



**DATE:** December 6, 2018

**TO:** Council Technology Application Committee

**FROM:** Deputy City Manager

**SUBJECT:** Review of Proposal to Rescope and Phase the Highspeed Hayward Economic Development Administration Grant

### **RECOMMENDATION**

That the CTAC reviews this report and provides feedback on the proposed rescoping and phasing of the project.

### **SUMMARY**

In 2015, the Economic Development Administration awarded the City of Hayward a \$2.74million grant to complete the construction of 11 miles of new fiber conduit throughout the City's industrial corridor. This new construction would tie into the City's existing 9 miles of fiber and conduit to complete a 20-mile loop throughout the City. Given the rising costs of construction in the Bay Area, the originally proposed project budget is no longer sufficient to construct the entire loop. This item outlines a plan to rescope and phase the existing Highspeed Hayward project, so the project can remain on time and on budget while maintaining a pathway to complete the originally proposed 20-mile loop.

### **BACKGROUND**

In 2015, the Economic Development Administration awarded the City of Hayward a \$2.74million grant to complete the construction of 11 miles of new fiber conduit throughout the City's industrial corridor. This new construction would tie into the City's existing 9 miles of fiber and conduit to complete a 20-mile loop throughout the City. Attachment II to this memo includes a map of the originally proposed fiber loop. The original scope provided for 97 pull boxes at intervals of 600 feet and that the loop's route must cross three railroad (Union Pacific) crossings and one highway (Caltrans) crossing.

In 2016, the City adopted a Fiber Optic Master Plan that outlined the best path for the City to establish a municipally owned dark fiber-optic network within the City. This grant is the primary funding for developing the planned network.

### *Grant Progress Update*

The City has made progress on completing the grant's Special Award Conditions (SACs) as described below.

**SAC 16—Architect/Engineer (A/E) Agreement:** The EDA approved the A/E agreement on May 30, 2018. The design work is now underway and is anticipated to be complete by the end of Calendar Year 2018.

**SAC 18—Evidence of Good Title:** The City is working with First American Title to complete a 40-year title search. This work is currently on-going and is anticipated to be completed by December 2018.

**SAC 21—Property Appraisal:** The EDA approved the property appraisal on August 29, 2017.

**SAC 22/23/24—Recorded Covenant/Mortgage/Security:** The City Attorney's Office confirmed with the EDA that a Security agreement would be the appropriate vehicle for securing the EDA's interest in the project property. This will be filed once the Evidence of Good Title SAC has been completed.

**SAC 29-32—SHPO, Fish and Wildlife, Possible Contamination and Water Quality:** The City completed a request for quotes for SACs 29-32 and submitted them for EDA concurrence on September 19, 2018, and again on October 11, 2018 and October 29, 2018. Work on these requirements will begin following EDA approval of the selected company, Rincon.

**SAC 33—CEQA and Continuing Environmental Obligations:** The City filed a notice of exemption as this project is exempt under CEQA section 15303(d). The EDA concurred with this on October 20, 2017.

### *Grant Timeline Extension Requests*

The City has requested two extensions, amending the start of construction date from September 14, 2017 to September 14, 2018 and subsequently to August 1, 2019.

The timeline extensions were to account for additional time needed to secure Caltrans and Union Pacific permits. Additionally, due to staffing shortages at the EDA during 2017 and 2018, EDA review and approval of special award conditions has taken longer than anticipated. Staff is confident that the City will meet the August 1, 2019 start of construction deadline.

### *Estimated Project Cost*

Kimley-Horn estimates the total project cost to be \$6,557,000 for the 11-miles of new construction. Kimley-Horn has phased this project into three parts as designated in Exhibit III. The table below describes the costs of each phase based on what Kimley-Horn has witnessed in similar projects throughout California.

Phase	Estimated Total Cost
1: W. Winton, Cabot, Whitesell	\$1,640,000
2: Industrial from SR92 to Mission	\$3,195,000
3: Huntwood Loop	\$1,724,000
TOTAL	\$6,557,000

## DISCUSSION

The original grant application estimated the cost of the project at \$5,489,648 in 2015.

The grant is a 50% match between the EDA and the City, meaning that the EDA will only contribute \$2,744,824 and the City will need to contribute the same through property valuation or cash contribution. The City, through SAC 21, contributed \$2,108,117 in right of way valuation, leaving the residual amount of \$636,707 to be funded from the City's General Fund. Therefore only \$3,381,531 in cash, or 51% of the estimated cost, will be available to complete the project unless the City contributes to the residual balance of the project.

Additionally, the City's Public Works Department has been receiving bids anywhere between 30% to 100% higher than the City Engineer's Estimates due to the tight construction/labor market throughout the Bay Area.

As described earlier, Kimley-Horn estimates the project construction costs at \$6,557,000 (includes 25% contingency for Phases 1, 2 & 3) utilizing current bid unit costs from fiber optic projects in the area. Phase 1A (closing the loop for Phase 1) is \$236,000 and includes a 25% contingency. Phase 1 is about \$1,640,000 with a 25% contingency.

