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An implementation strategy is critical to ensure the phased development gets built in accordance with the requirements of the Area Plan, when the time is right. This section describes the various criteria which will influence execution of the development.



9.1 STATION SITE DEVELOPMENT IMPLEMENTATION STRATEGY

The vision for SVS provides for the creation of an iconic infrastructure project and architectural statement, with the potential to tie together multiple districts and assets in the urban core of Sacramento. It provides for a number of important development opportunities available to private sector interests, though many such opportunities are longer-term in nature. This chapter sets forth a conceptual implementation overview relative to these development opportunities and related public finance dynamics within the SVS Area Plan, describing key elements and dynamics to monitor over time. Following a discussion of public and private roles and responsibilities, specific development and disposition recommendations are discussed, followed by a discussion of infrastructure funding and financial techniques and a summary of next steps.

The development of the station infrastructure is intended to facilitate, but is separate and distinct from, the vertical development process to be carried out in conjunction with the private sector. The market is likely a decade or more from maturing to the point where large upticks in density become possible because of fundamental changes in the economic base

As discussed in more detail in this section, SVS is generally positioned for late entry into the market for vertical development after the successful establishment of the Railyards Specific Plan and other surrounding districts. It could be a decade or more before private vertical development becomes feasible at proposed densities. Moreover, development options may be informed by innovations in public finance (e.g., strengthened tax increment financing and other tools) in the decade ahead.

9.2 PREVAILING DEVELOPMENT CONDITIONS

Sacramento is gaining momentum in terms of its physical and social assets with a surge of real estate growth, including a multitude of large mixed-use and regional-attracting projects, such as the Golden 1 Center, Kaiser, the Railyards, and the MLS Stadium. In addition, the City is projected to experience significant employment growth and is in need of more housing, congruent with the statewide trend. Low vacancy and increasing rents indicate high demand for office and residential space and the need for new construction; however, barriers to development in Sacramento include the cost of construction, which is similar to the Bay Area, though revenues generally are substantially lower. SVS must be effectively implemented to become a multimodal hub that serves the City and the region through innovative transit-oriented, mixed-use development that offers a variety of amenities, services, job opportunities, and housing in a central location.

9.3 GOALS FOR STATION SITE DEVELOPMENT

SVS will evolve over time as it serves the City of Sacramento and the region as a Connector, Catalyst, and City Center. As a Connector of both critical/growing downtown assets and a central place in its own right, SVS needs to emphasize a variety of multimodal connections, as well as connections between neighborhoods and within the Grid. To best serve as a Connector, SVS needs to plan for future growth in and around the multimodal facility, including the ability to accommodate high-speed rail and other future transit and transportation innovations, as well as pedestrian and bicycle access to adjacent neighborhoods.

In addition, SVS has the ability to serve as a Catalyst to the growth and evolution of the City. As a multimodal facility, SVS will have the ability to connect Sacramento with an increased labor force and visitors. The commercial and residential segments can help develop Downtown Sacramento into a high-density district and provide much-needed office and residential space that has access to multimodal transit and is walkable to other amenities in Downtown.

SVS is well-positioned to be a Central focal point as the Downtown Sacramento core evolves. With its midway location between the existing Central City and the future Railyards development, overall efforts should be initially directed to ensuring the station—as a pivotal piece of infrastructure connecting the region's major assets—is a successful multimodal transit center.

9.4 PUBLIC- AND PRIVATE-SECTOR ROLES AND RESPONSIBILITIES

Public Sector: Initial Station Development and Operations Oversight

The City set in motion the long-term aspiration of transforming the station into a true “intermodal station” by completing a joint Project Study Report in 1997 with the City as the lead agency with contributions from CCPJA, SacRT, and UPPR. Nine years later the City purchased the land and historic building, positioning themselves as the long-term owner and operator of the station infrastructure, as well as the agency overseeing the development and disposition of the three parcels and the historic station, along with its private-sector development and operations partners. It is anticipated that the City will remain the owner of the site in terms of land and improvements, with an operating agreement with RT and other transit agencies. However, following examples of other regions, future conditions may provide support to the consideration of Joint Partnership Agreements (JPAs) or other types of inter-agency collaborations.

The primary initial objective in light of the initial “connector” role is to ensure that the station itself becomes fully functional and fulfills its mission as the hub of transit operations in the Sacramento Region. It is anticipated the City will continue to work with its strategic transit partners and

otherwise arrange for predevelopment (e.g., CEQA/NEPA), overall station development, operation, and management through various contractual arrangements with its private-sector partners.

Managing Private-Sector Vertical Development

While the Site is establishing and initiating expanded operations, the prospects for private development of the station's three development blocks and the adaptive reuse of the historic station become more compelling.

On June 12, 2019, Perkins & Will, Arup and EPS convened a developer panel featuring prominent regional, State, and national development interests and experience.¹ The panelists discussed their respective observations of the SVS development opportunity, including perceptions of the downtown Sacramento market, opportunities and constraints related to suggested development concepts and site opportunities, and disposition options including potential for ground-leasing and air-rights deals.

The group concluded it is too early to contemplate development of specific uses in SVS. Overall efforts should be initially directed to ensuring the station—as a pivotal piece of infrastructure connecting the region's major assets—is a successful multimodal transit center. With the maturation of surrounding projects, the station area will be better positioned as a bona fide development opportunity in its

¹ The June 12, 2019, panel held at SVS consisted of David Taylor of David Taylor Interests, Inc. (commercial high-rise developer in Sacramento), Meea Kang of The Related Companies (largest mixed-use developer in California), and Port Telles, former development director of national mixed-use developer The Cordish Companies (7-time ULI award winner for entertainment-driven adaptive reuse and mixed-use projects). Should also add the participants from the transit agencies

own right. Interim efforts should be focused on perfecting the station's transportation infrastructure elements and activating the area through various transitional programs and activities to begin defining aspects of "place" from a public perception standpoint.

Outlook for SVS District

Although time will be required for market conditions to mature, it is important to target ultimate uses that reflect the long-term strategic importance of the site. As surrounding areas develop and stabilize, the development sites at SVS will emerge as pre-eminent development opportunities in the region. Therefore, in this relatively small area, the Vision Statement established for SVS appropriately targets an ambitious minimum of 750,000 square feet of commercial space (including a 200,000-square-foot hotel) and 460 residential units, with a residential population of 1,000 and employment population of 2,500².

