

**APPENDIX P**  
**FINANCING AND MAINTENANCE OF PUBLIC FACILITY**  
**IMPROVEMENTS SUMMARY**

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## SACRAMENTO RAILYARDS - FINANCING AND MAINTENANCE OF PUBLIC FACILITY IMPROVEMENTS SUMMARY

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The Sacramento Railyards Public Facilities Financing Plan (PFFP) identifies all backbone infrastructure improvements needed to serve the Project, including storm drainage, sewer, water, roadways, freeways, dry utilities, passenger facilities, and a light rail station. The PFFP also identifies all public facilities needed to serve the Project, which include the central shops rehabilitation, parks and open space, public parking structures, a community center, library, and a school. The PFFP describes the costs and financing mechanisms that will be used to construct these improvements in a timely manner.

The PFFP is designed to achieve the following goals:

- Identify ways to finance construction of infrastructure through public and private financing.
- Establish Project-specific fees to fund major backbone facilities not included in existing fee programs.
- Utilize existing City of Sacramento (City) and Special District fee programs to the extent possible.
- Make maximum use of “pay-as-you-go” mechanisms.
- Make appropriate use of municipal debt financing mechanisms.
- Make maximum use of federal, state, and regional funding mechanisms.
- Identify legitimate redevelopment activities for use of tax increment funds.
- Build in flexibility to allow response to market conditions.

### OVERVIEW OF FINANCING STRATEGY

The major infrastructure required for development to proceed in the Project may be funded through a combination of public and private financing. Fees, such as City, Special District, and plan area development impact fees may be used to fund required facilities when possible. Bond financing may be needed to fund public facility costs during the early years of development, as well as at other strategic times when fees are not available to fund the necessary facilities required for new development in a timely manner. Debt financing will be limited to prudent levels, however, and shall be consistent with State and City guidelines. Federal, state, and regional funding may be used to finance the cost of infrastructure, in particular transportation, improvements. Tax increment financing may be available to reimburse the Developer for public infrastructure costs and other improvements.

Facilities will be constructed as they are needed to serve new development. Development projects will be conditioned during the subdivision process to construct facilities needed to serve the development. Developers will receive either fee credits or reimbursements for advancing eligible projects based on the City or Special District reimbursement policies. Developers participating in the debt financing mechanism will also receive fee credits for facilities funded through debt-financing. If the bond capacity is insufficient to fund all the improvements, other funding mechanisms such as private financing will be required.

It is expected that costs will change over time and therefore each funding mechanism should include a method for adjusting the amount of funding to reflect current costs at the time of construction.

### **General Financing Policies**

The following policies shall be followed in implementing the PFFP for the Project:

1. The City and Developer will seek to maximize federal and State of California (State) funding for infrastructure improvements to serve the Project.
2. All essential infrastructure and public facilities, as defined in the PFFP, will be constructed in accordance with a development schedule to serve each phase of the Project, and the phasing plan will be developed for reasonable development in accordance with the funding available.
3. The PFFP will identify the regional benefit of public infrastructure and facilities serving multiple project areas (e.g., Richards, Downtown) and identify the Railyards' and the other project areas' proportional financial contribution.
4. The City will, in accordance with prudent fiscal judgment, provide tax-exempt municipal financing to keep financing costs for public facilities to a minimum.
5. The Developer will advance funds or construct significant portions of backbone infrastructure and public facilities. The Developer will seek private financing necessary to fund such improvements to the extent public financing is not available and to fund the Developer's own share of such costs.
6. The Redevelopment Agency will work with the Developer to identify legitimate redevelopment activities for use of tax increment (TI) funds. The Redevelopment Agency may use TI revenues to reimburse the Developer for infrastructure costs and public improvements and amenities not typically found in development projects. These costs may include funding of major roadways, environmental mitigation measures, historic preservation projects, structured parking facilities, and civic amenities.
7. The Redevelopment Agency may reimburse the Developer with TI revenues for infrastructure costs and public improvements and amenities only to the extent

- that such revenues actually are realized from development in the Railyards and the designated project area.
8. The Redevelopment Agency will allocate TI revenues to fund infrastructure and public improvements and amenities if the City and Redevelopment Agency can make the necessary findings that no other funding sources are available to pay for that portion of those public improvements.
  9. The Redevelopment Agency may provide TI funding to subsidize specific private development projects demonstrating the need for public funds on an individual project basis and if such projects qualify as redevelopment projects.
  10. New development shall fully fund typical subdivision in-tract and frontage infrastructure. Public funds invested in such infrastructure related to the Project will be recovered through reimbursement agreements or otherwise except to the extent reasonably necessary to assure the fiscal feasibility of the Project.
  11. The PFFP will identify the quantity and general location of all lands needed for right-of-way and public facilities. All lands needed for right-of-way and public facilities will be dedicated at no cost to the City.
  12. The PFFP will identify all special maintenance costs unique to the Railyards and identify appropriate funding sources.
  13. Following approval of the PFFP by City Council, the City shall promptly initiate proceedings and undertake actions to implement the various components of the PFFP in accordance with the approved development schedule.
  14. The actions contemplated herein by the City and the Redevelopment Agency are subject to the legislative discretion of each body at the time of approval and must be in compliance with all applicable laws and regulations.

