



**REPORT TO REDEVELOPMENT  
AGENCY**

18

**City of Sacramento  
915 I Street, Sacramento, CA 95814-2671  
[www.CityofSacramento.org](http://www.CityofSacramento.org)**

**Consent  
September 28, 2010**

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

**Title: La Valentina Project Budget Augmentation**

**Location/Council District:** 12th Street between C Street Alley and E Street, District 3  
Alkali Flat Redevelopment Area

**Recommendation:** Adopt a **Redevelopment Agency Resolution:** a) amending the 2010 Sacramento Housing and Redevelopment Agency budget by defunding \$138,823 of Alkali Flat Commercial Loan funds and \$149,191 of Globe Mills Acquisition funds and transferring the balances to the Alkali Flat Developers Assistance fund, and allocating the existing balance of \$652,976 in Alkali Flat Developers Assistance funds and \$247,024 of Alkali Fat Development Assistance Tax Exempt bond funds to the La Valentina Project; b) authorizing the Executive Director, or her designee, to execute and amend contracts for remediation services for costs associated with obtaining environmental site closure at the La Valentina property; and c) authorizing the Executive Director, or her designee, to apply for and accept additional funds from the California Recycle Underutilized Sites Grant Program (CALReUSE) for the site.

**Contact:** Chris Pahule, Assistant Director, 440-1350

**Presenters:** None

**Department:** Sacramento Housing and Redevelopment Agency

**Description/Analysis**

**Issue:** The Redevelopment Agency (Agency) has executed a Disposition and Development Agreement (DDA) with Domus Development to build a mixed-use, transit-oriented development on eight Agency owned parcels at the La Valentina Light Rail Station. The Agency owned property is located on two adjacent sites separated by D Street along the east side of the 12<sup>th</sup> Street corridor in the Alkali Flat Redevelopment Area. On June 22, 2009, the Agency received authority

## La Valentina Budget Augmentation

from the Board to accept \$631,000 in grant funds from the CALReUSE program for soil remediation. In June 2010, Domus Development was awarded Low-Income Housing Tax Credits from the State through a competitive process. The funding award completed the Project's financing package. A requirement of the tax credits is that the project moves quickly to construction, therefore building permits must be issued by November 5, 2010. In order for building permits to be issued, a No Further Action letter must be issued by the Sacramento County Environmental Management Department (SCEMD).

Site remediation is underway and, due to a combination of unanticipated factors including previously unidentified contamination, a change in state-approved cleanup goals, and the inability to dispose of waste in California, additional funding is required to obtain environmental site closure. The Phase I and II Environmental Site Assessments (ESA) indicated metals contamination in the shallow soil. Based on available data, a Corrective Action Plan (CAP) was approved by SCEMD and disposal was assumed to be non-hazardous.

Subsequent to receiving the CALReUSE grant award, the State of California changed their cleanup standards for lead contamination making compliance more difficult to achieve which requires more soil to be excavated than originally anticipated. Also, the soil contains many artificial fill characteristics including brick fragments, metal objects, and ash-like material not previously identified in the ESA. A majority of the post-excavation confirmation sample results are higher than the original ESA samples which is highly unusual. Testing indicates the materials will have to be disposed of as hazardous waste requiring disposal at a different land fill than originally assumed. Due to the increased amount of soil needing excavation and the increase in the disposal cost there is currently insufficient funding to complete the remediation.

Additional testing was performed following the initial phase of soil excavation. Based on the results, the Agency has determined that the estimated cost to achieve environmental site closure will not exceed \$900,000. This amount is a conservative estimate and includes a significant contingency.

