and non-substantive changes;

3. With at least five affirmative votes, record an increase in revenue in the amount of \$2,708,042 and appropriate expenditures in the same amount in the Grants and Restricted Program Funds, 2800 Hulen Rehab Program revenue and expenditure accounts;
4. Award Bid No. 8141 to Fasone GBC of Whittier, California, for the Multi-Residential Housing Facility Rehabilitation and Modification in the amount of \$4,046,218;
5. Approve a 15% contingency in the amount of \$606,933 for unforeseen conditions or design changes; and
6. Authorize the City Manager, or his designee, to execute the Construction Services Agreement, including making minor and non-substantive changes.

### **BACKGROUND:**

On June 14, 2005, the City Council approved the purchase of an approximately 8,700 square foot building located at 2800 Hulen Place (Property) to expand supportive services for the homeless in partnership with the County of Riverside (County).

On August 25, 2006, the City entered into a two-year lease agreement with the County to utilize approximately two-thirds of the space in the building to establish a Permanent Supportive Housing (PSH) Program called The Place for behavioral health clients. The Place had housed 25 behavioral health clients on a permanent basis with 24-hour case management and supportive services. This Lease was subsequently extended through amendments dated March 23, 2012, June 23, 2015, and February 6, 2020. The County was occupying the building under a month-by-month payment clause in the original Lease.

On August 3, 2021, the City Council approved a Lease Agreement with the County of Riverside to facilitate \$2,338,176 in building renovations of a City-owned property located at 2800 Hulen Place, for the operations of a 33-unit PSH Program administered by the Riverside University Health Systems — Behavioral Health (Project). The Lease Agreement was executed on November 16, 2021, and included the following terms:

- \$1 annual lease payment;
- Ten- year lease period with two additional five-year renewal terms;
- Riverside County to assume all upkeep and maintenance of the building;
- Expand into the warehouse space to allow clients to have their own room, increase the number of bedrooms, and add a multi-purpose space; and
- Riverside County to provide the City with an upfront payment of \$250,000 to cover rehabilitation costs.

On March 25, 2022, a Request for Proposals (RFP) No. 2182 was issued for Architectural Design Services for Modification of Existing Industrial Building into Individual Housing and Related Support/Administration for Homeless Housing at 2800 Hulen Place.

On December 20, 2022, City Council approved a Professional Consultant Services Agreement with Westgroup Designs, Inc. for architectural design services for the Permanent Supportive Housing Program, located at 2800 Hulen Place, in the amount of \$259,123, including a 10% contingency in the amount of \$25,912 for a total not-to-exceed amount of \$285,035.

**DISCUSSION:**

On December 18, 2024, Request for Bids RFB No. 8141 was released by the Purchasing Division for the General Services department and posted on the City's online bidding system, Planet Bids for the rehabilitation and modification of the multi-residential housing at 2800 Hulen Place, Riverside, CA.

The solicitation notification is summarized in the table below:

Action	Number of Vendors
External Vendors Notified	500
City of Riverside Vendors Notified	638
Vendors who downloaded the RFP	172
Proposals received	11

A non-mandatory pre-bid meeting was held on January 10, 2025, with 22 vendors in attendance, and another non-mandatory pre-bid meeting was held on February 4, 2025, with 6 vendors in attendance. RFB No. 8141 closed on February 26, 2025, with a total of eleven (11) responses. Six (6) responses were responsive, and five (5) responses were deemed non-responsive for not meeting the minimum bid requirements. The lowest bid came in at \$4,046,218, which is higher than initially expected due to economic factors.

Below is a breakdown of the lowest responsive and responsible bidder.

	ITEM	VENDOR	BID AMOUNT
1	Building and Site Improvements at 2800 Hulen Pl. – Construction Costs	Fasone GBC	\$4,046,218
2	Building and Site Improvements at 2800 Hulen Pl. – 15% Contingency	Fasone GBC	\$606,933
<b>TOTAL AMOUNT</b>			<b>\$4,653,151</b>

Below is a list of all qualified bidders and their bid amounts.

