



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch
John Ristow

SUBJECT: See Below

DATE: June 10, 2026

Approved

Date:

6/12/2026

COUNCIL DISTRICT: 3

SUBJECT: Actions Related to the 9469 – Willow-Keyes Corridor Improvements Project

RECOMMENDATION

Adopt a resolution authorizing the Director of Public Works to:

- (a) Award and execute a contract for the construction of 9469 – Willow-Keyes Corridor Improvements Project to the lowest responsive, responsible bidder in an amount not to exceed \$19,974,000, subject to the appropriation of funds;
- (b) Decide any timely bid protest(s) and make the City's final determination as to the lowest responsive bidder that is responsible as needed to award the contract; and
- (c) Approve a contingency of up to 10% of the contract amount.

SUMMARY AND OUTCOME

The 9469 – Willow-Keyes Corridor Improvements Project (Project) is funded by the State's Active Transportation Program and Valley Transit Authority's Measure B. The grant stipulated that the Project be awarded by September 2026.

Approval of the recommendation will provide authorization to the Director of Public Works to award and execute a contract, subject to the appropriation of funds, and will expedite the contract award process, ensuring the Project is awarded by the September 2026 federal granting agency's deadline. As the project will be constructed over multiple years, annual encumbrance amounts will be aligned with the City Council-authorized appropriation amount in each fiscal year.

Approval of the 10% contingency will provide funding for unanticipated work that may be necessary for the proper construction or completion of the Project.

BACKGROUND

The City of San José (City), in partnership with the Valley Transportation Authority, prepared a comprehensive, community-based multimodal safety study and complete streets plan called the Story-Keyes Complete Streets Study (Study). The Study included the corridors of Willow Street, Graham Avenue, Goodyear Street, Keyes Street, and Story Road, and it was built on the City's and Valley Transit Authority's commitment to improve mobility and safety for all roadway users.

The Department of Transportation (DOT) applied for grants to implement the proposed improvements for the Project. DOT successfully secured \$7,048,000 from Valley Transportation Authority's 2016 Measure B local funding for the design and construction management and \$12,926,000 from the State's Active Transportation Program for the construction of the Project, for a total of \$19,974,000¹ in grant funds secured.

The Project encompasses improvements on Willow Street, Graham Avenue, Goodyear Street, and Keyes Street, from State Route 87 to 3rd Street as outlined in the Attachment – Location Map – 9469 Willow Keyes Corridor Improvements. These streets are important east-west corridors serving and connecting many disadvantaged neighborhoods to key local and regional destinations in the central part of San José.

The Project will reduce travel lanes from four to two through lanes within some sections of Goodyear Street and Keyes Street to improve safety and provide for continuous Class IV protected bike lanes. The Project also reconfigures complex major intersections with roundabouts to improve safety and access for pedestrians and bicyclists and help reduce overall vehicle speeds. Additional improvements to pedestrian and bicycle facilities along the corridor will be made, including new sidewalks, curb ramps, intersection curb extensions, enhanced crosswalks, pedestrian-scale lighting, and street trees.

Construction is anticipated to start in spring 2027, with completion expected in fall 2028.

ANALYSIS

The Project is currently being advertised with bids opening on July 9, 2026 and will utilize federal funds available through the Active Transportation Program. Authorizing the

¹ Most funding for the Active Transportation Program is federal funding allocated by the state. Moreover, under Title 23 of the United States Code, the California Department of Transportation (Caltrans) is responsible for the administration of federal-aid transportation projects in California. As such, Caltrans provides instruction to local agencies like the City as to how local public transportation projects utilizing Federal Highway Administration federal-aid or state funding must be procured.

Director of Public Works to award and execute the contract for construction of the Project will reduce the schedule by approximately six to eight weeks, ensuring the City meets the federal granting agency's award deadline of September 2026.

