



# REPORT TO COUNCIL

## City of Sacramento

# 19

915 I Street, Sacramento, CA 95814-2604  
www.CityofSacramento.org

Staff Report  
**March 10, 2008**

**Honorable Mayor and  
Members of the City Council**

**Title:** Proposition 1C TOD Housing and Infill Infrastructure Programs: Second Year Applications :

**Location/Council District:** Citywide

**Recommendation:** Approve a 1) **Resolution:** authorizing the City Manager to submit an application to the State on behalf of the Railyards for round 2 of the Proposition 1C TOD Housing Program; approve a 2) **Resolution:** authorizing the City Manager to submit an area application for the Township 9 project for the Proposition 1C Infill Infrastructure Grant Program in order to secure full funding for the project; and 3) direct staff to provide support for the Railyards' application for Proposition 1C Infill Infrastructure Grant Program funds and direct staff to prepare letters of support for other local projects pursuing Proposition 1C funding.

**Contact:** Marty Hanneman, Assistant City Manager, 808-7508 and Patti Bisharat, Director of Government Affairs, 808-8197

**Presenters:** Marty Hanneman

**Department:** City Manager's Office

**Division:** Government Affairs

**Organization No:** 02001021

### **Description/Analysis**

**Issue:** In 2006 California voters approved Proposition 1C which provides funding for existing affordable housing programs and created three new programs designed to promote affordable housing and infill development including the Transit Oriented Development (TOD) Housing Program, the Infill Infrastructure Grant (IIG) Program, and the Brownfield (CALReUSE Remediation) Program. Both the TOD and Infill programs provide funding for infrastructure that supports residential and mixed-use infill development including affordable housing.

On February 19, 2008, Council authorized the City Manager to apply on behalf of the Railyards for funding through the TOD Housing Program for round 1 and also to apply for funding from the Infill Infrastructure Program on behalf of Township 9 (refer to Attachment 4). On March 18, 2008, City Council further identified the

Railyards as the City's priority for future rounds of TOD and Infill Infrastructure Program funding in Resolution 2008-164 (refer to Attachment 5).

In June 2008, the State Department of Housing and Community Development (HCD) announced its awards for Prop. 1C funds. Projects within the City of Sacramento were very successful in the first year of funding with awards totaling over \$70 million as shown in Table 1. The State awarded the Railyards full funding under both the TOD Housing Program and the Infill Infrastructure Grant Program while Township 9 received partial funding of \$19.1 million out of the \$30 million for which it was eligible due to limited remaining funds in round 1. Township 9 was one of only three applications statewide to receive partial funding.

**Table 1  
Proposition 1C – Round 1 Awards**

<b>TOD HOUSING PROGRAM</b>			
<b>Project</b>	<b>Total Units</b>	<b>Requested</b>	<b>Awarded</b>
Railyards	457	\$17,000,000	\$17,000,000
<b>INFILL INFRASTRUCTURE GRANT PROGRAM</b>			
<b>Area/Project*</b>	<b>Total Units</b>	<b>Requested</b>	<b>Awarded</b>
Broadway Lofts (Project)	109	\$4,406,480	\$4,406,480
Township 9 (Area)	753	\$30,000,000	\$19,100,000
Railyards (Area)	653	\$30,000,000	\$30,000,000
<b>TOTAL</b>	<b>1,972</b>	<b>\$81,406,480</b>	<b>\$70,506,480</b>

\* For the IIG Program, there were two funding categories based on project size. The "Area" category was for larger developments; smaller projects competed in the "Project" category.

Township 9's award was \$19.1 million despite the fact that Township 9 met all the threshold requirements and scored above HCD's scoring threshold for funding. HCD has acknowledged that Township 9 was eligible to receive the full \$30 million, but there was not enough first-year money available to fully fund the project. As a result of this situation, staff is recommending for round 2 that the City apply again on behalf of Township 9 for \$10.9 million from the Infill Infrastructure Grant Program in order to secure full funding for the project (refer to Attachment 3).

Under this approach, the City would again apply on behalf of the Railyards for the second round of Proposition 1C TOD Housing Program funds (refer to Attachment 2). Furthermore, the City would also support and assist the Railyards' application for funding under the Infill Infrastructure Grant Program. Letters of support would be provided for all other projects in Sacramento seeking Prop. 1C funds.

