

ECONOMIC DEVELOPMENT DEPARTMENT

CITY OF SACRAMENTO

May 10, 2005

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: RALEY BOULEVARD AND ASCOT AVENUE PUBLIC IMPROVEMENTS FUNDING AND PUBLIC IMPROVEMENT CONSTRUCTION AND REIMBURSEMENT AGREEMENT WITH FRITO-LAY NORTH AMERICA, INC.

LOCATION/COUNCIL DISTRICT: District 2

RECOMMENDATION:

Staff recommends that the City Council adopt the attached resolution:

1. Approving the transfer of \$610,000 from the Transportation Economic Development Project (TP05, Fund 201-\$600,000 and Fund 209-\$10,000) to the Raley/Ascot Avenue Improvement Project (TU81);
2. Approving the transfer of \$50,678 from the Utilities Economic Development FY05 Project (414-500-ZO01-4820) to the Raley/Ascot Improvement Project (414-500-XO03-4820); and
3. Suspending competitive bidding (requires 2/3 vote) authorizing the City Manager to execute a public improvement and reimbursement agreement with Frito-Lay, North Inc.

**CONTACT PERSONS: Dean Peckham, Senior Project Manager, 808-7063
Wendy Saunders, Economic Development Director, 808-8196**

FOR COUNCIL MEETING OF: May 24, 2005

SUMMARY:

On April 29, 2004 Council adopted Resolution #2004-318, authorizing the City Manager to negotiate an agreement with Frito-Lay to facilitate the location at Raley Blvd. and Ascot Avenue in North Sacramento. The purpose of the agreement was to facilitate the construction of various offsite public improvements associated with the construction of the

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Frito-Lay development. The resolution also established Capital Improvement Projects (CIP's) to pay for these offsite improvements and other Economic Development projects.

This report recommends suspension of competitive bidding and approval of the Public Improvement Construction and Reimbursement Agreement with Frito-Lay North America, Inc. The agreement is available for review in the City Clerk's Office. The City will fund public infrastructure in the public right-of-way along Raley Boulevard and Ascot Avenue. This includes streets, curbs, gutters, sidewalks, and sewer and water improvements.

The funding for these improvements comes from the Economic Development Capital Improvement Program (EDCIP) and the Economic Development Assistance Program (EDAP). The projects meet the following objectives of both the EDCIP and EDAP programs:

- Retain and expand private sector jobs;
- Leverage private sector investment;
- Increase sales tax, property and other public tax revenue.

BACKGROUND:

On May 3, 2005, the Council approved an intent motion to return to a future consent calendar to adopt the attached resolution.

EDCIP and EDAP Funds

Following adoption of the Economic Development Strategy in 2000, Council approved the set aside of funds within the Utilities and Public Works (now Transportation) Department budgets to achieve economic development goals established in the strategy. Within Public Works and Utilities capital improvement programs are carefully studied and mapped out over several years in the future. However, economic development efforts to create new industry, job growth and revenue generation may generate needs for public infrastructure in areas not identified in the long term capital improvement projects.

To accommodate this need, both the Utilities and Transportation Departments each contribute funding, in the amount of \$1 million to the EDCIP on an annual basis through the CIP process. The allocation of the funds is consistent with priorities set forth by the Council: infill, redevelopment, and economic development. The allocation of the funds is approved by Council at the recommendation of the Economic Development Department in close coordination with the Transportation and Utilities Departments, the Infill Coordinator and SHRA staff. All proposed projects must meet fund eligibility requirements specific to the funding source. The funding sources for the EDCIP are Measure A, Major Streets and Roads, Water, Sewer, and Drainage funds. In the event funds are not obligated in a particular fiscal year, the funds are returned to their source for reprogramming and the funding level commitment re-set to \$1 million each year.

Although similar to the EDCIP in its objectives, the EDAP funds are different because the funding for the program is derived from the General Fund and is more flexible in its use and may be used for a wider variety of projects and uses.

Frito-Lay Agreement

The agreement with Frito-Lay is the result of the Economic Development Department's efforts to attract a major employer to the City of Sacramento. Frito-Lay proposes to locate at the corner of Raley Boulevard and Ascot Avenue in North Sacramento (Attachment 1). Frito-Lay had received planning entitlements and was in the building plan check process before the Economic Development Department became involved.

