



City of Rialto

Legislation Text

File #: 18-607, **Version:** 1

For City Council Meeting [June 26, 2018]

TO: Honorable Mayor and City Council

APPROVAL: Robb R. Steel, Interim City Administrator

Request City Council to Conduct the Public Hearing to introduce for first reading **Ordinance No. 1603** for Development Agreement No. 2018-0001 by and between the City of Rialto and Oakmont El Rivino, LLC entitled: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF RIALTO, CALIFORNIA, APPROVING DEVELOPMENT AGREEMENT NO. 2018-0001 BY AND BETWEEN THE CITY OF RIALTO AND OAKMONT EL RIVINO, LLC AND MAKING CERTAIN FINDINGS THEREIN RELATED TO THE PROPOSED CONSTRUCTION OF 2,252,867 SQUARE FEET OF DISTRIBUTION WAREHOUSE FACILITIES LOCATED ON A 122.7+/- ACRE SITE, NORTH OF EL RIVINO ROAD AND WEST OF CACTUS AVENUE IN THE M-1 (LIGHT INDUSTRIAL) ZONE OF THE CITY OF RIALTO." Reading by title only and waving further reading thereof.

(ACTION)

BACKGROUND:

California Government Code (Section 65864 *et. seq.*) and the City of Rialto Municipal Code (RMC Section 18.79) authorize the negotiation and approval of Development Agreements. Development agreements eliminate uncertainty with respect to the development process and promote more orderly and efficient development, thereby improving the local economy. The City wishes to grant such certainty to induce development that creates jobs and public revenues. Development agreements typically vest certain land use entitlements, fix development impact fees, and specify conditions of approval in exchange for consideration that includes higher development impact fees, expanded public improvements, or accelerated development.

PDC OC/IE, LLC, a Delaware limited liability company, has requested a Development Agreement for the Rialto Fulfillment Center ("Project"). Oakmont El Rivino LLC is the Owner. PDC OC/IE, LLC submitted various development applications on behalf of the Owner.

The Project consists of the development of a 1,264,102 sq. ft. warehouse building and a 988,765 sq. ft. warehouse building generally located at the Northwest corner of Cactus Avenue and El Rivino Rd ("Site") within the Light Industrial (M-1) Zone of the Rialto General Plan. The Site Plan is attached hereto as **Exhibit A**.

ANALYSIS/DISCUSSION:

As part of the development application and entitlements for the Project, the Owner requested to negotiate a development agreement with the City of Rialto. Development agreements are authorized under the California Government Code (Section 65864 *et. seq.*) and the City of Rialto Municipal Code

(RMC Chapter 18.79). The purpose of such agreements is to eliminate uncertainty with respect to the development process and promote more orderly and efficient development, thereby improving the local economy. The Planning Commission is required to hold a noticed public hearing prior to the consideration of a development agreement (RMC 18.79.040).

The 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 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.

In this case, the primary benefit is the alleviation of blighting conditions and the higher utilization of the Site and the creation of jobs and tax revenues. The City will also receive newly constructed public improvements as consideration for the benefits conferred to the Owner. By mitigating risk and uncertainty, the City improves the likelihood of Project construction in uncertain economic times.

Development Agreement

The City proposes to enter into Development Agreement No. 2018-0001 to encourage the Owner to develop the Project and construct needed public infrastructure. Development Agreement No. 2018-0001 vests certain entitlements to develop and operate the Project and ensures that the Project would be unaffected by future changes to the development standards applicable to the Site. Additionally, Development Agreement No. 2018-0001 locks in the development impact fees to be assessed against the Project for a defined period (maximum of 4 years), obligates the City to reimburse or provide fee credits to Owner for certain public improvements, and establishes the amount of fair share fees due from the Owner. Proposed Development Agreement No. 2018-0001 is attached hereto as **Exhibit B**, the terms of which are summarized below:

Owner Obligations:

The Owner's principal obligations under Development Agreement No. 2018-0001 are:

- 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. Development impact fees currently assessed by the City shall be fixed for a period of four (4) years, provided that the Owner commences development on the first phase within one year after the Effective Date (otherwise, the lock period is two years). The Development Agreement does not fix the Regional Traffic Fee. The Owner agreed to pay an additional Regional Traffic Development Impact Fee of \$381.50 per acre (\$46,810.01) to compensate for the Project's incremental impact at the intersection of Cedar Avenue and the I-10 Freeway.
- 3. Public Improvements.** Owner shall dedicate public right-of-way and construct certain public improvements:

- A. **Cactus Avenue (Between the northerly Property boundary and approximately 300' north of the intersection of Cactus Avenue and Cricket Drive) (collectively, the "Cactus North Improvements"):** Construct improvements along and in Cactus Avenue (ultimate half-width of 32' west of centerline) along Property frontage. The Cactus North Improvements shall consist of the following: Property frontage 5' wide sidewalk, streetlights, and signage and striping. All Cactus North Improvements are to meet standard City requirements as stated in the City's standard plans and drawings for public improvements then in effect and uniformly applied. (The foregoing are the "Cactus North Improvements" referred to in the Development Agreement).
- B. **Cactus Avenue (Between El Rivino Road and approximately 300' north of the intersection of Cactus Avenue and Cricket Drive) (collectively, the "Cactus South Improvements"):** Construct improvements along and in Cactus Avenue (ultimate half-width of 32' west of centerline) along Property frontage. The Cactus South Improvements shall consist of the following: Property frontage 8" curb and gutter, 5' wide sidewalk, asphalt paving and grind/overlay of existing asphalt paving (varying width as required to complete the ultimate half-width of asphalt improvements of 22' east of the curb and gutter), streetlights and signage & striping. All Cactus South Improvements are to meet standard City requirements as stated in the City's standard plans and drawings for public improvements then in effect and uniformly applied. (The foregoing are the "Cactus South Improvements" referred to in the Development Agreement). The Cactus North Improvements and the Cactus South Improvements are sometimes collectively referred to as the "Cactus Improvements."
- C. **Cactus Avenue - Dry Utility Undergrounding (Between El Rivino Road and the northerly Property boundary) (collectively, the "Cactus - Dry Utility Undergrounding"):** Underground the overhead dry utilities on the existing poles for the service providers (e.g., SCE, AT&T, etc.) with lines 16,000 volts or less; *provided, however*, if there are any lines 16,000 volts or more, Owner shall not be required to underground any of the lines currently on the poles and the poles/lines shall remain in place above ground.
- D. **El Rivino Road (Between Cactus Avenue and the westerly Property boundary) (collectively, the "El Rivino Improvements"):** Construct improvements along and in El Rivino Road (modified ultimate half-width of 39.5' north of centerline) along the Property frontage. The ultimate right-of-way (north of centerline) has been reduced from a previously required width of 44' to 39.5' due to an existing SCE easement that runs along El Rivino Road that prevents dedication of the full width of 44'. The El Rivino Improvements shall consist of the following: Property frontage 8" curb & gutter, 5' wide sidewalk, 30' wide asphalt paving (as required) grind and overlay of existing asphalt paving (south of centerline up to approximately 3'), street lights, hydrants, signage and striping, and underground storm drain retention system to accept El Rivino storm water runoff at the historic low point in El Rivino Road. Unless otherwise set forth herein, all El Rivino Improvements are to meet standard City requirements as stated in the City's standard plans and drawings for public improvements then in effect and uniformly applied. (The foregoing are the "El Rivino Improvements" referred to in the Development Agreement)

4. Fair Share Fees. In addition to Development Impact Fees, the Owner shall pay \$1,134,563 in

fair share fees for transportation improvement costs (at \$9,246.66 per acre) to mitigate traffic impacts at the following locations:

- a. Cedar at Valley Boulevard
- b. Cedar at I-10 Frwy WB Ramps (EW)
- c. Cedar at I-10 Frwy EB Ramps (EW)
- d. Riverside Avenue at Rail Road Bridge S of I-10 Fwy
- e. Cactus Avenue at El Rivino
- f. Rubidoux Boulevard at SR-60 Fwy EB Ramps/30t St.
- g. Agua Mansa Road at Market St.

The Owner's predecessor entered into a Settlement Agreement with the County and City of Riverside wherein Owner will make a mitigation payment ("TUMF Fee") for transportation improvements in Riverside County. Two of the above projects (4f & 4g) may be included in the capital facility plans for the TUMP Program. If the City/County of Riverside confirms that the TUMF Fee compensates for the projects listed under 4(f) and 4(g) above, then the fair share fees due to Rialto shall reduce to \$1,060,154 or \$8,640.22 per acre.

- 5. Public Contracting.** Owner shall bid and construct all required public improvements in compliance with Public Works Requirements, including but not limited to Labor Code Section 1720, *et. seq.* (Prevailing Wages).

City Obligations

The City's principal obligations under the proposed Development Agreement are:

- 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 as of the Effective Date of the Development Agreement) for a period of four (4) years from the Effective Date of the Development Agreement, provided that the Owner commences development on the first phase within one (1) year after the Effective Date (otherwise, the lock period is two years). This reduces 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. Credits/Reimbursements for Drainage Improvements.** City shall provide a reimbursement or credit against Storm Drainage Fees for the cost of constructing eligible storm drain facilities. The estimated cost of the storm drain improvements is \$3,677,523. The total Storm Drain Facilities Development Impact Fees payable by the Project is estimated at \$4,348,000. The City will credit the Owner the first \$3,677,523 in fees, and then charge the Owner for the balance. The City and Owner will reconcile all credits and reimbursements to actual costs upon completion.

Development Agreement Costs

The Owner will bear the cost of preparing Development Agreement No. 2018-0001 (i.e. legal, financial advisory, etc.).

