

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM**

**Meeting Date: November 17, 2010**

***Request to Transfer Award to IA Sacramento Development, L.L.C.***

Prepared by: *Diana Michaelson*

<b>Applicant:</b>	IA Sacramento Development, L.L.C.	<b>Type of Funding:</b>	N/A
<b>Project Name:</b>	Sacramento Railyards	<b>Strategic Partner:</b>	CCLR
<b>Project</b>	Sacramento	<b>Amount Requested:</b>	N/A
<b>Location:</b>	(Sacramento County)	<b>Prior Actions:</b>	Application No. 14 Approved 11/19/08 Project Amended 8/26/09

**Summary.** S. Thomas Enterprises of Sacramento, L.L.C. (“Thomas”), the original applicant and awardee, and IA Sacramento Development, L.L.C. (“Inland” or the “New Applicant”), request approval to re-direct or transfer an Infill Grant award of \$5,000,000 from Thomas to Inland for the Sacramento Railyards project (the “Project”) and to also transfer the additional award of up to \$9,760,716 which was conditionally pre-approved at the same November 18, 2008 Board meeting.

**Background.** On November 19, 2008, the Board approved a grant in the amount of \$5,000,000 to Thomas to fund the Project. The Board also pre-approved the Project for additional grant funding in an amount not to exceed \$9,750,716 subject to the conditions that (i) the Authority shall have received sufficient additional funding for the CALReUSE Remediation Program and (ii) the Authority reconfirms the Project funding in a subsequent meeting. On August 26, 2009, the Board approved an amendment which redefined the Project as Project A–cleanup of hazardous materials in the central shops structures–for the \$5,000,000 grant and Project B for the additional \$9,760,716. The redefined project is more fully described in Attachment A.

As part of its financing structure for remediating and developing the Sacramento Railyards, Thomas offered the property as security for loans from IA Sacramento Rail, L.L.C. (Inland Rail). When Thomas could not repay the loans as agreed, Inland Rail recorded a Notice of Default, and on October 22, 2010, the New Applicant acquired title to the Sacramento Railyards property.

The Authority received a request from Thomas and the New Applicant to redirect the \$5,000,000 grant as well as the conditional pre-approved grant funding of \$9,750,716 to Inland, the successor to Thomas. Thomas and Inland have requested that the grant be transferred from Thomas to Inland in order to keep the project moving forward according to the original plan. The New Applicant has assured staff that it is committed to finishing the Brownfield Infill Project and the Infill Development Project as outlined in the grant agreement between Thomas and CPCFA.

**New Applicant.** IA Sacramento Development, L.L.C. is a Delaware limited liability company established September 3, 2010 to own the railyards going forward. It is the owner of the

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property. The sole member of the New Applicant, IA Sacramento Development, L.L.C., is as follows:

IA Sacramento Development VP, L.L.C.	<u>100%</u>
<b>Total:</b>	<b><u>100%</u></b>

Inland American Real Estate Trust, Inc., a Maryland corporation, is the sole member of IA Sacramento Development VP, L.L.C., a Delaware limited liability company, which is the sole member of the New Applicant. The officers of Inland American Real Estate Trust, Inc. are as follows:

- Brenda Gujral, President
- Roberta Matlin, Vice President-Administration
- Lori Foust, Treasurer and Principal Financial Officer
- Jack Potts, Chief Accounting officer
- Scott Wilton, Secretary.

An organization chart of the New Applicant is shown in Figure 1.

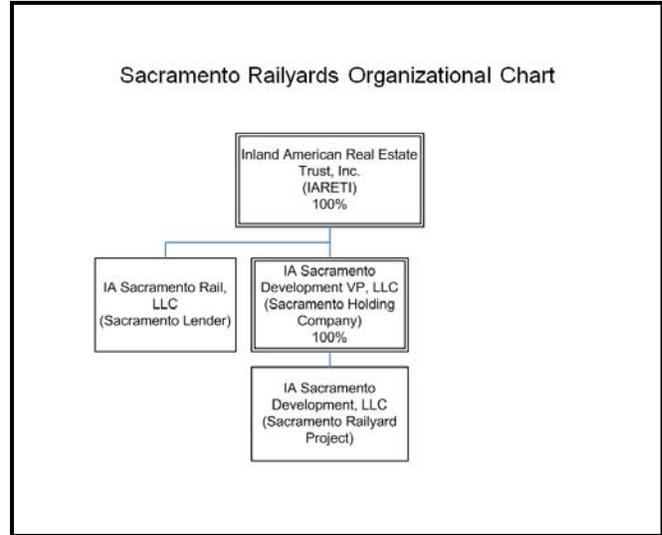


Figure 1

Inland American Real Estate Trust, Inc. and its sponsor and their affiliates have entered into projects in various stages of pre-development and development that include renovations and improvements that involve environmental concerns of governmental entities or community groups. Its key staff has extensive commercial real estate development experience, including the development of brownfield sites.