Furthermore, the EDA requires use of materials built in the United States. According to Kimley-Horn, this too will be an issue as there is only one company, Corning, that is producing fiber-optic cable in the United States. With the increasing demand for fiber-optic cable due in part to the emerging rollout of 5G technology, the cost of fiber will also be potentially difficult to source from a domestic producer at a reasonable cost.

### *Proposed New Scope*

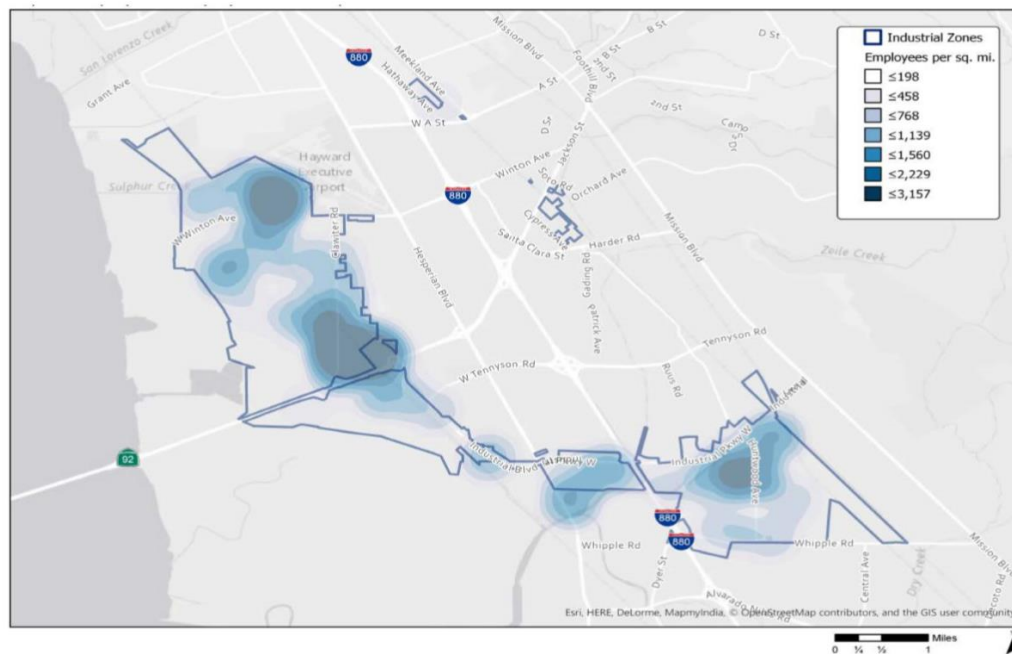
Staff recommends, at the suggestion of the design firm, amending the current EDA scope in a more cost-effective manner to phase the project into three parts and to include the design of a smaller fiber loop north of SR-92. Under this new scope, the current grant would fund the construction of the first phase, a 4.6-mile loop along W. Winton-Cabot Blvd-Whitesell-Clawiter Roads. Of this, 3.3 miles would be new construction and would cost an estimated \$1,876,000 (including a 25% contingency).

The remaining two phases would be completed at a later date, and potentially under additional EDA grant funding.

Under this reduced scope scenario, the smaller fiber loop would serve those industrial corridor sections with the highest concentration of employment, primarily along Clawiter and

W. Winton Roads, as shown in Exhibit 3-3—Concentration of Employment from the 2015 Industrial Corridor Study. The completion of the smaller loop would also add future redundancy to the larger loop as the planned point of presence (POP) is located within this phase along Cabot Blvd.

Exhibit 3-3: 2015 Baseline Employment Concentrations of Top 50 Industrial Businesses



Reducing the scope will ensure that a high-speed fiber optic loop is constructed, and the initial goals of the grant are met. If the current scope is not changed, then the completion of the full fiber loop will be delayed and completed on a marginal basis as the City is able to provide funding incrementally.

Staff working on this grant held a conference call with the EDA to introduce this idea on November 5, 2018. The EDA was generally receptive of the idea and indicated that this has been done before for other cities, especially in California, to accommodate for exponential growth in construction costs.

## ECONOMIC IMPACT

The first phase of this project would still achieve the original grant objectives and service the City's industrial corridor, which continues to lack adequate broadband connectivity. This investment will importantly create an environment conducive to business investment and job creation and will help to serve as a catalyst for advanced manufacturing.

## **FISCAL IMPACT**

There is no immediate fiscal impact by reducing the scope of the grant. Under the existing award, the project can be constructed without further general fund subsidy.

Should the City pursue other grant opportunities to complete the larger loop, there may be additional general fund matching requirements.

## **STRATEGIC INITIATIVES**

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all.

Goal 1:           Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

## **NEXT STEPS**

Following feedback from the CTAC, staff will return to the whole Council with a resolution approving of the proposed rescoping and phasing of the Highspeed Hayward project.

*Prepared by:*           John Stefanski, Management Analyst II

*Recommended by:*   Jennifer Ott, Deputy City Manager

Approved by:



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Kelly McAdoo, City Manager