



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Matt Cano

**SUBJECT:** SEE BELOW

**DATE:** December 10, 2019

Approved

Date

12/12/19

**COUNCIL DISTRICT: 3**

## SUPPLEMENTAL

**SUBJECT: AWARD OF A DESIGN-BUILD CONTRACT FOR TENANT IMPROVEMENTS AT THE 4<sup>TH</sup> STREET AND SAN FERNANDO GARAGE FOR OFFICE SPACE FOR THE COMMUNITY ENERGY DEPARTMENT AND OTHER CITY OPERATIONS PROJECT**

## REASON FOR SUPPLEMENTAL

To provide additional information obtained after bid opening on November 21, 2019.

## RECOMMENDATION

Accept the staff report and award a design/build contract for the tenant improvement project at the 4<sup>th</sup> Street and San Fernando Garage for office space for the Community Energy Department and other City operations to the lowest responsive bidder, Solex Construction Inc., in the amount of \$2,342,563 and approve a contingency in the amount of 15 percent of the contract amount.

## OUTCOME

Approval of the staff recommendation and award of the contract will allow the execution of the construction contract for tenant improvements at the 4<sup>th</sup> Street and San Fernando Garage space for the Community Energy Department and other City operations upon Council approval. The contingency of 15 percent will provide funding for unanticipated work that may be necessary for the proper completion of the Project.

December 10, 2019

**Subject: Award of a Design-Build Contract for the for Tenant Improvements at the 4<sup>th</sup> Street and San Fernando Garage for Office Space for the Community Energy Department and Other City Operations Project**

Page 3

## **BACKGROUND**

A memorandum dated November 18, 2019, was forwarded to City Council for the December 17, 2019 City Council meeting. The purpose of this supplemental memorandum is to provide additional information obtained after the bid opening on November 21, 2019.

## **ANALYSIS**

Bids were opened on November 21, 2019, with the following results:

### *Base Bid*

Contractor	Base Bid <u>Amount</u>	Variance <u>Amount</u>	Over/ (Under) <u>Percent</u>
<b>Engineer's Estimate</b>	<b>\$2,900,000</b>	---	---
CWS Construction Group, Inc. <i>Irregularities: a) Non-Responsive.</i>	\$2,075,000	\$825,000	(28.5)
Solex Construction, Inc. <i>Apparent Low Bidder</i>	\$2,342,563	\$557,437	(19.2)

The bid submitted by CWS Construction Group, Inc. was non-responsive because it failed to submit a properly executed bidder's bond that included the required notary acknowledgement. The City consistently deems bids without proper notarization as "non-responsive," as proper execution of bonds may affect the City's ability to enforce them.

Staff recommends awarding the design/build contract to the lowest responsive bidder, Solex Construction, Inc., in the amount of \$2,342,563, which is 19.2% under the Engineer's estimate. Staff contacted Solex Construction Inc to inquire about the variance between its bid and the engineer's estimate. Solex Construction Inc. confirms cost savings are attributed to utilizing their in-house staffing resources.

San Jose Municipal Code Section 27.04.050 sets the City's contingency requirements. It provides that the contingency for a building renovation cannot exceed 15% of the total contract amount. The requested 15% contingency is consistent with the requirements of Section 27.04.050.

### **Project Labor Agreement Applicability**

A Project Labor Agreement is not applicable to this project because more than 50% of the total cumulative value of construction is maintenance or rehabilitation.

HONORABLE MAYOR AND CITY COUNCIL

December 10, 2019

**Subject: Award of a Design-Build Contract for the for Tenant Improvements at the 4<sup>th</sup> Street and San Fernando Garage for Office Space for the Community Energy Department and Other City Operations Project**

Page 3

### **Local and Small Business Outreach**

This project was advertised on Biddingo website. A total of 10,362 vendors were sent the solicitation, of which 32 vendors downloaded the bid documents. Of those 32 vendors, nine were located within Santa Clara County.

The scope of work for this project is suitable to attract local and small businesses. Solex Construction Inc, a small firm with offices in Los Angeles, has many years of experience with design/build and tenant improvement projects.

The subcontractors are located as follows:

- (1.) ECO HVAC Contracting (San Jose, CA)
- (2.) Lincoln Glass (San Jose, CA)
- (3.) BK Mills Fixtures (Newark, CA)

### **CONCLUSION**

Acceptance of the report and award of a design/build contract for the Project to the lowest responsive bidder will allow for the completion of the offices to be move-in ready by August 2020.

### **EVALUATION AND FOLLOW-UP**

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

### **CLIMATE SMART SAN JOSE**

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

### **PUBLIC OUTREACH**

To solicit contractors, this project was listed on Biddingo ([www.biddingo.com](http://www.biddingo.com)) and advertised in the *San José Post Record*. The complete bid package and project information for all Public Works Department construction projects are available on Biddingo for interested contractors, contractor organizations and builder's exchanges.

This memorandum will be posted on the City's Council Agenda website for the December 17, 2019, Council Meeting.

**COORDINATION**

This staff report has been coordinated with the City Attorney’s Office, Community Energy Department, Finance Department, and the City Manager’s Budget Office.

**COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

**COST SUMMARY/IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:

Project Delivery	\$930,000
Construction	2,342,563
Contingency	<u>351,384</u>
<b>TOTAL PROJECT COSTS</b>	<b>\$3,623,947</b>
  
2. SOURCE OF FUNDING:

Fund # 001 – Fund name: General Fund
  
3. OPERATING COSTS: The proposed operating and maintenance costs of this project have been reviewed and will have no significant impact on the General Fund operating budget.

**BUDGET REFERENCE**

The table below identifies the fund and appropriations allocated to fund the contract and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn #	Appn Name	Current Total Appn.	Rec. Budget Action	2019-2020 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
001	411X	City Hall Campus Expansion	\$4,696,000	\$3,623,947	N/A	10/22/2019 Ord. No 30325

HONORABLE MAYOR AND CITY COUNCIL

December 10, 2019

**Subject: Award of a Design-Build Contract for the for Tenant Improvements at the 4<sup>th</sup> Street and San Fernando Garage for Office Space for the Community Energy Department and Other City Operations Project**

Page 3

**CEQA**

Categorically Exempt, File No. PP19-030, CEQA Guidelines Section 15301 (a), Existing Facilities.

/s/  
MATT CANO  
Director of Public Works

For questions please contact Matt Loesch, Assistant Director of Public Works, at 408-535-8300.