



CITY COUNCIL STAFF REPORT



February 25, 2025

ITEM TITLE

Agreement: Approve a Consultant Services Agreement with I-GSD Management Inc. for Project Management/City Representative Services

Report Number: 25-0061

Location: 1775 Millenia Avenue

Department: City Manager

G.C. § 84308 Regulations Apply: Yes

Environmental Notice: The Project is adequately covered in a previously certified Final Second Tier Environmental Impact Report (EIR-07-01; SCH #2007041074, Millenia/Eastern Urban Center, dated September 15, 2009), and incorporated by reference in Resolution No. 2009-223 on September 15, 2009.

Recommended Action

Adopt a resolution approving a Consultant Services Agreement with I-GSD Management Inc. for Project Management and City Representatives Services.

SUMMARY

The Millenia Library Building, a 168,000 square foot Class “A” office building which will house a 60,000 square foot City library and other tenants, is currently under construction.

Following the completion of site work, core and shell of the building, the necessary tenant improvements will begin. Staff is proposing entering into a consultant services agreement with I-GSD Management Inc. for professional project management services to oversee said improvements and represent the City.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed project for compliance with the California Environmental Quality Act (“CEQA”) and has determined that the Project is adequately covered in a previously certified Final Second Tier Environmental Impact Report (EIR-07-01; SCH #2007041074, Millenia/Eastern Urban Center, dated September 15, 2009), and incorporated by reference in Resolution No. 2009-223. Therefore, no further environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable

DISCUSSION

On December 6, 2022, the City Council adopted Resolution Nos. 2022-273 through 2022-275, approving a Purchase and Sale Agreement with LMC-Millenia Investment Company (“Chesnut”) to acquire 7.06 acres of undeveloped land on Lot 7 of Millenia located at 1775 Millenia Avenue (APN 643-060-57-00); approving a Project Development Agreement with Chesnut to construct a 168,000 square foot class “A” library and office building, a 6,100 square foot amenity building, a parking structure, related site work and improvements (the “Project”).

In conjunction with this action, the City Council authorized entering into a Purchase and Sale Agreement (“PSA”) with LMC-Millenia Investment Company, L.P. (Seller) and the City of Chula Vista (Buyer). The PSA obligated the City to purchase a 7.06-acre parcel (“Lot 7”) and all associated plans and construction drawings. Chesnut, the owner and developer of Lot 7, was obligated to complete improvements to the City’s specifications and provide a turnkey building to the City upon close of escrow. In exchange, the City agreed to reimburse Chesnut for certain pre-development and soft costs (approx. \$3.1 million) and to pay Chesnut \$11 million to acquire Lot 7. In addition, the City committed to paying Chesnut a Developer Fee of 4% of Reimbursable Costs, excluding Land Acquisition, and a Construction Supervision Fee of 3.5% of Hard Construction Costs (capitalized terms are as defined in the PSA). To date, the City has paid Chesnut in excess of \$3 million in combined Developer and Construction Supervision Fees.

Due to significant budgetary shortfalls, on December 10, 2024, the City Council took action to appropriate additional funds necessary to complete buildout of the Project. This action also identified project savings that would be generated by exercising the City’s option to close escrow on Lot 7 early, to coincide with the completion of the site work, core and shell. This option is projected to generate net savings of just under \$1.2 million in Developer and Construction Supervision Fees that would otherwise be payable to Chesnut for the construction of tenant improvements (TIs).

Following the completion of the site work, core and shell, the City requires project management/City representative services in order to complete construction of the Project, including construction of TIs for library, San Diego State University (SDSU), lower-level common areas and other tenant improvements as needed within the Project.

City staff recommends entering into a Consultant Services Agreement with I-GSD Management Inc. (I-GSD) for professional project management and City representative services. I-GSD and its Principal, Susan Guerra, were chosen based on their unique qualifications, market conditions, and compability requirements, that include experience managing construction of the Project’s shell, core, and site improvements as well as experience managing building projects for institutes of higher education. For these reasons, staff recommends awarding this contract on a “sole source” basis under the authority of Chula Vista Municipal Code Section 2.56.070(B)(4).

DECISION-MAKER CONFLICT

Staff has reviewed the property holdings of the City Council members and has found no property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(7) or (8), for purposes of the Political Reform Act (Cal. Gov't Code §87100, et seq.).

Staff is not independently aware, and has not been informed by any Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT-YEAR FISCAL IMPACT

The compensation per the agreement is capped at one percent (1%) of hard construction costs for the Project work managed. According to the approved December 2024 Updated Budget, 1% of the Library and SDSU improvements totals \$255,733, as detailed below.

Description	Amount
Library: TI, FF&E, A/V	\$22,213,294
SDSU: Warm Shell, Common Areas, TI	\$3,360,000
Estimated Construction Cost Subtotal	\$25,573,294
Estimated Not to Exceed, 1% Fee	\$255,733

In no case shall the contract expenses exceed \$350,000. Funds for this purpose have already been appropriated and included in the Project budget.

ONGOING FISCAL IMPACT

There is no ongoing fiscal impact as funds for this purpose have already been appropriated.

ATTACHMENTS

1. Agreement with I-GSD Management Inc.

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