



**REPORT TO THE
REDEVELOPMENT AGENCY
AND CITY COUNCIL
of the City of Sacramento**

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

Public Hearing
December 4, 2007

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

Title: Sacramento Railyards (Economic/Financial Issues)

Location/Council District: North of Central Business District, South of River District East of Sacramento River, Council District 1

Recommendation: Conduct a public hearing and upon conclusion on December 11, 2007:

For City Council: 1) Adopt a **Resolution** approving Business Terms for Sacramento Railyards Funding Agreement; 2) adopt a **Resolution** approving Findings related to the Owner Participation Agreement Business Terms; and 3) continue the public hearing to December 11, 2007.

For the Redevelopment Agency: 1) Adopt a **Resolution** approving the City's Environmental Impact Report and Mitigation Monitoring Program, and the Owner Participation Agreement Business Terms; and 2) continue the public hearing to December 11, 2007.

Contact: Dave Harzoff, Economic Development Manager, 808-5385; Marty Hanneman, Assistant City Manager, 808-5207

Presenters: Marty Hanneman, Dave Harzoff

Department: City Manager's Office/Economic Development

Division: Downtown

Organization No: 4451

Description/Analysis

Issue: The Railyards Specific Plan is a large mixed-use, transit-oriented and pedestrian-oriented development that has the potential to have a significant positive

economic impact on the City of Sacramento and the region. The project will serve as a major catalyst in the Central City by providing up to 12,000 new residential units, millions of square feet of office, hotel, and retail uses and a new major cultural and entertainment destination. The private development economics are such that the project requires a public-private partnership to provide public financial assistance to offset a portion of the first phase costs of the estimated \$750 million in total infrastructure and public facilities costs and to assist with private development.

Staff is bringing this project forward to City Council in a series of three public hearings, on November 20, 2007, December 4, 2007 and December 11, 2007. On November 20, 2007 a public hearing was conducted regarding the major planning and land use entitlements, including the Specific Plan, Design Guidelines, Special Planning District, Historic District Nomination, Inclusionary Housing Plan, rezone and the various plan/code conformity entitlements, and the Development Agreement provisions that relate to these entitlements. Staff will report back on Council comments and concerns at the December 11, 2007 hearing.

The public hearing on December 4, 2007 is intended to focus on the proposed Public Facilities Financing Plan and the City and Redevelopment Agency funding commitments in the Development Agreement and Owner Participation Agreement. Staff is not requesting the Council to take any formal action until the December 11, 2007 public hearing.

Policy Considerations:

City of Sacramento – The recommended actions are consistent with the City Council direction to spread economic development throughout the City, support the development of infill, transit-oriented, mixed-use and residential development and the proposed Railyards Specific Plan. The recommended actions also help support the City's historic preservation, cultural, and visitor attraction goals. The proposed public financial and other assistance will aid in initiating the development of the financially challenged Railyards project that will produce economic and fiscal benefits for the City and the Region.

The Redevelopment Agency of the City of Sacramento – The recommended actions are consistent with the Amended Richards Boulevard Redevelopment Plan and the proposed Railyards Redevelopment Plan and the 2005-2009 Richards Boulevard Redevelopment Implementation Plan. Redevelopment of the Railyards Specific Plan Area will eliminate blight by 1) eliminating environmental deficiencies in the Project Area; obsolete, aged and deteriorated buildings, inadequate and non-public improvements and utilities and barriers to private investment; and 2) assisting with the redevelopment of an abandoned industrial site with a mix of uses including retail, office, historic, cultural and entertainment, transit and substantial infill and transit-oriented housing, including affordable housing, by the installation of needed backbone infrastructure and public facility improvements either inside or outside the

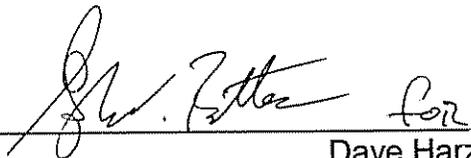
Redevelopment Project Area.

Environmental Considerations: The proposed actions are consistent with the Railyards Specific Plan and other recommended entitlements which are the subject of analysis in the Railyards Final and Draft Environmental Impact Reports and the corresponding Mitigation Monitoring Program. Those documents provide the environmental analysis necessary to support the recommended actions.

Rationale for Recommendation: The recommended actions in this report are necessary to advance the redevelopment of the Railyards by forming a public-private partnership with the developer that will produce substantial public benefits.

Financial Considerations: The recommended actions will commit \$17,750,000 in Measure A funds earmarked for upgrading the Richards Boulevard/I-5 interchange; \$8,400,000 of Federal earmarked funds and \$2,200,000 in local match funds to implement the North CBD Access Study; \$600,000 in Central City Park Fees Reserves, \$2,000,000 in annual Parking Fund revenue to help fund the proposed 5th and 6th Streets Public Parking Garage; and \$50 million in net present value (2007\$'s) redevelopment tax increment funds to assist in funding the initial phase of backbone infrastructure and public facilities identified in the Railyards Public Facilities Finance Plan. The estimated first phase backbone infrastructure and public facilities costs are \$290 million of which these actions will cover a portion of the costs. The remainder of the funding will have to come from the Developer funds or outside sources, such as Proposition 1C and other State and Federal funds.

Emerging Small Business Development (ESBD): Not applicable

Respectfully Submitted by:  for
Dave Harzoff
Economic Development Division Manager

Approved by: 
Marty Hanneman
Assistant City Manager

Recommendation Approved:

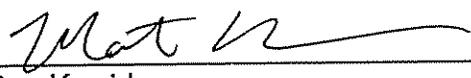

for Ray Kerridge
City Manager

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***Items marked "TBD" are To Be Delivered

Attachment 1**Background
The Railyards Specific Plan Financial and Economic Issues**

The original work to redevelop the then still operational Southern Pacific Railyards began in the late 1980's and led in part to the creation of the Richards Blvd. Redevelopment Project Area in 1990, which includes the Railyards. In the mid-90's the Railyards Specific Plan (ROMA Plan) proposed by the Southern Pacific Railroad and supporting implementation documents were adopted after a lengthy public involvement, design, and planning process. Soon after those documents were approved it became apparent that the huge cost of the proposed infrastructure and lack of market support for the adopted land uses made the plan difficult to implement and eventually was determined to be infeasible. In 2001, Union Pacific Railroad (UP) which acquired Southern Pacific and the Railyards issued an RFP for potential purchasers of the Railyards. This began a long negotiation process with Millennia Associates, for which S. Thomas Enterprises of Sacramento, LLC (TE) is the successor, that culminated in TE's acquisition of the Railyards in late December, 2006.

A major portion of the negotiations with UP revolved around the remediation of onsite toxics-laced soils, groundwater contamination, and purchasing a toxics insurance liability policy. Over the last year City staff has been engaged in collaboratively developing a new plan for the Railyards with TE and the community. The necessary "backbone" infrastructure and public facilities necessary to serve the project has also been planned and the estimated costs are set out in the Public Facilities Financing Plan. Through various technical and financial analyses it has become apparent the proposed development does not provide sufficient value under current Sacramento market conditions to fully support the necessary pre-development costs, the toxics remediation and toxics insurance costs, the infrastructure and public facilities costs, and the private development costs. Various analyses (see summaries, following) have concluded that there is a financial feasibility gap for the project and particularly the initial planned phase.

