# REPORT TO THE
# REPORT TO COUNCIL
# City of Sacramento

**915 I Street, Sacramento, CA 95814-2671**
**www.CityofSacramento.org**

**Staff Report**
**November 3, 2009**

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

**Title: Pioneer Reservoir Engineering Feasibility Study and Financing Plan**

**Location/Council District:** West of Front St. and north of Highway 50, Council District 4.

**Recommendation: Adopt a Resolution to:** a) Accept and file the Pioneer Reservoir Feasibility Study and Finance plan; b) Direct staff to leave Pioneer Reservoir in its current location; and c) Direct staff to proceed with planning for making improvements to Pioneer Reservoir under a phased approach to provide necessary repairs and to accommodate a future greenroof park.

**Contact:** Beth Tincher, Senior Project Manager, 808-7730; Leslie Fritzsche, Downtown Development Manager, 808-5450; Dave Brent, Engineering Services Manager, 808-1420

**Presenters:** Beth Tincher, Senior Project Manager; Dave Brent, Engineering Services Manager

**Department:** Economic Development, Department of Utilities

**Division:** Downtown Development Group and Engineering Services

**Organization No:** 18001021, 14001311

**Description/Analysis**

**Issue**: The Docks area is one of the few sites the City has available to provide for a new neighborhood along the Sacramento River. City Council has determined, through previous policy decisions, that the highest and best use for the riverfront is a vibrant mixed-use neighborhood through the adoption of the Riverfront Master Plan, development of a Specific Plan for the future development of the Docks area, and the decision to proceed with the Docks Promenade Parkway project. The City's General Plan also identifies this area as an opportunity for a mixed-use neighborhood.

One of the major challenges in redeveloping the Docks area along the Sacramento Riverfront is Pioneer Reservoir (see Attachment 1), which currently encompasses approximately 15% of the proposed Docks development area. Pioneer Reservoir is a critical component of the City's combined sewer and stormwater system (CSS). It provides stormwater storage and primary treatment capacity, and is necessary for compliance with the CSS National Pollutant Discharge Elimination System (NPDES) permit (regulated by the California Central Valley Regional Water Quality Control Board).

The City is at a critical junction. Unless Pioneer Reservoir is redesigned as an amenity that can be incorporated into the land use plan in a cost-effective way, or moved to a new location, then redevelopment on this section of the Sacramento waterfront as a mixed-use neighborhood is unlikely to occur. Price points for condominiums and flats on the riverfront cannot be obtained if the reservoir remains in its current unattractive condition. The ability to proceed with any development is at risk without a City decision to either improve Pioneer Reservoir or to relocate the facility.

Adding to the complexity is the deteriorated condition of Pioneer Reservoir. The 26-year-old roof is showing signs of early structural failure. At present, the reservoir is only about halfway though its anticipated service life. Several roof beams are supported with temporary steel columns. Utilities department staff has installed the columns as an interim repair. The need for interim repairs is considered to result from poor design, inappropriate materials, and poor construction quality control.

On August 12, 2008, City Council authorized a Request for Proposal (RFP) to select an engineering firm to independently analyze relocating Pioneer Reservoir and to value-engineer concepts to support a rooftop park (aka a 'greenroof'). In addition, the RFP requested the development of a finance plan for relocating or modifying Pioneer Reservoir. The engineering contract was awarded to West Yost Associates (WYA) and the Finance Plan to Economic Planning Systems, Inc. (EPS). This report outlines the results of that work and seeks Council direction on the future approach to the reservoir.

**Policy Considerations:**
*City of Sacramento General Plan* – The recently completed General Plan targets City growth through the year 2030. The Docks Project is identified in the plan as "Urban Center High" on the Land Use and Urban Form Diagram. Relevant goals and policies from the 2030 General Plan are outlined in Attachment 2.

*Sacramento Riverfront Master Plan* - The recommended actions are consistent with prior City Council direction related to the implementation of the 2003 Sacramento Riverfront Master Plan.

*Redevelopment Plans* – Redevelopment of the Docks area is consistent with the Redevelopment Agency's Merged Downtown 2005-2009 Implementation Plan, the Merged Downtown Redevelopment Plan, and the 2005-2007 Docks Area Community Planning Process. Redevelopment will eliminate blight by 1) eliminating environmental deficiencies including small and irregular lots, and obsolete, aged and deteriorated buildings, inadequate public improvements, and uneconomic land uses; 2) transforming an underutilized industrial Brownfields site into a vibrant mixed use neighborhood; and 3) stimulating new commercial expansion, employment and economic growth.

**Environmental Considerations:** A Draft Environmental Impact Report (EIR) was prepared for the proposed Docks Specific Plan development in 2008 and the Final EIR is currently being prepared. The Docks Specific Plan and EIR are scheduled for City Council consideration later this year. Subsequent implementation projects to modify Pioneer Reservoir for the repairs and green roof, or relocation of the facility, may require additional environmental review prior to implementation.

**Rationale for Recommendation:** The purpose of the Pioneer Reservoir Engineering Feasibility Study was to evaluate the feasibility and cost to relocate Pioneer Reservoir to a new location, and to value engineer previous analyses to modify the reservoir in place for a rooftop park. The value engineering alternative utilizes an innovative solution of A-frame beam supports, which lowers the cost of the reservoir improvement/greenroof estimate considerably from previous estimates. Three alternatives were outlined in the study, which are briefly discussed below. A more detailed description of each option is included in Attachment 3. EPS provided a Finance Plan that outlines options for financing the alternatives. A summary of Pioneer Reservoir alternatives costs are shown in Attachment 4.

