



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Katy Allen
Peter Jensen
Larry D. Lisenbee

SUBJECT: SEE BELOW

DATE: 11-08-05

Approved

Kay Wine

Date

11/10/05

Council District: Citywide

SUBJECT: REPORT ON BIDS AND DELEGATION OF AUTHORITY FOR AWARD OF CONTRACT FOR THE CENTRAL SERVICE YARD PHASE II PROJECT

REASON FOR SUPPLEMENTAL MEMO

To provide additional information after bids were opened.

RECOMMENDATION

- a. Adoption of a resolution authorizing the City Manager to award a design-build construction contract for the Central Service Yard Phase II Project to the lowest responsive bidder, Hensel Phelps Construction Company, in the amount of \$24,419,000, and approval of a contingency in the amount of \$2,441,900.
- b. Adoption of a resolution approving the Central Service Yard Phase II Project and incorporating environmental mitigation measures set forth in the Mitigation Monitoring and Reporting Program for the project.
- c. Adoption of the following Appropriation Ordinance amendments in the Service Yards Construction and Conveyance Tax Fund:
 1. Increase the appropriation to the General Services Department for the Central Service Yard Phase II Project by \$5,040,000.
 2. Decrease the Ending Fund Balance by \$5,040,000.

CEQA: Mitigated Negative Declaration, File No. PP05-136.

BACKGROUND

In June 2004, Council directed the City Manager to develop a strategy and timeline to relocate the Main Corporation Yard at Sixth Street and Taylor Street in order to issue a Request for Proposals for the redevelopment of the Japantown site. In response, the Department of General Services developed a plan to relocate the existing maintenance services from the Main Corporation Yard to the Central Service Yard on Senter Road. This plan consolidates the current uses at both sites creating a better, more efficient delivery of services and allowing the redevelopment of the Japantown site.

Central Service Yard is located at 1661 Senter Road of San José (map attached). The scope of work includes design and construction of three new buildings, tenant improvement of an existing Central Services Yard building and associated site work. This project was considered by staff for implementation under the Design Build Charter amendment. Staff analysis indicated that the low bid design build method would be the most effective way to deliver the project given the specific project requirements. The contractor is responsible for preparation of detailed design plans and specifications in addition to constructing the improvements. The City conducted a process to prequalify contractors to perform the required work. From the prequalification process, three firms were identified as eligible to bid. Only two prequalified firms submitted bids.

Design/construction is scheduled to begin January 2006 with completion scheduled for June 2007.

ANALYSIS

Bids were opened on October 20, 2005, with the following results:

<u>Contractor</u>	<u>Bid Amount</u>	<u>Variance Amount</u>	<u>Over/(Under) Percent</u>
Hensel Phelps Construction Company (San José, CA)	\$24,419,000	\$1,736,380	8
Engineer's Estimate	22,682,620		
Green Valley Corporation (San José, CA)	21,189,905	(1,492,715)	(7)

The lowest responsive bid was submitted by Hensel Phelps Construction Company. It is eight percent above the anticipated design/construction amount. The Hensel Phelps' bid is considered acceptable for the work involved in the project.

Public Works recommends rejecting the bid submittal by the apparent low bidder, Green Valley Corporation, as non-responsive for two independent reasons. First, Green Valley Corporation failed to sign and submit two addenda with its bid. Both of the addenda included additions,

modifications and clarifications to the plans and specifications affecting design, construction and the cost of the project. Accordingly, these addenda are material and cannot be waived. Second, Green Valley Corporation submitted a list of qualifying conditions to its bid. Pursuant to established public bidding procedures, a bidder is not permitted to qualify its bid. Either one of these reasons is a sufficient basis to reject the bid as nonresponsive.

Council policy provides for a standard contingency of ten percent on public works projects involving construction of buildings. The standard contingency is appropriate for this project.

The current estimated cost for the project of \$31.4 million is \$1.9 million above the estimate in the 2006-2010 Capital Improvement Program. The Service Yards Construction and Conveyance Fund has sufficient fund balance to cover this overage due to significantly higher than anticipated Construction and Conveyance Tax collections. In addition, it is recommended that \$3.1 million for project costs be accelerated from 2006-2007 to 2005-2006. The Service Yards Capital Program has sufficient fund balance to fund this acceleration. The fund balance has accumulated over the past several years in preparation for the Central Service Yard Phase II Project.

The Central Service Yard Phase II Project is recommended to be partially funded by commercial paper as an interim funding mechanism. As a separate item on this agenda, the Finance Department is requesting approval of the City Council and San José Financing Authority Board to adopt a resolution approving and authorizing the execution of financing documents and authorizing other related actions in connection with the expansion of the CP Program. The financing plan for Central Service Yard Phase II Project, which also incorporates the costs of demolition and clean-up at the Main Corporation Yard, includes issuance of \$21.5 million of CP Notes to be used as interim financing until the Main Corporation Yard can be sold. At that time, the sale proceeds of the Main Corporation Yard will be used to redeem a portion of the outstanding CP Notes, with the remaining CP Notes to be redeemed with the proceeds of a lease revenue bond sale. The closing of the expanded Commercial Paper Program appropriation actions will complete the necessary funding.

