



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Katy Allen  
Darryl Von Raesfeld  
Jennifer A. Maguire

**SUBJECT: FIRE STATION NO. 2  
REBUILD PROJECT**

**DATE:** 12-08-08

Approved

Date

12/12/08

**COUNCIL DISTRICT:** Citywide

## RECOMMENDATION

It is recommended that the City Council:

- a. Report on bids and award of contract for the Fire Station No. 2 Rebuild Project to the low bidder, Santa Clara Valley Corporation dba Swenson Development and Construction, to include the base bid, the revocable item and Add Alternates No. 1 and No. 3, in the amount of \$5,193,253, and approval of a contingency in the amount of \$625,000.
- b. Approve the schedule reset to extend the projected Beneficial Use Date of Fire Station No. 2 to September 1, 2010 from November 2009.
- c. Adopt the following 2008-2009 Appropriation Ordinance amendments in the Neighborhood Security Bond Fund (Fund 475):
  1. Increase the Contingency Reserve by \$590,000;
  2. Decrease the Fire Station No. 2 – Rebuild appropriation by \$590,000.
- d. Adopt the following 2008-2009 Appropriation Ordinance amendments in the Construction Tax and Property Conveyance Tax: Fire Protection Services Fund (Fund 392):
  1. Increase the Ending Fund Balance by \$124,000;
  2. Decrease the Fire Station No. 2 - Rebuild appropriation by \$124,000.

## OUTCOME

Approval of this construction contract will allow for the demolition and rebuilding of Fire Station No. 2 on the existing site for use by the Fire Department. Approval of a 12 percent contingency will provide funding for any unanticipated work necessary for the proper

completion or construction of the project. Approval of the schedule reset will align the approved baseline schedule for the project with the projected completion date. Approval of the appropriation actions will allow project savings due to favorable bids to be utilized for other capital project needs.

### **EXECUTIVE SUMMARY**

City staff recommends the award of contract to the low bidder, Swenson Development and Construction. The award will include the base bid and Add Alternate Nos. 1 and 3 for a total construction contract of \$5,193,253. Due to the favorable bids received, staff is recommending (1) that the 10 percent construction contingency that is the Council policy for new building projects be increased to 12 percent to allow for unanticipated conditions that might be associated with the demolition of the existing station; a portion of which is almost 60 years old, (2) that the savings of \$1,000,000 be redistributed to the Neighborhood Security Bond Fund (Fund 475) Contingency Reserve and to the Construction and Conveyance (C&C) Tax Fund (Fund 392) Ending Balance for distribution to future capital projects, and (3) that a portion of the savings associated with the San José Redevelopment Agency (SJRA) would be refunded to the SJRA upon completion of the construction project.

Start of construction is dependent on the local redeployment of the Fire Station No. 2 crews and equipment to three separate locations to maintain fire and medical services in the area during demolition of the existing station and construction of the new Fire Station No. 2. A recent analysis of construction schedules for completed projects indicated that latter stations required much more time to design and build than originally anticipated. Having reviewed the project specifics and evaluated the project schedule, staff recommends that the baseline schedule be adjusted so that the baseline beneficial occupancy date is set for September 1, 2010.

### **BACKGROUND**

In March 2002, the voters in San José passed Measure O, the “9-1-1, Fire, Police, Paramedic and Neighborhood Security Act” (Neighborhood Security Act Bond Measure). This bond measure authorized the City to issue General Obligation Bonds in an amount not to exceed \$159 million to fund capital improvements in the Public Safety Capital Program.

The Fire Station No. 2 Rebuild Project will demolish the existing Fire Station No. 2 located at 2933 Alum Rock Avenue, and construct a new two-company fire station in its place. This project is the seventh new fire station building construction contract to be executed under the Public Safety Bond Program.

The new 12,456 square foot fire station facility will be a two-story, two company fire station designed as an Essential Services Facility. It will have three apparatus bays and will provide for gender privacy, Americans with Disabilities (ADA) access on the first floor and state-of-the-art fire alerting and communications systems. The station includes 10 bunkrooms, an exercise

room, a combined kitchen/dining room and day room. The site will be developed to include an emergency generator, a diesel fuel storage tank and 21 on-site parking spaces.

In addition to the base bid scope of work there is one revocable contract item and two Add Alternates.

