



PUBLIC WORKS DEPARTMENT

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CITY COUNCIL STAFF REPORT

Date: December 16, 2025

Subject

Determine City Hall Improvements project scope and resources, approve budget modification in the amount of \$54,000,000 and authorize design-build delivery methods.

Recommended Action

For the Capital Improvement Programs (CIP) City Hall Improvements project (Project),

1. Approve the proposed scope of the Project:
 - a. Risk Category IV Renovation of Structural System
 - b. Maintain Current Footprint: Reconfigure Interior, no vertical or horizontal expansion
 - c. No Parking Expansion
 - d. Upgrades to Infrastructure and Accessibility
2. Adopt Resolution No. 25-XXX approving Budget Modification No. 2425-425, increasing appropriations by \$54,000,000 in the Capital Improvement Fund for the Project (420-99-250);
3. Authorize the City Manager to undertake a design-build project delivery method for the Project;
4. Adopt Resolution No. 25-XXX approving the procurement of a design-build contract for the Project.

Executive Summary

Since 2011, the City Council has considered multiple options to address the aging and seismically deficient City Hall facility. Following prior direction to pursue a comprehensive renovation in 2022, subsequent exploration of a new facility in 2023, and inclusion of City Hall Improvements renovation project (Project) in the FY 2025–2027 City Work Program, staff is requesting Council to confirm Project direction, review updated cost and implementation information, and allocate financial and staff resources for the Project. This report provides an overview of the design-build process, the advantages of undertaking this method, and an outline of the next steps.

Background

Since 2011, the City Council has held numerous discussions regarding the long-term future of the existing City Hall facility. The current facility, originally constructed in 1965 and renovated in 1986, did not receive seismic upgrades consistent with the 1985 Uniform Building Code during its renovation. This deficiency was discovered in 2005. Subsequent structural analyses conducted in 2011, 2012, 2014, and 2021 identified significant seismic deficiencies, and these findings were presented to the City Council.

The 2012 Civic Center Master Plan, along with the 2018 and 2022 Facility Condition Assessment reports, further concluded that much of the building's mechanical, electrical, and plumbing infrastructure—as well as its fire, life-safety, and technology systems—have exceeded their useful service life. In addition, insufficient space and parking for both employees and members of the public remain persistent challenges.

Since 2005, the City has initiated several efforts to address the condition and functionality of the existing City Hall; however, these initiatives have not advanced to implementation. The four most recent Council actions are summarized below.

A. November 2022 – Direction on City Hall Renovation

In March 2021, the City acquired the property located at 10455 Torre Avenue (City Hall Annex) to serve as a customer-facing facility during City Hall Improvement project work and to accommodate potential future programmatic needs. On October 18, 2022, the Council amended the City Hall Annex project scope to include programming, design, and construction of the building as the City's Permit Center and Emergency Operations Center (EOC). The City Hall Annex renovation project is currently underway.

On November 15, 2022, following recommendations from the Council Subcommittee on City Hall, the City Council directed staff to proceed with a renovation of the City Hall Improvements Project at a Risk Category IV level, representing a higher standard of seismic reinforcement than that required for a typical office building. The approved project scope included a comprehensive seismic retrofit, full replacement of core infrastructure systems, and complete interior rehabilitation of the existing facility. The estimated design and construction cost was projected at \$27.5 million, exclusive of additional owner-related expenses such as hazardous materials remediation, testing and inspections, and interim staff relocation.

B. February 2023 – Direction to Explore a New Facility

On February 21, 2023, the City Council directed staff to suspend all work related to the City Hall Improvement project. The Council further instructed staff to explore options for the construction of a new City Hall facility that could incorporate flexible event and community programming space and to evaluate the potential inclusion of other City-owned properties within this analysis. This action represented a strategic shift from renovation of the existing facility toward the development of a new civic building.

C. March 2025 – FY 2025–2027 City Work Program

In November 2024, the City commenced the FY 2025–2027 City Work Program (CWP) process through the Council's Goal Setting and Prioritization Workshop. On March 18, 2025, the City

Council approved the final list of priority initiatives for inclusion in the FY 2025–26 adopted budget. Item 13 of the approved CWP—titled “City Hall Retrofit and City Hall Annex Renovation including the EOC”—directs staff to implement the previously approved 2022 Council direction for the City Hall Improvements project, with EOC migration to the City Hall Annex, as referenced in Item A above.

