

STAFF REPORT

Date: October 23, 2024

To: Mayor and City Council

Through: Jackie Bryant, Interim City Manager

Subject: Staff Report (For Possible Action): Award of Contract to K7 Construction Inc. for the Neil Road Facility Remodel and Expansion Project in an amount not to exceed \$4,871,900. (ARPA Fund, Community Health Alliance Donation)

From: Justin George, Senior Civil Engineer

Department: Public Works

Summary:

The Neil Road facility is currently leased to Community Health Alliance (CHA) to provide critical healthcare services to a traditionally underserved community. The scope of this project is to remodel the existing 5,120 square foot facility and expand it with an additional 4,000 square feet of space. This will allow CHA to expand the services available to the community at this facility.

At the July 31, 2024 Council meeting, Council approved a memorandum of understanding (MOU) to outline the project obligations of both the City and CHA for the Neil Road Facility Remodel and Expansion Project and the terms of a new lease between the City and CHA. The MOU identifies the City's obligation to deliver the project through the design-bid-build process and the commitment for CHA's to cover the project funding gap over the City's allocated \$5,000,000 APRA funds at the time of bid award. The total project costs are anticipated to be \$5,400,000. Therefore, a \$400,000 Community Health Alliance Donation is also on this agenda along with a new lease agreement.

CHA will be responsible for the costs of all furniture, fixtures, and equipment for the expansion and remodel of this facility. These costs are not included in the total project costs of \$5,400,000 and will be purchased separately by CHA and are estimated to be \$900,000.

The design for this project was completed in August 2024. Staff conducted a public bid for the project September 2024. Three bids were received and opened on October 1, 2024. K7 Construction Inc. submitted the best bid pursuant to the requirements established in Nevada Revised Statutes (NRS) Chapter 338.147. The ARPA funds are required to be awarded to a

project before December 31, 2024.

Staff recommends Council award the contract to K7 Construction Inc. for the Neil Road Facility Remodel and Expansion project in an amount not to exceed \$4,871,900. Construction is anticipated to begin in December 2024 and is expected to take 18 months to complete.

Alignment with Strategic Plan:

Economic Opportunity, Homelessness, and Affordable Housing
Infrastructure, Climate Change, and Environmental Sustainability
Economic and Community Development

Previous Council Action:

July 31, 2024 - Council approved the memorandum of understanding (MOU) between the City of Reno and Community Health Alliance (CHA) on the Neil Road Facility Remodel and Expansion Project and approved the lease term sheet and authorized the Mayor to sign the MOU.

April 10, 2024 – Council approved a consultant agreement with Tectonics Design Group for the design and construction administration services for the Neil Road Facility Remodel and Expansion project in an amount not to exceed \$342,583 (ARPA Fund)

March 8, 2023 – Council approved an additional \$2,000,000 ARPA fund allocation to the access to healthcare priority category and approved the Neil Road Facility Remodel and Expansion project with an allocation of \$5,000,000.

January 26, 2022 – Council allocated \$24,499,998.50 ARPA fund to seven priority categories as a result of the public engagement process, including \$3,000,000 to access to healthcare.

August 25, 2021 – Council accepted the \$51,519,997 SLFRF allocated through ARPA and directed staff to begin a public engagement process.

Background:

The facility at 3915 Neil Road, shown on the vicinity map, is currently being leased to CHA to provide critical healthcare services to a traditionally underserved community. Council allocated \$5,000,000 of ARPA funds for the Access to Healthcare priority category during the March 8, 2023 and January 26, 2022 Council meetings. Also, during the March 8, 2023 meeting, Council approved the Neil Road Building Remodel and Expansion project for use of the \$5,000,000 ARPA funds dedicated to the Access to Healthcare priority category. This project will expand and remodel the facility at 3915 Neil Road to increase healthcare services provided to the community at this facility. Council approved a consultant agreement with Tectonics Design Group (TDG) for the design and construction administration services at the April 10, 2024

meeting.

The vicinity map below shows the general location of the Neil Road Facility.