However, if a public-private partnership can be established to help jumpstart the initial phase of the project by assisting with infrastructure and public facilities costs substantial economic benefits would accrue to the City of Sacramento and the region. In addition, if the proposed development were capable of providing adequate municipal revenues to cover the necessary municipal services the City could feel comfortable implementing such a large project that will create a huge demand for new services. Other benefits of developing such a large infill, mixed-use, transit-oriented project that will provide substantial commercial expansion potential, new cultural and entertainment opportunities and up to 12,000 units of infill housing, including affordable housing in the Central City are numerous. Many of the objectives of the Railyards Specific Plan and related documents are designed to achieve these land use benefits. The Plan will help implement many of the City's smart growth, transit-oriented, preservation, public amenity, and infill policies. The recommended land use planning documents and environmental analysis are covered in a

separate staff report. Graphics showing the project phasing strategy are attached. This report covers the following, in separate sections:

- Summary of the Railyards Specific Plan Economic Impact Analysis
- Summary of the Railyards Specific Plan Fiscal Impact Analysis
- Summary of the Railyards Specific Plan Public Facilities Financing Plan
- Summary of the Railyards Pro Forma (Financial Feasibility) Analysis
- Recommended Business Terms for the Railyards Public-Private Partnership for the City of Sacramento
- Recommended Business Terms for the Railyards Public-Private Partnership for the Redevelopment Agency of the City of Sacramento
- Development Agreement Financial Terms Summary

The Railyards documents can be found and downloaded at <http://www.cityofsacramento.org/dsd/projects/railyards/> . All of the above analyses assume near full build out of the land use entitlements in the proposed Railyards Specific Plan. The recommended Business Terms however are focused primarily on the first initial phase of the development with a more general governing framework for later phases of the project. Ongoing infrastructure cost and funding analysis, market feasibility analysis, municipal service capacity analysis, public financial participation negotiations, and the ongoing search for outside funding will continue over the estimated 20-year build out period for the Railyards development. Over that time many conditions will change and the public-private partnership will need to evolve accordingly, including accommodating the needs of other developers that are anticipated to purchase development sites within the Railyards Specific Plan area.

Attachment 2

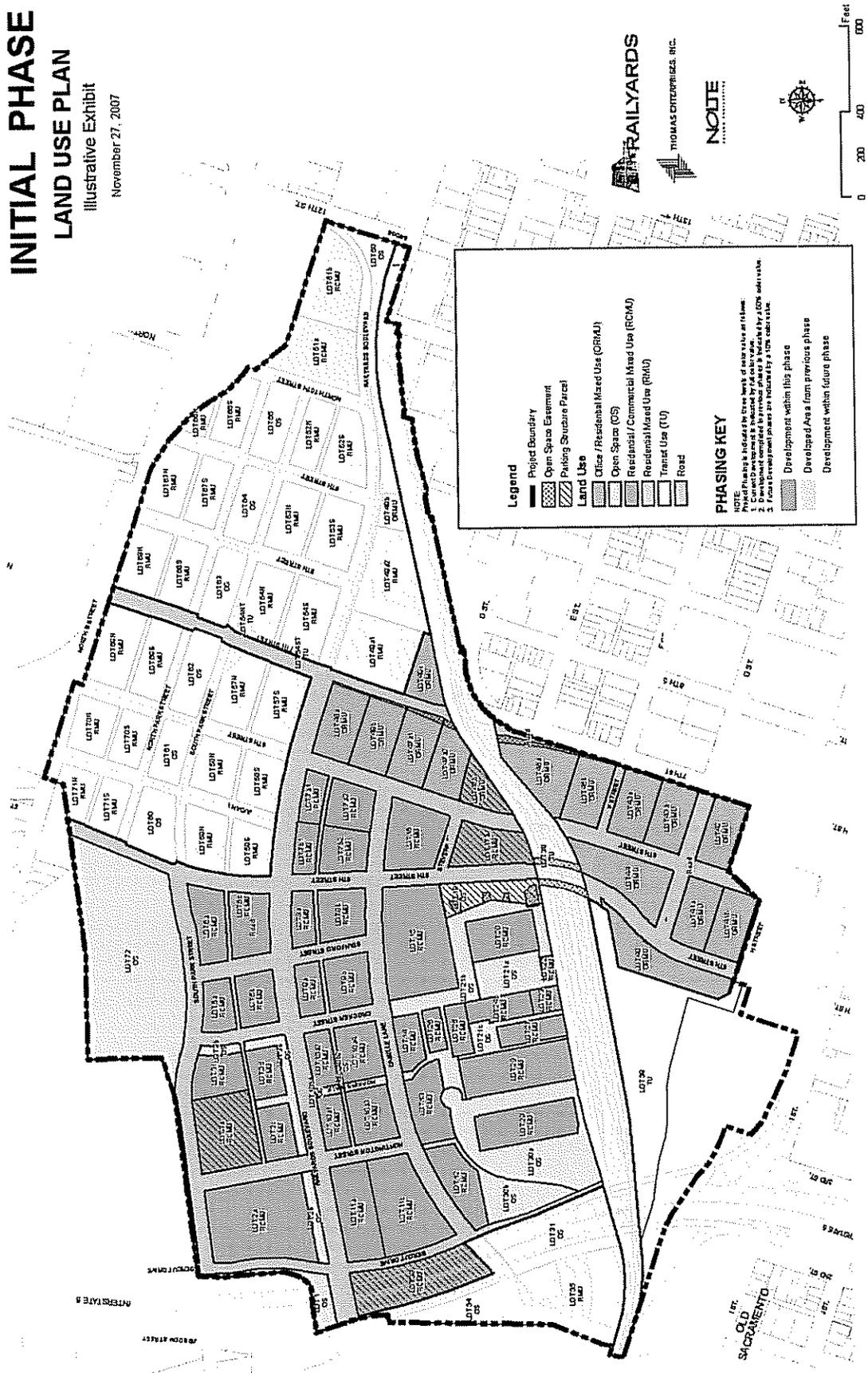
PROJECT PHASING DIAGRAMS

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| Exhibit A: | Initial Phase |
| Exhibit B: | Phase 1 |
| Exhibit C: | Phase 2 |
| Exhibit D: | Phase 3 |
| Exhibit E: | Phase 4 |
| Exhibit F: | Project Buildout |

Exhibit A

**INITIAL PHASE
LAND USE PLAN**
Illustrative Exhibit
November 27, 2007



Legend

- Project Boundary
- Open Space Easement
- Parking Structure Parcel

Land Use

- Office / Residential Mixed Use (ORMA)
- Open Space (OS)
- Residential / Commercial Mixed Use (RCM)
- Residential Mixed Use (RMA)
- Transit Use (TU)
- Road

PHASING KEY

NOTE:
 1. Phases I indicates the three levels of development as follows:
 2. Development completed in previous phases is indicated by 40% with
 3. Future development phases are indicated by a 10% color table.