As discussed in the preceding market discussion (Section 2), the market is improving to the point where mid-rise product is nearing or at feasibility. However, head-on competition with surrounding districts is not recommended. Rather, an approach toward supporting the development of surrounding districts is sought, such that each area gains a distinct and complementary role providing mutual support, economic diversity, and potential for greater absolute growth and intensification. In this manner, time can be

granted for market maturation, allowing the longer-term realization of envisioned densities, a vision that is warranted by the Site's unparalleled location in the region. Table 9.1 provides a matrix encapsulating current market recommendations.

In the intervening period, the City can work to better understand the sequence of actions and required economic metrics needed to position the site for development when the market is ready:

- Ensure that the cost structure confronting development is palatable, given anticipated revenue growth in the next 5 to 10 years. Building on the Railyards Specific Plan update in 2017, the City has recently updated its Central City Specific Plan-related policies, including the continued imposition of development impact fee levels recently established, which should be monitored and refined as warranted and as possible.
- Over time, evaluate incentives and policies that may be useful in expediting private projects that are on the margin of feasibility (e.g., density bonuses, fee waivers/deferrals, etc.). This approach should be taken with other key properties in the City core in mind as well.
- Continue deal structure evaluation. As the City evaluates ongoing improvement surrounding site conditions and the local/regional economy, continued work on these fronts should seek to define the conditions warranting SVS development site project initiation. In some cases, specific development opportunities may avail themselves at the front end of the private sector development timeline.

- Relatedly, the City can begin to outline the types of public-private deal structures that may be helpful in supporting projects on the site, discussed in more detail below. Other agencies, such as LA Metro, have successfully solicited the advice of development entities in the early stages of potential partnerships. It is recommended that the City consider initial steps toward defining developer interest regarding various station-area development opportunities, evaluating prospects for air rights and ground lease projects, as well as infrastructure positioning, and other key actions such as market positioning and critical deal terms (e.g., subordination of fee title) that are likely to be central components of phasing and public co-investment strategies.

Key options to evaluate in this regard are discussed below and shown in the sidebar exhibit:

- As-is “bulk” sale or lease to Master Developer(s). This usually produces land value discounts, entails lower risk, but also brings reduced control of outcomes in exchange for up-front cash. While this approach could provide some coordination among uses, compared to a piecemeal sale/lease approach more typical for improved and entitled sites, it is likely that this approach would result in a lost opportunity for value capture of the City’s investment in SVS. For example, in the case of San Francisco’s Transbay Terminal, surrounding values with the manifestation of the station. Accordingly, a “bulk sale” in the early years could bring the potential for a high opportunity loss.
- Landowner funded entitlement or site improvements. As an option to a bulk sale, the

City may elect to entitle land and even make infrastructure improvements before the sale of semi- or fully finished lots. This approach involves increased front-end expenditure of “at-risk” equity and relies on an accurate assessment of risk/reward profile to identify warranted actions. Any type of landowner-funded entitlement and site improvement for subsequent sale/lease requires major organizational capacity/expertise and financial resources and would be enabled by opportunities for strategic phasing to “cherry pick” or “jump-start” the market. In effect, the City is investing in the future value of privately developed sites by virtue of the Living Community designation (discussed further in Section 3). Developers will realize “first cost” savings due to not having to buy their own heating, cooling and water recycling systems, and being able to fit out the space they would have allocated to those systems for income-earning uses.

- Joint Venture with Master Developer(s) for entitlement or site improvement. More of a classic “P3” approach to site disposition; various structures may be calibrated to accommodate “up-side” financial participation with reduced financial outlay, taking advantage of the interests and competencies of both parties. The City’s landowner funded initiative discussed above can be used in conjunction with joint venture deal structures for the subject sites, with the City’s investment potentially representing a component of public equity, within the deal structures and project concepts specifically negotiated for each development site.

The following chart provides a conceptual overview of the above-referenced approaches’ positions on a conceptual risk/reward spectrum.

Overall, SVS presents a dynamic project opportunity representing, in the long term, a strategic central location in Sacramento’s urban core. As with most informed development strategies, areas occupying a prime location within a regionally significant development are often best-positioned toward the tail-end of a development program to take advantage of emerging trends and the maturation of the surrounding/supporting district(s).

Table 9.1 *Development Potential*

Item		Proposed Development (Units / Sq. Ft.)	Proposed Timing	Recommended Location	Notes
Residential	Mid-Rise Residential (Block A)	184	Mid-Term	West side of the site	Potential initial phase / May be a sub-optimization of site's potential
	Residential Tower (Block A)	282	Long-Term	West side of the site	Need improved economic base
	Mixed Use Hotel (Block B)	300	Mid-Term	West side of the site	Potential initial phase
	Total Residential	766			
Nonresidential (Lot 40)	High-Rise Office Tower	460,600	Long-Term	Lot 40	Need improved economic base / Include some ground floor retail
	Mid-Rise Office	235,000	Long-Term	Lot 40	May be a sub-optimization of site's potential
	<i>Subtotal Nonresidential</i>	<i>695,600</i>			
Public Land Uses	Bus Mobility Center (Bus Level)	74,200	Mid-Term	-	-
	Bus Mobility Center (Parking Level)	138,000	Mid-Term	-	-
	Station Concourse	86,000	Mid-Term	-	Include some retail
	Hisoric Station Extension	8,700	Mid-Term	-	Include some retail
	<i>Subtotal Public Land Uses</i>	<i>306,900</i>			
	Total Nonresidential	1,002,500			

Source: ARUP, EPS.

Disposition and Development: Strategic Elements

From a disposition standpoint, the City and its design team have moved toward a combination of infrastructure and developable pads. The unique development opportunities occurring at each site must be developed in close coordination with surrounding station area amenities and features and may all suggest different features and design elements. Lot 40 will be a highly marketable site, albeit later in the overall development time horizon. A residential mixed-use project could be done separately across the site to the west, and the respectful adaptive reuse of the historic station is also a unique, stand-alone effort that could present itself with the move of Amtrak functions closer to the tracks or offsite in the future. All of these opportunities would appear to reference the use of a joint venture approach, where an alignment of interests and deployment of skills among the public and private sectors would result in maximum value capture in each instance.

As an interim step, a bridge between developer discussions and completion of the Area Plan should be put in place, allowing further development of the preliminary market and pro forma analysis contained herein. Expanded discussions with developers regarding potential deal structures and based on expanded market analysis, expanded pro forma evaluations, initial sketches of deal structures, and scenario planning would be viable next steps, setting the table for future projects, evaluation of densities and mixed-use combinations, parking solutions, and any ground lease provisions.

As such, it is recommended that the City build on the initial market and feasibility analysis summarized here before entering into preliminary discussions with the development community. Key elements emerging from this recommended subsequent phase would include further scenario testing based on specific project and market proposals and changes in the Railyards area, as the coming 5 years is likely to illuminate many major questions presently in play—not the least of which are the future of the Central Shops and the outcome of current MLS deliberations.

