



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch
John Ristow
Jim Shannon

SUBJECT: See Below

DATE: June 1, 2026

Approved

Date:

6/4/26

COUNCIL DISTRICT: 3

SUBJECT: Actions Related to the 9375 - Market Street Garage Improvements Project

RECOMMENDATION

- (a) Approve an increase to the construction contingency for 9375 - Market Street Garage Improvements Project from 15% to 34%, in the amount of \$1,156,215, from \$912,801 to \$2,069,016.
- (b) Adopt the following Fiscal Year 2026-2027 Appropriation Ordinance amendments in the General Purpose Parking Capital Fund:
 - (1) Increase the Garage Façade Improvements appropriation to the Transportation Department by \$1,831,000; and
 - (2) Decrease the Unrestricted Ending Fund Balance by \$1,831,000.

SUMMARY AND OUTCOME

Adoption of the recommendation will provide the additional funding needed to complete construction of 9375 - Market Street Garage Improvements Project (Project). Funding is necessary for unforeseen hazardous material abatement, electrical work associated with the illuminated art façade, structural modifications required to address conflicting field conditions, and additional work encountered during demolition and construction. The funding will also support future hazardous material abatement on the remaining exterior walls and help ensure the proper completion of the Project.

BACKGROUND

On April 22, 2025, City Council awarded the contract for construction to Plant Construction Company, LP in the amount of \$6,085,340 with a 15% contingency in the amount of \$912,801.¹ On July 1, 2025, a notice to proceed with construction was issued to Plant Construction Company, LP. The Project is located at 45 N Market St. in downtown San José's San Pedro Square (Attachment – Location Map – 9375 – Market Street Garage Improvements Project).

The scope of the Project includes the preparation of the existing six-story parking structure for the installation of a new illuminated art façade on the San Pedro Street, Saint John Street and Market Street facades of the parking garage. The work includes the demolition and removal of all existing glass fiber reinforced concrete façade panels, cleaning and painting of all newly exposed surfaces following demolition, selective structural and architectural repairs to address corrosion and weathering, electrical and structural work to support the installation of the illuminated art façade, and minor plumbing work to address water ponding at the roof top parking level.

The Project is currently under construction, with substantial completion anticipated in June 2026 in preparation for installation of the illuminated art façade.

Installation of the illuminated art façade, which was originally estimated to begin in March 2026, is now scheduled to start in January 2027 due to overall Project delays which impact the artist's ability to initiate fabrication of the artwork. Completion of the illuminated art façade installation is now anticipated in March 2028.

ANALYSIS

San José Municipal Code Section 27.04.050 provides for a standard contingency of 10% on Public Works Department contracts except those involving the renovation of a building or buildings, which allows for a 15% contingency. To address unforeseen conditions encountered during demolition, staff recommend increasing the contingency from \$912,801 to \$2.1 million, representing approximately 34% of the approved contract amount.

An additional contingency amount of \$1.2 million is needed to cover the costs of the electrical work required to power the illuminated art façade, additional hazardous material abatement resulting from unforeseen site conditions encountered during demolition, structural modifications required to address conflicting field conditions, and anticipated future hazardous material abatement for the remaining exterior walls.

¹<https://sanjose.legistar.com/View.ashx?M=F&ID=14016216&GUID=58F86F79-2DA7-40A8-A64B-44CA6349C8C9>

The electrical work for the illuminated art façade in the amount of \$616,836 was not originally included in the contract and was planned for completion during a later phase associated with the installation of the illuminated art façade. However, due to potential installation challenges and to ensure better quality control, this scope has been incorporated into the current contract.

Lead-containing paint was discovered on all existing exterior walls following the removal of the glass fiber reinforced concrete panels. Abatement of these hazardous materials is both time-consuming and costly.

Contract change orders encountered during the construction are summarized in Table 1 below. All change order items described herein, totaling \$2.1 million, will be funded by the revised contingency. To date, \$212,753 has been executed and encumbered.

Table 1 - Change Order Summary

DESCRIPTION	ESTIMATED COST
1) Additional work associated with hazardous material abatement, unforeseen existing conditions, structural design modifications, and concrete and wall finish	\$1,364,652
2) Additional scope of electric work for illuminated art façade	616,836
3) Credit-cancelation of Bid Alternate 1 (Rain Screen installation along San Pedro St).	(288,097)
4) Additional grouting scope to prevent water intrusion at exterior walls along San Pedro as well as painting in all stairwells	75,625
5) Future Anticipated Work: hazardous material abatement, additional fabrication of structural steel attachments to align with existing field conditions	300,000
Total	\$2,069,016

EVALUATION AND FOLLOW-UP

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

FISCAL IMPACTS

The total project cost increased from \$10.2 million to \$12.0 million, the bulk of which will be spent or encumbered by the end of 2025-2026. The remaining \$1.8 million that is recommended for increase as part of this memorandum will be spent in 2026-2027. The

majority of this increase is the unforeseen expenditures previously described, as well as higher costs for public art (\$442,000) and to ensure sufficient funds for project completion (\$233,000).

Operating and maintenance costs are estimated to be approximately \$3,000 for electricity annually and the costs will be included in the 2027-2028 Base Budget.

