



**Sacramento  
Housing &  
Redevelopment  
Agency**

**REPORT TO REDEVELOPMENT AGENCY**

**City of Sacramento**

915 I Street, Sacramento, CA 95814-2671

[www.CityofSacramento.org](http://www.CityofSacramento.org)

Consent  
**April 21, 2009**

**Chair and Members of the Redevelopment Agency Board**

**Title: "Station 65" Project Funding in Support of Proposition 1C Applications**

**Location/Council District:** 65<sup>th</sup> Street and Folsom Boulevard, 65<sup>th</sup> Street  
Redevelopment Project Area/District 3

**Recommendation:** 1) Adopt a **Redevelopment Agency Resolution** authorizing the Sacramento Housing and Redevelopment Agency ("Agency") Executive Director, or her designee, to support an application for California Proposition 1-C Transit Oriented Housing Program funds and an application for Proposition 1-C Infill Infrastructure Program funds to benefit the proposed Station 65 mixed-use Transit Oriented Development project ("Station 65 Project"); and 2) finding, pursuant to Health and Safety Code §33445, that a) construction to relocate the Sacramento Regional Transit District's ("Regional Transit" or "RT") 65<sup>th</sup> Street bus transfer facility (the "RT Project") will help eliminate blighting conditions and facilitate development of the Station 65 Project; b) finding that the RT Project and the Station 65 Project will benefit the 65<sup>th</sup> St. Redevelopment Area (RDA) in achievement of adopted RDA Implementation Plan goals; c) approving up to \$3.5 million of 65<sup>th</sup> Street Redevelopment Area Developer Assistance Tax Increment funds to construct the RT Project and/or the Station 65 Project contingent upon: i) approval of competitive construction bids for the RT Project; ii) Agency governing board findings that the RT governing board has cleared the RT Project environmentally under the California Environmental Quality Act ("CEQA") and under the National Environmental Policy Act ("NEPA"); and iii) findings by the Agency's governing board and RT's governing board that, consistent with California Community Redevelopment Law Section 33445, there are no other feasible means of financing the RT Project; and iv) repayment by the City Department of Utilities of a \$1.925 million bridge loan comprised of tax-exempt bond proceeds used to acquire the 65<sup>th</sup> Street Detention Basin property; and v) approval of a RT Project funding agreement by the Agency and RT governing boards; and 3) amend the Agency's budget accordingly; and 4) authorize preparation by Agency staff of agreements for Agency gap financing assistance to Station 65, subject to future Agency governing board action.

**Contact:** Lisa Bates, Deputy Executive Director, 440-1316, Christine Weichert, Assistant Director, Housing and Community Development, 440-1353



**"Station 65" Project Funding in Support of Proposition 1C Applications****Presenters:** N/A**Department:** Sacramento Housing and Redevelopment Agency**Description/Analysis**

**Issue:** City and Agency objectives for Transit Oriented Development ("TOD") development for the 13.6-acre "Station Block" area, bounded by 65<sup>th</sup> St, Folsom Blvd, RT light rail transit tracks, and the Union Pacific Railroad, prompted private developer Lucas Enterprises ("Developer") to propose Station 65, a large mixed-use TOD project in the Station Block area. The proposed development is for a four-acre site at the southeast corner of 65<sup>th</sup> Street and Folsom Boulevard that would include a 2-acre parcel owned by Regional Transit that is currently used as a bus-to-light rail transfer facility (see location map, Attachment 1). The estimated \$120 million Station 65 project would include three structures (two 4-story and one 5-story) with more than 500,000 square feet of space, including a 148-room hotel, 100 rental apartments, almost 63,000 square feet of retail and restaurant space, 52,000 square feet of office space, a 30,000 square foot fitness center and a 615-stall parking structure. A site plan and perspective concept illustration of Station 65 is represented in Attachment 2.

Station 65 entitlements were approved by the City of Sacramento Planning Commission in December 2008. The Developer has effective control of the three parcels that comprise the project site. Agency staff has reviewed the Station 65 development budget and operating pro forma. Staff contemplates bringing forward a gap funding agreement for Station 65 that would commit, as gap financing, the following Agency-controlled resources:

- Rebate an amount up to the 80% tax increment funds ("80% TI") generated by Station 65;
- An amount up to the 20% Low- and Moderate Income Housing tax increment ("20% TI") generated if the project's proposed affordable housing component is completed.
- An amount up to the amount of City Housing Trust Fund fees generated by the Station 65 Project.
- Tax-exempt mortgage revenue bonds issued consistent with Agency policies to benefit the construction of eligible affordable housing units.

