

City of Sacramento

Legislation Text

File #: 2019-00750, **Version:** 1

Title:

Agreement: 3rd Street Relief Sewer Project Funding, Credit, and Reimbursement [Published for 10-Day Review 05/23/2019]

File ID: 2019-00750

Location: District 3

Recommendation:

Adopt a Resolution authorizing the City Manager or City Manager's designee to: 1) execute the 3rd Street Relief Sewer Project Funding, Credit and Reimbursement Agreement with Downtown Railyards Venture, LLC in an amount not-to-exceed \$14,557,780 Wastewater Reimbursable Fund (Fund 6206); 2) execute all documents necessary to implement the 3rd Street Relief Sewer Project Funding, Credit and Reimbursement Agreement; 3) establish the revenue and expenditure budgets for the 3rd Street Relief Sewer Project (X14010000) in the amount of \$14,557,780; 4) transfer \$2,006,534 from the Sewer Development Fee Fund (Fund 6002) available fund balance to the 3rd Street Relief Sewer Project (X14010000); 5) approve the reclassification the Capital Assets for the Project from Fund 6206 to Fund 6002.

Contact: Dan Sherry, Division Manager, (916) 808-1419, Engineering and Water Resources, Department of Utilities; Leslie Fritzche, Economic Investment Manager, (916) 808-5450, Innovation and Economic Development Office, Office of the City Manager

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Resolution
- 3-Agreement

Description/Analysis

Issue Detail: Staff recommends that the City Council approve the 3rd Street Relief Sewer Project Funding, Credit and Reimbursement Agreement (Agreement) with Downtown Railyards Venture, LLC

(DRV) to advance the \$14,557,780 in construction costs for the 3rd Street Relief Sewer Project (Project) (X14010000). The City does not have adequate funds in the Sewer Development Fee Fund (Fund 6002) to finance the entire Project. DRV will receive fee credits or cash reimbursement from future revenues in the Sewer Development Fee Fund per the Agreement. The Project is needed to support future development in the Railyard and River District.

Policy Considerations: City Council approval is required for the Agreement because it does not fall within the City Manager's delegated authority.

The Sacramento City Code section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) require that unless waived by a 2/3 vote of the City Council, all labor agreements and all agreements greater than \$1,000,000 shall be made available to the public at least ten days prior to council action. The contract was published on May 23, 2019 for 10-day review as required.

Economic Impacts: None.

Environmental Considerations: The proposed project is consistent with the scope of the environmental impact report (EIR) prepared for the City's Combined Sewer System Rehabilitation and Improvement Plan (SCH: 96082013) that was certified by the City Council in March 1997 (Resolution No. 97-123). The mitigation monitoring program that was adopted at that time will apply to the proposed project. The proposed project is also consistent with the 2035 General Plan. Ongoing improvements to the City's utility infrastructure, including the combined sewer system, are contemplated in the general plan and Master EIR certified by the City Council in March 2015 (Resolution No. 2015-0060).

The Community Development Department (CDD), Environmental Planning Services Division, has reviewed the proposed project for compliance with the requirements of the California Environmental Quality Act (CEQA), and has determined that the project was evaluated in the Addendum that updated the EIR. The proposed project would not result in new significant environmental effects or a substantial increase in the severity of previously identified effects considered in the certified EIR. Pursuant to CEQA Guidelines Section 15162, a subsequent EIR is not required.

The Addendum, the EIR for the City's Combined Sewer System Rehabilitation and Improvement Plan, the Resolution (No. 97-123) certifying the EIR are available at the CDD webpage at: <http://www.cityofsacramento.org/Community-Development/Planning/Environmental/Impact-Reports>

Sustainability: The Project is consistent with the 2035 General Plan as it improves infrastructure reliability and supports the City's Long-Term Control Plan to rehabilitate the Combined Sewer System (CSS) to decrease flooding, outflows, and overflows.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: The completion of the Project is critical to the City's Combined Sewer System Improvement Program. This backbone infrastructure is necessary for the initial phase of development of the Railyards Project, and development of the River District. Projects including the new Kaiser hospital, the Major League Soccer (MLS) stadium, and proposed State of California project on 7th Street in the River District rely on the completion of the Project for adequate sewer flow capacity.

