



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 3/1/2022

ITEM NO: 12

DATE: February 24, 2022

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Los Gatos Creek Trail to Highway 9 Trailhead Connector Funding Plan (Project 832-4505):

- a. Receive a One Bay Area Grant (OBAG) Grant and Commit Town Funds in an Amount up to \$1,000,000 to Leverage Grants in Completing the Funding Plan for the Construction Phase of the Los Gatos Creek Trailhead Connector Project;
- b. Authorize The Town Manager to Submit a Grant Application to the Santa Clara Valley Transportation Authority in The Transportation Fund for Clean Air (TFCA) Program; and
- c. Adopt A Resolution Authorizing an Application in the Valley Water's Safe Clean Water and Natural Flood Protection Program.

RECOMMENDATION:

Staff recommends the following actions for the Los Gatos Creek Trail to Highway 9 Trailhead Connector Funding Plan (Project 832-4505):

- a. Receive a One Bay Area Grant (OBAG) grant and commit Town funds in an amount of up to \$1,000,000 to leverage grants in completing the funding plan for the construction phase of the Los Gatos Creek Trailhead Connector project;
- b. Authorize the Town Manager to Submit a grant application to the Santa Clara Valley Transportation Authority in the Transportation Fund for Clean Air (TFCA) program; and
- c. Adopt a resolution (Attachment 1) authorizing the application in the Valley Water's Safe Clean Water and Natural Flood Protection Program.

BACKGROUND:

The Los Gatos Creek Trail to Highway 9 Connector project has received long-standing support from the community, schools, and Town Council. The 2017 Los Gatos – Monte Sereno Bicycle and Pedestrian Master Plan and the 2020 update identified this as a priority project.

PREPARED BY: Ying Smith
Transportation and Mobility Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Parks and Public Works Director

BACKGROUND (continued):

In 2017, the Town received \$343,000 in OBAG formulaic funds for the design phase. The Town provided \$370,280 in General Fund Appropriated Reserve (GFAR) dollars to match and supplement the OBAG funds. Town staff and the Town's design consultant have made significant progress in design and environmental clearance. The final Plans, Specifications, and Estimates (PS&E) and environmental studies are scheduled to be completed in April this year. The construction cost is estimated at approximately \$5.8 million, to be finalized upon the completion of PS&E. The project construction could begin as early as December, pending funding availability.

Town staff has applied for six grants in the past years and has not been successful in securing construction dollars. These past grant applications are listed in Table 1 below.

Table 1: Past Grant Applications

Year	Grant Program	Requested
2014	Active Transportation Program	\$ 714,000
2018	Vehicle Emissions Reductions Based at Schools (VERBS)	\$ 1,000,000
2019	Santa Clara Valley Water District (Valley Water)	\$ 571,000
2020	Santa Clara County Measure B	\$ 2,986,697
2021	MTC Safe & Seamless	\$ 5,097,400
2021	TFCA County program	\$ 1,300,000

Among these past applications, the project's score put it just below the 10-year funding available in the bicycle and pedestrian program within the Measure B. If the VTA Board authorizes additional funds in the 10-year program, this project could be eligible to receive Measure B grant funds. However, the timeline of authorizing the additional funds is uncertain. The VTA has a policy in the Transportation Fund for Clean Air (TFCA) County program that only projects where all of the other funding is secured or committed will be considered for TFCA County program funding. In the 2021 TFCA program, the Town withdrew the application because it didn't meet this funding commitment.

DISCUSSION:

There are three grant funding opportunities coming up this year:

One Bay Area Grant (OBAG): Staff from Santa Clara Valley Transportation Authority informed Town staff that this project may be eligible to receive approximately \$3M in OBAG grant funds, with the Town's commitment to fully fund the construction and deliver it according to a tight

DISCUSSION (continued):

schedule. The OBAG grant comes from a federal fund program so it has a prescriptive delivery schedule. The project's current schedule aligns very well with the grant delivery schedule.

Transportation Fund for Clean Air (TFCA): This is an annual program and the grant amount is calculated based on the project's air pollution reduction benefits. Since the Town has had past success with this program, staff has a high level of confidence that the project will receive an estimate of \$1,039,245 in TFCA funds.

Access to Trails & Open Space Grants: This project would compete well in most of the scoring criteria. This Valley Water program requires the Town to commit funds to allow for completing the funding plan for the construction phase.

Table 2 presents a funding plan and estimates of the grant amounts from each source. All three programs have requirements that the Town fully fund the entire construction cost, by leveraging either competitive grants or the Town's local dollars.

