



## **TITLE**

South Kelly-Highway 29 Intersection Project Budget

## **RECOMMENDATION**

Adopt a Resolution amending the FY2025-26 Capital Budget and increasing the Project Budget from \$1,145,000 to \$5,605,000 in conjunction with the South Kelly-Highway 29 Intersection Project (TR23-0200).

## **CONTACT**

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Ron Ranada, P.E., Senior Civil Engineer

## **BACKGROUND & ANALYSIS**

### **South Kelly Road and SR-29 Intersection Improvements**

South Kelly Road is a two-lane collector providing access to the Napa Valley Business Park and Napa Logistics Park, carrying significant truck traffic and showing substantial pavement deterioration. The road is in failing condition and needs to be fully reconstructed. The roadway is split between jurisdictions: the north half of the road is in Napa County while the south half is in American Canyon.

Napa Logistics Park Phase 2 (NLP2), a development located less than a mile away, completed an Environmental Impact Report (EIR) in 2015 that identified needed circulation improvements, including upgrades at the SR-29/South Kelly Road intersection. As part of the project's Conditional Use Permit (CUP), the developer was required to construct public improvements along South Kelly Road, the SR-29 intersection, and the Devlin Road intersection.

In 2018, the City and the developer entered into a Subdivision Improvement and Reimbursement Agreement outlining these obligations. A 2022 amendment reduced the scope of required improvements based on an EIR Addendum and shifted the developer's responsibility from building the project to providing a payment to the City for a portion of construction of improvements. The City has since programmed the South Kelly-Highway 29 Intersection Project (TR23-0200; "Project") into the FY2025-26 Capital Improvement Program.

### **Napa County Share (South Kelly Road) and Expanded Scope (Tower Road)**

Because South Kelly Road is jointly owned, Napa County is partnering with American Canyon to

ensure the entire roadway is reconstructed. To maximize efficiency, the County also requested adding nearby Tower Road reconstruction to the Project scope. The City is taking the lead in delivering the Project and will be reimbursed for a portion of the cost (Agreement 2024-A163). The design is complete and ready to bid.

### **SR-29 State Highway Improvements**

The Project includes turn lane and widening improvements at the SR-29/South Kelly Road intersection. The City has been advancing design and coordinating with Caltrans throughout the process. There is an opportunity for Caltrans to take over and deliver the completion of design and construction of the SR-29 improvements through a Cooperative Agreement. The City would reimburse Caltrans for this work. Separating the State-highway portion allows the City's project to move forward without delays tied to Caltrans review timelines. The City has submitted the required Request for a Cooperative Agreement, which is currently under Caltrans review. A final agreement will be brought to Council once negotiated.

### **Additional Developer Improvements for Napa Airport Corporate Center**

The Napa Airport Corporate Center (NACC) project includes conditions requiring installation of a recycled water main and various public right-of-way improvements along South Kelly Road. Because the City's reconstruction of South Kelly Road will occur before NACC development begins, incorporating these improvements into the City's Project will prevent future damage to the new roadway.

The developer, G3 Enterprises, supports this approach. A reimbursement agreement for G3's fair-share contribution is being finalized and will be presented to City Council at a later date.

### **Staff Recommendation**

At the time the design services contract was awarded, the Project Budget identified developer contributions as the sole funding source. With the expanded scope noted above, the current Project Budget is no longer sufficient. Hence, staff recommends amending the FY2025-26 Capital Budget to add necessary funding sources and increase the overall Project Budget prior to advertising the Project for bids.

## **COUNCIL PRIORITY PROGRAMS AND PROJECTS**

Infrastructure: "Develop and maintain infrastructure resources to support sustainable growth."

## **FISCAL IMPACT**

The current total Project Budget is \$1,145,000 from developer contributions. This includes contributions from only the NLP2 developer.

Staff has estimated the cost of design and construction for the full scope work including improvements on South Kelly Road, Tower Road, and the SR-29 intersection. The table below shows a breakdown of the Project costs:

<b>Project Cost Description</b>	<b>Estimated Total</b>
Design	\$376,976
Construction	\$5,227,465
<b>Total</b>	<b>\$5,604,441</b>

<b>Fund Source</b>	<b>Current Project Budget</b>	<b>Proposed Increase</b>	<b>New Proposed Project Budget</b>
Revenue from Development - (Fund 350)	\$1,145,000	\$408,826	\$1,553,826
Revenue from Napa County (Fund 350)	\$0	\$2,482,242	\$2,482,242
Measure U (Fund 211)	\$0	\$1,568,932	\$1,568,932
<b>TOTAL</b>	<b>\$1,145,000</b>	<b>\$4,460,000</b>	<b>\$5,605,000</b>

### Napa County Improvements

BKF Engineers commenced work in January 2025 and has diligently advanced the Project to date. To accommodate the expanded improvements within Napa County jurisdiction along South Kelly Road, the existing reimbursement agreement with Napa County for engineering services will be amended to increase the total amount from \$124,013 to \$163,889 to cover the additional design scope requested by the County. A separate reimbursement agreement with Napa County will be brought to City Council for the construction phase of the Project.

### Napa Airport Commerce Center Improvements

To accommodate the inclusion of the developer-required improvements, the agreement with BKF Engineers was amended to increase the contract amount by \$30,509. Funding for the design and construction of NACC-related scope will be provided through a reimbursement agreement.

### Summary of FY25-26 CIP & Project Budget Amendments

Following further refinement of the Project estimates and in consideration of inflationary cost increases, the current Project Budget is insufficient to fund the delivery of the Project improvements. Therefore, staff recommends incorporating Measure U funds to cover the cost of qualifying improvements. Additionally, the scope of the Project has significantly expanded to include Napa County and NACC improvements. Therefore, staff recommends amending the FY2025-26 Capital Budget and increasing the Project Budget from \$1,145,000 to \$5,605,000 in conjunction with the South Kelly-Highway 29 Intersection Project (TR23-0200).

## **ENVIRONMENTAL REVIEW**

### South Kelly Road and SR-29

The project improvements to South Kelly Road and SR-29 were first identified in a 2015 EIR prepared

by First Carbon Solutions that was then amended in June 2022. The 2022 Initial Study/Addendum determined that there was no potential for new or more severe significant environmental impacts, and no subsequent EIR was required to complete the project.

#### Tower Road

The Tower Road reconstruction is Categorical Exempt from CEQA per CEQA Guidelines Sections 15301(c) (Existing Facilities) and 15302 (Replacement or Reconstruction).

### **COMMUNICATION**

Level 0: No Further Public Communication Needed

There is no communication needed with this action, but there will be once a construction contract is awarded.

### **ATTACHMENTS:**

- [1. Resolution - South Kelly Budget Amendment](#)