



## DISCUSSION

### City of San Bernardino Request for Council Action

**Date:** December 4, 2024

**To:** Honorable Mayor and City Council Members

**From:** Rochelle Clayton, Acting City Manager

**Department:** City Manager's Office

**Subject:** **Navigation Center - Award Design Services and Purchase Agreement with Mandeville Modular for Site Design, Modular Design, and Purchase of Modular Units and Award Professional Services Agreement with CREDE Construction Advisory for Development Management Services (Ward 1)**

**Recommendation:**

It is recommended that the Mayor and City Council of the City of San Bernardino, California:

1. Approve an Agreement for Design Services and Purchase and Delivery of Goods with Mandeville Modular in the amount of \$10,093,027 (which includes a 15% contingency); and
2. Authorize the Director of Finance and Management Services to issue a Purchase Order in an amount not to exceed \$10,093,027 to Mandeville Modular; and
3. Approve a Professional Services Agreement with CREDE Construction Advisory in the amount of \$1,091,148 for Development Management Services of the Navigation Center; and
4. Authorize the Director of Finance and Management Services to issue a Purchase Order in an amount not to exceed \$1,091,148 to CREDE Construction Advisory; and
5. Authorize the City Manager, or designee, to execute the Agreement for Design Services and Purchase and Delivery of Goods with Mandeville Modular and the Professional Services Agreement with CREDE Construction Advisory.

## **Executive Summary**

The agreements with Mandeville Modular and CREDE Construction Advisory will allow the City to officially begin development of the Navigation Center, which will be a hybrid congregate/non-congregate interim housing facility that is anticipated to be completed in November 2025. Mandeville Modular will design and manufacture the modular units, as well as produce construction documents for a general contractor to prepare the site for the delivery and installation of the modular structures. CREDE Construction Advisory will perform development management services for the project, where they will plan, coordinate, and manage all the construction and development aspects of the Navigation Center. There is no impact to the General Fund associated with the approval of the agreements as they are fully funded through ARPA. The combined total of both agreements will obligate \$11,184,175 in ARPA funds out of the \$16,950,000 allocation for the Navigation Center. Staff will return in December with a recommendation to reallocate the remaining ARPA funds towards another project. An agreement for a general contractor for the Navigation Center is anticipated in the spring of 2025 and will utilize the other restricted funding sources that the Mayor and City Council have previously allocated towards the project.

## **Background**

On October 27, 2022, the City presented to the Mayor and City Council the Navigation Center project (also referred to as the SB HOPE Campus), which was to include modular non-congregate interim housing units and an administrative facility that would provide wrap-around supportive services. Across several subsequent meetings, the Mayor and City Council approved funding for the non-congregate Navigation Center from a variety of sources and incorporated its development into the Homelessness State of Emergency Implementation Plan on May 17, 2023, a few months after the City declared the Homelessness State of Emergency on February 1, 2023.

## **History of Council Actions for Navigation Center Funding**

To fund the construction and operation of the Navigation Center, the Mayor and City Council have predominantly utilized federal and state funds for the project. In total, \$25,529,422 has currently been approved for construction and \$6,355,241 for operations across all funding sources. Currently, staff estimates that it can secure \$3,350,000 in ongoing annual funding for operating the Navigation Center from its existing approved funding sources. This includes \$2,000,000 annually from the General Fund (approved as part of the Strategic Initiatives), up to an estimated \$1,000,000 in annual Permanent Local Housing Allocation Program (PLHA) funds based on current projections, and up to an estimated \$350,000 annually in Community Development Block Grant (CDBG) "Public Service" funding, which is capped at 15% of the City's total annual CDBG allocation.

The specific dates and actions that the Mayor and City Council have taken regarding the funding of the Navigation Center are provided in the table on the following page. Additionally, a matrix showing the obligation and expenditure deadlines for the funding sources associated with the construction of the Navigation Center, along with their eligible uses, is included as Attachment 3.