As a part of the entitlement process, Frito-Lay became aware that an 11.6 acre site at the southeast corner of Raley and Ascot was unusable due to onsite wetlands. Further, offsite infrastructure costs were much greater than anticipated. As a result, Frito-Lay began to consider locating elsewhere. Economic Development Department staff determined that assisting in the offsite infrastructure improvements would benefit not only Frito-Lay, but also other surrounding properties, making the area more attractive for new development in one of the City's few remaining industrial areas.

The agreement between the City of Sacramento and Frito-Lay is summarized as follows:

1. The City will fund the offsite improvements (utilities and transportation) along Raley Boulevard and a portion of Ascot Avenue.
2. The City will fund the traffic signal at the corner of Raley Boulevard and Ascot Avenue.

Traffic generated by this project will trigger the requirement for a signal at this intersection. However, Frito-Lay's traffic generation is incremental; the existing traffic counts due to residential development north of Ascot in unincorporated Sacramento County necessitates the signal. Because no mechanism exists to require development in Sacramento County to pay a proportionate cost of the signal, the burden falls to the Frito-Lay project.

3. Frito-Lay will fund the offsite infrastructure costs (utilities and transportation) fronting their section of Ascot Street.

Staff believes that it is in the best interest of the City to suspend competitive bidding to allow for construction of these public improvements under a Public Improvement Agreement with Frito-Lay, rather than the City bidding and awarding a contract, because of the potential for greater efficiencies and cost savings arising from the coordination of Frito-Lay's private work with work on the public improvements, and the need for fewer contractors. The Public Improvement Agreement contains provisions for City review and approval of the plans and

specification, a City-approved bid process, and City oversight and inspection of the work performed.

FINANCIAL CONSIDERATIONS:

Total project costs for the offsite infrastructure improvements along Raley and Ascot are \$2,010,142. The City's share will be limited to an amount not to exceed \$1,479,626 and Frito-Lay's share will be \$530,516 (Attachment 2). The reimbursements will be funded from three existing capital improvement projects: (1) Raley/Ascot Avenue Improvement Project (PN: TU81) which has an available budget of \$123,000; (2) Raley and Ascot Traffic Signal Project (ST06) which has an available budget of \$146,398; and (3) the Raley at Ascot Improvement Project (XO03) which has an available budget of \$424,550.

To fund the cost of the proposed reimbursement agreement staff recommends that \$610,000 from the Transportation Economic Development Project (TP05, Fund 201-\$600,000 and Fund 209-\$10,000) be transferred to the Raley/Ascot Avenue Improvement Project (TU81) and \$50,678 be transferred from the Utilities Economic Development Project (ZO01, Fund 414) to the Raley/Ascot Improvement Project (XO03). Additionally, \$125,000 will be reimbursed to the Developer through the City's Overwidth Pavement Reimbursement program. The proposed budget adjustments and funds provided through overwidth reimbursement will provide sufficient available budget to cover the proposed reimbursement agreement with Frito-Lay North America, Inc.

ENVIRONMENTAL CONSIDERATIONS:

On November 7, 2002, the City Planning Commission approved the Negative Declaration prepared for the Frito-Lay Project (P02-023), pursuant to the requirements of the California Environmental Quality Act (CEQA), which evaluated improvements along the frontage of Raley Boulevard and Ascot Avenue. Frontage improvements along Raley Boulevard and Ascot Avenue have been determined to fall within the scope of the approved Negative Declaration. Utility and roadway improvements off site have been determined to be exempt from the requirements of the CEQA pursuant to Section 15301(c) relating to operation, repair, maintenance and minor alterations of existing highways and streets, gutters and other similar facilities; and 15303(d) relating to new construction of water main, sewage, electrical, gas, and other utility extensions, including street improvements.

POLICY CONSIDERATIONS:

The recommendations contained in this report are consistent with the Economic Development Strategy Framework adopted by the City Council in April of 2000, and EDAP and EDCIP criteria and guidelines adopted by the City Council in December 2001 and re-affirmed on October 2003.

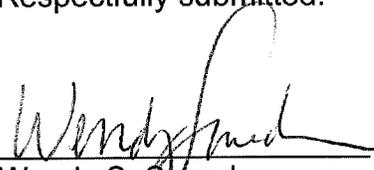
The recommendations are similarly consistent with goals of the City's 2001-2004 Strategic Plan, including: 1) "Enhance and preserve the neighborhoods"; 2) "Promote and support economic vitality"; and 3) "Retain, attract and develop a highly qualified and diverse City workforce".

