

REQUEST FOR PROPOSALS
Pro-Housing Feasibility Study
-- CITY OF MERCED --
April 25, 2022



REQUEST FOR PROPOSALS - OUTLINE

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I. PROJECT OVERVIEW

The City of Merced requests proposals from qualified consultants with experience in affordable housing development, market-rate economics, and municipal inclusionary housing ordinances to assist the City in preparing an assessment of the City's affordable housing policy, including a nexus study and determination of in-lieu fees that may be assessed as an alternative to constructing inclusionary units. **Key statements in this RFP are shaded red. For a general overview, please review those sections.**



Goals & Intent:

The goal of this activity is to implement the policy direction provided by the Merced City Council on April 4, 2022c to conduct a feasibility study to set an appropriate affordability rate for ownership and rental projects under the City's Regional Housing Needs Allocation Unit Production Plan. As well as to create an "in-leu" fee as part of the Production Plan.

On April 4, 2022, the Merced City Council adopted Council Resolution No. 2022-15 (Attachment A), which adopted a bridge or interim affordable housing production requirement similar to Inclusionary Zoning to new private market rate development, with some specific exclusions and exemptions, at a rate of twelve and a half percent (12.5%). The Council additionally supported the preparation of a study to determine if this rate is appropriate or if other rates should be considered given the local housing market conditions. This study would also address creating an in-leu fee as an option to meet the program requirements which would be deposited into a Housing Trust Fund, not currently created. The City Council is aware of AB 1505 and that an affordability level set on private market development above fifteen percent (15%) requires an Inclusionary Zoning Ordinance and a Feasibility Study. The work being sought by this RFP is intended to serve this purpose.

The Regional Housing Needs Allocation Unit Production Plan was created based on City Council direction to develop a mechanism or accountability process requiring the production of affordable housing units as part of new market rate development projects. The intent was to utilize a tool which would achieve this goal, but not through an Inclusionary Zoning Ordinance. The Council's direction was to require the provision of affordable housing when certain discretionary land use entitlement actions would be considered by the City Council.

These production requirements apply to both rental and ownership projects or any combination of projects containing both unit types. They also apply to multifamily and single-family residential as well as mixed use - containing commercial or other nonresidential uses.

The production plan will be facilitated on a project-by-project basis where the City Council has discretionary authority over specific land use entitlements. More specifically the production of affordable units would be implemented when land use entitlements require the execution of the following discretionary actions:

- Pre-Annexation Development Agreement (PADA)
- Development Agreement (DA)
- Legislative Action Agreement

Project implementation would be facilitated in the specific agreement document for each project. The City already has zoning code requirements or other policies in effect. More specifically, the PADA and DA process is articulated in Chapter 20.86 of the City's Zoning Code. The use of a PADA is a standard requirement for any new land territory to be annexed and pre-zoned into the City. A DA may be enacted when requested by a private developer for assistance to implement a development project.

Legislative Action agreements are specified in Chapter 20.72.040 of the Zoning Code. They are required when specific land use entitlements are requested. Those include:

- General Plan Amendment
- Zoning Ordinance Amendment – Zone Change
- Establishment of a Planned Development District (PD) and Site Utilization Plan specific to that (PD) also a modification to a PD or Site Utilization Plan
- Other legislative actions subject to the applicant entering into an agreement with the City of Merced.

There are some specific exemptions and exclusions to the affordability requirements. The following land use entitlements would **not** be subject to the requirement of affordability production under the production plan:

- Any instance where an executed DA or PADA limit or exclude applying any new entitlement requirements to the project
- When an amendment to a DA or PADA is only for the purposes of a Time Extension or a Minor Amendment as defined with the DA or PADA
- Approval of a Site Utilization Plan or Revision to an existing PD which involves only nonresidential uses
- Any Permitted, “By Right,” Site Plan, Conditional Use Permit (CUP), and non-discretionary entitlements
- Any residential development project undertaken by a public entity separate from the City of Merced
- Any proposed project, wherein the City Council at their sole discretion, determines that meeting the production requirements is infeasible due to costs or other factors such as health and safety issues
- A proposed project which consists of less than thirty-six (36) Multi Family Units
- A proposed project which consists of less than sixty (60) Single Family Residential Units

Within the proposed Plan the total number of affordable housing units shall be spread across the following income levels

- Extremely Low
- Very Low
- Low
- Moderate

In addition to the production of housing units by the project developer, other means of satisfying the RHNA Production Goals are also included in the Plan:

- Land Dedication within the development project area to an affordable housing nonprofit which shall also include a production plan, and development schedule
- Purchase – Acquisition of regulatory covenants on existing housing units within the City of Merced – must meet affordability term
- Rehabilitation of existing housing units in exchange for regulatory covenants within the City of Merced - must meet affordability term
- Payment of an In-Lieu Fee to be determined on a case-by-case basis which shall be defined based on this Nexus Study
- Other means subject to City Council Approval

These options may be combined along with unit production to leverage the maximum benefit to the City towards meeting RHNA production goals. The City Council at their sole discretion will determine if a Density Bonus can be combined with payment of an In-Lieu Fee.