As part of the necessary due diligence, Authority staff requested and received from Inland 1) an amended application that includes information specific to the New Applicant, and 2) a new legal questionnaire.

**Legal Questionnaire.** Staff has reviewed the New Applicant’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Current Status of Project.** Cleanup of the central shops area is nearly complete and the \$5,000,000 grant funds are nearly all disbursed (\$4,414,607 has been expended to date). A disbursement request of \$443,610 for work already completed is currently under review, leaving approximately \$141,783 of grant funds available to complete Project A.

**Staff Recommendation.** Staff recommends approval of the attached Resolution transferring the previous Infill Grant award for the Project from S. Thomas Enterprises of Sacramento, L.L.C. to IA Sacramento Development, L.L.C.

**A RESOLUTION OF  
THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM  
APPROVING TRANSFER GRANT AWARD FROM S. THOMAS ENTERPRISES OF  
SACRAMENTO, L.L.C. TO IA SACRAMENTO DEVELOPMENT, L.L.C.**

**November 17, 2010**

**WHEREAS**, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, on November 19, 2008 approved a grant for the Sacramento Railyards project (the “Project”) in the amount of \$5,000,000 and pre-approved additional grant funding in an amount not to exceed \$9,750,716 subject to certain conditions, as reflected in that resolution (the “Resolution”); and

**WHEREAS**, the grant was awarded to S. Thomas Enterprises of Sacramento, L.L.C.; and

**WHEREAS**, S. Thomas Enterprises of Sacramento, L.L.C. and IA Sacramento Development, L.L.C., request the award be transferred to IA Sacramento Development, L.L.C., the successor of S. Thomas Enterprises of Sacramento, L.L.C.; and

**WHEREAS**, IA Sacramento Development, L.L.C., has the authority and responsibility to complete the Brownfield Infill Project and Infill Development Project as described in the Infill Application and amended Infill Application; and

**WHEREAS**, approval for amending the Resolution is sought;

**NOW THEREFORE BE IT RESOLVED** by the California Pollution Control Financing Authority, as follows:

**Section 1.** The Resolution is amended to transfer the award of the CALReUSE grant to IA Sacramento Development, L.L.C., for the Project, and all occurrences of “S. Thomas Enterprises of Sacramento, L.L.C.” are replaced with “IA Sacramento Development, L.L.C.”

**Section 2.** The Executive Director, Deputy Executive Director or Chair of the Authority are hereby authorized for and on behalf of the Authority to do any and all ministerial acts, including (without limitation) the execution and delivery of any and all documents and certificates they may deem necessary or advisable in order to effectuate the purposes of this resolution.

**Section 3.** Except as specifically amended in Section 1 and Exhibit A hereof, all provisions and conditions of the Resolution shall remain unchanged and in full force and effect. This resolution shall take effect immediately upon its passage.

**Exhibit A**

TERM SHEET

**Name of Project:** Sacramento Railyards

**Maximum Amount of Grant:** \$5,000,000

**Strategic Partner:** Center for Creative Land Recycling

**Grantee:** IA Sacramento Development, L.L.C.

**Financing Structure:** Grant

**Maximum Grant Term:** September 15, 2015

**Oversight Agency:** California Department of Toxic Substances Control (DTSC)

**Brownfield Infill Project Location:** Former Southern Pacific Transportation Company Sacramento Rail Yard, 401 I Street, Sacramento, California 95814

Further described as Lot Numbers 12, 13, 14, 15, 18, 20, 21a, 21b, 21c, 22, 23, 24b, 25, 26, 27, 28, 29, 30a, and 30b.

**Infill Development Project Description:** The Project will consist of 197 rental housing units at less than or equal to 60% of area median income (AMI) as illustrated below.