Accordingly, it is recommended that the City of Sacramento develop a more focused and comprehensive intermediate document, for working purposes, termed a “business plan” for station area development.

Ground Lease Basics

Land and improvements are separately owned

Land is leased on a long term basis (50 years or more)

The annual payment is typically represented as a percentage of the current value of the land and ranges between 6 and 10 percent

Development financing

- *Unsubordinated – secured by both the land and improvements*
- *Subordinated – secured only by the lessee's improvements*

City of Sacramento (Lessor)

- *Retains ownership of land*
- *Retains control over the permitted uses and type of improvements made*

Developer (Lessee)

- *Reduces front end costs (e.g., land carry)*
- *Lease payments are tax deductible as operating expenses*

Fee Simple Approach(*preferred in most cases*)

- *Buyer owns land and improvements*

Land Write Downs

- *Land cost and/or ground lease amount is written down to zero or lowered*

Fee Write Downs

- *Development impact fees are removed or lowered*

SVS Business Plan

The Business Plan (or individual components thereof) would be a living document setting forth key metrics driving prospective development, establishing the basic relationships between market opportunities, potential value creation, identify appropriate and supportive financing and land use policies, and otherwise set a regulatory and strategic development context intended to maximize Site development feasibility. As a detailed handbook for guiding the development of residential, office, retail, and potentially accommodations in the identified buildings pads (see Section 6.2 for further detail on these sites), it would contain a more detailed infrastructure financing strategy, building on

initial concepts identified herein, and set forth specific objectives and outcomes to be met as the City defines key elements of a Site disposition and development program that specifies the City's policies in regards to ground leasing, sales of land, impact fee and other financing tool utilization, air rights development, or other parameters. Key elements would include:

- **Market and Pro Forma Due Diligence.** Preliminary analysis indicates that near-term development would suboptimize the quality of the SVS site. As discussed in Section 2, it is expected that significant maturation of the local economy, bringing improved capture of high value Northern California

headquarters and other projects requiring improved lease rates, will occur over time. As the station takes its place as a connecting hub for increasingly vibrant surrounding districts, supportable rents and price points will join with a reduced risk profile to substantially improve the fundamental feasibility of SVS private development prospects.

- **City Development Cost and Risk Control.** The City is in a position to help control vertical development cost and risk factors to the maximum extent possible, facilitating the strategic deployment of private capital, leveraging the significant public investment in the station. Risk-to-reward options are shown in Figure 9.1.