D. April 2025 – FY 2025–2026 Capital Improvement Programs Proposal

When the Capital Improvement Program (CIP) was presented in April 2025, the Council provided the following specific direction pertaining to the City Hall and City Hall Annex projects, which informs the current discussion:

- City Hall Annex project to move forward with 100% design
- City Hall renovation project to come back in October/November, including financing options, cost-benefit analysis

Within the April 2025 CIP proposal to Council, a very short summary of the options to renovate or reconstruct City Hall was included in the package. It was noted that if Council wishes to activate the City Hall project,

- a. Additional funding for design and construction, and additional staffing would be required.
- b. Direction on the scope of work would be required (see below).

Reasons for Recommendation and Available Options

The Recommended Actions are organized into three primary categories:

1. Scope, including Costs and Schedule
2. Budget and Staffing Resources
3. Design-Build Process

The sections that follow provide detailed information within each category. Additional options for consideration follows, and the report concludes with a summary of Next Steps.

1. Scope, Costs and Schedule

Council’s direction from the CWP item and subsequent discussions indicates a preference to renovate the existing City Hall facility rather than construct a replacement building. Prior Council direction also identified further scope delineations as outlined in the four points below. Staff recommendations in this report are based on the direction received from Council in November 2022, and those preferences remain unchanged. The scope, schedule, and financial proposals presented here are aligned with these preferences. At the end of this report, staff has outlined alternate scope and cost options for Council to consider.

a. Risk Category IV Renovation of Structural System

The facility will be renovated to meet the standards of an Essential Services facility (Risk Category IV), rather than the lower Risk Category II designation typical for commercial office buildings. Although the City Hall Annex will serve as the City’s Emergency Operations Center (EOC), Council determined in 2022 that upgrading City Hall to Essential Services standards (Risk Category IV) was warranted. The cost differential, approximately \$3 million, was

considered reasonable given the community benefit of maintaining a facility capable of operating during emergency events.

b. Maintain Current Footprint: Reconfigure Interior, no vertical or horizontal expansion.

The project will maintain the existing building footprint, without adding new stories or expanding the structure for future occupancy. Instead, the design will focus on interior reconfiguration to maximize the efficient use of space. The existing City Hall encompasses roughly 24,000 square feet across two floors and currently houses approximately 120 employees, with seating capacity for 139.

Staffing growth projections vary, but modest increases in occupancy (15%) can be accommodated with the reconfiguration of the floor plan as proposed. Accordingly, it is reasonable to conclude that the existing building footprint will continue to meet operational needs over the next decade, provided that:

- Staffing levels do not grow beyond 15%.
- The facility continues to provide current service levels.

