



CITY OF SAN MATEO

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Agenda Report

Agenda Number: 7

Section Name: {{section.name}}

Account Number: 82-4681

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TO: City Council
FROM: Alex Khojikian, City Manager
PREPARED BY: Public Works Department
MEETING DATE: February 3, 2025

SUBJECT:

Poplar Creek Tenant Improvements – Budget Appropriation, Contract Change Order, and Rent Waiver Agreement

RECOMMENDATION:

Adopt a Resolution to authorize a total budget appropriation of \$1,650,000 from the unassigned fund balance of the General Fund, with \$1,530,000 appropriated to the Poplar Creek Tenant Improvements project in the Capital Project Fund and \$120,000 appropriated to the Parks and Recreation operating budget within the Golf Fund; approve Change Order No. 1 to the agreement with Jon K Takata Corporation dba Restoration Management Company to provide contract services for the Project in the amount of \$1,072,649.41 for a new contract total of \$1,152,256.31; establish a construction contract contingency of \$115,300; authorize the Public Works Director to issue change orders within the contingency and execute Change Order No. 1 in substantially the form presented; approve a Rent Waiver Agreement with PAR3SM, LLC; and authorize the City Manager to execute the Rent Waiver Agreement in substantially the form presented.

BACKGROUND:

Poplar Creek Golf Course has been in operation for over 90 years, with the current clubhouse built in 2000. The City and PAR3SM, LLC (PAR 3) entered into a lease agreement on April 3, 2019, for the restaurant and banquet facilities at the Golf Course.

In July 2024, the Public Works Facilities Division was alerted to water infiltration in the banquet room of the Poplar Creek Golf Clubhouse restaurant area. Moisture was visibly seeping through the walls and floor in both the banquet hall and kitchen. Initial investigations identified that the wall between the kitchen and banquet room was saturated. In August 2024, the City hired a waterproofing specialist who recommended inspecting the drain lines and conducting an air test. On October 7, 2024, an environmental hygienist conducted the air test which revealed high levels of bacteria, rendering the space unsafe for occupancy. As a result, when the City received air testing results on October 11, 2024, the restaurant/banquet tenant space was evacuated, red-tagged, and has remained closed to PAR 3 staff and the public ever since. Costs for the air testing and initial drainage assessment are approximately \$25,000.

In October 2024, the City engaged Jon K Takata Corporation (dba Restoration Management Company, or RMC) for a preliminary assessment to determine an appropriate approach to investigate and repair the facility. RMC proposed a phased approach:

- **Phase 1:** Establish containment, decontaminate the area, remove and store equipment and furniture, and document existing building conditions. Investigate the source of water infiltration by removing finish materials and inspecting the drain lines. Identify the remaining tasks required to complete Phase 1 and incorporate them into a subsequent change order. Develop a detailed scope, schedule, and fee of repairs for Phase 2.
- **Phase 2:** Restoration work to remove contaminants, repair or replace structural components, and install new finish materials. Reinstall equipment and furniture.

- **Phase 3:** Coordinate with County Health officials to recommission the restaurant for operations. Provide a plumbing report and remediation report.

On November 21, 2024, the City executed a \$79,606.90 construction contract with RMC to start Phase 1. Under Section 3.60.050(a) of the San Mateo Municipal Code, this project presented an emergency threatening the public health, safety, or welfare. Therefore, the City negotiated with RMC to begin investigation and remediation immediately in order to restore normal operations as quickly as possible. RMC has prior experience in similar restoration and remediation projects and was able to quickly mobilize and start the required efforts.

Proposed Contract Change Order No. 1 to RMC's agreement includes additional scope identified during the investigation, including remediation/restoration of damage and mold at structural components beyond the initial work boundaries, requiring additional equipment for decontamination, and procurement of a structural engineer and an environmental hygienist as required to complete Phase 1. This additional Phase 1 scope has an associated fee of \$147,358.95.

Contract Change Order No. 1 also includes the entire scopes of Phases 2 and 3. Deliverables will include a restored and habitable tenant space approved by the County Health inspector and the San Mateo Building Department, a detailed investigation report, and a comprehensive remediation report. It is currently anticipated that RMC's scope and the recommissioning of the tenant space will be completed by September 2025 but is subject to change as construction progresses. The fee associated with Phases 2 and 3 was negotiated to \$925,290.46.

Staff negotiated total scope and fee for Contract Change Order No. 1 of \$1,072,649.41. Staff recommends approval of the change order due to RMC's specialized remediation skillset, familiarity with the City facilities, and ability to complete the repairs in a timely manner.

A construction contract contingency of \$115,300 is recommended to address any risks or unknowns through the remaining course of construction. Some of the risks include potential discovery of subfloor damage, foundation damage, or contaminated soils as a result of moisture penetration. Other risks include remedying any existing non-conforming conditions to pass County Health or City building inspections. All of these risks may require additional professional services to assess, evaluate, and design prior to implementation by the contractor.

In addition to RMC's costs to complete the site restoration, soft costs for the environmental hygienist, drainage investigation and cleaning, contracted project and construction management services, and the cost to lease portable restroom facilities to deliver the project are estimated to be \$230,600.00.

To fund these costs, an appropriation of \$1,530,000 to the Poplar Creek Tenant Improvements project is required; a breakdown is summarized below:

Item	Description	Amount
Preliminary Soft Costs	Environmental hygienist, initial drainage assessment, initial investigation, portable restroom rental	\$ 25,000.00
Construction Contract - Remediation	Phase 1 services	\$ 79,606.90
Contract Change Order No. 1	Additional Phase 1 services for Remediation	\$ 147,358.95
Contract Change Order No. 1	Phases 2 and 3 for Restoration	\$ 925,290.46
Construction Contingency - Restoration	Typically, contingency is established as 10% of the construction contract, which includes Phases 1, 2 and 3.	\$ 115,300.00
Construction Soft Costs - Restoration	Environmental hygienist, drainage investigation and cleaning, project management, and construction management services, portable restroom rental	\$ 230,600.00
TOTAL		\$ 1,523,156.31

Since the closure on October 11, to support golf patrons during the ongoing closure of the restaurant facilities, the City is

leasing portable restroom facilities and has facilitated food trucks providing food and beverages in the golf course parking lot. Given PAR3's inability to operate the restaurant or banquet facilities since the closure, staff is proposing a Rent Waiver Agreement until the tenant space (restaurant and banquet room) is recommissioned:

- Deferral of rent payments from October 11, 2024, until the restaurant and banquet room are recommissioned.
- City will pay water, electrical, and gas utilities from October 11, 2024, until the restaurant and banquet room are recommissioned.
- City will pay sewer fees from October 11, 2024, until the restaurant and banquet room are recommissioned.

The costs associated with the Rent Waiver Agreement are estimated to be \$120,000.

BUDGET IMPACT:

A budget appropriation of \$1,530,000 from the General Fund is needed to cover the anticipated costs of the project. This amount will fund the costs associated with Contract Change Order No. 1, the requested construction contract contingency, and the remaining estimated soft costs required to finish the work.

An additional budget appropriation of \$120,000 from the unassigned fund balance of the General Fund to the Golf Fund is requested to fund the estimated utility and sewer costs associated with the Rent Waiver Agreement with Par 3.

The approximate value of the rent concessions deferred impacting the Golf Fund is \$300,000 in revenue.

ENVIRONMENTAL DETERMINATION:

This project is categorically exempt from CEQA as an "existing facility," because it consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of existing or former use. (CEQA Guidelines Section 15301.)

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 – Proposed Resolution

Att 2 – Contract Change Order No. 1

Att 3 – Rent Waiver Agreement

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