



## STAFF REPORT

**City Council Meeting Date:** 5/3/2016  
**Staff Report Number:** 16-071-CC

**Informational Item:** Update on the funding status and outreach to major stakeholders regarding the US 101/Willow Road Interchange

### Recommendation

This is an informational item and does not require Council action.

### Policy Issues

The Willow Road Interchange Project (Project) was included in the City's 2012-13 Capital Improvement Program (CIP). At its February 23, 2016 meeting, the Council requested that staff return with information on the status of funding the Project and results of stakeholder outreach.

### Background

On May 7, 2013, Caltrans staff presented a series of design alternatives to the City Council, and the Council voted in support of a preferred design alternative. On November 25, 2013, Caltrans certified the environmental review documents and identified the preferred design alternative for this project, consistent with the Council's recommendations.

Since that time, Caltrans has been preparing the detailed design documents for the project, and is complete. City staff has been involved in reviewing engineering documents and design details that interface with or may affect City streets, utilities, or right-of-way.

The San Mateo County Transportation Authority (SMCTA) through Measure A has provided the main source of funding for the environmental and design phases of this project, supporting the design work underway by Caltrans, as well as funding for consulting support to assist the City with design review.

On June 2 and 16, 2015, the City Council authorized staff to submit an application to the SMCTA Highway Program for construction funding for this Project. On October 1, 2015, the SMCTA Board approved funding of \$56 million of the \$64 million needed for the project, fully funding the capital construction cost. An additional \$8 million was needed to support construction management and oversight of the Project. The City will need to enter into a three-party cooperative agreement with Caltrans and SMCTA to advance the project to construction.

On February 9, 2016 the City Council authorized a request to the SMCTA to fund the balance of the Project cost, a maximum of \$10.4 million for construction management and oversight. The request to SMCTA was submitted in order to reduce Project risk and delay while the City, SMCTA, and C/CAG can continue to explore other funding sources and advocate to Caltrans on behalf of the Project.

On February 23, 2016, the City Council authorized the City Manager to execute a grant deed to transfer a parcel owned by the City to Caltrans, as needed for the Project. The grant deed was executed as of March 24, 2016. The Council also requested staff to conduct outreach to stakeholders on this project and provide a report on feedback for the Project.

## Analysis

The remaining funds necessary for construction management and oversight of the project, approximately \$8 million, were initially anticipated to come from the State Transportation Improvement Program (STIP). The STIP currently has funds for the project programmed in FY2017-18; however, it would be necessary to advance these funds to the current fiscal year in order to stay on the current construction timeline. Based on feedback from C/CAG and MTC, the STIP is significantly underfunded for the current and future fiscal years due to lower than expected gas tax revenues due to lower gas prices. The proposed state budget does not currently include measures to close this funding gap, resulting in delays expected to affect construction projects around the state in the coming years. The US 101/Willow Road Interchange project could be delayed indefinitely if funds cannot be secured. Delays may also result in escalating costs and potential redesign necessary if requirements, standards or site conditions change while the necessary funds are secured.

In addition to delays, the loss of the STIP funds also triggers a Caltrans requirement for application of an administrative overhead surcharge on the Project. According to SB 45, Caltrans is required to fully cover the cost of projects funded by non-state or federal sources. For this Project, it could potentially increase the shortfall to \$10.4 million.

Since the Council's last action, the City, SMCTA and C/CAG have been diligently working to advance the Project. Efforts have been focused in four key areas, as follows. The first three items are detailed further below:

1. Grant funds: staff is considering retuning unused grant funds for this Project to SMCTA to help close the funding gap
2. Caltrans coordination: Mayor Pro Tem Keith and staff attended a meeting with Caltrans to advocate for a waiver for the overhead surcharge and discuss potential options
3. Advance local funds: SMCTA is considering advancing the Project with local funds to be later reimbursed by the state
4. Stakeholder outreach: Staff consulted with stakeholders (Facebook, the David D. Bohannon Organization, Tarlton Properties, and the Sobrato Organization) to request feedback on the Project. Letters of support from Facebook and Tarlton Properties are included in Attachment A.

