

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY (CPCFA)
CALIFORNIA RECYCLE UNDERUTILIZED SITES REMEDIATION PROGRAM
Meeting Date: July 19, 2022**

**Request to Extend Infill Grant Agreement under the California Recycle
Underutilized Sites (CALReUSE) Remediation Program**

Prepared by: Robert Salls

Applicant:	Downtown Railyard Venture, LLC
Project Name:	Sacramento Railyards
Project Location:	Sacramento (Sacramento County)
Type of Funding:	Grant
Amount Awarded:	\$7,126,857.56
Amount Disbursed:	\$7,119,825.29
Resolution No.:	22-03-02
Prior Actions:	Application No. 14 Approved 11/19/08 Amended 08/26/09 Transferred 11/17/10 Amended 05/24/11 Transferred and Extended 09/15/15 Additional Funds Allocation 02/21/17 and 12/21/18 Amended 04/21/20

Summary

Downtown Railyard Venture, LLC (“Grantee”) requests an extension of the Infill Grant Agreement, dated June 25, 2009, from December 31, 2022, to July 31, 2023 (Attachment A).

Project Background: Award, Transfers and Amendments

On November 19, 2008, the Board approved an Infill Grant Agreement (“Grant”) in the amount of \$5 million to S. Thomas Enterprises of Sacramento, LLC (“Thomas”), to fund the Brownfield Infill Project (“Project”) and complete the Infill Development Project (“Housing”). 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 project to two projects consisting of Project A, cleanup of hazardous materials in the historic central shops structures for the \$5 million grant, and Project B, cleanup of hazardous material in the surrounding area for the additional \$9.75 million.

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, LLC (“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 November 17, 2010, the Board approved a transfer of the Grant as well as the conditional pre-approved amount from Thomas to IA Sacramento Development, LLC, a subsidiary of Inland Rail. CPCFA's Executive Director later approved an amendment to change the name of Grantee from IA Sacramento Development, LLC to IA Sacramento Holdings, LLC on May 24, 2011.

On September 15, 2015, the Board approved a transfer of the Grant as well as the conditional pre-approved amount, from IA Sacramento Holdings, L.L.C to Downtown Railyard Venture, LLC.

On February 21, 2017, the Board reconfirmed the award of \$9.75 million of pre-approved funding to Grantee. The Board allocated \$1,111,771.84 in funding to the Grantee from a repaid loan and unused grant awards. In addition, the Board authorized the CPCFA Executive Director to allocate up to \$8.6 million if additional funds became available. Additional funds became available and on December 21, 2018, the CPCFA Executive Director allocated \$1,015,085.72 to the Grantee from recaptured and unused grant awards, for a total allocation of \$7,126,857.56.

On April 21, 2020, the Board approved an amendment to the Infill Grant Agreement to modify the description of the Housing from 197 units (195 affordable) to 345 units (69 affordable), and to extend the term until December 31, 2022.

Project Background: Cleanup of the Project and Construction of Infrastructure

Grantee completed cleanup of the historic central shops covered in Project A and all necessary documentation including approval of the cleanup by the Department of Toxic Substances Control ("DTSC") has been submitted and accepted by CPCFA. Grantee completed cleanup of hazardous materials in the Project B areas, proportional to the amount of grant funding allocated, and completion of documentation is in process.

The commencement of construction of the Housing component was linked to certain infrastructure to be provided by City of Sacramento ("City"), including railroad track relocation, extension of existing roads into the site, and a new off-site sewer project, for which the Grantee procured financing. Infrastructure construction by the Grantee was also integral to receiving City approval to initiate construction of the Housing, including roadway construction and frontage improvement within the site, sewer extension, and expansion of the stormwater retention basin.

Currently, planning and design of the private plaza and roadway infrastructure within the historic central shops, including the Project A site, is underway. Plaza and roadway plans are anticipated to be approved by the City by winter 2022 and construction to begin spring 2023. Other infrastructure planning and construction currently underway includes bike lane improvements, stormwater outfall pump station, light rail station and light rail track relocation.

Project Background: Approval and Construction of Housing

The Supplemental Environmental Impact Report (SEIR) was approved by the Sacramento City Council in November 2016. Following SEIR approval the Grantee and City completed funding and construction of the significant quantity of required infrastructure. During this time the Grantee applied for a grant and arranged financing for the Housing project and submitted construction drawings for a 345-unit mixed income, mixed-use residential project to the City in December 2019.

The Housing project, known as Railyards Activation, Housing and Mobility (“RAHM”) received an award from the Department of Housing and Community Development’s (HCD) Affordable Housing and Sustainable Communities Program (AHSC). The AHSC award requires construction of at least 61 income restricted units. The Housing project was designed with 345 units including the 20% income restricted units required for bond financing, resulting in 69 income restricted units. The AHSC grant funded portions of several infrastructure projects and partially off-set the cost of providing the 69 income-restricted units.

In July 2020, RAHM closed on its financing, followed by pulling a phased permit, and beginning site work in August 2020. RAHM received its building permit in December 2020. At that time, the COVID-19 Pandemic created supply chain disruption, construction labor shortages, and delays in City inspections resulting in a revised schedule with final Certificate of Occupancy (CO) in July 2023.