Financial Considerations: The estimated cost of the Project including design, environmental, permitting, engineering, construction, and construction management is \$19,600,664. Currently, \$3,036,350 has been allocated to the project from various funds. The City recommends an adjustment of \$14,557,780 in the revenue and expenditure budgets in the 3rd Street Relief Sewer Project (X14010000). Additionally, in order to have sufficient funding, staff recommends a transfer of \$2,006,534 to X1401000 from the Sewer Development Fee Fund (Fund 6002) available fund balance. Upon completion of the recommended adjustments there will be sufficient funds available to support the project and agreement terms.

In accordance with the City fee credit policies and the Agreement, the City will issue fee credits or cash reimbursement from Sewer Development Fee Fund (Fund 6002) to DRV in an amount not-to-exceed \$14,557,780. The capital assets completed through the Project will be reclassified from the Wastewater Reimbursable Fund (Fund 6206) to the Sewer Development Fee Fund (6002) on an annual basis until project completion, in accordance with the Generally Accepted Accounting Principles (GAAP).

There are no General Funds allocated or planned for the Project.

Local Business Enterprise (LBE): None.

Background: DRV owns the Sacramento Railyards Mixed Use Project (#P15-040), a proposed mixed-use development that includes residential, commercial, and retail uses, a medical center, a sports complex, and restoration and reuse of historic structures on approximately 197 acres in the City of Sacramento's central city.

The City intends to construct the Project to provide relief for increased sanitary sewer flows from planned development currently served by the existing combined sewer system within the City of Sacramento. The Project includes the construction of approximately 5,700 feet of 42-inch diameter and 410 feet of 48-inch diameter combined sanitary sewer pipelines ("CSS") within 3rd Street from I Street to U Street and within T Street from 3rd Street to 5th Street. The pipelines will connect to an existing 84-inch diameter CSS at 3rd Street and U Street and to a 60-inch diameter CSS at 5th Street and T Street. Construction of the Project represents a key component of the City's Combined Sewer System Improvement Program.

The cost of the Project is estimated to be \$19,600,664. The Project costs include costs of project design, environmental review, permitting, construction engineering, construction, and construction

management. DRV has committed to paying the City for the cost of the construction contract, which is \$14,327,780, plus certain kinds of change orders not to exceed an aggregate amount of \$250,000 (Base Contract). The estimated cost of the Base Contract is \$14,557,780. The City will contribute the remaining \$5,042,884 of the project cost.

Recognizing that the cost to construct the Project, along with other backbone infrastructure, exceeds what private development economics can fully bear, the City has committed to providing combined sewer development fee credits, in accordance with the City of Sacramento's Department of Utilities fee credit policies, for payments made by DRV for the construction of the Project. The City has also committed to allocate a fair share (as determined by DOU) of the combined sewer development fee revenue collected within specified areas served by the CSS to help fund construction of the Project.

Chapter 13.08 of the Sacramento City Code requires new developments in areas served by the CSS to pay the City's combined sewer development fee, to recover an appropriate share of the capital costs of existing and new CSS facilities; however, this same provision also allows the City to provide an appropriate credit against the CSD Fee for a development that constructs or contributes toward the construction of a project that mitigates the impact on the CSS of combined wastewater flows from the development's premises.

DRV intends to fund its payment of its share of the Base Contract using certain proceeds of its private financing of the tax increment pledged under the Railyards Master Owner Participation Agreement and Initial Phase Infrastructure Owner Participation Agreement, as these agreements were amended by the Amendment and Termination of the Sacramento Railyards Master Owner Participation Agreement and Initial Phase Infrastructure Owner Participation Agreement between the Redevelopment Agency Successor Agency for the dissolved Redevelopment Agency for the City of Sacramento and DRV dated February 16, 2018. To ensure that there will be sufficient funds available to pay its share of the Base Contract, which the City is relying upon, DRV will cause the financial institutions that provide the private financing to issue a set-aside letter that reserves \$14,557,780 from the proceeds of the private financing for the exclusive and sole purpose of funding DRV's obligations under the Agreement.

The Agreement defines the terms by which the City will deliver the Project. The City has already advertised the Project and upon execution of the Agreement, will return to the City Council for award of the construction contract for the Project.