**Policy Considerations:** The recommended action is consistent with the following goals in the Alkali Flat Implementation Plan and Redevelopment Plan: 1) Develop a mixed-use/transit oriented development which will eliminate factors hindering economically viable use and eliminate an underutilized blighted parcel, 2) Provide safe, decent, adequate and sanitary housing through the development of a mixture of housing types for all income groups; and 3) Maximize private participation and investment in the redevelopment effort.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** The proposed actions consist of budget amendment(s) and activities necessary to fully remediate hazards on the La Valentina Station project site. The “La Valentina Station: Rezone, Plan Review, Special Permit, and Variances” project was previously analyzed in accordance with the CEQA Guidelines, and a Mitigated Negative Declaration (MND) was prepared. The project was approved and the MND was adopted by the City of Sacramento on March 24, 2009. Full remediation and cleanup of hazardous materials was required as mitigation in the MND prepared for the project, and as such, the impacts associated with that cleanup were included in the analysis of the project. Therefore, the proposed actions do not constitute a substantial change with respect to the circumstances under which the project will be undertaken, and additional environmental review is not required pursuant to CEQA Guidelines Section 15162.

**Sustainability Considerations:** The Project has been reviewed for consistency with the goals, policies and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the project will advance the following goals, policies and targets: (1) Goal number one – Energy Independence, specifically by reducing the use of fossil fuels, improving energy efficiency, and providing long term affordable and reliable energy, (2) Goal number three – Air Quality, specifically by reducing the number of commute trips by single occupancy vehicles and reducing vehicle miles traveled, (3) Goal number five – Public Health and Nutrition, specifically by maximizing the number of amenities that are located within ½ mile of all residents and cleanup, redevelopment, and reuse of areas that are brownfields, and (4) Goal number six – Urban Design, Land Use, Green Building, and Transportation specifically by reducing dependence on the private automobile by providing efficient and accessible public transit and transit-supportive land uses, and reducing long commutes by providing a wide array of transportation and housing choices near jobs for a balanced, healthy City.

**Other:** An Environmental Analysis pursuant to the National Environmental Policy Act (NEPA) was prepared for the La Valentina Station project in July 2009. The Finding of No Significant Impact and Notice of Intent to Request Release of Funds was published in the Daily Recorder on July 13, 2009 and the public comment period closed on July 28, 2009. The proposed actions associated with environmental site remediation and cleanup, are considered a part of the project that was previously analyzed. Therefore, additional environmental review pursuant to NEPA is not required.

La Valentina Budget Augmentation

**Committee/Commission Action:** *Alkali Flat Redevelopment Agency Advisory Committee (RAC):* At its meeting on September 14th, 2010, the RAC voted to support Staff's recommendation. The votes were as follows:

AYES: Bradley, Ferderer, Monighan, Wright

NOES: Frankfield, Lough

ABSENT: Caldwell, DelaPena, Sumpter, Waters

**Committee/Commission Action:** At its meeting on September 15, 2010, the Sacramento Housing and Redevelopment Commission considered the staff recommendation for this item. The votes were as follows:

AYES: Burruss, Chan, Fowler, Gore, Morgan, Morton, Otto, Rosa, Shah, Stivers

NOES: none

ABSENT: none

**Rationale for Recommendation:** Over the past 18 years, Agency staff and three different development teams have unsuccessfully attempted to revitalize the La Valentina site. As a result, the site remained vacant and unimproved. The actions proposed in this report will enable remediation to continue so that the site can be prepared for construction of the mixed-use, transit-oriented development. The approved project is designed to achieve multiple goals included in the Alkali Flat Redevelopment Plan. In addition, the actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City. The Agency will apply for additional funds from the CALReUSE grant program for costs associated with achieving environmental site closure.

**Financial Considerations:** CALReUSE awarded the Agency a \$631,000 grant for soil remediation on the Agency owned parcels. Additional funding is required to complete the environmental remediation. Staff recommends defunding \$138,823 of Alkali Flat Commercial Loan funds and \$149,191 of Globe Mills Acquisition funds and transferring these funds to the Alkali Flat Developers Assistance fund, then allocating the balance of \$652,976 in Alkali Flat Tax Increment Developers Assistance and \$247,024 of Alkali Flat Development Assistance Tax Exempt bond funds to the La Valentina Project. Due to the urgent nature of the project, a conservative contingency amount is assumed. If available, staff will pursue additional grant funds from CALReUSE for soil remediation in lieu of the Alkali Flat Tax Increment funds. Since, tax exempt bonds cannot be repaid only the increment allocation of \$652,976 can be reimbursed.