RAHM will be completed in two phases. As of March 2022, a contractor is in the process of installing roofing, mechanical, electrical, and plumbing rough-ins, and prepping for interior finishes on Phase 1. Phase 2 of the project includes wood framing of the 6th floor, mechanical, electrical, and plumbing rough-ins, and fire sprinkler installation. The contractor completed the pouring of the concrete parking garage and currently installing all structural steel at stair and elevator enclosures. Next, the contractor will begin installing windows and commence with exterior finishes for Phases 1 and 2. Phase 1 is anticipated to receive Temporary Certificate of Occupancy (TCO) in February 2023, and Phase 2 to receive TCO in March 2023, and final Certificates of Occupancy are anticipated in July 2023. The Grantee’s project manager intends to participate in the Board meeting remotely to provide an update on the construction progress and answer any questions.

Current Situation

The COVID-19 pandemic and accompanying shut down of the economy created various delays including supply chain disruption, labor shortages, delays in City of Sacramento inspections, and other logistical challenges. The TCOs are not anticipated until the first quarter of 2023 and final certificates of occupancy are anticipated in second quarter of 2023. The Grantee has included additional time to account for potential additional weather or construction delays and has requested an extension to July 31, 2023. However, the Grantee states that if Certificates of Occupancy can be obtained earlier, they will submit them in advance of the expiration date.

Staff Analysis

When the Board approved the last amendment and extension of the Infill Grant Agreement the Grantee stated already known delays, as well as future delays, could have further impacts to the schedule beyond December 2022. The Board stated intent to revisit and extend the Infill Grant Agreement, as necessary. Staff finds the Grantee has provided information documenting that the proposed extension of the term of the Infill Grant Agreement from December 31, 2022, to July 31, 2023, will further the completion of the Brownfield Infill Project, which the Board may determine is in the public interest.

Board Action Staff has prepared a Resolution extending the term of the Infill Grant Agreement from December 31, 2022, to July 31, 2023, for the Board's consideration and possible amendment. Staff is available to answer Board questions.

**A RESOLUTION OF
THE CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
APPROVING THE REQUEST TO AMEND THE INFILL GRANT DOCUMENTS FOR
DOWNTOWN RAILYARD VENTURE, LLC**

July 19, 2022

WHEREAS, the California Pollution Control Financing Authority (the "Authority"), a public instrumentality of the State of California, on November 19, 2008, approved a CALReUSE Remediation Program grant for the Sacramento Railyards project (the "Project") in the amount of \$14.7 million as reflected in that resolution (the "Resolution"); and

WHEREAS, Downtown Railyard Venture, LLC requested the Authority amend the Infill Grant Agreement to extend the term from December 31, 2022, to July 31, 2023;

WHEREAS, the Authority finds that the extension to the term of the Infill Grant Agreement are in the public interest, and advances the purpose of the Program; and

WHEREAS, Downtown Railyard Venture, LLC, will comply with all of the Quarterly Reporting requirements in Section 5.19 of the Infill Grant Agreement, including notifying CPCFA of any obstacles or delays in the Infill Development Project, and any changes to the number and affordability of housing units of the Infill Development Project; and

WHEREAS, Downtown Railyard Venture, LLC, has the authority and responsibility to complete the Brownfield Infill Project and Infill Development Project; and

WHEREAS, approval for amending the Infill Grant Agreement dated June 25, 2009, is sought;

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

Section 1. The Infill Grant Agreement dated June 25, 2009, is hereby extended until July 31, 2023.

Section 2. Except as specifically amended by this Resolution, all provision and conditions of the Infill Grant Agreement dated June 25, 2009, as amended thereafter shall remain unchanged and in full force and effect.



May 20, 2022

Alison French-Tubo
California Pollution Control Financing Authority
(CPCFA), State Treasurer's Office
Alison-frenchtubo@treasurer.ca.gov

RE: Sacramento Railyards Grant Extension Request, California Underutilized Sites (CALReUSE)
Remediation Program

Dear Alison and Board Members,

In April of 2020 we received approval to amend the infill grant documents (Resolution No. 20-03-001) to allow completion of the required residential units by December 31, 2022. Please refer to the 2020 V 2022 Comparison Matrix for a detailed breakdown of what has been accomplished since our last extension request in 2020. At that time, Downtown Railyard Venture (DRV) informed the agency that due to unforeseen circumstances caused by the COVID-19 Pandemic completion of the housing development by that date would be challenging. While we are excited about the construction progress for the housing project, now named The AJ, unfortunately the various impacts of the pandemic have resulted in a delayed completion date.