The Owner bears the full cost of the Project and will be required to construct the necessary infrastructure improvements and pay fair share costs to compensate for off-site impacts. All such improvements and fair share costs will be included in the conditions of approval for the Precise Plan of Design.

The City shall provide credits or reimbursements to the Owner for the construction of public improvements that are specifically included in the capital facility plans for the various Development Impact Fee programs.

Public Hearing

On May 30, 2018 the Planning Commission conducted a public hearing and adopted a Resolution (**attached hereto as Exhibit C**) recommending approval of the Development Agreement to the City Council as required by Sections 65090-65092 of the Government Code (the Planning Commission vote was 6 to 0). On June 17, 2018 the City published notice of the June 26, 2018 public hearing by the City Council in the *San Bernardino Sun* and mailed notices to the Property Owner, service agencies and all property owners within 300 feet of the Property at least 10 days prior to the date of the public hearing. The City Council must conduct the public hearing and adopt an Ordinance (**attached hereto as Exhibit D**) to approve the Development Agreement.

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:

On December 20, 2017, the City of Rialto Development Review Committee approved Precise Plan of Design No. 2017-0082 and 2017-0083 ("Project PPD's") for the development of two warehouse/distribution buildings at the Property totaling 2,252,867 square feet ("Project"). In connection with the approval of the Project PPD's and in compliance with the California

Environmental Quality Act (“CEQA”), an Addendum to the Rialto Center Commerce EIR dated December 2017 (“Addendum”) was prepared which analyzed the Project’s potential environmental impacts associated with the expansion of the scope of allowed warehouse, industrial, logistics and distribution (including fulfillment center) uses. The Addendum concluded that: (1) the Project would result in no new significant impacts that were not analyzed in the Rialto Commerce Center EIR, nor would the Project cause a substantial increase in the severity of any previously identified environmental impacts; (2) the potential impacts associated with the Project would be the same or less than those described in the Rialto Commerce Center EIR; (3) there are no substantial changes to the circumstances under which the Project will be undertaken that would result in new or more severe environmental impacts than previously addressed in the Rialto Commerce Center EIR; and (4) no new information regarding the potential for new or more severe significant environmental impacts were identified since the Rialto Commerce Center EIR was certified as complete. Therefore, in accordance with Section 15164 of the State CEQA Guidelines, the City concluded that the Addendum to the previously certified Rialto Commerce Center EIR was the appropriate environmental document for the Project and no further environmental review is required. The time in which to appeal or challenge the Project PPD’s and Addendum has expired.

The City’s consideration of the Development Agreement does not require further review under CEQA. The City determined that the Rialto Commerce Center and the Addendum comply with CEQA and addresses the potential environmental impacts of the entire Project. The Development Agreement does not change or modify the Project as approved in the Project PPD’s or as analyzed in the Rialto Commerce Center EIR and the Addendum. Accordingly, none of the triggers for subsequent environmental review as set forth in Section 15164 of the State CEQA Guidelines is applicable. Therefore, the proposed Development Agreement is exempt from, and not subject to, further review under CEQA.

LEGAL REVIEW:

The City Attorney reviewed and approved this staff report.

FINANCIAL IMPACT:

Operating Budget Impact

Upon Project completion, the Project will create over 900 new jobs and produce approximately \$220,000 per year in property tax revenue for the City, given the estimated assessed valuation of \$169 million. The facility will generate \$113,280 in annual Utility Users Tax (“UUT”) if approved by the voters in 2018. The facility will generate \$169,000 per year in business license tax revenue. This revenue should substantially exceed the City’s service costs related to the Project, including police/fire services and street maintenance.

A more recent analysis indicates that industrial uses produce a net return to the City General Fund of approximately \$5,600 per acre. At 122.7 acres, this Project would project net returns (i.e. revenues in excess of costs) of approximately \$687,120 per year.

Capital Improvement Budget Impact

The Project will pay approximately **\$12,342,000** in development impact fees combined as shown in the attached **Exhibit E**.

Licensing

A Business License is not applicable for this action.

RECOMMENDATION:

It is recommended that the City Council approve Ordinance NO. _____ for Development Agreement No. 2018-0001 by and between the City of Rialto and Oakmont El Rivino, LLC entitled:

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF RIALTO, CALIFORNIA, APPROVING DEVELOPMENT AGREEMENT NO. 2018-0001 BY AND BETWEEN THE CITY OF RIALTO AND OAKMONT EL RIVINO, LLC AND MAKING CERTAIN FINDINGS THEREIN RELATED TO THE PROPOSED CONSTRUCTION OF 2,252,867 SQUARE FEET OF DISTRIBUTION WAREHOUSE FACILITIES LOCATED ON A 122.7+/- ACRE SITE, NORTH OF EL RIVINO ROAD AND WEST OF CACTUS AVENUE IN THE M-1 (LIGHT INDUSTRIAL) ZONE OF THE CITY OF RIALTO.