**Policy Considerations:** This recommendation is consistent with Council Resolutions 2008-098 and 2008-164 adopted on February 19, 2008 and March 18, 2008, respectively. The recommendation is also consistent with the City's Smart Growth

Principles, the 2002 Infill Strategy and the Vision and Guiding Principles for the new 2030 General Plan.

**Committee/Commission Action:** None.

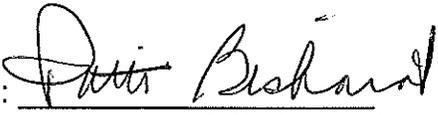
**Environmental Considerations:** Not a project under Section 21065 of CEQA and CEQA Guidelines Section 15378 (b)(4).

**Sustainability Considerations:** Both the Railyards and Township 9 provide housing near existing jobs and light rail, which is expected to reduce vehicle use and thus greenhouse gas emissions.

**Rationale for Recommendation:** The Railyards and Township 9 are major infill and transit-oriented development projects which are expected to promote increased transit ridership in Sacramento. Both projects meet the criteria of the TOD Housing and Infill Infrastructure Grant Programs. State bond funding is critical to both these projects to address significant infrastructure needs and promote infill development in that area. The City will be applying again on behalf of the Railyards for funding from the TOD Housing Program. In order to ensure that Township 9 receives full funding under the Infill Infrastructure Grant Program, the City will also be applying on behalf of that project to secure the remaining \$10.9 million.

**Financial Considerations:** As part of the implementation of the financing plan for the Railyards, the City has committed to providing funding for infrastructure and public facilities in the Richards-Railyards area totaling approximately \$200 million. This includes such projects as rail track relocation and improvements to 5<sup>th</sup> and 7<sup>th</sup> Streets which will benefit both the Railyards and Township 9. The City is also investing in the reconstruction of North 7<sup>th</sup> Street adjacent to the Township 9 project. Over time, City and redevelopment funding is expected to significantly exceed those amounts but both state and federal funds are being sought for the area and both projects. The Railyards infrastructure and public facilities are estimated to cost a total of \$750 million and Township 9's estimate is \$40 million. The TOD and Infill program funds will help to reduce total infrastructure costs for the City and developers. No General Fund dollars are involved in this recommendation.

**Emerging Small Business Development (ESBD):** No goods or services are being purchased under this report.

Respectfully Submitted by:   
Patti Bisharat  
Director of Governmental Affairs

Recommendation Approved:

  
\_\_\_\_\_  
Ray Kerridge  
City Manager

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**ATTACHMENT 1  
BACKGROUND**

For the first round of funding for the Proposition 1C TOD Housing Program, the City submitted one application on behalf of the Railyards seeking \$17 million, the maximum grant amount. For the first-year of the Infill Infrastructure Grant Program, the City identified Township 9 as its first priority and Railyards as its second priority. The City submitted one application on behalf of Township 9 for \$30 million, the maximum grant amount. The City also provided letters of support for Thomas Enterprises' application for \$30 million for the Railyards. The developers of the Broadway Lofts project also applied in the smaller project category for approximately \$4.4 million and received a letter of support from the City.

During round 1 of funding, the State set aside \$240 million for the Infill Infrastructure Grant Program and \$95 million was set aside for the TOD Housing Program. Due to the number of applications received and the large demand for funding, the Legislature passed and the Governor signed AB 1252 which shifted funding from the third round of the program to the first round. This resulted in an additional \$100 million for the Infill Infrastructure Grant Program and \$50 million for the TOD Housing Program. On June 30, 2008, HCD announced the grant awards for both the TOD Housing and Infill Infrastructure Grant Programs. All of the Sacramento projects received full funding except Township 9. While Township 9 scored high enough to receive full funding, there was insufficient money remaining in the first year to fully fund Township 9. So Township 9 received only \$19.1 million out of \$30 million.

In round 2, the State has set aside \$197 million for the Infill Infrastructure Grant Program and \$95 million for the TOD Housing Program. The guidelines have been revised slightly and a summary is provided in Attachment 6. Applications for both programs are due at the beginning of April and award letters are expected to go out in late June 2009. Given the current budget situation with the State, it is unclear when funding will actually be available for the projects since the State has not yet started selling bonds.