OUTCOME

Approval of this resolution authorizing the City Manager to award a design build construction contract to Hensel Phelps Construction Company will enable the Central Service Yard Phase II Project to go forward. Approval of the ten-percent contingency will provide funding for unforeseen conditions during construction of this project. Approval of the Service Yards Capital Program appropriation actions will complete the necessary funding.

PUBLIC OUTREACH

This project along with the request for design build qualifications were listed on the City's Internet Bid Line and advertised in the *San José Post Record*. In addition, at the time of the request for design-build qualifications, emails and telephone calls were made to firms which provided input and feedback on the Measure D ordinance. Bid packages for all Department of Public Works construction projects are provided to various contractor organizations and builder's exchanges.

COORDINATION

This project and memorandum have been coordinated with the Departments of Finance and Planning, Building and Code Enforcement, San José Redevelopment Agency, Council District 3, City Attorney's Office and the City Manager's Office.

COST IMPLICATIONS

- | | | |
|----|--|---------------------|
| 1. | AMOUNT OF RECOMMENDATION: | \$24,419,000 |
| 2. | COST OF PROJECT: | |
| | Project Delivery | \$3,185,119 |
| | Design/Construction | 24,419,000 |
| | Contingency | 2,441,900 |
| | Furniture/Furnishings/Equipment | 660,000 |
| | Relocation and Misc. Expenses | <u>700,000</u> |
| | TOTAL PROJECT COST | \$31,406,019 |
| | Prior Year Expenditures | (71,957) |
| | Remaining Project Costs | \$31,334,062 |
| 3. | SOURCE OF FUNDING: 395- Construction Tax and Property Conveyance Tax Fund. | |
| 4. | FISCAL IMPACT: This project is consistent with the Council-approved Budget Strategy Economic Recovery section in that it will spur construction spending in our local economy. The proposed operating and maintenance costs of this project have been reviewed and will have no significant impact on the General Fund operating budget. | |

BUDGET REFERENCE

Fund #	Appn. #	Appn. Name	Total Appn.	Amt. For Contract	2005-2006 Adopted Budget (Page)	Last Budget Action (Date, Ord. No.)
Remaining Project Costs			\$31,334,062			
Current Funding Available						
395	4962	Central Service Yard Phase II	\$23,414,000	\$23,414,000	V-1227	10/18/2005 Ord. No. 27580
Total Current Funding Available			\$23,414,000	\$23,414,000		
Additional Funding Recommended						
395	4962	Central Service Yard Phase II	\$5,040,000	\$1,005,000		
Total Additional Funding Recommended			\$5,040,000	\$24,419,000		
Total Funding for Remaining Project Costs			\$28,454,000*			

* The remaining \$2,880,062 necessary for this project is programmed for 2006-2007 in the Service Yards Construction and Conveyance Tax Fund.

CEQA

Planning has issued a mitigated negative declaration for this project. The mitigated negative declaration identifies a number of mitigations that need to be implemented in order to address environmental impacts. These mitigation measures and their manner of implementation are identified in the Mitigation Monitoring and Reporting Program for the project. These mitigations will be incorporated into the project design and the construction documents. As part of today's action, staff is requesting Council to approve these mitigations and their manner of implementation, as set forth in the Mitigation Monitoring and Reporting Program, and direct the implementation of these mitigations as part of the project.

Mitigation measures for the project include the following:

- Air Quality – Construction practices shall be incorporated into the construction documents for controlling short-term air quality impacts associated with dust generation.

11-08-05

Subject: Central Service Yard Phase II Project Supplemental Memo

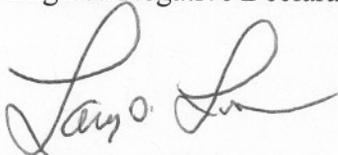
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- Biological Resources – Preconstruction surveys shall take place for burrowing owls and raptors to determine if they are present prior to work beginning. If either are present, further mitigation shall be implemented, as detailed in the MMRP.
- Cultural Resources – This project is not in an archaeologically sensitive area, however the construction documents shall contain standard conditions for excavation activities.
- Hazardous Materials – Based on recent testing, the site may contain some naturally occurring asbestos road base. The project will include measures to limit public exposure to asbestos-laden dust from the construction activities.
- Water Quality – The construction documents shall include procedures to be implemented during demolition and construction to prevent storm water pollution and sedimentation. Post construction measures shall also be included in the final project design to address the increase in the percentage of impervious surfaces on the site.
- Noise – During the building design phase, an acoustical analysis will be conducted to ensure that interior noise levels will be reduced to 45 dba or lower.

