

City of Sacramento

Legislation Text

File #: 2021-00255, Version: 1

Title:

Approving the Infrastructure Financing Plan for the Proposed City of Sacramento Aggie Square Enhanced Infrastructure Financing District (EIFD), including the Division of Taxes Set Forth Therein, and Authorizing a Judicial Validation Action [TO BE DELIVERED]

File ID: 2021-00255

Location: Districts 5 and 6

Recommendation:

Adopt a Resolution approving the proposed City of Sacramento Aggie Square Enhanced Infrastructure Financing District (EIFD) Infrastructure Financing Plan and taking related actions.

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Presenter: Eric Frederick, Senior Development Project Manager, (916) 808-5129; Leslie Fritzsche, Economic Investment Manager, (916) 808-5450, Office of Innovation and Economic Development

Attachments:

- 1-Description/Analysis
- 2-Schedule of Proceedings
- 3-Resolution Approving Infrastructure Financing Plan
- 4-Exhibit A (Aggie Square EIFD Infrastructure Financing Plan)

Description/Analysis

Issue Detail: The Aggie Square Project (Project) is a multi-phase development project envisioned to advance the City's efforts to become a health and food sciences leader and innovation hub. The proposed Project is a mixed-use innovation and research center located on the University of California Davis (UC Davis) Sacramento Campus (home of the UC Davis Medical Center) along the Stockton Boulevard corridor.

The Project is anticipated to develop in multiple phases. Phase 1 is planned to contain both UC Davis and private sector uses, including science, technology and data research; continuing and

professional education; co-working and convening spaces; and mixed-use residential, food education, catering, and community-serving retail, collectively serving the overall Project goals of providing capital facilities and other projects of communitywide significance that provide significant benefit to the area within the proposed Aggie Square EIFD and surrounding community. These benefits include providing facilities for fostering connections, idea sharing, ongoing community engagement, commercial co-location clustering with startups, and new job creation and workforce development, as well as investments in affordable housing. The Project facilities include buildings, parking structures and supporting infrastructure, as well as public gathering areas and open spaces within the Project area. New public capital improvements necessary for the development of Phase 1 include roadway, storm water, water, and sewer improvements within and surrounding the Project.

Phase 1 of the Project is being developed under a public/private partnership collaboration between Wexford Development, LLC, and related entities (Wexford) and UC Davis. Phase 1 is intended to be the catalyst for eventual development of the overall Aggie Square EIFD geographical area. Phase 1 of the Project also is referred to herein and in the attached Infrastructure Financing Plan (Plan) as the “Wexford Development.” Subsequent phases of the Project, as outlined and described in more detail in the Plan, include Phase 2 and other future additional development by UC Davis and private parties.

The formation of an EIFD provides a financing tool that is available to support development of the Project. An EIFD is a type of special financing district that utilizes a portion of tax increment revenue from the area within its boundaries (as well as other sources that may be identified in a financing plan) to assist in providing projects of communitywide significance that provide significant benefits to the area within the EIFD and the surrounding community. The California Legislature authorized the formation of EIFDs in 2014 through Senate Bill 628, and the statutory framework for EIFDs, which has been amended multiple times since 2014, is codified in Chapter 2.99 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53398.50) (EIFD Law).

On October 27, 2020, City Council adopted a Resolution of Intention (ROI) proposing to establish the Aggie Square EIFD (Resolution No. 2020-0352). Pursuant to the ROI and EIFD Law, the Aggie Square EIFD Public Financing Authority (PFA) was established as the governing board of the proposed Aggie Square EIFD.

On November 18, 2020, the PFA ordered the preparation of the Plan, in accordance with the EIFD Law. Subsequently, the PFA held a duly noticed public meeting on December 1, 2020, to review a draft of the Plan. In addition, on February 2, 2021 and March 9, 2021 the PFA held two duly noticed public hearings on the proposed formation of the Aggie Square EIFD and adoption of the Plan.

In accordance with the EIFD Law, the proposed Plan and Final Supplemental Environmental Impact Report (SEIR) for the UC Davis Sacramento Campus 2020 Long Range Development Plan Update have been made available for public inspection, and both documents, along with the Addendum to

the SEIR prepared by the City, have been or will be distributed to each affected taxing entity, each owner of land in the proposed Aggie Square EIFD, the PFA, the Planning and Design Commission, and the City Council.

The Plan as currently proposed is included as Exhibit A to the attached resolution and includes all items required by the EIFD Law. A summary of the key requirements included in the Plan is provided below.

Map and Legal Description: The proposed Aggie Square EIFD consists of a 42-acre area on 19 parcels. It includes properties owned by Abrego Partners, Fairgrounds Plaza Partners, LLC, Glassrock Partnership, the Regents of the University of California, and Shriners Hospitals for Crippled Children. All property owners are aware of their inclusion and have not protested their inclusion. An official map of the proposed boundaries and a legal description are provided in Attachments A and B of the Plan, respectively.

