



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Matt Loesch
Erik Solivan
Jim Shannon

SUBJECT: See Below

DATE: September 15, 2025

Approved

Date:

9/23/2025

COUNCIL DISTRICTS: 3, 4

SUBJECT: Actions Related to the 10316 – Building: Emergency Interim Housing at VTA Cerone Bus Yard Project and 10496 – Supportive Outdoor Sleeping (East Taylor Street) Project

RECOMMENDATION

- (a) Approve an increase to the construction contingency for the 10316 – Building: Emergency Interim Housing at VTA Cerone Bus Yard Project from 10% to 15%, adding \$1,000,000 for a total contingency of \$2,947,294.
- (b) Approve an increase to the construction contingency for the 10496 – Supportive Outdoor Sleeping (East Taylor Street) Project from 10% to 25%, adding \$198,260 for a total contingency of \$330,433.
- (c) Adopt the following 2025-2026 Appropriation Ordinance and Funding Sources Resolution amendments in the Real Property Transfer Tax Fund:
 - (1) Increase the Unrestricted Beginning Fund Balance by \$1,000,000; and
 - (2) Increase the Measure E - Interim Shelter Site Identification and Development (15% HSP) appropriation to the Public Works Department by \$1,000,000.

SUMMARY AND OUTCOME

Approval of the recommendations in this memorandum will enable staff to review and authorize change order requests without delay for the 10316 – Building: Emergency Interim Housing at VTA Cerone Bus Yard Project (Cerone Project) and 10496 – Supportive Outdoor Sleeping (East Taylor Street) Project (Taylor Project). While the current approved contingency for each project has not yet been exceeded, the volume

and scope of pending and anticipated change orders suggest that the original contingency will soon be met and exceeded. Increasing the contingency now will help avoid any disruption to construction progress or cause delay to project completions.

BACKGROUND

At its meeting on June 18, 2024, the City Council authorized the Director of Public Works, among other actions, to award and execute contracts to the lowest responsive and responsible bidders for the construction of the Cerone Project in an amount not to exceed \$25,000,000, and for the construction of supportive outdoor sleeping sites in an amount not to exceed \$5,000,000 for each site. The City Council further authorized a contingency of 10% for each construction contract.

Cerone Project

The Cerone Project is located at 3950 Zanker Road, San José, CA 95134 (Attachment A – Location Map – 10316 – Building: Emergency Interim Housing at VTA Cerone Bus Yard) and includes the construction of 162 sleeping units to house up to 200 participants. Other site improvements include onsite parking for residents and staff, bicycle parking, fencing around the entirety of the site, a dog run, outdoor amenities, as well as shared kitchen space for program participants, restrooms, and laundry rooms.

On December 19, 2024, the Director of Public Works awarded the construction contract to the lowest responsive bidder, W.E. Lyons Construction Co., in the amount of \$19,472,937 with a 10% contingency in the amount of \$1,947,294. A notice to proceed was issued February 27, 2025, with construction starting immediately thereafter.

Taylor Project

The Taylor Project is located at 1157 E. Taylor St, San Jose, CA 95112, (Attachment B – Location Map – 10496 – Supportive Outdoor Sleeping (East Taylor Street) Project) and will provide tent shelters for up to 56 occupants and offer supportive facilities, including an administrative and case management office, portable restrooms and wash stations, and space for mobile showers and laundry services. Additional site improvements include fencing around the site, parking for standard vehicles, site lighting, portable charging stations for program participants, a dog run, and a covered picnic area.

The Taylor Project aligns with the City's initiative to relocate unsheltered residents away from waterways and addresses concerns raised by the San Francisco Bay Area Regional Water Quality Control Board regarding the negative water quality impacts of encampments along these areas.

On January 30, 2025, the Director of Public Works awarded the construction contract to the lowest responsive bidder, G&G Builders, Inc., in the amount of \$1,321,734.14, with a 10% contingency of \$132,173. A Notice to Proceed was issued on March 26, 2025, with construction starting immediately thereafter.

On August 29, 2025, Taylor Project received the temporary certificate of occupancy and the project site is currently being occupied by the site management staff and participants.