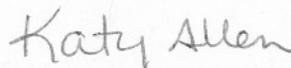
As requested by the Bay Area Air Quality Management District, the following four mitigation measures have been added to the Mitigated Negative Declaration and will be implemented by the project, as applicable.

- a) Enclose, cover, water twice daily or apply (non-toxic) soil binders to exposed stockpiles (dirt, sand, etc.), as applicable;
- b) Limit traffic speeds on unpaved roads to 15 mph, as applicable;
- c) Install sandbags or other erosion control measures to prevent silt runoff to public roadways, as applicable; and
- d) Replant vegetation in disturbed areas as quickly as possible, as applicable.

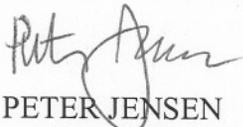
Mitigated Negative Declaration, File No. PP05-136.



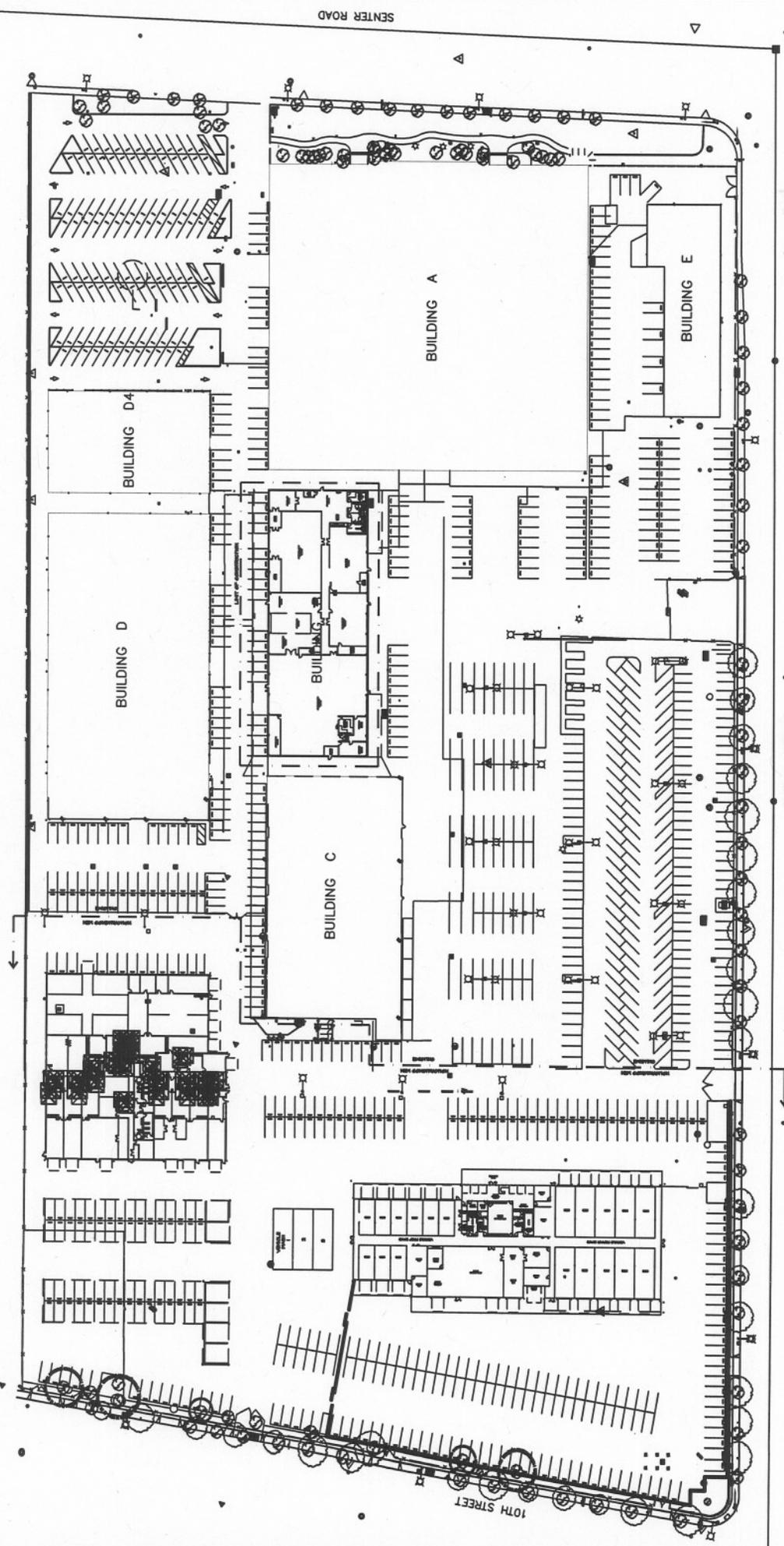
LARRY D. LISENBEE
Budget Director



KATY ALLEN
Director, Public Works Department



PETER JENSEN
Acting Director,
General Services Department



PLAN NORTH
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RECEIVED

PROPOSED SITE PLAN