

Memorandum

City of Lawrence

City Manager's Office

TO: David L. Corliss, City Manager
CC: Cynthia Boecker, Assistant City Manager
Charles Soules, Director of Public Works
Scott McCullough, Director of Planning and Development Services
Dave Wagner, Director of Utilities
Toni Wheeler, Director of Legal Services
FROM: Diane Stoddard, Assistant City Manager
DATE: November 13, 2007
RE: Proposed Airport Business Park Infrastructure Cost Estimates and Financing Status

The purpose of this memorandum is to provide an update regarding the status of cost estimate development for off-site infrastructure improvements related to the proposed Airport Business Park.

As you are aware, the developer has requested that the City fund substantial off-site water, sewer, stormwater and street improvements to support the proposed Park. It appears that the developer intends to fund the improvements internal to the site

The City's Development Policy and Examples of Prior Precedent:

The City's development policy, outlined in Resolution No. 5614, generally requires that a development pay to extend necessary services to the site in the following manner: developments are required to fund 100% of the costs of streets, except that the costs over the first 31' in width may be paid by the City-at-large; the City will not participate in the cost, nor use special assessment financing for storm sewers in newly developing areas; sanitary sewer costs will be paid 100% by the benefitting property, except that relief sewers will be paid 100% by the City-at-large; and a developer may be required to fund off-site improvements or sign an agreement to construct such improvements prior to the issuance of building permits. Water service extension up to 12" lines are the responsibility of the development. However, the policy provides an exception to this for industrial developments provided the estimated revenues will justify the cost of the extensions. Special assessment financing may be used pursuant to Commission policies.

Many communities take an active role in assisting the development of industrial property due to its potential to facilitate job creation and economic development. The City of Lawrence previously assisted substantially with the development of the East Hills Business Park. The East Hills Business Park was developed by the City and County, along with Douglas County Development, Inc. (DCDI). Specifically, in the case of East Hills, the City provided upfront financing for the street, water, and sewer systems. The City-at-large paid 100% of costs of streets over 27 feet in width and created a mechanism to defer 95% of the remaining street assessments to a point in time that the property was

sold, at which time this cost was reimbursed to the City by the purchaser of the property. 5% of these street assessments were paid by Douglas County and DCDI. The City fully funded all water improvements without reimbursement or payment. Sewer assessments were also deferred until the property was sold and then reimbursed to the City upon sale. Additionally, there are examples, such as the development of Franklin Park PID, south of LRM, where the City did not participate in any of the financing of necessary improvements for industrial property. The extent to which the City may participate in infrastructure improvements related to the proposed Airport Business Park is ultimately a policy decision.

Infrastructure Cost Estimates Related to the Proposed Airport Business Park:

City staff has completed preliminary cost estimates for the extension of necessary infrastructure to the site to support the proposed development. These estimates are summarized on the attachment and outlined below:

- *Utilities:* To provide water and sewer to the site, an extension of 5,000 LF of 12" water main from an existing 12" water main at N. 7th (E1500 Road) and North Street to an existing 8" water main at Highway 24/40 and N. 7th Street will be required, along with the extension of 4,900 LF of dual 6" sanitary sewer force main from a proposed temporary pump station within the development to existing sanitary sewer lines in the area of North 7th and North Street. The estimated total is \$1,873,200 for these improvements. It should be noted that the 2003 Wastewater Master Plan Capital Improvement Program outlines a 2010 project for a sanitary sewer pump station and force main to serve the Lawrence Airport area. It may be prudent to evaluate the construction of the permanent pump station, as opposed to a temporary pump station in this area. There may be additional costs related to easement acquisition and unknown impacts from the KTA widening project on available space for utilities. Assuming that the City would issue 20 year bonds to pay for \$1,050,000 in water improvements and \$824,000 in sewer improvements, the annual debt service would be \$85,000 and \$70,000, respectively. A water rate increase of 0.7% would be required to pay the water portion and 0.4% to pay the sewer portion.
- *Streets and Intersections:* There are significant street and intersection improvements that must be accomplished to accommodate the proposed development. It is possible that some of these improvements might be able to be phased over time as the proposed Park develops. The traffic impact study indicates that the first phase, which would enable the construction of a spec building, would require a dedicated westbound left-turn lane on US 24/40 at N. 7th Street (E1500 Road) with minimum storage length of 100', along with a dedicated northbound left-turn lane on N. 7th Street (E1500 Road) with a minimum storage length of 100'. These combined first phase improvements are estimated to cost \$912,000. Improvements to create additional capacity, and signalization on US 24 at N. 7th (E1500 Road); geometric improvements at N. 3rd Street and KTA; additional capacity, turn lanes and signalization at the intersection of Pine Family Drive and US 24/40; and improvements and signalization of N. 7th Street (E1500 Road) at Bluegrass Drive are estimated to cost \$5,170,000, for a total street infrastructure cost at build-out of \$6,082,000.