Lack of affordable and plentiful housing options in the City of Merced makes this project high priority for the City.

This effort should include the following:

- A nexus study to quantify the connection between the development of market rate housing and the demand for affordable housing units.
- Financial review to evaluate the financial feasibility of imposing affordability requirements on residential development.
- A fundamental premise of this financial feasibility analysis is that the affordable housing program enacted by the City should not place an onerous financial burden on the developers of market rate housing.
- To analyze and develop a practical methodology for the allocation and calculation of housing in-lieu fees for residential projects.
- A written report detailing the recommended methodology and recommended in-lieu fees for affordable housing development in the City. The report shall also include recommendations for fees including recommendations for adjusting fees to account for regular construction inflation. The report shall include any recommended or required modifications to the City's Municipal Code in order to implement an in-lieu fee program for residential developments.
- Attend one City Council meeting to present conclusions and answer questions regarding the nexus study, this meeting is anticipated to occur in spring of 2022.
- Include one optional additional City Council meeting and round of revision should the council request modifications to the study. Analysis must provide a basis and methodology for establishment of a fee which is consistent with the requirements of State and Federal law.
- The nexus study and recommendation report should be completed within four to six months after the contract is executed.



Funding: The City of Merced is funding this effort through a Local Early Action Planning Grant (LEAP) from the State of California Department of Housing and Community Development.

Timeline: The *Project Timeline* sought by the City for this project is approximately 4 - 6 months from start to finish for the study and deliverables.

**PROPOSALS ARE DUE AT 5:00 P.M.
ON FRIDAY, MAY 20, 2022**

II. BACKGROUND INFORMATION

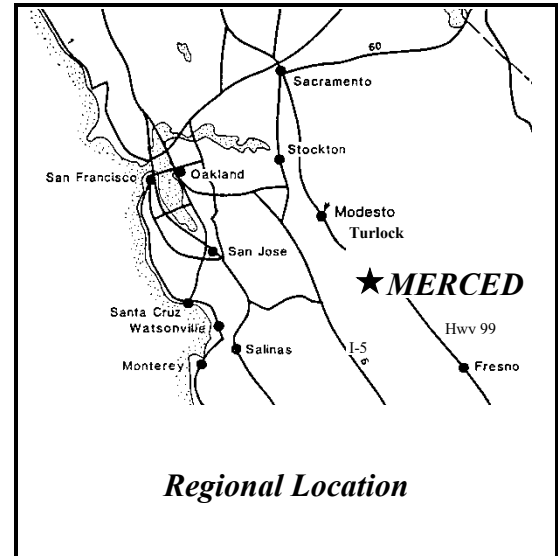
City of Merced

Located in the heart of the San Joaquin Valley, the City of Merced is the Merced County seat as well as the retail commercial center for the surrounding region. Known as the “Gateway to Yosemite” because of its historic and current status as a stopping place for visitors on their way to Yosemite, Merced is just 80 miles from the national park. Merced is also home to the University

of California, Merced campus, which opened in 2005 and has a student population of over 9,000 in 2020 and is expected to have 10,000 by the end of the year.

Merced is approximately 150 miles southeast of San Francisco and is one of a chain of cities located along State Highway 99. Highway 99 is one of the two main north-south arteries connecting Southern California to the Pacific Northwest region. The City of Modesto is located 40 miles, Stockton 65 miles, and Sacramento 100 miles to the north of Merced along Highway 99. The City of Fresno is 55 miles and Bakersfield is 165 miles to the south along Highway 99.

Merced City Limits are generally bounded on the west by State Highway 59 and Thornton Road, on the east by McKee and Tower Roads, on the north by Old Lake Road, and on the south by Dickenson Ferry Road/Mission Avenue. In 2021, the City of Merced covered approximately 23.1 square miles (or approximately 14,800 acres) and had a population of approximately 90,000.



Merced was incorporated in 1889 and operates under the Council-Manager form of government. Merced's population has grown faster than the state average since 1980. Over the past nine years, the annualized growth rate is about 3.4%. This rapid expansion of population has stimulated significant retail growth since 1992. Several major retail chain stores have entered Merced, adding

over 750,000 square feet of new retail space in that time and increasing the City's sales tax receipts by over \$500,000 annually.

