



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Matt Loesch  
John Ristow

**SUBJECT:** See Below

**DATE:** April 6, 2026

Approved

Date:

4/15/26

**COUNCIL DISTRICT: 6**

**SUBJECT: Construction Contingency for the 8820 – Milligan Parking Lot Project**

**RECOMMENDATION**

Approve an increase to the construction contingency for the 8820 – Milligan Parking Lot Project from 25% to 32%, in the amount of \$293,198, resulting in a new contingency amount of \$1,304,844.

**SUMMARY AND OUTCOME**

Approval of a contingency increase of \$293,198 will provide the funding necessary to compensate the contractor for additional unanticipated work encountered during the construction of the 8820 – Milligan Parking Lot Project (Project). The increase will ensure the proper completion or construction of the Project.

**BACKGROUND**

On June 11, 2024, 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.

The City issued a notice to proceed to Joseph J. Albanese, Inc. on September 23, 2024, and the contractor began onsite operations on November 5, 2024. The lot was made available for SAP Center event parking in October 2025 under temporary construction occupancy, allowing the contractor to complete remaining work without impacting event parking operations.

On May 6, 2025, City Council approved an increase to the Project's construction contingency from 15% to 25%, in the amount of \$400,000, bringing the total contingency to \$1,011,646.<sup>1</sup> This increase was approved to address the discovery of unforeseen subsurface concrete structures, and hazardous materials abatement.

The Project incurred significant cost increases due to unforeseen and evolving site conditions, regulatory requirements, and operational constraints encountered during construction. These included delays associated with PG&E coordination and the need for additional protective infrastructure for utility equipment, as well as the presence of contaminated and unsuitable subsurface soils requiring redesign and supplemental testing. Additional cost drivers included modifications to the grading and stormwater design, installation of retaining walls and bollards for equipment protection, vandalism and site security needs, and expanded project delivery efforts.

## **ANALYSIS**

To support proper completion of the Project, an additional contingency amount of \$293,198 is required beyond the previously approved increase. When combined with the remaining contingency balance of \$79,008, the total available contingency will be \$372,206. This funding is anticipated to cover contract change orders encountered during the construction, as estimated and summarized in the table below:

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<sup>1</sup> <https://sanjose.legistar.com/View.ashx?M=M&ID=1283487&GUID=20A0B77D-3DB5-45E1-9C0B-DFCD2DE7D4F3>

	DESCRIPTION	ESTIMATED COST (\$)
1)	Additional grading due to design changes during construction	\$ 43,699
2)	Compensable days due to delay (112 working days)	122,030
3)	Additional pavement demolition	80,000
4)	Contract credit for reduction in demolition debris off-haul, reduced cultural monitoring, and landscape scope	(160,000)
5)	Additional signage and striping	55,000
6)	Additional protective bollards	8,000
7)	Repair/replacement of electrical components resulting from site vandalism and theft	200,000
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	Total	\$ 348,729

The Project is approximately 97% complete. After execution of the above identified change orders, there will be a remaining contingency amount of \$23,477. It is anticipated this will be sufficient funding to cover any unforeseen issues, should they arise prior to completion of the Project.

An additional \$451,284 in soft costs is also being requested to support increased project delivery efforts. This includes \$366,284 for City staff project management services such as coordination and oversight of the contractor and consultant resulting from Project delays, including a 112 working-day schedule extension, and \$85,000 for required supplemental services, including materials testing and site surveying to verify existing grades.

### **EVALUATION AND FOLLOW-UP**

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

### **FISCAL IMPACTS**

This recommendation is to increase the Project contingency from 25% to 32%, resulting in a total contingency amount of \$1,304,844. The costs associated with this work will be funded from the Greater Downtown Parking Inventory appropriation. No additional ongoing cost are needed.

**TOTAL COST OF PROJECT:**

Project Delivery*	\$2,415,000
Construction	4,077,638
Contingency	1,011,646
Additional Contingency	293,198
<b>Total Project Costs**</b>	<b>7,797,482</b>
Prior Year Expenditure and Encumbrance	5,729,440
<b>TOTAL REMAINING PROJECT COSTS</b>	<b>\$2,068,042</b>

\*Project delivery cost includes \$1,302,000 for design services, and \$1,113,000 for construction management and inspection services.

\*\*Total project costs do not include the land acquisition costs which totaled \$11,924,750.

**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	2025-2027 Adopted Biennial Capital Budget Page	Last Budget Action (Date, Ord. No.)
559	7885	Greater Downtown Parking Inventory	\$2,725,000	N/A	841	6/17/25 31230

**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**

This memorandum will be posted on the City Council Agenda website for the April 28, 2026 City Council meeting.

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**BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT**

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

**CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

**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 Department, at [Sal.Kumar@sanjoseca.gov](mailto:Sal.Kumar@sanjoseca.gov).

**ATTACHMENT:**

Location Map – 8820 – Milligan Parking Lot Project

## Location Map

# 8820 - Milligan Parking Lot Project

