



*City of Arts & Innovation*

# City Council Memorandum

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**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: MAY 25, 2021**

**FROM: PUBLIC WORKS AND COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENTS** **WARD: 1**

**SUBJECT: SECOND AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT WITH GLENN A. RICK ENGINEERING AND DEVELOPMENT COMPANY, DBA RICK ENGINEERING COMPANY; SUPPLEMENTAL APPROPRIATIONS TO COMPLETE THE NORTHSIDE MASTER DRAINAGE PLAN; CONSIDERATION OF A SPECIFIC PLAN COST REIMBURSEMENT PROGRAM FOR THE NORTHSIDE SPECIFIC PLAN AREA; AND APPROPRIATION OF FUNDS FOR A TRAFFIC MITIGATION IMPACT FEE STUDY FOR THE NORTHSIDE SPECIFIC PLAN AREA – SUPPLEMENTAL APPROPRIATION**

## **ISSUE:**

Approve the second amendment to a professional services agreement with Glenn A. Rick Engineering and Development Company, DBA Rick Engineering Company; approve a supplemental appropriation to complete the northside master drainage plan; consider a specific plan cost reimbursement program for the northside specific plan area; and approve a supplemental appropriation for a traffic mitigation impact fee study for the Northside Specific Plan Area.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Second Amendment to the Professional Services Agreement with Glenn A. Rick Engineering and Development Company, DBA Rick Engineering Company, to extend the term of the agreement from June 30, 2021 to December 31, 2022, and to provide additional services in an amount not to exceed \$180,000 which includes \$20,000 of contingency funds;
2. Authorize the City Manager, or his designee, to execute the Second Amendment to Professional Services Agreement with Glenn A. Rick Engineering and Development Company, DBA Rick Engineering Company, including making minor and non-substantive changes to complete the transaction;
3. With at least five affirmative votes, authorize a supplemental appropriation in the amount of \$180,000 from the Storm Drain Fund (410) to the Northside Master Drainage Plan Project;

4. Receive a report on the Specific Plan Cost Reimbursement Program to partially recoup the cost of preparing the Northside Specific Plan;
5. Direct staff on preparing a report for future City Council consideration that would initiate and establish a Specific Plan Cost Reimbursement Program for new development within the Northside Specific Plan Area based on the equitable share of benefit; and
6. With at least five affirmative votes, increase revenues in the Measure A Capital Outlay Fund Northside Specific Plan Mitigation in the amount of \$100,000 and authorize a supplemental appropriation in the same amount in the General Fund Public Works Department for a traffic mitigation impact fee study, with General Fund costs to be reimbursed from the Northside Specific Plan Mitigation as revenue becomes available.

## **BACKGROUND:**

On September 20, 2016, the City Council selected Glenn A. Rick Engineering and Development Company, DBA Rick Engineering Company (Rick Engineering), to prepare the Northside Neighborhood & Pellissier Ranch Inter-Jurisdictional Specific Plan (NSP) and its Program Environmental Impact Report (PEIR).

On December 20, 2016, the City Council approved a professional services agreement (PSA) with Rick Engineering in the amount of \$1,593,272 to: 1) create a community-driven plan; 2) prepare the PEIR; and 3) evaluate potential options to recuperate the costs to develop the NSP and PEIR documents. On January 20, 2017, the City executed the PSA with an agreement term through June 30, 2019.

On July 7, 2020, the City Council approved the First Amendment to Professional Services Agreement with Glenn A. Rick Engineering and Development Company, DBA Rick Engineering Company, extending the term of the Northside Neighborhood and Pellissier Ranch Inter-Jurisdictional Specific Plan and Program Environmental Impact Report agreement through June 30, 2021.

On November 17, 2020, the City Council approved the Northside Specific Plan, effective January 1, 2021. During the hearing, staff communicated with City Council that they would be returning to City Council in early 2021 to consider the following items related to the implementation of the Specific Plan:

- Hydrology Study and associated funding to hire a consultant to develop a “Northside Master Drainage Plan” (NMDP) and investigate and evaluate drainage issues discovered during the Northside Specific Plan EIR process and identify economically feasible capital improvements to provide appropriate flood protection to the area.
- Specific Plan Reimbursement Fee Analysis to consider a reimbursement fee that could be adopted by the City Council to offset the cost of preparing the Northside Specific Plan.
- Traffic Mitigation Fee Program Analysis and associated funding to hire a consultant to conduct an analysis to determine a fair-share development fee for projects that benefit from the Specific Plan as identified in the Mitigation Measures of the PEIR. This was

in response to the increased densities allowed within the Northside Specific Plan that result in increased circulation impacts requiring roadway, paving, and intersection improvements.

