



# Aggie Square Public Financing Authority Report

915 I Street

Sacramento, CA 95814

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**File ID:** 2022-01010

June 21, 2022

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**Title:** First Amendment to Master Funding Agreement for Aggie Square Phase 1

**Location:** Districts 5 and 6

**Recommendation:** Pass a Motion authorizing the Chair or the Chair's designee to execute the First Amendment to the Master Funding Agreement for Aggie Square Phase 1 with the Regents of the University of California; Wexford Development, LLC assignees- AS LSTE East Owner, LLC, AS MUIR Owner, LLC, AS LSTE West Owner, LLC, AS P6 Owner, LLC and AS LLL Owner, LLC; the City of Sacramento Aggie Square Enhanced Infrastructure Financing District and the City of Sacramento.

**Contact:** Leslie Fritzsche, Economic Investment Manager, (916) 808-5450, [lfritzsche@cityofsacramento.org](mailto:lfritzsche@cityofsacramento.org), Office of Innovation and Economic Development; Eric Frederick, Senior Development Project Manager, (916) 808-5129, [efrederick@cityofsacramento.org](mailto:efrederick@cityofsacramento.org); Sheri Smith, Special Districts Manager, (916) 808-7204, [ssmith@cityofsacramento.org](mailto:ssmith@cityofsacramento.org), Department of Finance

**Presenter:** None.

**Attachments:**

1-Description/Analysis

2-First Amendment to the Master Funding Agreement

## 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. 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, and is intended to be the catalyst for future development of the surrounding area.

On April 6, 2021, Council adopted a resolution authorizing the City Manager to enter into the Preliminary Term Sheet for Public-Financing Assistance of Aggie Square Phase 1 (Term Sheet), which outlined the key elements of the negotiated business transaction with Wexford and UC Davis (Resolution No. 2021-0079). As outlined in the Term Sheet, 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 Term Sheet set out a nonbinding framework for the financing of facilities, including the City's establishment of the Aggie Square Enhanced Infrastructure Financing District (Aggie Square EIFD) and the Aggie Square Community Facilities District No. 2021-01 (Improvements) (Aggie Square CFD).

The Aggie Square EIFD was established through a combination of actions by Council and the Aggie Square EIFD Public Financing Authority (Authority), the governing board of the Aggie Square EIFD. Specifically, Council approved the Infrastructure Financing Plan of the Aggie Square EIFD on April 6, 2021 (Resolution No. 2021-0080), and the Authority officially formed the Aggie Square EIFD on April 13, 2021 (Authority Resolution No. 2021-0002) following a duly noticed public hearing. The Authority also adopted the Infrastructure Financing Plan of the Aggie Square EIFD on April 20, 2021 (Authority Ordinance No. 2021-0001).

The City, Wexford, Authority and UC Davis refined the financial structure outlined in the Term Sheet and formalized them into a Master Funding Agreement for Aggie Square Phase 1 (Master Agreement) to evidence each party's obligations as contemplated in the Term Sheet. This Master Agreement was approved by Council and by the Authority on September the 21, 2021.

Both the Aggie Square EIFD and Aggie Square CFD will utilize the revenues they generate to reimburse Wexford for up to \$30 million of the costs it incurs to design and construct infrastructure during Phase 1 of the 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 Master Agreement 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).

As outlined in the Master Agreement, costs will be repaid to Wexford from tax-increment revenues the Aggie Square EIFD receives over time either to pay debt service on bonds or to reimburse Wexford on a pay-go basis; tax increment revenues would also be used to pay Wexford an annual interest rate of 3% on the unreimbursed balance (interest will not accumulate if tax increment is insufficient to pay it; at the end of each year, any accrued-but-unpaid interest will be cancelled). The Aggie Square EIFD will have no obligation to repay the up to \$30 million in advanced funds beyond the tax-increment revenue generated by the project.

The Master Agreement stipulated that if UC Davis leased more than 60% of the total building square footage in Aggie Square they would have to make a housing hold harmless payment equal to 20% of the amount of property tax that would be generated by the amount of square footage over the 60% if it was privately leased. This was included because UC Davis does not pay property tax and if their percentage of leased space increased the revenue generated by the EIFD would be decreased from what was originally forecasted and relied on as revenue in the transaction. Additionally, the Master Agreement also provided that if UC Davis leased more than 60% of the total building square footage, the amount reimbursed to Wexford for infrastructure costs would be reduced to account for the reduction in tax increment resulting from more space being exempt from property taxes.