Funding Commitments Approved by the Mayor and City Council				
Date	Source	Construction	Operations	Notes
12/7/22	ARPA	\$12,450,000	\$4,500,000	
3/15/23	HOME-ARP	\$4,299,672	----	
6/21/23	CDBG	\$1,901,365	----	The “Public Service” category for CDBG would allow the City to augment operations in future years. This category is capped at 15% of the total annual CDBG allocation where an estimated \$350,000 could be allocated towards operations annually.
7/19/23	PLHA	----	\$4,355,241	The PLHA amount represents a cumulative allocation spanning 2020-2023. Future annual PLHA allocations have not yet been determined; however, an estimated allocation of \$1 million per year will be eligible to fund operations.
10/4/23	General Fund	----	\$2,000,000	Annual allocation was approved from the Strategic Initiatives that begins starting FY 26/27.
11/1/23	HHAP-3	\$808,385	----	Homeless Housing Assistance and Prevention Grant.
10/2/24	ARPA	\$4,500,000	(\$4,500,000)	Reallocation of ARPA funds from operations to construction.
12/4/24	Donations	\$1,570,000	----	Current donations are from Inland Empire Health Plan (IEHP) and Loma Linda University Hospital (LLUH). An additional \$550,000 is expected to be received from other organizations for a total of \$2,120,000.
TOTALS		\$25,529,422	\$6,355,241	Accumulated Funding
		----	\$3,350,000	On-Going Annual Funding*

\* The on-going annual funding is not fully represented in the breakdown above but includes \$2,000,000 from the General Fund; \$1,000,000 from PLHA; and \$350,000 from CDBG.

### Non-Congregate Design Procurement History

The City previously pursued a Design-Build procurement process for the non-congregate version of the Navigation Center. By using the Design-Build process, the City intended on streamlining procurement where it would receive “all-inclusive” proposals that incorporated all components of a major construction project into one (1) bid. In other words, each proposal would be submitted by a “team” consisting of a developer, architect, general contractor, modular manufacturer, etc., rather than each of these vendors and/or firms being procured under separate, individual bids.

On January 3, 2024, the City released a Request for Qualifications (RFQual) for Design-Build teams and received two (2) responses by the deadline of March 13, 2024. This step is required under Chapter 12.21 of the Municipal Code for the Design-Build process, and its purpose is to create a short list of teams who possess the necessary qualifications and experience to submit proposals for the project. Both teams that responded met the qualifications and proceeded to the next round of the procurement process: a Request for Proposals (RFP). For the RFP, both teams were required to submit a conceptual design and construction plan for a non-congregate Navigation Center that did not exceed fifteen (15) million dollars. The City released the RFP on March 18, 2024, and received one (1) responsive proposal by the May 13, 2024, deadline; the other proposal was incomplete and submitted past the deadline.

The one (1) responsive proposal for the Design-Build RFP provided two (2) different construction options with vastly different costs and construction timeframes:

- Option 1 – Modular Construction
  - Cost: \$29 million (not including contingency)
  - Construction: 12 months for project completion
- Option 2 – Permanent Stick-Built Construction
  - Cost: \$24 million (not including contingency)
  - Construction: 18+ months for project completion

Both options exceeded the fifteen (15) million dollar not-to-exceed amount established in the RFP as well as staff’s internal nineteen (19) million-dollar budget. It is important to note that before the delay in the project and the reallocation of the \$4,500,000 in ARPA funds from operations to construction, the City had approximately \$21,500,000 allocated for construction, which would allow for a \$19,000,000 proposal and a contingency fund. The modular construction option most closely adhered to Council’s previous direction; however, its price was substantially outside the City’s budget. It should also be emphasized that these costs only reflect construction and do not contemplate the ongoing operational costs of a non-congregate navigation center with bathrooms in every unit, which was later determined to be cost-prohibitive in the long-term for both construction options.

### Change in the Navigation Center Design and Procurement Process

To produce more competitive results that would fit within the City's established budget for both construction and ongoing operations, the City pivoted to a hybrid congregate/non-congregate design and broke up the procurement process into multiple components:

- Modular Building Manufacturer RFP
- Development Management Services RFQual
- General Contractor RFQual

Proceeding with the hybrid congregate/non-congregate design will reduce ongoing maintenance and operational costs, which will ease the burden on the City's future operating budgets. For procurement, breaking up the process allows the City to *individually* select the most competitive modular manufacturer, developer, and general contractor proposals separately from one another. This contrasts with the Design-Build process where these separate components are rolled into one bid and selected as a single package. While the Design-Build process is a more streamlined approach, it can reduce competition and limit the City's choices since it requires the various vendors and/or firms to form "teams" and submit unified bids. This can be an obstacle for certain vendors who are not able to partner with other entities to form a Design-Build team, preventing them from submitting proposals and adding to the competition. The Design-Build process can be a strong, streamlined procurement method when it results in many competitive proposals; however, it can be very limiting if only a few proposals are received.

