



**Sacramento  
Housing &  
Redevelopment  
Agency**

# **REPORT TO THE REDEVELOPMENT AGENCY of the City of Sacramento**

**12**

**915 I Street, Sacramento, CA 95814-2604**

**Consent  
June 23, 2009**

**Honorable Chair and  
Members of the Board**

**Title:** Funding Transfer and Contract Amendment: Railyards Redevelopment Project Area

**Location/Council District:** Railyards Redevelopment Area/Council District 1

**Recommendation:** Adopt a Redevelopment Agency Resolution authorizing the Executive Director or her designee to: 1) approve an internal reimbursement agreement for \$85,000 from River District Redevelopment Administrative Expenses to the Railyards Redevelopment Project; 2) increase the budget for predevelopment activities and administrative costs for the Railyards Redevelopment Project Area by \$85,000; and 3) amend the existing contract with Stoel Rives, LLP to increase the contract to the approved budget amount.

**Contact:** Denise Malvetti, Senior Project Manager, 808-7064 and Michael Voss, Agency Counsel, 440-1330

**Presenters:** Not applicable

**Department:** Economic Development/SHRA

**Division:** Downtown Development/Legal

**Organization No:** 18001021

## **Description/Analysis**

**Issue:** In May 2008, the City Council adopted Ordinance 2008-023 establishing the Railyards Redevelopment Project Area (the "Railyards Redevelopment Area"). The Agency also established a budget in the amount of \$350,000 for predevelopment activities and administrative costs to support the start-up of the Railyards Redevelopment Area before tax increment revenues are generated. The \$350,000 budget was funded through an internal loan.

The start-up funds were fully expended, primarily on legal fees for the lawsuits challenging the Railyards Specific Plan Environmental Impact Report (Specific Plan EIR), the River District Redevelopment Plan Amendment and Railyards



Redevelopment Plan Environmental Impact Report (Redevelopment Plan EIR). In February 2009, the Agency Board and City Council approved increasing the Railyards Redevelopment Area budget by an additional \$300,000 to pay for these legal fees and consulting expenses. The \$300,000 was borrowed from Parking Enterprise Fund's portion of the Sheraton Hotel sale proceeds.

The additional funds allocated in February 2009 were not adequate to cover the costs of the litigation due to a number of unforeseen circumstances including hearing delays, the need to prepare unanticipated court-ordered supplemental briefs and an outstanding bill from Stoel Rives for the preparation of the Redevelopment Plan administrative record. It is believed that this request for \$85,000 will be sufficient to pay the Agency's outstanding bills with Stoel Rives and enable the attorneys to complete the supplemental briefs.

**Policy Considerations:** Developing the Railyards has long been a priority for the City and the Agency. The actions proposed in this staff report support the Railyards Redevelopment Plan goals to stimulate economic growth, guide development and improve the Railyards Redevelopment Project Area. The River District will benefit from the creation of the Railyards Redevelopment Project Area by protection from the costs and other development constraints particularly affecting the Railyards area.

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Not funding the defense of the litigation at this stage would be detrimental to the Railyards Redevelopment Project Area and the River District Project Area. Ceasing to prepare the required supplemental briefs could result in the court invalidating the Redevelopment Plan EIR and ordering the Agency to suspend or readopt the Redevelopment Plan, which could have significant financing and timing impacts on the development of the Railyards Redevelopment Project Area.

### **Environmental Considerations**

**California Environmental Quality Act (CEQA):** The proposed action does not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) per Guidelines Section 15378 (b) (4), which exempts government fiscal activities that do not involve a commitment to any specific project from environmental review. No environmental review is required.

**Sustainability:** Actions in this staff report are consistent with the City's Sustainability Master Plan as they support infill development which reduces long commutes, promotes use of public transportation, and reduces dependence on the automobile therefore reducing dependence on fuels.

**Commission/Committee Action:** None.

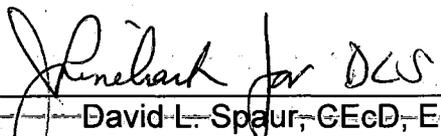
**Rationale for Recommendation:** The recommended actions in this report are necessary to advance the redevelopment of the Railyards and implement the larger

Railyards Redevelopment Project Area Plan.

**Financial Considerations:** By approving the resolution, \$85,000 from the River District Redevelopment Area's Administrative Expenses will be advanced to the Railyards Redevelopment Project Area. The litigation costs constitute administrative costs and will be repaid from tax increment revenues generated by the Railyards Project Area.

**M/WBE:** The recommended actions involve the extension of specialized legal services from a law firm already under contract to work on the project.

