

City of Sacramento

Legislation Text

File #: 2021-00349, Version: 1

Title:

Approval of 1) a Community Benefits Partnership Agreement with the Regents of the University of California on behalf of its Davis Campus and Wexford Development, LLC and 2) a Preliminary Term Sheet for Public Financing Assistance for Aggie Square Phase 1 [TO BE DELIVERED]

File ID: 2021-00349

Location: University of California Davis Sacramento Campus, Stockton Boulevard and 2nd Avenue, District 5 and District 6

Recommendation:

1) Adopt a Resolution authorizing the City Manager or the City Manager's designee to enter into the following agreements for the Aggie Square Project on the City's behalf: a) a Community Benefits Partnership Agreement with the Regents of the University of California on behalf of its Davis campus ("Regents") and Wexford Development, LLC ("Wexford"); and b) a Preliminary Term Sheet for Public Financing Assistance of Aggie Square Phase 1 with the Regents and Wexford; and 2) adopt a Resolution approving an Addendum to the Environmental Impact Report for the University of California Davis Sacramento Campus 2020 Long Range Development Plan.

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Presenter: Leslie Fritzsche, Economic Investment Manager, (916) 808-5450, Office of Innovation and Economic Development, Office of the City Manager

Attachments:

- 1-Description/Analysis
- 2-Regional Economic and Fiscal Impact Study Summary
- 3-Resolution (EIR Addendum)
- 4-Exhibit A (EIR Addendum)
- 5-Exhibit B (Statement of Overriding Policy Considerations)
- 6-Resolution (Community Benefits Partnership Agreement and Preliminary Business Term Sheet)
- 7-Exhibit A (Community Benefits Partnership Agreement)
- 8-Exhibit B (Preliminary Business Term Sheet)

Description/Analysis

Issue Detail: The City has been in discussion with UC Davis, Wexford, and community stakeholders over the past two years regarding a partnership for the development of the Aggie Square project located on the UC Davis Sacramento Medical Center Campus, home to UC Davis Health. On October 27, 2020, the Council declared its intention to form the Aggie Square Enhanced Infrastructure Financing District to assist with the financing of the infrastructure for the project (the “**Aggie Square EIFD**”); the Council established the Public Finance Authority that serves as the Aggie Square EIFD’s governing board. Work on the Aggie Square EIFD formation has been continuing and the Infrastructure Financing Plan for the Aggie Square EIFD is the subject of a companion report on the Council Agenda (Item #2021-00255).

Paramount in the discussions on the Aggie Square project has been a focus on the benefits the project can provide for the community. The project’s success is tied to how it manifests inclusive economic development and improves the economic opportunities and growth potential for Sacramento, particularly for residents in neighborhoods adjacent to the project. UC Davis, Wexford, and the City have held over 90 community meetings to talk about the project and to learn the concerns and issues of residents and the larger Sacramento community. This report includes a product of those discussions: a Community Benefits Partnership Agreement (Attachment 7 - Exhibit A to the Resolution) that (1) addresses issues and creates opportunities discussed during the community-input process and (2) advances commitments for project employment, workforce training, housing, youth engagement, and community access to resources, including establishment of an Aggie Square Community Fund.

The development of Phase 1 of the Aggie Square project requires Wexford to design and construct substantial new public infrastructure that is beyond the project’s financial capacity. The City, in recognition of the economic and community benefits from Aggie Square, has reached a preliminary understanding with Wexford and UC Davis on the terms of the public-private effort to fund the infrastructure. This effort will support the financial viability of the \$1.1 billion project, serve as a catalyst for project implementation and ensure that the community benefits are broadly distributed to the residents of Sacramento. The Preliminary Term Sheet for Public Financing Assistance of Aggie Square Phase 1 (the “**Term Sheet**”) (Attachment 8 - Exhibit B to the Resolution) outlines the key elements of the negotiated business transaction with Wexford and UC Davis, including the provision of funding from the Aggie Square EIFD and a new Mello-Roos Community Facilities District.

Policy Considerations: The City’s recently adopted “Scale Up” plan highlights the importance of the existing and emerging health-care and life-sciences industry in the Sacramento region. Scale Up, along with the regional Prosperity Strategy, recommends leveraging opportunities to tie together, accelerate, and scale growth by enabling industry stakeholders to coordinate more effectively,

collaboratively innovate, and invest in workforce, supply-chain, new-technology, and market development. The Aggie Square project will create such a hub and position Sacramento nationally as a leader in the health-care and life-sciences industry.

Community benefits under consideration are also consistent with the Council-adopted Inclusive Economic Development Investment Guidelines, which provide a framework to ensure that City investments result in economic development and job-growth opportunities for all of Sacramento's residents.