## **DISCUSSION:**

### **Second Amendment to the PSA with Rick Engineering Company for the Northside Master Drainage Plan**

The Northside Specific Plan (NSP) is a development of a community-based visionary document that guides and regulates the future development of the Northside Neighborhood with a goal to improve the area's physical and economic environment. The NSP Area covers approximately 1,700 acres that include land within the jurisdictional boundaries of the City of Riverside, the City of Colton, and the County of Riverside. The NSP is generally bound by Pellissier Ranch to the north (and other locations in the City of Colton), State Route 60 (SR-60) and portions of Main Street in Downtown Riverside to the south, Interstate 215 (I-215) and the Hunter Industrial Park to the east, and the Santa Ana River to the west (Attachment 1).

On November 2020, City Council approved Planning Cases P19-0064 (General Plan Amendment), P19-0065 (Specific Plan), P19-0063 (Zoning Code Amendment), P20-0443 (Rezoning), and P19-0066 (Program Environmental Impact Report - PEIR) based on the Planning Commission findings outlined in the staff report to adopt the Northside Specific Plan.

One of the findings from PEIR was that the flooding potential in the Northside is more significant than previously understood. A detailed Hydrology Study is needed to investigate and evaluate drainage problems and identify economically feasible capital improvements to provide adequate flood protection.

To address the potential issues, a Northside Master Drainage Plan (NMDP) will be developed consistent with the Mitigation Measures of the PEIR. Staff has negotiated a Second Amendment to the Professional Services Agreement with Rick Engineering to prepare the NMDP (Attachment 2). Rick Engineering will complete the work on a time and material basis and for a fee not to exceed \$180,000.

The changes specified herein are the same and/or similar services to what was previously solicited, therefore, Purchasing Resolution 23256, Section 702(g) applies and states that competitive procurement through the informal procurement and formal procurement process shall not be required "When Services can be Procured from a Contractor who offers the same or better price, terms and conditions as the Contractor previously offered as the Lowest Responsive Bidder under Competitive Procurement or negotiations conducted by the City or another public agency, provided that, in the opinion of the Manager, it is in the best interests of the City to do so."

### **Specific Plan Cost Reimbursement Program**

#### **Cost Reimbursement Authority**

California Government Code Section 65456 authorizes cities to recover the costs of preparing a specific plan, including adoption, administration, and preparation of the supporting EIR, through fees for individual property owners or developers who benefit from the specific plan. The costs

may be recuperated through a prorated reimbursement fee collected at the time a person seeks City approvals.

Because the specific plan defines and implements a neighborhood-based vision, projects that comply with the specific plan can be initiated faster and with more certainty. Although a city can recuperate costs through a reimbursement fee, it is important to note that cost reimbursement takes many years, and are not likely, nor expected to fully recoup one hundred percent of the cost. This is because the prorated fee is only collected at the time a property is developed. Properties that are not developed would not pay a reimbursement fee.

### Northside Specific Plan Cost

On September 20, 2016, City Council selected Rick Engineering Company to prepare the Northside Neighborhood & Pellissier Ranch Inter-Jurisdictional Specific Plan (NSP) and Program Environmental Impact Report (PEIR). The City Council's actions included: 1) an amendment to the Riverside Public Utilities budget to contribute funds toward the preparation of the Northside Specific Plan and PEIR, and 2) direction to prepare a reimbursement fee program for the Northside Specific Plan and PEIR.

Riverside Public Utilities (RPU) is the largest landowner within the NSP project area. RPU properties include the Ab Brown Sports Complex (56 acres), a portion of the former Riverside Golf Course (63 acres) and Pellissier Ranch in the City of Colton (227 acres), for a total of approximately 346 acres. Pursuant to State law, existing bond covenants, and RPU's adopted Real Property Financial Management Policy, RPU seeks to maximize the ratepayer value of real property. The NSP was developed, in part, to determine the "highest and best uses" of RPU properties within the context of balancing the interests of and maximizing RPU ratepayer value, stewardship of the land and its resources, and implementing the community vision.

At the onset of the planning process, it was estimated that the properties most likely to receive the benefit of land-use changes and environmental analysis was approximately 894 acres. The benefits area excluded existing residential areas and other areas that are largely built out and would not result in significant land-use changes. The 346 acres of RPU land represent approximately 39% of the anticipated benefit area.