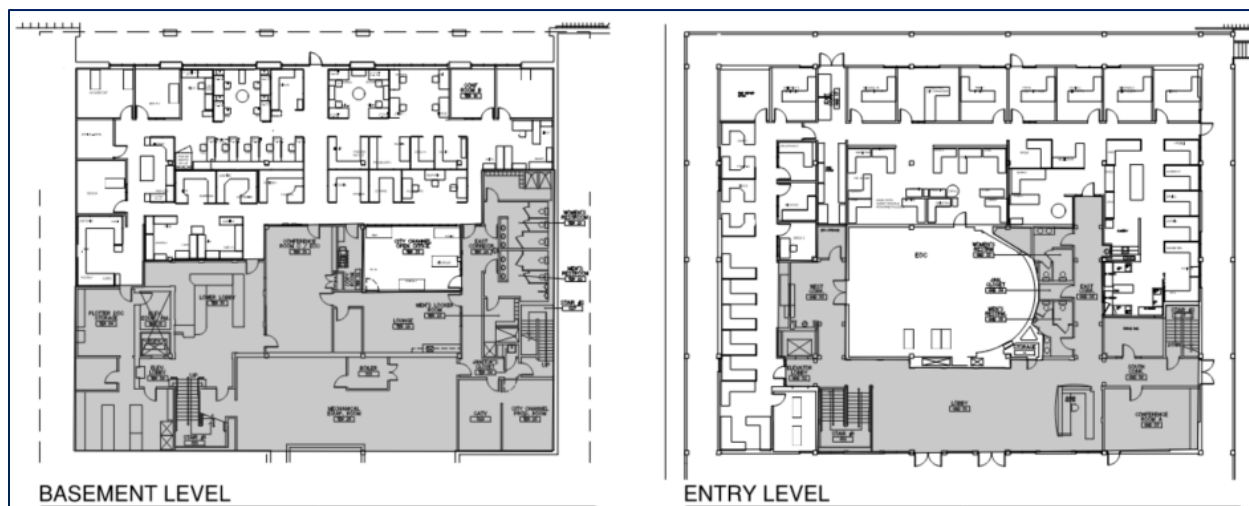


Illustration: October 2025, City Hall Floor plans

c. No Parking Expansion

Expansion of existing parking facilities is not included in the project scope. Although parking availability at the Civic Center is limited, the project does not trigger additional parking requirements. The building size, footprint, and use will remain unchanged; factors typically used to determine parking ratios.

Parking capacity was last verified as adequate to meet code requirements in 2022. Once the project advances, compliance with updated California Building Code (CBC) requirements will be re-evaluated, including anticipated updates related to accessibility and electric vehicle (EV) charging infrastructure.

d. Upgrades to Infrastructure and Accessibility

Infrastructure and accessibility upgrades necessary to meet current building codes will be included. Major building systems, including HVAC, IT, and electrical infrastructure, date back to 1965 and have exceeded their expected useful life. While partial repairs have been made over the years, full replacement is now necessary to ensure compliance with current building codes and Title 24 energy standards.

Updated Cost Projections

The Project Cost Estimates shared with City Council in 2022 (Attachment D) accounted for construction and 25% added to account for the “soft” cost of consultants (indicated in the top table, below). It has been noted that the cost estimate did not cover all the expected costs, such as moving, utility hook-ups, hazardous material remediation, etc. In October 2025, the City contracted Cumming Group to update the 2022 construction cost projections and requested that the estimate include all anticipated work efforts necessary to complete the project (indicated in the lower table, below).

Line #	Comparison of Costs, using 2022 methodology (“Apples to Apples”)	Total, direct construction	Soft Costs (add 25%)	2024 Project (2023 + 5% escalation)	2025 Project (2024 + 5% escalation)
1	2022 Cost Estimate	\$20,955,693	\$5,238,923	\$27,504,347	\$28,879,564
2	2025 Cost Estimate, direct comparison (<i>matching methodology</i>)	\$28,973,046	\$7,243,262	N.A.	\$36,216,308

Line #	2025 Cost Estimate: Construction + Full Project Costs	Total, direct construction
3a	Construction: direct construction costs	\$28,973,046
3b	Construction: 10% contingency	\$2,897,305
3c	Construction: Escalation	\$8,099,063
3d	Soft Costs: Consultants	\$3,467,998
3e	Soft Costs: Other	\$10,933,627
	total:	\$54,371,039

Note: Lines 3a, 3b and 3c (Construction) subtotal:
\$39,969,414

The updated 2025 lower table estimate consists of two major components:

1. Construction Costs: based on a Design-Build delivery model.
2. Soft Costs: including consultant services, testing and inspections, hazardous materials remediation, permitting, furniture and equipment, interim real estate expenses (lease, buildout, moving), escalation, and contingency allowances.

Construction Costs

The Construction Cost estimate has notable Key Assumptions and Exclusions:

Construction Cost: Key Assumptions

- Design Build Delivery Method
- Construction occurs in one phase.
- Building Unoccupied During Construction
- Interior Building Demolition Included
- Construction Budget Priced in October 2025 Dollars
- The Project Would Initiate Immediately After Approval of Budget

Construction Cost: Direct Costs Key Exclusions

- Project Soft Costs
- Interior Furnishing
- Staff and Equipment Relocation
- Audio Visual Equipment
- Hazardous Material Abatement
- Off Hours Premium/Overtime
- Multiple Phase Construction
- Escalation

The total construction cost is estimated at \$29 million, equating to approximately \$1,223 per square foot. Allowing for a 10% contingency brings the construction cost to roughly \$32 million.

Soft Costs and Overall Project Budget

Soft costs are projected to include all City-incurred expenses related to that project delivery that are not included in the construction costs listed above.