Respectfully Submitted by:   
Leslie Fritzsche  
Downtown Development Manager

Approved by:   
David L. Spaur, GECD, EDFP  
Director, Economic Development Department

Recommendation Approved:

  
Ray Kerridge  
City Manager

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## **Attachment 1 Background**

In May 2008, in Ordinance 2008-023 the City Council adopted the Railyards Redevelopment Plan and certified the accompanying Environmental Impact Report (EIR) which established the Railyards Redevelopment Project Area. The Agency established a budget in the amount of \$350,000 for predevelopment activities and administrative costs to support the start-up of the Railyards Redevelopment Area before tax increment revenues were generated. The \$350,000 budget was funded through an internal loan from Lot A sale proceeds to be repaid when the Railyards Redevelopment Project Area generates tax increment. At that time, the Agency Board also approved the Railyards Master and Initial Phase Owner Participation Agreements (OPAs).

Both the certification of the EIR and the approval of the OPAs have been challenged in lawsuits. The Agency was also named as a party in the lawsuits challenging the Specific Plan EIR. The \$350,000 in start-up funds were fully expended, primarily on legal fees for the lawsuits challenging the Railyards Specific Plan EIR and the Railyards Redevelopment Plan EIR.

In February 2009, the Agency Board and City Council approved increasing the Railyards Redevelopment Area budget by an additional \$300,000 to pay for these legal fees and consulting expenses. The \$300,000 was borrowed from the Parking Enterprise Fund's portion of the Sheraton Hotel sale proceeds and will be repaid when the Railyards Redevelopment Project Area begins generating tax increment.

The additional funds allocated in February 2009 were not adequate to cover the costs of the litigation due to a number of unforeseen circumstances. The hearings for the lawsuits were originally scheduled for March 2009. At the last minute, the hearings were postponed until May 2009 causing the attorneys to have to prepare twice for the court appearance at an approximate additional cost of \$67,000. At the hearings held in May, the judge ordered unanticipated supplemental briefs be prepared and submitted to the court. The court-ordered, post hearing work was not expected by either party and has created additional work for the attorneys. The cost to complete these briefings is estimated to be \$28,000.

The contract amendment and requested \$85,000 budget transfer will pay for the Agency's outstanding bills with Stoel Rives due to the hearing delay, cover the outstanding bill for the administrative record until the Agency can collect from Thomas, and enable the attorneys to complete the court-ordered supplemental briefs.

**Attachment 2**

**RESOLUTION NO. 2009 – \_\_\_\_\_**

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

**APPROVAL OF AN INTERNAL REIMBURSEMENT AGREEMENT BETWEEN RIVER DISTRICT REDEVELOPMENT AREA ADMINISTRATIVE EXPENSES AND RAILYARDS REDEVELOPMENT PROJECT; FUNDING TRANSFER AND CONTRACT AMENDMENT FOR LEGAL SERVICES WITH STOEL RIVES, LLP RELATED TO THE RAILYARDS REDEVELOPMENT PROJECT AND**

**BACKGROUND**

- A. On May 13, 2008 the City Council approved the River District Redevelopment Plan Amendment and Railyards Redevelopment Plan thereby creating the Railyards Redevelopment Project Area.
- B. Start-up costs associated with the Railyards Redevelopment Project Area have exceeded the original \$350,000 start-up budget established in May 2008.
- C. Costs to the Railyards Redevelopment Project Area related to legal challenges that have been filed against the approval of the Project Area and Redevelopment Plan, and the approval of the Railyards' Owner Participation Agreements, have exceeded the original contract amount with the law firm of Stoel Rives, LLP.
- D. In February 2009, the City Council and Agency Board approved an additional internal loan of \$300,000 to continue the defense of the River District Redevelopment Plan Amendment and Railyards Redevelopment Plan, which funds, due to unforeseen events, are insufficient to complete the defense.
- E. The proposed action does not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) per Guidelines Section 15378 (b) (4), which exempts government fiscal activities that do not involve a commitment to any specific project from environmental review.

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

- Section 1. After due consideration of the facts presented, the findings, including the foregoing recitals and the environmental finding regarding this action, as stated in this Resolution are approved and adopted.

**Section 2.** The Executive Director or her designee is authorized to execute a reimbursement agreement in the amount of \$85,000 to provide funding for the Railyards Redevelopment Project Area for the defense of the River District Redevelopment Plan Amendment and Railyards Redevelopment Plan, and the obligations of the reimbursement agreement shall be satisfied upon collection of future tax increment generated by the Railyards Redevelopment Project Area.

**Section 3.** The Executive Director or her designee is authorized to increase the Railyards Redevelopment Project Area budget for predevelopment services, administrative fees such as consulting services and legal services by \$85,000 and make necessary budget adjustments.

**Section 4.** The Executive Director or her designee is hereby authorized to amend the existing contract for legal services with Stoel Rives, LLP to increase the contract authority by \$176,000 (of which \$91,000 was previously budgeted by the Board on February 24, 2009) for legal services related to the Railyards Redevelopment Project.