**ATTACHMENT 2**

**RESOLUTION NO.**

Adopted by the Sacramento City Council

**March 10, 2008**

**AUTHORIZING THE CITY MANAGER TO  
APPLY TO THE PROPOSITION 1C TOD  
HOUSING PROGRAM ON BEHALF OF  
THOMAS ENTERPRISES' DOWNTOWN  
RAILYARDS PROJECT**

**BACKGROUND**

- A. The Railyards is a catalyst transit-oriented development project which includes the Sacramento Intermodal Transportation Facility as well as a second light rail station.
- B. The Railyards consists of a significant amount of housing, including affordable housing, and will ultimately result in thousands of residential units and millions of square feet of office, retail and mixed-use development that will a vibrant new infill destination adjacent to Downtown.
- C. The project has significant infrastructure needs that require the use of additional funding sources such as State bond funds.
- D. On March 18, 2008, Council identified the Railyards as the City's top priority for funding through the Proposition 1C TOD Housing Program.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL  
RESOLVES AS FOLLOWS:**

- Section 1. That the City's top priority for round 2 of the Proposition 1C TOD Housing Program is the Railyards project; and
- Section 2. That the City Manager shall work with Thomas Enterprises to submit the City's application on behalf of the Railyards to the State Department of Housing and Community Development for funding from the TOD Housing Program.

**ATTACHMENT 3**

**RESOLUTION NO.**

Adopted by the Sacramento City Council

**March 10, 2009**

**HEREBY AUTHORIZES THE SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING UNDER THE INFILL INFRASTRUCTURE GRANT PROGRAM; THE EXECUTION OF A STANDARD AGREEMENT IF SELECTED FOR SUCH FUNDING AND ANY AMENDMENTS THERETO; AND ANY RELATED DOCUMENTS NECESSARY TO PARTICIPATE IN THE INFILL INFRASTRUCTURE GRANT PROGRAM.**

**BACKGROUND**

- A. The City of Sacramento, a municipal corporation, wishes to apply for and receive an allocation of funds through the Infill Infrastructure Grant Program; and
- B. The California Department of Housing and Community Development (hereinafter referred to as "HCD") has issued a Notice of Funding Availability ("NOFA") for the Infill Infrastructure Grant Program established under the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) pursuant to the Infill Infrastructure Grant Program established Part 12 of Division 31 of the Health and Safety Code, commencing with Section 53545.12.
- C. Pursuant to the statute, HCD is authorized to approve funding allocations utilizing monies made available by the State Legislature, subject to the terms and conditions of the statute and the Infill Infrastructure Grant Program Guidelines implemented January 30, 2009; and
- D. The City of Sacramento wishes to submit an application to obtain from HCD an allocation of the Infill Infrastructure Grant Program funds in the amount of \$10.9 million in support of the Township 9 project.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

- Section 1. The City of Sacramento shall submit to HCD an application to participate in the Infill Infrastructure Grant Program in response to the NOFA issued on January 30, 2009 which will request a funding allocation in the amount of \$10.9 million for the following activities for the Township 9 infill development project, which is a Qualified Infill Area and is

located in the River District, north of Richards Boulevard and south of the American River:

- Riverfront Park development;
- Parking structure for the residential development; and
- Street improvements, utilities, landscaping and lighting for the following streets:
  - Richards Boulevard/N. 5<sup>th</sup> Street
  - Riverfront Drive
  - Signature Street
  - 4 additional streets for the project

Section 2. If the application for funding is approved, the City of Sacramento hereby agrees to use the Infill Infrastructure Grant Program funds for eligible activities in the manner presented in the application as approved by HCD and in accordance with program Guidelines cited above. It also may execute any and all other instruments necessary or required by HCD for participation in the Infill Infrastructure Grant Program.

Section 3. The City Council authorizes the City Manager to execute in the name of the City of Sacramento the application, the Standard Agreement, and all other documents required by HCD for participation in the Infill Infrastructure Grant Program, and any amendments thereto.

Adopted by the City of Sacramento City Council on March 10, 2009 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

\_\_\_\_\_  
Mayor Kevin Johnson

The City Clerk of the City of Sacramento does hereby attest and certify that the foregoing is a true and full copy of a resolution of the City Council adopted at a duly convened meeting on the date above-mentioned, which has not been altered, amended or repealed.