The \$120 million Station 65 Project budget requires significant gap financing beyond available Agency resources, and a variety of alternative sources have been identified and are being pursued. One source of gap financing involves applicable California Proposition 1C bond funding programs—specifically, the Transit Oriented Housing Program ("TOD Housing Program") and the Infill Infrastructure Grant Program ("Infill Infrastructure Program"). California voters passed Proposition 1C in November 2006, authorizing \$2.8 billion in bond funds to support housing and infrastructure projects. Slightly more than \$1 billion of Proposition 1C funds is allocated for the TOD Housing Program and for the Infill Infrastructure Program.

**"Station 65" Project Funding in Support of Proposition 1C Applications**

Proposition 1C funding is a potential source of support to help achieve objectives in the City's 65<sup>th</sup> Street/University Transit Village Plan, adopted in October 2002, and the Agency's July 2006 "Station Block Plan" to facilitate mixed-use TOD projects in the Station Block area. The most recent Proposition 1C Notice of Funds Available ("NOFA") was issued for \$95 million of TOD Program monies and for \$200 million of Infill Infrastructure Program funds. Competing projects are scored according to a criteria that includes leveraging local financial support committed to facilitate the project.

Even if the financing gap is bridged, Station 65 cannot be implemented unless and until RT's existing bus transfer facility is relocated so that the existing RT parcel can be absorbed into the TOD site. Towards that goal, in October 2008, \$500,000 in tax increment bond proceeds were approved for use by RT to have design work completed and construction bid documents prepared for relocation of the RT bus transfer facility in accordance with the recommendations included in a report prepared for RT by the Portland-based firm of Zimmer Gunsul Frasca Architects (ZGF). The ZGF-preferred option conceptual plan endorsed by RT's governing board is shown in Attachment 3.

ZGF's preliminary estimate for costs to build the new bus transfer facility is approximately \$3.5 million. For purposes of preparing construction plans and specifications for bidding, RT is utilizing the civil engineering design services of PSOMAS. The schedule calls for documents to be ready for bidding by contractors later this year.

For purposes of local support commitments that will assist Station 65 to compete for Proposition 1C TOD Housing grant funds and for Infill Infrastructure grant funds, Agency staff is recommending conditional approval of up to \$3.5 million of 65<sup>th</sup> St. RDA tax increment bond proceeds for construction of improvements to accommodate the new RT bus transfer facility and/or the Station 65 Project. The source for the recommended \$3.5 million is bond proceeds received in 2006 from the Agency's participation in a City bond issuance. Approximately \$6 million of the proceeds were for the 65<sup>th</sup> St. RDA, of which \$4 million was recommended by the 65<sup>th</sup> Street Redevelopment Advisory Committee to be invested in activities that would facilitate TOD projects in the Station Block area.

Approval of \$3.5 million for the construction of RT's new bus transfer facility would be contingent upon demonstrable evidence of due diligence by RT to identify alternative sources of funds for construction. While RT's operating and capital budgets are limited, Agency funds would be utilized only after RT demonstrates that other sources of transit project funding from the Federal Transit Administration ("FTA") and other possible sources are not available or otherwise insufficient. To the extent Agency funding is not needed for the RT bus facility construction, unspent funds would be available to reallocate towards TOD projects such as direct gap financing for Station 65.

“Station 65” Project Funding in Support of Proposition 1C Applications

Approval of the recommended \$3.5 million for RT would be conditioned on acceptable construction bid amounts, a funding agreement, environmental clearances and requisite findings by the governing boards of RT and the Agency.

**Policy Considerations:** The proposed funding is consistent with the following adopted goals in the 2004-2009 Implementation Plan for the 65<sup>th</sup> ST RDA.

- Redesign and development of portions of the Project Area which are stagnant or improperly utilized.
- Assembly of land into parcels suitable for modern, integrated development.
- Improvement of pedestrian, bicycle and vehicular circulation in the Project Area, in particular, public transit access and support.
- Provision of opportunities for participation by property owners in the revitalization of their properties.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** Action to approve up to \$3.5 million for construction of the RT Project includes a contingency for RT, as lead agency, to examine circumstances of the proposed activities in the context of applicable CEQA guidelines and to make requisite findings that would allow the project to be implemented as proposed or with appropriate mitigations. Formal approval of a funding agreement would include Agency action on RT’s environmental findings and mitigation measures. The same circumstance holds for the Station 65 Project, although it has yet to be determined if RT or the Agency would be lead agency.