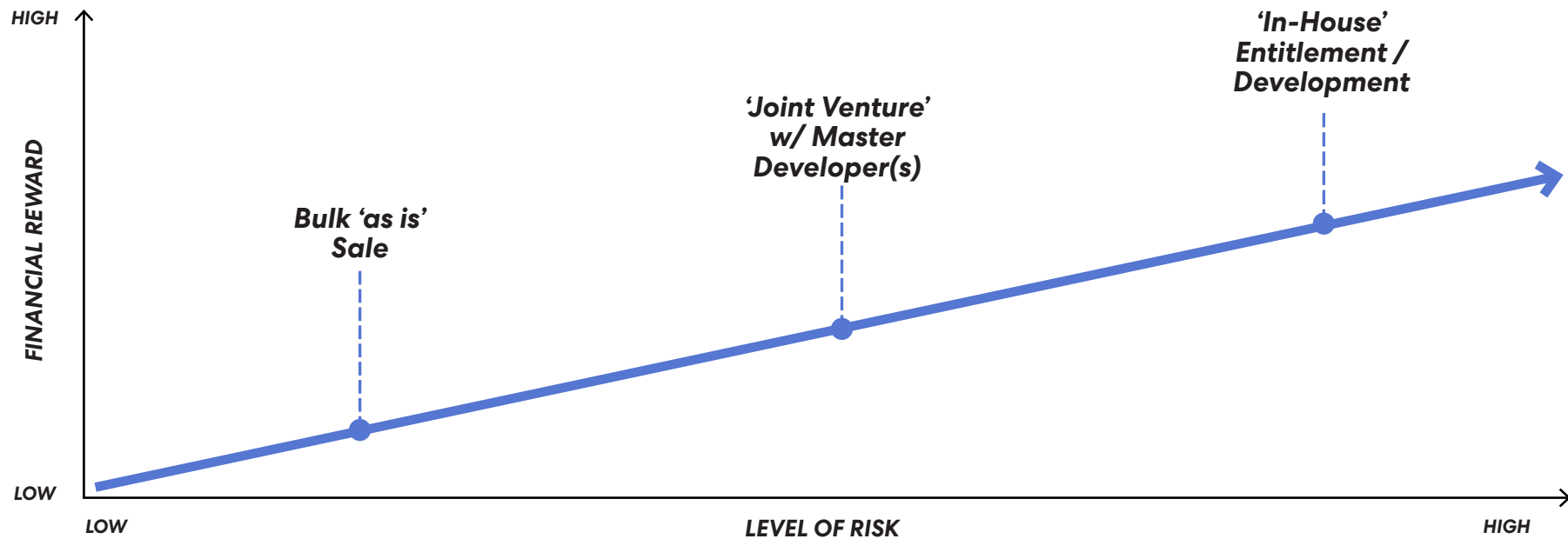


Figure 9.1 Risk Reward Spectrum

- **Lot 40 Joint Venture Strategy.** Because Lot 40 is controlled by the developer of the Railyards and is intrinsically tied-in with station development, it will require more coordination with station development efforts. The detailed mechanics of this City/developer collaborative approach have yet to be negotiated. These factors place the project at the latter part of the development timeframe, as parcels with fee-simple disposition in the Railyards and elsewhere are likely to develop earlier, as the market matures and land scarcity will be needed to support feasible ground lease and air rights deals. Further discussion regarding how this parcel affects larger funding strategies is provided below.
 - **Historic Station Adaptive Reuse Strategy.** The adaptive reuse of the historic station is also a unique, stand-alone effort. Reuse of the historic depot will offer an unparalleled opportunity to leverage the station's legacy to provide new public and civic amenities complemented and supported by private leasing opportunities.
 - **Affordable Housing Strategy.** While there is a major need for affordable housing in the region, and there may be immense pressure to build housing dedicated to lower income households in the station area as an initial project, it would be unlikely to manifest in a form similar to that presently programmed on the site (i.e., lower density). Housing will be an important factor, and it may be that a mixed-income product is an appropriate project concept. If deemed a major short-term priority for the Site, it is expected that a mid-rise option could emerge as an initial land use in the area in a mid-rise configuration.
 - **Retail Development Strategy.** As train-related services migrate to the future concourse and crew support and maintenance operations relocate to other sites, openings for additional uses at the historic station will likely arise, though the City does not presently have a policy on the future use of the station. In addition, retail will be appropriate at a number of ground floor locations in the identified private development blocks, and in the concourse itself. Retail potential may be limited to approximately 20,000 to 30,000 square feet in the station area, so it will be important to monitor surrounding conditions and avoid "flooding" the market in the early stages. Specific or noteworthy "outside-the-box" concepts could produce a destination effect for the site that would allow for more development than that identified as supportable in this analysis.
 - **Parking Strategy.** Ideally, with a successful station area implementation, most parking will be "unbundled" from individual projects and shared through one or more centralized facilities serving the Railyards and SVS. Such strategies support an improved revenue/cost ratio from reduction and elimination of private project-specific parking. Pro forma analysis performed by EPS indicates that this will be an important step in allowing revenue growth to eclipse cost escalation on a consistent basis to be feasible within a decade. A centralized parking concept, relying on pedestrian and merging short-range "last mile" options will facilitate this approach, although market acceptance may require 5 years or more. The planned Bus-Mobility Center will be a critical facility is providing for car share and other last mile options.
 - **RUC Operations.** Evaluate/determine capital and operational strategy for regenerative utility components.
 - **Monitor Surrounding Projects.** Progress in improving close-in surrounding conditions. Several blocks around the SVS would benefit from rehabilitation and repositioning, which could accelerate the realization of intended uses and assertive densities. Efforts to improve the area between SVS, DoCo, and Old Sacramento are of key importance in this regard, as is the relocation of the I Street on-ramp to I-5. Moreover, the fate of the MLS stadium, associated mixed-use district, and central shops are of paramount importance in determining the optimal timing of SVS development, as discussed earlier in this report.
 - **Refined Development/Disposition Strategy.** The Site must be further evaluated because of present uncertainty in the market. The City has the ability to be a patient land owner, positioning the Site for long-term success. If this approach is properly executed, prospects for leveraging ground leases successfully are substantially enhanced. The Aggie Square project at the UC Medical Center has signaled that prospects for ground leasing are favorable where a strong anchor tenant/facility providing direct, supporting demand is in place. Consideration should be given to breaking the development sites into individual developer transactions.
- This decision requires the City to define its role in the master development process with reference to the degree of day-to-day oversight. At this time, it is recommended that the City take a strong initial role in the framing

and evaluation of business plan elements discussed above, gradually transitioning development responsibility to one or more private-sector partners as conditions warrant. Time is needed to better support ground leasing and air rights deal components. To the extent unusual or complex deal structures are required to achieve stated outcomes, there are a good number of viable fee simple development sites available throughout the Downtown core that will likely proceed before more complex and risky concepts, which should be positioned as future options associated with improved market conditions and increased land scarcity.

- Future Developer Outreach. As market conditions continue to evolve and new concourse construction is initiated, an effort should be launched to engage in further interaction with interested developers, evaluate market conditions, track evolving circumstances among projects surrounding the station (e.g., development rate, type, and character), and consider emerging financing mechanisms and incentives emerging out of the current economic crisis. This may take the form of a Request for Information (RFI) as an initial step once business planning efforts have been launched.

9.5 INFRASTRUCTURE AND PUBLIC FACILITIES PLANNING

Buildout of the SVS Area Plan will require the construction of infrastructure and public facilities needed to accommodate both the private and public development components. In order to facilitate the development of the SVS site, the City will need to prepare a detailed financing strategy identifying infrastructure and public facility needs, construction responsibilities, and funding mechanisms.

The City will then need to implement and form the identified funding mechanisms (e.g., land-secured financing, plan area fees) and seek external sources of funds (e.g., grants) on an ongoing basis, as part of long term project implementation that considers property disposition and development agreement negotiations.

As a preliminary step in this ongoing work, this section identifies a preliminary policy framework and implementation strategy to fund those required infrastructure and public facilities needed to accommodate development of SVS. For purposes of this section, infrastructure and public facilities are defined as follows:

- Backbone Infrastructure: This term includes most of the essential public service-based infrastructure, including roadways and facilities underneath roadways. These items include major roadways, storm drainage, sanitary sewer, and water facilities. Backbone Infrastructure is sized to serve numerous

individual development projects in the Project and in some cases may serve adjacent development areas.

- Public Facilities: This group of items provides amenities to the Project (e.g., park facilities and libraries) or houses employees providing services to the area (e.g., fire station).

Section 4 and Section 7 set forth the circulation and infrastructure requirements to accommodate buildout of the SVS Area Plan area. Additional contributions to infrastructure and public facilities (e.g., library, police, and fire facilities) needed to support SVS may also be required. The initial financing strategy set forth in this section considers the existing policy framework established by the Railyards Specific Plan, as well as the Updated Railyards Finance Plan, approved by the City in October 2018.

In addition, this financing strategy identifies other infrastructure needs and development-related sources of revenue that may be available to fund Backbone Infrastructure and Public Facilities costs, as well as City and other sources of revenue that may be used to fund regional-serving improvements.

Policy Context—Updated Railyards Finance Plan

The SVS site is located within the Railyards Specific Plan and would be subject to the existing Railyards Finance Plan and Plan Area Fee program.

The Railyards Finance Plan and Plan Area Fee program was adopted in October 2018 and describes the policy framework governing the financing of Backbone Infrastructure, Public Facilities, and other developer obligations for development within the Finance Plan area. Finance Plan Backbone Infrastructure and Public Facilities will be partially funded by a plan area fee program applying to all development in the Railyards Specific Plan. The Railyards Plan Area fee was established to fund Backbone Infrastructure and Public Facilities that are not funded by other available funding sources. Backbone Infrastructure and Public Facilities serving the Railyards Finance Plan Area and included in the Railyards Plan Area Fee include the following systems:

- **Backbone Infrastructure Improvements**

- *Onsite Roadways*
- *I-5/Richards Interchange*
- *Storm Drainage*
- *Onsite Sanitary Sewer*

- **Public Facility Improvements**

- *LRT Stations*
- *Other Transit Facilities*
- *Community Center/Library*
- *Parks and Open Space*
- *Police Station*
- *Fire Station*