Based on RPU's share of the anticipated benefit area, City Council amended the Riverside Public Utilities Fiscal Year 2016-18 budget and appropriated funds from the Riverside Public Utilities Water and Electric Funds to Water and Electric Professional Services Accounts to fund 39% of the cost to prepare the NSP and PEIR. On December 20, 2016, the City Council approved the Professional Consultant Services Agreement for the NSP and PEIR for up to \$1,593,272. City Council authorized funding for the project as follows:

### **PROJECT BUDGET SUMMARY**

<b>Source</b>	<b>Amount</b>
Riverside Public Utilities Funds - 39% - not to exceed \$813,000	
<ul style="list-style-type: none"> <li>Riverside Public Utilities – Water Professional Services: \$512,032</li> <li>Riverside Public Utilities – Electric Professional Services: \$93,097</li> </ul>	\$605,129
Davenport Institute Grant	\$12,000
Community & Economic Development Department - FY 2016/18 - 61% - not to exceed \$910,000	\$910,000
Community & Economic Development Department 2-Yr Budget Savings	\$24,483
<b>Total Budgeted Funds</b>	<b>\$1,551,612</b>

Source	Amount
Optional Services	\$41,660
<b>Total with Optional Tasks</b>	<b>\$1,593,272</b>

### Cost Reimbursement Analysis

Keyser Marston Associates, Inc. (KMA) prepared a nexus study to define a potential Cost Reimbursement Program (Attachment 3). Using the recently adopted NSP, KMA reevaluated the benefits area based on the subarea land-use changes, developed a reasonable methodology for allocation of the proposed fee, and determined the maximum supportable fee.

The NSP includes land within the City of Colton and unincorporated Riverside County. The NSP envisions a range of 10,938 to 12,510 additional residential units, based on an assumption of 1,200 gross square feet per residential unit. In addition, approximately 16.6 million square feet of new non-residential uses are also envisioned.

After subtracting the subareas that do not result in land use, density, or zoning changes, KMA established an adjusted residential build-out of 6,643 units totaling 7,972,000 square feet. In addition, approximately 16.2 million square feet of new non-residential uses resulted.

KMA then combined the adjusted residential building area (7.9 million square feet) with the estimated non-residential building area (16.2 million square feet) to determine the total build-out of the NSP. Collectively, the projected adjusted total building area at build-out of the NSP equates to approximately 24.1 million square feet.

When the total cost of preparing the NSP (\$1,551,612 - without optional tasks) is divided by the total adjusted residential and non-residential building area (24.1 million square feet), the Supported Program Fee equates to \$0.064 per square foot of building area.

Assuming an average residential unit size of 1,200 gross square feet (SF) per unit, the Supported Program Fee per residential unit is \$77 per unit.

### **CALCULATION OF MAXIMUM SUPPORTED PROGRAM FEE**

Description	Calculation
<b>I. Total Building Area at Build-Out of Specific Plan <sup>(1)</sup></b>	
Adjusted Residential Building Area	7,972,000 SF
Adjusted Non-Residential Building Area	<u>16,168,000 SF</u>
Adjusted Total Building Area at Build-Out of Specific Plan	24,140,000 SF
<b>II. Program Costs</b>	\$1,551,612
<b>III. Maximum Supported Program Fee</b>	
Residential <sup>(2)</sup>	\$77/unit
Non-Residential	\$0.064/SF

(1) Reflects total build-out of the adopted Specific Plan; does not account for existing built development.

(2) Based on 11,724 units at assumed average size of 1,200 gross SF per unit.

City Council can only consider a Cost Reimbursement Program for the lands within the City of Riverside. To account for this, KMA deducted the build-out capacity of the properties outside of the City's authority and adjusted the build-out capacity to approximately 11.3 million square feet

of non-residential building area and 5,001 residential units.

Using the Maximum Supported Program Fee calculated above, KMA estimates future residential development may generate \$385,000 and future non-residential development within the City of Riverside may generate \$726,000. The total estimated cost reimbursement would be \$1,111,000, or approximately 72% cost reimbursement. The timeframe is undetermined because fee collection would be dependent on the future development of the affected properties. A summary includes:

#### **ESTIMATED MAXIMUM FEE REVENUE COLLECTED BY CITY OF RIVERSIDE**

Description	Non-Residential	Residential
<b>I. Adjusted Specific Plan Area</b> <sup>(1)</sup>	16,168,000 SF	6,643 Units
<b>II. (Less) Properties Outside of City of Riverside Authority</b>		
City of Colton <sup>(2)</sup>	(4,555,400) SF	(1,016) Units
County of Riverside <sup>(3)</sup>	<u>(274,400) SF</u>	<u>(626) Units</u>
City of Riverside Build-Out <sup>(4)</sup>	11,338,000 SF	5,001 Units
<b>III. Maximum Supported Program Fee</b>	\$0.064/SF	\$77/Unit
<b>IV. Estimated Maximum Fee Revenue Collected by City of Riverside</b>	<b>\$726,000</b>	<b>\$385,000</b>
<sup>(1)</sup> Excludes Subareas 12, 13, and 14, since there are no land use changes for these Subareas. <sup>(2)</sup> Reflects Subareas 1, 2, and portion of 8. <sup>(3)</sup> Reflects portions of Subareas 10 and 12. <sup>(4)</sup> Reflects total build-out of the adopted Specific Plan; does not account for existing built development.		

The KMA Nexus Study prepared for City Council consideration provides estimated cost reimbursement that can be reasonably expected and absorbed into development costs. Should the City Council decide to implement the Cost Reimbursement Program, options for implementation would include:

1. Implement the Program Fee on a per square foot basis for both residential and non-residential;
2. Implement the Program Fee on a per square foot basis for non-residential and a flat fee for residential;
3. Implement the Program Fee with a flat fee for both residential and non-residential;
4. Implement the Program Fee at a higher rate to seek full cost reimbursement;
5. Implement the Program Fee only for the City and RPU-owned properties; or
6. Establish a Program Fee in another way that still meets the requirements of State Law.

If City Council directs staff to establish a Cost Reimbursement Program, a resolution specifying the desired parameters and reimbursement structure would be brought to City Council at a future hearing.

#### **Traffic Mitigation Fee Program Analysis**

A Traffic Impact Analysis (TIA) was prepared and approved in support of the NSP PEIR. The TIA evaluated transportation impacts due to the proposed increased density. The impacts identified include more dense development that will require improvements including roadways, paving, and intersection improvements to mitigate some of these impacts identified in the PEIR. A detailed "Traffic Mitigation Fee Program Analysis" is required to determine a fair-share development fee for proposed projects that benefit from the Specific Plan as identified in the Mitigation Measures of the PEIR.

The Purchasing Manager concurs that the recommendation within this staff report to add services is in compliance with Purchasing Resolution 23256.

The General Manager of Riverside Public Utilities concurs with this staff report.

## **FISCAL IMPACT:**

### **Northside Master Drainage Plan**

Since late 2020, staff from the Public Works Department have coordinated with the Riverside County Flood Control and Water Conservation District (District) to cover the cost of the preparation of the NMDP. The District has agreed to reimburse the City up to \$180,000 towards the preparation of the NMDP. The District has already programmed \$100,000 toward this effort in Fiscal Year 2021/22 and will be programming the remaining \$80,000 during the Fiscal Year 2022/23. Public Works will return to the City Council in the next several months to obligate the District funds.

Public Works is requesting a supplemental appropriation of \$180,000 from the Storm Drain Fund (410) to the Northside Master Drainage Plan Project account number 9918326-440301. Upon Council approval these funds will be refunded to the Storm Drain Fund reserves upon the execution of a cooperative agreement with the District.

### **Cost Reimbursement Program**

A Cost Reimbursement Program is intended to partially recoup the costs encumbered by the preparation of the Northside Specific Plan, which total \$1,551,612. Although not under consideration for adoption with this report, the Cost reimbursement Program could result in \$1,111,000 for the development of land within the City of Riverside; this represents 72% of the total cost of the Northside Specific Plan. The collection of fees is dependent upon future development of the affected properties, so the timing of this cost reimbursement is not known.

### **Traffic Mitigation Fee Program**

The Public Works Traffic Engineering Division is requesting to increase revenues in the Measure A Capital Outlay Fund Northside Specific Plan Mitigation in the amount of \$100,000 and authorize a supplemental appropriation in the same amount in the General Fund Public Works Department for a traffic mitigation impact fee study. General Fund costs will be reimbursed from the Measure A Capital Outlay Fund Northside Specific Plan Mitigation as revenue becomes available. Sufficient funds are available in General Fund reserves to advance funding for the traffic mitigation study.

Prepared by: Kris Martinez, Department of Public Works Director  
David Welch, Community & Economic Development Director

Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer

Approved by: Rafael Guzman, Assistant City Manager

Approved as to form: Kristi J. Smith, Interim City Attorney

**Attachments:**

1. Northside Specific Plan Area
2. Second Amendment to Professional Services Agreement with Rick Engineering
3. Cost Reimbursement Program - Nexus Report by KMA
4. Presentation