

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
Meeting Date: September 15, 2015**

Request to Transfer and Extend Award to Downtown Railyard Venture, LLC

Prepared by: *Ethan Wieser*

Applicant:	Downtown Railyard Venture, L.L.C.	Type of Funding:	N/A
Project Name:	Sacramento Railyards	Amount Requested:	N/A
Project	Sacramento	Prior Actions:	Application No. 14 Approved 11/19/08 Project Amended 8/26/09 Transfer of Grant Award 11/17/10
Location:	(Sacramento County)		

Summary. IA Sacramento Holdings, L.L.C. (“IAH”), the current awardee and Downtown Railyard Venture, L.L.C. (“DRV” or the “New Applicant”), request approval to re-direct or transfer an Infill Grant award of \$5,000,000 and the additional award of up to \$9,~~760~~750,716 which was conditionally pre-approved at the same November 19, 2008 Board meeting, from IA Sacramento Holdings, L.L.C to Downtown Railyard Venture, L.L.C. for the Sacramento Railyards project (the “Project”). In addition DRV has requested the term of the Infill Grant to be extended from the current expiration, September 15, 2015, until December 31, 2021.

Background. On November 19, 2008, the Board approved a grant in the amount of \$5,000,000 to S. Thomas Enterprises of Sacramento, L.L.C. (“Thomas”), to fund the Project. The Board also pre-approved the Project for additional grant funding in an amount not to exceed \$9,750,716 subject to the conditions that (i) the Authority shall have received sufficient additional funding for the CALReUSE Remediation Program and (ii) the Authority reconfirms the Project funding in a subsequent meeting.

On August 26, 2009, the Board approved an amendment which redefined the Project from a single \$14,750,~~719~~716 project to two projects consisting of Project A-cleanup of hazardous materials in the central shops structures—for the \$5,000,000 grant and Project B-cleanup of hazardous material in the surrounding area for the additional \$9,~~760~~750,716.

As part of its financing structure for remediating and developing the Sacramento Railyards site, Thomas offered the property as security for loans from IA Sacramento Rail, L.L.C. (Inland Rail). When Thomas could not repay the loans as agreed, Inland Rail recorded a Notice of Default and on October 22, 2010, Inland Rail acquired title to the Sacramento Railyards site.

On Nov 17, 2010 the Board approved a transfer of the \$5,000,000 grant as well as the conditional pre-approved grant funding of \$9,750,716, from Thomas to IA Sacramento Development, L.L.C., a subsidiary of Inland Rail. CPCFA’s Executive Director later approved

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an amendment to change the name of Grantee from IA Sacramento Development, L.L.C. to IA Sacramento Holdings, L.L.C. on May 24, 2011.

DRV is currently in the process of acquiring the Sacramento Railyard site and the CALReUSE Project from IAH and is expected to close the acquisition by the end of September 2015.

Current Request. IAH and DRV have requested to transfer the Grant to DRV, and DRV has requested to extend the term of the Infill Grant from September 15, 2015, until December 31, 2021, due to multiple factors. The Project suffered initial delays caused by the economic downturn of 2008, that was further complicated when the original developer, Thomas, went into receivership. Inland took over the project and has continued to strive to meet the original goals of the Grant. In addition due to market downturn the affordable housing project is currently projected to cost \$16,000,000 that will need to be offset through other market rate developments at the site. Allowing the extension will allow the original Project to remain feasible, and will also bring the CALReUSE Grant in line with DRV's grant extension request to HCD under HCD's Prop 1C programs.

New Applicant. Downtown Railyard Venture, L.L.C. is a limited liability company established July 12, 2013 to own the railyards going forward. It will become the owner of the property once the acquisition is completed. The members of the Downtown Railyard Venture, L.L.C., are as follows:

LDK Ventures, LLC (Managing Member);
Mainline Holdings, LLC (Investor Member)

LDK Ventures, L.L.C. is the managing member of Downtown Railyard Venture, L.L.C. The Senior Management Team of LDK Ventures, L.L.C. are as follows:

Larry Kelley, President, CEO
Frank Myers, Senior Vice President, CFO
Jay Heckenlively, Executive Vice President, General Council
Alan Hersh, Senior Vice President, Environmental & Operations
Denton Kelley, Managing Member

LDK Ventures, L.L.C. and their affiliates have a long established track record for planning, entitlement and development of large-scale master planned projects, including the McClellan Business Park Redevelopment Project and the Stanford Ranch Master Planned Community in Placer County.

As part of the necessary due diligence, Authority staff requested and received from Inland 1) an amended application that includes information specific to the New Applicant, 2) a new legal questionnaire, 3) An updated Brownfield Mitigation Plan, and 4) An updated Budget and Timeline.

