



Item Number: 27

City Council / Board of Directors

Written Communications

Meeting of: December 17, 2024

Submitted By:

Fredy Bonilla, City Engineer

Subject:

Development Impact Fee Credit Agreement against Roadway Fees by and between Prologis, LLC and the City of Victorville

Recommendation:

That the Honorable City Council:

- (1) Approve the attached Development Impact Fee Credit Agreement against Roadway Fees by and between Prologis, LLC and the City of Victorville; and
- (2) Authorize the City Manager and City Attorney to make non-substantive changes and clarifications to the Development Impact Fee Credit Agreement.

Fiscal Impact:

This action will result in an estimated fiscal impact of \$844,047.37. The approval of this agreement will provide a maximum 67% credit against the Road Development Impact Fees (DIF). The Road DIF is estimated to be \$1,259,772.20 and is due at the time of occupancy of the warehouse currently being developed by Prologis at lot 45.

Strategic Plan Goal:

This item aligns with “Goal E Invest in Infrastructure” in the City of Victorville Strategic Plan 2023-2026. This DIF credit agreement will assist Prologis in offsetting the construction of Gateway Drive, a master planned road in the Southern California Logistics Airport Specific Plan Circulation Element.

Background:

On June 7, 2022, the City Council adopted Resolution No. 22-050, which adopted Nexus Studies for various DIF and Capacity Charges, established fees associated with each respective DIF/Capacity Charge category, a Capital Improvement Plan, and Council Policy CP-22-01. Council Policy CP-22-01, which has since been rescinded and replaced by CP-23-02, please see attachment E, which outlines the applicability of developers receiving credits for public improvements a developer installs as part of their project. The

policy requires a developer to submit a letter requesting a credit, internal staff review of the request and Council's approval of a Development Impact Fee Credit Agreement. Please see Attachment D - Prologis Letter Requesting DIF Credits which is dated November 1, 2024.

Furthermore, CP-23-02, Section VII, Subsection B outlines the parameters to which a developer may receive a credit for Road Improvements. The maximum credit is 67% of the Road DIF amount due for the project; the remaining 33% cannot be credited due to the funds having to be received for the SBCTA Nexus Study Road Improvements. The improvement must be listed in the Capital Improvement Plan, under the DIF Road Project list. The refund is based on the center portion of the road based upon the road's classification of arterial, major arterial or super arterial. Costs that are not eligible for reimbursement for a project include utility relocation, state highway projects, or portions of a road that are not within the City's limit.

As such, Prologis, LLC (the developer) received from the City the requisite final development approvals for a 1.3 million square foot industrial warehouse at the Southern California Logistics Airport (SCLA) on Lot 45 just north of the Amazon Fulfillment Center, please see Attachment A, Vicinity Map.

As a condition of approval for the project, the City required the developer to design and construct Gateway Drive, a master planned road in the SCLA Specific Plan Circulation Element, from the existing interim cul-de-sac at the Amazon Fulfillment Center to the northerly City limit at Navigation Road. The developer is also required to design and construct Commerce Avenue and Navigation Road along the southerly and northerly property lines but given their classification in the SCLA Circulation Plan of collector (Navigation Road) and a local road (Commerce Avenue) these street improvements are not eligible for DIF Credits. Gateway Drive is classified as a major arterial and the center lanes are eligible for DIF credits. These street improvements are listed in the Capital Improvement Plan that was approved by the City Council at the December 19, 2023, City Council Meeting.

After the site was entitled in March 2024, the developer submitted construction drawings for plan check, and building permits were issued in June 2024 for the onsite construction. The civil plans for the off-site public improvements required for water, sewer, storm drain, street paving, lighting, striping and signage were approved in July 2024 and the off-site permit was issued in July 2024.

Discussion:

Prologis is ready to begin the construction off-site public improvements in the first quarter of 2025 to keep their project on schedule, as they are hoping to secure a Certificate of Occupancy for Lot 45 by April 15, 2025. Thus, they have submitted a request to receive DIF-Road credits for Gateway Drive, as they will be installing the improvements in lieu of the City installing the improvements.

Of the required public improvements, only Gateway Drive is eligible for DIF Credits. The estimated Road DIF for the project is \$1,259,772.20 and it is calculated based on building size. The unit cost for the Road DIF for a high-cubed warehouse is \$972.24 per 1,000 square feet of construction. The developer is entitled to a 67% credit for the construction of the street improvements. The total cost of constructing Gateway Drive is estimated to be \$2,304,735, but per the City's DIF guidelines only the center lanes are eligible for DIF Credits. The remaining improvements, i.e. graded shoulder, curb & gutter, sidewalk, street lighting, and parkway landscaping are not eligible for DIF credits.

Once the construction is complete, Prologis will be required to submit the following supporting documentation for the actual cost of the work:

- i. General contractor and sub-contractor names and license numbers
- ii. Signed contracts and lien releases for all contractors and subcontractors associated with the work
- iii. Certified payroll substantiating that State prevailing wages were paid

If the total construction costs of the center lanes is less than the estimated credit of \$844,047.37, then Prologis will receive a credit up to the cost of construction of the center lanes. If the total construction costs exceed the credit amount, then Prologis will only receive a 67% credit against the Roadway DIFs.

This is the first DIF credit agreement that has been requested since the city updated the policy relative to DIF credits in June of 2022; the last DIF credit agreement approved by the City Council was in 2013 for the Walmart project at Highway 395/Palmdale Road.

Staff recommends that the Honorable City Council approve the attached DIF Credit Agreement against Roadway Fees by and between Prologis, LLC and the City of Victorville and authorize the City Manager and City Attorney to make non-substantive changes to the aforementioned DIF Credit Agreement.

Staff remains available to answer any questions Council may have.

- Attachments:**
- A. Vicinity Map
 - B. Development Impact Fee Credit Agreement
 - C. ADMN23-00101 Approval Letter
 - D. Prologis Letter Requesting DIF Credits
 - E. City Council Policy 23-02