



Coquille Indian Housing Authority

2678 Mexeye Loop • Coos Bay, OR 97420

April 7, 2017

Thomas H. Carney, Director
Grants Management Division
U.S. Department of Housing and Urban Development
Northwest Office of Native American Programs
Seattle Federal Office Building
909 First Avenue, Suite 300
Seattle, WA 98104-1000

**Subject: Sole Source Justification for Construction Services
Projects and Maintenance Operations and Storage Facility**

Dear Mr. Carney:

The Coquille Indian Housing Authority respectfully requests HUD NWONAP approval to contract with the sole responsive bidder to its recent solicitation for construction services.

Background

In its FY 2015 Indian Housing Plan (IHP), the Coquille Indian Housing Authority (CIHA) proposed the model activity, "Replacement of Projects and Maintenance Operations and Storage Facility," which was approved by HUD NWONAP on August 18, 2014. The project will enable CIHA to carry out its affordable housing activities in a safer, more efficient, and economical manner and benefit sixty-eight low-income housing units.

At the time the FY 2015 IHP was submitted, the Housing Authority had been using a foam panel factory building as its projects and maintenance operations and storage facility for approximately 16 years. The building was constructed using the same prefabricated, structural insulated foam panels (SIPs) it was designed to produce. As evidenced by CIHA's extensive housing rehabilitation project concluded in FY 2013, SIPs do not withstand Oregon's wet, windy coastal climate well. A structural evaluation of the building performed in FY 2014 showed substantial deterioration and the urgent need for extensive repair or replacement. Demolition of the structure and construction of a new facility on the footprint of the old, reusing the existing concrete pad as its foundation, was determined to be the most cost effective option.

Design work for the new facility was completed in FY 2015. The old building was vacated in FY 2015 and demolished in early FY 2016. CIHA also obtained financing and began solicitation of sealed bids for construction of the new building in FY 2016.

Efforts to Obtain Competition

An Invitation for Bids was published June 8, 2016 and June 15, 2016 in *The World*, a local newspaper, and in the *Oregon Daily Journal of Commerce*, a publication widely read by building contractors statewide. Notice and bidding documents were published at eight builders' exchanges and plan centers throughout Oregon and on the Tribal website. One general contractor and one subcontractor attended the pre-bid meeting held June 22, 2016. The bid opening for the project was conducted on July 28, 2016. One response was received. The solicitation was cancelled due to inadequate response and the bid was rejected and returned to the contractor unopened.

To promote stronger response and improve the likelihood of lower pricing, CIHA was advised to delay resolicitation until the close of the construction season. CIHA published a second Invitation for Bids on December 27, 2016 and January 4, 2017. Notice was published in *The World*, *Oregon Daily Journal of Commerce*, and *Contracts and Careers*, a Portland, Oregon publication. Notice and bidding documents were published at a nationwide plan center, nine Oregon plan centers, a southwest Washington plan center, statewide in California via its plan center network, and on the Tribal website. Notices were mailed to five local contractors.

Two pre-bid meetings were offered. Two general contractors and two subcontractors attended the pre-bid meeting held January 10, 2017. A different representative of one of the general contractors and one subcontractor attended the pre-bid meeting on January 12, 2017. At the bid opening conducted on February 9, 2017, one bid was received, from the same contractor that bid previously. The bid was opened and accepted with award subject to HUD approval of sole source procurement, value engineering, and securing additional financing.

Reasonableness of Cost

Following value engineering, the final bid amount for construction is \$1,771,188. Although the amount exceeds the published estimate of \$1,000,000-\$1,500,000, the overall cost of the project remains within the non-dwelling Total Development Cost determination of \$2,766,820.

Likelihood of Different Results If Resolicited

A number of contractors were contacted following both the first and second solicitations regarding their choice not to bid on the work. Reasons given include:

- Project too small to interest contractors outside the immediate area;
- Project too large for most contractors in the local area; and,

- For local contractors large enough to perform the work,
 - Volume of existing commitments,
 - Inadequate bonding capacity due to other commitments,
 - Reluctance due to HUD requirements,
 - Reluctance to perform work on trust lands, and
 - Refusal of bond companies to bond projects on trust lands.

These conditions are not expected to change in the near future.

Sources and Uses of Funds

CIHA was successful in its efforts to obtain additional construction financing. The primary sources of funding for the project are a tax-exempt bond and a low-interest loan. Program income is pledged to repayment of both. Non-program funds will be used for a portion of all aspects of the project, including construction. The use of IHBG funds is limited to eligible non-construction expenses, such as planning, administration, and oversight, and comprise less than 20% of the overall cost of the project.

Sources of Funds

IHBG	\$ 450,000	19%
Program Income (Bond and Loan)	1,502,500	65%
Non-Program Income	365,000	16%
Total Sources of Funds	\$ 2,317,500	

Uses of Funds

Development	\$ 279,093	12%
Construction	1,771,188	76%
Oversight	267,219	12%
Total Uses of Funds	\$ 2,317,500	

Other Factors

CIHA closed on its tax-exempt bond financing in the amount of \$1,002,500 on June 28, 2016, during the course of the first solicitation, in anticipation of a successful bid process. Under the terms of the bond, the final distribution of proceeds must be made on or before June 1, 2017. In order to comply with the terms of the bond, the final draw must be initiated by May 1, 2017. If a contract for construction is not awarded before that date, CIHA will lose the majority of its financing for the project.

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Resolicitation for financing and construction services will increase project costs and delay construction one to two years. Further, because its bid amount is now publicly known, the current bidder does not intend to respond to future solicitations for this project.

Applicable Authority

Pursuant to 2 CFR 200.320(f)(4), having solicited a number of sources and received inadequate response, CIHA believes award to the sole respondent to be justified, in the best interests of the agency, and to the public good.

Thank you for your consideration of our request. If you have any questions or need additional information, please contact me at (541) 888-6501 or by email at annecook@coquilleiha.org.

Sincerely,



Anne F. Cook
Executive Director