### **Discussion**

The agreements with Mandeville Modular and CREDE Construction Advisory will allow the City to officially begin the development of the Navigation Center. The agreement with Mandeville Modular ("Mandeville Agreement") is a combination of a Design Services Agreement and a Goods Purchase Agreement that effectively makes Mandeville Modular both the project designer, where they will design the site and layout of the Navigation Center, and the modular unit manufacturer. Mandeville Modular will also be responsible for creating construction documents for the on-site preparation work that will need to be completed by a general contractor. The professional services agreement with CREDE Construction Advisory ("CREDE Agreement") will be for development management services where they will manage, arrange, supervise, and coordinate the planning and design of all development work associated with the project. A more detailed summary and analysis of the two agreements are provided in their respective subsections on the following pages.

The agreements associated with these awards will be funded solely by ARPA funds in the amounts of \$10,093,027 for Mandeville Modular and \$1,091,148 for CREDE Construction Advisory. In total, \$11,184,175 in ARPA funds will be obligated for the Navigation Center by the December 31, 2024, deadline, which will leave \$5,605,215 in unobligated ARPA funds after accounting for \$160,610 in previous expenditures. Staff will bring back a recommendation reallocating the remaining ARPA funds to another project at a December Council Meeting. A future award for the general

contractor is anticipated in Spring 2025 and will utilize the other restricted funds that the Mayor and City Council have previously allocated to the project.

The table below outlines the funding sources that will be utilized for the development and construction of the Navigation Center. A matrix that provides more details is included as Attachment 3; however, it does not include all the activities and nuances associated with federal funds as they are too numerous to fully capture on a single, easy-to-read matrix (as an example, the rules and regulations for CDBG funds alone spans 193 pages in the Code of Federal Regulations).

NAVIGATION CENTER DEVELOPMENT / CONSTRUCTION FUNDING TABLE						
Funding	Sources:	ARPA	CDBG	Donations*	HHAP-3	HOME-ARP
	Approved Allocation:	\$16,950,000	\$1,901,365	\$1,570,000*	\$808,385	\$4,299,672
	Previous Expenditures:	(\$160,610)	----	----	----	----
	Funding Available:	\$16,789,390	\$1,901,365	\$1,570,000*	\$808,385	\$4,299,672
Current Agreements	Mandeville Modular:	\$10,093,027	----	----	----	----
	CREDE Construction Advisory:	\$1,091,148	----	----	----	----
	General Contractor (TBD):	----	TBD	TBD	TBD	TBD
	Amount Obligated:	\$11,184,175	TBD	TBD	TBD	TBD
Totals	Amount Remaining:	\$5,605,215	\$1,901,365	\$1,570,000*	\$808,385	\$4,299,672

\* An additional \$550,000 has been pledged from other organizations and will be brought before Council at a future meeting for a total of \$2,120,000 to be provided in donations.

### General Contractor Next Steps

For the general contractor, the City did not receive any responses to its initial request for qualifications (RFQual). As a result, staff re-released the RFQual on November 7, 2024, and is anticipating receiving responses by December 5, 2024. To help ensure that the re-release of the RFQual generates responses, the City worked with its consultant to compile a list of general contractors with modular experience and directly notified them of the RFQual's release.

After the City receives responses for the general contractor RFQual on December 5, 2024, staff will evaluate the responses and conduct interviews to determine if they meet the required qualifications. The general contractors who are qualified will then submit bids for the project, which are anticipated to be received in March 2025. This timeline is due to the fact that the construction documents for the site preparation work need to be completed first so that they can be provided to the prospective bidders; a general contractor bidding on the project will not be able to submit an accurate bid if the true scope of work is unknown. The construction documents will be produced by Mandeville Modular approximately 45 days after completing the initial planning phase of the project (estimated at one month). Staff anticipates receiving the construction documents in February 2025.

