

ITEM # 25
DATE: 12-16-14

COUNCIL ACTION FORM

SUBJECT: SOUTH FORK SUBDIVISION – AMENDMENT TO MEMORANDUM OF AGREEMENT

BACKGROUND:

The 2001 Memorandum of Agreement (or “Developer’s Agreement”) for South Fork Subdivision requires the developer to pay 50% of the costs of construction only for the installation of left turn lane improvements at the intersection of Lincoln Way and Franklin Avenue and for a traffic signal with left turn lane improvements at Lincoln Way and Dotson Drive. The City agreed to pay for the remaining 50% of these costs, as well as for any engineering design and right-of-way costs needed to complete these projects.

The agreement stipulates that these improvements will not be constructed until such time as the intersection has fallen below a Level of Service “C” or a final plat is sought for a part of the site east of Dotson Drive and not abutting Dotson Drive, whichever occurs first. The developer, Pinnacle Properties, has recently approached the City with the desire to develop the eastern portions of South Fork Subdivision, and therefore has triggered the requirement that the Franklin and Lincoln way intersection improvements be constructed.

The developer is required to provide security in an amount equal to 50% of the estimated costs of construction only, based upon an engineer’s estimate of probable cost. The most recent construction cost estimate from December 2014 is \$900,000.

City staff submitted an application for an Iowa Department of Transportation (DOT) Traffic Safety Improvement Program (TSIP) grant in the amount of \$500,000, and has been notified by the Iowa DOT that the City was awarded the full amount. Therefore, after applying the value of the grant, \$400,000 remains to be split equally between the developer and the City (\$200,000 each). This is the same arrangement that was used for the first required intersection improvement at Dotson Drive and Lincoln Way, which were accepted as complete by the City Council in August 2014.

On December 11, 2012, City Council replaced the financial security on what was Outlot U and Outlot R, from a mortgage on the properties, to two letters of credit (LOC), one in the amount of \$175,100 and the other in the amount of \$280,000. Therefore, the total security for the Franklin intersections improvements currently equals \$460,100. Based on the most recent estimate and receipt of the IDOT safety grant, the two LOCs should be released or reduced to reflect the revised estimated developer’s share of \$200,000.

ALTERNATIVES:

1. Approve release of the letter of credit for Outlot U in the amount of \$175,100, and reduction of the letter of credit for Outlot R from \$280,000 to a new total amount of \$200,000.
2. Maintain the current security in the form of two letters of credit totaling \$460,100.

MANAGER'S RECOMMENDED ACTION:

This new letter of credit will continue to secure the required offsite intersection improvements at Franklin and Lincoln Way. The project is anticipated to move forward in calendar year 2015; and once complete, will be the final required offsite public improvement of the South Fork Subdivision.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving release of the letter of credit for Outlot U in the amount of \$175,100, and reducing the letter of credit for Outlot R from \$280,000 to a new total amount of \$200,000.