The Railyards Finance Plan, however, did not anticipate the scale and intensity of development for SVS that is currently contemplated as part of this Master Plan, nor did it give consideration to the regional mobility options provided by the SVS Area Plan.. The Railyards Finance Plan was based on assumed private development on Lot 40 only, and infrastructure master planning for the Railyards did not account for the amount of SVS development anticipated as part of this master plan. Additional analysis is therefore needed to evaluate the degree to which SVS development will benefit from Railyards Plan Area fee program facilities, as well as the regional benefit conferred by new SVS mobility options. Furthermore, development of SVS anticipates completion of improvements and sustainable infrastructure elements that are specifically designed to accommodate SVS master plan development. As specified elsewhere in this document, the following improvements and requirements specific to SVS are anticipated as part of SVS development:

- SVS Transit Facilities
- Open Space, Community Parks, and Public Realm Improvements, including the Transit Plaza, Civic Plaza and Community Garden
- New On-site District Energy and Wastewater Recycling Systems.
- Recycled Water Distribution
- Stormwater Management
- Bike and Pedestrian Facilities
- Onsite Roadways
- Dry utilities
- Habitat Exchange

In addition to the Backbone Infrastructure and Public Facility improvements identified in this area plan, private development on SVS may be required to contribute to the development of additional public facilities needed to house services for SVS residents and employees, such as the police and fire stations. It is possible that participation in the Railyards Plan Area fee program may be sufficient to satisfy some of these public facility obligations (i.e., library, police, and fire), however additional analysis and policy discussion is needed to establish those obligations.

Because the degree to which currently planned Railyards Finance Plan facilities will benefit SVS development is unclear, and because SVS development will require additional Backbone Infrastructure and Public Facility improvements, including sustainable infrastructure elements unique to SVS, the City currently anticipates developing a subarea fee component of the Railyard Plan Area Fee program to satisfy SVS infrastructure and public facility requirements. Development of the SVS Subarea Fee component will rely upon a full analysis of infrastructure and public facilities funding requirements, as well as other sources of existing funding that may be available to fund SVS improvements. The following section identifies other sources of funding that may be available to fund all or a portion of SVS Backbone Infrastructure and Public Facility obligations.

Other Existing and Potential Funding Sources

The SVS Subarea component of the Railyards Plan Area Fee would be established to fund those portions of SVS improvements that are not funded by other sources of funding, including sustainable infrastructure components. Several other sources of funding may be available to fund improvements needed to accommodate SVS development. Those sources include the following general categories of funding that should be evaluated as part of a comprehensive financing strategy:

- Project Based Developer Funding
- City Funding Sources
- Outside Funding Sources

The following sections offer additional specificity regarding funding mechanism associated with each of these general funding categories.

Project-Based Developer Funding

In addition to a Subarea Plan Area Fee program, additional sources of project-based developer funding will be generated by new vertical private development projects. These sources of funding may be available to offset a portion of SVS Backbone Infrastructure and Public Facilities costs, and include the following mechanisms:

Existing City and Other Agency Fees

Specific private development projects will be subject to all applicable City and other agency development impact fees in place at the time of acceptance of the building permit application. Revenues generated by certain specific fee programs may be available to directly fund SVS Backbone Infrastructure and Public Facilities, or to the extent that SVS improvements mitigate impacts on Citywide infrastructure systems, SVS development may receive a credit against those fee programs. The following fee programs may be available to partially fund facilities required for SVS development or may otherwise be credited/reduced for SVS development based on SVS improvements constructed:

1. Citywide Transportation Development Impact Fee

In February 2017, the City adopted the Citywide TDIF to fund new development's share of transportation improvements serving citywide needs. TDIF revenues are not anticipated to directly fund SVS facilities costs; however, to the extent the TDIF and the Railyards Impact Fee program (or the SVS Subarea Fee Program Component) provide overlapping funding for certain transportation improvements, SVS development will be entitled to credits against the TDIF, which will provide the basis for calculating reduced TDIF rates will be established for SVS by amending the existing TDIF rates adopted via resolution. Reduced TDIF rates would be adopted by the City at the same time that SVS financing mechanisms are established.

2. Citywide Park Impact Fee

In February 2017, the City adopted an update to the citywide Park Impact Fee (PIF). All new residential and nonresidential development in the City is subject to the PIF, which funds park improvements in the Community Plan Area in which a project is located. In addition, the updated PIF includes a new fee component that funds citywide park facilities (e.g., regional parks, community centers, aquatic centers, etc.).

Park fee revenues generated by the payment of the Neighborhood and Community Parks component of the PIF by SVS development will be available to fund SVS park facilities. In addition, park fee revenues generated by the Citywide Park Facilities component of the fee may be available to qualifying trail facilities.

3. Combined Sewer System Fee

The City's Combined Sewer System (CSS) Development Fee will be collected and used for improvements to the combined stormwater/sanitary sewer system. The CSS fee will be charged to all new SVS development. To the extent that any SVS trunk sewer improvements are oversized to serve adjacent development areas, CSS fee revenues may be available to fund a portion of those improvements.

To the extent that onsite sustainable infrastructure components, such as wastewater treatment facilities, reduce flows to the CSS, SVS development may be eligible for a credit against, or reduction in the applicable CSS fee. As part of the implementation strategy for this Master Plan, the City should evaluate the degree to which flows into the CSS are reduced by onsite

improvements and determine any appropriate fee reductions..

4. Citywide Water System Development Fee

The City charges a citywide fee on all new connections to the water system to fund water treatment and transmission facilities to provide water to customers in the City. Water system development fee revenues will be available to fund on-site water transmission mains. The City does not currently have a fee in place to fund recycled water improvements, however if there is a reduction in water meter size, SVS development will realize cost savings in the form of reduced Water System Development Fees.

5. Other Existing Development Impact Fee Programs

The private development components of the Project will be subject to other City, Sacramento County (County), and Other Agency development impact fees, including the following programs:

- School Impact Fees.
- Sacramento Area Flood Control Agency (SAFCA) Development Impact Fee Program.
- Sacramento Transportation Authority (STA) Sacramento County Transportation Mitigation Fee Program (SCTMFP) Measure A fee.
- Sacramento Regional County Sanitation District (Regional San) (Sewer, regional conveyance).
- I-5 SCMP - a voluntary fee program administered by the City to mitigate impacts on the freeway mainline system. Development projects may choose to pay this fee in lieu

of preparing a traffic model analysis of cumulative mainline freeway impacts and determining specific mitigation measures.

