



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Erik L. Soliván

SUBJECT: See Below

DATE: April 27, 2026

Approved

Date:

5/6/25

COUNCIL DISTRICTS: 3, 4, 6, 7

SUBJECT: First Amendment to the Master Consultant Agreement with Best Bay Apartments Inc., dba ArtHaus Partners for Single Room Occupancy Assessment Services

RECOMMENDATION

Adopt a resolution authorizing the Housing Director, or his designee, to negotiate and execute a First Amendment to the Master Consultant Agreement with Best Bay Apartments Inc., dba ArtHaus Partners to increase the compensation by \$450,000, for a total maximum compensation not to exceed \$750,000, for property condition assessments and development feasibility evaluations for the City's Single Room Occupancy conversion projects, for the term ending June 30, 2027.

SUMMARY AND OUTCOME

The proposed contract amendment will allow Best Bay Apartments Inc., dba ArtHaus Partners (ArtHaus Partners), to continue supporting the City's evaluation of motel and hotel properties under consideration for conversion into permanent Single Room Occupancy housing. The increase in maximum contract value reflects the expanded scope of work required to complete comprehensive assessments across five motel properties. ArtHaus Partners has the technical capacity and subject-matter expertise to effectively complete the work requested.

BACKGROUND

The Housing Department is evaluating strategic opportunities to expand the supply of small-scale, deeply affordable Single Room Occupancy housing. To support this effort, the Housing Department engaged ArtHaus Partners and its subconsultants to perform

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property condition assessments, zoning and permitting analyses, development scenario evaluations, financing and legal structure recommendations, and implementation planning for five identified properties: The Arena Hotel (817 The Alameda); Motel 6 (2081 N 1st Street); The Alura Inn (1378 Oakland Road); Fontaine Inn (2460 Fontaine Road); and the Plaza Hotel (96 S Almaden Avenue).

ANALYSIS

The initial service order issued under the Master Agreement covered the analysis, development scenario evaluation, and final development proposal for the Arena Hotel (a HomeKey property). Extending the same scope of work across the additional properties, including but not limited to Motel 6, The Alura Inn, Fontaine Inn, and the Plaza Motel, together with anticipated project management, coordination, and synthesis work, will exceed the capacity of the original contract. The proposed amendment will increase the maximum contract value by \$450,000, from \$300,000 to \$750,000, to support the full scope of assessment and feasibility work through the contract term ending June 30, 2027. ArtHaus Partners was selected through a competitive procurement process and has demonstrated the ability to deliver the required services. Procuring a new consultant will require a new competitive selection process and result in a loss of continuity, making the contract increase the most efficient and cost-effective approach.

EVALUATION AND FOLLOW-UP

No additional follow-up action with the City Council is expected at this time.

FISCAL IMPACTS

The \$450,000 contract increase will be funded through the Housing Department's existing Housing Predevelopment Activity appropriation (Fund 346). Costs will be incurred on an as-needed basis through individual service orders, with no additional maintenance costs, matching grant requirements, or associated revenues. The contract runs through June 30, 2027.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and the City Manager's Budget Office.

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PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the May 19, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

Erik L. Soliván
Director, Housing Department

For questions, please contact Banu San, Deputy Director, Housing Department, at Banu.San@sanjoseca.gov.