Soft Costs: Key Inclusions

- Consultants: Bridging Architect and Engineering team, Construction/Project Management, Cost Management, FF&E consultants, Commissioning agents, Special Inspectors, Public Engagement and Communications
- Design phase Surveying, and testing and analysis (e.g. Geotech, Hazmat, Utilities)
- Hazardous Materials Abatement
- Permit fees
- Staff and Equipment Relocation: moving expenses, build-out of temporary spaces, storage
- FF&E: Furniture, Furnishings and Equipment.
- Audio Visual, Telecommunication, Security and Data systems and equipment
- Escalation

Details are provided in Attachment C, organized in six-month increments for flexible budgeting.

The total preliminary project budget—including both construction and soft costs—is estimated at approximately \$54.4 million, with a current allocation of 74% for construction and 26% for soft costs once “escalation” is included as a construction cost. Construction typically accounts

for a majority share of the overall budget (it usually sits around 65% construction / 35% soft costs). The use of more conservative fiscal assumptions at this early stage provides appropriate contingency and escalation capacity for a project of this duration and complexity.

To support these budget assumptions, the project team has prepared a high-level preliminary schedule. Based on current information, staff anticipate that the overall effort will span approximately five years.

Preliminary Schedule (Dec. 2025)

Description	Start	Finish	Duration (Weeks)
Bridging Architect: RFP process, execute contract	12/17/2025	3/27/2026	14
Bridging Architect: Design & Documentation	3/30/2026	3/26/2027	52
Design-Build Entity: RFQ and RFP, execute contract	3/29/2027	8/24/2027	26
Design-Build Entity: Design & Documentation, Permitting	8/27/2027	4/14/2028	33
Design-Build Entity: Submittals & Procurement	4/17/2028	6/29/2029	63
Design-Build Entity: Construction	7/2/2029	5/24/2030	47
Design-Build Entity: FF&E and Move-In	5/27/2030	7/25/2030	9
City Hall Improvements	12/17/2025	7/25/2030	244

2. Budget and Staffing Resources

Budget

As noted previously, the total projected cost for the Project is approximately \$54.5 million. Attachment C provides a breakdown of anticipated expenditures by calendar and fiscal year. While contracts (encumbrances) will be executed in the early fiscal years, actual spending will occur throughout the duration of the Project. These projections will support effective financial planning.

	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	totals
Projected Expenditures	\$793,824	\$1,329,109	\$7,704,743	\$22,501,089	\$22,042,269	\$54,371,034

Projected Encumbrances	\$1,555,777	\$3,824,198	\$43,973,600	\$5,017,464	\$ 0	\$54,371,034
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Staffing

The CIP Division currently includes 4.25 full-time employees (FTEs): a CIP Manager, a Senior Civil Engineer (vacant), two Project Managers (representing 1.25 FTEs), and an Assistant Engineer (vacant). Recruitment efforts for vacant positions are in progress.

The City Hall Improvements project will require the dedicated, full-time involvement of one staff member. Given the Division's existing workload across multiple active capital projects, staff recommends the addition of one FTE in FY 2026–27 to support this project. This position would be added for the duration of the effort, supplementing the existing 4.25 FTEs.

However, as positions become vacant within the Division near the end of the project, the City will evaluate if filling vacancies is appropriate.

3. Design-Build Process

The Public Contract Code (PCC) allows for an exception to the traditional design-bid-build process if approved by the City Council. The PCC Section 22162(a) states:

Except as provided in subdivision (b), and notwithstanding any other law, a local agency, with approval of its governing body, may procure design-build contracts for public works projects in excess of one million dollars (\$1,000,000), awarding the contract to either the low bid or the best value, provided that this article shall not apply to any projects on the state highway system.

The project delivery process proposed for the Project is Design-Build, pursuant to California Public Contract Code section 22160 et seq., instead of conventional design-bid-build project delivery. The procurement method for this design-build project is based on best value rather than low bid. Design-Build delivery involves contracting with a single entity known as the Design-Build Entity ("DBE") for both design and construction of the project. Using Design-Build can potentially afford greater integration of services and more flexibility than the conventional design-bid-build and typically reduces project costs and expedites project completion.