Land Secured Financing

Land-secured financing may be utilized to fund a portion of Backbone Infrastructure and Public Facilities costs. While an SVS Subarea Fee component of the Railyards Impact Fee program may be developed to fund Backbone Infrastructure and Public Facilities not funded by other sources, it is likely that major facilities will be required at the onset of development. Land-secured financing, in the form of either a Mello-Roos CFD or an Assessment District may be used to provide debt financing for some of these early facilities:

- Mello-Roos CFD. The Mello-Roos Community Facilities Act of 1982 enables public agencies to form CFDs and levy a special tax on property owners in those CFDs. These special taxes may be used to pay debt service on CFD bonds or to finance public improvements directly on a pay-as-you-go basis.
- Assessment Districts. California statutes give local governments the authority to levy several special assessments for specific public improvements such as streets, storm drains, sewers, streetlights, curbs, gutters, and sidewalks. The agency creates a special Assessment District that defines both the area to benefit from the improvements and the properties that will pay for the improvements.

Mello-Roos CFDs tend to be favored over Assessment Districts because Assessment Districts need to establish special benefit to those being

assessed, which can be more challenging than the Mello-Roos requirement of establishing general benefit of facilities. In 2018, the City formed Community Facilities District 2018-01 (Railyards Infrastructure) to fund a portion of Railyards Finance Plan facilities. CFD 2018-1 includes Lot 40, but the remainder of the SVS site is excluded. SVS development may be able to annex into CFD 2018-1, or a separate CFD for the SVS area may be implemented.

To the extent that the City enters into ground-leasing arrangements on the City-owned portions of the site, land secured financing mechanisms may still be used provided the lease-term is sufficiently long to support imposition of the special tax. Special taxes would be passed through to lessees via possessory interest tax levies.

Tax Increment Financing Mechanisms

Since the elimination of Redevelopment Agencies in 2012, several alternative sources of tax increment financing have begun to emerge. Most prevalent among these mechanisms is the Enhanced Infrastructure Financing District (EIFD). Local agencies can establish an EIFD for a given project or geographic area of the jurisdiction. The EIFD captures incremental increases in property tax (or possessory interest tax) revenue from future development that would otherwise accrue to the City's General Fund. These incremental revenues can be used to finance public capital facilities or other specified projects of communitywide significance, and may also support the issuance of tax allocation bonds or other debt instruments.

Because this funding mechanism relies upon significant levels of private development activity to generate revenues, initial debt capacity may not match the need for required upfront capital costs. Policymakers may therefore consider combining the EIFD with other financing mechanisms (such as a CFD) to generate up front funding sources.

Private Developer Capital

Private capital may be used for improvements that serve only specific SVS development projects, such as landscaping and open space, local water distribution lines, sewer laterals, and local storm drains. Depending on the scale of improvements needed, private capital may also play a significant role in funding early phase improvements. Development conditions of approval will specify when certain improvements are needed as development proceeds. The developer may have to privately fund facilities necessary to serve the development and then receive reimbursement when other funding becomes available. To the extent fee revenues are available, the developers will receive fee credits or reimbursements for advance-funding eligible projects included in fee programs, based on the City's, County's, and Special District's reimbursement policies.

City Funding Sources

City funding sources that may be available to fund SVS improvements include water and wastewater rates, the Major Street Construction Tax, Measure A, and other discretionary sources of funds.

Water and Wastewater Rates

Water and wastewater service charges may be used to payback initial capital costs associated with construction of the wastewater treatment plant and related recycled water distribution improvements.

Construction Excise Tax

The Construction Excise Tax (CET) is a tax collected at the time of building permit issuance for new buildings throughout the City. CET revenue is allocated at the City's discretion.

Measure A

Measure A is a half-cent sales tax approved by County voters in the November 1988 general election to fund transportation projects in the County. The measure went into effect April 1, 1989, and was renewed in 2004 for an additional 30 years, effective in 2009.

The new Measure A includes the continuation of the half-cent sales tax through 2039 and a countywide development impact fee program. These revenues are allocated annually by percentage to specific programs outlined in the ordinance.

The City receives a portion of new Measure A revenue to fund new construction and maintain freeway and street projects, and another portion goes to Sacramento Regional Transit District. With funds from this Measure already allocated to other projects, there will be need for a future measure to provide revenues that may help fund a portion of the SVS transit related improvements.

Other City Funding

The City may provide other discretionary funding sources to assist in developing SVS improvements. Examples of the funding sources include sales tax increment revenues, parking revenues from the City Parking Fund, and gas tax revenues.

Outside Sources of Funding

Regional, State, and Federal Funding

Future federal transportation funding sources are likely to be available although precise funding sources are uncertain. In particular, all new circulation connections are anticipated to be grant funded and are included in the City's TRCIP grant application. The Railyards has been designated as a federal "Promise Zone" and will therefore have priority for federal grants. Additional federal credit programs include the Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation and Improvement Financing (RRIF). Numerous State funding sources are available, including funding for transportation and infrastructure projects through programs like the State Transportation Improvement Program and Regional Transportation Improvement Program process, Solutions for Congested Corridors Program (SCCP), and the Active Transportation Program (ATP). Other sources of funding include the Sacramento Area Council of Governments (SACOG) Community Design Program, the Strategic Growth Council Affordable Housing and Sustainable Communities Program and Transformative Climate Communities Program.

There are a considerable number of other potential federal, State, regional, and private sources of grants or loans, such as grant programs administered by SACOG and the Sacramento Transportation Authority, for which the Project could qualify. The City should aggressively pursue all available funding sources from federal, State, regional, and other funding sources.

Operations and Maintenance Funding

SVS Backbone Infrastructure and Public Facilities will also require funding for ongoing operation and maintenance. In December 2014, the City formed CFD No. 2014-4 (Railyards Maintenance) to fund operations and maintenance for Railyards Finance Plan facilities. Authorized services funded through CFD 2014-4 included inspection, repair, replacement and maintenance of various improvements as well as associated planning, engineering and legal and administrative costs. Currently, only Lot 40 is included in CFD No. 2014-4. Maintenance of Lot 40 public spaces, such as the Civic Plaza, may be funded by CFD No. 2014-4.

Operations and maintenance funding mechanisms for the remainder of the SVS Area Plan area will require development. In particular, operations and maintenance for the transit facilities and onsite sustainable infrastructure components will require special consideration:

- **Transit Facilities.** Operations, maintenance and governance of the transit station will require additional study. The City is considering securing common area maintenance fees from transit operators to support operations of the station – additional approaches may be considered as part of SVS implementation.
- **Wastewater Treatment and Related Facilities.** Currently, the City anticipates utilizing water and wastewater rates to fund ongoing operations and maintenance of the onsite sustainable infrastructure components that are unique to SVS. Operations and maintenance

funding may also be partially offset by the sale of recycled water to other areas of the City.

