

# *News from the City!*

## **Del Rio Road/Highway 101 Interchange Project**

*By City Manager Rachelle Rickard*

Beyond the history, the beautiful scenery, the climate and all of the other things that make Atascadero a unique and wonderful place to live, the best thing about this community are the people who live here and their deep and abiding love for Atascadero. There are few topics of discussion that stir up more passion in the community than the proposed Walmart/Annex project and the associated Del Rio Road/Highway 101 Interchange Improvement Project. Recently, there have been a number of articles, editorials and Facebook posts about these projects that very clearly demonstrate that passion. I hope to be able provide some clarifying information regarding the fees for the Walmart/Annex Project, how those fees compare to other businesses and what potential solutions are moving forward.

In 2008 a group of citizens proposed an Ordinance which would limit the size of commercial buildings in Atascadero. A ballot measure was placed on the November 2008 ballot which asked the voting public if they agreed with limiting the size of commercial buildings. 68% of Atascadero's voting citizens voted No on this Measure. This was a clear message to the Council that the community was in favor of a big box store.

As part of the Environmental Impact report (EIR) review of the proposed Walmart and Annex projects, a traffic analysis determined that the Del Rio/Highway 101 Freeway Interchange (Interchange) should be improved in order to accommodate the expected traffic from both of the projects. The EIR analysis also showed that the current Interchange configuration could accommodate the Walmart portion of the project while maintaining the City service level standards, but improvements would be needed if both Walmart and the Annex were built.

In addition, due to the two-lane constraint at the freeway overcrossing, the 2008 "Interchange Operational Improvement Study" completed by W-Trans and reviewed by Caltrans recommended roundabouts as the preferred option for the Interchange. In 2009, W-Trans recommended that \$3.75 million be used as a "*very preliminary planning-level discussion*" number for the roundabout project costs.

Based on multiple costs estimates, a "fair share" cost model was prepared for the City by Resource Cost Specialist. The model used \$4.5 million to calculate the fair share cost of the Interchange Improvement Project. It was determined that traffic generated by the Walmart/Annex Project would generate 53% of the freeway interchange traffic.

Because businesses want cost certainty when determining where to locate their business, it is common to charge a fixed dollar amount rather than an unknown future amount. City staff prepared the conditions of approval to require Walmart/Annex to pay their fair share (53%) of the estimated interchange improvement costs based on that \$4.5 million model, with a small provision for cost overruns (up to a maximum of \$200,000 each). This “Special Del Rio Interchange Traffic Impact Fee (TIF)” will be paid in addition to the City’s Standard Traffic Impact Fees charged to other businesses that want to build in town. In addition, a number of other street improvements are required to be constructed by Walmart/Annex.

A standard business building in Atascadero, such as the new Springhill Marriott Building, will pay \$9.37 per square foot in Traffic Impact Fees. In total Walmart/Annex will pay \$20.66 per square foot in Traffic Impact Fees. In comparison, Target paid the City of San Luis Obispo \$18.80 per square foot in TIF, for the more expensive Los Osos Valley Road interchange Project. The City of Atascadero is charging the Walmart project more TIF per project square foot than the City of San Luis Obispo charged Target. In fact, Walmart is paying more per square foot in TIF in Atascadero than any other big box store in San Luis Obispo County has paid, which includes Target and Costco in San Luis Obispo, Walmart and Target in Paso Robles, and Walmart in Arroyo Grande.

Overall, it is expected that Walmart and the Annex will pay \$5.3 million in TIF. In addition to the TIF, the projects will also be responsible for constructing a third roundabout at El Camino Real(ECR)/Del Rio Road, installing a new signal light at ECR and San Anselmo Road, improving a half-mile of ECR as a 4-lane arterial, improving 1,000 feet of Del Rio Road, and installing amenities such as an enhanced transit stop, Class II bike lanes, street landscaping and sidewalks.