<u>Revocable Contract Item</u>	<u>Engineer's Estimate</u>
1. Concrete slab for Public Art <i>(Included in the Base Bid)</i>	\$10,000

<u>Add Alternate Description</u>	<u>Engineer's Estimate</u>
1. Provide 300 LF of 2" PVC water line to hose drying rack area.	\$10,000
2. Storm Drain line <i>(Deleted via Addendum and made part of Base Bid)</i>	N/A
3. Install metal siding panels in lieu of exterior stucco finish.	\$16,800

Construction is scheduled to begin in early March 2009 with completion in late summer 2010.

During the construction of the new facility, the Fire Department is locally redeploying the Fire Station No. 2 crews and equipment to three separate locations to maintain fire and medical services in the area served by the existing station. As of this report, temporary fire station facilities are being constructed at the existing Fire Station No. 21 site located at 1749 Mt. Pleasant Road and on land leased from the Logos Christian Fellowship Church located at 4809 Alum Rock Avenue. The Fire Station No. 2 Battalion Chief will be relocated to the Fire Station No. 21 site, and the No. 2 engine and crew will be housed at the Alum Rock Avenue site. Ladder truck No. 2, its crew and salvaged equipment will be temporarily relocated to the recently completed Fire Station No. 34 on Las Plumas Avenue for the duration of construction.

**ANALYSIS**

Bids were opened on November 4, 2008 with the following results:

<u>Contractor</u>	<u>Base Bid</u>	<u>Add Alt. No. 1</u>	<u>Add Alt. No. 3</u>	<u>Total Bid</u>	<u>Variance Amount</u>	<u>Over/(Under) Percent</u>
California Plus Engineering (Campbell)	\$7,418,000	\$7,000	\$43,000	\$7,468,000	\$1,068,000	16
<b>Engineer's Estimate</b>	<b>6,400,000</b>	<b>10,000</b>	<b>16,800</b>	<b>\$6,426,800</b>	---	---
Bogard Construction (Santa Cruz)	6,371,944	5,509	39,710	\$6,417,163	(9,637)	(15)
Ralph Larsen & Son (San Mateo)	6,145,000	7,000	60,000	\$6,212,000	(214,800)	(3)

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Pencon (Livermore)	5,957,000	2,000	43,100	\$6,002,100	(424,700)	(7)
Kent Construction (Gilroy)	5,937,035	7,357	42,453	\$5,986,845	(439,955)	(7)
Farotte Construction (Gilroy)	5,825,000	7,424	40,000	\$5,872,424	(554,376)	(9)
Kuehne Construction (Sunnyvale)	5,687,369	9,900	42,790	\$5,740,059	(686,741)	(11)
John Plane Construction (Brisbane)	5,541,696	6,420	103,872	\$5,651,988	(774,812)	(12)
BOBO Construction (Elk Grove)	5,517,000	6,000	36,000	\$5,559,000	(867,800)	(14)
DL Falk Construction (Hayward)	5,454,000	7,900	20,600	\$5,482,500	(944,300)	(15)
Applegate Johnston (Modesto)	5,360,000	12,500	92,000	\$5,464,500	(962,300)	(15)
McCrary Construction (Belmont)	5,399,000	8,000	30,000	\$5,437,000	(989,800)	(15)
Sausal Corporation (San Leandro)	5,377,414	8,370	51,712	\$5,437,496	(997,674)	(16)
ZCON (Oakland)	5,400,000	13,500	15,000	\$5,428,500	(998,300)	(16)
Gonsalves & Stronck (San Carlos)	5,368,956	2,000	20,000	\$5,390,956	(1,035,844)	(16)
Zolman Construction (San Carlos)	5,299,000	10,000	75,000	\$5,384,000	(1,042,800)	(16)
Swenson Development & Construction (San Jose)	5,161,253	2,000	30,000	\$5,193,253	(1,233,547)	(19)

All but one of the 17 bids received is below the Engineer's Estimate. The low bid submitted by Swenson Development & Construction is more than 19 percent below the Engineer's Estimate. The unusually large number of bidders and the fact that the lowest 11 bids received ranged from 11 to 19 percent below the Engineer's Estimate strongly suggests that the regional construction market has become highly competitive. While the Engineer's Estimate was based on trends of construction costs experienced over the last several years, it did allow for a relative softening in the construction market. With the recent upheavals in the national financial markets, the construction industry has been adversely affected, driving more companies to bid on municipal projects which appears to have created a spike in competition. The high number of bidders and the good bid results are therefore attributed to the increasingly favorable bidding climate that staff has recently experienced on several other projects. Staff believes that these bids are reasonable and acceptable for the work involved in the project.

