



STAFF REPORT
5/27/2020

TO: Honorable Mayor and City Council Members

FROM: Cástulo R. Estrada

SUBJECT: Reimbursement Agreement with Tower Energy Group for Design, Construction and Installation of Water Public Improvements to Tower Market #944

STAFF RECOMMENDATION:

Authorize the City Manager to Execute a Reimbursement Agreement with Tower Energy Group for Design, Construction and Installation of Water Public Improvements to Tower Market #944.

DISCUSSION/ANALYSIS:

Tower Energy Group is in the process of developing Tower Market #944, a retail grocery and gas store located in Thermal, CA on the northeast corner of Airport Blvd and Harrison St. Although the Tower Market #944 is outside the city limits it is within the city's sphere of influence and Coachella Water Authority's service boundary which extends to Airport Blvd.

In an effort to extend water infrastructure for better serviceability across our entire service boundary for purposes future planning and projected growth the City has required the Developer to extend the water line from the eastern boundary of the Developer Property heading west on Airport Blvd. to the intersection of Airport Blvd. and Harrison St. and then heading north on Harrison St. connecting to Avenue 54 – approximately 6,285 LF (the "Public Improvements"). The Public Improvements are more specifically described in Exhibit "B" of the Agreement.

The City requires the installation of 8" waterlines as a minimum design standard, but major streets like Airport Blvd. and Harrison St that serve as connectors to smaller lines typically require larger size lines. The City desires pursuant to its Water Master Plan for the entire Public Improvements to be upsized to a 12" water line to supply future growth and meet future water demands.

The Developer can meet its water demand, including fire flow, with the minimum standard, therefore, the Public Improvements along the boundary of the Developer Property, the Developer will be responsible for the costs of design, construction and installing the 8" water line – approximately 2,485 LF (the "Developer Improvements"). This is depicted in Exhibit "B".

For the Public Improvements along Harrison St., from the northern boundary of the Developer Property to Avenue 54, the City will reimburse the Developer for design, construction, and

installing the 8" water line – approximately 4,800 LF (the "Offsite Improvements"). This is depicted in Exhibit "B".

For the entire Public Improvements, the City will reimburse the Developer for upsizing the Public Improvements from 8" to 12" water line – approximately 6,285 LF (the "Upsize Improvements"). This is depicted in Exhibit "B".

Terms of Reimbursement

Offsite Fee Reimbursement.

The reimbursement amount for the Offsite Improvements shall be equal to design and construction costs for the Offsite Improvements ("Offsite Fee Reimbursement Amount"). The design costs shall include the design, permitting, and construction staking of the Offsite Improvements only and shall not include any such costs for the Developer Improvements ("Offsite Improvements Design Costs"). To establish the construction costs, the lowest bid received for construction and installation of the entire Public Improvements with 8" water line will be applied and prorated over the actual length of the Offsite Improvements ("Offsite Improvements Construction Costs").

The City shall provide the Developer water impact fee credits for the Calhoun Property in an amount equal to the Offsite Fee Reimbursement Amount. The Developer may then use the Offsite Fee Reimbursement Amount to offset water impact fees required by the City in developing the Calhoun Property. Notwithstanding the foregoing, in no case shall the Developer be entitled to use the Offsite Fee Reimbursement Amount for anything other than to offset water impact fees at the Calhoun Property or be entitled to a refund of the Offsite Fee Reimbursement Amount if the amount is more than the water impact fees required at the Calhoun Property.

Upsize Cost Reimbursement.

The City shall pay to the Developer costs for the construction and installation of the Upsize Improvements. To establish the reimbursement amount, the difference between the lowest bids for construction and installation of the entire Public Improvements with 8" water line and 12" water line will be determined, and this difference will be the reimbursement amount (the "Upsize Cost Reimbursement Amount").

FISCAL IMPACT:

The final fiscal impact will be calculated as per the Reimbursement Procedures in the Agreement. The following amount serves as an approximation from preliminary calculations derived from the three (bids) received which are attached to this Staff Report.

- Approximately \$283,000.00 as water impact fee credits for the Calhoun Property described in the Agreement. Final amount will be the calculation in the amount equal to the Offsite Fee Reimbursement amount.
- Approximately \$111,000.00 reimbursement payment upon the completion of the improvements from the Water Connection Fund (177).