



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch
Rosalynn Hughey
Jim Shannon

SUBJECT: SEE BELOW

DATE: December 12, 2023

Approved

Date

12/12/2023

COUNCIL DISTRICT: 3

SUPPLEMENTAL

SUBJECT: ACTIONS RELATED TO THE 10338 - 1300 BERRYESSA SUPPORTIVE PARKING PROJECT

REASON FOR SUPPLEMENTAL

To provide additional information to support City Council's evaluation of the 1300 Berryessa Supportive Parking Project.

BACKGROUND

A memorandum dated November 20, 2023, was forwarded to City Council for the December 12, 2023, City Council meeting. In addition, a memorandum dated December 8, 2023, from Mayor Mahan, Vice Mayor Kamei and Councilmembers Cohen, Torres and Davis, sought to provide further direction to City staff. That memorandum included four specific items of consideration:

- a. A detailed, itemized breakdown of the proposed \$5 million operations budget and \$15 million construction budget;
- b. A policy alternative that reduces the operations budget to \$2.5 million;
- c. A revised construction budget that reduces the total project cost by 25% to 50% and considers a phased approach that prioritizes opening the site sooner; and
- d. A timeline detailing when individuals will be allowed onto the site.

As also requested in that memorandum, City staff was asked to work with the County on a potential cost-sharing model for operations.

The purpose of this supplemental memorandum is to provide additional information to support the City Council's evaluation of the 1300 Berryessa Supportive Parking Project, including specific information called out in the December 8th memorandum.

The analysis below addresses the various items raised in the above-referenced December 8th memorandum, with one key distinction. The amounts provided by staff were not a construction budget, as such a budget as not been finalized yet. As a result, the analysis below for item (a) responds to potential changes to the early engineer's estimates of the construction cost, not the full budget – which is not known because the project has not been released nor awarded yet. The analysis for item (b) also provides a policy alternative reduction to reduce operating costs to \$2.5 million. In addition, in response to item (c) staff has provided a revised potential amount for authority to award the construction contract that reduces the estimate by approximately 24%. As this is not a final estimate nor a construction budget yet, it is not possible to determine what additional savings may be available as discussed further below. Also, as there is not yet a final award nor firm timeline until an agreement has been entered, it is not possible to provide detail regarding phasing nor the timeline requested by Council for item (d) for when unhoused residents living in RVs may be placed on the site. As a result, staff will provide this information about potential timeline and phasing through an Information Memorandum after contract award. This will maximize accuracy and decrease confusion or uncertainty in public communication. City staff will work with the County on a potential cost-sharing model for operations as requested.

ANALYSIS

Although currently a vacant lot, the Berryessa site lacks basic infrastructure and has unique opportunities and challenges that informed staff's current cost estimate. For example, although most of the site is currently paved, the site was not an existing parking lot and lacked much of the infrastructure to function in that manner. This requires basic site development costs such as paving, striping, curbs and gutters, ramps, sidewalks, lighting, landscaping and irrigation (for items such as mandatory drainage swales), and basic stormwater management infrastructure, to be included in the construction project. More importantly, the site lacked potable water connection for fire suppression and sufficient fire suppression infrastructure (fire hydrants). Additionally, a soils report indicated that an asphalt cap should be installed at the Berryessa site prior to occupying at an additional cost of asphalt paving. This is included in the estimate.

As part of the strategy to deliver the 1300 Berryessa Supportive Parking Project on an accelerated timeline, staff limited the initial scoping and design phases as much as possible to expedite the path to construction start. As such, staff will be receiving updated cost information prior to bid advertisement and will use the opportunity to further evaluate anticipated costs and cost saving opportunities.

Upon design completion, staff regularly reviews project scope versus estimates to determine how to capitalize the available budget for the operational needs. Staff will incorporate bid alternates into the project documents. This will allow for greater flexibility of the capital project costs, prior to executing a contract for construction.

