



## Legislation Text

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**File #:** 17-115, **Version:** 1

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*Report Prepared by: Theron Roschen, PE - City Engineer*

**SUBJECT:** Use of the Economic Opportunity Fund to Contribute Toward Public Storm Drain Improvements at the Intersection of South Parsons Avenue and East Childs Avenue

### REPORT IN BRIEF

Staff is seeking City Council approval for the use of the Economic Opportunity Fund to contribute toward the construction of public storm drainage facility improvements at the intersection of South Parsons Avenue and East Childs Avenue. If approval is obtained, a future agenda item will be brought before the City Council seeking authority to execute a cooperative agreement for the proposed Merced Retail Center.

### RECOMMENDATION

**City Council** - Adopt a motion directing staff to use the Economic Opportunity Fund to contribute toward public storm drain improvements at the intersection of South Parsons Avenue and East Childs Avenue; and instructing Staff to report back with a Cooperative Agreement with Merced Retail Center developer to construct said public improvements for Council approval.

### ALTERNATIVES

1. Approve, as recommended by staff; or,
2. Approve, subject to conditions other than recommended by staff (identify specific findings and/or conditions amended to be addressed in the motion); or,
3. Deny; or,
4. Refer to staff for reconsideration of specific items (specific items to be addressed in the motion); or,
5. Continue to a future meeting (date and time to be specified in the motion).

### AUTHORITY

Charter of the City of Merced, Section 200

### CITY COUNCIL PRIORITIES

As provided for in the Fiscal Year 2016-17 Adopted Budget.

### DISCUSSION

The Merced Retail Center development is located at the southwest corner of the intersection of East Childs Avenue and South Parsons Avenue (Attachment A). This 3.2-acre lot previously had a bowling alley that has recently been removed. The development proposes to construct three new buildings that will operate a Kentucky Fried Chicken, Steak 'N' Shake, and an ARCO am/pm gas station (Attachment B).

This intersection currently has no underground storm drain infrastructure and the streets convey the storm water. This results in flooding at the intersection during moderate storm events.

Although the proposed redeveloped project results in slightly less storm water runoff than the existing condition, the City staff is recommending to not allow any additional discharge of storm water into the road due to the existing flooding issues in the area. There is an existing drainage system to the south of the proposed development that is reasonably close for a pipeline connection. However, this system outfalls to the Dinkey Creek Avenue pump station that is at capacity. In addition, new state storm water discharge requirements have significant effects on the redevelopment of this site due to on-site detention. All of these factors have added unanticipated costs to Merced Retail Center development and is potentially jeopardizing its economic viability.

Therefore, a new pipeline is now proposed that would connect the development's storm water run-off and the public street drainage into an existing drainage system that is located approximately 300 feet north of the development in South Parsons Avenue (Attachment C). The "Joe Herb" Storm Water Basin has available capacity. The City will benefit from this proposed public storm drainage system in many ways:

- Elevates street flooding at the intersection of East Childs Avenue and South Parsons Avenue; and,
- Provides relief to the existing Dinkey Creek Avenue storm drain basin; and,
- Provided economic development benefit to the community in the form of property taxes, jobs, and payroll.

**Economic Development Opportunity Fund:** Staff is requesting authorization to set aside \$61,618.75 from the Economic Development Opportunity Fund for the project-related storm water improvements at Childs Avenue and Parsons Avenue. The purpose of the Economic Development Opportunity Fund is to provide assistance to developments that would otherwise not be feasible, yet provide an economic development benefit to the community and support job creation opportunities. Paying for a portion of the improvements will help retain the commercial project at the subject site and the benefits the project brings to the community.

With the adoption of the FY 16-17 Budget, the Economic Development Opportunity Fund was established and direction was provided to return to the Council with a policy that outlines the use of the funds. The policy is being developed and will be brought to the Council for adoption within the next two months to ensure that funds set aside are allocated consistently and equitably.

**The Project & Benefits:** The project includes the construction of the three national Quick Serve Retailers, Arco, Steak 'N' Shake, and Kentucky Fried Chicken on a 3.2-acre site formally known as Century Bowl. The value of the land and three buildings is estimated at \$12-million (not including machinery and equipment.) Approximately \$120,000 would be paid annually in property taxes. The project also has the capacity to generate 114 jobs with a combined payroll of \$2.95-million per year.

After Century Bowl closed its doors, the building became blighted. Via FaceBook, a Town Hall meeting, and a City Council meeting, residents in the neighborhood complained that the dilapidated building was an eyesore. The building is now demolished, and the developer secured approvals to move forward with all Quick Serve Retailers.

The added costs to enhance the storm water system at the intersection of Childs Avenue and Parsons Avenue was not anticipated by the developer. Paying a portion of the improvement costs from the Economic Development Opportunity Fund would help retain the project and its economic benefits including an investment of \$12-million, 114 jobs, and a combined payroll of \$2.95-million per year.

Staff is recommending a contribution from the Economic Opportunity Fund to cover a proportionate share of the cost of construction of drainage improvements that would provide a benefit to the city. The cost share is proposed to be a pro-rata allocation of the construction costs based on public street drainage quantity conveyed in the pipeline (25%) versus the private development drainage quantity conveyed (75%). The estimated costs are outlined in Attachment D, with the City share of \$61,618.75.

The terms of the cooperative agreement will be for the City to reimburse the Merced Retail Center developer based upon occupancy of the proposed buildings. This cooperative agreement will be brought to the City Council for approval.

## **IMPACT ON CITY RESOURCES**

None at this time.

## **ATTACHMENTS**

1. Attachment A
2. Attachment B
3. Attachment C
4. Attachment D