The advantages of this method include:

- Time and cost savings: Design-build can save time and costs by having all services delivered by a DBE which reduces overhead and increases communication when compared to other methods, such as design-bid-build.
- Reduced risk: Design-build can reduce risk created by design or construction changes while saving time during design, scope development, and cost estimates when the designer and contractor work closely together.
- Simplified project management: A single team manages the entire project, which can reduce claims and promote collaboration between vendors.
- Single point of contact: The City of Cupertino will have a single contract and consistent project team for all aspects of the project.

- Flexibility: Design-build process allows for negotiation of fees and services.

Further Options for Consideration

The overall cost of the project is a large responsibility. Council may wish to consider options that allow for varying levels of expenditure. Options presented to Council in 2022 are described in Attachment D. The options below are slightly altered in scope from the 2022 options to reflect building code considerations and Council's directions since that time.

Option A: Schematic Design only. \$2.5 million in FY26-27, \$52 million in FY28-29 (+/-)

Commit to schematic design only, for the full renovation scope. Design and Construction Management teams will be contracted to more fully explore cost and scope alternatives before commitment to the design-build process.

- Pros: further structural analysis may allow for scope and cost reductions.
- Cons: The overall project cost and commitment would be deferred, adding additional time and potential escalation costs to the project.

Option B: Renovation without Tenant Improvements. \$46.3 million

Reduction of scope to eliminate spatial reconfigurations and interior improvements that are tenant improvements not otherwise required by seismic work, HVAC/infrastructure upgrades and accessibility upgrades required by building codes.

The cost is a rough estimate that would require further substantiation of cost, scope, and schedule by the cost management consultants, if Council wishes to pursue this option.

As previously noted, the magnitude of the cost and scope of the seismic retrofit triggers the building code requirements to make systematic improvements to HVAC (e.g. heating, cooling, and air-conditioning), infrastructure such as electrical systems, and accessibility. Reducing the scope to only include 'seismic retrofit' is therefore not possible. This Option B eliminates all discretionary scopes. Since prior Council direction was to move forward with the full renovation scope, the project team has not yet fully explored the cost and scheduling impacts of this option.

- Pros: reduction of overall cost.
- Cons: The current spatial configuration of the facility has large inefficient areas in the lobby and old Council Chambers that would not be reconfigured. Additional Community meeting rooms cannot be added. The current workspace would not be improved.

Option C: Full Renovation. \$54.5 million (Recommended Action)

Commitment to the full renovation scope and estimated costs.

- Pros: clear direction for the project, resulting in an efficient, seismically stable facility that better meets the needs of the Community than the current facility.
- Cons: The cost of projections is a large commitment.

Option D: Full Renovation + Surface Parking Expansion. Cost: TBD (anticipated \$57 million – needs further evaluation to refine)

Commitment to the full renovation scope and the design and construction of a stand-alone parking garage, to address constricted parking availability at Civic Center.

- Pros: clear direction for the project, resulting in an efficient, seismically stable facility that better meets the needs of the Community than the current facility. Parking would be improved with the addition of a parking facility.
- Cons: The cost projections are a large commitment. An at-grade parking facility will impact the open space of the Civic Center Library Field.

Option E: New facility with underground parking. Cost: TBD (anticipated \$110 million – needs further evaluation to refine)

In 2015, a new facility with new underground parking was conceptually developed after a multi-year public engagement process and extensive analysis. This option has not been effectively explored since that time but is included here to conceptually represent the range of options available.

- Pros: a purpose-built facility that better meets the needs of the Community and improves parking. Revenue-generating facilities may be possible.
- Cons: The cost projections are a large commitment. The design process of a new facility will extend the schedule.

Next Steps

Upon Council approval of the recommended Project scope and budget, the project team will initiate implementation activities. Several key milestones will provide opportunities for Council updates and community engagement throughout the course of the Project. Preliminary milestone dates and topics are outlined below:

1. Award of Bridging Architect Contract – April/May 2026
2. Presentation of Bridging Documents: Update and Initial Design Review – January 2027
3. Presentation of Bridging Documents: Final Design Review – May 2027
4. Award of Construction Management Contract – January 2027
5. Award of Design-Build Entity Contract – August 2027

Sustainability Impact

The City's Climate Action Plan has explicit goals for the commercial sector to reduce natural gas usage (BE-3) a. This Project would (a) model these goals for our community through more energy efficient building systems and infrastructure, (b) save the City money, and (c) improve the local air-quality.