### **Agreement with Mandeville Modular**

The Mandeville Agreement will establish the design and layout of the Navigation Center, which also includes creating construction documents for site preparation. Once the design and layout are approved, Mandeville Modular will produce the modular units and then deliver them to the City after all site preparation work is completed by the general contractor. The term of the agreement is through December 31, 2025, with the City anticipating a project completion date in November 2025.

The Mandeville Agreement's not-to-exceed amount of \$10,093,027 includes a project cost of \$8,776,545 and a 15% contingency of \$1,316,482. A 15% contingency is being incorporated rather than a 10% contingency to provide the City with additional flexibility in exploring multiple design and engineering options for the project:

- Preparing the foundation to support a future vertical expansion. This could be used to add transitional housing units as additional floors even after the initial structure is completed. This is due the steel frame construction of the modular units and their roof structures being removable. Exploring this option would add additional design and engineering costs for the foundation and it would need to be incorporated into the construction documents for the general contractor at the beginning stages of the project; however, it would provide the City with the additional flexibility to expand vertically in the future.
- Expanding the number of recuperative-care beds incorporated into the design of the Navigation Center. The SB HOPE Campus will require a Recuperative Care wing to accommodate up to 70 individuals. Recuperative care provides medical respite for individuals experiencing homelessness who are discharged

from hospitals but are still in need of recovery from an illness or a chronic / acute health condition. This will require more units to be designed with expanded accessibility considerations to accommodate wheelchairs, walkers, etc. While this may increase initial costs during the design and manufacturing phases, it will allow the City to secure additional funding in the future when operating the Navigation Center. This includes using CalAIM ("California Advancing and Innovating Medi-Cal) reimbursements to help offset operating costs. A more in-depth analysis of recuperative care and CalAIM will be provided when an agreement for a lead operator and recuperative care provider is brought to Council for approval at a future meeting.

It is important to note that if the contingency fund is not fully utilized, where the project will be completed with a surplus of ARPA funds remaining, the U.S. Treasury will allow the unused funds to be transferred to another obligated ARPA-funded project that needs additional funds even after the December 31, 2024, obligation deadline; however, the expenditure deadline of December 31, 2026, remains intact.

The scope of services of the Mandeville Agreement outlines the phases, responsibilities, and deliverables for Mandeville Modular, which includes:

- Initial Planning Phase  
Mandeville Modular will meet with City staff to review and confirm the design requirements of the project before drafting preliminary plans.
- Schematic Plan Phase  
During this phase, Mandeville Modular will prepare preliminary plans for the project, including schematic drawings, site utilization plans, and the proposed design concept of the buildings.
- Design Development Phase  
Once the City approves the preliminary plans from the Schematic Plan Phase, design development documents will be prepared. These will include a site plan for the SB HOPE Campus, a floor plan for the Navigation Center, elevations, and any additional drawings or documents required for the project.
- Final Working Drawings and Specifications  
After the City approves the design development documents, Mandeville Modular will produce and submit final working drawings. These drawings and specifications will be used for developing a scope of work for the general contractor bids. The final working drawings and specifications will detail all project construction and manufacturing work that needs to be done, including all structural, mechanical, electrical, and utility work.
- Construction Contract Documents  
The final working drawings and specifications, once approved by the City, will establish the construction contract documents and will be provided to the City



with all required local, state, and federal certifications included.

- General Contractor Bid Phase  
For this phase, Mandeville Modular will provide a set of reproducible construction documents that the City will include in its request for bids for a general contractor. Mandeville Modular will also be available to answer any questions during the general contractor bid process.
- Modular Manufacturing and Site Construction Phase  
During this phase, Mandeville Modular will begin the manufacturing of the modular units, which will happen in parallel to the on-site construction / site-preparation that will be performed by the general contractor. Mandeville Modular will provide the general contractor with any clarifications regarding the construction documents in order to ensure that the site is properly prepared to receive the modular units. Additionally, Mandeville Modular will work with the general contractor to ensure that any changes that are made in the field to the construction documents are appropriate and documented.
- As-Built Drawings  
The as-built drawings will be provided thirty (30) days after the completion of the project and will incorporate any and all change orders, field changes, etc. to the construction documents. This will provide the City with drawings and specifications for the Navigation Center that accurately represents the project as it was built.