Frito-Lay currently has 100 full time employees and will add 20 new employees as part of the planned expansion. Average employee wages will be \$47,500 with an annual payroll of \$6.5 Million. Frito-Lay provides full benefits to its employees including medical, dental, vision, and disability insurance and stock options. Capital investment in the new facility will be \$9 to \$10 million (Attachment 3)

ESBD CONSIDERATIONS:

As no goods or services are being contemplated with this report, ESBD considerations do not apply.

Respectfully submitted:


Wendy S. Saunders
Economic Development Director

RECOMMENDATION APPROVED:

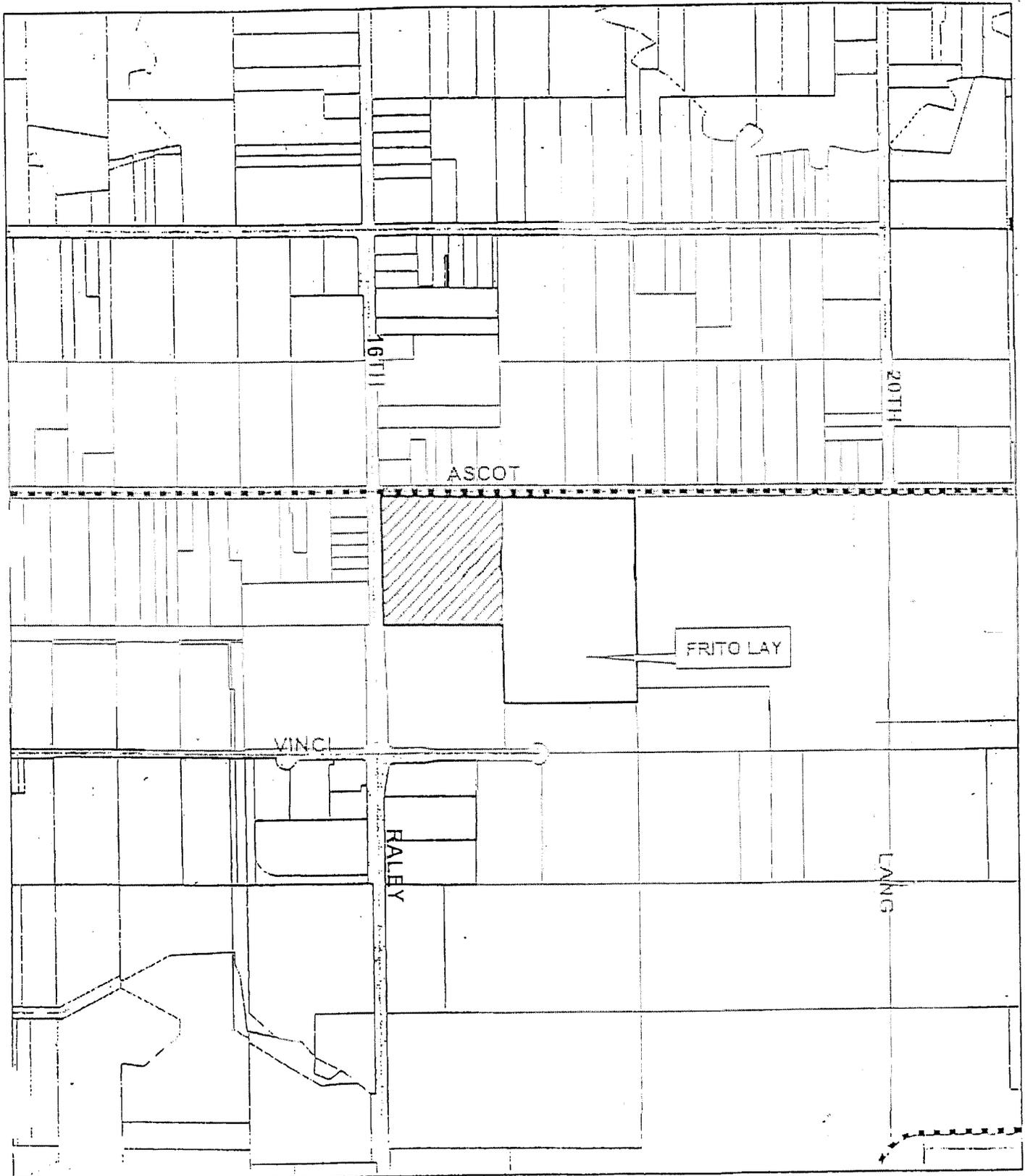


ROBERT P. THOMAS
City Manager

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FRITO LAY LOCATION MAP



FRITO LAY IMPROVEMENTS & COST SHARING

FRITO LAY SOURCE AND USE OF FUNDS

STREET INFRASTRUCTURE	CITY	FRITO LAY
Curbs, Gutter and Sidewalks	\$44,591	\$21,962
ROADS		
Raley Blvd	\$226,803	
Ascot	\$245,704	\$300,000
Raley Blvd Overwidth	\$125,000	
TRAFFIC SIGNAL	\$146,398	\$0
	\$215,902	
SUBTOTAL	\$1,004,398	\$321,962

UTILITY INFRASTRUCTURE	CITY	FRITO LAY
Water	\$102,911	\$45,163
Sewer	\$125,678	\$55,154
Drainage	\$246,639	\$108,237
SUBTOTAL	\$475,228	\$208,554

	CITY	FRITO LAY
PRO RATA SHARE OF COSTS	\$1,479,626	\$530,516

TOTAL COSTS	\$2,010,142
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Assumes City Share = 69.5% (500' frontage Raley and 560' frontage Ascot, out of total 1,525'.)
Assumes FL Share = 30.5% (465' frontage Ascot of total 1,525' frontage along Raley and Ascot)

FRITO LAY PROJECT BENEFITS

Site Location: SEC Raley Blvd & Ascot Ave
APN # 215-0241-012

Parcel Size: 26.6 Acres
Usable Parcel: 15 Acres
Wetlands Parcel: 11.6 Acres

Building Size: 62,517 sf.

Employment: *100 full time employees & Management*
Average wages \$47,500.
Annual Payroll = \$6.5 M
Benefits: medical, dental, vision, disability, stock options
Company will add 20 new employees as part of new facility.

Capital Investment: \$9-10,000,000

Economic Impact Associated with \$9 M Construction

- *\$21.37 M is spent throughout the economy on the purchase of goods & services.*
- *\$6.9 M in employee wages are generated throughout the economy*
- *226 jobs are created or sustained.*