Public Facilities and Development Proposed to be Financed: The public facilities and other specified projects proposed to be financed through the Aggie Square EIFD are the same as outlined in the ROI, consisting primarily of roadway, storm water, water, and sewer improvements within and surrounding the Project, and affordable housing investments. A list of the public improvements and development that may be financed by the Aggie Square EIFD is provided in Attachment C of the Plan.

Finding of Communitywide Significance: The public facilities and development proposed to be financed through the Aggie Square EIFD contribute to and support the Project's communitywide significance and provide significant benefits to an area larger than just the Aggie Square EIFD by financing necessary infrastructure for development of the Project and surrounding area, as well as affordable housing investments, as discussed in greater detail in Section 2 of the Plan, wherein the Aggie Square EIFD is authorized to provide funding for affordable housing, which may be leveraged to attract additional private or other public funding to address ongoing affordable housing needs.

The Aggie Square EIFD will also contribute to economic expansion in the City and surrounding areas by financing new roadway, intersection, signalization, transit, parking, pedestrian, and bike lane improvements that will enhance mobility by providing better alternatives for transportation mode choice for existing residents and employees in and around the area of the Aggie Square EIFD. These public improvements will also help future residents and employees of the area by increasing access in and throughout the Stockton Boulevard corridor adjacent to the UC Davis Sacramento Campus.

Lastly, the Project includes several public gathering areas that may be programmed with events and activities available to UC Davis students, employees, and guests of Aggie Square, as well as the general public. These may include a farmers' market, outdoor performances, food trucks, health and science fairs, outdoor education, and programs focusing on sustainability.

Maximum Portion of Incremental Tax Revenue: The maximum portion of incremental property tax revenues, as discussed in Section 3 of the Plan, is 100 percent of the City's share of annual property tax increment directly derived from properties within the Aggie Square EIFD. Incremental property tax revenues include (1) property tax revenues generated by the assessed value of taxable property in the Aggie Square EIFD above a base-year value, (2) certain Redevelopment Property Tax Trust Fund (RPTTF) revenues (referred to in the EIFD Law as "net available revenue"), and (3) property tax in lieu of vehicle license fee (PTILVLF) revenues. As discussed in greater detail in the Plan, the City currently receives "pass-through" incremental property tax revenue from the former Oak Park Redevelopment Project Area. These pass-through revenues are not pledged to the Aggie Square EIFD, and the Plan estimates they will equal approximately \$145,000 (in 2020\$) annually at buildout of the anticipated development identified in the Plan within the Aggie Square EIFD boundary, as envisioned over multiple phases (Buildout). Upon termination of the Oak Park Redevelopment Project Area (estimated to occur in FY2038) the City will no longer receive these pass-through revenues. However, the Plan ensures that an equal amount will continue to accrue to the City's General Fund even after the Oak Redevelopment Project Area is terminated.

Tax Revenue Projections: Tax revenues available to the Aggie Square EIFD will be based on the City's share of incremental property tax revenue that is allocable to the Aggie Square EIFD pursuant to the Plan. The Plan forecasts annual and cumulative revenues for the Aggie Square EIFD over a 49-year period based on a variety of development and valuation assumptions. These projections are discussed in detail in Chapter 3 and illustrated in Table 3-1 of the Plan.

Infrastructure Financing Plan: The Aggie Square EIFD is being formed to finance the identified public facilities, improvements, and affordable housing investments in support of the Project goals to create facilities and programs of communitywide significance providing significant benefits. The Plan provides flexibility in the form of financing that may be used to capitalize the Aggie Square EIFD revenues. The Plan assumes a financing strategy that is based on the assumption that a combination of bond financing and pay-as-you-go revenues would be used to finance eligible projects. In addition, the Plan divides these revenues available for public facilities and other projects into two categories: developer-led projects and affordable housing projects.

Eighty-percent of Aggie Square EIFD revenues will be available for Developer-led projects, consisting of the public facilities and infrastructure planned to be completed by Wexford in support of the Project. As outlined in the Plan, the maximum Aggie Square EIFD reimbursement for EIFD-eligible facilities is expected to be \$30 million (2020\$), plus financing costs and interest accruing on any unreimbursed balance until paid (with the terms and rate of interest as provided pursuant to an agreement expected to be entered into between Wexford, the City, and the Aggie Square EIFD, and possibly UC Davis). The expected Aggie Square EIFD reimbursement of \$30 million is a subset of the approximately \$105 million in EIFD-eligible facilities anticipated to be constructed by Wexford in support of the Project.