The economy has traditionally relied upon agribusiness and upon the presence of Castle Air Force Base. Over the past twenty years, more diversified industry has entered the area, including printing, fiberglass boat building, warehousing and distribution, and packaging industries.

In September 1995, Castle Air Force Base closed after phasing down over the previous three years. This has affected residential real estate and some sectors of the retail and service economies, but overall retail has continued to increase. Re-use of the former base is actively proceeding. Industrial development is increasing in the area.

Since 1992, more than 400,000 square feet of new industrial activity has started. Local planning is underway to accommodate University campus development, which will eventually accommodate about 25,000 students.

III. PROJECT DETAILS AND SCOPE OF WORK

The Project timeline and budget is set by terms of the agreement between the City and the consultants. These factors and other structural topics are described here.

A. Project Approach

The City seeks assistance from qualified consultants with experience in affordable housing development, market-rate economics, and municipal inclusionary housing ordinances to assist the City in preparing an assessment of the City's affordable housing policy, including a nexus study and determination of recommended in-lieu fees that may be assessed as an alternative to constructing inclusionary units.

B. Environmental Review

This feasibility and nexus study is not subject to the California Environmental Quality Act pursuant to Public Resources Code Section 21065 and CEQA Guidelines Section 15060(c)(3), because this activity does not constitute a "project" pursuant to CEQA Guidelines Section 15061(b)(3) as it can be seen with certainty that this activity will not have a significant effect or physical change to the environment. CEQA does not apply to regional housing needs determinations made by the Department of Housing and Community Development, a council of governments, or a city or county pursuant to Section 65584 of the Government Code.



C. Project Schedule/Timeline for Milestones & Deliverables

The *Project Timeline* sought by the City for this project is approximately four to six months, starting with the contract award in June 2022. The consultant is welcome to recommend adjustments to the timeline, where appropriate.

D. Scope of Work

The following services (listed under A-D) will be the responsibility of the Consultant. Consultants are also encouraged to present suggested modifications to the scope in their proposals that most effectively meets the goals and objectives described in this RFP, however the City seeks to achieve the full scope within the budgeted amount. The scope of work includes, but may not be limited to, the following tasks:

A. Project Management

- a. Project Kick-Off Meeting: Meet with staff project team to identify project milestones, refine the scope of work, confirm timeline, clarify specific roles and responsibilities and identify project resources.
- b. Management Tools: Identify tools and methods that will be used to keep the project moving on time and within budget.

B. Meetings

- a. Consultant should anticipate meetings with the staff project team throughout the project, including regular conference calls and in person or virtual group meetings at key milestones.
 - b. The City expects that some meetings can be held virtually via Teams or Zoom.
 - c. After the study is complete, prepare and deliver a presentation, first for the Planning Commission, and then at a separate meeting for City Council. Both meetings are anticipated to be in person.
 - d. Prepare for an additional public or Council meeting that may be needed.
- C. Review existing policy and resolution.
- D. Affordable Housing Nexus Study - State all aspects of work you propose for this element. These should include, but not be limited to:
 - a. Methodology and assumptions
 - b. Economic analysis
 - c. Identification of impacts
 - d. Compliance recommendations consistent with the requirements of AB1505 including:
 - i. In-lieu fee
 - ii. Land dedication
 - iii. Off-site construction
 - iv. Acquisition and rehabilitation of existing units
 - e. Administration draft review prior to public draft
- E. Conclusions and Recommendations - State all aspects of work you propose for this element. These should include, but not be limited to:
 - a. Identify incentives and alternatives
 - b. Financial benefits, costs, and impacts of incentives
 - c. Process for annually adjusting In-Lieu Fee Schedule
 - d. Process, assumptions, and schedule for adjusting Inclusionary and Workforce Housing Maximum Sale Prices
- F. Draft Recommended Affordable Housing Policy

E. Budget

The Project is being funded by a LEAP grant from the State of California Department of Housing and Community Development (HCD) awarded to the City of Merced in 2021. This project has a grant budget not to exceed \$75,000. All invoices against the grant are due to the City no later than March 2023.

IV. REQUESTED CONSULTANT SERVICES

A. Preferred Consultants

The City does not have a preferred consultant for this project. The City reserves the right to select either a team, managed by a lead consultant, or to select individual consultants to provide the City with the different deliverables of the Project. The desired situation will be the former, however. Proposals must present a team approach and include all deliverables in the proposal.