Vicinity Map



Discussion:

The facility at 3915 Neil Road is an existing 5,120 square foot facility that provides healthcare services. The Neil Road Building Remodel and Expansion project is planned to expand the area of this facility with a 4,000 square foot addition and remodel of the existing 5,120 square foot facility. Figure 1 is a conceptual site plan showing the existing facility for remodeling and the location for the new expansion.

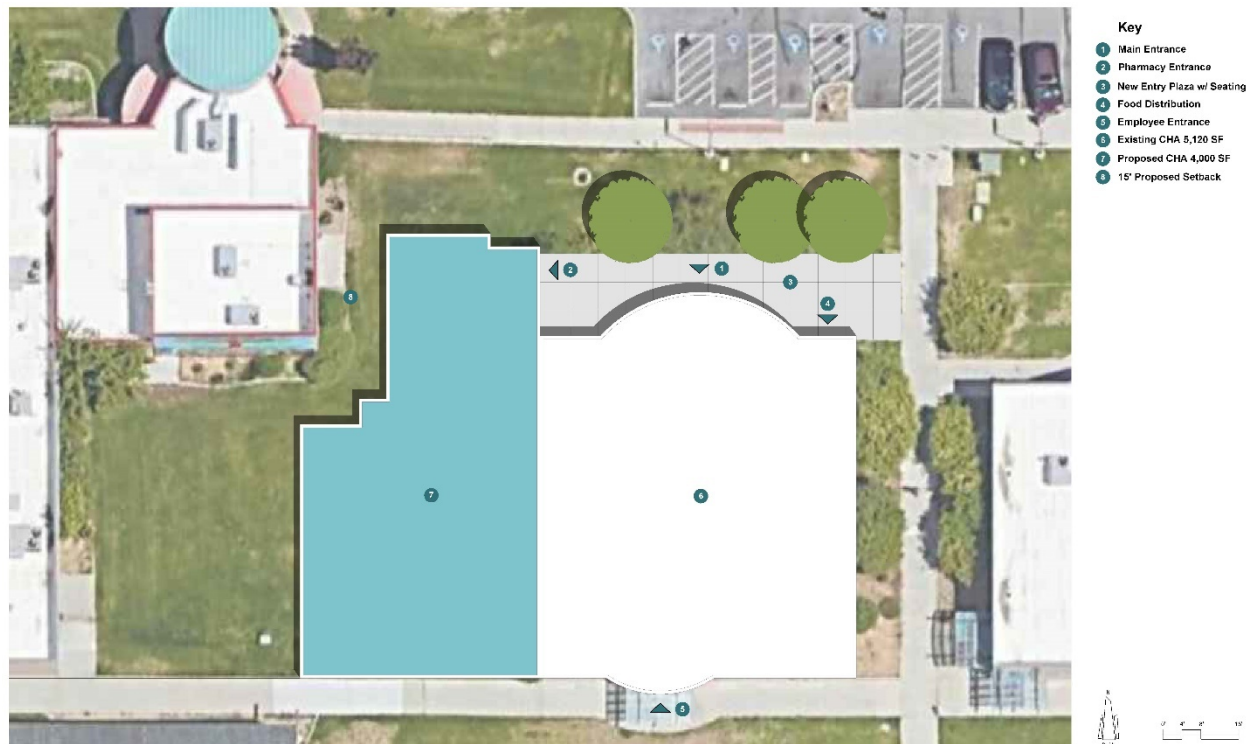


Figure 1, Conceptual Site Plan

At the July 31, 2024, meeting, Council approved a MOU outlining project expectations and obligations. Staff worked with the City Attorney's Office and CHA to draft the approved MOU that outlines that CHA operates the Neil Road Facility located at 3915 Neil Road to provide Health Care Services; City Council allocated \$5 million from ARPA funds for Access to Healthcare priority category and approved Neil Road Facility for said allocation; CHA's current lease expires June 30, 2025 and the Parties agreed to renegotiate a new long-term lease based on Council direction on the proposed term sheet. The MOU also outlines the following obligations. The City is obligated to deliver the project through the design-bid-build procurement process, but this obligation is contingent upon CHA's obligation to cover any funding gap. CHA is obligated to provide funding to cover any gap over the allocated \$5 million at time of bid award. This obligation is contingent upon the successful execution of a new long-term lease. The new lease agreement is also on the agenda today for Council.