Direct Economic Impacts Generated by 100 Frito-Lay Employees' Salaries

- *\$9 million in employee wages are generated throughout the economy.*
- *222 jobs are created or sustained*

Direct Economic Impacts generated by Hiring 20 Additional Employees

- *\$1.8 million in employee wages are generated throughout the economy.*
- *44 jobs are created or sustained.*

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVAL OF PUBLIC IMPROVEMENT CONSTRUCTION AND REIMBURSEMENT AGREEMENT WITH FRITO-LAY NORTH AMERICA, INC.

WHEREAS, the attraction of Frito-Lay is consistent with goals of the City's 2005-2008 Strategic Plan, including:

- 1) Achieve sustainability and livability;
- 2) Increase opportunities for all Sacramento residents to live in safe and affordable housing;
- 3) Expand economic development throughout the city; and

WHEREAS, the use of CIP and Economic Development Assistance Program Funds to support business development and economic diversification are consistent with the Economic Development Strategy Framework adopted by the City Council in April of 2000, and EDAP criteria and guidelines adopted by the City Council in December 2001 and re-affirmed on October 2003.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF SACRAMENTO:

1. The FY 04/05 Capital Improvement Program Budget is amended by transferring \$610,000 from the Transportation Economic Development Project (TP05, Fund 201-\$600,000 and Fund 209 - \$10,000) to the Raley/Ascot Avenue Improvement Project (TU81);
2. The FY 04/05 Capital Improvement Program Budget is amended by transferring \$50,678 from the Utilities Economic Development FY 05 Project (414-500-ZO01-4820) to the Raley/Ascot Avenue Improvement Project (414-500-XO03-4820);
3. For the reasons set forth in the staff report it is in the best interests of the City to suspend competitive bidding for the public improvements for this project, and authorize construction of these public improvements pursuant to the procedures set forth in the Public Improvement Construction and Reimbursement Agreement with Frito-Lay North America, Inc.; and
4. The City Manager is authorized to execute the Public Improvement Construction and Reimbursement Agreement with Frito-Lay, North America, Inc.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

9.