Economic Impacts: Aggie Square will generate significant economic benefits to the community, the City, and the region. A Regional Economic and City Fiscal Impact Study completed by Economic Planning Systems in July 2020 (the "**EPS Study**"), a summary of which is included as Attachment 2, estimates that the project, when built out, would bring about the following benefits:

- Approximately \$5 billion annually and 25,000 ongoing jobs would be added to the six-county region. Of those on-going regional economic impacts, approximately \$3.3 billion annually and 15,600 ongoing jobs would be added to the Sacramento County economy.
- It is estimated that the construction of Aggie Square would generate a one-time economic impact of \$2.6 billion added to the six-county region. Of these one-time regional economic impacts, approximately \$1.8 billion would be added to the Sacramento County economy.
- Finally, City of Sacramento revenues are estimated to be increased by approximately \$5 million annually.

In addition, the EPS Study highlights the wide-ranging employment opportunities generated by the project and includes the following number of direct jobs created by Aggie Square.

- 7,100 construction period (direct jobs calculated by job years)
- 3,591 permanent jobs (direct jobs calculated by job years)

A summary of the EPS Study is included as Attachment 2.

Environmental Considerations:

California Environmental Quality Act (CEQA): The action would approve a Community Benefits Partnership Agreement and Preliminary Term Sheet.

UC Davis has prepared and approved an update to its Long Range Development Plan (the "**LRDP Update**") and completed a supplemental environmental impact report (the "**SEIR**") for LRDP (see Attachment 4 - Exhibit A to Resolution and Attachment 5 - Statement of Overriding Policy Considerations). The LRDP Update is discussed on the UC Davis website at-

<https://campusplanning.ucdavis.edu/campus-planning/2018-ucdavis-lrldp>.

The SEIR is available online at-

<https://environmentalplanning.ucdavis.edu/sacramento>.

The City of Sacramento is relying on the information and analysis in the SEIR as the basis for CEQA review of the Aggie Square EIFD. Because only minor technical changes were necessary to do so, the City has prepared an Addendum to the SEIR. The Addendum is posted on the Community Development EIR web site at-

<http://www.cityofsacramento.org/Community-Development/Planning/Environmental/Impact->

Sustainability: Development of Aggie Square and formation of the proposed Aggie Square EIFD are expected to create new jobs and to balance the jobs and housing impacts of development in the area.

Commission/Committee Action: None

Rationale for Recommendation: Located on the UC Davis Medical Center Sacramento Campus, along the Stockton Boulevard corridor, the Aggie Square project is envisioned as an innovation hub for the Sacramento region, driving commercialization of university research, growing local companies, bringing new employment opportunities to Sacramento, and adding vitality to the Stockton Boulevard corridor.

Aggie Square will provide a state-of-the-art collaborative hub for research, innovation development, and education unlike anything currently in the Sacramento Region. The project will combine the key elements of a successful innovation ecosystem, including publicly and privately funded research, commercial office and lab space, convening space, housing, and public spaces, with abundant opportunities for learning and growth. The project exemplifies best practices in innovation and inclusive economic development by leveraging the research strengths of UC Davis to create opportunities for academic, industry and community collaboration.

Phase 1 will consist of approximately 1.2 million square feet in four buildings that will contain a variety of UC Davis and private-sector uses, including science, technology, data and research, co-working space, community-serving retail, and residential. Each of these important elements-from the shared office and lab space, to the turnkey commercial labs, to the public “living room” infrastructure of Innovation Hall-allows for entrepreneurial collisions and connections, ongoing community engagement, commercial co-location clustering with startups, and new job creation and workforce development.

The projected total development cost for Phase 1 of Aggie Square is estimated at \$1.1 billion, with

delivery currently projected for early 2024.

Community Benefits

UC Davis, Wexford, and the City have been negotiating over the past six months on specific community-benefit components that can be memorialized into an Aggie Square Community Partnership Benefits Agreement (the “**CBPA**”). For UC Davis, these elements reflect the university’s transition from a traditional campus and health system to a broader more-inclusive role as an anchor institution for the Sacramento community. Wexford brings years of experience in working with other communities and universities to provide a pragmatic and proven approach to community collaboration and delivery of local-community benefits. The City’s focus on inclusive economic development is imbedded throughout the CBPA, which commit the parties to affordable housing and links employment opportunities in the project with local residents. The development team’s general contractor has also entered into a Workforce Partner Collaborative to ensure strong linkages between the work at Aggie Square and the Sacramento workforce.

Here are some key provisions of the CBPA:

Housing Development and Assistance:

- Establishment of a \$50 million Stockton Boulevard Area Affordable Housing Fund to be used for affordable housing assistance, neighborhood stabilization and new development. The components of this fund include the following:
- A significant portion of this fund is envisioned to be generated from the project itself with a potential \$16 million present value (or \$29 million over the life of the Aggie Square EIFD) coming from the Aggie Square EIFD funds.
- A commitment from the City and SHRA to provide \$29 million in funds.
- A \$5 million affordable fund-raising effort for area housing assistance and anti-displacement efforts. This consists of a \$2.5 million in philanthropic contributions matched by \$25 million from UC Davis. The fund-raising effort will be coordinated by the City with assistance from UC Davis.
- Development of 200 beds of student-oriented housing on the Aggie Square site.