In addition to these mechanisms, the City may consider formation of additional maintenance districts to fund ongoing inspection, repair, replacement and maintenance of other public realm improvements.

Affordable Housing Considerations

While housing for the Project will be incorporated in later phases and affordable housing requirements as well as funding mechanisms will evolve over time, it is helpful to look at the existing policies. The City of Sacramento's current affordable housing requirements were established on September 1, 2015, by passing a Citywide Mixed Income Housing Ordinance, which comprises the following for residential projects that do not exceed 100 gross acres:

- Must pay a housing impact fee based on housing type for all newly constructed market rate dwelling units.
- The fees are calculated and assessed by the Planning Division based on a nexus study.
- The fees are automatically adjusted on July 1 of each year based on Engineering News-Record's Construction Cost Index for San Francisco for March over March.
- Fees are calculated on a per square foot basis and whether or not they are located in a housing incentive zone.
- Current fees range from \$1.20/sf for units in the housing incentive zone, to \$2.78/sf for all other applicable unit-types.

Currently, multi-unit high density projects (40+ units/acre) do not have to pay the housing impact fee, therefore this fee would not apply to the residential component of SVS since the proposed density is more than 300 dwelling units per acre. If this policy is ever changed, it may be important to evaluate options such as increasing

density, reducing parking, fee reductions/deferral, expedited approvals, and jurisdictional subsidy to further encourage the construction of affordable housing.

In addition, the City has committed to increasing the availability of housing for all income levels by implementing the Housing Streamlining Menu of Options, which provides a compilation of potential actions the City and partner agencies can initiate to streamline market-rate and affordable housing production. One of the goals of the Housing Streamlining Menu of Options is to help the City achieve their Regional Housing Needs Allocation, which is determined by SACOG and the State of California Department of Housing and Community Development. Many of the goals will be integrated into the City's Housing Element. The City has begun the planning for the 2021-2029 Housing Element (i.e. Housing Strategy) which is due to the State by May 31, 2021. This document will include specific actions for addressing the City's housing need.

Additional tools include the use of Legislation created to help integrate affordable housing development includes the State of California Density Bonus Law (California Government Code Sections 65 915-65918), which is State mandated if requirements are met by the developer. This legislation allows increased density (up to 35%) based on a sliding scale of the percentage of affordable housing that is provided by the developer, offers reduced parking requirements, approval of mixed use, and other potential incentives or concessions. In 2019, the California legislature passed AB 1763, which created enhanced density bonus options, including a potential 80 percent increase in base density

and unlimited density bonuses for qualifying 100 percent affordable housing. If City and State requirements differ, the requirement that offers the higher benefit will supersede the other.

Next Steps: Financing Strategy and Developer Outreach

As noted in the beginning of this section, development of SVS will be better positioned with a long-term outlook giving the opportunity to thoroughly evaluate the next steps for the Project. Implementation of the SVS Master Plan will require a full evaluation of Backbone Infrastructure and Public Facility needs for SVS and associated development of a comprehensive financing strategy. A comprehensive financing strategy will be needed before development of the master plan proceeds. In particular, a comprehensive financing strategy for SVS should include the following analytical elements:

- Railyards Infrastructure. Evaluate the impact of SVS development on infrastructure included in the Railyards Finance Plan and Plan Area Fee program. Determine the degree to which SVS development is anticipated to utilize Railyards infrastructure capacity and the portion of Railyards Plan Area fee funded facilities that benefit SVS. This analysis should give particular consideration to sustainable infrastructure improvements, which portions of the project benefit from those sustainable systems, and the degree to which a portion of SVS may be internally self-sufficient.

- **SVS Infrastructure.** The cost of circulation, stormwater management, potable and recycled water, sanitary sewer and dry utilities infrastructure improvements needed to accommodate development of the SVS area plan should be itemized.
- **Public Facilities Obligations.** SVS development's obligations to fund Public Facilities such as parks and open space, police, fire and libraries should also be established as part of a comprehensive financing strategy. The City should determine if these Public Facility obligations can be fulfilled through participation in the Railyards Plan Area fee program or if a separate mechanism is appropriate.
- **Other Funding Sources.** Existing funding sources for the above identified improvements, such as City development impact fee programs or potential grant funding sources should be identified.
- **Identify Infrastructure and Public Facility Phasing.** Development of a comprehensive infrastructure financing strategy will require an understanding of the magnitude of improvements needed relative to individual development blocks, or phases, and the availability of associated development-related revenues. This analysis will help to identify up front funding requirements and potential associated financing challenges.
- **Establish SVS Funding and Financing Mechanisms.** The financing strategy should identify funding sources for remaining improvement costs, as well as potential bridge financing mechanisms that may be needed to advance fund early phase improvements.

Currently, it is anticipated that the City will implement an SVS Subarea Fee component of the Railyards Plan Area fee program. Other sources such as a Mello-Roos CFD or an EIFD may also be considered.

- **Establish Funding Sources for Operations and Maintenance.** Upon identification of operations and maintenance funding needs, the City should establish sources of ongoing operations and maintenance funding. This may take the form of a CFD for services or other assessment district and should include special consideration of operations and maintenance for the transit facility as well as the onsite sustainable infrastructure components.
- **Synthesize and integrate market, pro forma, infrastructure funding, and other strategic components into a business planning framework.** As an over-arching document, integrate the Financing Strategy with a comprehensive business plan for the SVS site that optimizes infrastructure funding, densities, incentives, and specific retail and affordable housing strategies into a cohesive working implementation document, setting the table for subsequent developer outreach.

9.6 INTERIM INTERVENTIONS

To raise awareness about the future development of the SVS site, the development and implementation of a series of temporary pilot installations should be used to activate the extents of the future Transit Plaza. These temporary interventions could celebrate the gradual transformation of the site over time by utilize the existing platform canopies and other new infrastructure as an armature for various types of installations, such as markets and music events. As the main open space that connects the Historic Station to the new station concourse, the Transit Plaza is uniquely positioned to honor historic legacy and offer an equitable vision for the future SVS. The design of the highly visible Transit Plaza will reflect the diverse identities and heritage of Sacramento residents, and serve as a civic landmark for visitors. The City of Sacramento should facilitate the process to support the voices of local Sacramento residents, retailers, artists, students, businesses, and community members. These temporary interventions should be located in the area of the site which will ultimately become the Transit Plaza.

Foundational to the success of the Transit Plaza, and any shared public space is community engagement and support; it must be a well-loved place. People desire connection and belonging, this extends to the environment. Drawing on local features, businesses, community partners, identities, and histories supports equitable design and encourages lasting community engagement and support.