With the favorable bids received, the adopted budget for the project can now support a 10 percent construction contingency that is the Council policy for new building projects. Because part of the contract includes the demolition of the existing station; a portion of which is almost 60 years old, staff is recommending that the contingency be increased to 12 percent to allow for any unanticipated work.

*Schedule analysis:*

The proposed schedule reset is necessary to allow sufficient time to complete the construction of the station. Having recently completed five new fire station projects (Nos. 12, 17, 25, 34 & 35), staff has had the opportunity to evaluate their respective schedules and re-assess the appropriate timelines for design and construction of these public safety facilities. Due to the relatively concurrent schedules for the design time frames for these earlier projects, the latter stations required additional four to six months to allow staff and consultants to assess and incorporate appropriate lessons learned from the preceding projects. This has required consultants to perform additional re-design services to ensure that the latter stations incorporated changes to the building design and operational systems. A similar analysis of the construction schedules for prior fire station projects has informed staff that an additional four months should be added to accommodate allowances for unanticipated conditions, outside agency issues, utility company coordination, variable contractor performance and fire department outfitting and testing of communication and alerting systems. Staff also anticipates an additional month will be needed to prepare the temporary facilities and vacate the existing station. Having reviewed the project specifics and evaluated the project schedule, staff recommends that the baseline schedule be adjusted so that the baseline beneficial occupancy date is set for September 1, 2010.

*Budget analysis:*

As noted in the Cost Summary portion of this memo, the construction cost element of the overall budget includes owner provided/executed items that are not part of the contractor's scope of work but are necessary to complete the project. They are comprised of utility fees, hazardous material abatement (*asbestos*) of existing Fire Station No. 2 and the temporary construction of facilities to house the crews during construction of the new station. These items are estimated to add approximately \$423,000 in costs to the construction phase of the project.

In light of the favorable bids and after accounting for the temporary facilities costs and the recommended construction contingency increase, staff has determined that the total project funding can safely be reduced by \$1,000,000. The recommended budget actions return to the various funding sources in direct proportion to their total contributions over the life of the project. If approved, the savings would therefore be distributed per the following table:

<b>Funding Source:</b>	<b>Total Budget Contribution</b>	<b>% of Total</b>	<b>Returned to Ending Fund/Contingency Reserve</b>
Fund 475 – Public Safety Bond	\$5,572,000	59.0%	\$590,000
Fund 450 – Redevelopment Agency PSM #541	\$2,700,000	28.6%	\$286,000
Fund 392 – Construction and Conveyance	<u>\$1,175,000</u>	12.4%	<u>\$124,000</u>
Totals	\$9,447,000		\$1,000,000

In the Neighborhood Security Bond Fund (Fund 475), \$590,000 would be shifted from the Fire Station 2-Rebuild appropriation to the bond fund’s Contingency Reserve to be redistributed for other capital project needs. In the Construction and Conveyance (C&C) Tax Fund (Fund 392), \$124,000 would be shifted from the Fire Station 2-Rebuild appropriation to the fund’s Ending Fund Balance. The portion of the savings (\$286,000) associated with the SJRA would be refunded to the SJRA upon completion of the construction project.

**EVALUATION AND FOLLOW-UP**

This project is currently within budget. A schedule reset of the Beneficial Use Date will allow sufficient time to complete the project. Staff will return to Council to request approval of an amendment to increase compensation to the consultant, WLC Architects, Inc., and to extend the current consultant agreement to align with the extended project schedule.

**POLICY ALTERNATIVES**

Not applicable.

**PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or

a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This action meets the first criteria above. This memorandum will be posted on the City's website for the January 13, 2009 Council agenda.

### **COORDINATION**

The project and memorandum have been coordinated with the Departments of Planning, Building and Code Enforcement, General Services, Environmental Services, Finance, and the City Attorney's Office.