**Sustainability Considerations:** The RT Project will improve public transit facilities and induce the Station 65 Project—a transit-supportive mix of uses next to convenient public transportation facilities. If successful, the RT Project and, ultimately, Station 65, will achieve the following City of Sacramento Sustainability Master Plan goals:

- Significantly reduce the use of fossil fuels (*Energy Independence*);
- Reduce dependence on the private automobile by working with community partners to provide efficient and accessible public transit and transit supportive land uses (*Urban Design, Land Use, Green Building and Transportation*);
- Reduce long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy city (*Urban Design, Land Use, Green Building and Transportation*).

**Other:** RT, as lead agency for the RT Project, would examine circumstances of the proposed activities in the context of National Environmental Policy Act (NEPA) requirements and to make findings and include necessary mitigation measures for project implementation.

“Station 65” Project Funding in Support of Proposition 1C Applications

**Committee/Commission Action:** The 65<sup>th</sup> Street Redevelopment Advisory Committee (RAC) is scheduled to review the item on April 13, 2009. Staff will notify the Board in the event that the RAC does not approve the item. The Sacramento Housing and Redevelopment Commission reviewed the staff recommendation for this item at its April 15, 2009 meeting. Staff will notify the Board in the event that the Commission does not approve the item.

**Rationale for Recommendation:** The RT Project would further four adopted goals in the 65<sup>th</sup> ST RDA Implementation Plan, including: 1) design for improved transit, pedestrian and bicycle commuting facilities; 2) allow assembly of parcels for modern, integrated Station 65 TOD development; 3) remove blighting conditions; and 4) create opportunities for property owner participation in revitalization efforts. The RT Project will reduce rider hazards and upgrade lighting, security and rider amenities and have significant catalytic impacts towards achievement of Transit Village Plan and Station Block objectives.

**Financial Considerations:** The recommended conditional \$3.5 million would be sourced from approximately \$6 million in 65<sup>th</sup> St. RDA 2006 tax increment bond funds. The 65<sup>th</sup> Street Redevelopment Advisory Committee previously prioritized use of these bond funds, with approximately \$4 million being earmarked to facilitate TOD projects at the Station Block. Of this \$4 million, \$1.925 million was previously lent as temporary financing to the City Department of Utilities, with repayment in-full expected by July 2009. If RT is able to identify alternative sources for the estimated \$3.5 million cost (e.g., FTA grants), Agency staff may recommend some or all of \$3.5 million be re-allocated towards other activities in support of TOD development at the Station Block.

**M/WBE Considerations:** The items discussed in this report have no M/WBE impact; therefore, M/WBE considerations do not apply.

Respectfully Submitted by:

  
LA SHELLE DOZIER  
Executive Director

Recommendation Approved:

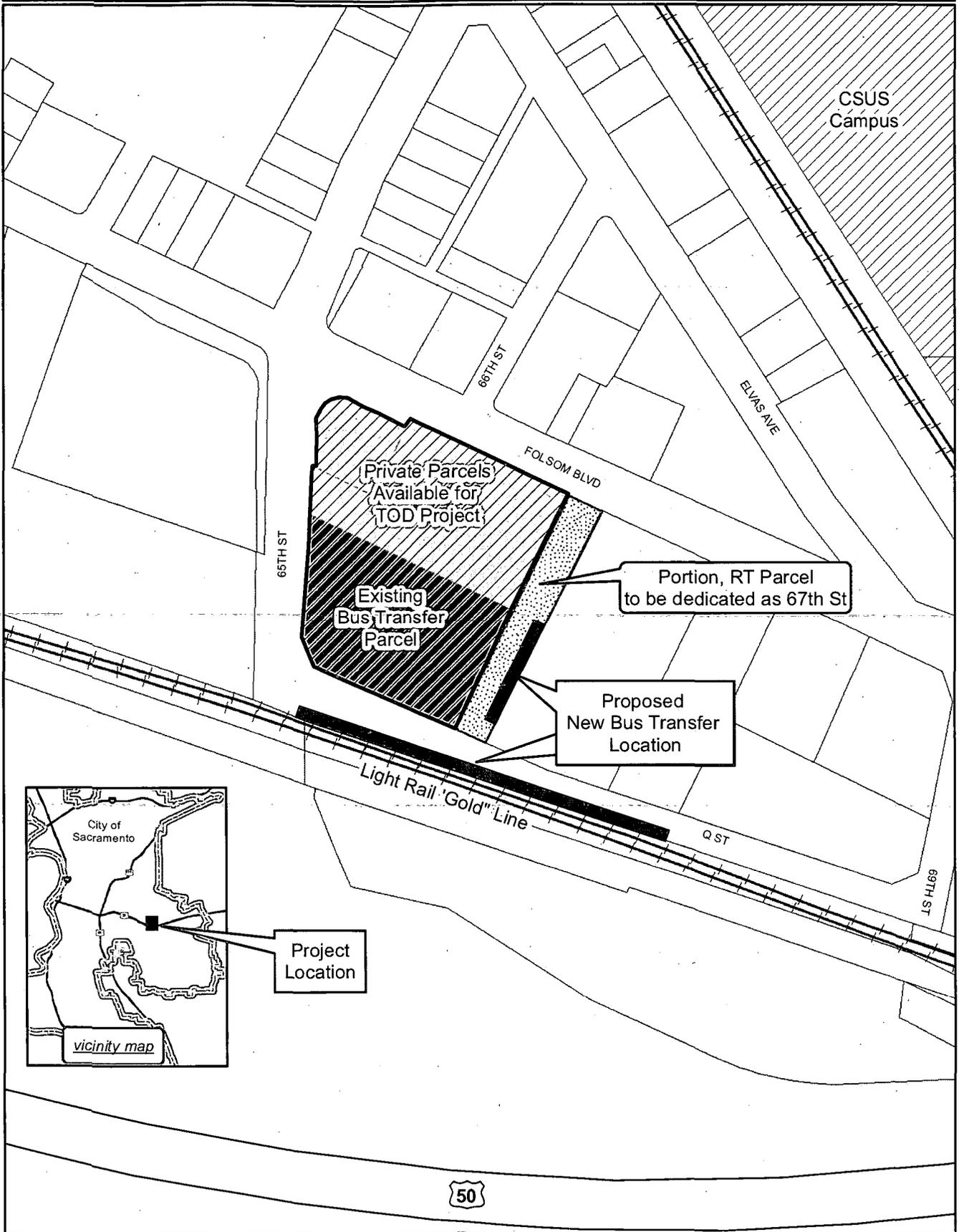
  
RAY KERRIDGE  
City Manager

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# Site Location, "Station 65" Proposition 1C Applications



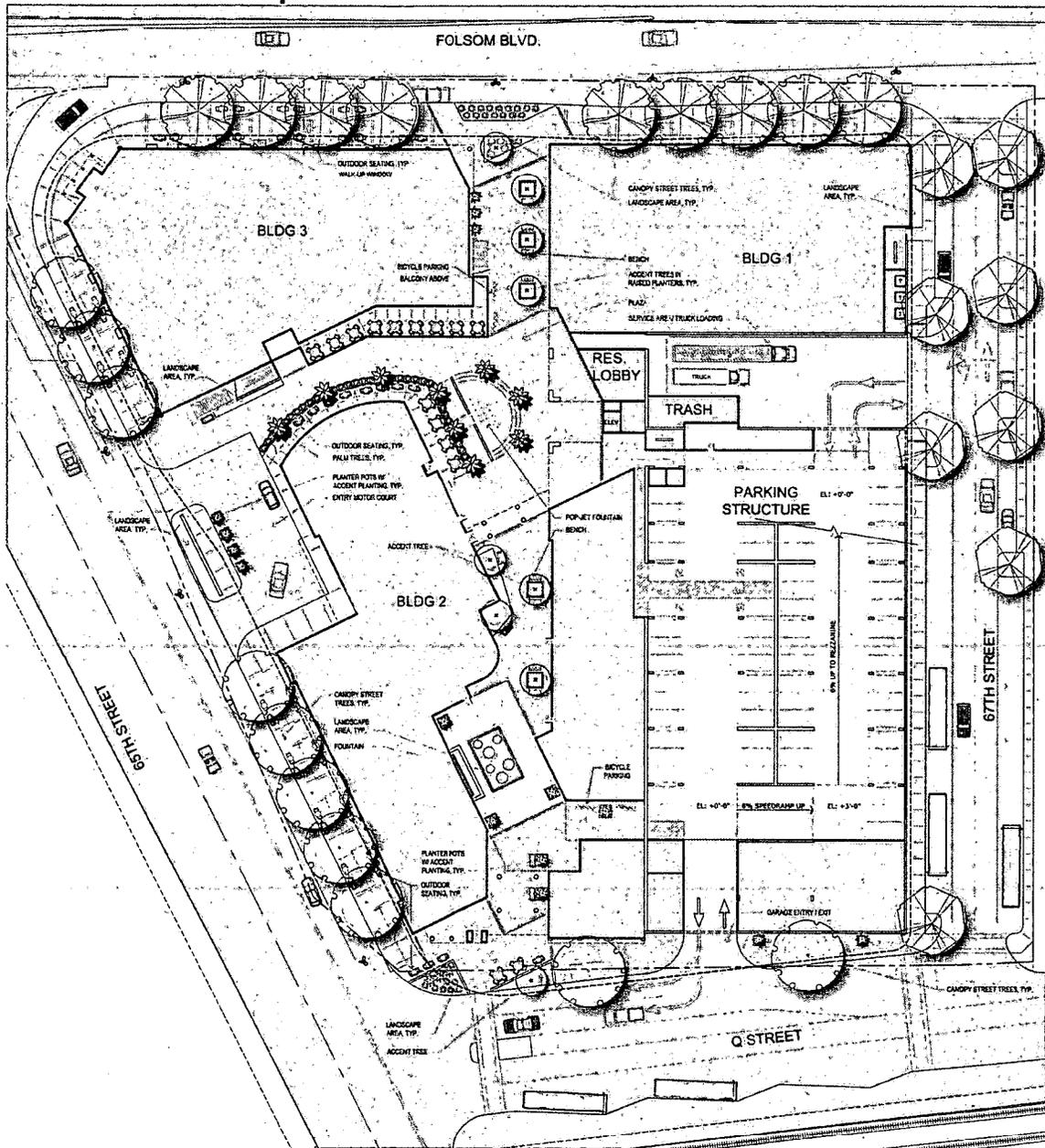
- Proposed New bus transfer location
- Station 65 Proposed Site
- 67th St
- private\_parcels
- Existing RT Bus Transfer
- Railway