The cost of improvements that are likely necessary to improve N. 7th Street (E1500 Road) to City standards have not yet been estimated and were not included in the traffic impact study.

- Stormwater: Off-site stormwater improvements are estimated at \$385,050 and include the construction of a crossroad pipe at 7th Street to divert a portion of the drainage to the east and then two of the recommended improvements from the North Lawrence Drainage Study, which will increase the storage capacity of the channel to the west of the proposed development. These improvements should be adequate to address stormwater issues for the initial phases of the development. There may be additional necessary improvements as the Park reaches build-out.
- Rural Water District #13: A good portion of the proposed Airport Business Park is located within the service territory of Jefferson County Rural Water District #13. At this point, it is unclear exactly what infrastructure the Rural Water District has within the area. City staff has made initial contact with the District, and the District has indicated that it has no set policy regarding compensation from entities moving into its territory and that the District Board would be discussing this matter and the proposed development in the near future. State law requires that as areas are annexed, the City compensate Rural Water Districts for their infrastructure in the area. As a practice, the City requires the developer to pay these costs.

Phasing:

The developer is anticipating phasing of the Park. In order to accommodate the first phase of the development, to enable the construction of a planned spec building, it appears that the construction of all of the off-site utility improvements, the off-site stormwater improvements, and the addition of turn lanes at two of the legs of the intersection of US 24/40 and N. 7th Street (E1500 Road) would be necessary. The total cost of these initial improvements is \$3,170,250. The total of all anticipated off-site improvements at build-out, to include the first phase improvements is \$8,340,250.

Possible Financing Arrangements:

As previously indicated, the extent to which the City participates in assistance with the financing of the off-site improvements is a policy matter. There are a range of various alternatives that could be considered. One example might be for the City to provide up-front financing of the improvements, or a portion of the improvements, with the City deferring a percentage of the assessments until such time a lot is sold by the developer. Further, the City should require certain types of industrial uses that meet the City's economic development goals of increasing quality job creation and not provide assistance for other types of potential industrial uses that either create minimal or no employment opportunities (such as storage units, etc.) A portion of the proposed Park would provide for commercial development. The infrastructure related to this development should be provided 100% by the developer. In any case, it appears that a development agreement with the developer will be necessary if the City participates in any of the improvement costs to ensure that the City's economic development goals are met.

Status of Land Use Issues:

The annexation, rezoning and preliminary plat requests related to the proposed Airport Business Park have been considered by the Planning Commission. The requests have received recommendations for approval subject to a number of conditions that are reflected in the staff reports. Valid protest petitions have been received related to all three rezoning requests. These protest petitions will require the City Commission to have a super-majority action (four affirmative votes) to approve the rezonings. At this time, the estimated date of consideration by the City Commission of the land use issues is the December 4, 2007 City Commission meeting.

Attachment:

1. Airport Business Park Infrastructure Preliminary Cost Estimate Summary

Airport Business Park Infrastructure Summary of Preliminary Cost Estimates

Utilities: Sewer and Water

Sewer	\$588,000.00
Water	\$750,000.00
Engineering, Legal and Admin. 20%	\$267,600.00
Contingency 20%	\$267,600.00
Utilities: Sewer and Water Total*	\$1,873,200.00

Stormwater

Stormwater Total	\$385,050.00
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Streets

Phase A1

<i>Left Turn Lane on US 24/40 for westbound at intersection of E1500 Rd</i>	\$570,000
<i>Dedicated northbound turn lane on E1500 Rd at US 24/40</i>	<u>\$570,000</u>
<i>Subtotal (both turn lanes at once- economy of scale)</i>	<u>\$912,000</u>

Future Phases

Additional lanes on US 24/40 transitioning to two lanes east of E1500 Rd	\$2,600,000
Signalization	\$200,000
Geometric improvements at US 24/40 intersection	\$700,000
Geometric improvements at N. 3rd St and KTA	\$560,000
Pine Family Drive	
Signal at Pine Family Dr and US 24/40	\$200,000
Widening US 24/40 for left turn lane to Pine Family Drive	\$180,000
Widening US 24/40 for right turn to Pine Family Drive	\$180,000
E 1500 Road (N. 7th Street) Improvements	
Consider improvements to meet city standards***	
Widening and right and left turn lanes at Bluegrass Drive	\$350,000
Signalization of E1500 Rd and Bluegrass Drive	\$200,000

Streets Total including both lanes of Phase A1	\$6,082,000
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Total Estimate of All Off-Site Improvements for Phase I**	\$3,170,250.00
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Total Estimate of All Off-Site Improvements at Build-Out***	\$8,340,250.00
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* note concerns regarding KTA project and that easement costs along E1500 Rd being undefined at this time

**first phase includes utilities extensions, stormwater and Phase A1 street improvements

*** does not include possible improvement of 7th Street to City standards