The planned expansion and remodel will allow Community Health Alliance to expand the healthcare services provided at this facility. Figure 2 is a conceptual floor plan showing the anticipated layout for the renovated healthcare facility. The conceptual site plan and floor plan for this facility was developed by CHA.

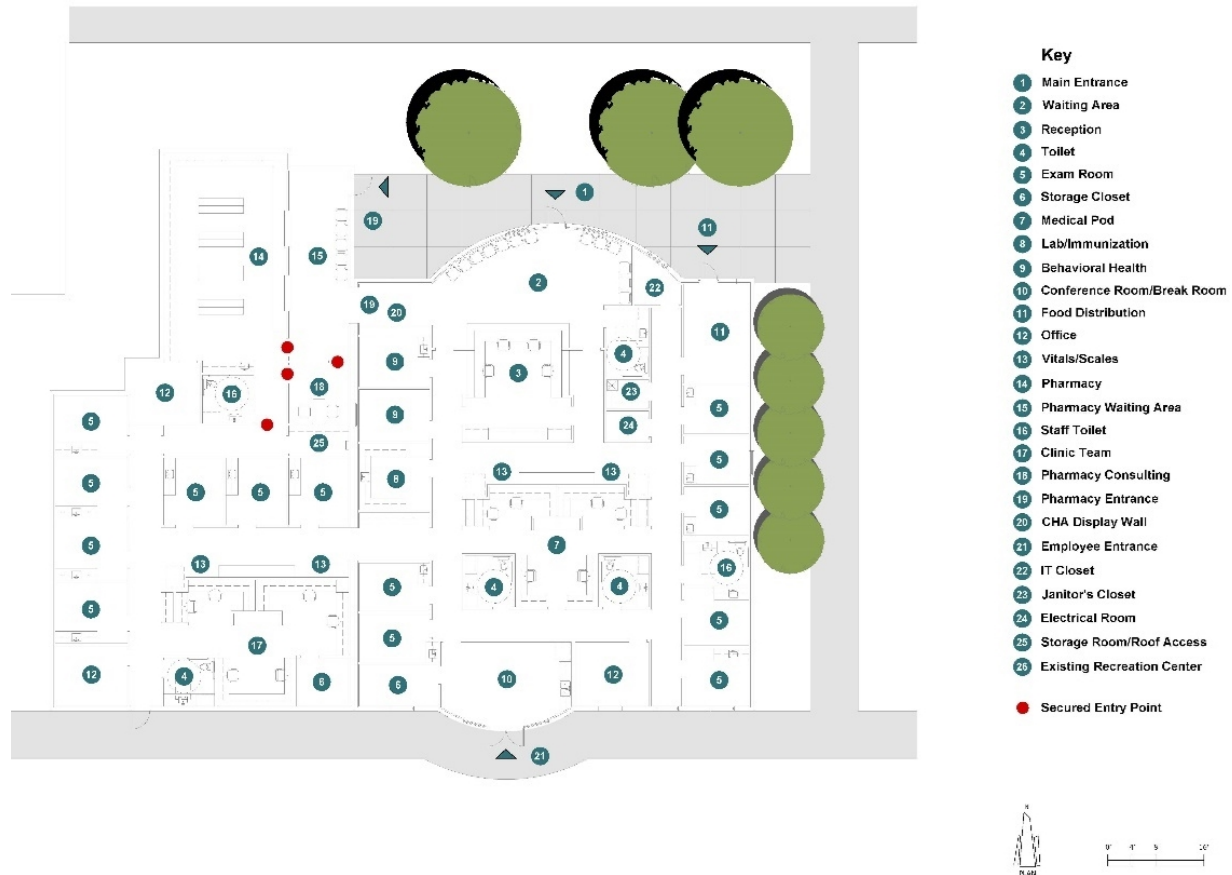


Figure 2, Conceptual Floor Plan

The schedule for this project is shown in Table 1 below. APRA funds are required to be awarded by December 31, 2024, and spent by December 31, 2026.