The City is responsible for building the improvements to the Interchange as funding becomes available. Walmart may move forward with or without the interchange improvements, the Annex, however, may not open until the interchange improvements are complete.

In anticipation of the oftentimes lengthy Caltrans process for a freeway interchange improvement project, Atascadero’s City Council approved a contract with Wallace Group in 2012 to provide initial engineering for the Interchange Project. While it is still very early in the process, Wallace Group is now preparing to complete and submit the first phase of the Interchange Project to Caltrans. In preparation of the Caltrans submittal, Wallace has prepared an updated cost estimate for the Interchange Project based on a much greater level of detail and using Caltrans cost models. The current cost projections for construction of two roundabouts is about \$9 million dollars, and the design, permitting, inspection, environmental document preparation, materials testing and other soft costs could add \$3 million to the cost of the Interchange Project.

We can all agree that the new approximate \$12 million figure represents a significant increase from the initial rough estimates made back in 2008-2009, and we all want to know why it happened. There are several important factors that played into the early estimates being much lower than current estimates, which include a Caltrans bridge widening requirement for a wider sidewalk that meets current ADA requirements, a significant increase in filling and retaining walls in order to meet the Caltrans cross-slope requirements, a significant increase in right-of-way costs due to requirements for the Ramona Road realignment, and underestimates of the total soft costs. Could some of the costs been anticipated? It's possible. Other increases could only be found through the engineering, design and Caltrans process that have occurred over the last eighteen months.

While it is easy for all of us to look back and say what should have been done, it is important that we look forward to figure out what we will do. I, too, wish that the Del Rio Interchange Project would cost \$4.5 million and that the City could use the TIF that Walmart/Annex are paying to build 100% of the Interchange Project with funds left over to improve traffic at other unrelated places within the City. The reality is that if the City chooses to build the Interchange, the City will have to use the entire \$5.3 million in TIF to pay for the Del Rio Interchange Project. The City will also have to look for ways to bring the cost of the project down and look for grant opportunities.

Remember, these are very preliminary cost estimates and they will continue to be refined and opportunities for savings will be explored. The very obvious potential opportunity for savings is the need for soil. The Walmart/Annex project will require removal of a large amount of soil. The Interchange Project will need soil. Excess soil excavated from the Walmart/Annex site may be available to be used to build the Interchange Project embankments which could result in cost savings of almost \$1 million on the Interchange Project.

The City is also optimistic about the potential of receiving funding assistance for the Interchange Project from SLOCOG as part of their 2015 funding cycle. While SLOCOG funding is not guaranteed at this time, we believe that the combination of project timing, funding match potential, sustainable communities priorities, climate action plan goals and regional needs is an ideal situation for the City to be competitive for SLOCOG grant funding. The City is not asking for a handout or bailout as has been implied, but instead is asking for the same consideration that SLOCOG has given to other important interchange projects in the County such as the soon to be constructed Los Osos Valley Road Interchange Project in SLO (\$32 million project. 50% SLOCOG Funded) the Brisco Road Interchange Project in Arroyo Grande (\$14.4 million project. 45% SLOCOG Funded) and the 101/46East Interchange Project in Paso Robles (\$15.5 million project. 60% SLOCOG Funded).

While we all have a case of sticker shock, the City has time. The current estimate is still a preliminary estimate and per the Wallace Group is very conservative. The Caltrans process is a lengthy process that we have only just begun. The Interchange Project is not expected to be approved by Caltrans for another two years and there is a lot of public process between now and when a contract might be awarded for construction of the Interchange Project.

Some opportunities have already been identified to reduce costs, and we will continue to look for more as we go through the process. The community voted in 2008 to support commercial development and developers are willing to invest in our community. The last piece of the puzzle is to get the infrastructure in place to support the demand. Working together, we can and will find the solutions that are right for our community.

For comments or questions, please contact me at Atascadero City Hall at 470-3400 or visit [www.atascadero.org](http://www.atascadero.org).