



City Council Report

Date: July 8, 2009
To: City Council
From: Scott J. Butler
Subject: Resolution to Accelerate Design & Right-of-Way Acquisition for the Gateway Freeway, State Route 802, Phase 1; Council District # 6

Purpose and Recommendation

The purpose of the report is to provide an update and seek Council approval to accelerate the design and right-of-way acquisition for Phase 1 of the State Route 802, Gateway Freeway, Santan Freeway to Ellsworth Road. Staff recommends that the City Council authorize the City Manager to enter into an intergovernmental agreement with ADOT and MAG to accomplish this acceleration.

Background

Over the last year and a half, City staff has been working with staff at ADOT and MAG to advance Phase 1 of SR802, the Gateway Freeway. Advancing the Gateway Freeway would greatly improve access and development of the Mesa Gateway economic activity center.

Originally, the Project scope included advancing design, right-of-way and construction using funds set aside by the Legislature for SR 802. These State funds were a part of a program established by the State Legislature known as the Statewide Transportation Acceleration Needs account or STAN, which included \$20.4 million for SR802. Initially these funds were set aside for SR 802 property acquisition. Last Legislative session, staff was successful in getting a state law changed to allow the STAN funds to be used for interest costs associated with the financing of this advancement.

In January of this year, MAG approved the agreement with the City and ADOT for the acceleration. However, following MAG's approval, the STAN funds were swept by the Legislature to balance the FY 09 State budget. Immediately after the STAN funds were swept, staff began working on a new funding mechanism that would allow the acceleration of Phase 1 to continue without adding any financial burden to the City.

The new approach advances the design and right-of-way for SR802, Phase 1 by roughly four years and does not include construction. The new proposal targets proposition 400 funds specifically programmed for SR 802 "right of way protection" in the MAG Five-Year Transportation Improvement Program. These funds will be used to cover the interest expense associated with issuing debt to finance the acceleration. The current MAG/ADOT Freeway Life Cycle Program includes \$8 million for right-of-way protection in FY 2009 through FY 2012. The estimated cost to accelerate design and right-of-way acquisition is just over \$7 million per the cash flow analysis developed by the City's financial advisor.

Funds for the acceleration would be raised by issuing short-term Highway Project Advancement Notes (HPANs). The City would issue \$45 million in HPANs and advance the funds to ADOT for design and right-of-way acquisition, which would begin in early 2010. ADOT would then repay the City advance with funds programmed in the MAG Five-Year Transportation Improvement Program in 2014 and 2015. The interest cost of the HPAN financing would be funded with monies already programmed in the MAG program for right-of-way protection, which would protect the City and the Program from any financial burden.

Discussion

In May, MAG Regional Council unanimously approved the City's proposed acceleration for the SR802, Phase 1 and gave its Executive Director authority to enter into an agreement with Mesa and ADOT. The MAG members recognized that the opportunity to acquire right-of-way now at current land values and taking advantage of attractive interest rates would result in significant cost savings to the MAG program.

Advancing phase one would also allow the City, to fulfill the required accelerating design and land acquisition which will position the Project for possible acceleration of the construction phase should funds become available. A variety of sources are currently being considered for advancing construction.

Advancing design will also allow the City to plan for the interconnection between the local street system, the Phoenix-Mesa Gateway Airport, the Gateway Freeway and surrounding land uses. This planning is very important to the property owners in the area, the City and Gateway Airport. Once the economy recovers, this area is likely to experience rapid development and property owners in this area are already planning for this to occur.

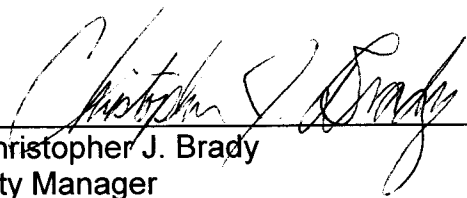
Fiscal Impact

As described above, MAG has set aside \$8 million for right-of-way protection for the SR 802 corridor. The estimated cost for this acceleration is \$7,043,750. Therefore, there are sufficient funds in the MAG program. If repayment is delayed, there would be just under \$1 million remaining the program to cover the added interest costs due to the delay. If additional funds are needed to cover added interest costs due to delay in repayment, this cost would be split evenly between MAG and the City.

Also, in developing the projected cost of the acceleration, an interest rate of 3.5% for the Highway Project Advancement Notes was used. This a very conservative approach given the fact that current interest rates for short-term borrowings is much less than 3.5%. In fact, current rates are less than 2%.

Coordinated With

Staff coordinated this proposal with the Transportation, Economic Development, Engineering, and Development & Sustainability Departments, plus staff at the Phoenix-Mesa Gateway Airport. All of the departments and the Airport support the recommendation.

A handwritten signature in black ink, appearing to read "Christopher J. Brady", is written over a horizontal line.

Christopher J. Brady
City Manager

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESA, MARICOPA COUNTY, ARIZONA, APPROVING AND AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT BETWEEN THE STATE OF ARIZONA DEPARTMENT OF TRANSPORTATION, THE MARICOPA ASSOCIATION OF GOVERNMENTS, AND THE CITY OF MESA FOR ACCELERATION OF THE DESIGN AND RIGHT-OF-WAY ACQUISITION FOR STATE ROUTE 802, THE WILLIAMS GATEWAY FREEWAY, PHASE I

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MESA, MARICOPA COUNTY, AS FOLLOWS:

Section 1: That the agreement between the State of Arizona Department of Transportation, the Maricopa Association of Governments and the City of Mesa to accelerate the design and right-of-way acquisition of the Williams Gateway Freeway, State Route 802, Phase 1, is hereby approved.

Section 2: That the City Manager, Christopher J. Brady, or his designated representative, is authorized and directed to execute the agreement on behalf of the City of Mesa, and the City Clerk is authorized and directed to attest to the signature of the City Manager or his authorized designated representative thereon.

PASSED AND ADOPTED by the City Council of the City of Mesa, Maricopa County, Arizona, this _____ day of _____, 2009.

APPROVED:

Mayor

ATTEST:

City Clerk