



# City of Rialto

## Legislation Text

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**File #:** 16-465, **Version:** 1

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For City Council Meeting [July 12, 2016]

TO: Honorable Mayor and City Council

APPROVAL: Michael Story, City Administrator

FROM: Robb Steel, Asst.CA/Development Services Director

Request City Council to Set a Public Hearing for **July 26, 2016** to Consider Introduction for First Reading of Ordinance No. \_\_\_\_ entitled "AN ORDINANCE OF THE CITY OF RIALTO APPROVING A DEVELOPMENT AGREEMENT NO. 16-01 BY AND BETWEEN THE CITY OF RIALTO AND ALDER OPPORTUNITY, LLC AND MAKING CERTAIN FINDINGS THEREIN IN CONNECTION THEREWITH," reading by title only and waiving further reading thereof.

### **BACKGROUND:**

Panattoni Development Company and Alder Opportunity, LLC ("Owner") submitted various development applications to construct an approximately 200,845 square foot warehouse (the "Project") on a 9.24-acre site consisting of eight parcels at the northwest corner of Alder Avenue and Walnut Avenue ("Site"). The site map is attached hereto as **Exhibit A** and the site plan and elevations are attached hereto as **Exhibit B**.

On May 25, 2016, the Planning Commission approved Tentative Parcel Map No. 19726, Conditional Development Permit No. 804, and the Mitigated Negative Declaration. On May 26, 2016, the City recorded the Notice of Determination with the County of San Bernardino.

On June 29, 2016, the Planning Commission conducted a public hearing and forwarded a recommendation that the City Council approve the Development Agreement.

### **ANALYSIS/DISCUSSION:**

#### **Development Agreement**

The Owner requested a development agreement with the City related to the Project. A development agreement is a voluntary contract between the municipality and a developer, which should confer economic benefits to each party. The City mitigates development risk for the developer by granting land use entitlement protection, and limiting the applicability of subsequent rule changes and fee increases. For this, the City typically receives consideration in the form of development agreement fees, higher development impact fees, extraordinary public improvements, or significant economic development rewards.

California Government Code (Section 65864 et. seq.) and the Rialto Municipal Code (RMC Chapter 18.79) authorize development agreements. The Planning Commission is required to hold a noticed public hearing prior to the consideration of a development agreement (RMC 18.79.040).

Attached is Proposed Development Agreement No. 16-01 as **Exhibit C**. The terms are summarized below:

**Owner Obligations:**

1. **Land Use Entitlements/Construction Plans.** Owner shall prepare plans and specifications for the private and public improvements, submit to the City for plan check approval, obtain all construction permits, and pay all plan check/permit and processing fees required from all appropriate governmental entities, including the City, County, State and/or Federal Governments as appropriate.
2. **Development Impact Fees.** Owner shall pay all required development impact fees and charges imposed by City and any other regulatory agencies with jurisdiction over the Project, subject to any credits or reimbursements as provided for in the Development Agreement. The City shall lock the FY 2016-17 development impact fees for a period of three (3) years from the Effective Date. The Agreement does not fix the Regional Traffic Fee.
3. **Public Improvements.** Owner shall dedicate public right-of-way and construct certain public improvements along Walnut Avenue and Alder Avenue that include curb/gutter/sidewalk, parkway landscaping, streetlights, grind and overlay and other improvements required by City's Standard Plans and Drawings for Public Improvements and the conditions of approval. The estimated costs are \$385,000, as follows:

**ESTIMATED CONSTRUCTION COST**

<b>Walnut Roadway Improvements</b>	
Hard Construction Costs	\$ 95,000
<b>Alder Roadway Improvements</b>	
Hard Construction Costs	\$ 150,000
<b>Soft Construction Cost</b>	
Alder Improvements	\$ 125,000
Walnut Improvement	\$ 15,000
Total Soft Costs	<u>\$ 140,000</u>
<b>Total Estimated Construction Cost</b>	<b>\$ 385,000</b>

4. **Fair Share Fees.** Owner shall pay the Renaissance Specific Plan Fair Share Traffic Impact Fee (the "RSP Traffic Fee") to mitigate off-site traffic impacts and the Renaissance Specific Plan/EIR Fee ("RSP EIR/SP Fee") as follows:

- RSP Traffic Fee      200,845 SF      @ \$ 145.53 TSF    = \$29,229
- RSP EIR/SP Fee      9.24 acres      @ \$3,327.02 acre   = \$30,742

Pursuant to the Traffic Study completed for the Project, Owner shall construct the following improvements or pay fair share fees, subject to credits/reimbursements for master plan facilities constructed as appropriate under the various Fee programs:

a.	Alder Avenue at SR-210 WB Ramps* <i>Convert Shared Through Right Lane to Left through Right Lane</i>	\$ 1,147
b.	Alder Avenue at SR-210 EB Ramps* <i>Add Dedicated NB Right Turn Lane</i>	\$ 8,431
c.	Alder Avenue at Renaissance Parkway* <i>Convert SB Right Turn Lane to Shared Through Right Lane</i>	\$ <u>1,154</u>
	<b>TOTAL FAIR SHARE OBLIGATION</b>	<b>\$ 10,732</b>

\* - *Interim Capacity Improvements*

**5. Public Contracting.** Owner shall bid and construct all Required Public Improvements (i.e. improvements subject to payment from public monies) in compliance with Public Works Requirements, including but not limited to Labor Code Section 1720, *et. seq.* (Prevailing Wages). The Alder Avenue improvements are fee credit/reimbursement eligible.