- Development within this phase
- Developed Area from previous phase
- Development within future phase



NOTE
 ALL RIGHTS RESERVED

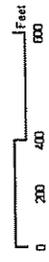
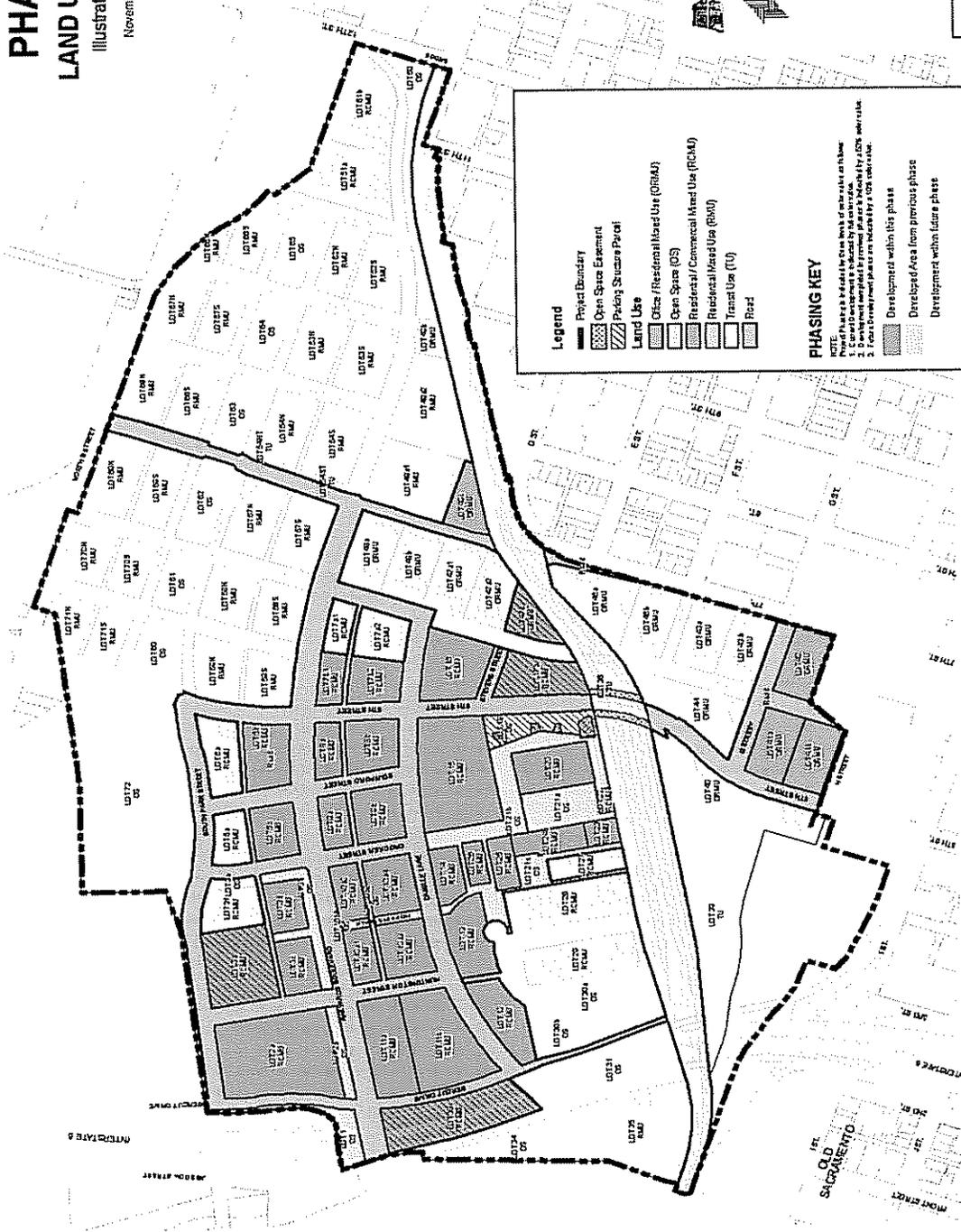


Exhibit B

PHASE 1
LAND USE PLAN
Illustrative Exhibit
November 27, 2007



Legend

- Project Boundary
- Open Space Element
- Parking Structure Project
- Land Use**
- Office / Residential Mixed Use (OR/MU)
- Open Space (OS)
- Residential / Commercial Mixed Use (RC/MU)
- Residential Mixed Use (RMU)
- Transit Use (TU)
- Road

PHASING KEY

NOTE:
Phase 1 includes the area within the boundary of the site shown on this map.
2. Development within this phase is indicated by a solid line.
3. Development within this phase is indicated by a dashed line.

- Development within this phase
- Development Area from previous phase
- Development within future phase

SACRAMENTO RAILYARDS
THOMAS ENTERPRISES, INC.