As outlined in Section 3 of the Plan, the proposed financing strategy also contemplates the formation of a Mello-Roos Community Facilities District (CFD), the boundaries of which are coterminous with the area subject to ground leases between UC Davis and Wexford (i.e., the Wexford Development Area). If formed by future action of the Council, the CFD will be authorized to levy annual special-taxes on the Wexford Development Area located within the boundary of the Aggie Square EIFD, and special-tax bonds may be issued that are secured by those special-taxes. In addition, Aggie Square EIFD revenues are authorized for the payment of the CFD special-taxes and/or debt service on the special-tax bonds, which may be issued in lieu or in addition to bonds issued directly by the Aggie Square EIFD.

The formation of the proposed CFD would occur through separate Council actions anticipated to occur in the upcoming months. In addition, other details related to this financing strategy will be memorialized in the CFD formation documents, acquisition agreement(s), and CFD bond sale documents.

Twenty-percent of the Aggie Square EIFD revenues will be available for affordable housing projects near and around the area of the Aggie Square EIFD. Map 2-1 in Section 2 of the Plan outlines a “priority area” for these affordable housing investments, the boundaries of which are the City limits bounded on the west by Highway 99, on the north by Highway 50, on the east by 65th Street and on the south by the City boundary. The City currently anticipates that the first affordable housing project could occur within the first 10 years following completion of the Aggie Square Phase 1 development.

As described in Section 3 of the Plan, Aggie Square EIFD revenues have been estimated based on an assumed blend of public (non-taxable) and private (taxable) users of leased building square footage within the Project. If the percentage of public uses was to increase above levels estimated in the Plan, Aggie Square EIFD revenues would likely be lower than estimated due to property tax exemptions which could be available to public entities. As such, the City, Aggie Square EIFD, and UC Davis intend to enter into an agreement which would provide for maintaining EIFD revenues for affordable housing investments in the event UC Davis were to lease additional space in the Wexford Development above what is estimated in the Plan. The details of this make-whole provision are expected to be memorialized in that agreement.

Limit of Total Taxes Allocated to Aggie Square EIFD: The Plan is required by the EIFD Law to define a limit on the total amount of tax revenue dollars of the City that may be allocated to the Aggie Square EIFD. As stated in Section 3 of the Plan, this limit is \$150 million, which is equal to the total amount of estimated tax increment revenue needed to fulfill debt service and other obligations related to Wexford’s developer-led projects, plus the amount of revenue estimated to be available for affordable housing investments over the life of the Aggie Square EIFD, plus a 25% buffer for both estimates. Although the limit establishes the maximum allocation possible, the Plan will not allocate more tax revenue to the Aggie Square EIFD than is required to finance the cost of public facilities and

other improvements and to pay for administration of the Aggie Square EIFD. As stated previously, the maximum amount Wexford will be reimbursed is \$30 million plus financing costs and interest on the unreimbursed balance until paid as discussed above. In addition, the EIFD Law provides that this limit and the Plan may be amended in the future should the City desire to provide financial assistance for additional future EIFD-eligible facilities, however any such amendment to the Plan requires Council approval.

Aggie Square EIFD Termination Date: The specific date on which the Aggie Square EIFD will terminate is unknown at this time, however the EIFD Law states that the end date of the EIFD will be the earlier of: (a) 45 years from the date on which the issuance of bonds is approved, or (b) 45 years from the date the City approves a loan to the Aggie Square EIFD. However, in any case the Aggie Square EIFD will cease to exist no later than June 30, 2070.

Cost of Providing Facilities and Services: The City does not anticipate incurring costs for providing facilities beyond the funding of facilities by the Aggie Square EIFD. As shown in Appendix C of Attachment E to the Plan, it is projected that at the end of the Initial Phase of development (identified as “Phase 1” of the Project in the Plan), new development in the Aggie Square EIFD will generate about \$458,000 (2020\$) of additional, annual municipal service costs to the City. At Buildout, new development would generate approximately \$867,000 (2020\$) in additional annual municipal service costs to the City. The fiscal impact analysis included in the Plan shows that projected revenues exceed these projected costs both during development of Phase 1 of the Project and at Buildout, resulting in a net fiscal surplus to the City in both cases. This fiscal impact analysis is discussed in more detail below.

Projected Fiscal Impact: A complete fiscal impact analysis is provided as Attachment E to the Plan, and the results of this analysis are summarized in Table 3-4 in Section 3 of the Plan. As shown in Table 3-4, it is projected that at the end of the Initial Phase of development, new development will generate a net fiscal surplus of approximately \$139,000 annually (2020\$). In addition, it is estimated that at Buildout new development will generate a net fiscal surplus of approximately \$549,000 annually (2020\$). In other words, revenues to the City’s General Fund are greater than the General Fund costs to serve new development in the Aggie Square EIFD by approximately \$139,000 annually at the end of the Initial Phase of development and \$549,000 annually at Buildout.