0 0.025 0.05 Miles

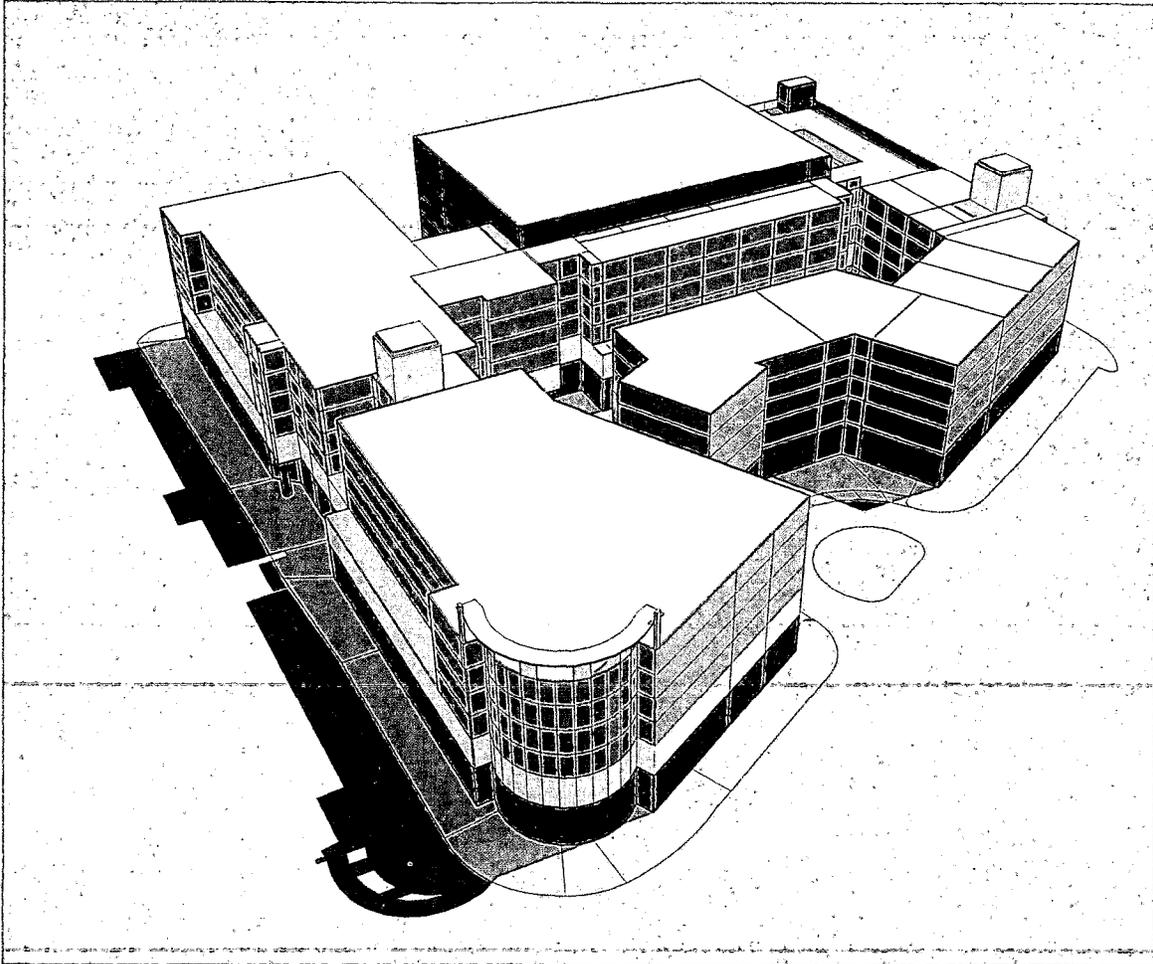


SHRA GIS  
March 24, 2009

### Proposed Station 65 Ground Level Site Plan



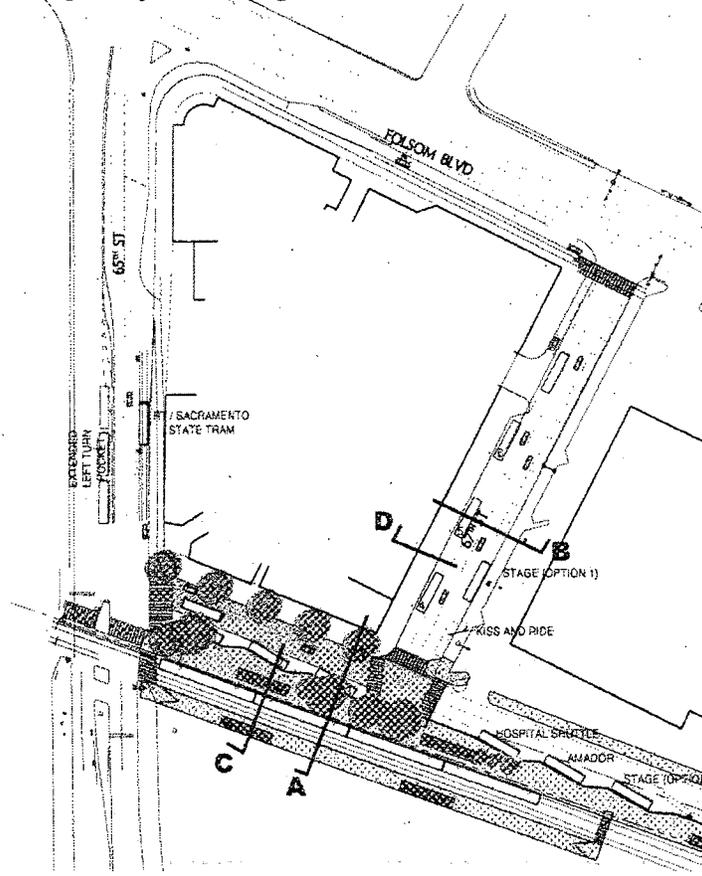
**Station 65 Massing Perspective**



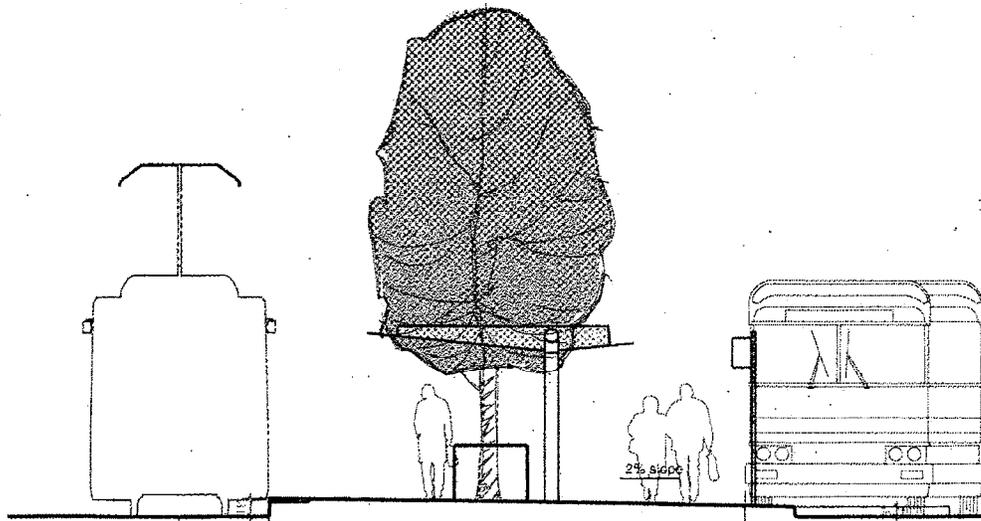
View from Corner, 65<sup>th</sup> Street and Folsom Blvd., looking to Southeast

- (148) room hotel
- (100) rental apartments,
- Approximately 63,000 square feet, Retail and Restaurant space
- Approximately 52,000 square feet, Office space
- Approximate 30,000 square foot Fitness Center
- (615) stall parking structure

Station 65 -- Agency Funding in Support of Proposition 1C Applications



Relocated RT Bus Transfer Facility along Q Street (south side) and both sides of new 67th Street (to be dedicated as part of project implementation)



Section C - LRT Station Platform, Preferred Alternative

1/8" = 1'-0"

**"Station 65" Project Funding in Support of Proposition 1C Applications****Background**

On November 7, 2006, California voters passed Proposition 1C. The \$2.8 billion Housing and Emergency Shelter Trust Fund Act of 2006 is described in §53540 through §53558 of the Health and Safety Code. Proposition 1C invests \$2.85 billion in bond funds for housing and infrastructure programs intended to produce an estimated 118,000 housing units, 2,350 homeless shelter spaces, and infrastructure projects that help infill housing development such as water, sewer, parks, and transportation improvements.