NOTE

Exhibit C

PHASE 2
LAND USE PLAN
 Illustrative Exhibit
 November 27, 2007

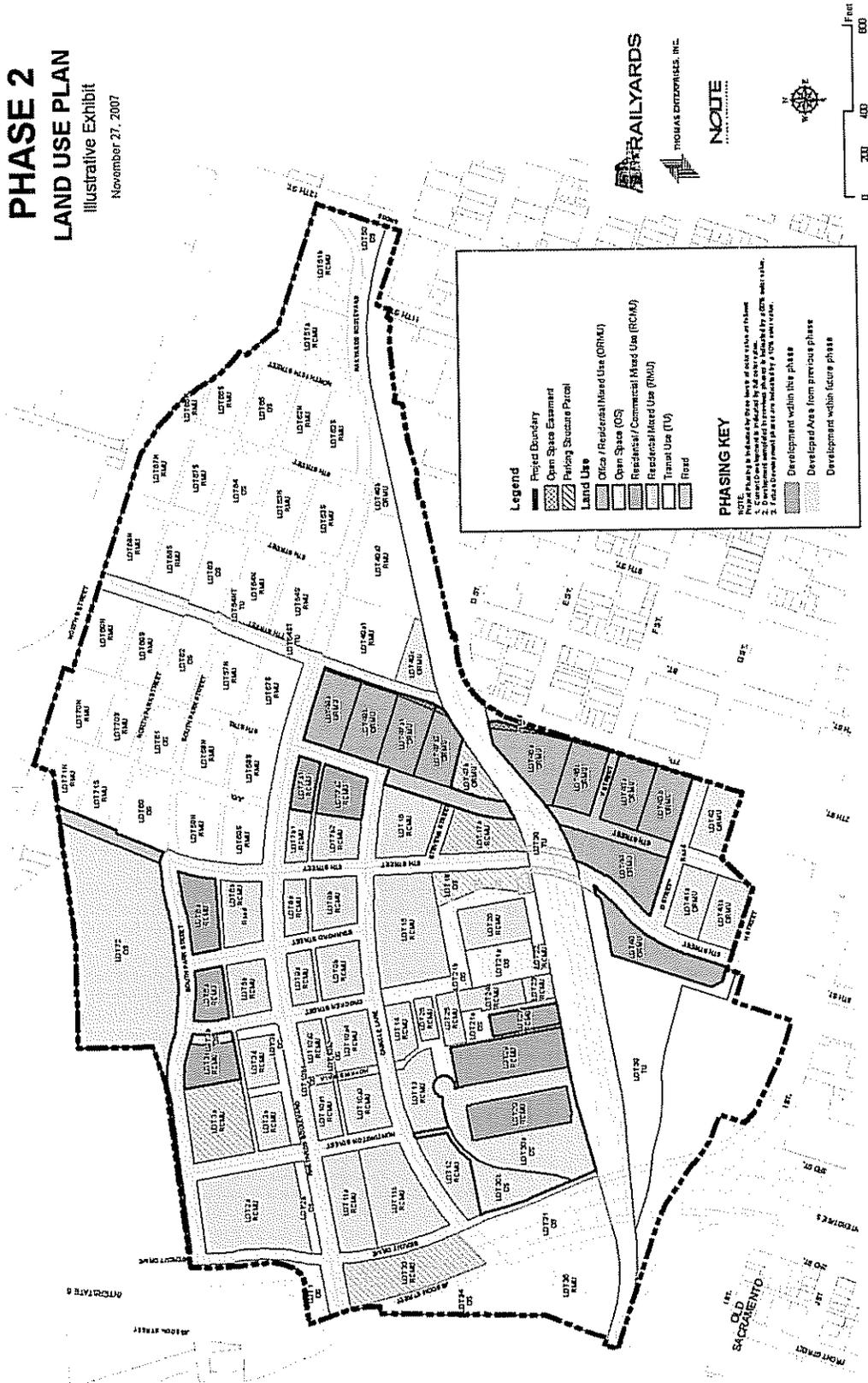
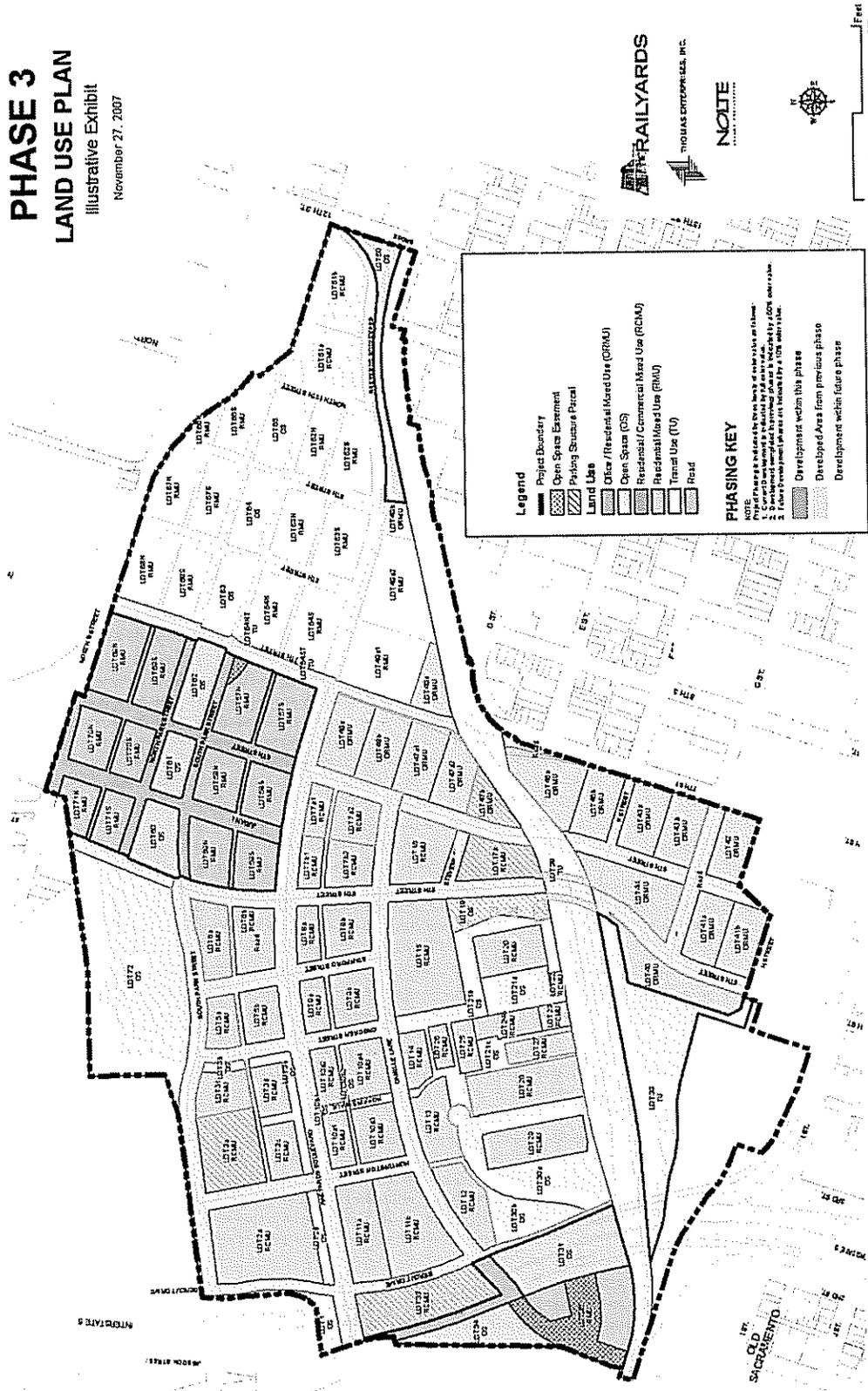