B. Milestones/Key Deliverables

See the Scope of Work with Project milestones. The report and completed project should be fully delivered at 6 months.

C. Roles

City staff will coordinate with the consultant on all work products.

D. Expertise

This RFP will be provided to consulting firms with specific skills to accomplish one or more deliverables. The most competitive consultant will be made up of a multi-disciplinary team whose goal is to prepare a comprehensive report that meet the criteria set forth by the City.

E. Required Meetings

- a. Project Kick-off Meeting
- b. Monthly check in Meetings via Zoom
- c. City Council presentation
- d. Possible follow up public presentation

V. CONSULTANT SCOPE OF SERVICES

The consultant's proposal should include all of the following topics in the order presented. All topics will be used to assess the consultant's: 1) project understanding; 2) project interest; and, 3) competency. All proposals shall be submitted in writing and be signed by the consultant.

A. Deliverables and Budget

Deliverables / Consultant Scope-of-Work

This RFP requests a Comprehensive Project Work Plan or Timeline for the entirety of the Project from the consultant, which should include at the very least, all the tasks in the draft scope of work. Each deliverable should be described separately in terms of work, budget, and time.

While an ideal candidate will show strength in all deliverables, City Staff may need to elect to form a multi-disciplinary team of separate consultants in order to produce the best end-product, but this is not our preferred approach.

Budget

The following shall be included in describing the budget allocation in the Consultant Proposal:

- Person hours allocated to each step and total hours allocated for project objectives and overall project (including sub-contractors), or flat costs by tasks with a “not to exceed” figure for each task;
- A breakdown of the employees and professionals to be assigned to each project objective and the hourly rates and person-hour costs assigned (please indicate total number of hours for each project team member along with total hours for each project objective and the entire project), or flat costs by tasks with a “not to exceed” figure for each task;
- Personnel charge rates of the firm;
- Classification as to whether or not employees are reimbursed by hourly rate or salary; and,
- List of any subcontractors who may provide technical or other assistance and breakdown of hours/costs associated with the sub-consultants.



The proposal shall describe the compensation to perform the services outlined herein, and such discussion needs to be consistent with the established budget. Any exceptions to the budget, timeline, and/or requirements stated herein shall be clearly stated in the proposal, and fully explained.

B. Past Projects of Similar Nature

Evidence of past work experience closely related to the preparation of affordability policies, nexus studies, and in-lieu fee studies. This section should describe why the consultant is a good fit with this Project. Please provide previous relevant experience and references of other public projects for both the project team and consulting firm.

C. Who is on the Project Team?

Describe the members of the project team, along with their roles and duties. Describe past work associations with team members.

D. Team Member Resumes

Include team member resumes with the proposal, which describe their qualifications to prepare the requested deliverables.

E. Other

The Scope of Work shall discuss other topics, either individually or as part of the above subsections, including:

- The administrative aspects of the project (legal oversight, printing costs, etc.);
- The type of word processing equipment and software used; and,
- Any optional features/analysis proposed.

VI. RFP LOGISTICS AND PROCESSES

A. Project Manager / City Contact

Scott McBride, Director of Development, is the City of Merced Project Manager and will represent the City of Merced and render overall supervision of the progress of the work. All services to be performed by the consultant will be subject to approval and acceptance by the Project Manager or his/her designee, and no payment will be made to the consultant until accepted and approved. Scott may be reached at: Phone: (209) 385-6918 and Email: mcbrides@cityofmerced.org

The City's Project Manager will work cooperatively with the consultant(s), by: 1) providing the consultant with whatever information is available regarding its requirements for the project; 2) examining project-related documents submitted by the consultant and rendering decisions

promptly to avoid unreasonable delay in the progress of the consultant's work; and, 3) furnishing information required of it as expeditiously as necessary for the orderly progress of work.

B. RFP Due Date / Mailing Address

Please send **five (5)** copies of the proposal to:

Scott McBride, Director of Development Services
City of Merced Development Services
678 West 18th Street
Merced, CA 95340

To be accepted, the Project Manager must have them in-hand, NOT postmarked, by **5:00 p.m. on Friday, May 20, 2022.**

C. Pre-Proposal/Scoping Meeting

There will not be a pre-proposal or scoping meeting for this project. Please submit any questions in writing to the Project Manager prior to 5:00 p.m. on Friday, May 13, 2022. City staff will attempt to answer all questions and email them to proposers by Wednesday, May 18, 2022.