This delegation will also include the authority for the Director of Public Works, or his designee, to hear and decide any bid protests, determine the lowest responsive, responsible bidder, or reject all bids and re-bid the Project if necessary.

Contingency

San José Municipal Code Section 27.04.050 provides for a standard contingency of 10% on all Public Works contracts except those involving the renovation of a building or buildings. The standard 10% contingency is appropriate for this Project.

Wage Theft Prevention Policy Check

The Office of Equality Assurance will review bidders for compliance with the City's Wage Theft Prevention Policy before the contract is awarded.

Project Labor Agreement Applicability

The Project Labor Agreement (PLA) is applicable to all construction projects with an Engineer's Estimate in excess of \$730,000. However, Section 2.4.11 of the PLA contains an exemption for certain federally funded projects if the City is unable to obtain approval from the grant-funding agency for use of the PLA.

On July 3, 2025, the Director of Public Works submitted a letter to the California Department of Transportation (Caltrans) seeking approval from Caltrans and the Federal Highway Administration to include the PLA on this Project.

On May 7, 2026, Caltrans informed the City that the Federal Highway Administration has not provided written approval to date. Accordingly, the City has notified the Santa Clara and San Benito Counties Building and Construction Trades Council that it is invoking Section 2.4.11 of the PLA and exempting this Project from PLA applicability.

EVALUATION AND FOLLOW-UP

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

FISCAL IMPACTS

Operation and maintenance costs associated with the Project will be allocated in DOT's Operating Budget. The source of funding for this Project is the Building and Structure

Construction Tax Fund, which includes the Active Transportation Program and Measure B grants. The costs discussed below assume a preliminary construction contract budget of \$16.5 million. Additional discussion follows if the awarded bid comes in at the \$19.9 million authorization limit.

1. ESTIMATE COST OF PROJECT:

| | |
|---|---------------------|
| Project Delivery* | \$ 6,131,682 |
| Construction | 16,525,000 |
| Contingency | 1,652,500 |
| TOTAL PROJECT COSTS | \$24,309,182 |
| Prior Year's Expenditures | 1,841,719 |
| ESTIMATE REMAINING PROJECT COSTS | \$22,467,463 |

* Project delivery includes \$1,771,304 for engineering design and construction support consultant services, \$492,129 for City staff plan review and procurement, and \$3,868,249 for construction management, inspection services, survey, materials lab services, utilities, and project closeout.

2. ESTIMATED CONSTRUCTION COST AS RECOMMENDED AS PART OF THE MEMORANDUM:

| | |
|---|---------------------|
| Mobilization | \$ 1,377,000 |
| Traffic Control | 905,000 |
| Demolition | 3,505,000 |
| Landscape Improvements | 770,000 |
| Civil Improvements | 6,577,000 |
| Traffic Signal Improvements | 2,073,000 |
| Sewer Improvements | 1,318,000 |
| TOTAL ESTIMATED CONSTRUCTION COSTS | \$16,525,000 |

At this time, the Project is estimated to cost \$9.4 million in 2026-2027. Actions to allocate funds for the remaining two fiscal years will take place during subsequent budget processes. Table 1 - Estimated Willow-Keyes Complete Streets Improvements Project Costs by Fiscal Year (FY), shown below, illustrates the estimated spending plan associated with the construction of the project, including contract costs, contingency, and soft costs across three fiscal years.

Table 1 - Estimated Willow-Keyes Complete Streets Improvements Project Costs by Fiscal Year (FY)

| Line Item | FY 2026-2027 | FY 2027-2028 | FY 2028-2029 | Total Cost |
|------------------|---------------------|---------------------|---------------------|---------------------|
| Soft Cost | \$2,144,982 | \$1,501,487 | \$643,494 | \$4,289,963 |
| Construction | \$6,610,000 | \$8,262,500 | \$1,652,500 | \$16,525,000 |
| Contingency | \$ 661,000 | \$826,250 | \$165,250 | \$1,652,500 |
| Total | \$9,415,982 | \$10,590,237 | \$2,461,244 | \$22,467,463 |

While City staff estimates that the total construction costs will be \$16,525,000, with an available 10% contingency of \$1,625,500, bids for similar construction projects have fluctuated greatly in recent years. Therefore, in an effort to ensure that a contract can be awarded prior to the federal deadline of September 2026 referenced above, the City is seeking the authority to award and execute a contract for up to \$19.9 million. This will provide staff the ability to award a contract should bids come in higher than the Engineer’s Estimate and reduce risk for failing to award a contract by the federal deadline.

