

**MEMORANDUM**

Public Works Department

DATE: May 13, 2025

TO: City Council

FROM: Edward Arango, Assistant Public Works Director/City Engineer
Jennifer Ng, Public Works Director

VIA: Kimbra McCarthy, City Manager

SUBJECT: Undergrounding of Utilities at 1020 Terra Bella Avenue, Project 24-38—Update

PURPOSE

This memorandum provides an update on Undergrounding of Utilities at 1020 Terra Bella Avenue, Project 24-38, and a recommendation to close the project due to increasing costs.

BACKGROUND

On [June 30, 2020](#), Council approved a new mixed-use development at 1001 North Shoreline Boulevard and directed staff to consider allocating the project's community benefit funds to various active transportation improvements in the Terra Bella area. The developer has paid \$1.04 million in community benefits to date and is expected to provide an additional \$260,000 when they are ready for their next building permit, currently anticipated to be in approximately 18 months.

At the City Council meeting on March 14, 2023, Council directed staff to bring back options for including a project in the Capital Improvement Program (CIP) to fund undergrounding the overhead utilities along the Terra Bella Avenue frontage for the 1020 Terra Bella Avenue affordable housing project. The rough order of magnitude cost for this project was anticipated to be around \$1 million. As part of the adopted Fiscal Year 2023-24 through Fiscal Year 2027-28 CIP, on [June 27, 2023](#), Council approved redirecting the 1001 North Shoreline Boulevard project's community benefit funds for undergrounding the utilities at 1020 Terra Bella Avenue (Underground Utilities at 1020 Terra Bella, Project 24-38).

At the April 9, 2024 Council Study Session for the CIP, staff recommended to close the project due to the decline in unrestricted funding revenues, demand for other projects without dedicated funding sources, and the need to add \$1.75 million to the project to account for the updated total project cost estimate of \$2.75 million. Council directed staff to maintain the project and add \$1.75 million of unrestricted funds to the project budget. As part of Council's

approval of the budget on June 25, 2024, an additional \$1.75 million of unrestricted funds was added to the project.

DISCUSSION

Staff has been actively working with the developer (Alta Housing) on a funding agreement for Alta Housing to deliver the undergrounding of utilities as part of the development project. This allows the underground work to be coordinated with their project and take place as a part of their street frontage improvements for efficiency and to minimize disruption. As part of this effort, staff expects to return to Council this spring for authorization to enter into a funding agreement with Alta Housing for the City to fund the undergrounding of utilities design and construction. Staff recently received an updated cost estimate of \$3.75 million from the developer, an increase of \$1 million from the previous estimate. **This is still preliminary as the design effort has not started, which would provide a more accurate cost estimate, specifically for construction.** Staff expects this estimate will increase further once the design phase identifies the specifics for the project.

A majority of the costs (\$2.9 million) are for the construction phase of the project. The design phase of the project would start once a funding agreement is executed, and design is expected to be complete by fall 2025. There is sufficient funding in the project for design; however, funding of approximately \$1 million or more will be needed in fall 2025 for Alta Housing to contract for the work and for the City to fully fund the project. There is no dedicated funding source for this project, and the additional \$1 million would have to come from unrestricted funds.

Due to the decline in unrestricted funding revenues, expected projection of these revenues to remain low, and continued demand for other projects, including active transportation projects, without dedicated funding sources, staff recommends closing Underground Utilities at 1020 Terra Bella, Project 24-38, and redirecting the community benefit funds back to active transportation or parks/open space improvements in the Terra Bella area.

As an alternative to closing the project, Council can direct staff to defer the project until additional funding for construction can be identified as a midyear project update or part of the next Capital Improvement Program (CIP) planning process in 2026. The City may have to then design and construct the project separate from the Alta Housing project. This would result in the loss of efficiency of the developer delivering the project while constructing other improvements along their frontage, including additional delay costs, and the general disruption caused by construction activities for the future 1020 Terra Bella residents and Terra Bella neighborhood.

NEXT STEPS

Staff has incorporated the closure of the project into the recommended Five-Year CIP, including allocating the \$1.75 million of the project's unrestricted funding to other projects, such as active

transportation improvements. Should Council direct staff to maintain the project and add \$1 million of unrestricted funds, staff would need to identify other active projects using unrestricted funds to defund.

EA-JN/LL/6/PWK

932-05-13-25M

cc: PWD, APWD—Arango