Jobs and Workforce Development and Career Pathways:

- Community Workforce Training Agreement (Workforce Partner Collaborative) with Contractor with local hiring through construction.
- Local hire goal of 20% of available Aggie Square jobs for the first 10 years and 25% of available Aggie Square jobs thereafter.
- “One Stop” Approach led by the Sacramento Employment and Training Agency to bring together workforce partners from local community-based organizations to labor entities to

cooperate into a unique collaborative focused on specific outcomes for neighborhood residents.

Youth Opportunities and Educational Support:

- Expanded opportunities for youth providing access to educational support and programs which promote career readiness.
- K-12 Youth Engagement activities including internships and mentoring.
- Regular events with STEM practitioners including after school STEM programs.

Aggie Square Community Partnership and Fund and Connections to Business Districts:

- Establishment of Ongoing Community Fund paid through rent surcharge.
- Establishment of Aggie Square Community Partnership - to ensure neighborhood participation and priority setting in use of Community Fund
- Alignment of efforts with Stockton Blvd. businesses and neighborhood
- Wexford's financial consideration to support a new Stockton Boulevard EIFD to bring additional resources to the Boulevard
- Active Involvement with the Stockton Boulevard Specific Planning Process

Neighborhood Transportation Connection and Street Enhancements:

- Implementation of intersection improvements at 2nd and 3rd Street and Stockton Boulevard including bicycle access improvements.
- Up to \$1.1. million in funding (based on the fair share methodology) for Broadway/Stockton Intersection Improvements.
- Granting of an easement to the City and construction of improvements along Aggie Square's Stockton Boulevard frontage for off-site walking, bicycling and transit elements identified in the City's March 2021 Draft Stockton Boulevard Corridor Study.

Community Access to Space and Resource:

- Access to space, valued at \$1 million annually by offering discounts and fee of discounted space for community use.
- Outdoor programming and open space.
- Space for ongoing cohorts for under-represented entrepreneurs. Annual reporting and an ongoing community dashboard will be provided to ensure there is accountability for performance on the Partnership elements.

The elements of the CBPA provide a framework for the road ahead. The strategies for their implementation represent the real work and rely on working closely with the community and partner organizations to build next steps that balance achievability and aspiration. Aggie Square's true

measure of success will be how it serves as a catalyst for neighborhood enrichment and opportunity.

Preliminary Term Sheet

The proposed Preliminary Term Sheet for Public Financing Assistance of Aggie Square Phase 1 (the “**Term Sheet**”) outlines the business elements of the public-private financial partnership required for the project. UC Davis owns the Aggie Square property and will lease the land to Wexford (or an affiliated entity) for development of the project. Wexford will lease space in the new facilities to both UC Davis and private interests. The City’s role will be to establish the Aggie Square EIFD and an Aggie Square Community Facilities District (the “**Aggie Square CFD**”). Both districts will utilize the revenues they generate to reimburse Wexford for \$30 million of the costs it incurs to design and construct infrastructure during Phase 1 of the Aggie Square Project (plus interest accruing on any unreimbursed balance until paid). The total infrastructure cost for Phase 1 of the project is estimated to be over \$100 million with a total development cost of \$1.1 billion. The Term Sheet describes the proposed process and timing for the reimbursement to Wexford for up to \$30 million in funds advanced by Wexford for the infrastructure (plus interest accruing on any unreimbursed balance until paid) It is currently envisioned that the City use the Aggie Square CFD to issue two series of bonds as the buildings within Phase 1 are completed and use the bond proceeds to reimburse Wexford for the infrastructure. The Aggie Square EIFD will provide tax-increment revenue generated by the development of Aggie Square to pay principal and interest on the bonds as well as costs of issuance and costs incurred to form the Aggie Square CFD. To the extent bond proceeds are inadequate to reimburse the full \$30 million, the City will repay the unreimbursed costs to Wexford from tax-increment revenues the Aggie Square EIFD receives over time; tax-increment revenues would also be used to pay Wexford annual interest rate of 3% on the unreimbursed (interest will not accumulate in tax increment is insufficient to pay it; at the end of each year, any accrued-but-unpaid interest will be cancelled). The City will have no obligation to repay the up to \$30 million beyond the tax-increment revenue generated by the project.

Financial Considerations: The Term Sheet includes a reimbursement to Wexford of \$30 million (plus interest accruing on any unreimbursed balance until paid) from the tax-increment revenue generated by property within the boundaries of the Aggie Square EIFD. The City has no additional financial obligation if the tax revenue generated is insufficient to cover the cost of the proposed improvements or to pay debt service on bonds.

The project financing structure contemplates the formation of the Aggie Square CFD will be the subject of future Council action.

The projects and programs outlined in the CBPA may require future Council funding allocations. No funding allocations are proposed at this time.

Local Business Enterprise (LBE): The CBPA includes a commitment to provide opportunities for

local business utilization during construction and once the project is completed. UC Davis's Small Business First Program is focused on providing contracting and procurement opportunities to local, small businesses, micro-businesses, and disabled-veteran business enterprises.