RANKING	VENDOR	LOCATION	Total
1	Fasone GBC	Whittier	\$4,046,218.00
2	Caliba Inc.	Stanton	\$4,331,069.00
3	Armstrong Cal Builders Inc	Stanton	\$4,423,000.00
4	The Nazerian Group	Encino	\$4,564,123.00

5	Cal-City Construction, Inc.	Cerritos	\$4,727,131.58
6	Reed Family Enterprises Inc.	Temecula	\$5,021,950.00
7	*Moore Twining Associates, Inc.	Fresno	\$ 47,966.20
N/A	*A J Fistes Corporation	Long Beach	\$4,134,400.00
N/A	*Tovey/Shultz Construction, Inc.	Lake Elsinore	\$4,210,188.00
N/A	*US Builders & Consultants	Irvine	\$4,621,700.00
N/A	*Orantes Builders Inc	Los Angeles	\$23,600,000.00

\*Nonresponsive Vendors

The design work was completed after the Lease Agreement was executed, and the final plans, combined with changing economic conditions, have led to an increase in the original projected costs. The project now requires an additional \$606,933 in construction contingency funds and \$400,000 for soft costs, bringing the total project cost to \$5,053,151. The County has secured funding to cover the \$2,714,975 gap in project financing.

As part of the total project cost, \$400,000 is allocated for soft costs, which are expenditures not directly related to physical construction but essential to support the renovation. These costs include design fees, permits, and other services necessary for project planning and execution. The design costs alone amount to \$208,464.50, while additional soft costs total \$36,154.93. This leaves a remaining balance of \$149,598 for other related soft costs. Soft costs are necessary to ensure the renovation is properly planned, managed, and executed according to regulatory and design standards.

Staff recommends awarding to the lowest responsive and responsible bidder, Fasone GBC, of Whittier, California for the Project in the bid amount of \$4,046,218 plus a 15% contingency for any unforeseen conditions or design improvements in the amount of \$606,933, for a total project cost not to exceed \$4,653,151 (Attachment 1).

Per Purchasing Resolution 24101, Section 508 Award states, "Contracts procured through the Formal Procurement shall be awarded by the Awarding Entity to the Lowest Responsive and Responsible Bidder."

The Purchasing Manager concurs that the recommended actions comply with the City of Riverside's Purchasing Resolution No. 24101, Section 508.

Due to the large investment of \$5,053,151 into the Project, the County has requested to extend the lease term from 10 years to 30 years. In addition, the County will provide first prioritization to individuals who currently live within the city limits, second prioritization to individuals who work within city limits, and third prioritization to individuals with close family ties (parent, child, sibling(s)) within the city. In the morning of April 15, 2025, the Riverside County Board of Supervisors will consider the First Amendment to Lease Agreement (Attachment 2) to extend the lease term and increase the funding contribution from \$2,338,176 to \$5,053,151. The First Amendment to Lease Agreement will be considered by City Council in the afternoon of April 15, 2025.

The General Services Director concurs with this report.

## **STRATEGIC PLAN ALIGNMENT:**

This item contributes to **Strategic Priority 2 – Community Well-Being (Goal 2.1 – Facilitate the development of a quality and diverse housing supply that is available and affordable to a wide range of income levels and Goal 2.2 — to collaborate with partner agencies to improve household resiliency and reduce the incidence and duration of homelessness.)**.

1. **Community Trust** – The City of Riverside has identified the need for affordable housing as a priority need in the City's Housing Element process. The Housing Element outreach process gathered information from specific focus groups and interviews with various organizations and service providers in the housing and community development field, as well as residents of the city.
2. **Equity** – The County will provide critical funding needed to create a 33-unit PSH project that will ensure all eligible persons receive equitable access to housing with dignity, respect, and compassion.
3. **Fiscal Responsibility** – Funding for this Project is coming directly from the County of Riverside.
4. **Innovation** – The Project will increase the number of Permanent Supportive Housing units provided at 2800 Hulen Place by expanding into the warehouse space.
5. **Sustainability & Resiliency** – Riverside is committed to meeting the needs of the present without compromising the needs of the future and ensuring the City's capacity to persevere, adapt and grow during good and difficult times alike.

## **FISCAL IMPACT:**

The fiscal impact of increased contribution agreement with the County of Riverside is an increase in revenue and expenditures of \$2,714,975. Upon Council approval, an increase in revenue and an appropriation of \$2,714,975 will be recorded in the Grants and Restricted Programs Fund, 2800 Hulen Rehab Program revenue account number 9920000-339000 and expenditure account number 9920000-440309.

The fiscal impact of contract award is \$4,046,218. Upon Council approval of the increased funding from the County of Riverside, funds will be budgeted and available in the Grants and Restricted Programs Fund, 2800 Hulen Rehab Program expenditure account number 9920000-440309.

Prepared by: Michelle Davis, Housing and Human Services Director  
Certified as to  
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer  
Approved by: Mike Futrell, City Manager  
Approved as to form: Jack Liu, Interim City Attorney

Attachments:

1. Bid Award Recommendation
2. First Amendment to Lease Agreement