Mandeville Modular was selected through a formal procurement process where the City released an RFP seeking a modular company that either had an in-house architect or the ability to partner with an architect. On September 19, 2024, the City released the RFP and received one (1) responsive proposal by the October 17, 2024, deadline:

Vendor	Cost of Proposal*	Average Combined Scoring Percent
Mandeville Modular Inc.	\$8,776,545*	85.8%**

\* Cost of proposal does not include 15% contingency.

\*\* The scoring for the Modular Manufacturer included two separate scoring rubrics and the Average Combined Score incorporates an average of both rubrics.

Staff conducted a formal evaluation of the proposal and held a Zoom interview with Mandeville Modular Inc. on October 23, 2024. For the formal evaluation, staff scored the proposal across multiple categories:

- The Proposer is properly licensed
- The Proposer has no conflict of interest
- Clarity and conformance of proposal to the RFP
- The content of the proposal

- The proposer's experience and performance
- Team members' experience and performance
- The fee proposal being clearly outlined and aligned with the services
- Comments by references
- Exceptions/deviations to RFP
- History of litigation

The formal evaluation also consisted of a second scoring criterion that focused on project approach, modular experience, and insurance and bonding capacity.

In addition to the formal evaluation and interviews, staff also conducted a site-visit of Mandeville Modular's Palmdale facility. While at the facility, another project was underway, and City staff was allowed to inspect the quality of the modular unit, which staff determined to be of a high standard. Based on the evaluation, interview, and site-visit, the City determined that Mandeville Modular is a responsive and qualified proposer that has the capacity to deliver the project to the City's expectations.

#### **Agreement with CREDE Construction Advisory**

The CREDE Agreement establishes CREDE Construction Advisory ("CREDE") as the City's development manager. The CREDE Agreement has a not-to-exceed amount of \$1,091,148 for a term of twelve months. There is no contingency amount incorporated into the CREDE agreement as it is typically not added for such services; CREDE is not performing any construction. As the City's development manager, CREDE will:

- Provide project planning, scheduling, and coordination. This includes developing a master schedule, establishing a phasing plan to maximize efficiency in the overall construction timeline, and ensuring coordination between the general contractor and modular manufacturer.
- Assist in ensuring that the construction documents and schematics obtain all necessary permits, approvals, and certifications from all required agencies.
- Manage labor standards and compliance as required by local, state, and federal agencies. CREDE will enforce the required State Public Works, Davis Bacon, and HUD Section 3 contract compliance programs that the project will be subject to as a result of using restricted funds.
- Provide site management and project inspections, including final inspections, to ensure that the project meets all standards.
- Conduct final audit reporting, which includes confirming that all labor and prevailing wage compliance, as well as all HUD requirements, have been met.

CREDE was selected through a formal procurement process where the City released an RFQual seeking a *fee for service* developer with experience in managing projects

that utilize modular construction. On September 19, 2024, the City released the RFQual for development management services and received five (5) responsive proposals by the October 17, 2024, deadline. The proposals were awarded on a “best value” basis as opposed to “lowest bid” in order to select the firm that can provide the best development management services. The results of the RFQual are as follows:

<b>Vendor</b>	<b>Cost of Proposal</b>	<b>Average Scoring Percent</b>
CREDE Construction Advisory	\$1,091,148	95.33%
Skanska	\$698,077	90.33%
Dignity Moves	\$902,000	78.97%
BCM Group, Inc.	\$1,085,837	76.21%
TAIT & Associates, Inc.	Provided hourly rates based on employee classification	69.31%

Staff conducted a formal evaluation of the responses and held Zoom interviews with the proposers between October 23-24, 2024. For the formal evaluation, staff scored each response across ten (10) categories, which included:

- The Proposer is properly licensed
- The Proposer has no conflict of interest
- Clarity and conformance of proposal to the RFQual.
- The content of the proposal.
- The proposer’s experience and performance.
- Team members’ experience and performance.
- The fee proposal being clearly outlined and aligned with the services.
- Comments by references.
- Exceptions/deviations to RFQual
- History of litigation

For every category in the formal evaluation, CREDE either had the highest score or was tied with the highest score, ultimately making them the highest-scoring respondent overall. During the interviews, CREDE demonstrated the best understanding of the restricted funding sources and the need to strictly adhere to the labor compliance requirements associated with federal funds. CREDE also has extensive experience working with public jurisdictions that use restricted funds, including experience working locally within the County of San Bernardino where they served as the project manager for the construction of the San Bernardino Justice Center. Overall, the City determined that CREDE was the most qualified respondent for development management services and best suited to be the City’s development manager for the Navigation Center.