*(1.) Relocating Pioneer Reservoir:* This alternative proposed relocating Pioneer Reservoir to a site just east of Miller Park.

Benefits related to relocating Pioneer Reservoir out of the Docks area include:

- The facility could include modern technologies;
- More development could occur in the Docks area (Option A, Attachment 5);
- A new facility could be designed up front to accommodate a park versus costs related to retrofitting an existing facility;
- A new facility would be close to the current river outfall reducing total project costs compared to other alternatives
- A new facility could potentially occupy a smaller footprint.

The approximate cost to relocate Pioneer Reservoir to the Miller Park site is $85 million (roughly $22 million less than previously estimated).

(2.) *Modify Pioneer Reservoir in its current location to create a Park:* This scenario assumes that the Pioneer Reservoir roof is modified to accommodate rooftop park and development of Docks development (Option B, Attachment 6).

Benefits related to modifying Pioneer Reservoir to accommodate a park are as follows:

- Cost is substantially less to create an amenity at Pioneer Reservoir than to relocate the reservoir.
- The proposed modifications to Pioneer Reservoir will extend the life of the reservoir by 50 years.
- Modification can be phased over time.

The approximate cost of modifying the alternate concept could modify the existing roof to support a green roof for about $43 million. This is roughly $24 million less than previously estimated to modify the existing reservoir to support a park, and $42 million less than relocating the reservoir.

(3.) *Phase the Modification Improvements:* Based on the study, modifications to the existing reservoir can be phased. The benefits of phasing the improvements to pioneer Pioneer Reservoir include:

- Allows for a portion of the greenroof park to be developed in the first phase, providing an amenity for Docks development Phase I.
- Allows the City to assemble funds as the Docks area property value grows

This scenario adds approximately $2 million to the overall project cost and includes a 60% escalation of an additional $2 million for a total cost of $48 million. There are three tiers of reservoir improvement included in the phased approach.

| | |
|---|---|
| • Phase I is the roof repair improvements and selective load bearing improvements and aesthetic improvements to either make the entire park a hardscape park or 60% of the park a greenscape park | $30 million |
| • Phase II of improvements include full greenroof load bearing park improvements | $14.2 million |
| ***Subtotal*** | $44.2 million |
| Cost to Phase | 2 million |
| Escalation Cost | 2 million |
| ***Total Cost* to Phase project** | $48.2 million |

*Docks Development Project:* Development of the Docks area has complex issues to overcome, including relocation of rail lines, designing development to mitigate for potential residual contaminants, flood protection provisions and land purchase from the state and PG&E to name a few. These factors make the Docks one of the toughest sites to develop in Sacramento. Resolving these issues and developing the urban Sacramento riverfront is an expensive proposition. It is an issue that the City continues to face and has given consistent policy direction to overcome these issues to reclaim its waterfront.

In these economic uncertain times, it may be difficult for a developer to commit to starting the project in the near term. Staff is requesting that the City Council approve a concept plan for Pioneer Reservoir for the following reasons:

- Any redevelopment will likely necessitate improvements to Pioneer Reservoir, since most developers will likely require that Pioneer Reservoir is an amenity
- The existing structure has structural deficiencies.
- The City and the region established the vision for the Docks Area in the Docks Riverfront Master Plan, the SACOG Blueprint and the City's 2030 General Plan. Improving the reservoir and adoption of the Docks Specific Plan and Design Guidelines are steps to make the vision a reality and creating a shovel ready site as market conditions improve.
- Although Pioneer Reservoir is a critical facility in terms of the City's combined sewer and stormwater system, its continued function can be accomplished via ongoing interim repairs performed by the Department's operations and maintenance staff. Making a significant investment to Pioneer Reservoir would require direction from Council to raise Pioneer Reservoir modifications and funding as a priority in the Department of Utilities CIP program.

The alternative to development is also an expensive proposition. If Pioneer Reservoir is not relocated or does not become an amenity, the waterfront mixed use development planned along the Sacramento River will likely not occur. The site will remain in its current undeveloped state and/or with industrial uses. If the Docks riverfront development does not occur, anticipated losses include:

- Creation of a regional destination along the river.
- Approximately $2 billion of private development investment in the Docks area to create a vibrant mixed-use neighborhood including 1,000-1,155 residential units, 200,000 - 500,000 sq. ft. of office space, 3 - 8 acres of open space/park area and 14 acres of public promenade and 40,000 - 43,500 sq. ft. of commercial uses
- Investment will likely occur on the other side of the river.
- Site is likely to remain undeveloped for quite some time resulting in **2,550 less residents** in the Downtown area to support Downtown

and Old Sacramento businesses, a **loss of approximately $10 million in annual taxes** each year and the **loss of approximately an additional 500,000** visitors to the waterfront area each year.

Staff is recommending that City Council approve the recommendations to proceed with planning to rehabilitate Pioneer Reservoir at its current location to accommodate a rooftop park, by approving the feasibility study and financing plan in concept and directing staff to continue to work with its partners to further define funding, phasing, integration, and timing of Pioneer Reservoir modifications.