Fiscal Impact

The Fiscal Year (FY) 2021-22 CIP project budget for the City Hall Improvements Project is budget unit 420-99-250. If this budget modification is approved, the new Project Budget would be \$54,500,000.

Fiscal Summary

Current Funding Status	Amount
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City Approved Funds FY22	\$500,000
FY25-26 Budget Modification *Tonight's action	\$54,000,000
New Budget (420-99-250)	\$54,500,000

Current Expenditures/Encumbrances	Amount
Expenses to date	(\$118,141)

Project funds remaining: \$54,381,859

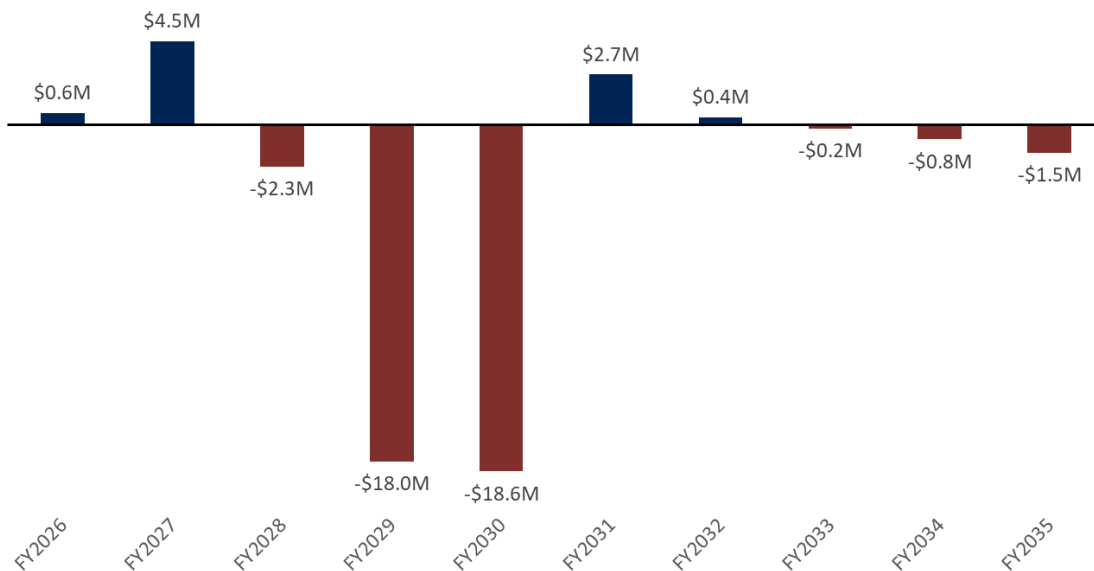
To fund this project, Council may use the “For Future Use” committed reserve to fund this project. The reserve currently has \$64.5 million dollars.

If Council chooses to use the reserve to fund the project, staff has prepared an updated budget forecast that incorporates all changes since the adoption of the FY 2025–26 budget through September 30, 2025. The primary impacts to the forecast are related to the loss of interest earnings; it does not yet reflect potential changes associated with the pending renewal of the law enforcement contract, which remains under negotiation.

The forecast also assumes revenue losses at the start of each fiscal year as shown. In practice, however, project-related cash outflows would occur gradually rather than all at once, which may result in a more favorable fiscal outlook.

Overall, the forecast indicates that the largest deficits would occur during the construction phase. Even with the use of the reserve, only a minimal deficit is projected in the out-years.

General Fund Annual Operating Surplus/(Deficit)



City Work Program (CWP) Item/Description

Yes, FY 25-27 CWP.

City Hall Retrofit and City Hall Annex Renovation including the EOC: Implement the previously approved 2022 Council plan with EOC migration (\$0).

Council Goal:

Quality of Life

California Environmental Quality Act

The project is categorically exempt from CEQA, CEQA Guidelines section 15301(existing facilities).

Prepared by: Susan Michael, CIP Manager

Reviewed by: Chad Mosley, Director of Public Works

Floy Andrews, Interim City Attorney

Approved for Submission by: Tina Kapoor, City Manager

Attachments:

A – Draft Resolution Budget Modification

B – Draft Resolution Design Build project

C – 2025 Cost Estimates City Hall

D – 2022 Cost Estimates City Hall