Income Limit	Units
≤ 60% AMI	57
≤ 50% AMI	98
≤ 40% AMI	40
Manager's Unit	2
<b>Total Units</b>	<b>197</b>

Description of Activity	Amount Financed by Infill Grant
Brownfields Hazardous Materials Abatement	<u>\$5,000,000</u>
<b>TOTAL ELIGIBLE BROWNFIELD INFILL PROJECT COSTS :</b>	<b><u>\$5,000,000</u></b>

## ATTACHMENT A

## SACRAMENTO RAILYARDS PROJECT DESCRIPTION

**Brownfield Project Description.** The 240 acre brownfield site housed Southern Pacific Railroad's (later Union Pacific Railroad's) principal locomotive and maintenance rebuilding facility since 1863. Operations at the site, referred to as the Shops Area, included assembly and building of locomotives and railroad cars and repairing or refurbishing of the cars and locomotives. The Shops Area also produced rails, steam and ferry parts and cable cars. Many of these activities are associated with lead and other heavy metal waste. Lead, asbestos and heavy metals are the primary constituents of concern.

The primary obstacle to reusing the brownfield is related to hazardous material present in the building structures and soils. Primary infrastructure and access necessary for the success of the Infill Development Project are located within the impacted Shops Area requiring remediation. The Infill Development Project is located on the Railyards "East Side" and will feature two separate developments, one for a 96-unit site, the other a 101-unit site; they are located on parcels 48a and 48b respectively (See Map – Attachment B).

**Project A.** \$5,000,000 will finance the cleanup of hazardous materials in the central shops structures. With the exception of asbestos containing materials (ACM) glazing putties on historic wood doors and windows (as further described below), abatement is expected to include full removal of all ACM; loose and flakey lead-based paint; PCB-containing material; mercury-containing material; waste and debris impacted with heavy metals; and miscellaneous hazardous waste debris. All materials removed as part of the abatement will be disposed offsite in accordance with the designated Oversight Agencies and federal and state regulations. Part of the Shops renovation will also include demolition of three contaminated, non-historic and structurally compromised sheds and several small and structurally compromised outhouses (i.e., privies).

Abatement of ACM glazing putties on historic wood doors and windows requires removal of all glass panes and temporary protection of exposed openings. The high cost of this work and its historic sensitivity falls outside the available funding of the Project A budget and it has been excluded from the abatement contractor's scope of work. Included in the Project A abatement, the loose and flakey lead based paint will be removed and the wood windows and doors will be covered and contained appropriately. Project B includes \$1.8 million for the abatement and removal of ACM glazing putties on the historic doors and windows. Project A abatement is nearly complete at this time.

**Project B.** \$9,750,716 will finance the cleanup of surrounding soil as well as the abatement of ACM glazing putties on historic wood doors and windows. Soil cleanup activities include: utility trenches; excavation for foundation improvements and new foundations, excavations for miscellaneous site improvements; near surface mitigation (asphalt and concrete removal and disposal, soil removal and disposal, import and placement of backfill and sub-base, and replacing

ATTACHMENT A

surface in kind). Completing the following infrastructure improvements will require removal of the surface cover and exposure to regulated soils: trenching for utilities, excavation for foundation improvements and new building foundations, excavations for miscellaneous site improvements, and re-grading of the subsurface soils for drainage.

The table below shows how funding for the eligible activities was allocated in the November 19, 2008 resolution and how funding was allocated under the August 26, 2009 modification to the Project.

Description of Activity	Cost	Initial Allocation	Project A	Project B
Brownfields Hazardous Materials Abatement	\$6,865,927	\$ 2,801,737	\$5,000,000	\$1,865,927
Brownfields Soil Mitigation	594,780	168,260	0	594,780
Utility Trenches	1,841,963	513,988	0	1,841,963
Excavation for Foundation Improvements and New Foundations	519,291	173,097	0	519,291
Near Surface Mitigation	4,669,110	1,256,370	0	4,669,110
Excavations for Miscellaneous Site Improvements	<u>259,645</u>	<u>86,548</u>	<u>0</u>	<u>259,645</u>
<b>TOTAL ESTIMATED COSTS:</b>	<b><u>\$14,750,716</u></b>	<b><u>\$5,000,000</u></b>	<b><u>\$5,000,000</u></b>	<b><u>\$9,750,716</u></b>