**Financial Considerations:** Due to the economic downturn and perceived risk associated with new development by the finance community, the availability of affordable financing is challenging at this current time. However, in order to continue to pursue the Docks area development, the City contracted with EPS to develop financing options Pioneer Reservoir and the Docks Specific Plan. In order to evaluate the funding opportunities, the Docks Specific Plan costs and Pioneer Reservoir costs must be examined together to identify total costs to redevelop the waterfront.

The cost of each Pioneer Reservoir alternative (relocate, modify, or provide improvements in a phased approach) is outlined in Attachment 4. In order to further develop and refine a more specific financing schedule, it is necessary to confirm the preferred alternative in regards to the rehabilitation or relocation of Pioneer Reservoir. The table below provides an overview of the costs for each alternative.

| Alternative | Cost | Identified Financing | Financing Shortfall |
|---|---|---|---|
| 1) Relocate the Reservoir | $85.2 M | $30.9 M | $54.3 M |
| 2) Modify the Reservoir to support a Park | $42.9 M | $30.9 M | $12 M |
| 3) Phase 1 Modification | $30.9 M | $30.9 M | $0 |

Alternative 3 provides for a hardscape over the entire park with limited planting or a full greenroof park over 60% of the park. Staff is recommending Alternative 3 as the preferred approach, as it allows for a portion of the greenroof park to be developed in the first phase of the Docks development and provides an amenity for Docks development Phase I. If this concept is accepted by the Council, staff will continue to work with our partners to further define funding, phasing, integration, and timing of Pioneer Reservoir modifications and the Docks area development.

A variety of financing mechanisms will be required to fund the Pioneer Reservoir modifications and the Docks area infrastructure upgrades. Since there is a limited amount of funding available, the timing of improvements, facility construction phasing, and projects' cash flow must be evaluated when identifying funding for the infrastructure versus the reservoir improvements, as there will be competition for the primary funding sources between Docks development and Pioneer Reservoir. The actual funding sources used will be dependant on the timing of available revenues and facility construction phasing. Development of the Docks will require certain infrastructure be

built upfront, prior to availability of certain revenue sources being generated (e.g. tax increment), thus gap financing options may be required. Revenues generated by the following potential funding sources are identified as primary sources of funding:

| Primary Source | Docks Infrastructure | Pioneer Reservoir | Total |
|---|---|---|---|
| Tax Increment Financing Bond proceeds | $10.3 M | $5.3 M | 15.3 M |
| CFD Bond Proceeds | $3.3M | $7.6 M | $10.9 M |
| Park Fee Revenue | $2.9 M | | $2.9 M |
| Central City Planning Area Park Fee | $2.7 M | | $2.7 M |
| Dept of Utilities | | $13 M | $13 M |
| Grant Funds | | $5 M | $5 M |
| Secondary Funding | $3 M | | |
| Totals | $22.2 M | $30.9 M | $53.1 |

Upon prioritization and approval from Council, the $13 million identified from Dept. of Utilities could be a potential funding source. Due to constraints on the use of Docks Area Project generated revenues, secondary sources may provide upfront gap financing or directly fund improvements. Potential sources of secondary gap revenue include the following:

- Sacramento Regional County Sanitation District (SRCSD) Contribution
- Central City Planning Area Park Development Impact Fee Revenue Tax Increment Funding – Downtown Redevelopment Area
- Grants
- Clean Water State Revolving Fund Program
- I-Bank Loan

A more detailed description of the primary and secondary sources of funding is included in Exhibit 7.

**M/WBE Considerations/ Emerging Small Business Development (ESBD):**
This process will follow the City of Sacramento's Emerging and Small Business Enterprises (ESBE) program requirements.

Respectfully Submitted by: _____
Leslie Fritzsche
Downtown Development Manager

_____
Dave Brent
Engineering Services Manager
Department of Utilities

Approved by: _____
John Dangberg
Acting Director, Economic Development

Approved by: _____
Marty Hanneman
Director, Department of Utilities

Recommendation Approved:

_____
Ray Kerridge
City Manager

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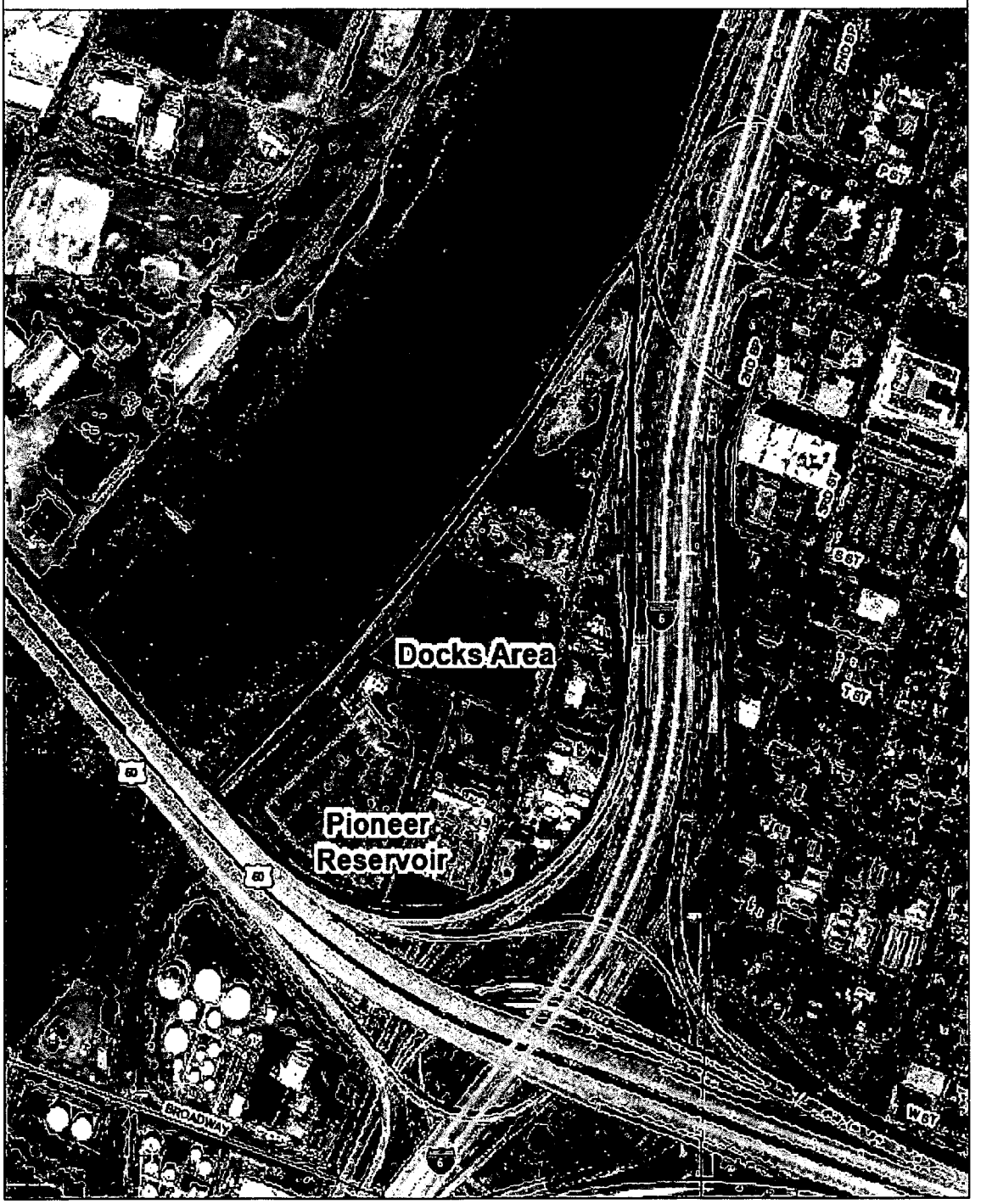
**Attachment 1**

## Docks Area and Pioneer Reservoir



**Attachment 2**

## General Plan Goals and Policies Related to Pioneer Reservoir and the Docks Development

- *Policy LU 1.1.4 Leading Infill Growth:* The City shall facilitate infill development through active leadership and the strategic provision of infrastructure and services and supporting land uses.
- *Policy LU 2.2.1 World Class Rivers:* The City shall encourage development throughout the city to feature the Sacramento and American Rivers and shall develop a world-class system of riverfront parks and open spaces that provide a destination for visitors and respite from the urban setting for residents.
- *Policy LU 2.2.3 Improving River Development and Access*: The City shall require new development along the Sacramento and American rivers to use the natural river environment as a key feature to guide the scale, design, and intensity of development, and to maximize visual and physical access to the rivers.
- *Goal LU 5.5 Urban Centers:* Promote the development of high-density urban centers that are readily accessible by transit and contain a dynamic mix of retail, employment, cultural and residential uses.
- *Goal U 1.1 High Quality Infrastructure and Services:* Provide and maintain efficient, high-quality public infrastructure facilities and services throughout the city.
- *Policy U 1.1.9 Joint Use Facilities:* The City shall support the development of joint use water, drainage, and other utility facilities as appropriate in conjunction with schools, parks, golf courses, and other suitable uses to achieve economy and efficiency in the provision of services and facilities.

**Attachment 3**

## Pioneer Reservoir Alternatives

*Modification of Pioneer Reservoir to create a Park:* This scenario assumes that the roof structure of Pioneer Reservoir is modified to create an amenity along the Sacramento riverfront and supports the Option B Docks development Plan. The roof would be modified to accommodate a greenroof and the associated loads from soils, plants, maintenance vehicles, and pedestrians.

The WYA team along with its structural engineer VE Solutions, Inc. developed an innovative value-engineering (VE) approach to modify the existing roof. At present, the roof is supported by long prestressed concrete T-beams (nearly 80 feet long in some locations). The proposed VE approach is to place new galvanized steel A-frames inside the reservoir so as to reduce the existing beam span lengths by approximately 25 feet. The VE approach increases the load carrying capacity of the existing beams. This modification would allow the existing roof structure to support a new greenroof park, at significantly less cost than previously considered methods.

In 2006, two studies were prepared to evaluate rough estimates for fixing the roof of Pioneer Reservoir and reroofing the reservoir to support a park. Costs related to these items ranged from $13 million to fix the existing roof of the current facility to $67 million to reinforce the roof to support the park.

The WYA cost estimate for the roof improvements to support a greenroof park is $42.9 million (Attachment 4). This estimate is $13.7 million (24 percent) less than previous estimates. When including an estimated $13 million that Department of Utilities might otherwise have to pay to eventually stabilize the existing roof even without a rooftop park, projected revenues generated by Land Use Option B total approximately $42.9 million for a shortfall of approximately $12 million.