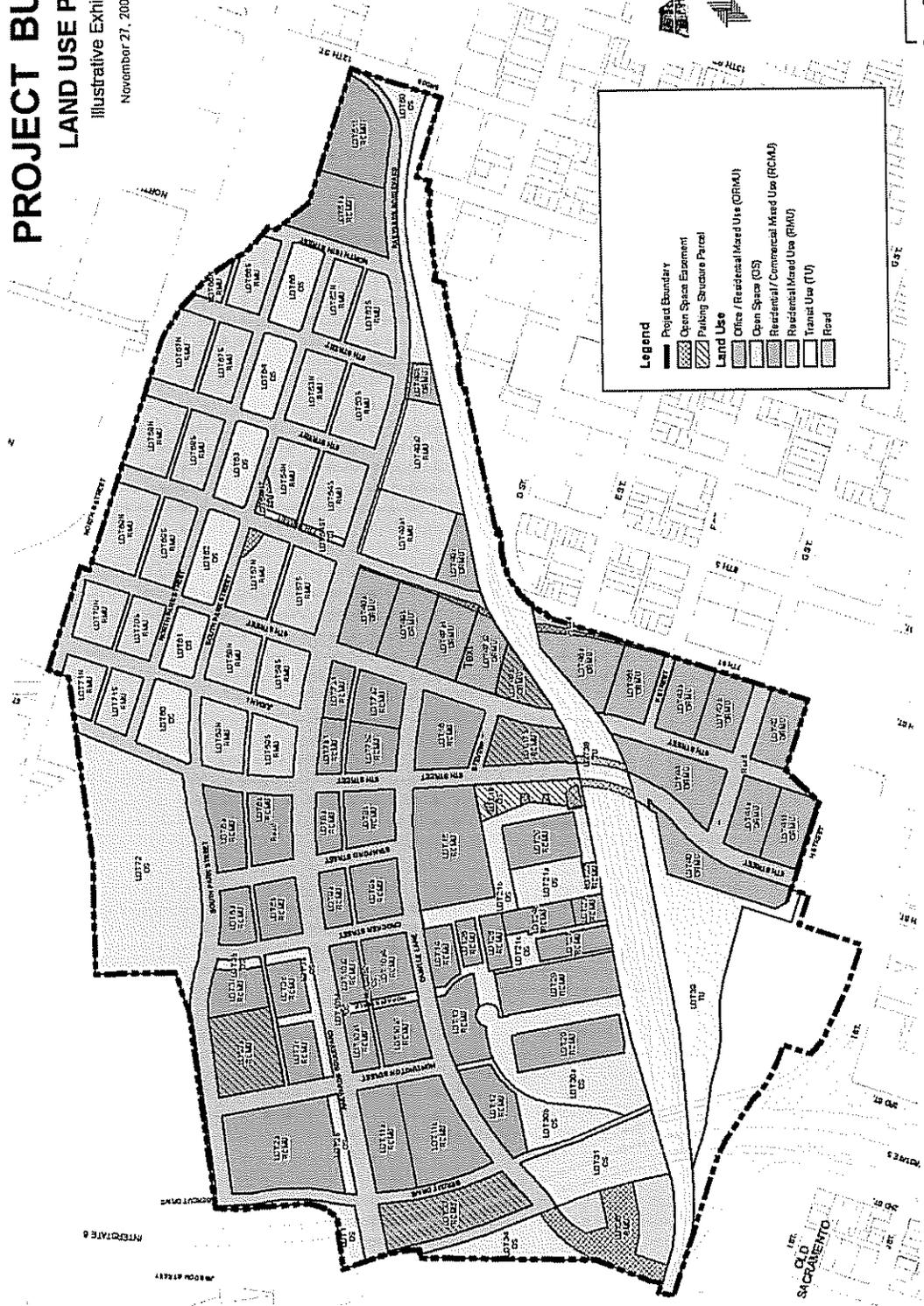
Exhibit D

**PHASE 3
LAND USE PLAN**
Illustrative Exhibit
November 27, 2007



PROJECT BUILDOUT LAND USE PLAN

Illustrative Exhibit
November 27, 2007



Legend

- Project Boundary
- Open Space Element
- Parking Structure Parcel
- Land Use
 - Office / Residential Mixed Use (ORMU)
 - Open Space (OS)
 - Residential/ Commercial Mixed Use (RCMUM)
 - Residential Mixed Use (RMU)
 - Transit Use (TU)
 - Read

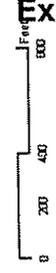


Exhibit F

Attachment 3

SUMMARY
RAILYARDS SPECIFIC PLAN ECONOMIC IMPACT ANALYSIS

The Economic Impact Analysis for the Railyards Specific Plan projects both the employment generation potential and the overall annual economic output of the land uses in the plan. The analysis also projects the one-time economic impacts from the construction of the project. It was assumed that the project takes 20 years and is fully built out. Both direct and indirect economic impacts resulting from development of the project were analyzed. The analysis also broke out the economic impact of the proposed cultural and entertainment district surrounding the historic Central Shops separately because of the unique nature of that economic activity.

The economic impact analysis incorporates many assumptions on which the projections are based. One of the most important of these assumptions is that the analysis assumes full build out of the project to generate the magnitude of impacts projected. Another group of assumptions come from the economic model used to project the impacts. The model uses a number of current demographic factors for Sacramento County and models the structure of the local economy as it exists today. It is difficult to say with any certainty what land uses will actually be developed in the Railyards over 20 or 30 years. The project will largely be market driven. Similarly how the structure of the local economy and the make up of the local population will evolve is also uncertain over that period of time. Despite these uncertainties the analysis does illustrate that a project of this magnitude and type will have a huge positive economic impact on Downtown Sacramento and adjacent districts, the City as a whole, and the larger region. The analysis is intentionally conservative to not overstate the projected economic impacts.

A summary of the projections in the Economic Impact Analysis are presented below.

| Summary of Railyards Specific Plan Economic Impact Analysis | |
|------------------------------------------------------------------------------------|----------------------------|
| Estimated One-Time Economic Impacts from Construction over 20 years | \$5,700,000,000 |
| Estimated One-Time Employment from Construction | 2,800 jobs/yr for 20 years |
| Estimated Annual Economic Impact at Buildout (inc. Historic and Cultural District) | \$2,700,000,000 |
| Estimated Annual Employment at Buildout (inc. Historic and Cultural District) | 19,200 jobs |
| Estimated Annual Economic Impact at Buildout of Historic and Cultural District | \$86,000,000 |
| Estimated Annual Employment at Buildout of Historic and Cultural District | 750 jobs |

The full report can be found at <http://www.cityofsacramento.org/dsd/projects/railyards/> along with the other Railyards documents.

Attachment 4

SUMMARY
RAILYARDS SPECIFIC PLAN FISCAL IMPACT ANALYSIS

The Railyards Specific Plan Fiscal Impact Analysis projects the General Fund municipal services necessary to serve the land uses in the Railyards and the General Fund municipal revenues the City can anticipate from those land uses. The analysis examines whether those revenues will be adequate to fund the operational budgets for the required services. The specific land uses proposed for the Railyards are the basis of the analysis. If a different land use scenario was to be developed it would impact the balance between revenues and service costs. Five stages of the buildout of the development of the project, aligning with the developer's phasing strategy, were studied to better understand the balance between revenues and service costs at various stages of development. If a different sequence of development were to occur the balance between revenues and service costs would vary at any given stage of the development from what is projected in the study.

A number of other assumptions regarding specific costs and revenues are employed in developing the projections. In addition to deviations from the assumed land use plan various cost and revenue assumptions could vary over time from what was assumed. Cost assumptions were based on departmental input for Police, Fire and Parks services, which make up the bulk of the City's service costs. Other service costs were derived from per capita factors generated for residents and employees based on the City's current budget. Revenue estimates were based on both specific land uses and per capita factors for residents and employees. The cost and revenue assumptions are intentionally conservative to not overestimate the City's ability to provide services to the project area.

The analysis projects that revenues will exceed costs in all phases of the projected buildout and generate a \$1.4 million surplus at buildout. The initial phases of development would generate larger surpluses due to timing of the large-scale retail development and housing. The higher services costs come with the residential development which is concentrated in the latter phases of development. A summary of the projected costs and revenues per phase is presented in the table below.

| Phase | 1A | 1B | 2 | 3 | 4 (Buildout) |
|-----------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| Revenues | \$ 1,036,158 | \$ 5,044,080 | \$ 6,703,892 | \$ 11,658,928 | \$ 16,464,281 |
| Expenses | 551,009 | 2,882,138 | 4,668,031 | 10,802,071 | 15,105,711 |
| Annual Surplus | \$ 485,149 | \$ 2,161,942 | \$ 2,035,861 | \$ 856,857 | \$ 1,358,570 |

In addition to these General Fund surpluses, the completion of 1,100 hotel rooms should generate approximately \$3.7 million annually in Transient Occupancy Taxes. Although a significant benefit to the City, by ordinance those revenues are committed to the Convention Center, the Convention and Visitor's Bureau and the Metropolitan Arts Commission, and will not be available to provide services in the Railyards absent a change in the ordinance.

The full report can be found at <http://www.cityofsacramento.org/dsd/projects/railyards/> along with the other Railyards reports.