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Legal Questionnaire. Staff has reviewed the New Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

Current Status of Project. Cleanup of the central shops covered in Project A have been completed and all necessary documentation has been submitted and accepted by CPCFA. There is currently \$1,143.58 of funds remaining on the original \$5,000,000 award. Construction on the 197 affordable housing units is expected to begin in 2016. The liquidation date for use of Proposition 1C funds is currently June 30, 2017. All disbursement requests must be received by CPCFA for processing by December 31, 2016 to ensure timely review and disbursement of funds. This period maybe extended in the future if the liquidation date is changed by statute. The Project is described in Attachment A.

Staff Recommendation. Staff recommends approval of the attached Resolution transferring the previous Infill Grant award for the Project from IA Sacramento Holdings, L.L.C. to Downtown Railyard Venture, L.L.C., and an extending the term of the Infill Grant to December 31, 2021.

**A RESOLUTION OF
THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
APPROVING THE REQUEST TO AMEND THE INFILL GRANT DOCUMENTS
UNDER THE CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION
PROGRAM**

September 15, 2015

WHEREAS, the California Pollution Control Financing Authority (the “Authority”), a public instrumentality of the State of California, on November 19, 2008 approved a grant for the Sacramento Railyards project (the “Project”) in the amount of \$5,000,000 and pre-approved additional grant funding in an amount not to exceed \$9,750,716 subject to certain conditions, as reflected in that resolution (the “Resolution”); and

WHEREAS, the grant was awarded to S. Thomas Enterprises of Sacramento, L.L.C.; and

WHEREAS, S. Thomas Enterprises of Sacramento, L.L.C. and IA Sacramento Development, L.L.C., requested the award be transferred to IA Sacramento Development, L.L.C., the successor of S. Thomas Enterprises of Sacramento, L.L.C.; and

WHEREAS, IA Sacramento Development, L.L.C. was renamed to IA Sacramento Holdings, L.L.C.; and

WHEREAS, IA Sacramento Holdings, L.L.C. request and Downtown Railyard Venture, L.L.C., request the award be transferred to Downtown Railyard Venture, L.L.C.; and

WHEREAS, the Authority finds that extending the term of the Infill Grant to December 31, 2021 advances the purposes of the Program; and

WHEREAS, Downtown Railyard Venture, L.L.C., has the authority and responsibility to complete the Brownfield Infill Project and Infill Development Project as described in the Infill Application and amended Infill Application; and

WHEREAS, approval for amending the Resolution is sought;

NOW THEREFORE BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Resolution is amended to transfer the award of the CALReUSE grant to Downtown Railyard Venture, L.L.C. for the Project, and extend the term of the CALReUSE Infill Grant to December 31, 2021. All occurrences of “IA Sacramento Holdings, L.L.C.” are replaced with “Downtown Railyard Venture, L.L.C.”

Section 2. The Executive Director, Deputy Executive Director or Chair of the Authority are hereby authorized for and on behalf of the Authority to do any and all ministerial acts, including (without limitation) the execution and delivery of any and all documents and certificates they may deem necessary or advisable in order to effectuate the purposes of this resolution, including the execution of assignment and release documents, and the execution of an

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amendment letter transferring the award, extending the term of the grant and establishing expenditure deadlines.

Section 3. Except as specifically amended in Section 1 and Exhibit A hereof, all provisions and conditions of the Resolution shall remain unchanged and in full force and effect. This resolution shall take effect immediately upon its passage.

Exhibit A

TERM SHEET

Name of Project: Sacramento Railyards

Maximum Amount of Grant: \$5,000,000

Grantee: Downtown Railyard Venture, L.L.C.

Financing Structure: Grant

Maximum Grant Term: December 31, 2021

Oversight Agency: California Department of Toxic Substances Control (DTSC)

Brownfield Infill Project Location: Former Southern Pacific Transportation Company Sacramento Rail Yard, 401 I Street, Sacramento, California 95814
Further described as Lot Numbers 12, 13, 14, 15, 18, 20, 21a, 21b, 21c, 22, 23, 24b, 25, 26, 27, 28, 29, 30a, and 30b.

Infill Development Project Description: The Project will consist of 197 rental housing units at less than or equal to 60% of area median income (AMI) as illustrated below.

Income Limit	Units
≤ 60% AMI	57
≤ 50% AMI	98
≤ 40% AMI	40
Manager's Unit	2
Total Units	197

Description of Activity	Amount Financed by Infill Grant
Brownfields Hazardous Materials Abatement	<u>\$5,000,000</u>
TOTAL ELIGIBLE BROWNFIELD INFILL PROJECT COSTS :	<u>\$5,000,000</u>