*Phasing the Modification Improvements:* Based on the new structural solution outlined by the WYA engineering team, reservoir repair/enhancement improvements can be phased. Correction of existing structural deficiencies and additional structural improvements to increase the load bearing capacity of the reservoir to accommodate the full soil and landscape load of a park on a portion of the site could be accomplished. Additional studies would be required to determine the precise improvements that would be initially constructed under a phased implementation approach.

Phasing adds an additional $4 million of cost to the overall project. The cost of developing 60% of the park is $30 million and total cost of the phased park is $48 million (See Attachment 4 and 5). Phasing would provide an amenity to the project site, would allow Phase I of the development to move forward and would allow the City to assemble additional funds as the value of property grows in the Docks area to pay for additional roof repair and park improvements to the remaining 40% of Pioneer Reservoir.

*Relocation of the Reservoir:* The focus of this scenario is to evaluate the feasibility of relocating Pioneer Reservoir and Finance Plan to facilitate relocation. The benefits to relocating Pioneer Reservoir are as follows:

- New facilities can be designed to occupy a smaller footprint.
- The City can explore new technologies that may provide for increased water quality. This potentially could be combined with a smaller footprint, subject to the Regional Water Control Board's approval.
- The structure of a new facility could more easily accommodate a roof for a park versus retrofitting a foundation in an existing facility to accommodate a park.

Initially, West Yost Associates (WYA) and staff identified several potential relocation sites. Site location ranged from the PG&E site within the Docks development area to expanding the existing facility at 35th Avenue (See Attachment 6). The most feasible site for the relocation of the reservoir was a site located behind Miller Park, where the City houses a police horse stable facility (no contamination, close to outfall, City already owns the site, could design the site to accommodate a park or the existing horse facility on its surface). Sites that were further south i.e. the Combined Wastewater Treatment Plant (CWTP) on 35th Avenue were eliminated since the current outflow needs to remain in its current location (difficult to permit a new location) and costs related to relocating the reservoir further from the Docks area increase by at least $20 million.

Initially, staff also identified that a new facility could be constructed to provide additional storage that would serve as flood protection mitigation for development. After initial flow calculations, West Yost Associates and City Utilities staff determined that no additional flood protection benefit realized by enlarging the facility unless pumping capacities at Sump 1 and 2 were increased and the pipes upstream of the two sumps were enlarged. The cost of enlarging the piping and pump stations is far too much to be considered a viable option.

The following conceptual cost estimates to construct replacement facilities away from Pioneer Reservoir are from a January 28, 2008 Dept. of Utilities memo:

| **Description** | **Cost** |
|---|---|
| Relocate facility to Miller Park/Corp yard | $102,281,000 |
| Relocate facility west of the Jedediah Smith Elementary School yard | $102,281,000 |
| Expand the CWTP facility to accommodate capacity from Pioneer Reservoir | $107,267,000 |

Independently, WYA estimated the cost to construct a replacement facility for Pioneer Reservoir at Miller Park at approximately $85.2 million (See Attachment 4). The estimate for the proposed Pioneer Reservoir modification project is approximately $17 million and 17% less than previous proposals. Attachment 7 estimates the project – generated revenues associated with Land Use Option A2. The land use scenario is

estimated to generate a total of approximately $30 million in revenues, which results in a $54 million shortfall. A significant source of outside revenue would be required to implement the relocation of Pioneer Reservoir and the construction of Land Use Option A2.

## Summary of Pioneer Reservoir Alternatives Costs

**Attachment 4**

**Table A-1**
**Pioneer Reservoir Finance Plan**
**Summary of Pioneer Reservoir Cost**

| Item | Alternative 1; Relocate to Miller Park Site | Alternative 2; Modification to Pioneer Reservoir Roof | Alternative 3; Phased Implementation |
|---|---|---|---|
| **Reservoir Cost** | | | |
| General and Civil (Including Mobilization/Demobilization) | $3,306,116 | $2,849,892 | $3,237,000 |
| Demolition of Existing 42-inch Washwater and Structure | $13,714 | - | - |
| Demolition of Existing Reservoir | $4,905,114 | - | - |
| Demolition of Existing Chemical Building | $39,990 | $40,704 | $41,000 |
| Demolition of Existing Operations Building | $383,328 | - | - |
| Construction of Inside Old Reservoir | - | $16,810,974 | $16,811,000 |
| Interim Structural Support | - | - | $2,000,000 |
| Construction of New Reservoir | $33,279,771 | - | - |
| Construction of New Piping | $5,311,500 | $3,613,200 | $4,336,000 |
| Junction Structure | $433,754 | - | |
| Construction of Chemical Building | $1,460,986 | $647,486 | $647,000 |
| Construction of Operations Building | $957,963 | $1,399,388 | $1,400,000 |
| Construction of Lab Building | $328,315 | - | - |
| **Subtotal Reservoir Cost** | **$50,420,551** | **$25,361,646** | **$28,472,000** |
| Plus 30% Contingency | $15,126,165 | $7,608,494 | $8,541,600 |
| **Subtotal Including Contingency** | **$65,546,717** | **$32,970,139** | **$37,013,600** |
| Plus Project Delivery Cost (30%) | $19,664,015 | $9,891,042 | $11,104,080 |
| **Total Reservoir Cost** | **$85,210,732** | **$42,861,181** | **$48,117,680** |
| **Total Reservoir Cost (Rounded)** | **$85,200,000** | **$42,900,000** | **$48,100,000** |