The Proposition 1C bond-funded Transit Oriented Housing Program ("TOD Housing Program") has the purpose of providing grants and loans to stimulate the production of higher density housing and related infrastructure within close proximity to qualifying transit stations that encourages increased public transit ridership and minimizes automobile trips. Eligible activities include new construction or substantial rehabilitation of rental housing, conversion of nonresidential structures to residential, and first-time homebuyer mortgage assistance for ownership units in qualified projects. Also eligible are capital improvements required for qualified housing or mixed-use projects, such as sewer or water upgrades, streets, drainage, parking, noise mitigation, and utility access, connection or relocation; capital improvements to enhance pedestrian or bicycle access from a qualified project to the nearest transit station, such as walkways, plazas, mini-parks, traffic signals, streetscape improvements, security enhancements, bicycle lanes and transportation information systems. Eligible applicants include cities, counties, cities and counties jointly, transit agencies, redevelopment agencies, and private developers.

In the case of the proposed \$120 million Station 65 mixed-use project, Regional Transit is the applicant for \$3.8 million in grant funds. On March 23, 2009, RT's governing board unanimously approved a staff recommendation to submit the application for the current round (\$95 million) of TOD Housing Program funds. The private developer sponsor of Station 65 is also seeking a Proposition 1C TOD loan in the amount of \$2,230,616.

Proposition 1C's Infill Infrastructure Grant Program ("Infill Grant Program") has the purpose of assisting infrastructure projects that support higher-density affordable and mixed-income housing in locations designated as infill with grant funding for eligible activities that includes new construction, rehabilitation, and acquisition of infrastructure required as a condition of or approved in connection with approval of qualified infill projects or qualified infill areas. For Qualifying Infill Projects, eligible applicants include for profit, and non-profit housing developers, localities, public housing authorities, and redevelopment agencies. For Qualifying Infill Areas, eligible applicants include localities, public housing authorities, redevelopment agencies, and Business Improvement Districts as joint applicants with any of the other eligible applicants. For the Infill Grant, the private for-profit developer of Station 65 is the applicant for \$3,755,520 of infrastructure grant funds. Total infill grant funding available for this round is \$200 million.

**"Station 65" Project Funding in Support of Proposition 1C Applications**

To be competitive for the award of Proposition 1C's TOD Housing Program and Infill Grant Program funds, firm local financial support equaling 20% or more of the requested Proposition 1C funds needs to be committed. Such local support includes funds already committed or spent for pedestrian and bicycle improvements to Redding Avenue, the development of nearby storm water detention facilities to serve the 65<sup>th</sup> Street Redevelopment Project Area ("65<sup>th</sup> St. RDA") and the \$500,000 in 65<sup>th</sup> Street Redevelopment Area Developer Assistance funds authorized in late 2008 for use by RT to complete design work and construction bid documents for relocation of RT's bus transfer facility that currently occupies a portion of the site needed for Station 65.

Additional local funding to construct the new RT bus facilities and facilitate the Station 65 project will help Station 65 compete for the Proposition 1C funds. Since the RT facility must be relocated before the Federal Transit Administration will permit the existing facility to be declared surplus to RT's operational needs and then be made available for TOD mixed-use construction, Agency staff recommends that up to \$3.5 million of 65th Street tax increment bond proceeds (issued in 2006) be approved to construct the replacement RT bus facility. This recommendation is contingent upon approval of competitive construction bids, CEQA environmental clearance and findings by the Agency's governing board and RT's governing board findings consistent with California Community Redevelopment Law Section 33445 that there are no other feasible means of financing the RT Project. To the extent Agency funding is not needed for the RT bus facility construction, unspent funds would be available to re-allocate towards gap financing for Station 65.

A final contingency would be receipt by the Agency of reimbursement from the City Department of Utilities of \$1.925 million used for purchase of a nearby site for storm water detention purposes. These funds are to be reimbursed no later than early July 2009 upon receipt by the Department of Utilities of proceeds of a loan from the California Infrastructure Bank ("I-Bank") that will replace the Agency funds, which were approved for use as temporary bridge financing to allow the purchase to proceed to close of escrow.

