



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Cano

SUBJECT: SEE BELOW

DATE: July 12, 2021

Approved

Date

7/25/2021

COUNCIL DISTRICT: 3

SUBJECT: ACTIONS RELATED TO THE DESIGN-BUILD CONTRACT FOR TENANT IMPROVEMENTS AT THE 4TH STREET AND SAN FERNANDO GARAGE FOR OFFICE SPACE FOR THE COMMUNITY ENERGY DEPARTMENT AND OTHER CITY OPERATIONS

RECOMMENDATION

Approve an increase to the construction contingency for the 9180 - Tenant Improvements for the San José Community Energy Department Offices Project by \$240,000, from \$351,384 to \$591,384.

OUTCOME

Approval of the recommendation allows the Tenant Improvements for the San Jose Community Energy Department Offices Project (Project) to compensate the contractor for additional work completed to date with no increase to the overall project budget.

BACKGROUND

On December 17, 2019, the City Council awarded the Construction Contract to Solex Construction Inc. in the amount of \$2,342,563 for the 9180 - Tenant Improvements for the San Jose Community Energy Department Offices Project. It included renovation of an existing 6,100 square foot, City-owned space on the 4th Street side of the parking garage, formerly housed by the Kaleid Gallery, to be utilized as office space for the newly formed Community Energy Department (CED). The renovation included 50 workstations, six hard wall offices, a break room, a reception room, four gender-neutral single-occupant restrooms, and a conference room.

The City issued a Notice to Proceed to Solex Construction Inc. on February 20, 2020. Early in the construction phase the Project encountered unexpected obstacles due to the lack of as-built plans of the existing subsurface elements such as sewer lines. In addition, due to the pandemic, staff revised the design layout to ensure that workstation, office and meeting room layouts supported proper social distancing protocols, as well as including upgraders to the air filtering system. The re-design work and lack of record documents lead to a significant cost increase for the design consultant and city permitting staff, as well as an increase in construction costs.

To cover the additional scopes of work, the City has issued nine (9) change orders totaling \$340,670. The most significant change orders are listed below:

- Change Order No. 2, dated 07/16/2020, in the amount of \$81,835.55, for redesign and installation of workstations (new layout).
- Change Order No. 7, dated 01/29/2021, in the amount of \$49,524.73, for trenching and installation of the project sewer line at a new location (Extending the sewer line to the property line not included in contract), and backfill and repair of the concrete slab.
- Change Order No. 8, dated 02/01/2021, in the amount of \$93,319.33, for trenching and installation of the project sewer line at a new location, backfill and repair of the concrete slab, and exhaust duct R & R. to increase the height in the room.

The contractor has finished all construction work associated with the project changes, and Substantial Completion was issued on May 18, 2021.

ANALYSIS

The City Council approved a 15% contingency for this project, in the amount of \$351,384.45. Section 27.04.050 of the San Jose Municipal Code sets a contingency of 10 percent for most public works projects. However, Section 27.04.050 recognizes that building renovation projects involve more uncertainty and provides for a contingency of 15 percent for such projects.

Staff used \$340,670 of this contingency in issuing the 9 previously issued change orders, leaving a balance of \$10,714.

Staff is requesting approval to increase the contingency amount by \$240,000 to \$591,384, utilizing cost savings from the project delivery budget for all completed additional scopes of construction work. There is sufficient project budget to pay for this change in contingency.

Moreover, Solex's bid of \$2,342,563 was 19.2 percent under the engineer's estimate for the project. The additional contingency being requested would increase the total construction cost to approximately \$34,000 over the engineer's estimate.

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The additional \$240,000 would be used to execute Change order No. 10, which would be a final settlement of all outstanding issues. Change order No. 10 will pay for the following additional work that has been completed by the contractor:

- Plumbing: Relocation of drinking fountain and breakroom sink, adding a garbage disposal, relocation of refrigerator water lines, installation of hands-free fixtures.
- Architectural: add glass to reception desk, re-frame for a new glass wall system, new hands-free door hardware.
- Telecommunication system: additional power and data for break room, monitors and copy machines, recessed power, and data in the conference room floor, adjust existing power and data box locations and conduits to above suspended ceiling, two additional data line drops per workstation, relocation of data lines for two standalone phonebooths.
- Civil: demolition of sidewalk for the new storefront step and reconstruction, addition of bollard at the reconstructed sidewalk.
- Electrical: dry-type transfer of grounding, addition of ethernet outlets and wire run to two phonebooths, additional grounding of wire and conductor for the extension of the new sewer line.

CONCLUSION

Approval of the recommendations will provide a final settlement of outstanding compensation issues arising from additional work completed over the course of the construction project duration.

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

This memorandum will be posted on the City's website for the August 10, 2021, City Council Agenda.

COORDINATION

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

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	\$967,233
Construction Base Bid	2,342,563
Change Orders	340,670
15% Contingency	351,384
Contingency transfer (from delivery savings)	<u>240,000</u>

TOTAL PROJECT COSTS **\$4,241,850**

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.

Fund #	Appn. #	Appn. Name	Total Appn.	Amount for Contract	2021-2022 Proposed Capital Budget Page*	Last Budget Action (Date, Ord. No.)
001	411X	City Hall Campus Expansion	\$1,400,000	\$240,000	N/A	06/22/2021, Ord. No 30621

*The 2020-2021 Adopted Capital Budget was approved on June 15, 2021 and adopted on June 22, 2021 by the City Council.

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CEQA

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

/s/
MATT CANO
Director of Public Works

For questions please contact Katherine Brown, Deputy Director of Public Works, at 408-795-1679.