\_\_\_\_\_  
Shirley Concolino, City Clerk

**ATTACHMENT 4**

**RESOLUTION NO. 2008-098**

Adopted by the Sacramento City Council

February 19, 2008

**AUTHORIZATION AND SUPPORT FOR APPLICATIONS TO THE STATE FOR  
PROPOSITION 1C FUNDS**

**BACKGROUND**

- A. The 244-acre Railyards project and the 65-acre Township 9 project are both located in the Richards Boulevard Redevelopment Area;
- B. Both projects have significant infrastructure needs that require the use of additional funding sources such as State bond funds;
- C. On December 12, 2007, Council approved the financing plan for the Railyards project that identified the need for State Proposition 1C funds for the project and in August 2007, Council approved the Township 9 development;
- D. Both the Railyards and Township 9 are catalyst transit-oriented development projects which encompass three transit stations that will transform the Richards Boulevard Redevelopment Area and the Downtown;
- E. The Railyards and Township 9 projects will each develop over 850 residential units, including affordable housing, and will ultimately result in thousands of residential units and millions of square feet of office, retail and mixed use development that will create vibrant new infill destinations; and

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL  
RESOLVES AS FOLLOWS:**

- Section 1. That the City's top priority for the current year funds from the Proposition 1C TOD Housing Program is the Railyards project; and
- Section 2. Staff is directed to work with Thomas Enterprises to submit an application to the State Department of Housing and Community Development for funding from the TOD Housing Program, and
- Section 3. That the City supports the Township 9 project as the first priority for Proposition 1C Infill Development Housing program current year funding and the Railyards project as second priority based on the draft guidelines currently available.
- Section 4. Staff is directed to return to Council when the guidelines for Proposition 1C Infill Development Housing Program funds are finalized to discuss how to best optimize the application process.

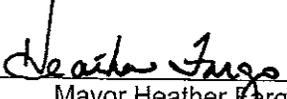
Adopted by the City of Sacramento City Council on February 19, 2008 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy,  
Tretheway, Waters, and Mayor Fargo.

Noes: None.

Abstain: None.

Absent: None.

  
\_\_\_\_\_  
Mayor Heather Fargo

Attest:

  
\_\_\_\_\_  
Shirley Concolino, City Clerk

**ATTACHMENT 5**

**RESOLUTION NO. 2008-164**

Adopted by the Sacramento City Council

**March 18, 2008**

**AUTHORIZES THE SUBMITTAL OF AN APPLICATION TO THE CALIFORNIA STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT FOR FUNDING UNDER THE INFILL INFRASTRUCTURE GRANT PROGRAM; THE EXECUTION OF A STANDARD AGREEMENT IF SELECTED FOR SUCH FUNDING AND ANY AMENDMENTS THERETO; AND ANY RELATED DOCUMENTS NECESSARY TO PARTICIPATE IN THE INFILL INFRASTRUCTURE GRANT PROGRAM.**

**BACKGROUND**

- A. The City of Sacramento, a municipal corporation, wishes to apply for and receive an allocation of funds through the Infill Infrastructure Grant Program; and
- B. The California Department of Housing and Community Development (hereinafter referred to as "HCD") has issued a Notice of Funding Availability ("NOFA") for the Infill Infrastructure Grant Program established under the Housing and Emergency Shelter Trust Fund Act of 2006 (Proposition 1C) pursuant to the Infill Infrastructure Grant Program established Part 12 of Division 31 of the Health and Safety Code, commencing with Section 53545.12.
- C. Pursuant to the statute, HCD is authorized to approve funding allocations utilizing monies made available by the State Legislature, subject to the terms and conditions of the statute and the Infill Infrastructure Grant Program Guidelines implemented February 28, 2008; and
- D. The City of Sacramento wishes to submit an application to obtain from HCD an allocation of the Infill Infrastructure Grant Program funds in the amount of up to \$30 million in support of the Township 9 project.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:**

Section 1. The City of Sacramento shall submit to HCD an application to participate in the Infill Infrastructure Grant Program in response to the NOFA issued on February 28, 2008 which will request a funding allocation in the amount of up to \$30 million for the following activities for the Township 9 infill development project, which is located in the River District, north of Richards Boulevard and south of the American River:

- Richards Blvd. light rail station and plaza development;
- Riverfront Park development;

- Parking structure for the residential development; and
- Street improvements, utilities, landscaping and lighting for the following streets:
  - Richards Boulevard
  - North 7<sup>th</sup> Street
  - Riverfront Drive
  - 4 additional streets for the project

Section 2. If the application for funding is approved, the City of Sacramento hereby agrees to use the Infill Infrastructure Grant Program funds for eligible activities in the manner presented in the application as approved by HCD and in accordance with program guidelines cited above. It also may execute any and all other instruments necessary or required by HCD for participation in the Infill Infrastructure Grant Program.