As demonstrated in Table 1, Project costs are not anticipated to exceed the budgeted amount in 2026-2027. At this time, City staff anticipate completing a multiple year encumbrance for construction costs for the Project, which will ensure that the Project does not exceed the approved Project budget for 2026-2027.

Furthermore, to ensure that the Project is fully funded in the outyears, future budget actions will be brought forward as part of the 2025-2026 Annual Report budget process, if necessary, and as part of the development of the 2027-2029 Proposed Biennial Capital Budget. At this time, City staff anticipates future increases to the Willow-Keyes Complete Streets Improvements appropriation will be offset by corresponding decreases to the Transportation Grants Reserve or Unrestricted Ending Fund Balance in the Building and Structure Construction Tax Fund.

BUDGET REFERENCE

The table below identifies the fund and appropriation to fund the initial contract encumbrances recommended as part of this memorandum. Additional funding of approximately \$4.9 million will be brought forward as part of a future budget process to fully fund the remaining project costs, including project delivery, construction, and contingency costs.

| Fund # | Appn. # | Appropriation Name | Total Appropriation | Amount for Contract | 2026-2027 Proposed Mid-Biennial Capital Budget Page* | Last Budget Action (Date, Ord. No.) |
|--------|---------|--|---------------------|---------------------|--|-------------------------------------|
| 429 | 418B | Willow-Keyes Complete Streets Improvements | \$17,558,000 | TBD | 298 | N/A |

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

COORDINATION

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

PUBLIC OUTREACH

Building on the extensive engagement completed during the Story-Keyes Complete Streets Study, DOT staff conducted two community outreach meetings during the design phase. The first meeting was held with the Council District 3 community at the Biblioteca Latinoamericana Branch Library on November 20, 2024. The second meeting was conducted via virtually with the Calle Willow Business Association on November 21, 2024.

At these meetings, City staff presented information about the Project to the public and solicited community feedback. In addition, staff published Project information on the City’s webpage to keep the community informed about Project progress.

Prior to and during construction, City staff and the contractor will conduct additional outreach and coordination with affected neighborhoods and businesses.

This memorandum will be posted on the City Council Agenda website for the June 23, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

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

HONORABLE MAYOR AND CITY COUNCIL

June 10, 2026

Subject: Actions Related to the 9469 – Willow-Keyes Corridor Improvements Project

Page 7

CEQA

Categorically Exempt, File No. ER23-172, 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/
MATT LOESCH
Director of Public Works

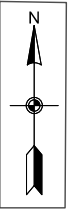
/s/
JOHN RISTOW
Director of Transportation

For questions, please contact Katherine Brown, Assistant Director, Public Works Department, at katherine.brown@sanjoseca.gov or Jessica Zenk, Deputy Director, Transportation Department, at Jessica.Zenk@sanjoseca.gov.

ATTACHMENT:

Location Map – 9469 - Willow-Keyes Corridor Improvements

9469 - WILLOW KEYES CORRIDOR IMPROVEMENTS - FEDERAL PROJECT NO. ATPL-5005(173)



WILLOW STREET (FROM LELONG STREET TO GRAHAM AVENUE)
GRAHAM AVENUE (FROM WILLOW STREET TO SHERMAN STREET)
GOODYEAR /KEYES STREET (FROM SHERMAN STREET TO 3RD STREET)



LOCATION MAP

NOT TO SCALE