### **FISCAL/POLICY ALIGNMENT**

This project is consistent with the Council-approved Budget Strategy Economic Recovery section in that it will spur construction spending in our local economy.

### **COST SUMMARY/IMPLICATIONS**

1. AMOUNT OF RECOMMENDATION/COST OF PROJECT:	\$5,193,253 *
Project Delivery	\$2,200,000
Construction	5,622,962 *
Contingency	<u>625,000</u>
<b>TOTAL PROJECT COSTS</b>	<b>\$8,447,962</b>
Prior Year Expenditures	1,182,962 **
<b>REMAINING PROJECT COSTS</b>	<b>\$7,265,000</b>

\* The construction contract does not include costs for utility fees, temporary fire facility costs and owner provided equipment that won't be part of the awarded contract. Those costs are, however, estimated at approximately \$423,000 and captured in the overall construction cost line item above.

\*\* A total of \$1,182,962 was expended and encumbered thru fiscal year 2007-2008 for project delivery costs for Fire Station No. 2.

2. COST ELEMENTS OF AGREEMENT/CONTRACT: \$5,193,253  
This is a Lump Sum Contract.

3. SOURCE OF FUNDING: 475 - Neighborhood Security Bond Act  
392 - Fire Station No. 2 Alum Rock-Construction Tax &  
Property Conveyance Tax  
450 - Redevelopment Agency PSM #541

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4. **OPERATING COST:** Due to the increased square footage of the new fire station facility, additional maintenance and operations costs, as well as additional utility costs totaling \$2,000 in 2009-2010 and annualized to \$28,000 in 2010-2011, have been assumed in the 2010-2014 Preliminary General Fund Forecast.

**BUDGET REFERENCE**

The table below identifies the fund and appropriations proposed to fund the contract(s) recommended as part of this memo and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn #	Appn. Name	RC #	Total Appn.	Amt. for Contract	2008-09 Adopted Budget (Page)	Last Budget Action (Date, Ord. No.)
<b><u>Remaining Project Costs</u></b>				<b>\$7,265,000</b>			
<b><u>Remaining Funding Available</u></b>							
475	4997	Fire Station No. 2 - Rebuild	135585	4,173,000	1,993,253	V-886	10/21/08 Ord. No. 28422
392	4997	Fire Station No. 2 - Rebuild	135585	964,000	800,000	V-886	6/24/08 Ord. No. 28349
450	4997	Fire Station No. 2 – Rebuild	135585	2,700,000	2,400,000	N/A	8/12/08 Ord. No. 28364)
<b><u>Total Current Funding Available</u></b>				<b>\$7,837,000</b>			
<b><u>Funding in Future Years of CIP</u></b>							
475	4997	Fire Station No. 2 - Rebuild	135585	428,000		V-886	
<b><u>Total Project Funding Existing</u></b>				<b>\$8,265,000</b>	<b>\$ 5,193,253</b>		
<b><u>Recommended Budget Actions</u></b>							
475	8633	Contingency Reserve*		(590,000)		V-878	
392	8999	Ending Fund Balance*		(124,000)		N/A	
450		Refund to SJRA*		(286,000)		N/A	
		Total		(1,000,000)			
<b><u>Total Project Funding</u></b>				<b>\$7,265,000</b>			

\* Approval of the appropriation actions will allow project savings due to favorable bids to be utilized for other capital project needs. Savings will be returned in direct proportion to the funding contribution to the project. SJRA savings will be refunded following the completion of construction.

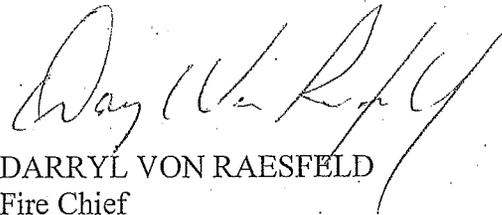
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CEQA

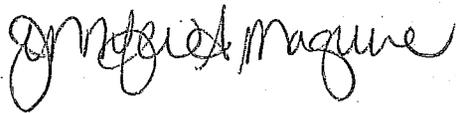
CEQA: Exempt, PPO5-220



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For questions please contact DAVID SYKES, ASSISTANT DIRECTOR, PUBLIC WORKS DEPARTMENT at (408) 535-8300.

KJ:dp:ra  
Attachments