Since the time of finalization of the Master Agreement, Wexford and UC Davis have further developed their schematic plans for the buildings. As a result, there has been a slight change to the percentage of the total space that will be leased to UC Davis. This increase is primarily a result of new calculations for storage and mechanical rooms versus direct office or lab space. The proposed First Amendment to the Master Agreement modifies the square footage cap to up to 64% before any housing hold harmless payment is owed. Parallel to this is the possibility of a proportional reduction in the EIFD's obligation for reimbursing Wexford the \$30 million with the trigger for that proportional reduction also being increased to 60.75% or 64% as described in the Amendment.

**Policy Considerations:** The Master Agreement is for the Aggie Square project, a project that furthers Sacramento's position as a hub of bio-medical innovation and is in keeping with the adopted policies outlined in Sacramento's Scale-up Strategy and 2021-2025 General Plan.

**Economic Impacts:** The Master Agreement further identifies the financial responsibilities of the parties to develop the Phase 1 of the Project. This project, when built out is expected to add \$5 billion annually and 25,000 jobs to the six-county region. City of Sacramento revenues are estimated to increase by \$5 million annually.

**Environmental Considerations:**

**California Environmental Quality Act (CEQA):** , Under the California Environmental Quality Act Guidelines, The City and the Authority, as responsible agencies under the CEQA Guidelines Section 15096, approved the Supplemental Environmental Impact Report prepared for the UC Davis Sacramento Campus 2020 Long Range Development Plan Update and Aggie Square Project ("SEIR") and the Addendum to the SEIR prepared by the City with respect to the approval of the Infrastructure Financing Plan and the formation of the Aggie Square EIFD. Nothing in the First Amendment to the Master Agreement changes the analysis, recommendation, or conclusions of the SEIR and the Addendum.

**Sustainability:** Not applicable.

**Commission/Committee Action:** None.

**Rationale for Recommendation:** The approval of the First Amendment to the Master Agreement formalizes the financial obligations of the parties as outlined in the Term Sheet approved by the Council on April 6, 2021. These agreements are foundational to the development of Aggie Square.

This Amendment was approved by Council at their meeting of May 24, 2022.

**Financial Considerations:** The First Amendment to the Master Agreement will not affect the total \$30 million in EIFD revenue pledged to the Wexford for Aggie Square Phase 1, but it may result in a longer payment period.

**Local Business Enterprise:** Not applicable.

**FIRST AMENDMENT TO  
MASTER FUNDING AGREEMENT  
FOR AGGIE SQUARE PHASE 1**

This First Amendment to the Master Funding Agreement for Aggie Square Phase 1 (this “**First Amendment**”), dated as of \_\_\_\_\_ [ ], 2022, for reference, is between THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, on behalf of its Davis campus (“**UC Davis**”); AS LSTE EAST OWNERS, LLA, AS MUR OWNER, LLC, AS LSTE WEST OWNER, LLC, AS P6 OWNER, LLC and AS LLL OWNER, LLC, each a Delaware limited liability company, and each of their respective permitted assignees under this Master Agreement (as defined below), (collectively, “**Wexford**”), as successors-by-assignment from WEXFORD DEVELOPMENT, LLC, a Delaware limited liability company; the CITY OF SACRAMENTO AGGIE SQUARE ENHANCED INFRASTRUCTURE FINANCING DISTRICT, a California governmental entity formed under California Government Code sections 53398.50 through 53398.88 (the “**Aggie Square EIFD**”); and the CITY OF SACRAMENTO, a California municipal corporation and charter city (the “**City**”).

**Background**

- A. UC Davis and Wexford Development, LLC have entered into a public-private partnership for the development of Aggie Square, a proposed knowledge community and innovation district that will be located on the UC Davis Sacramento Campus (“**Aggie Square**”). UC Davis owns the fee interest in the land that is the site of the UC Davis Sacramento Campus.
- B. UC Davis, Wexford Development, LLC, Aggie Square EIFD and the City entered into the Master Funding Agreement for Aggie Square Phase 1 as of November 17, 2021 (“**Master Agreement**”) to evidence the obligations of the parties to the Master Agreement with respect to the financing of Required Facilities and affordable housing.
- C. Wexford Development, LLC assigned its rights and obligations under the Master Agreement to Wexford pursuant to that certain Assignment of Master Funding Agreement for Aggie Square Phase I dated March 17, 2022, notice of which was provided to the City pursuant to a letter dated March 21, 2022.
- D. The parties to the Master Agreement now desire to amend the Master Agreement in accordance with this First Amendment to address refinements and changes related to subsequent iterations of the construction plans for Aggie Square that have resulted in minor changes to square footage determinations.