*"cost_summ"*

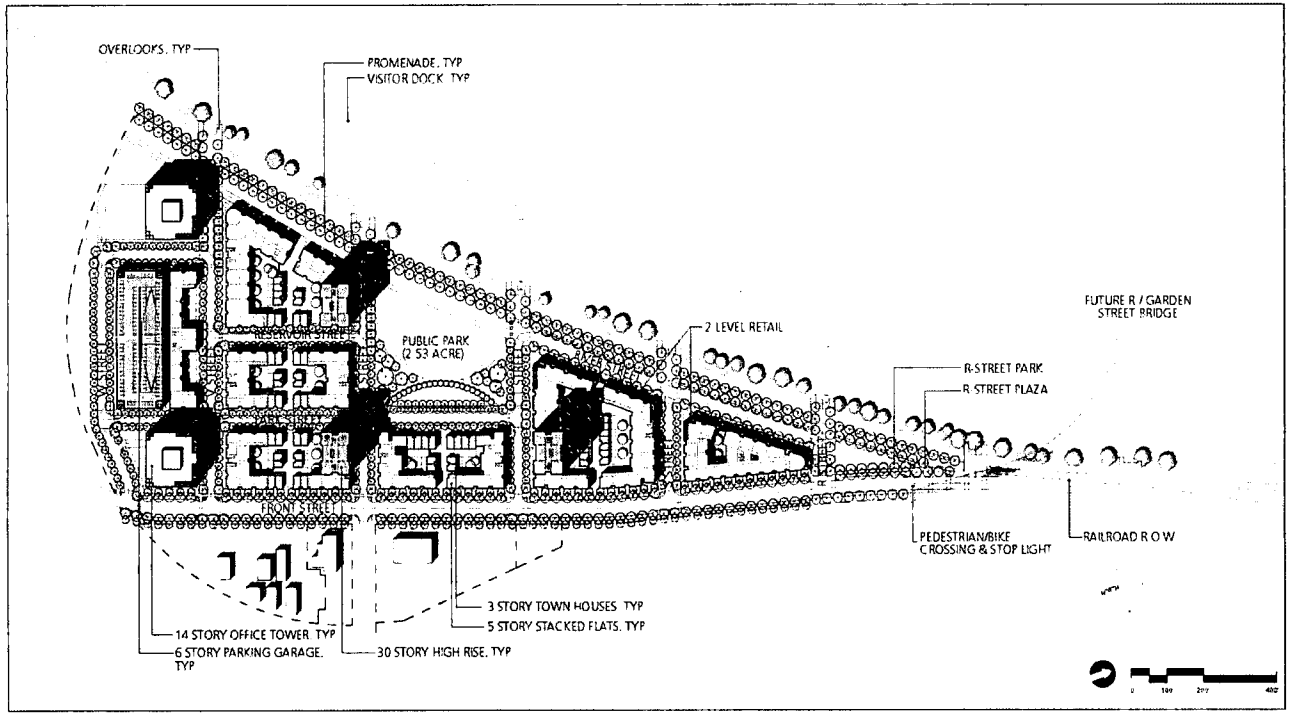
Source: West Yost Associates Pioneer Reservoir Relocation Feasibility Study, August 2009 and Pioneer Reservoir Structural Improvement Phasing Memorandum dated September 15, 2009.