Table 1. Project Schedule

Award consultant agreement	April 10, 2024
Design	April - August, 2024
Estimate of probable construction cost	July 2024
Plan review & permitting	August - September, 2024
Advertise & bidding	September 2024
Council award	October 23, 2024
ARPA award deadline	December 31, 2024

Construction	January 2025 – October 2026
APRA expenditure deadline	December 31, 2026

The total project cost is approximately \$5,400,000. Included in the project budget is design and construction administration services fees, construction costs, plan review and permitting fees, utility fees required for facility expansion and remodels, special inspection fees for services during construction, and a design contingency to account for unknown conditions that could increase costs for scope changed during design and/or materials and labor costs that have the possibility to increase before bidding. Not included in the project cost are furniture, fixtures, and equipment (FF&E). The FF&E for this project is to be procured by CHA.

The City has allocated \$5 million to this project from ARPA funds. Any project costs above \$5 million will come from CHA as outlined in the memorandum of understanding (MOU).

Staff received and opened three bids for the Neil Road Facility Remodel and Expansion Project on October 1, 2024. K7 Construction Inc. submitted the best bid pursuant to the requirements established in Chapter 338 of the NRS. K7 Construction Inc. is a local general contractor licensed in Nevada. Table 2 below shows the bid results.

Table 2. Bid Summary

Bidder	Total Bid Price
Engineer's Estimate	\$4,983,157
K7 Construction Inc.	\$3,921,900
Truckee Meadows Construction	\$4,569,290
Frank Lepori Construction	\$4,679,572

Table 3 below shows the overall project costs, the amount of funding allocated from the City of Reno, and the amount of money from the Community Health Alliance.

Table 3. Overall Project Cost

Item	Fee
Consultant Design Fee	\$342,583
Asbestos Survey	\$3,100
Plan Review Fees	\$8,111
Permitting Fees*	\$61,306
Utility Improvements*	\$113,000
Construction Bid	\$3,921,900
Contingency	\$950,000
Project Grand Total	\$5,400,000
ARPA allocation by City	\$5,000,000
Community Health Alliance	\$400,000

Staff recommends awarding the contract to K7 Construction Inc. for an amount not to exceed \$4,871,900 which includes a \$950,000 contingency for unforeseen items encountered during construction as shown in Table 4 below.

Table 4. Recommended Bid Award

Base Bid	\$3,921,900
Contingency	\$950,000
Bid Award	\$4,871,900

The consequences of not awarding this bid today will result in decreased level of healthcare services available at the Neil Road Facility and the potential expiration and loss of ARPA federal funds

Financial Implications:

This project will be funded with \$4,471,900 through the ARPA Fund and a \$400,000 donation from the Community Health Alliance. Should additional ARPA funds become available as a result of lower than estimated utilities/building permits for construction, those ARPA funds will be applied to this contract, increasing the ARPA share of the contract.

Legal Implications:

This contract was competitively bid in accordance with Chapter 338 of the NRS and the Code of Federal Regulations. NRS 338.147 provides that a local government shall award a contract for a public work for which the estimated cost exceeds \$250,000 to the contractor who submits the best bid pursuant to the requirements of the chapter. K7 Construction Inc. maintains the proper license to perform the project and submitted the best bid pursuant to state law and complied with the federal regulations.

Recommendation:

Staff recommends Council award the contract to K7 Construction Inc. in an amount not to exceed \$4,871,900 for the Neil Road Facility Remodel and Expansion Project and authorize the Mayor to sign the contract.

Proposed Motion:

I move to award the contract to K7 Construction Inc. for the Neil Road Facility Remodel and Expansion Project in an amount not to exceed \$4,871,900 and authorize the Mayor to sign the contract.

Attachments:

Contract