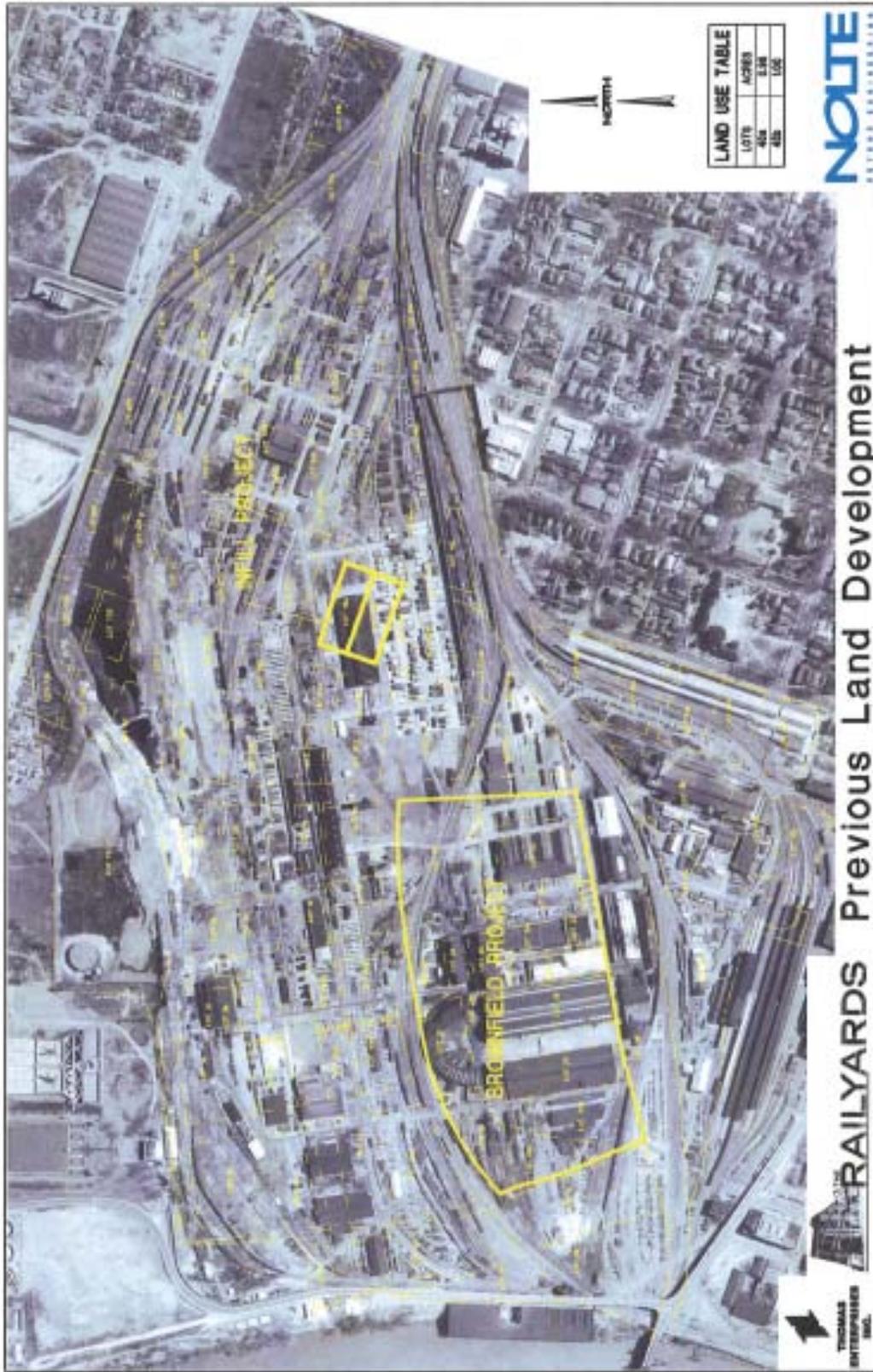
**Oversight Agencies.** The Department of Toxic Substances Control (DTSC) is the lead Oversight Agency for the Project. The Hazardous Materials Abatement activities that would occur in the proposed Project A of the Project will require permits and approval by the Sacramento Air Quality Management District. A copy of the related report will be provided to the DTSC as part of the regulating agency’s oversight of the entire project.

**Infill Development Project.** The Infill Development Project is a two-phased, mixed-use development. Phase 1 will consist of 96 affordable large family units, and Phase 2 will consist of 101 affordable senior units. The Infill Development Project will serve both families and seniors with incomes ranging between 30% and 60% of the area median income.

The Infill Development Project will be part of the redevelopment of the Sacramento Railyards area, a historic Brownfield site to include 12,000 housing units, 1,800 of which will be affordable. The project is centered within the regional Sacramento Intermodal Transportation Facility (“SITF”) featuring light rail, freight and passenger rail, bus and taxi service and is being designed to accommodate future high-speed rail.

The Railyards will also deliver tremendous economic and social benefit to the region. This project will create approximately 19,000 permanent jobs and 2,800 annual construction jobs with an ongoing economic impact of \$2.7 billion per year.

ATTACHMENT B



ATTACHMENT B