1. TOTAL COST OF PROJECT:

Project Delivery*	\$1,651,743
Construction	6,085,340
Public Art	2,241,908
Contingency	912,801
Additional Contingency	\$1,156,215
TOTAL PROJECT COSTS	\$12,048,007
Prior Years' Expenditures & Encumbrances	1,363,007
REMAINING PROJECT COSTS	\$10,685,000

*Project Delivery fees include \$937,000 of design services and bidding, and \$714,743 for construction management and inspection services.

BUDGET REFERENCE

The table below identifies the fund and appropriations impacted by increasing the contingency amount and Project budget as recommended in this memorandum.

Fund #	Appn. #	Appropriation Name	Total Appropriation	Recommended Budget Action	Amount for Contract	2026-2027 Proposed Mid-Biennial Capital Budget Page*	Last Budget Action (Date, Ord. No.)
559	409C	Garage Façade Improvements	\$330,000**	\$1,831,000	N/A	N/A	N/A
559	8999	Unrestricted Ending Fund Balance	\$6,832,135**	(\$1,831,000)	N/A	274	N/A

*The 2026-2027 Proposed Mid-Biennial Capital Budget was approved on June 9, 2026, and adopted on June 16, 2026, by the City Council.

**The appropriation was established or adjusted in the 2026-2027 Proposed Operating Budget per the Recommended Amendments to the 2026-2027 Proposed Operating Budget and 2026-2027 Proposed Mid-Biennial Capital Budget Manager's Budget Addendum.

HONORABLE MAYOR AND CITY COUNCIL

June 1, 2026

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Page 5

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, City Manager's Office of Economic Development and Cultural Affairs, and the Planning, Building and Code Enforcement Department.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the June 16, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

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

CEQA

Categorically Exempt, File No. ER20-225, CEQA Guidelines Section 15301, Existing Facilities.

PUBLIC SUBSIDY REPORTING

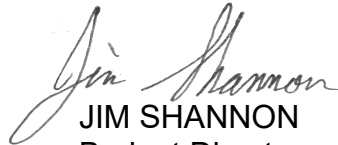
This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

JOHN RISTOW
Director of Transportation

/s/

MATT LOESCH
Director of Public Works



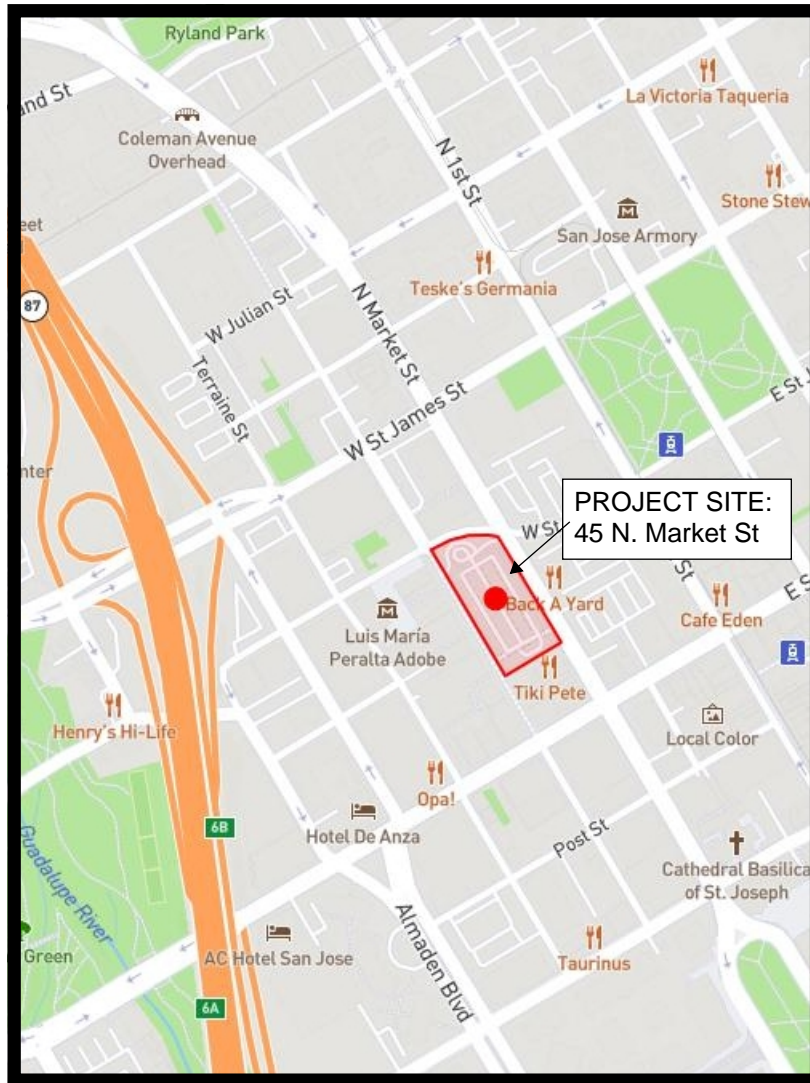
JIM SHANNON
Budget Director

For questions, please contact Sal Kumar, Deputy Director, Public Works Department, at Sal.kumar@sanjoseca.gov

ATTACHMENT:

Location Map - 9375 - Market Street Garage Improvements Project

Location Map 9375 - Market Street Garage Improvements Project



MARKET STREET GARAGE
NOT TO SCALE