***With these background facts in mind, and in consideration of the promises below, the parties agree as follows:***

- 1. **PILOT.** The first paragraph of Section 5(a)(3) of the Master Agreement is hereby amended in its entirety to read as follows:

(3) Notwithstanding anything set forth in this Master Agreement, if the Baseline Space rented by UC Davis in any of the Buildings other than the Garage in the aggregate exceeds 60.75% of the total rentable square footage of completed Phase 1 Buildings other than the Garage on the date that is sixty (60) days prior to the issuance of the CFD Bonds or EIFD Bonds, the Eligible Cost Reimbursement amount shall be proportionately reduced from \$30 million by the proportionate reduction in Tax Increment due to the reduction in taxable square footage resulting from UC Davis renting more than 60.75% of the rentable square footage in the Phase 1 Buildings other than the Garage.

Notwithstanding the preceding sentence, if the Baseline Space rented by UC Davis in any Buildings other than the Garage in aggregate exceeds 60.75% of the total rental square footage of completed Phase 1 Buildings other than the Garage solely as a result of refinements to the project design occurring after the date or dates of execution of each respective space lease and not as a result of the intentional leasing of additional or new space by UC Davis then there shall only be a proportionate reduction in the Eligible Cost Reimbursement amount in the event the Baseline Space exceeds 64% of the rentable square footage in the Phase 1 Buildings other than the Garage. UC Davis shall provide to the Aggie Square EIFD copies of all executed space leases as well as any amendments thereto within thirty (30) days of execution of such space leases or any amendments thereto. If the LSTE West Building is not included in the first bond issuance, the reduction in Eligible Cost Reimbursement amount shall be deferred until the earlier of (i) the second bond issuance; (ii) the City and the Aggie Square EIFD reasonably conclude that no second bond issuance will occur; or (iii) the date that Wexford's right to develop the LSTE West Building expire if the LSTE West Building has not been completed, at which time the Eligible Cost Reimbursement shall be determined based on all completed Phase 1 Buildings.

2. **Housing Hold Harmless Payment.** Section 5(b)(2) of the Master Agreement is hereby amended in its entirety to read as follows:

(2) Each year the square footage determined under 5(b)(1)(A) shall be divided by the square footage determined under section 5(b)(1)(B) to obtain the "**Exempt Percentage**". In each year in which the Exempt Percentage exceeds 60.75% UC Davis shall pay to the Aggie Square EIFD a payment equal to 20% of the Tax Increment that, but for the Tax Exemption, would have been available to the Aggie Square EIFD in that year from the excess square footage determined under this section 5(b)(2) (a "**Housing Hold Harmless Payment**"). Notwithstanding the preceding sentence, if the Exempt Percentage determined after issuance of certificates of occupancy for any Phase 1 building exceeds 60.75% solely as a result of refinements to the project design occurring after the date or dates of execution of each respective space lease and not as a result of the intentional leasing of additional or new space by UC Davis, then the Exempt Percentage ceiling for such Phase 1 buildings or buildings for which certificates of occupancy have been issued can increase up to 64% before a Housing Hold Harmless Payment is due. UC Davis shall provide to the Aggie Square EIFD copies of all executed space leases as well as any amendments thereto within thirty (30) days of execution of such space leases or any amendments thereto

3. **Assignments.** Section 8(b) of the Master Agreement is hereby amended in its entirety to read

as follows:

(b) *Assignments.* This Master Agreement binds and inures to the benefit of the parties' successors and assigns. Wexford may assign its rights under this Master Agreement (a) to the same entity that is a permitted or approved assignee of the related ground lease with UC Davis, and (b) as a collateral assignment to a lender. Furthermore, the provisions related to assignment in said Ground Lease may not be modified without the City's approval. Any assignment or other transfer made contrary to this Section 8(b) is void.