**6. Development Agreement and Project Costs.** Owner will bear the cost of preparing the development agreement (i.e. legal, financial advisory, etc.) and the full cost of the Project.

### **City Obligations**

**1. Vesting of Land Use Entitlements.** City shall vest the land use entitlements for a term of 20 years, reducing the risk of a change in land use rules by a subsequent City Council or citizen initiative.

**2. Development Impact Fee Lock.** City shall fix the current development impact fee schedule (in effect on July 1, 2016) for a period of three (3) years from the Effective Date of the Development Agreement, thereby reducing the risk of substantial changes that would compromise project feasibility. This vesting does **not** include the Regional Traffic Fee or other fees levied or required to be levied by other agencies or jurisdictions.

**3. Fee Credits.** The City shall provide Owner with a credit toward the development impact fees and fair share fees to the extent Owner elects to construct master plan public facilities rather than pay fees. The master plan facilities include street and median improvements in Alder Avenue.

### **Public Hearing**

A public hearing is as required by Sections 65090-65092 of the Government Code. A notice is required to be published in a local newspaper mail notices to the property owner within 300 feet of the Property at least 10 days prior to the date of the public hearing. Staff will publish the public hearing notice in the San Bernardino Sun on July 14, 2016.

### **GENERAL PLAN CONSISTENCY:**

The City of Rialto has identified several goals and objectives within the City's recently adopted General Plan through which the City looks to improve the community. The proposed action is consistent with the following goals and objectives contained in the General Plan:

**Goal 3-1: Strengthen and diversify the economic base and employment opportunities, and maintain a positive business climate.**

Policy 3-1.2: Encourage a variety of businesses to locate in Rialto, including retail, high technology, professional services, clean industries, logistics-based businesses, and restaurants/entertainment uses to promote the development of a diversified local economy.

**Goal 3-3: Attract, expand, and retain commercial and industrial businesses to reduce blighted conditions and encourage job growth.**

**Goal 3-6: Require that all developed areas within Rialto are adequately served with essential public services and infrastructure.**

Policy 3-6.1: Coordinate all development proposals with other affected public entities to ensure the provision of adequate public facilities and infrastructure services.

**Goal 3-7: Upgrade public infrastructure as an inducement to promote private investment.**

### **ENVIRONMENTAL IMPACT:**

Environmental Assessment No. 16-12 and other entitlements encompasses Development Agreement No. 16-01. On May 25, 2016, the Planning Commission adopted Mitigated Negative Declaration (Environmental Assessment No. 16-12) for the Project and authorized staff to file a Notice of Determination with the Clerk of the Board of San Bernardino County. On May 26, 2016, staff filed a Notice of Determination with the Clerk of the Board of San Bernardino County.

### **LEGAL REVIEW:**

The City Attorney reviewed and approved the staff report.

### **FINANCIAL IMPACT:**

#### Operating Budget Impacts

Upon Project completion, the Project is anticipated to generate approximately 80 jobs and \$54,789 annually to the City -- approximately \$15,121 per year in incremental property tax revenue; \$10,387 of Utility Users Tax, assuming the tax is extended at the same rate upon expiration; and, \$29,281 of business tax (depending on user business). The table below summarizes the Project's economic benefits to the City:

**Estimated Economic Benefits of Alder Opportunity****Property Taxes**

Current AV		\$3,258,288
FY16/17 AV	200,845 @ \$70 psf	\$14,059,150
Incremental AV		\$10,800,862
General Levy Tax Rate		1.0%
City Share		14.0%
<b>Estimated Annual Property Tax (Rialto)</b>		<b>\$15,121 A</b>

**Utility Taxes**

Monthly Utility Costs		\$10,820
Annual Utility Costs		\$129,837
<b>Annual Utility Taxes @ 8%</b>		<b>\$10,387 B</b>

**Business License Taxes**

Distribution Use	\$0.05 psf	200,845	\$10,000
Lessor	2.00% gr	964,056	\$19,281
<b>Total Business License Taxes</b>			<b>\$29,281 C</b>

**Total Annual Economic Benefit (A+B+C)** **\$54,789**

A more recent analysis for the Renaissance Specific Plan indicates that industrial uses produce a net return to the City General Fund of approximately \$5,600 per acre. At 9.24 acres, this Project would project net returns (i.e. revenues in excess of costs) of approximately \$51,744 per year.

The Project will also pay an estimated \$79,000 in processing, plan check, engineering, and building permit fees

**Capital Budget Impacts**

The Project will pay approximately \$1,060,000 in development impact fees and fair share fees.

If the Owner delays construction of the facility, the City could forego an estimated \$100,000 (10% +/-) in potential development impact fee revenue because of the three-year fee lock. However, if the Owner pulls a building permit in FY 2017 as expected, the City will suffer no loss in DIF revenue.

**RECOMMENDATION:**

Staff recommends that the City Council set the Public Hearing for July 26, 2016 to receive public comment related to an Ordinance (**Exhibit D**) to approve Development Agreement No. 16-01 between the City of Rialto and Alder Opportunity, LLC associated to the proposed construction of a 200,845 Square Foot Distribution Facility located on a 9.24 acre site on the northwest corner of Alder Avenue and Walnut Avenue in the Employment Zone of the Renaissance Specific Plan.