Goals of the Aggie Square EIFD: The primary goal in financing the public facilities and supporting other development is to catalyze significant private investment in additional infrastructure, site development, Phase 1 of Aggie Square, and subsequent development and construction of Phase 2 of Aggie Square and other projects in the surrounding area, all to provide improvements of communitywide significance that provide significant benefit to the area within the proposed Aggie Square EIFD and surrounding community.

In addition, the provision of adequate affordable housing for City residents is a City goal identified in

the City's General Plan. Funding made available through the Aggie Square EIFD for affordable housing may be leveraged to attract additional funding to address affordable housing needs.

Other items required by the EIFD Law are included in the Plan but are not discussed in this summary as they are not applicable to the specific development and infrastructure improvements planned in the Aggie Square EIFD area.

In addition to approving the Plan and the division of taxes set forth therein, the attached resolution also authorizes and directs City staff to initiate a judicial validation action with respect to the creation of the Aggie Square EIFD, the adoption of the Plan, the allocation of incremental property tax revenue from the City within the boundary of the Aggie Square EIFD to the Aggie Square EIFD for the purpose of financing the activities of the EIFD, and all the proceedings relating thereto.

Policy Considerations: Adoption of the attached resolution and approval of the Plan will signify the City's approval of the allocation of incremental property tax revenue of the City that is directly derived from the Project and other development within the proposed Aggie Square EIFD boundaries to the Aggie Square EIFD to finance the identified public infrastructure and other projects authorized to be financed by the Aggie Square EIFD. The City is the sole affected taxing entity allocating tax revenues to the Aggie Square EIFD, and only new incremental property tax revenue of the City will be used for this purpose.

Pursuant to the Section 53398.68 of the EIFD Law, City Council must approve the Plan prior to the PFA also approving the Plan and forming the Aggie Square EIFD. A summary of the key actions for establishing the Aggie Square EIFD, as well as estimated dates of completion, is provided in the Schedule of Proceedings (Attachment 2 to this report).

Economic Impacts: Not applicable.

Environmental Considerations:

California Environmental Quality Act (CEQA): In November 2020, UC Davis prepared the SEIR for the UC Davis Sacramento Campus 2020 Long Range Development Plan Update (SCH No. 2020020161). This SEIR consists of three volumes, the second being the "Aggie Square Phase I Project EIR." The UC Davis Sacramento Campus 2020 Long Range Development Plan Update can be viewed on the UC Davis Office of Environmental Planning's website at:

<https://environmentalplanning.ucdavis.edu/2020-lrdp-update-final-supplemental-eir>.

Additionally, the City prepared an Addendum to the SEIR which is available for review. The City has adopted a resolution Certifying that the City of Sacramento has considered the Supplemental Environmental Impact Report Prepared for the UC Davis Sacramento Campus 2020 Long Range Development Plan Update and Aggie Square Project (SEIR), Determining the Project has No Feasible Alternatives or Mitigation Measures within the City's Jurisdiction that Would Substantially Lessen or Avoid Any of the Significant Effects Identified in the SEIR,

Adopting a Statement of Overriding Considerations, and Approving the Addendum to the SEIR. In addition, while the proposed Aggie Square EIFD contains funding for additional affordable housing, approval of the Plan does not constitute the approval of any additional affordable housing projects. Such projects will receive the appropriate level of environmental review if and when they are proposed and unless otherwise compelled by state or local law to approve such housing projects, the City may decline to approve them based on environmental review.

Sustainability: Not applicable.

Commission/Committee Action: None.

Rationale for Recommendation: Section 53398.68 of the EIFD Law states that a resolution approving the Plan must be adopted by the City Council prior to the PFA forming the Aggie Square EIFD. The recommended action satisfies this requirement.

Financial Considerations: As outlined in the Plan, the allocation of revenues to the Aggie Square EIFD from the City will be limited to incremental property tax revenue and property tax revenues in lieu of vehicle license fee (PTILVLF) revenue generated by property within the boundaries of the Aggie Square EIFD, which is to be used to assist in the direct funding of facilities, reimbursement to Wexford for its cost of construction of facilities plus financing costs and interest accruing on any unreimbursed balance until paid (with the terms and rate of interest as provided pursuant to an agreement expected to be entered into between Wexford, the City, and the Aggie Square EIFD, and possibly UC Davis), payment of debt service on bonds issued to finance eligible costs, affordable housing, or all or some of the foregoing. The City has no obligation to contribute revenues to the Aggie Square EIFD beyond the limits set forth in the Plan.

Local Business Enterprise (LBE): Not applicable.