*Prepared by EPS 10/16/2009*

*P:\18000\18568 Pioneer Reservoir Relocation Financing Plan\Models\18568 M5.xls*

## Docks Specific Plan - Option A2

**Attachment 5**



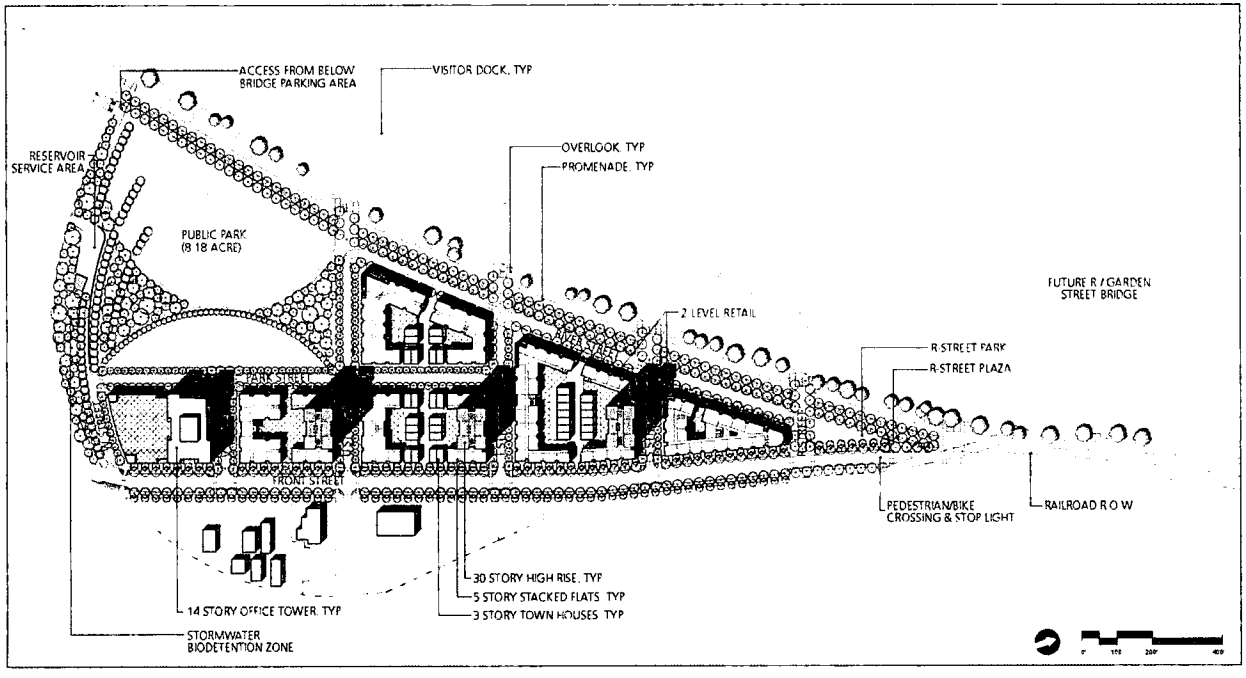

SACRAMENTO DOCKS AREA
ALTERNATIVE A2

SITE PLAN

WRT | SOLOMON ★ E.T.C.
09 12 2007

## Docks Specific Plan - Option B

**Attachment 6**




**SACRAMENTO DOCKS AREA**
ALTERNATIVE B

SITE PLAN

WRT | SOLOMON ★ E.T.C.
09 12 2007

**Attachment 7**

## Primary and Secondary Sources of Funding

Primary Sources of Funding

*Mello Roos Community Facilities District (CFD):* Proceeds of Mello Roos special taxes can be used for direct funding, acquisition, or to pay off bonds. A CFD can be placed on the undeveloped property and the units once developed. One or more Mello-Roos CFDs may be formed over time to fund the necessary infrastructure and public facilities. The advantage of Mello Roos CFD financing for purposes of the Pioneer Reservoir project is that the funds can be available prior to project absorption due to the ability to leverage taxes on undeveloped property and the use of capitalized interest.

*Tax Increment Funding – Docks area:* Tax increment funding may be available to fund the construction of infrastructure and public facilities serving the site. After mandatory housing and other pass-through set-asides, the remaining tax increment revenues are available to subsidize a development project's public infrastructure and other eligible improvements. The Docks Area tax increment projected cash flow has been calculated at approximately $14 million through the life of project. Tax increment revenues may be expended annually on a pay-as-you-go basis, as the revenues are realized, or the Redevelopment Agency could sell tax allocation revenue bonds. If bonds are sold, annual tax increment revenues are used to service debt on the bonds. The advantage of bonds is that it enables the redevelopment project area to leverage current and future tax increment revenues to obtain funds to construct or acquire facilities.

Because the change in valuation must be reflected on the annual property tax roll prior to the leverage of tax increment financing, the availability of these funds is delayed for 1 to 3 years subsequent to development project construction.

*Department of Utilities – Pioneer Reservoir Repair:* As previously mentioned, portions of the Pioneer Reservoir roof structure are failing. Previous studies indicate that the cost of repairing the roof is approximately $13 million. Upon approval of City Council, the Department of Utilities $13 million could be used to pay for a portion of the reservoir modifications costs.

Secondary Sources of Funding

Since the primary revenue sources will be required to help fund the Docks infrastructure, secondary sources of funding will be necessary to complete Pioneer Reservoir improvements. The secondary funds can be used as direct project funding or can be used as bridge financing to resolve short and medium term cash flow requirements. Bridge financing could be used to advance funds and could be repaid from other revenue sources are repayment mechanisms are available.

*Sacramento Regional County Sanitation District (SRCSD) Contribution:* Pioneer Reservoir was constructed by SRCSD and turned over to the City of Sacramento in 1980. The engineering analysis of required rehabilitation of Pioneer Reservoir showed the Pioneer Reservoir roof structure is failing earlier than anticipated. While SRCSD may not have any legal obligations to contribute to the costs of renovating the facility under latent defect law, the City may entertain negotiations with SRCSD to recoup expenses for rehabilitation requirements resulting from sub-par construction and structural quality.

*Central City Planning Area Park Development Impact Fee Revenue:* All new residential, retail, office and industrial construction within the City must pay the City's park development impact fee to finance development of park and recreational facilities within the Community Planning Area in which the project is located. The Docks Area Project and Pioneer Reservoir are located in the Central City Planning Area. Because construction of new park facilities in the Central City Planning Area is somewhat constrained by the nature of infill development, revenues generated by other Central City development projects may be available to fund all or a portion of the park-related structural improvements and soil fill costs for Pioneer Reservoir.

*Mitigation for other new Development Areas:* Local agencies that exercise land use authority over a development project may also require mitigation as part of the development approval process. This mitigation would be identified as part of the environmental review process for the project and could be implemented through project conditions of approval or through a project development agreement between the developer and public agency. Other areas that develop as part of the Riverfront Master Plan could be conditioned to provide funding for a portion of the Pioneer Reservoir relocation or rehabilitation costs, to the degree that the ultimate improvements benefit the Riverfront Master Plan. Contributions from other development areas would be dependent on the timing of projected new development area, and may be constrained or delayed by current economic conditions.