ANALYSIS

Cerone Project

As of July 21, 2025, the City has approved approximately \$677,117 in change orders, with several pending change order requests under review. The volume and value of change order requests indicate that the existing contingency will likely be depleted before the project reaches completion. Due to the urgent nature of the Cerone Project, staff is requesting an increase in contingency now, as a proactive measure, to ensure sufficient funds are available to process ongoing and anticipated change orders resulting from evolving site conditions, coordination requirements, unforeseen field conditions, design gaps due to the accelerated design schedule, or utility conflicts that have resulted in scope clarifications.

Notable change orders executed to date include:

- Expediting the procurement of new switchgear equipment;
- Increasing the allowance for tribal/archaeological monitoring to address uncertainties present at the time of bidding;
- Revising the roofing and foundation design for the sleeping units; and
- Additional underground low-voltage utility trench work.

Anticipated future change orders include:

- Upsizing the underground fire water line to meet fire protection requirements and ensure compliance with code;
- Installing fire extinguishers and cabinets throughout the site;
- Installing an additional pull box for solar lighting;
- Addressing unsuitable soil conditions requiring additional compaction and testing to ensure structural stability and long-term performance;
- Modification to the design of the storm and sewer utilities;
- Installing exterior emergency lighting and signage; and
- Upsizing the electrical panel for the sleeping units.

To address the additional costs and ensure successful, timely completion of the Cerone Project, an increase in the contingency from 10% to 15% of the total construction contract is recommended and permitted, pursuant to San José Municipal Code Section 27.04.050 (B), subject to City Council approval. This 5% increase in the contingency will provide an additional \$1,000,000, increasing the total contingency to \$2,947,294. The additional funding will cover necessary modifications and additional work resulting from unforeseen conditions and gaps in the construction drawings encountered during construction. The recommended budget adjustments included in this memorandum will fund the additional contingency.

If additional contingency funds are not authorized, the Cerone Project may experience significant construction delays. Such delays could increase the risk of contractor claims related to unresolved scope items and work stoppages and may postpone the timely delivery of shelter for unhoused individuals.

Taylor Project

The current 10% contingency for the Taylor Project is nearly exhausted, posing an immediate risk to project momentum. As of August 27, 2025, the City has already executed \$105,495 in change orders. These expenditures include adjustments necessary to ensure proper site operations.

Staff estimates an additional \$219,000 in pending and potential change orders to support safe and functional site operations. Notable change orders executed to date include:

- Installation of an insect eradicator shed;
- Installation of temporary electrical power for the site; and
- Additional asphalt concrete work at the office trailer entrance ramps.

Additional work already performed that will be compensated through change orders upon approval of the contingency increase includes:

- Providing site security outside of normal construction hours to reduce the risk of vandalism;
- Clearing and grubbing of the adjacent lot for fire prevention purposes;
- Installation of rubber wheel stops and reflectors to provide physical barrier separation between the drive aisle and participant walkway; and
- Retrenching and backfilling of Pacific Gas & Electric electrical conduit in conformance to Pacific Gas & Electric's new requirements.

Anticipated change orders necessary for the proper completion of the project include:

- Changes to the electrical service equipment to accommodate the total power required by the trailer offices and insect eradicator;
- Raising of survey monuments to new grade; and
- Hydroseeding or mulching of the front entrance area to prevent soil erosion.

Given the urgent nature of interim housing projects, staff recommend proactively increasing the contingency from 10% to 25% of the construction contract. This adjustment will add \$198,260, bringing the total contingency to \$330,430. The increased contingency would provide sufficient flexibility to address evolving site conditions, meet operational and safety requirements, and implement temporary measures related to material delivery delays. Failure to authorize additional contingency funds is expected to result in a delay to the overall project completion. Such delay may also increase the risk of contractor claims stemming from unresolved scope related issues and work stoppages.

EVALUATION AND FOLLOW-UP

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

COST SUMMARY/IMPLICATIONS

Cerone Project

The total revised estimated cost for the Cerone Project, including project delivery and contingency, is \$25.6 million. The current budget for the Cerone Project is \$24.6 million, comprising \$13.2 million of state grant funds, \$10.8 million from the General Fund, \$300,000 from the Real Property Transfer Tax Fund, and \$300,000 from the Multi-Source Housing Fund.