La Valentina Budget Augmentation

**M/WBE Considerations:** Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding.

Respectfully Submitted by:

  
LA SHELLE DOZIER  
Executive Director

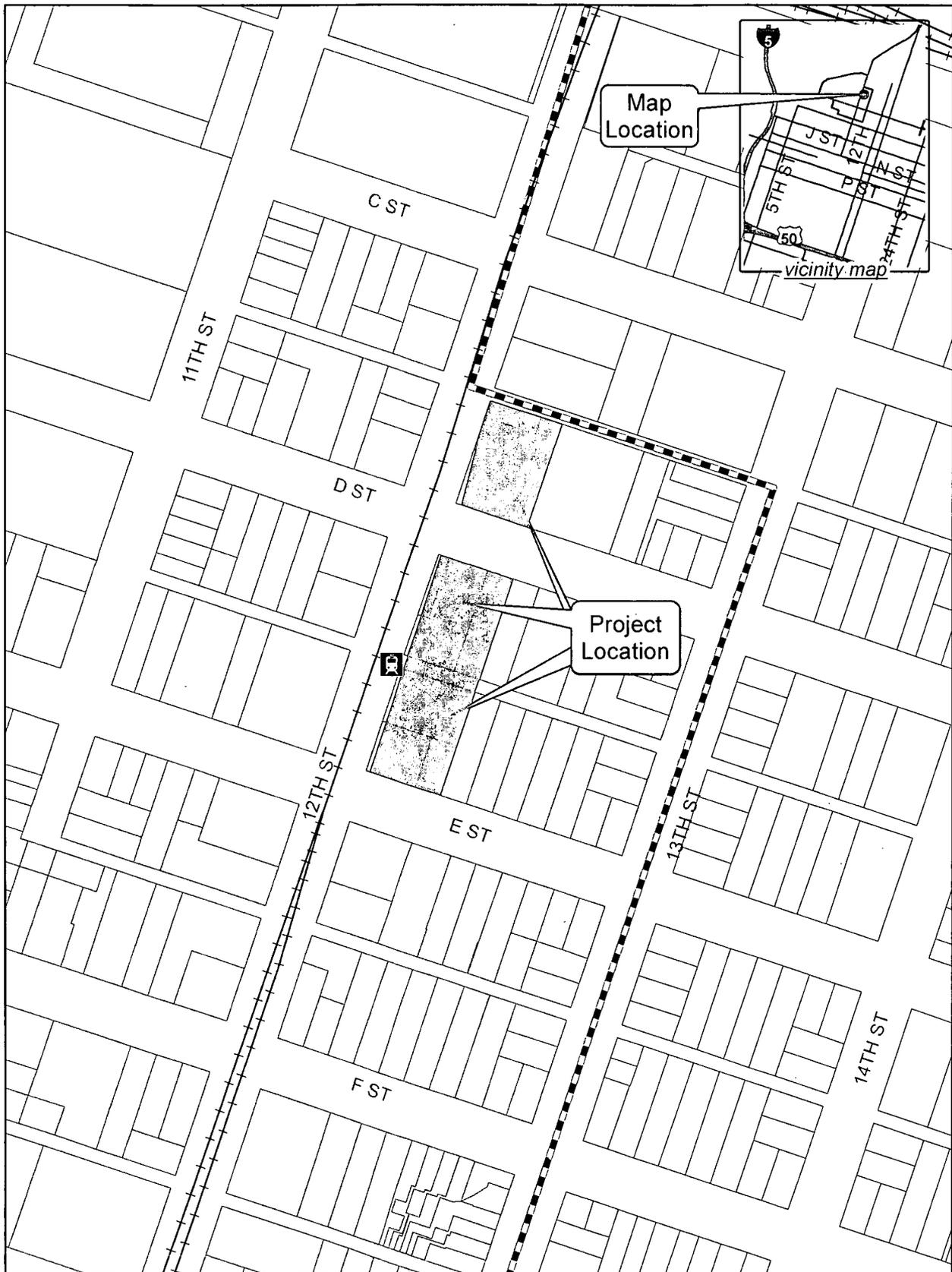
Recommendation Approved:

  
GUS VINA  
Interim City Manager

**Table of Contents**

Report	pg. 1
<b>Attachments</b>	
1 Map	pg. 6
2 Background	pg. 7
3 Resolution	pg. 9

# La Valentina



La Valentina Project Parcel	Light Rail Line	0	200	400		SHRA GIS July 28, 2010
Alkali Flat Redevelopment Area	Light Rail Stop					

## Background

### Site Description

The La Valentina Development Site (Site) consists of eight parcels on approximately 1.23 acres of land which were incrementally acquired by the Sacramento Housing and Redevelopment Agency (Agency) from 1986 through 2008. The site is comprised of mostly vacant parcels in a highly visible and blighted area of the Alkali Flat Redevelopment Area. One parcel contained a residential structure that had been vacant for four years and has been demolished. The Site is located on 12<sup>th</sup> Street, which serves as the primary commercial corridor for the community of Alkali Flat and is one of the main routes into Sacramento's downtown from the north.

### Current Concept Design

The proposed La Valentina project (Project) will consist of the construction of a mixed-use, transit-oriented development on eight Agency-owned parcels. The Agency-owned property is located on two adjacent sites separated by D Street along the east side of the 12<sup>th</sup> Street corridor in the Alkali Flat Redevelopment Area. The south site, located between D and E Streets, will be a mixed-use property adjacent to the Alkali Flat/La Valentina Light Rail Station which will include a 1,300 square foot café, 5,000 square feet of commercial/retail space, a 2,000 square foot community room, a property management office, a play area for resident children, and parking on the ground floor. There will be 63 affordable rental units located on the second, third, and fourth floors. The north site, (located between the C Street Alley and D Street), will consist of 18 affordable split-level townhome-style rental units. The entire project will consist of a total of 12 studios, 24 one-bedroom units, 21 two-bedroom units, and 24 three-bedroom units.

The Project has been designed as a sustainable development, incorporating principles from transit-oriented development and Leadership in Energy and Environmental Design (LEED). The Project will have many green features, including energy efficient systems. The south site property is split into two distinct buildings connected by an open-air bridge, and share elevator service. The perimeter will consist of painted stucco and paneling in alternating hardiplank material. The balconies on the southern building will be made of corten metal. The north site townhomes are located within six three-story, wood-framed buildings with painted fiber-cement panels, split-faced concrete block, and concrete tile roof.

### Project Funding Sources

The Development and Disposition Agreement provides an Agency loan of \$7,035,000 comprised of \$3,535,000 in City Housing Trust Funds, \$1,600,000 in Alkali Flat Project Area Tax Increment funds, and \$1,900,000 in HOME funds.

## La Valentina Budget Augmentation

On June 9, 2010 La Valentina received approximately \$11,853,000 of 9% Low Income Housing Tax Credits (LIHTC) equity through the California Tax Credit Allocation Committee (TCAC). It is anticipated that construction will commence in November of 2010.

The Agency loans will leverage an additional \$4,095,400 of funds through a combination of public and private sources. The project costs will be funded with 9% LIHTC; Cal-Reuse Remediation Program (CalReUSE) grant funds through the California Pollution Control Financing Authority (CPCFA); Townhome of the Future Grant Funds through the Sacramento Municipal Utility District (SMUD); Community Development Block Grant Recovery funds (CDBG-R) through the Agency; bank loans; and developer equity. Despite the market downturn there is still demand for 9% LIHTCs, and 12<sup>th</sup> Street Partners is confident that they will be able to place the tax credit equity needed.