Section 3. The City Council authorizes the City Manager to execute in the name of the City of Sacramento the application, the Standard Agreement, and all other documents required by HCD for participation in the Infill Infrastructure Grant Program, and any amendments thereto.

Section 4. It is the intent of the City Council to support the Railyards as the City's first priority for future funding for the Proposition 1C Transit Oriented Development (TOD) Funding and Infill Infrastructure Grant Program.

Adopted by the City of Sacramento City Council on March 18, 2008 by the following vote:

Ayes: Councilmembers Cohn, Fong, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters, and Mayor Fargo.

Noes: None.

Abstain: None.

Absent: None.

  
 \_\_\_\_\_  
 Mayor Heather Fargo

Attest:

  
 \_\_\_\_\_  
 Shirley Concolino, City Clerk

**ATTACHMENT 6****Summary of TOD Housing Program Guidelines  
for Second Round of Prop. 1C Funding**

- **TOD Funds Summary**
  - \$95 million annually in 2<sup>nd</sup> round
  - Cap of \$17 million per year per project – total cap of \$50 million per project per station
  - Applications due April 2, 2009
  
- **TOD Thresholds**
  - New housing or substantial rehab of 50 or more units
  - Infrastructure that supports a housing development
  - Located within ¼ mile from transit station (straight line) and ½ mile from the transit station along a walkable route.
  - 15% of the units must be affordable
  - Project needs to meet certain density (> 40 du/ac in Sacramento)
  - Local match of 20% of grant amount
  - Minimum score of 250 out of 380 in order to qualify for TOD funding
  
- **TOD Criteria**
  - Point system geared toward transit performance and existing stations
  - Population density within 4-mile radius
  - Area designated as infill
  - Favors large projects with 200 or more units
  - Favors developments that have their entitlements and have completed environmental review
  
- **Other Details**
  - Rental housing funding is a loan
  - Homeownership funding is a grant to locality and loan from locality to homeowner
  - Infrastructure to support housing is a grant
  - Applicant must be City of Sacramento or Regional Transit for infrastructure projects
  - Construction must begin within 3 years with completion in 5 years
  - Funds returned with interest to State if timelines are not met and/or housing is not produced
  - State divided into geographic regions for funding allotments
  - Guidelines favor areas with heavy rail systems (i.e., BART and LA's Metro Red Line)
  - Points awarded if project benefits from federal stimulus funding
  - Awards will be issued in June 2009

## Summary of Infill Infrastructure Grant (IIG) Program Guidelines for Second Round of Prop. 1C Funding

- **Infill Funding Summary**
  - \$197 million for 2<sup>nd</sup> round
  - Two pots of funds: Areas and Projects
  - \$98.5 million for Areas and \$98.5 million for Projects
  - Third category - Large Multi-Phased Project allows developers to apply for funding for larger projects.
  - Large Multi-Phased Project grouped with Areas
  - Developer can apply for funding as a Project or as Large Multi-Phased Project
  - City has to apply for Areas
  - Overall cap of \$50 million per project and area.
  - Maximum annual award of \$20 million and \$30 million for projects and areas, respectively.
  - Applications due April 1, 2009
  
- **Infill Funding Thresholds**
  - Housing element in compliance with HCD
  - Inclusion of not less than 15% affordable units
  - A minimum density of 30 du/ac applies
  - Location in an area designated for mixed-use or residential development pursuant to general plan, redevelopment plan, blueprint, or other regional plan
  - Minimum score of 210 out of 250 in order to qualify for funding
  
- **Infill Funding Criteria**
  - Project readiness; environmental review and entitlements, secure funding, local support
  - Affordability of housing
  - Density of project
  - Transit access
  - Proximity to amenities
  - Consistent with Blueprint or other regional planning documents
  
- **Other Details**
  - Sacramento competes with Bay Area and rest of northern California
  - Points awarded if project benefits from federal stimulus funding
  - Awards will be issued in June 2009