### **2021-2025 Strategic Targets and Goals**

Approving the agreements with Mandeville Modular and CREDE Construction Advisory aligns with Key Target No. 3: Improved Quality of Life.

### **Fiscal Impact**

There is no General Fund impact associated with approving the agreements with Mandeville Modular and CREDE Construction Advisory. There are sufficient ARPA funds in the project's approved budget to fund the agreements.

### **Conclusion**

It is recommended that the Mayor and City Council of the City of San Bernardino, California:

1. Approve an Agreement for Design Services and Purchase and Delivery of Goods with Mandeville Modular in the amount of \$10,093,027 (which includes a 15% contingency); and
2. Authorize the Director of Finance and Management Services to issue a Purchase Order in an amount not to exceed \$10,093,027 to Mandeville Modular; and
3. Approve a Professional Services Agreement with CREDE Construction Advisory in the amount of \$1,091,148 for Development Management Services of the Navigation Center; and
4. Authorize the Director of Finance and Management Services to issue a Purchase Order in an amount not to exceed \$1,091,148 to CREDE Construction Advisory; and
5. Authorize the City Manager, or designee, to execute the Agreement for Design Services and Purchase and Delivery of Goods with Mandeville Modular and the Professional Services Agreement with CREDE Construction Advisory

### **Attachments**

Attachment 1 – Design Services and Purchase and Delivery of Goods Agreement with Mandeville Modular.

Attachment 2 – Professional Services Agreement with CREDE Construction Advisory.

Attachment 3 – Navigation Center Funding Source Matrix

Attachment 4 – RFP F-24-1019 SB Hope Campus Modular Building Manufacturer

Attachment 5 – Mandeville Modular Proposal

Attachment 6 – RFQual F-24-6001 Development Management Services

Attachment 7 – CREDE Construction Advisory Proposal

**Ward:**  
First Ward

**Synopsis of Previous Council Actions:**

October 27, 2022	Mayor and City Council held a workshop to address the City's growing homelessness crisis and was presented with the Navigation Center concept.
December 7, 2022	Mayor and City Council allocated \$12,450,000 in ARPA funds for the construction of the Navigation Center and \$4,500,000 in ARPA funds for the operation of the Navigation Center.
February 1, 2023	Mayor and City Council adopted Resolution No. 2023-028 declaring a Homelessness State of Emergency.
March 15, 2023	Mayor and City Council approved an allocation of \$4,299,672 of HOME-ARP funds to assist with the design and construction of the Navigation Center.
May 17, 2023	Mayor and City Council adopted Resolution No. 2023-076 adopting the Homelessness State of Emergency Implementation Strategy.
June 21, 2023	Mayor and City Council adopted the FY 2023-24 Annual Action Plan, which included an allocation of \$1,901,365 in CDBG funds for the Navigation Center.
July 19, 2023	Mayor and City Council adopted Resolution No. 2023-097, amending the City's 2020-2023 Permanent Local Housing Allocation (PLHA) Program funding to provide \$4,355,241 towards the operating and/or capital costs of the City's Navigation Center.
October 4, 2023	Mayor and City Council adopted Resolution No. 2023-144 for the Strategic Initiatives, approving an annual allocation of \$2,000,000 for Homelessness Services Sustainability beginning FY 2026/27.
November 1, 2023	Mayor and City Council accepted \$808,358.87 in Homeless Housing, Assistance, and Prevention (HHAP) Round 3 grant funds from the County of San Bernardino for the Navigation Center.
September 4, 2024	Mayor and City Council adopted Resolution No. 2024-201 reaffirming the declaration of a Homelessness State of Emergency.

October 2, 2024	Mayor and City Council reallocated the \$4,500,000 in ARPA funds from operations to construction for the Navigation Center.
October 24, 2024	Mayor and City Council held a Special Meeting for an update on the Navigation Center project.