Attachment 5

SUMMARY
RAILYARDS SPECIFIC PLAN PUBLIC FACILITIES FINANCING PLAN

The Railyards Public Facilities Financing Plan (PFFP) estimates the full costs of developing backbone infrastructure and public facilities (collectively, public facilities) for the proposed Railyards Development. The total estimated public facilities costs for the full build out of the Railyards are \$750 million. Most of the cost is concentrated early in the development because very little infrastructure currently exists to support the proposed land uses. The PFFP identifies the sources of funding that are planned to be used to support the development of the public facilities. A preliminary allocation of the amount of funding from each source is provided in the PFFP. There are three major categories of funding to implement the plan: 1) Project-based funding that will be paid for by developers and tenants of the proposed land uses in the Railyards, 2) City and Redevelopment Agency Funding Sources, and 3) Other Funding Sources, primarily State and Federal sources. The largest category by far is Other Funding Sources at \$350,000,000 of the total. Over the 20-year build-out period of the Railyards it is likely that a number of outside funding sources will become available that can help with the public facilities costs, such as the recently passed State bond measures. The following table summarizes the major categories of proposed public facilities funding sources.

| Summary of Planned Funding Sources Railyards Public Facilities Financing Plan | |
|------------------------------------------------------------------------------------------|----------------------|
| Source of Funding | Amount of Funding |
| Project-Based Funding | \$169,000,000 |
| City/Redevelopment Funding | \$222,000,000 |
| Other Funding Sources (primarily State and Federal funding) | \$354,000,000 |
| Total Estimated Public Facilities Financing Costs | \$745,000,000 |

A number of factors contribute to a project like the Railyards requiring financial assistance beyond the developer's own resources (summarized in the Pro Forma Summary following). These include the costs of remediation, demolition and site preparation; extraordinary infrastructure costs stemming from constrained access and the virtual lack of any usable existing infrastructure; and the costs to provide public facilities to such a dense urban district. In addition hundreds of millions of dollars are needed immediately and some of the proposed funding sources, such as redevelopment tax increment, do not materialize until the development has been completed. The density and form of development proposed (and desired) has not historically been supported by the Sacramento market, particularly in such quantities, so the values of the real estate products proposed to be built are lower than what the full development costs are. This represents a financial feasibility gap and limits the amount of private commercial financing available to finance the project and the amount of financial equity the developer can justify investing.

It is important to recognize that after street and rail rights of way, open space and parks, and other public facilities are removed from the gross acreage amount only about 95 net acres of the Railyards will be available for private development. In a typical development this relatively small area would have to bear the full burden of the infrastructure and public facilities costs

which amounts to approximately \$5.1 million per net acre once the costs for the Central Shops renovation and public parking facilities are removed. These last two items do not serve all of the development in the Railyards so it is appropriate to remove them. As a comparison the similar costs in the North Natomas Community Plan were approximately \$267,000 per net acre. These two analyses are presented below.

The Railyards PFFP will be re-evaluated periodically as market conditions, funding sources and the development program changes. To the extent that the Other Funding Sources are not available either the private sector will have to provide that additional capital or development may be delayed until such funding can be found.

The full Public Facilities Financing Plan can be found at <http://www.cityofsacramento.org/dsd/projects/railyards/> along with all Railyards documents.

Net Developable Acreage Calculation

| Land Use | Acreage | Remaining Acreage |
|--------------------------------------------------------|---------|-------------------|
| Total Gross Acres (owned by Developer) | 237 | 237 |
| Road Rights of Way | 54.46 | 182.54 |
| Public/Rail Transportation Uses | 32.12 | 150.42 |
| Parks and Open Space (Parks Dept. calc.) | 41.8 | 108.62 |
| Public Facilities (Public Safety, School, etc.) | 15.0 | 93.62 |
| Net Developable Acreage for Private Development | | 93.62 |

Comparison of Railyards Net Acreage Infrastructure Burden with North Natomas

Railyards

\$750 million Public Facilities Cost – Parking Facilities+Central Shops= \$488 million

\$488 million/94 net acres = **\$5,190,000 per net acre public facilities cost burden**

North Natomas

\$1.2 Billion Public Facilities Cost / 4,500 net acres =

\$267,000 per net acre public facilities cost burden

Attachment 6

SUMMARY
RAILYARDS PRO FORMA (FINANCIAL FEASIBILITY) ANALYSIS

The Pro Forma Analysis is a hypothetical analysis that assumes the full build out of the Railyards project as proposed in the Specific Plan. It is not a market feasibility analysis to determine whether the market will absorb all of the development. It is an analysis that compares the private project development costs to the resulting value of development under current real estate market conditions in Sacramento. The analysis does not include the cost of backbone infrastructure and public facilities in the development costs. However the analysis does include preliminary costs for land acquisition and financing, remediation, pre-development and site preparation costs.

The Pro Forma Analysis assumes project build out phasing that reflects the developer's preferred development sequence. The developer at this writing is committing to commencing development within the Initial Phase area (Phases 1 and 2) consistent with the recommended Specific Plan, Design Guidelines and Special Planning District, not a series of specific development projects. A change in the assumed development programming (land uses and sequence) would change the findings of the analysis.

Based on the theoretical build out the analysis produced the following results.

| | Value of Development | Development Costs* And Profit** | Value Net of Costs |
|----------------------|-----------------------------|----------------------------------------|---------------------------|
| Phase 1 | \$1,395,680,000 | \$1,347,000,000 | \$48,680,000 |
| Phase 2 | \$782,640,000 | \$628,980,000 | \$153,660,000 |
| Phase 3 | \$2,256,580,000 | \$2,749,930,000 | (\$493,350,000) |
| Phase 4 | \$2,102,200,000 | \$2,672,690,000 | (\$570,490,000) |
| Total Project | \$6,537,100,000 | \$7,398,600,000 | (\$861,493,835) |

*Excludes costs for regional transportation improvements, backbone infrastructure, public parking garages and other planned public facilities.

**Provides for a 20% return on costs, which is low for a project of this scale and uncertainty.

What the results show is that in this build out scenario the developer can pay up to \$49 million towards the \$290 million estimated costs for infrastructure and public facilities necessary to develop Phase 1. This leaves a \$240 million financial feasibility gap for Phase 1 and justifies some public financial participation to help fund the infrastructure and public facilities. Phase 2 which theoretically would be developed approximately 5 years after the start of Phase 1 also shows some financial capacity to pay for infrastructure. Phases 3 and 4 however are significantly "upside down" (financially infeasible under current market conditions), leaving the cumulative Railyards project with an estimated financial feasibility gap of \$860,000,000. The lack of feasibility in Phases 3 and 4 stems largely from the primarily dense residential development proposed that is not worth what it costs to develop it in current Sacramento market conditions. This has been born out in the analysis of other mid-high rise residential development proposed for Downtown

Sacramento, except for the high-end luxury residential market segment. The costs of concrete and steel high-rise construction is very expensive and the rental rates or sales prices for residential units in Downtown Sacramento will have to markedly appreciate before it makes sense to pursue these types of projects without public subsidies.

Most likely the developer will initially pursue less costly low rise wood or steel stud frame construction for residential development, as part of mixed use districts, to lower the development costs. As the enthusiasm for the Railyards and Downtown grow market forces will permit more costly and taller residential construction that will allow the implementation of the Railyards vision as a very dense, urban mixed use district. The feasibility analysis of Phases 1 and 2 indicates that these phases with more commercial development and less residential development are closer to financial feasibility but still can't bear the full costs of the backbone infrastructure and public facilities costs.

