

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
Meeting Date: April 21, 2020**

*Request to Amend Infill Grant Documents under the California Recycle Underutilized Sites
("CALReUSE") Remediation Program*

Prepared by: *Ethan Wieser*

Applicant:	Downtown Railyard Venture, LLC	Type of Funding:	N/A
Project Name:	Sacramento Railyards	Amount Requested:	N/A
Project Location:	Sacramento (Sacramento County)	Prior Actions:	Application No. 14 Approved 11/19/08 Project Amended 8/26/09 Transfer of Grant Award 11/17/10 Transfer and Extension of Grant 9/15/15 Additional Funds Allocation 2/21/17

Summary. Downtown Railyard Venture, LLC (“DRV” or the “Grantee”), requests an amendment of the Infill Grant Agreement to modify the description of the Infill Development Project from 197 units (195 affordable) to 345 units (69 affordable), and to extend the term until December 31, 2022.

Background. On November 19, 2008, the Board approved a grant in the amount of \$5 million to S. Thomas Enterprises of Sacramento, LLC (“Thomas”), to fund the Project. The Board also pre-approved the Project for additional grant funding in an amount not to exceed \$9.7 million 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 from a single \$14.7 million project to two projects consisting of Project A-cleanup of hazardous materials in the central shops structures—for the \$5 million grant and Project B-cleanup of hazardous material in the surrounding area for the additional \$9.7 million

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

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On November 17, 2010 the Board approved a transfer of the \$5 million grant as well as the conditional pre-approved grant funding of \$9.7 million from Thomas to IA Sacramento Development, LLC, a subsidiary of Inland Rail. CPCFA's Executive Director later approved an amendment to change the name of Grantee from IA Sacramento Development, LLC to IA Sacramento Holdings, LLC on May 24, 2011.

On September 15, 2015 the Board approved a transfer of the \$5 million grant as well as the conditional pre-approved grant funding of \$9.7 million, from IA Sacramento Holdings, L.L.C to Downtown Railyard Venture, LLC

On February 21, 2017, the Board awarded the remaining \$9.7 million of pre-approved funding to Grantee. The Board allocated an additional \$1.1 million in funding to the Grantee from a repaid loan and unused grant awards. In addition, the Board authorized the CPCFA Executive Director to allocate up to \$8.6 million if additional funds became available. Additional funds became available and on December 21, 2018, the CPCFA Executive Director allocated an additional \$1 million to the Grantee from recaptured and unused grant awards.

Current Status.

Brownfield Infill Project Cleanup of the central shops covered in Project A has been completed and all necessary documentation including approval of the cleanup by the Department of Toxic Substances Control ("DTSC") has been submitted and accepted by CPCFA. Remedial activities on Project B are nearing completion.

Infill Development Project The project has experienced delays resulting from significant entitlement, infrastructure, and financing challenges.

Challenges Upon acquisition of the property and transfer of the CALReUSE Grant Award in 2015, DRV reviewed the entitlements and concluded that the original entitlements would produce small lot sizes and high densities comparable to Manhattan, New York, that the Sacramento development market could not support. DRV went through a re-entitlement process that has been approved by the City of Sacramento. While the new entitlements reduced infrastructure costs by 20%, it also reduced the maximum number of affordable housing units to no more than 150 units per block. This citywide limitation imposed by the City of Sacramento made the original 197 unit project on Lot 43 infeasible.

Due to the large size (240 acres) of the Railyards, the site's significant infrastructure challenges have also contributed to development delays, especially the financial challenges related to the sewer and storm water outflow systems. To overcome the financial challenges of the sewer and storm water infrastructure projects, the enforceable obligation for tax increment financing that resulted from the dissolution of the California Redevelopment Agencies was terminated in exchange for an income stream of \$60 million over 20 years. This was then financed into an upfront \$36.4 million to finance the sewer and storm water outflow systems. The sewer project is currently under construction and anticipated to be completed in June 2020. The storm water

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outflow project is set to begin in August 2020 and be complete by April 2022. Additionally, DRV spent \$17 million to create services, road, and pedestrian infrastructure to support future housing.

Proposed Project DRV has partnered with affordable housing developer USA Properties Fund (“USA Properties”), to develop a 345 unit (69 affordable) project located on Lot 48 on the Sacramento Railyard site. The 345 unit housing project received design approval from the City of Sacramento in May 2019; an Affordable Housing and Sustainable Communities grant award for \$15.2 million from the California Department of Housing and Community Development in the fall of 2019, and an award of \$85 million in tax exempt bond financing received from the California Debt Limit Allocation Committee in December 2019. DRV expects to close Bond financing in June 2020 and to begin construction August 2020. Construction of the housing development is expected to be completed in December 2022.

Future Quarterly Report Submissions DRV acknowledges that it is imperative that future CALReUSE Quarterly Reports that it submits to CPCFA address all information required by the Infill Grant Agreement, including all project challenges and hurdles impacting development of the Infill Development Project, and any changes in the number of total and affordable units produced by the project. The Grantee has committed to providing CPCFA with the Quarterly Reports in a timely and forthcoming manner and to complying with all the reporting requirements outlined in Section 5.19 of the Infill Grant Agreement.

Current Request. DRV requested the CPCFA Board to amend the description of the Infill Development project from 197 units (195 affordable) to 345 units (69 affordable) and to extend the term of the Infill Grant Agreement from December 31, 2021 to December 31, 2022.

Staff Recommendation. Staff finds the modifications to be in the public interest, and recommends approval of the attached Resolution for Downtown Railyard Venture L.L.C, to amend the description of the Infill Development project from 197 units (195 affordable) to 345 units (69 affordable) and to extend the term of the Infill Grant Agreement from December 31, 2021 to December 31, 2022.

**A RESOLUTION OF
THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
APPROVING THE REQUEST TO AMEND THE INFILL GRANT DOCUMENTS FOR
DOWNTOWN RAILYARD VENTURE, LLC**

April 21, 2020

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, on November 19, 2008 approved a CALReUSE Remediation Program grant for the Sacramento Railyards project (the “Project”) in the amount of \$14.7 million as reflected in that resolution (the “Resolution”); and

WHEREAS, Downtown Railyard Venture, LLC requested the Authority amend the description of the Infill Development Project from 197 units (195 affordable) to 345 units (69 affordable) for Sacramento Railyards Project, and to extend the term of the Infill Grant Agreement from December 31, 2021, to December 31, 2022;

WHEREAS, the Authority finds that the modification to the Infill Development Project and extension to the term of the Infill Grant Agreement are in the public interest, and advances the purpose of the Program; and

WHEREAS, Downtown Railyard Venture, LLC, will comply with all of the Quarterly Reporting requirements in Section 5.19 of the Infill Grant Agreement, including notifying CPCFA of any obstacles or delays in the Infill Development Project, and any changes to the number and affordability of housing units of the Infill Development Project; and

WHEREAS, Downtown Railyard Venture, LLC, has the authority and responsibility to complete the Brownfield Infill Project and Infill Development Project; and

WHEREAS, approval for amending the Infill Grant Agreement dated June 25, 2009 is sought;

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

Section 1. The Infill Grant Agreement dated June 25, 2009 is amended to change the description of the Infill Development Project to a 345-unit rental housing project, of which 69 units shall be restricted for residents that earn no more than 60% of area median income.

Section 2. The Infill Grant Agreement dated June 25, 2009 is hereby extended until December 31, 2022.

Resolution No. 20-03-001

Section 3. Except as specifically amended by this Resolution, all provision and conditions of the Infill Grant Agreement dated June 25, 2009 as amended thereafter shall remain unchanged and in full force and effect.