Based on the early cost elements of engineer’s estimate included in staff’s memorandum (which were based on 50% Construction Drawings), the following savings may be possible utilizing at least two bid alternatives detailed below:

| Item | Original Engineer’s Estimate | Revised Potential Estimate | Description |
|--|------------------------------|----------------------------|--|
| Mobilization and General Conditions | \$2,800,000 | \$2,800,000 | Start and progress of general construction operations on site |
| Demolition, Site Preparation and Earthwork | \$1,000,000 | \$1,000,000 | Removing items and make ready for construction |
| Utilities | \$1,300,000 | \$1,300,000 | Domestic water, fire protection, irrigation, storm and sanitary drains |
| Concrete, Metals and Finishes | \$1,200,000 | \$1,200,000 | Painting, building footings, decks, ramps, stairs |
| Equipment and Specialties | \$150,000 | \$150,000 | Various equipment to outfit the site like signs, awnings, fire extinguishers |
| Modular Units | \$3,000,000 | \$0** | Constructed buildings for community/administration kitchen and laundry, restrooms/showers etc. |
| Electrical and Communications | \$1,600,000 | \$960,000 | Electrical Infrastructure and Lighting |
| Exterior Improvements | \$3,950,000 | \$3,950,000 | Asphalt paving, concrete, landscaping, fixtures |
| Total | \$15,000,000 | \$11,360,000 | |

**Removing all modular buildings eliminates cost from the capital budget but increases cost in the operations budget as detailed below for basic services such as portable restrooms and handwashing stations.

The above could result in approximately **24% reduction** from the maximum award authority sought. The true cost to install all elements will not be known until bids are received, all of the estimates must be refined once more information is received and the numbers could be further reduced with more information. All engineer’s estimates are meant for comparison purposes and it will not be until we have bids from contractors that we will have firm costs for each defined category above.

Alternative Construction Models

The procurement for 1300 Berryessa Supportive Parking Project will include at least two additional bid alternates which, if included, would represent reductions:

1. Bid Alternate No. 1: Replace Base Bid site lighting with above ground site lighting on wooden poles; and
2. Bid Alternate No. 2: Furnish and install buildings 1-3 (community/administration, kitchen and laundry, restrooms/showers).

Bid Alternate No. 1 will reduce the linear footage of underground trenching and eliminate the light pole foundation work as currently designed. This bid alternate has an estimated cost savings of \$640,000 versus the current Engineer's Estimate.

The impact of this reduction is that there would be additional maintenance and staffing costs for maintenance and repair of lighting that may be damaged. This could be due to normal wear and tear or by unintended vehicle collisions while being moved on site or other reasons.

Bid Alternate No. 2 will include furnishing and installing buildings 1-3 (three modular buildings for various services, including kitchen, laundry, and restrooms/showers), currently estimated to cost up to \$3,000,000. This bid alternate would allow the City to explore an alternate strategy of providing any necessary services to participants through vendor agreements, rather than providing permanent facilities on the site with capital funds.

The impact of this alternative, should the project not furnish the buildings, services such as mobile shower/laundry services and meal delivery services, is that the City may need to furnish these through vendors as part of operations. This could cost up to \$500,000 to \$1,000,000 annually. A meal delivery service contract would serve an estimated 85-100 persons daily with two to three meals a day. Also, mobile shower and laundry service, if made available, would need to be provided three times per week for a site of this size. The City currently uses a vendor for shower and laundry services one day a week at the Santa Teresa supportive parking site, leveraging an existing citywide contract that serves encampments in the City. Using this same citywide contract vendor at the Berryessa site three days a week and one day at Santa Teresa would mean the service would significantly decrease services at encampments throughout the City.

Operations Comparative Cost Analysis

While City Council's action on the agenda item Berryessa Supportive Parking Project does not include authorization to execute an operating contract—a Request for Proposals will be issued at a later date—the discussion below provides additional information regarding the operating model currently contemplated for this site, and how it compares with other supportive parking sites.

Staff has conducted an operations comparative cost analysis of four sites. **Table 1** provides the list of sites and the annual operations costs: **Table 1: Operations Comparative Costs of Four Sites**

| Site | # of Parking Spaces | Annual Operations Costs |
|-----------------------------------|------------------------------|----------------------------|
| Move Mountain View sites* | 133 | \$1,681,063 |
| Santa Teresa RV Parking site | 45 | \$1,516,000 |
| Amigos de Guadalupe site | 80 | \$892,380 |
| Berryessa Supportive Parking site | 131 (85 RVs and 46 vehicles) | \$4,500,000 to \$5,000,000 |

*Information obtained from the County of Santa Clara

In summary, operations costs at the Move Mountain View safe parking sites are significantly lower than the Berryessa Supportive Parking site. This is due to several key factors:

- The program only accepts operable RVs;
- The main site context – large office parks surrounded by office/industrial buildings, not a residential neighborhood;
- There is no on-site security provided given the site is not near a residential neighborhood;
- There are no dedicated on-site case management services -workers travel site to site to provide services;
- There are no supportive services to transition residents into temporary or permanent housing;
- There is no client flexible funding for items such as vehicle registration, insurance, and repairs, and purchasing dilapidated RVs; and
- There is no towing/disposal of junked vehicles.