The proposed Funding Agreement and Owner Participation Agreement Business Terms in the following sections in part are intended to provide some financial assistance to partially fill the financial feasibility gap that exists for Phases 1 and 2 (collectively the "Initial Phase") of the project. Collectively the Initial Phase has an infrastructure financing capacity shortfall of approximately \$320 million (Initial Phase public facilities costs of \$522,500,000 - \$202,340,000 in public facilities funding capability = \$320,160,000 shortfall). Three additional points bear mentioning. One, about 56% (\$290 million) of the Initial Phase public facilities costs need to be incurred before Phase 1 of development can be completed. Two, the developer will have to advance the majority of the initial funding (if it cannot be obtained from other sources) even if a portion of the costs will be reimbursed through public assistance as in the case of property tax increment. Third, if the developer builds less than what was projected in the analysis (as is quite possible under current market conditions) most of the public facilities costs will not go down proportionately, if at all. This means there would be less development value to offset the public facilities cost burden and the financial feasibility gap would increase.

Attachment 7

**SUMMARY OF MAJOR
RECOMMENDED RAILYARDS BUSINESS TERMS
FOR
THE CITY OF SACRAMENTO**

(The full text of the Business Terms can be seen in the attached resolution, this is only a partial summary list.)

To Be Delivered

Attachment 8

**SUMMARY OF
RECOMMENDED RAILYARDS BUSINESS TERMS
FOR
THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO**

(The full text of the Business Terms can be seen in the attached resolution, this is only a partial summary list.)

To Be Delivered

Attachment 9**Railyards Development Agreement – Financial Provisions**

The proposed Development Agreement is a contract that grants a vested right for Thomas to develop the Railyards in accordance with the land use plan as analyzed in the Specific Plan EIR. The Development Agreement also includes commitments by both the City and Thomas in regards to financing the infrastructure and public facilities specified in the Specific Plan, which are summarized below.

Financing Plan – The City is obligated to implement the Financing Plan by undertaking the subsequent nexus study to adjust the development impact fees for the Railyards, Downtown and Richards Boulevard. Thomas is obligated to participate in establishment of the public facility improvement and maintenance assessment districts, waive its right to protest formation of such districts, and to pay the applicable development impact fees.

Impact Fees – The nexus study will determine the appropriate fair share allocation of backbone infrastructure within the Railyards that benefits Downtown and Richards Boulevard areas, such as the extension of 5th Street, and the amount of Railyards impact fees to cover the off-site improvements, such as the I-5 and Richards Blvd interchange. The amount of the fees can be adjusted annually to account for construction cost inflation. The Development Agreement provides that the impacts fees are not limited by the estimated amounts in the Financing Plan, and Thomas objects to this provision. If Thomas is not successful in obtaining the \$150 million in Proposition 1C funds as programmed in the Financing Plan, the amount of development fees as well as the community facilities district assessments would increase accordingly.

Plan Amendments – The Development Agreement provides that in the future the Financing Plan may be amended and the development fees may be adjusted to include cost of public facilities that are not specified in this Plan. For example, if 3rd Street is extended or if the I Street interchange is to be improved in the future, to the extent that such infrastructure would benefit the Railyards the fair share cost can be included in the development impact fees. Thomas objects to such potential fee increases.

Freezing Impact Fees – After completion of the nexus study to set the Railyards development fees, the proposed Funding Agreement Business Terms would limit increases in the fees (other than the annual inflation adjustment) for five years from the effective date of the Development Agreement. This provision encourages development to commence sooner to avoid potential fee increases and is similar to what was recently approved for the Township 9 project. Thomas desires a longer period for limiting fee increases to the Initial Phase/Initial Term, for a minimum 10 year period.

Public Parking Facilities/Airspace Rights – The Development Agreement requires Thomas to dedicate land for public parking facilities constructed by the City. In accordance with the proposed Funding Agreement Business Terms, the City is making a contingent

commitment to construct the 5th and 6th Street garage. There are two other public parking facilities included in the Specific Plan, but the City has not made any commitments to construct such facilities.

The 5th/6th Street garage would extend across three lots; however, the City will own the airspace rights only over that portion of the garage between 5th and 6th Streets. The lot to the east of 6th Street is slated for an office building and the lot west of 5th Street above the garage is the location of the steps that lead from the street into Market Plaza, with some retail space below the steps and abutting the garage. If the City decides not to develop over the garage between 5th and 6th Streets, the City has to first offer Thomas the opportunity to propose a development project and cannot charge Thomas for such airspace rights.

Land Donation Credit for Affordable Housing - If the City (including SHRA) undertakes or finances construction of an affordable housing project over the 5th/6th Street garage, or if Thomas develops this affordable housing project, under the Development Agreement Thomas will get credit for the market value of the land donation against its inclusionary housing obligation for the number of units that the land donation subsidized on a pro-rata basis (i.e., land value versus housing construction costs). Since this garage is adjacent to the Intermodal facility with Capitol Corridor and light rail service, it may be a desirable location for an affordable housing project.

Attachment 10

RESOLUTION NO. 2007- ____

Adopted by the Sacramento City Council

**APPROVING THE BUSINESS TERMS FOR
THE SACRAMENTO RAILYARDS PROJECT
FUNDING AGREEMENT**

BACKGROUND

- A. On September 11, 2007, October 2, 2007 and October 22, 2007, the City Planning Commission participated in the public hearings on the Sacramento Railyards Specific Plan (Specific Plan) at the joint meetings with the Design Commission and Preservation Commission, which included a review of the proposed street system, parks and open spaces, and other public facilities proposed as part of the Specific Plan.
- B. On November 13, 2007, the City Planning Commission held a noticed public hearing on the Specific Plan and the Specific Plan Public Facilities Financing Plan (Financing Plan) in accordance with Government Code Sections 65353 and 65453, received and considered evidence, and forwarded to the City Council a recommendation to adopt the Specific Plan and approve the Financing Plan.
- C. On November 20, 2007, December 4, 2007 and December 11, 2007, the City Council conducted noticed public hearings in accordance with Government Code Sections 65355 and 65453 and received and considered evidence concerning the Specific Plan and the Financing Plan.
- D. On November 20, 2007, December 4, 2007 and December 11, 2007, the City Council also conducted noticed public hearings in accordance with Government Code Sections 65867 regarding approval of the Development Agreement for the Sacramento Railyards Project. In accordance with Government Code Section 65865.2, a development agreement can contain terms and conditions relating to public financing of the necessary backbone infrastructure and related public facilities for a development project and can provide for subsequent reimbursement of the applicant's advancement of costs for such infrastructure and public facilities in accordance with applicable public financing laws.
- E. The Development Agreement for the Sacramento Railyards Project provides for the subsequent preparation of a funding agreement related to public financing of

certain backbone infrastructure and public facilities to allow for implementation of the Specific Plan in accordance with the Financing Plan. The City and the applicant have prepared the Funding Agreement Business Terms as an exhibit to the Development Agreement to guide the preparation of the public financing funding agreement.

- F. As part of the evaluation of the Sacramento Railyards Project, a Fiscal Impact Study and an Economic Impact Study were prepared to assess the public service costs of the Project and the municipal revenue and overall economic benefits that would be generated by the proposed development. The Funding Agreement Business Terms was prepared in reliance on the information contained in these studies.

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

Section 1. Based on the verbal and documentary evidence received at the hearings on the Sacramento Railyards Specific Plan, the Specific Plan Public Facilities Financing Plan, and the Development Agreement for the Sacramento Railyards Project; the City Council finds that a funding agreement between the City and S. Thomas Enterprises of Sacramento, LLC to specify the public financing of backbone infrastructure and other public facilities would benefit the City by facilitating implementation of the Railyards Specific Plan.