La Valentina Budget Augmentation

## **RESOLUTION NO. 2010 -**

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

on date of

### **LA VALENTINA: AUTHORIZING A BUDGET AUGMENTATION FOR ENVIRONMENTAL REMEDIATION AND RELATED EXPENSES**

#### **BACKGROUND**

- A. The Agency owns certain real property that includes eight tax parcels in the Project Area generally described as being located on the east side of 12<sup>th</sup> Street from the C Street Alley to E Street. The property is adjacent to the La Valentina Light Rail Station APN Numbers: 002-0082-016 and -024; 002-0121-002, -027, -032, -034, -036, and -038 ("Property").
- B. On June 2, 2009 the Agency executed a Disposition and Development Agreement (DDA) and loan with Domus Development, LLC to the Property as a mixed use affordable housing development.
- C. The Property has been identified as a Brownfield and requires environmental remediation before construction can begin.
- D. On June 2, 2009 the Agency was authorized to accept and use Six Hundred Thirty One Thousand Dollars (\$631,000) in grant funds from the California Recycle Underutilized Sites Grant Program (CALReUSE) for the environmental remediation of the La Valentina property.
- E. Pacific States and Nichols Consulting Engineers went through a solicitation process and were selected to provide remediation services.
- F. Existing and new grant funds for environmental remediation may be available from CALReUSE.
- G. Use of Alkali Flat Project Area Tax Increment Funds (Alkali Flat TI) for the environmental remediation and development of the Property will benefit the Project Area by providing high quality affordable housing to downtown workers and residents and add an attractive building on the 12<sup>th</sup> Street Corridor which will include commercial opportunities on a previously inactive site.
- H. The proposed actions consist of budget amendment(s) and activities necessary to fully remediate hazards on the La Valentina Station project site. The "La Valentina Station: Rezone, Plan Review, Special Permit and Variances" project was previously analyzed in accordance with the CEQA Guidelines, and a Mitigated Negative Declaration (MND) was prepared. The project was approved and the MND was adopted by the City of Sacramento on March 24, 2009. Full

remediation and cleanup of hazardous materials was required as mitigation in the MND prepared for the project, and as such, the impacts associated with that cleanup were included in the analysis of the project. Therefore, the proposed actions do not constitute a substantial change with respect to the circumstances under which the project will be undertaken, and additional environmental review is not required pursuant to CEQA Guidelines Section 15162.

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

- Section 1. All evidence presented having been duly considered, the findings, including environmental findings regarding this action as stated above, are approved.
- Section 2. The Executive Director, or her designee, is authorized to amend the 2010 Sacramento Housing and Redevelopment Agency budget by defunding \$138,823 of Alkali Flat Commercial Loan funds and \$149,191 of Globe Mills Acquisition funds, returning the funds to Alkali Flat Developers Assistance, and allocating the existing balance of \$652,976 in Alkali Flat Developers Assistance and \$247,024 of Alkali Flat Development Assistance Tax Exempt bond funds to the La Valentina Project.
- Section 3. The Executive Director, or her designee, is authorized to execute contracts and amend contracts for remediation services for costs associated with obtaining environment site closure and site preparation at the Property.
- Section 4. The Executive Director, or her designee, is authorized to apply, accept and expend additional CALReUSE funding for costs associated with obtaining environmental site closure at the Property.
- Section 5. The Executive Director, or her designee, is authorized to amend the La Valentina Project Budget should CALReUSE funding become available to reimburse or reduce the amount of the Alkali Flat tax increment funds allocated to the La Valentina Project, provided however, that the CALReUSE funds shall not be used to repay Alkali Flat tax exempt bond funds spent on the Project.