



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch
John Ristow

SUBJECT: See Below

DATE: April 14, 2025

Approved

Date:

4/22/25

COUNCIL DISTRICT: 6

SUBJECT: Actions Related to the 8820 – Milligan Parking Lot Project

RECOMMENDATION

Approve an increase to the construction contingency from 15% to 25% for the 8820 – Milligan Parking Lot Project in the amount of \$400,000 for a total contingency of \$1,011,646.

SUMMARY AND OUTCOME

Approval of a contingency increase of \$400,000 will provide the funding necessary to compensate the contractor for additional work encountered in the last five months of construction of the 8820 – Milligan Parking Lot Project (Project), including the discovery of subsurface contaminated soils and unforeseen site conditions requiring additional hazardous material abatement. The increase in contingency will also provide sufficient remaining contingency funds for any unanticipated work necessary for the proper completion of the Project.

BACKGROUND

On June 11, 2024, the City Council awarded the contract for construction to Joseph J. Albanese, Inc. in the amount of \$4,077,638 with a 15% contingency in the amount of \$611,646. The Project is located at 150 North Autumn Street at the intersection of North Autumn Street and West St. John Street (**Attachment** – Location Map – 8820 – Milligan Parking Lot Project). The scope of the Project includes the demolition of existing buildings, structures and paving on-site, and the construction of a new surface parking lot. The Project will provide a total of 315 parking spaces, which includes seven accessible vehicle parking stalls, two van accessible stalls, and 13 motorcycle parking

stalls. Additional Project information is identified in the award memorandum approved by City Council on June 11, 2024.^{1,2}

The City issued a Notice to Proceed to Joseph J. Albanese, Inc. on September 23, 2024. The contractor began onsite operations on November 5, 2024, and the Project is expected to reach beneficial use in July 2025.

ANALYSIS

To ensure successful completion of the Project, an additional contingency amount of \$400,000 is required beyond the original \$611,646 contingency allocation. This additional funding is necessary to address unforeseen conditions encountered during demolition, including the discovery of subsurface concrete structures and Class 1 hazardous soil on-site. The requested amount will cover the costs associated with the demolition and removal of the subsurface concrete structures, as well as the removal and proper disposal of the contaminated soil identified after the demolition of the existing asphalt paving.

Thus far, one contract change order has been issued for the Project for unforeseen work that is not in the original scope of work. The contract change order, totaling \$463,330, included costs for demolition and off-haul of friable hazardous materials resulting from a structure fire onsite and for costs associated with the implementation of biological and cultural mitigation measures as required by the California Environmental Quality Act. The added contingency amount of \$400,000 in addition to the remaining \$148,316 contingency balance will result in a balance of \$548,316, which will cover the anticipated contract change orders needed to complete the Project, as summarized below:

1) Subsurface concrete structures demolition and removal	\$80,000
2) Subsurface Class 1 contaminated soil removal and disposal	<u>\$350,000</u>
Total	\$430,000

A remaining contingency amount of \$118,316 will cover any unforeseen issues that may arise prior to completion of the Project. Any excess funds not used in contingency will remain in the project funding source.

San José Municipal Code Section 27.04.050 provides for a standard contingency of 10% on Public Works contracts except those involving the renovation of a building or

¹ Award Memorandum: <https://sanjoseca.primegov.com/Portal/viewer?id=0&type=7&uid=2cb75b38-bdec-4ef5-9b30-504c7efb35ed>

² Supplemental Memorandum:

<https://sanjoseca.primegov.com/Portal/viewer?id=0&type=7&uid=321e3956-8ad4-41c8-aa17-af1ccdb2db48>

buildings. However, for this Project, a contingency of 15% was initially requested and approved because of the higher potential to encounter unforeseen conditions during the demolition and construction due to unknown existing sub-surface utility connections and components. Under this memorandum request, staff recommends increasing the contingency from \$611,646 to \$1,011,646, which is 25% of the approved contract amount.

As part of the 2026-2030 Proposed Parking Capital Improvement Program, subject to the appropriation of funds, an additional \$391,000 has been requested to be added to the Project for additional project delivery costs, which include consultant fees for hazardous material monitoring and sampling of stockpiled contaminated soil, geotechnical monitoring and observation, and additional consultant design fees to redefine surface grades and elevations. Staff does not anticipate requesting a City Council action for these additional project delivery costs outside of the recommendations.

EVALUATION AND FOLLOW-UP

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

COST SUMMARY/IMPLICATIONS

This recommendation is to increase the Project contingency from 15% to 25%, resulting in a total contingency amount of \$1,011,646. The costs associated with this work will be funded from the Greater Downtown Parking Inventory appropriation included in the Transportation Department 2024-2025 Adopted Operating Budget.

1. TOTAL COST OF PROJECT:

Project Delivery*	\$1,572,716
Additional Project Delivery**	391,000
Construction	4,077,638
Contingency	611,646
Additional Contingency	400,000
Total Project Costs	<u>\$7,053,000</u>
Prior Year Expenditure and Encumbrances	\$1,114,148
TOTAL REMAINING PROJECT COSTS	\$5,938,852

*Current project delivery cost includes \$1,291,590 for design services and bidding, and \$281,126 for construction management and inspection services.

**Additional project delivery costs of \$391,000 will be recommended as part of the 2026-2030 Proposed Parking Capital Improvement Program, subject to the appropriation of funds.

BUDGET REFERENCE

The table below identifies the fund and appropriation to fund the contract recommended as part of this memorandum and remaining Project costs, including project delivery, construction, and contingency costs.

Fund #	Appn #	Appropriation Name	Total Appropriation	Amount for Contract	2024-2025 Adopted Capital Budget Page	Last Budget Action (Date, Ord. No.)
559	7885	Greater Downtown Parking Inventory	\$4,714,000*	\$400,000	840	10/22/24, 31133

*The additional project funding will be recommended as part of the 2026-2030 Proposed Parking Capital Improvement Program, subject to the appropriation of funds, and will be approved as part of the 2026-2030 Adopted Parking Capital Improvement Program.

COORDINATION

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

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the May 6, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Milligan Parking Lot Project Final Supplemental Environmental Impact Report (FSEIR) (Resolution No. 2024-233), and Addenda thereto.

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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/
MATT LOESCH
Director of Public Works

/s/
JOHN RISTOW
Director of Transportation

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

ATTACHMENT – Location Map – 8820 – Milligan Parking Lot Project

Location Map

8820 - Milligan Parking Lot Project