Section 2. The City Council in a prior action approved the Sacramento Railyards Specific Plan Public Facilities Financing Plan. The City Council hereby accepts the Sacramento Railyards Fiscal Impact Study and the Sacramento Railyards Economic Impact Study.

Section 3. The City Council in a prior action approved the Development Agreement for the Sacramento Railyards Project. The City Council hereby approves the attached Funding Agreement Business Terms (Exhibit A), to be included as an exhibit to the Development Agreement, to set out the terms and conditions for preparation of a public financing funding agreement. The City Council directs staff to prepare the Railyards Funding Agreement in accordance with the attached Funding Agreement Business Terms that will be submitted for subsequent City Council consideration and approval.

Table of Contents:

- Exhibit A: Funding Agreement Business Terms
- Exhibit B: Sacramento Railyards Fiscal Impact Study
- Exhibit C: Sacramento Railyards Economic Impact Study

**Exhibit A: Funding Agreement Business Terms
TO BE DELIVERED**

**Exhibit B: Sacramento Railyards Fiscal Impact Study
TO BE DELIVERED**

**Exhibit C: Sacramento Railyards Economic Impact Study
TO BE DELIVERED**

Attachment 11

RESOLUTION NO. 2007- ____

Adopted by the Sacramento City Council

**APPROVING FINDINGS RELATED TO THE
OWNER PARTICIPATION AGREEMENT BUSINESS TERMS FOR
THE SACRAMENTO RAILYARDS PROJECT**

BACKGROUND

- A. On November 20, 2007, December 4, 2007 and December 11, 2007, the City Council conducted noticed public hearings in accordance with Government Code Sections 65355, 65453 and 65867 and received and considered evidence concerning the Sacramento Railyards Project.
- B. The Railyards Specific Plan specifies the public facility and infrastructure improvements necessary for implementation of the Specific Plan and the Railyards Specific Plan Public Facilities Financing Plan sets forth the estimated costs of those public facility and infrastructure improvements and identifies potential funding sources for those improvements.
- C. As part of the evaluation of the Sacramento Railyards Project, a Pro Forma Analysis was prepared to assess the capacity of the Sacramento Railyards Project to incur the costs for the required public facilities. This Analysis demonstrated that developer can only pay up to \$49 million towards the \$290 million estimated costs for the public facilities and infrastructure necessary to develop Phase 1, and there is a cumulative financial feasibility gap for this Project of approximately \$860 million.
- D. The Redevelopment Agency of the City of Sacramento is considering appropriating up to \$50 million in 2007 dollars, net present value at a six percent discount rate, in tax increment revenues from the Railyards portion of the Richards Boulevard Project Area to assist the developer in funding public facilities and infrastructure improvements required for the Initial Phase of the Project.

**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 Council finds that:

a. The implementation of the public facility and infrastructure improvements specified in the Railyards Specific Plan will benefit the Richards Boulevard Redevelopment Project Area by improving inadequate infrastructure and by constructing and installing public facilities and infrastructure required for redevelopment within both the Railyards and the Richards Boulevard portions of the Project Area;

b. Based on the Railyards Specific Plan Public Facilities Financing Plan, the cost of the Railyards public facilities and infrastructure improvements will exceed the available public and private funding sources, and there is no other reasonable means of financing the public facilities and infrastructure improvements available to the community except for redevelopment area tax increment proceeds; and

c. The use of redevelopment tax increment proceeds for the Railyards public facilities and infrastructure improvements will result in the elimination of blighting influences of inadequate, under capacity, and dilapidated infrastructure within the Richards Boulevard Project Area and the public facilities and infrastructure improvements set out in the Railyards Specific Plan are consistent with the Implementation Plan for the Richards Boulevard Redevelopment Plan that was adopted pursuant to Health and Safety Code Section 33490.

Section 2. The preceding statements are findings of the City Council on behalf of the City, and do not predispose the action of the Redevelopment Agency of the City of Sacramento, acting in its independent discretion as a separate and public entity, in considering the use of tax increment funds for the proposed project.

Attachment 12

RESOLUTION NO. 2007 - _____

Adopted by the Redevelopment Agency of the City of Sacramento

ADOPTING THE CITY'S ENVIRONMENTAL IMPACT REPORT AND MITIGATION MONITORING PROGRAM FOR THE SACRAMENTO RAILYARDS SPECIFIC PLAN PROJECT AND APPROVAL OF BUSINESS TERMS TO BE INCORPORATED INTO THE MASTER OWNER PARTICIPATION AGREEMENT AND THE INITIAL PHASE INFRASTRUCTURE OWNER PARTICIPATION AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO AND S. THOMAS ENTERPRISES OF SACRAMENTO, LLC

BACKGROUND

- A.** The City of Sacramento certified the Environmental Impact Report for the Sacramento Railyards Specific Plan project ("Project") by resolution and adopted findings of fact, a statement of overriding considerations and the Mitigation Monitoring Program as part of the approval of the Project at its meeting on December 11, 2007
- B.** The Redevelopment Agency of the City of Sacramento (Agency) has reviewed the Sacramento Railyards Specific Plan Public Facilities Financing Plan and that plan highlights significant gaps in funding reasonably available to the community to implement the Project.
- C.** The Sacramento Railyards portion of the project area is an undeveloped 238 acre site that is devoid of infrastructure, contains extensive soil and groundwater contamination, and has remained in this blighted condition since the adoption of the redevelopment plan.
- D.** The Agency and S. Thomas Enterprises of Sacramento, LLC. are committed to furthering the Project and intend that these fundamental business terms be incorporated into Owner Participation Agreements to be negotiated and considered for approval in independent exercise of their legislative obligations and authorities.

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

- Section 1. All of the evidence presented having been duly considered, the Background, as stated above, is true and correct.
- Section 2. The Agency has reviewed and considered the Environmental Impact Report

(EIR) for the Sacramento Railyards Specific Plan project as prepared by the City of Sacramento and certified by resolution on the December 11, 2007. The Agency makes the same findings for each of the significant environmental effects and alternatives of the Project identified in the EIR as set out in the City resolution, and hereby adopts that EIR and its Mitigation Monitoring Program as a responsible agency for those components of the Project which the Agency will carry out, finance or approve.

Section 3. In accordance with California Redevelopment Law Section 33445, the Agency further finds and determines that:

- (a) The Project will benefit the project area by improving inadequate infrastructure and by constructing and installing public facilities and infrastructure required for redevelopment within the project area.
- (b) No other reasonable means of financing the rehabilitation of the Central Shops buildings, public facilities and infrastructure, affordable housing and other improvements contemplated by Project is available to the community.
- (c) The payment of tax increment proceeds towards the cost of the buildings, facilities, infrastructure, housing and other improvements is consistent with the project area implementation plan and will assist in eliminating blighting conditions inside the project area.

Section 4. The Agency hereby approves the Sacramento Railyards Owner Participation Agreement Business Terms, attached to this resolution as Exhibit 1, and directs staff to prepare a Master Owner Participation Agreement and the Initial Phase Infrastructure Owner Participation Agreement in accordance with the attached Business Terms.

Section 5: When negotiated to satisfaction of Agency staff, staff shall return to the Agency governing board for consideration of approval of the Master Owner Participation Agreement and the Initial Phase Infrastructure Owner Participation Agreement in independent exercise of their legislative obligations and authorities.

EXHIBIT 1

**Sacramento Railyards
Owner Participation Agreement Business Terms**

TO BE DELIVERED