D. Selecting Interview Pool

Proposals submitted will be reviewed for completeness and qualifications by the City of Merced. Approximately three (3) consulting firms will be invited to interview with City staff. The interview date is **tentatively** scheduled for **Tuesday, May 31, 2022.**

E. Interview Format

The Project Manager or Management Analyst will arrange the interviews. The interview will be conducted via MS Teams. A PowerPoint presentation is not required or expected. The purpose of the interview is not to restate the consultant's proposal, but rather to discuss the project with the consultant team members who will actually prepare the deliverables. Failure to include these individuals in the interview is grounds for automatic disqualification.

F. Final Selection Process

Upon conclusion of the interviews, the interview team will discuss the strengths and weaknesses of the proposals and make a decision as to which team, or independent consultants, will be recommended for final approval by the Merced City Council. The City staff will work with the selected consultant(s) to prepare a professional service contract, and to prepare and present the

City Council administrative report to the Merced City Council. It is anticipated that formal consultant selection and contract award will be approved by the City Council by July 2022.

G. Review and Selection Schedule

Review and Selection Schedule		
Action	Date	Other
Pre-Proposal Questions Submitted by Proposers	Friday, May 13, 2022	Received in writing by 5:00 P.M.
Answers to Questions Emailed to Proposers	Wednesday, May 18, 2022	By 5:00 P.M.
Proposal Due Date	Friday, May 20, 2022	Received by 5:00 P.M.
Consultant Interviews	Tuesday, May 31, 2022	Block out entire Day.
City Council Contract Approval	Tuesday, June 21, 2022, or July 5, 2022	6:00 P.M. (attendance not required)

VII. CONTRACTUAL TOPICS

Labor Code

The consultant shall comply with Sections 3700 et seq. of the labor code of the State of California, requiring every employer to be insured against liability for worker's compensation.

Insurance

The Consultant shall also provide liability insurance in the amount of \$1,000,000 naming the City as additional insured. Please carefully note the endorsement and cancellation causes in the required contract. Please refer to the sample contract (Attachment A)

Conflicts of Interest

The Consultant must be aware of and comply with conflict of interest rules included in the California Political Reform Act, and Section 1090 et. Seq. of the Government Code. The Political Reform Act requires City offices and committee members to file statements of interest and abide by a Conflict of Interest Code. Section 1090 limits or prohibits a public official from contracting with a body of which an official is a member. Section 1090 applies even where the officer only reviews the contract for the approving body. If the proposer holds no City committee appointment or other relationship, the proposal should simply state that in response to this item.

Form of Contract

The City's standard form of contract shall be used, and includes other provisions not described here. A standard professional service contract is attached for reference (Attachment B). Please review this very carefully and note in the body of your proposal any exceptions or alterations to the agreement. Alterations or changes to the agreement which were not in the consultant's response will not be made after City Staff selection of the consultant. This includes alterations, exceptions, or changes to the insurance and indemnity provisions. By requiring these requests up front, the City can compare all respondents on an equal footing.

Local Business Enterprise Policy (LBE)

The City of Merced is committed to ensuring a full and equitable participation by local businesses in the provision of all goods and services to the City.

Method of Compensation

The City of Merced reserves the right to award all or part of the project at its discretion. The City of Merced will compensate the consultant(s) based on the submittal of monthly invoices and monthly progress reports. The City reserves the right to request more detailed information from the consultant on its monthly invoices if needed.

Conditions for Responses to Request for Proposals

The following conditions apply to this RFP process:

- Nothing contained in this RFP shall create any contractual relationship between the respondent and the City.
- This RFP does not obligate the City to establish a list of service providers qualified as prime contractors or award a contract to any respondent. The City reserves the right to amend or cancel this RFP without prior notice, at any time, at its sole discretion.
- The City shall not be liable for any expenses incurred by any organization in connection with this RFP.
- No conversations or agreements with any officer, agent, or employee of the City shall affect or modify any terms of this RFP. Oral communications or any written/e-mail materials provided by any person other than designated contact staff of City shall not be considered binding.
- The City reserves the right, in its sole discretion, to accept or reject any or all Proposals without prior notice and to waive any minor irregularities or defects in a Proposal. The City reserves the right to seek clarification on a Proposal with any source.

- The dates, times, and sequence of events related to this RFP shall ultimately be determined by the City. The RFP process schedule is subject to change, at the sole discretion of the City, although the City will attempt to follow it and, if it must be altered, will attempt to provide reasonable notice of the changes.
 - Respondents shall not issue any news release pertaining to this RFP, or the City without prior written approval of the City.
 - All submitted proposals and information included therein or attached thereto shall become public record upon delivery to the Planning Division.
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Attachments

- A) Resolution 22-15 – RHNA Unit Production Plan
- B) Sample Professional Services Contract