Applying for multiple grants to make up the funding plan for a project is a difficult task as the grant timing and award amount can vary. The proposed funding plan in Table 2 reflects the staff estimate for each grant and the amount the Town would need to contribute to fully fund construction of the full project.

Table 2 – Proposed Funding Plan

	Funding Opportunity	
Source	Low Estimate	High Estimate
OBAG	\$ 3,000,000	\$ 3,230,000
TFCA	\$ 1,039,245	\$ 1,039,245
Valley Water	\$ 840,000	\$ 1,120,000
Total Grant \$	\$ 4,879,245	\$ 5,389,245
Town Funds Needed	\$ 928,687	\$ 418,687

The Town Council will need to commit Town funds to complete the funding plan as shown on Table 2 in order for the Town to receive these funds. In all scenarios, the Town's local dollars will be needed to complete the funding plan.

The OBAG grant is most certain and only requires the VTA Board's approval. This project is eligible for additional OBAG grant funds because of the past applications to the Vehicle Emissions Reduction Based at Schools (VERBS) and Safe & Seamless programs. This program would contribute the largest amount so the OBAG grant is considered the "driver" in the funding plan. The TFCA grant is also reasonably certain. Staff believes the project is

DISCUSSION (continued):

competitive in the Valley Water's program; however, staff has less experience in this program. All three programs require the Town's financial commitment. If any of these grants do not come through, the Town will need to use Town funds to make up the difference to complete the project construction as required by the remaining grants.

These funding opportunities align with the project schedule and the project will compete strongly because it is shovel ready. In fact, the OBAG funds were identified specifically because of the status of this project and will likely come to the Town without a competitive process. However, it is always a challenge to secure grant funds from multiple sources to complete the funding plan for a relatively high-cost project. This funding plan puts the risk on the Town to make it whole.

An alternative would be to allow the design to finish and seek one source for construction funding. The Town would retain a shovel ready project, but several disadvantages arise as follows:

- Cost escalation: In the past five years, the construction cost for similar projects has increased at an average rate of five percent per year. It is anticipated that the construction cost would increase at a similar or higher rate in the near future.
- Additional Approval Requirements: If the project construction is delayed for more than a few years, the Town will be required by Caltrans to revise design, environmental, and right of way certification to be consistent with Caltrans standards current at the time. These requirements will require time in revising and resubmitting the documents for Caltrans review, and could also introduce additional design costs.
- Grant Funding Uncertainties: Although the overall funding opportunities for bicycle and pedestrian improvements are promising, the Town's past experience with this project shows that there is no guarantee this project would be successful in obtaining grant dollars in the amount needed to fully fund the construction phase.
- Grant Schedule Alignment: Each grant program has its own timely use requirements. It is not always possible to align the grant schedules properly and to line up with the project construction schedule. For example, TFCA projects must commence within six months of approval by the VTA Board and expend funds within two years. The Measure B funds, if awarded, would not be available in time to match up with the OBAG fund.

CONCLUSION:

Staff is recommending the Town Council's approval for the overall funding plan and individual actions in the three grant programs and associated financial commitments by the Town Council.

CONCLUSION (continued):

The total financial commitment, assuming success with all three grants, is estimated at between \$400,000 and \$1,000,000 as noted in Table 2 above.

Should grant funding fall short of the anticipated amount such that sufficient funding is not available to construct the project, staff will review the project scope and return to the Town Council with alternatives.

COORDINATION:

This report was coordinated with VTA and Caltrans staff.

The Complete Streets and Transportation Commission reviewed this item at its February 10 meeting and voted in support of the staff recommendations.

FISCAL IMPACT:

The Town's local match amount would depend on the outcomes of the grant applications. With this agenda item, the Council is being asked to commit a total of up to \$1,000,000 in Town funds. Committing the funds confirms to the grantor that funds are available and earmarked for the project but stops short of a budget appropriation as the exact funding need is unknown.

Committing \$1,000,000 for this project will have a direct impact on the available funding identified in the Capital Improvement Project discussion later in the same agenda, resulting in only \$500,000 available for additional funding in the CIP for next fiscal year.

In addition, staff will continue to pursue other grant funding opportunities as they occur, such as the State's Recreational Trails Program, if these grant programs align with the OBAG delivery schedule.

ENVIRONMENTAL ASSESSMENT:

The funding action is not a project defined under CEQA, and no further action is required. This project has completed environmental studies and CEQA clearance is expected in April 2022.

Attachment:

1. Resolution authorizing application for grant funds