

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY (CPCFA)
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
Meeting Date: June 20, 2023**

**Request to Extend Infill Grant Agreement under the California Recycle
Underutilized Sites (CALReUSE) Remediation Program**

Prepared by: *Robert Salls*

Applicant: Downtown Railyard Venture, LLC
Project Name: Sacramento Railyards

Project Location: Sacramento (Sacramento County)
Type of Funding: Grant
Amount Awarded: \$7,126,857.56
Amount Disbursed: \$7,119,825.29
Resolution No.: 23-03-002
Prior Actions: Application No. 14 Approved 11/19/08
Amended 08/26/09
Transferred 11/17/10
Amended 05/24/11
Transferred and Extended 09/15/15
Additional Funds Allocation 02/21/17 and 12/21/18
Amended 04/21/20
Extended 07/19/22

Summary

Downtown Railyard Venture, LLC (“Grantee”) requests an extension of the Infill Grant Agreement, dated June 25, 2009, from July 31, 2023, to July 31, 2024 (Attachment A).

Project Background

On November 19, 2008, the Board approved an Infill Grant Agreement (“Grant”) in the amount of \$5 million to S. Thomas Enterprises of Sacramento, LLC (“Thomas”), to fund the Brownfield Infill Project (“Project”) and complete the Infill Development Project (“Housing”). 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 from a single project to two projects consisting of Project A, cleanup of hazardous materials in the historic central shops structures for the \$5 million grant, and Project B, cleanup of hazardous material in the surrounding area for the additional \$9.75 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.

On November 17, 2010, the Board approved a transfer of the Grant as well as the conditional pre-approved amount 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.

As part of further negotiations for financing the development of the Sacramento Railyards site, Downtown Railyard Venture, LLC acquired the Sacramento Railyards site and CALReUSE project from IA Sacramento Holdings, LLC. On September 15, 2015, the Board approved a transfer of the Grant as well as the conditional pre-approved amount, from IA Sacramento Holdings, LLC to Downtown Railyard Venture, LLC, and extended the expiration to December 31, 2021.

The Supplemental Environmental Impact Report (SEIR) was approved by the Sacramento City Council in November 2016.

On February 21, 2017, the Board reconfirmed the award of \$9.75 million of pre-approved funding to Grantee. The Board allocated an additional \$1,111,771.84 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.

On December 21, 2018, the CPCFA Executive Director allocated an additional \$1,015,085.72 to the Grantee from recaptured and unused grant awards. Including the initial \$5,000,000 grant and the second allocation on February 21, 2017, this third allocation brought the total allocation to \$7,126,857.56.

Following SEIR approval the Grantee and City completed funding and construction of the significant quantity of required infrastructure. During this time the Grantee applied for a grant and arranged financing for the Housing project and submitted construction drawings for a 345-unit mixed income, mixed-use residential project to the City in December 2019.

On April 21, 2020, the Board approved an amendment to the Infill Grant Agreement to modify the description of the Housing from 197 units (195 affordable) to 345 units (69 affordable), and to extend the term until December 31, 2022.

The Housing project, known as Railyards Activation, Housing and Mobility (“RAHM”) received an award from the Department of Housing and Community Development’s (HCD) Affordable Housing and Sustainable Communities Program (AHSC). The AHSC award requires construction of at least 61 income restricted units. The Housing project was designed with 345 units including the 20% income restricted units required for bond financing, resulting in 69 income restricted units. The AHSC grant funded portions of several infrastructure projects and partially off-set the cost of providing the 69 income-restricted units.

In July 2020, RAHM closed on its financing, followed by pulling a phased permit, and beginning site work in August 2020. RAHM received its building permit in December 2020. At that time, the COVID-19 Pandemic created supply chain disruption, construction labor shortages, and delays in City inspections resulting in a revised schedule with final Certificate of Occupancy (CO) in July 2023.

On July 19, 2022, the Board approved an amendment to the Infill Grant Agreement to extend the term until July 31, 2023.

Project Delays Leading to Extension Request

On April 10, 2023, five individuals gained access to the site of the project and turned on a fire hose valve on the 6th floor of one of the buildings. The large volume of water caused substantial damage to the structure and improvements on every floor. Because of the integrated design of the building interconnected building systems were damaged. A portion of the building would have been ready for move-in starting May, but because of the damage to interconnected building systems and public areas this has been delayed. Because of the damage caused to the existing construction portions of the project will need to undergo remediation and re-building. At this time, the developer is expecting a minimum of 6 months delay in construction of the housing. The Grantee has included additional time to account for further construction delays and has requested an extension to July 31, 2024. However, the Grantee states that if Certificates of Occupancy can be obtained earlier, they will submit them in advance of the expiration date.

Current Situation

Grantee completed cleanup of the historic central shops covered in Project A and all necessary documentation including approval of the cleanup by the Department of Toxic Substances Control (“DTSC”) has been submitted and accepted by CPCFA. Grantee completed cleanup of hazardous materials in the Project B areas, proportional to the amount of grant funding allocated, and completion of documentation is in process.

The commencement of construction of the Housing component was linked to certain infrastructure to be provided by City of Sacramento (“City”), including railroad track relocation, extension of existing roads into the site, and a new off-site sewer project, for which the Grantee procured financing. Infrastructure construction by the Grantee was also integral to receiving City approval to initiate construction of the Housing, including roadway construction and frontage improvement within the site, sewer extension, and expansion of the stormwater retention basin. Currently, planning and design of the private plaza and roadway infrastructure within the historic central shops, including the Project A site, is complete. Plaza and roadway plans were approved by the City and construction is expected to begin August 2023. Other infrastructure planning and construction currently underway includes bike lane improvements, stormwater outfall pump station, light rail station and light rail track relocation.

The Grantee has completed remediation and despite the new delay caused by vandalism they continue to make progress towards the completion of the housing development. The Grantee’s project manager intends to participate in the Board meeting remotely to provide an update on the construction progress and answer any questions.

Staff Analysis

Extending the term of the Infill Grant Agreement through July 31, 2024, allows the Grantee to deal with the damage caused by vandalism, obtain certificates of occupancy, and complete the development of housing, furthering the completion of the Brownfield Infill Project, which the Board may determine is in the public interest.

Board Action

CPCFA staff recommends approval of a resolution extending the term of the Infill Grant Agreement from July 31, 2023, to July 31, 2024. Staff has prepared a resolution that the Board can utilize if they wish and is available to answer Board questions.

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

June 20, 2023

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 Infill Grant Agreement to extend the term from July 31, 2023, to July 31, 2024;

WHEREAS, the Authority finds that the 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 hereby extended until July 31, 2024.

Section 2. Except as specifically amended by this Resolution, all provisions and conditions of the Infill Grant Agreement dated June 25, 2009, as amended thereafter, shall remain unchanged and in full force and effect.