

ITEM # 33  
DATE: 11-14-17

## COUNCIL ACTION FORM

**SUBJECT:** 321 STATE AVENUE PUBLIC INFRASTRUCTURE BIDS

**BACKGROUND:**

The City Council, at its July 11, 2017, meeting, provided direction to staff to proceed with development of a 37-lot subdivision at 321 State Avenue in partnership with J-Corp, Inc., as the developer of the site. The development concept includes platting of 37 lots as Phase 1 of development of the site with an option for a second phase of development in the future for a total of 43 lots. The planned subdivision will include a minimum of 20 affordable homes to be constructed for low and moderate-income households and 17 market rate homes. J-Corp Inc. will be the developer for both the affordable and the market rate homes and they will be the builder of all of the affordable low and moderate income homes. In addition to providing the land for the subdivision that was purchased for \$550,000, the City has budgeted \$550,000 for public infrastructure and the developer has committed to \$400,000 for a total of \$950,000 in relation to public improvements costs.

In order to solidify specifics within the agreement, the first step, was to approve the specifications for public improvements and to solicit bids for their construction to verify project costs compared to the assumed \$950,000 budgeted amount. City Council approved at its October 10<sup>th</sup> meeting the plans and specifications for the installation of public improvements for the proposed subdivision at 321 State Avenue and established November 7, 2017, as the date of letting and November 14, 2017, as the date for report of bids.

On November 7, 2017, bids on the project were received as follows:

<i>Bidder</i>	<i>Amount</i>
Engineer's Estimate	\$ 1,065,900.00
Keller Excavating, Inc.	\$ 1,196,833.26
J&K Contracting, LLC	\$ 1,207,443.16
Valley Plumbing Co., Inc.	\$ 1,313,511.70
King Contracting, LLC, dba King Construction	\$ 1,313,511.70

Based on the above bids amounts received for the public infrastructure improvements, the lowest bid is from Keller Excavating, Inc. in the amount of \$1,196,833.26, which exceeds the proposed project budget by approximately \$246,000. Given this amount for the base bid there is no contingency included in the budget of the low bid. **Therefore, staff**

**recommends receiving the bids, but to take no action on awarding a contract due to the substantial gap between estimated costs and actual bids.**

**In the meantime, the staff can attempt to determine if the project can be redesigned to lower the infrastructure costs or, working with J-Corp, determine if additional funding can be identified to close the financial gap for this project.**

**ALTERNATIVES:**

1. Accept the report of bids for the 2017/18 community development block grant public infrastructure improvements program for the development of 321 state avenue mixed-income housing subdivision and delay any decision to award the bid.
2. Reject the bids and direct staff to pursue other options.

**CITY MANAGER'S RECOMMENDED ACTION:**

The proposed bids for the public improvements are substantially higher than anticipated by the J-Corp estimate in July and the engineer's estimate with the Plans and Specifications approval in October. In order to continue with the concept from July, staff will need to investigate options for additional funding from the City and J-Corp.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as stated above.