In contrast, the Berryessa Supportive Parking Project site is located closer to a residential neighborhood and therefore was contemplated to offer more on-site services as detailed in **Table 2**.

Table 2: Berryessa Supportive Parking Site – Services and Costs

| Service | Annual Cost | Description |
|-------------------------|-------------|--|
| On-site Security | \$250,000 | 2 guards, overnight only (e.g., 10pm to 7am). |
| On-site Case Management | \$1,500,000 | Approximately 14 staff comprised of case managers and resident coordinators working two shifts (day and swing shift). |
| Flexible Funding | \$307,000 | Direct client expenses for vehicle repairs, registration assistance, and removing barriers to employment and housing. Estimated \$3,200 per space (85 spaces) plus 11 spaces for turnover. |

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|---------------------------------------|--------------------|--|
| Other Direct Operating Expenses | \$575,000 | Meal delivery, security cameras, and Internet and phone service. |
| Towing/Disposal of Junked Vehicles | \$1,500,000 | Towing contract, junk vehicle expenses, junk incentive program, storage of personal property for abandoned vehicles. |
| SUBTOTAL | \$4,132,000 | |
| Indirect cost rate for operator (15%) | \$620,000 | Nonprofit administration and overhead costs. |
| TOTAL | \$4,752,000 | |

The combined services at the Berryessa Supportive Parking site make up about 70% of the cost difference compared to the Move Mountain View sites. The compelling reason to include on-site service management at the Berryessa Supportive Parking site is that these services have led San José’s interim housing outcomes to be higher than nearly any other West Coast city, i.e., 51% of individuals permanently housed and 21% temporarily housed. The City’s model is geared towards ending the person’s homelessness.

Alternative Operating Model

To reduce the operating costs at the Berryessa Supportive Parking site to \$2.5 million, staff provides the following alternative option detailed in Table 3:

- Reduce on-site security by 50% to be augmented by establishing a safety program that is more governed by program participants;
- Reduce on-site case management by 50%;
- Eliminating the 11 turnover spaces for flexible funding; and
- Reducing towing/disposal of junked vehicles by 30%.

Table 3: Berryessa Supportive Parking Site – Reduced to \$2.5 million Operations Cost

| Service | Annual Cost | Description |
|-------------------------|-------------|--|
| On-site Security | \$125,000 | 1 guard, overnight only (e.g., 10pm to 7am). Reduced by 50%. |
| On-site Case Management | \$750,000 | Approximately 7 staff comprised of case managers and resident coordinators working two shifts (day and swing shift). Reduced by 50%. |
| Flexible Funding | \$272,000 | Direct client expenses for vehicle repairs, registration assistance, and removing barriers to employment and housing. Estimated \$3,200 per space (85 spaces). |

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|---------------------------------------|--------------------|---|
| | | Eliminated 11 spaces for turnover. |
| Towing/Disposal of Junked Vehicles | \$1,050,000 | Towing contract, junk vehicle expenses, junk incentive program, storage of personal property for abandoned vehicles. Reduced by 30%. |
| SUBTOTAL | \$2,197,000 | |
| Indirect cost rate for operator (15%) | \$329,550 | Nonprofit administration and overhead costs. |
| TOTAL | \$2,526,550 | |

As noted earlier, staff is not recommending an operating contract for the Berryessa Supportive Parking site at this time. However, since operating costs will carry significant ongoing cost obligations to the City, the alternative model is presented in this memorandum for City Council discussion and potential direction on the development of future Requests for Proposals. IT should be noted that if the City Council directs a reduction in construction costs, any services that will need to be provided by contract (e.g., portable restrooms) would be added to above costs.

/s/
MATT LOESCH
 Director of Public Works

/s/
ROSALYNN HUGHEY
 Deputy City Manager and
 Acting Housing Director

/s/
JIM SHANNON
 Budget Director

For questions, please contact Sal Kumar, Public Works Interim Deputy Director, at Sal.kumar@sanjoseca.gov or (408) 793-5307.