## FINANCING OF PUBLIC FACILITIES

The construction of backbone and other public improvements designed to serve the Project will be funded by a variety of mechanisms including plan area fees, citywide impact fees, school district impact fees, establishment of special districts and assessments (e.g., Mello-Roos Community Facilities District), developer financing, tax increment financing, federal, state, and regional financing, and other potential methods.

## FINANCING METHODS

Financing methods may include the following:

- **City Impact Fees.** Following the approval of the Railyards Specific Plan in 1997, the City implemented two new development fee programs to fund rail/transit, arterial roadway, freeway, storm drainage, sanitary sewer, and fire station improvements. These City fee programs will be updated to reflect land use and public facility changes in the current Project.
- **School District Impact Fees.** The various school districts have established fees, in accordance with state regulations, to be used to construct school facilities. School impact fees are collected by the City before the issuance of a building permit and are forwarded to the applicable school districts.
- **Plan Area Fees.** City and other existing fee programs may not finance all capital improvements required to serve the Plan Area. Plan area fees and/or a reimbursement program may be created to finance the balance of road, water, sewer, drainage, open space, parks, and other capital facilities.
- **Community Facilities District.** One or more community facilities district (CFD) may be established to help fund the construction and/or acquisition of backbone infrastructure and facilities in the Plan Area. The 1982 Mello Roos Community Facilities Act enables cities and other entities to establish a CFD to fund various facilities and services. The proceeds from a CFD bond sale can be used for direct funding of improvements, to acquire facilities constructed by the developer, and/or to reimburse developers for advance funding of improvements. The annual special tax can be used toward bond debt service or to build infrastructure as needed. The proceeds of the Mello Roos special tax can be used for direct funding of facilities and/or to pay off bonds.
- **Private Funding Sources.** Initial phases of development require major public investments in backbone infrastructure and facilities, yet the availability of public funding is limited at the outset. As a result, the Developer may need to provide upfront funding to construct backbone infrastructure and other public facilities not adequately funded by other means. Upfront funding from the Developer will be provided through a combination of cash, equity, or private debt financing.
- **Tax Increment Financing.** Currently in a redevelopment area, the Project will generate TI revenues payable to the City Redevelopment Agency. Twenty percent of TI is required to be set aside for low and moderate income housing. Other portions of the TI will be subject to statutory pass-throughs. The remaining uncommitted increment may be available for funding the costs not typically found in development projects. These extraordinary costs may include

partial funding of major roadways, environmental mitigation measures, historic preservation projects, structured parking facilities, and civic amenities.

- **Measure A.** Measure A, the half-cent sales tax approved by the voters in Sacramento County, may be used to fund a portion of the freeway improvements needed for the Project.
- **Major Street Construction Tax.** Major Street Construction Tax revenues may be available to fund portions of several arterial and collector roadway improvements in the Project.
- **Downtown/Richards Fees.** Several public facilities included in the Project, including roads and sewer will benefit residents and employees in the Downtown and Richards plan areas. The Project will participate with these areas in the funding of such facilities. In these cases, each area's fair share of these costs will be identified, and a cost-sharing methodology will be developed and reflected in the PFFP.
- **Federal, State, and Regional Funding Sources.** Federal, state, and regional funding sources may be available to fund a portion of the Project's transportation and school facility improvements. Most of the federal, state, and regional funding will likely be used for major regional projects such as transit and freeway improvements. The timing of this funding will depend on Congress and the State Legislature, voters' authorization of funding, and the City's ability to qualify for such funding.

Other funding mechanisms may be available to finance public facilities required for development of the Project.

## INFRASTRUCTURE NOT INCLUDED IN FINANCING PLAN

The costs of in-tract subdivision and frontage improvements are not included in the PFFP. These costs are anticipated to be privately funded.

## OPERATIONS AND MAINTENANCE FUNDING

The PFFP will describe how the operation and maintenance of public facilities will be funded. The Project is likely to have annual costs higher than normal for parks and landscaping in particular because of their enhanced amenities and the expected high level of demand for park services generated by the Project's commercial and high-density residential land uses. A CFD or Assessment District may be established to fund these annual operations and maintenance costs.

Costs associated with operation and maintenance of commercial areas in the Railyards also may be higher than normal as a result of the Project's attractions, which are expected to draw large crowds of local and other visitors. Commercial property owners also may decide to participate in a Business Improvement District (BID) or approve a Special Assessment to cover the costs required to operate and maintain facilities.