We are formally requesting an extension of the completion date for the units to July 31, 2023. The COVID pandemic and accompanying shut down of the economy created various delays. These included: supply chain disruption, labor shortages, delays in City processing, and other logistical challenges. The project will be completed in two phases. Phase 1 is scheduled to receive a Temporary Certificate of Occupancy (TCO) in **February 2023**. Phase 2 is scheduled to receive TCO in **March 2023**. Upon receipt of TCO in each phase, the project will begin leasing completed units. Additional time to obtain Certificate of Occupancy is projected for completion of any remaining punch-list items and to account for additional potential weather or construction delays for receipt of the final Certificate of Occupancy. If Certificate of Occupancy is received earlier than **July 31, 2023**, we will submit all necessary documentation to close out the grant as soon as its available.

Despite the challenges the project has faced, DRV is pleased with the progress and excited for the delivery of the first residential project in the Railyards. As of Q2 2022 the Contractor is in the process of procuring elevators, cabinets and pool/spa equipment. Windows, sprinklers, low voltage, line/set condensate are being installed throughout the project. Over the next 90 days, the following will occur: begin interior courtyard construction, including pool/spa construction, elevator installation, continue interior finishes throughout project, complete building dry-in including roof installation and solar installation, progress building exteriors including window and doors, lath, brown coat, balcony and thin

DRV

DOWNTOWN RAILYARD VENTURE, LLC

brick installation, exterior painting. The AJ will deliver a highly amenitized, excellent quality housing project including 69 affordable units at 50% AMI, in a prime location that will be a landmark event for the redevelopment of the Railyards. Please refer to the enclosed Progress Photos for a visual representation of the status of construction.

While the delays in the construction schedule have proven inevitable due to the circumstances, we have remained on task and minimized the disruption. As a reminder, this grant was assigned to DRV September 15, 2015 from the previous owner of the Railyards, IA Holdings, and DRV completed the acquisition of the property on September 30, 2015. Since 2015, DRV has accomplished a great deal: a broad re-entitlement of the entire site, updated CEQA and other land use approvals, put in place a Public Financing Plan and placed several sources of funding for infrastructure and much more. Now the project is in a historically significant phase, finally seeing development projects begin construction, the AJ being one of them.

We greatly appreciate the Agency's assistance in making this project a success. As always, we are available to answer any questions you may have and are available for in-person or virtual meetings, or a tour of the project, if desired.

Thank you for your consideration.

Sincerely,

DocuSigned by:

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Frank Myers
Chief Financial Officer

Comparison Matrix

2020 Extension Request vs. 2022 Extension Request

Activity	2020	2022
Financing	\$85M in tax exempt bonds, lining up construction and permanent financing and locating tax credit investor.	All financing was finalized in the months following the Calreuse extension request.
Construction	Construction docs nearing completion, expected start date Q3 2020.	<p>Construction began in 2020 and has progressed satisfactorily. While construction has made great progress, due to supply constraints, City inspection lag times and other delays related to the pandemic, it will take a few additional months to receive Notice of Completion. We are requesting an extension to July 31, 2023.</p> <p>As of May 2022 Contractor is installing windows, sprinklers, low voltage, line/set condensate</p> <p>In next 90 days Contractor will begin interior courtyard construction, including pool/spa construction, elevator installation, continue interior finishes throughout project, complete building dry-in including roof installation and solar installation, progress building exteriors including window and doors, lath, brown coat, balcony and thin brick installation, exterior painting</p>
Infrastructure	<p>Pump Station Outfall- had not begun construction</p> <p>3rd St Sewer- under construction</p> <p>AHSC infrastructure- DRV was awarded \$15.2M for infra</p>	<p>Pump Station Outfall- began construction in May 2021 and will be complete in August of 2023.</p> <p>3rd St Sewer- complete</p> <p>AHSC- partially funds the Pump Station outfall and adjacent roadways. Next project, 6th St</p>

	<p>related to the AJ residential project in 2019.</p> <p>State Grant- \$30M grant for Railyards infrastructure had not been received at the time of our last extension request.</p>	<p>buffered bike lane set to begin construction in July 2022 and all remaining improvements under design and will be built in 2023.</p> <p>State Grant- The City received a \$30M budgetary grant for infrastructure in the Railyards. That work is being designed and will be constructed in 2023.</p>
<p>Other Development Projects</p>	<p>Lot 46 Wong Center- At the time, DRV was working with USA Housing on this 150 unit affordable housing project. The project was pursuing No Place Like Home funds and still had not received any of its financing.</p> <p>Lot 3 Telegrapher- N/A</p> <p>Paint Shop/Surrounding Plaza- N/A</p>	<p>Lot 46 Wong Center- DRV is now working with Mutual Housing on this project. Mutual has secured all necessary financing and DRV is aiming to dedicate the land to Mutual by the end of June. Mutual will begin construction on the 150 unit affordable project asap.</p> <p>Lot 3 Telegrapher- DRV has submitted for site plan and design review for this 422 unit residential project. Projecting construction start in Q422/Q123.</p> <p>Paint Shop/Surrounding Plaza- DRV has received Site Plan and Design Review approval for the Phase I of the Historic Central Shops (Paint Shop and surrounding Plaza). DRV has signed a long-term lease with a major entertainment provider for the Paint Shop and plans to begin construction in 2023 on the Paint Shop and surrounding infrastructure.</p>

Construction Progress Photos