## Grant Funds

In 2012, the City received a \$500,000 grant award from the SMCTA Highway Program to support the environmental clearance phase of this Project. At that time, the City did not expend the funds and completed necessary review with existing staff time. In 2015, at the outset of the design and construction phases of the Project, SMCTA approved the City's request to roll over the grant award to later Project phases. However, to-date, a minimal amount of support time has been used, and staff anticipates the balance of the Project can be funded with a reduced grant amount of \$100,000. Staff is considering that the remaining \$400,000 be returned to SMCTA in order to help close the funding gap on this Project.

### ***Caltrans Coordination***

On April 18, 2016, Mayor Pro Tem Keith and City staff attended a meeting with Caltrans District Director and Program/Project Management Deputy District Director to discuss the shortfall and the potential application of the surcharge described above. Caltrans indicated that the application overhead rate is required and cannot be waived since it is a requirement of the state legislature. However, if a local agency was to front the funds for the Project, if and when state funds are available to reimburse the local agency in the future, the full amount would be refunded (Project cost plus applicable overhead). Additionally, Caltrans also indicated they are exploring alternative state and/or federal funding sources that may be used for the Project, which would eliminate the application of the overhead rate.

### ***Advance Local Funds***

SMCTA has also requested to enter into a reimbursement agreement with the California Transportation Commission (CTC) to potentially allow a local agency to front funds to keep the Project on schedule. SMCTA would be reimbursed with STIP funds when they become available in the future. This action requires CTC approval, and the Project is currently anticipated to be placed on the CTC's May 18-19, 2016 and June 29, 2016 agendas for consideration. The Council subcommittee (Mayor Cline and Mayor Pro Tem Keith) may choose to attend this meeting to support the Project and MTC's request to the CTC for future reimbursement of local funds.

### **Public Notice**

Public Notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

### **Attachments**

- A. Letters from property owners

Report prepared by:

Nicole H. Nagaya, P.E., Transportation Manager

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**From:** [Lewis Knight](#)  
**To:** [Nagaya, Nicole H](#)  
Re: Willow/101 Interchange - Request for Input  
**Subject:** Tuesday, April 26, 2016 11:54:50 AM  
**Date:**

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Dear Nikki,

**Re: US 101/WILLOW ROAD INTERCHANGE PROJECT**

Thank you for sharing the proposed improvements for this important and long planned project. We note it was first identified in 1989, and as you say, is long overdue. As described, the Preferred Project will address significant improvements and modifications to the interchange, including;

- Vehicular circulation and safety (including addressing current seismic concerns)
- Pedestrian and Bicycle connectivity across US 101 for the immediate neighborhoods,
- Will assist in better connecting downtown Menlo Park with the General Plan Area update of the M2 zone,
- Will address and improve in ground utilities in the immediate project area, and,
- Will improve one of the key entries to our city for the next generation.

This project presents a significant local and regional improvement that the entire City of Menlo Park will benefit from.

We note the proposed construction timetable in 2 phases with planned completion in a 2 to 3 year window with construction beginning as soon as the summer of 2016. We trust that the construction process will be managed to minimize impacts on Belle Haven and current businesses who use Willow Road for access and egress.

We are excited by the timing and the improvements promised by this project and are in support of moving forward as expediently as possible.

Yours Sincerely,

Lewis Knight  
Facebook

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**From:** [John Tarlton](#)  
**To:** [Nagaya, Nicole H](#)  
**Subject:** RE: Willow/101 Interchange - Request for Input  
**Date:** Thursday, April 28, 2016 9:08:01 AM

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Nikki,

Thank you for taking the time to review the plans with me and Chip yesterday.

I appreciate all of the work that you and the rest of staff have done to insure that the bike and pedestrian travel for this new interchange work well - particularly for the Belle Haven community. This is vitally important to help reduce their transit isolation.

With the changes we discussed and some thoughtful work further "west" on Willow to improve the bike connection, we are in support of the plans.

Please let us know if there is anything else we can do to support the project.

Thank You!

John

John C. Tarlton  
President & CEO  
Tarlton Properties, Inc.  
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Menlo Park, CA 94025