Transit and Equity

Public transit is an increasingly important indicator of equity in our urban centers. In addition to getting us to and from work and school, transit is a factor in social inclusion, providing access to cultural and recreational activities. The intention of public transit is fundamentally egalitarian; the shared space of the bus, train or ferry requires of its passengers the same collective respect as any other open space. As a community resource, public transportation, like public streets, offers a space of serendipity and contact; we encounter one another beyond our chosen social circles, which is foundational to social acceptance and tolerance. Temporary interventions such as art fairs, markets and live music events should recognize, support and encourage this aspect of social inclusion.

Tactical Urbanism: Collective, Local Design

The City of Sacramento should team with local partners to seek funding for the development, coordination and implementation of “A Commissioned Pilot Series”, a series of temporal installations that will allow local residents, artists, activists, students, business-owners and community members to prototype and provide feedback on their vision for an inclusive and dynamic public space.

Temporary (1 week) flexible, and agile (easy to put up, maintain, and take down) installations should highlight the creativity and ingenuity of Sacramento’s social and cultural life featuring

local music, art, performance, histories, culinary arts, and community building. Similar pop-up installations are meeting success throughout the Bay Area and beyond; relevant examples include:

- Proxy (San Francisco, CA)
- The Yard (San Francisco, CA)
- Spark Social (San Francisco, CA)
- Market Street Prototyping Festival and the Hall (San Francisco, CA)
- San Jose City Hall (San Jose, CA)
- The Lawn on D (Boston, MA)
- Crossing the Street (Washington, DC)
- The Movement Café (London, UK)
- Gapfiller (Christchurch, NZ)
- University Square (Melbourne, AU)

All of these precedents demonstrate a new model for civic participation in the design of the public realm; each of these projects frames residents and neighborhood members as resources and stewards for open space. Through events, programing, installations, and experiments, these precedents put the community at the center to promote a connection with and experience of place that is memorable, personal, participatory, and equitable. In many cases, temporary installations serve as test-runs for local retailers that help guide future, more permanent development.

9.7 ALTERNATIVE CONDITIONS

A parallel study is looking into the removal and/or re-alignment of the northbound on-ramp to I-5 from I Street at 3rd Street. Should this occur, additional developable area will be available to the southwest of the Historic Station. This alternative condition will necessitate review

and possible redesign of the open space and development potential in that area.

A further study is looking at a potential single track Streetcar access from 3rd Street with a terminal stop in front of Block B. The streetcar tracks would extend east to 5th Street in order for the off-hours passage of vehicles to an off-site maintenance facility. The current street layout allows room for this service. Should this not

occur, H Street could be reduced in width and development blocks A and B could increase in size to occupy the space vacated by the narrower H Street. A comprehensive study would be required before a detailed open space design and detailed development proposals could proceed.

Refer to Figure 9.2 for alternative conditions.

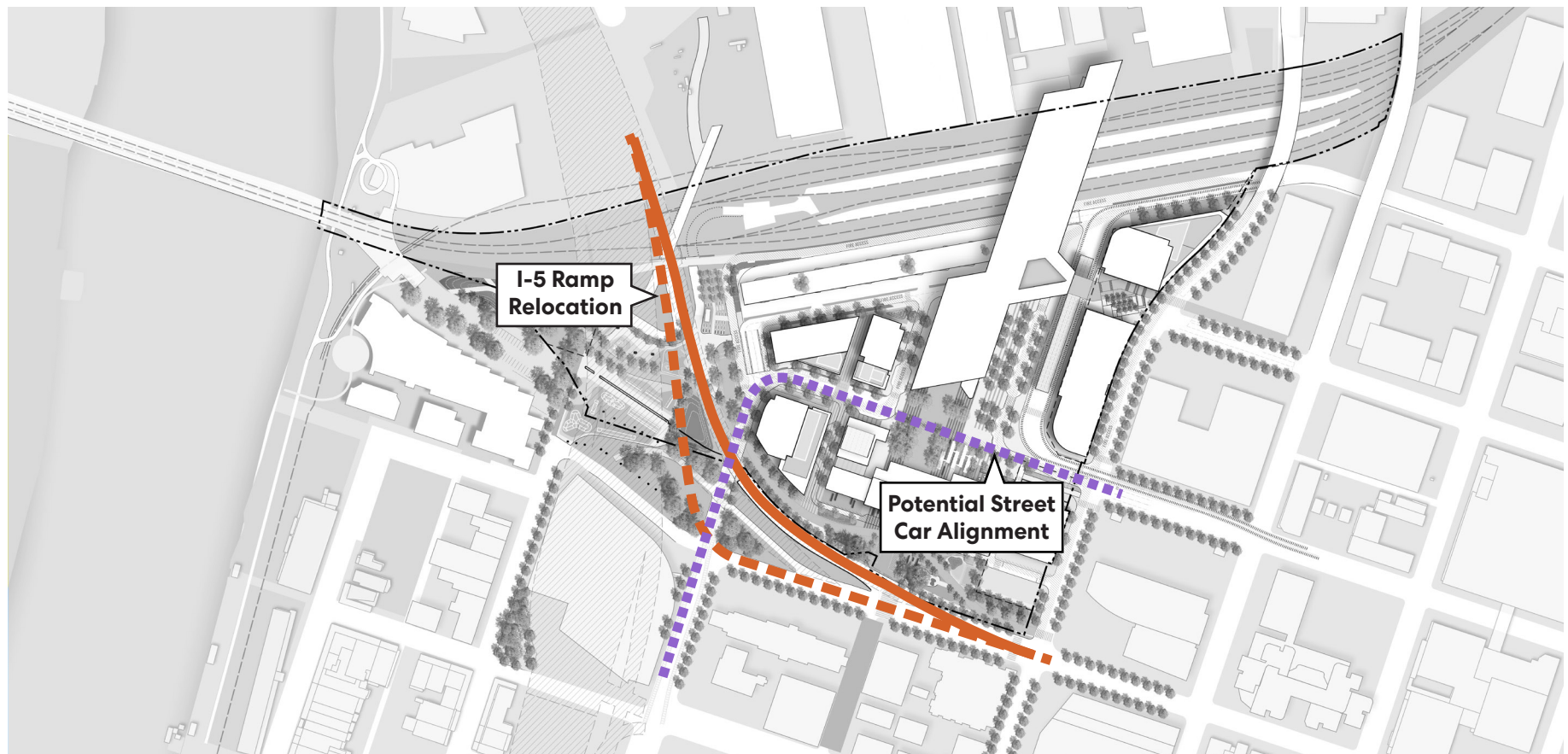


Figure 9.2 Alternative Conditions