This memorandum recommends that the additional \$1 million needed to increase the project contingency from \$1.9 million to \$2.9 million come from the Real Property Transfer Tax Fund by recognizing a portion of the additional Beginning Fund Balance estimated to be available as Ending Fund Balance in 2024-2025 that is subsequently carried over as Beginning Fund Balance in 2025-2026. The full reconciliation of the Beginning Fund Balance will be included in the 2024-2025 Annual Report scheduled for City Council review and approval on October 21, 2025.

September 15, 2025

Subject: Actions Related to the 10316 – Building: Emergency Interim Housing at VTA Cerone Bus Yard Project and 10496 – Supportive Outdoor Sleeping (East Taylor Street) Project

Page 6

Taylor Project

The total revised estimated cost for the Taylor Project, including project delivery and contingency, is \$2.7 million. The current budget for the Taylor Project is \$2.5 million, solely funded in the Real Property Transfer Tax Fund. The additional project contingency of \$198,260 can be accommodated within the existing budgeted appropriation in the Real Property Transfer Tax Fund without further appropriation adjustments.

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the recommendations as part of this memorandum.

Fund #	Appn. #	Appropriation Name	Total Appropriation	Rec. Budget Action	Amount for Contingency	2025-2026 Proposed Operating Budget Page*	Last Budget Action (Date, Ordinance No.)
404	226Y	Measure E - Interim Shelter Site Identification and Development (15% HSP)	\$443,522	\$1,000,000	\$1,000,000	933	06/17/2025 31230
404	R999	Unrestricted Beginning Fund Balance	\$79,272,090	\$1,000,000	N/A	932	6/17/2025 25-242
404	230L	Safe or Alternative Sleeping Sites (15% HSP)	\$7,300,000	N/A	\$198,260	933	06/17/2025 31230

* The 2025-2026 Adopted Operating Budget was approved on June 10, 2025 and adopted on June 17, 2025 by the City Council.

COORDINATION

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

HONORABLE MAYOR AND CITY COUNCIL

September 15, 2025

Subject: Actions Related to the 10316 – Building: Emergency Interim Housing at VTA Cerone Bus Yard Project and 10496 – Supportive Outdoor Sleeping (East Taylor Street) Project

Page 7

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the October 7, 2025 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Determination of Consistency with the Mitigated Negative Declaration for the Emergency Interim Housing Programs (Resolution No. RES2023-380), File No. ER22-198.

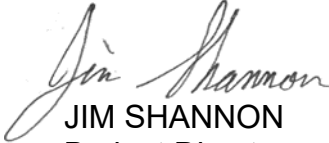
Addendum to the Emergency Interim Housing Programs Mitigated Negative Declaration (Resolution No. RES2023-380), File No. ER24-302, 1157 E. Taylor Street Emergency Interim Housing /Supportive Outdoor Sleeping Project.

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/
ERIK L. SOLIVAN
Housing Director


JIM SHANNON
Budget Director

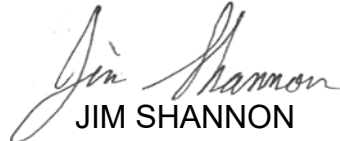
HONORABLE MAYOR AND CITY COUNCIL

September 15, 2025

Subject: Actions Related to the 10316 – Building: Emergency Interim Housing at VTA Cerone Bus Yard Project and 10496 – Supportive Outdoor Sleeping (East Taylor Street) Project

Page 8

I hereby certify that there will be available for appropriation in the Real Property Transfer Tax Fund in the Fiscal Year 2025-2026 moneys in excess of those heretofore appropriated wherefrom, said excess being at least \$1,000,000.



JIM SHANNON
Budget Director

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

ATTACHMENTS

Attachment A - Location Map – 10316 – BUILDING: Emergency Interim Housing at VTA Cerone Bus Yard

Attachment B - Location Map – 10496 – Supportive Outdoor Sleeping (East Taylor Street) Project

ATTACHMENT A – Location Map
10316 – BUILDING: Emergency Interim Housing at VTA Cerone Bus Yard



ATTACHMENT B – Location Map

10496 – Supportive Outdoor Sleeping (East Taylor Street) Project