*Tax Increment Funding – Downtown Redevelopment Area:* In addition to the tax increment revenues generated by the Docks Area development, the City may wish to fund a portion of Pioneer Reservoir improvements with tax increment funds generated by other redevelopment projects in the downtown area. These revenues could be used either as a bridge financing mechanism or ultimate funding source.

*Grants:* In addition to funding from new development, redevelopment, and system users, the City may also be able to use grant revenues to offset a portion of the costs to relocate or rehabilitate Pioneer Reservoir. Authorized by the passage of the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) the State of California Department of Parks and Recreation administers a $368 million grant program to fund new park construction. Cities and Counties can apply for grants to fund the creation of new parks and new recreation opportunities in proximity to underserved areas. A portion of the costs to complete the Pioneer Reservoir improvements may be eligible for Proposition 84 (or

future statewide park development grant program authorizations) monies to the extent that the funds will be used to facilitate park facility construction (e.g. soil fill for a green roof park).

*Clean Water State Revolving Fund Program:* The Clean Water State Revolving Fund Program provides low interest loans and other financing mechanisms to construct public water and wastewater facilities. The Federal Water Pollution Control Act (Clean Water Act or CWA), as amended in 1987, provides for establishment of a State Revolving Fund (SRF) loan program. The program is funded by federal grants, State funds, and Revenue Bonds. The SRF loan program provides financial assistance for the construction of facilities or implementation of measures necessary to address water quality problems and to prevent pollution of the waters of the State. Through this program, the City is able to leverage a portion of its sewer utility rate revenues to fund improvements to large combined system facilities. Over the past several years, the City has undertaken several SRF loans to fund several improvement projects in the combined system. The Clean Water SRF program may provide a bridge financing mechanism to assist with the advance funding of Pioneer Reservoir improvements, provided that it is recommended by Regional Water Quality Control Board staff for placement on the SRF priority list.

*I-Bank Loan:* The California Infrastructure and Economic Development Bank (I-Bank) loan is a State of California administered loan used to finance public infrastructure and private development that is designed to promote economic growth, revitalize communities, and enhance quality of life for Californians. The Infrastructure State Revolving Fund Program provides low-cost financing to public agencies for a wide variety of infrastructure projects. Eligible project categories include drainage and flood control facilities. The City may be able to secure an I-Bank loan to fund a portion of the Pioneer Reservoir improvements. Because a secure repayment source is required, the I-Bank loan would be appropriate bridge financing mechanism to resolve cash flow issues, but would not provide an ultimate funding solution.

**Attachment 8**

**RESOLUTION NO. 2009-**

Adopted by the Sacramento City Council

**RECEIVE, FILE AND ACCEPT IN CONCEPT THE PIONEER RESERVOIR ENGINEERING FEASIBILITY STUDY AND FINANCING PLAN**

**BACKGROUND**

A. The 29-year-old Pioneer Reservoir roof is showing signs of early structural failure. Continued operation of Pioneer Reservoir is considered necessary for City's compliance with Regional Water Quality Control Board waste discharge requirements.

B. Between 2005 and 2008, the City of Sacramento (City) engaged in an extensive community planning process to further define the plan for redevelopment of the Docks Area. The Docks Area community planning process resulted in a Draft Specific Plan for a high-density, mixed-use neighborhood with a riverfront promenade along the Sacramento River. The Docks Area Specific Plan and Environmental Impact Report (EIR) are scheduled for approval by the end of this year.

C. The Draft Docks Area Specific Plan and EIR evaluated two land use plans depending on whether the Pioneer Reservoir would be relocated or retained in place but improved with a rooftop park. The City hired consultants to explore evaluate the options for the Pioneer Reservoir to analyze the feasibility and costs for the 1) reroofing the Pioneer Reservoir facility and reinforcing the roof to support a park, and 2) relocate the facility off-site from the Docks area.

D. Reclaiming the Sacramento Riverfront is paramount to the City and the Docks Area is one of the last remaining sites where a new mixed-use waterfront neighborhood could be developed.

E. Relocating or improving the Pioneer Reservoir is desirable to facilitate the future redevelopment of the Docks Area. The cost to repair and improve the Pioneer Reservoir at its current location is approximately $42 million less than relocating the reservoir.

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

Section 1. Pursuant to section 33445 of the Health and Safety Code of the State of California, the City makes the following findings:

a) The Docks Area Project, including the improvement of Pioneer Reservoir, is of benefit to the Merged Downtown Redevelopment

Project Area because the improvements will be a catalyst for development of a high-density, mixed-use development and the remediation of a Brownfields site.

b) The modification of Pioneer Reservoir to accommodate a park would help to stimulate new commercial/residential development and growth in employment to strengthen the economic base within the Merged Downtown Redevelopment Project Area.

Section 3. The City Council has determined that modification of Pioneer Reservoir to provide structural improvements is needed due to its deteriorated condition and for the Docks development. Such improvements should be designed to accommodate development of a future rooftop park .

Section 4. The Pioneer Reservoir Feasibility Study and the Pioneer Reservoir Financing Plan are hereby accepted and the City Council directs staff to proceed with planning for making improvements to Pioneer Reservoir in its current location under a phased approach to provide necessary repairs and to accommodate a future rooftop park.