**4. Effect of Amendment.** Except as otherwise amended in this First Amendment, the provisions of the Master Agreement shall remain in full force and effect. This First Amendment shall be effective as of the effective date of the Master Agreement. In the event of any conflict between this First Amendment and the Master Agreement, this First Amendment shall control. Defined terms not otherwise defined in this First Amendment shall have the meaning given to such terms in the Master Agreement.

**5. Signatures; Counterparts.** The parties may sign this First Amendment with electronic or digital signatures. In addition, the parties may sign this First Amendment in counterparts, each of which will be considered an original, but all of which will constitute the same Agreement.

Delivery of a signed counterpart maybe accomplished by email transmission of a PDF file as follows:

For delivery to Wexford, [Danielle.howarth@wexfordscitech.com](mailto:Danielle.howarth@wexfordscitech.com)

For delivery to UC Davis, [liana.epperson@ucop.edu](mailto:liana.epperson@ucop.edu)

For delivery to the City, [JMassey@cityofsacramento.org](mailto:JMassey@cityofsacramento.org)

For delivery to the Aggie Square EIFD, [ktiedemann@goldfarbflipman.com](mailto:ktiedemann@goldfarbflipman.com)

*(Signature Page Follows)*

□

Each party is signing this First Amendment on the date under the party's signature.

**City of Sacramento**

By: \_\_\_\_\_

Howard Chan, City Manager

Date: \_\_\_\_\_, 2022

Attest

Sacramento City Clerk

By: \_\_\_\_\_  
Signature

Approved as to Form  
Sacramento City Attorney

By: \_\_\_\_\_  
Senior Deputy City Attorney

**The Regents of the University of California**

By: \_\_\_\_\_  
Nathan Brostrom, Executive Vice President-  
Chief Financial Officer  
Date: \_\_\_\_\_, 2022

**City of Sacramento Aggie Square Enhanced  
Infrastructure Financing District**

By: \_\_\_\_\_  
Howard Chan, Executive Director  
Date: \_\_\_\_\_, 2022

**AS LSTE East Owner, LLC,**  
a Delaware limited liability company

By: AS LSTE East Holdings, LLC,  
a Delaware limited liability company,  
its sole member

By: AS LLL-East JV, LLC,  
a Delaware limited liability company,  
is sole member

By: Wexford AS LLL-East Member, LLC,  
a Delaware limited liability company,  
its administrative member

By: Rosalio Arceanes Jr.  
Name: ROSALIO ARCEANES JR.  
Title: VICE PRESIDENT, DEVELOPMENT

**[Signatures Continue on Next Page]**

**AS MUR Owner, LLC,**  
a Delaware limited liability company

By: AS MUR JV, LLC,  
a Delaware limited liability company,  
its sole member

By: Wexford GMH MUR Member, LLC,  
a Delaware limited liability company,  
its administrative member



By: GMH MUR Member LLC,  
a Delaware limited liability company,  
its administrative member

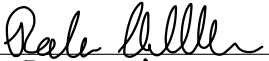
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Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**AS LSTE West Owner, LLC,**  
a Delaware limited liability company

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a Delaware limited liability company,  
its sole member

By: AS West JV, LLC,  
a Delaware limited liability company,  
is sole member

By: Wexford AS West Member, LLC,  
a Delaware limited liability company,  
its administrative member

By:   
Name: ROSALIO ARELLANES  
Title: VICE PRESIDENT, DEVELOPMENT

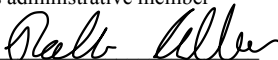
**[Signatures Continue on Next Page]**

**AS P6 Owner, LLC,**  
a Delaware limited liability company

By: AS P6 Holdings, LLC,  
a Delaware limited liability company,  
its sole member

By: AS LLL-East JV, LLC,  
a Delaware limited liability company,  
is sole member

By: Wexford AS LLL-East Member, LLC,  
a Delaware limited liability company,  
its administrative member

By: 

Name: ROSALIO ARELLANES  
Title: VICE PRESIDENT, DEVELOPMENT

**AS LLL Owner, LLC,**  
a Delaware limited liability company

By: AS LLL Holdings, LLC,  
a Delaware limited liability company,  
its sole member

By: AS LLL-East JV, LLC,  
a Delaware limited liability company,  
is sole member

By: Wexford AS LLL-East Member, LLC,  
a Delaware limited liability company,  
its administrative member

By: Rosalio Arellanes  
Name: ROSALIO ARELLANES  
Title: VICE PRESIDENT, DEVELOPMENT