## **RESOLUTION NO. 2009 -**

**Adopted by the Redevelopment Agency of the City of Sacramento**

on date of

### **FUNDING IN SUPPORT OF PROPOSITION 1C APPLICATIONS FOR STATION 65 PROJECT**

#### **BACKGROUND**

- A. Private developer Lucas Enterprises ("Developer") proposes to construct a mixed-use TOD project on a 4-acre site at the Station Block ("Station 65") that is estimated to cost \$120 million and include more than 500,000 square feet of space with hotel, apartment, retail/restaurant, office, fitness center and parking structure components.
- B. Station 65 entitlements were approved by the City of Sacramento Planning Commission in December 2008.
- C. The Developer has effective control of the three parcels that comprise the Station 65 project site.
- D. Agency staff underwriting of Station 65's development budget and operating pro forma contemplates a gap funding agreement for Station 65 that may include a rebate of project-generated funds including: a) 80% tax increment funds; b) 20% Low- and Moderate-Income Housing tax increment funds; c) City Housing Trust Fund fees generated by Station 65; and issuance of tax-exempt mortgage revenue bonds to benefit the construction of eligible affordable housing units.
- E. The \$120 million Station 65 project development budget includes a financing gap that cannot be filled with the use of eligible Agency resources alone.
- F. In November 2006, California voters passed Proposition 1C, which authorized \$2.8 billion in bond funds to support housing and infrastructure projects of various types.
- G. Proposition 1C funding offers potential financial support to help achieve objectives envisioned in the 2002 City of Sacramento 65<sup>th</sup> Street/University Transit Village Plan and the 2006 Agency Station Block Plan to facilitate transit-oriented development ("TOD") projects.
- H. Station 65 implementation requires relocation of Sacramento Regional Transit District's ("RT") 65<sup>th</sup>/University transit station bus transfer facility ("RT Project") to allow assembly of the Station 65 site.

“Station 65” Project Funding in Support of Proposition 1C Applications

- I. Local financial commitments to assist Station 65 compete for Proposition 1C funds include conditional approval of up to \$3.5 million of 65<sup>th</sup> St. Redevelopment Area (“65<sup>th</sup> Street RDA”) tax increment bond proceeds estimated to be needed for construction of RT Project improvements to accommodate a new bus transfer facility currently being designed with Agency financial support.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE REDEVELOPMENT AGENCY RESOLVES AS FOLLOWS:**

- Section 1. The foregoing recitals are found to be true and correct and are approved.
- Section 2. The Executive Director, or her designee, is authorized to submit a letter of local support for an application by the Sacramento Regional Transit District (RT) for California Proposition 1-C Transit Oriented Housing Program funds and an application for Proposition 1-C Infill Infrastructure Program funds to benefit the proposed Station 65 mixed-use TOD project.
- Section 3. Pursuant to California Health and Safety Code §33445, the Agency authorizes the allocation of up to \$3.5 million in funding under this resolution to be used for the purpose of RT Project construction if certain contingencies are satisfied, including: i) approval of competitive construction bids for the RT Project; ii) Agency governing board findings that the RT governing board has cleared the RT Project environmentally under the California Environmental Quality Act (“CEQA”) and under the National Environmental Protection Act (“NEPA”); and iii) findings by the Agency’s governing board and RT’s governing board pursuant to California Health and Safety Code §33445 that there are no other feasible means of financing the RT Project; and iv) repayment by the City of Sacramento Department of Utilities of a \$1.925 million tax increment bridge loan used to acquire the 65<sup>th</sup> Street Detention Basin property; and v) approval of a RT Project funding agreement by the Agency and RT governing boards; after having made the following findings:
  - a. The RT Project public improvements will help eliminate blighting conditions and facilitate development of the Station 65 Project;
  - b. The RT Project public improvements and the Station 65 Project are consistent with, and will assist in achievement of, the 65<sup>th</sup> Street RDA Implementation Plan adopted pursuant to Health and Safety §33490.
- Section 4. Authorize the Executive Director, or her designee, to amend the Agency budget to allocate \$3,500,000 for the RT Project, as conditioned above, from 65<sup>th</sup> Street Developer Assistance funds and to amend the Agency budget to receive repayment of the City of Sacramento Department of Utilities tax increment bridge loan.

“Station 65” Project Funding in Support of Proposition 1C Applications

Section 5. Authorize the Executive Director, or her designee, to draft agreements for Agency gap financing and other assistance, subject to agency counsel approval as to form, for future consideration by the Agency’s governing board of the Station 65 RT Project.

