



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Bill Freehling, Director of Economic Development and Tourism
Mark Whitley, Assistant City Manager
SUBJECT: Amending the FY 2021 Budget for Construction of a Trail at the site of Sumner Partners LLC Property
DATE: March 18, 2021 (for March 23, 2021, City Council meeting)

ISSUE

This involves a proposed sole-source construction contract with Sumner Partners LLC to build a section of the VCR Trail around the proposed Royal Farms store/station at Fredericksburg Park.

RECOMMENDATION

Staff recommends approval of the attached resolution.

The resolution is an appropriation that requires two readings for approval. Given that the resolution is contingent upon the approval of special exception and special use permits that were the subject of a public hearing held March 9, 2021, staff recommends approval of the attached resolution on first and second reading.

DISCUSSION

Sumner Partners LLC is the contract purchaser of a commercial parcel identified as "Fredericksburg Park Land Bay A," located on Alum Spring Road in Fredericksburg. Sumner is the Applicant for the Special Use Permit and Special Exception Permit that will be before City Council at the March 23, 2021, meeting. The Property has been leased to the owner of Royal Farms Stores, which proposes to construct and operate a Royal Farms convenience store and fuel service station there.

The entrance for the proposed Royal Farms store will cross the VCR Trail, a pedestrian/bicycle facility. Sumner is willing to have an alternate trail route constructed in the course of its development of the Royal Farms store, on the condition that the City of Fredericksburg reimburse it for its actual costs and that permits are provided on a timely basis. Staff believes that the development of the Royal Farms store and alternate VCR trail route will be important to the economic health of the City.

A sole-source construction contract can be used to resolve the matter involving the trail at the proposed Royal Farms at Fredericksburg Park/Telegraph Hill. Staff sees the value in having the trail circumnavigate the proposed Royal Farms, but believes the Royal Farms developer cannot legally be required to build the extra portion of the trail. Rather, the City can agree to incentivize the Royal Farms developer to build the full trail through the contract.

It would be less expensive and less disruptive to build the trail at the same time that the Royal Farms is getting constructed. The City could in essence pay the Royal Farms developer to build what will be a public amenity rather than going back in later to do it itself – at the cost of both time and money. The contract would allow the Royal Farms developer to receive from the City the actual cost of planning and developing the extra trail, with the total amount not to exceed \$150,000. The City would make payment within 30 days of the trail’s completion. The funds would be appropriated from the Fredericksburg Opportunity Fund.

The Royal Farms store at Fredericksburg Park/Telegraph Hill is expected to generate approximately \$350,000 a year in tax revenue for the City. Therefore within six months of the store’s opening, the City would have likely recouped its investment in the additional trail – which makes this very similar to a Tax Increment Financing agreement. Staff therefore recommends approval.

FISCAL IMPACT

The City would appropriate the \$150,000 for this extra trail from the Fredericksburg Opportunity Fund. This Fund is set up to provide the City with funding for economic development opportunities that may arise during the course of a fiscal year. It held a fund balance at the close of FY 2020 of \$61,000, and received approximately \$400,000 in funds from the Economic Development Authority during FY 2021 that were unused from the development of the Gateway Boulevard project. This fund is not the same as the “Opportunity Zones” that are part of the federal government’s economic development incentive program. Further, the subject property is not located within a federal “Opportunity Zone.”

The Royal Farms store will likely have generated sufficient tax revenue to cover the cost within its first six months of operations. Going forward, the City can anticipate approximately \$350,000 in annual tax revenue from the Royal Farms.

ATTACHMENTS

Resolution appropriating the funds for the Contract



March 23, 2021
Regular Meeting
Resolution 21-__

MOTION:

SECOND:

RE: Amending the Fiscal Year 2021 Budget to Appropriate \$150,000 from the Fredericksburg Opportunity Fund for the Support of a Trail to be Constructed by Sumner Partners LLC

ACTION: APPROVED: Ayes: 0; Nays: 0

Sumner Partners LLC is the contract purchaser of a commercial parcel identified as "Fredericksburg Park Land Bay A," located at Alum Spring Road, Fredericksburg, Virginia (the "Property"). Sumner is the Applicant for the Special Use Permit and Special Exception pending for the Property before the City Council for the City of Fredericksburg. The Property has been leased to Two Farms, Inc. ("Two Farms"), the owner of Royal Farms Stores, which will construct and operate the Royal Farms convenience store and fuel service station.

The entrance for the proposed Royal Farms store will cross the VCR Trail, a pedestrian/bicycle facility. Sumner is willing to have an alternate trail route constructed in the course of its development of the Royal Farms store.

The City Council has determined that the development of the Royal Farms store and alternate trail route will be important to the economic health of the City. The City Council wishes to provide funding for the agreement from the funds previously returned to the City by the Economic Development Authority that were unused for the development of the Gateway Boulevard project.

Therefore, the City Council hereby amends the budget in the Fredericksburg Opportunity Fund (Fund 226) as follows:

Fredericksburg Opportunity Fund (Fund 226)

Sources:

Fredericksburg Opportunity Fund

Refund from EDA (from Gateway Project) 0226 318840	\$ <u>150,000</u>
Total Fredericksburg Opportunity Fund	\$ <u>150,000</u>
Total Sources	\$ <u>150,000</u>

Uses:

Fredericksburg Opportunity Fund – Royal Farms Trail Contract

Construction Contracts	0226 94959431700	\$	<u>150,000</u>
Total Fredericksburg Opportunity Fund		\$	<u>150,000</u>
Total Uses		\$	<u>150,000</u>

City Council further resolves that the City Manager is authorized to enter into a contract with Sumner Partners LLC as the landowner and contractor for the construction of this trail.

This resolution is effective upon adoption.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Clerk's Certificate

I certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Resolution No. 21-__, adopted at a meeting of the City Council held March 23, 2021, at which a quorum was present and voted.

Tonya B. Lacey, MMC
Clerk of Council