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DEVELOPMENT SERVICES  
DEPARTMENT

NEW GROWTH DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

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October 11, 2004

City Council  
Sacramento, California

Honorable Members in Session

**SUBJECT: AMENDMENT OF THE MEMORANDUM OF UNDERSTANDING  
BETWEEN THE CITY AND MILLENNIA RELATED TO THE  
RAILYARDS DEVELOPMENT**

**LOCATION/COUNCIL DISTRICT:** Railyards Planning District  
Council District 1

**RECOMMENDATION:** Staff recommends that the City Council adopt the attached resolution authorizing the City Manager to execute an Amendment to the Memorandum of Understanding (MOU) further refining the public/private partnership between the City of Sacramento and Millennia regarding the development of the downtown Union Pacific(UP) Railyards site.

**CONTACT PERSONS:** Donna Decker, Senior Planner, 808-5698  
Carol Shearly, New Growth Manager, 808-5893

**FOR THE COUNCIL MEETING OF:** October 26, 2004

**SUMMARY:**

On October 14, 2003, the City and Millennia entered into an MOU for the Railyards Development. Recently, Union Pacific and Millennia entered into an agreement for the purchase and sale of the Railyards Property from UP to Millennia. Now the City and Millennia wish to update and amend the previously executed MOU.

**BACKGROUND:**

On October 14, 2003, the City Council authorized execution of a MOU between the City and Millennia outlining roles and responsibilities for the development of the UP Railyards. The

MOU now needs to be extended and refined to further define the principles of agreement between the City and Millennia.

The amended MOU defines these roles and responsibilities and proposes to move the project forward. The proposed amendment to the MOU defines that:

- UP and Millennia have entered into a Purchase and Sale Agreement;
- Millennia needs to commit additional funds to close the sale;
- The City and Millennia desire to amend the MOU to define principles of agreement to bring more certainty to the partnership and development process;
- Millennia Associates agrees to assign its rights and obligations under the MOU to Millennia Sacramento, III, LLC, subject to the City's consent.

Staff recommends City Council approval of the proposed amendment to the MOU with Millennia in order to refine the commitments to a public/private partnership for pursuing redevelopment of the Railyards site, with the intent that significant staff resources will be allocated to support the effort.

**FINANCIAL CONSIDERATIONS:**

There are no financial considerations associated with the actions recommended in the attached resolution. Dedication of key management staff in assisting the Millennia Development application/entitlement process was approved as part of the FY 2004/05 budget. Costs for certain technical studies will be the responsibility of Millennia through the collection of applicable fees required at the time of application.

**ENVIRONMENTAL CONSIDERATIONS:**

The action associated with this staff report is not a project as defined in CEQA Guidelines Section 15378(a)(4) in that no commitments are being made to the project. Appropriate CEQA review will be required at the discretionary project level review associated with a submitted land use application.

**POLICY CONSIDERATIONS:**


The actions contained in the attached resolution are consistent with the City's Strategic Plan goals to establish and strengthen community and regional partnerships, to promote and support economic vitality, and improve and diversify the transportation system. Millennia's proposed development concept is consistent with Alternative B for the Sacramento Intermodal Transportation Facility Project (SITF), the adopted Richards Boulevard Redevelopment Plan and Five-Year Implementation Plan, and with the strategies outlined in the Economic Development Department Strategy Framework.

**ESBD CONSIDERATIONS:**      None.

Respectfully submitted,

  
CAROL SHEARLY  
New Growth Manager

RECOMMENDATION APPROVED:

  
ROBERT P. THOMAS  
City Manager

  
MICHAEL MEDEMA  
Development Services Director

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**RESOLUTION NO. \_\_\_\_\_**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION AUTHORIZING CITY MANAGER  
TO AMEND THE MEMORANDUM OF UNDERSTANDING  
BETWEEN THE CITY AND MILLENNIA RELATED TO THE  
RAILYARDS DEVELOPMENT**

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY  
OF SACRAMENTO:**

The City Manager is authorized to execute an Amendment to the Memorandum of Understanding between the City and Millennia, in substantially the same form as attached in Exhibit A, to establish a joint public/private partnership for the development of the approximately 240-acre downtown Union Pacific Railyards site.

APPROVED:

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

EXHIBIT A

**FIRST AMENDMENT TO MEMORANDUM OF UNDERSTANDING BETWEEN  
THE CITY OF SACRAMENTO AND MILLENNIA SACRAMENTO, III, LLC  
REGARDING THE PLANNING PROCESS FOR DEVELOPMENT  
OF THE DOWNTOWN UP RAILYARDS SITE**

This First Amendment to Memorandum of Understanding (this "First Amendment") is entered into by and among the City of Sacramento ("City"), Millennia Associates, LLC ("Millennia Associates") and Millennia Sacramento, III, LLC ("Millennia") on this 26th day of October, 2004 at Sacramento, California.

**RECITALS**

This First Amendment is entered into by and between the parties in consideration of the following:

1. City and Millennia Associates entered into that certain Memorandum of Understanding between the City of Sacramento and Millennia Associates, LLC Regarding the Planning Process for Development of the Downtown UP Railyards Site on October 14, 2003 (the "MOU") relating to the approximately 240 acres of property located in downtown Sacramento (the "Railyards Property") currently owned by Union Pacific ("UP").
2. UP and Millennia have entered into that certain Purchase and Sale Agreement and Escrow Instructions for the purchase and sale of the Railyards Property.
3. City and Millennia desire to amend the MOU as set forth herein.
4. Millennia Associates has agreed to assign its rights and obligations under the MOU to Millennia, subject to the City's consent thereto.

**AGREEMENT**

The City and Millennia agree as follows:

1. Assignment. City hereby consents to the assignment of the MOU from Millennia Associates to Millennia, and Millennia is hereby substituted in place of Millennia Associates in the MOU.
2. Application. Article X of the MOU is hereby amended so that the deadline to submit an application to the City is hereby extended to April 30, 2005.

3. Notices. Section XI. C of the MOU is hereby deleted and replaced in full as follows:

A. Notices: Contact Persons: All notices under this MOU shall be given to the other parties at the addresses set forth below or such other addresses as the parties may designate by written notice to the other parties in an appropriate and reasonable period of time in advance.

B.

Millennia:

MILLENNIA SACRAMENTO, III, LLC  
Stanley E. Thomas  
Thomas Enterprises, Inc.  
45 Ansley Drive  
Newnan, GA 30263

and

Eric Levine  
One Rockefeller Plaza, Suite 1005  
New York, NY 10020

with a copy to:

Suheil J. Totah, Esq.  
Morrison & Foerster LLP  
400 Capitol Mall, Suite 2600  
Sacramento, CA 95814

and

Jeffrey F. Montgomery, Esq.  
Cushing, Morris, Armbruster & Montgomery, LLP  
229 Peachtree Street, N.E. Suite 2110  
Atlanta, GA 30303

City:

CITY OF SACRAMENTO  
City Manager's Office  
Attn: Robert Thomas, City Manager  
730 I Street, Suite 304  
Sacramento, CA 95814

and

City of Sacramento Development Services Department  
Attn: Carol Shearly, New Growth Manager  
2101 Arena Boulevard, Suite 200  
Sacramento, CA 95834

with a copy to:

Sacramento City Attorney's Office  
Attn: Robert Tokunaga, Deputy City Attorney  
980 9th Street, 10th Floor  
Sacramento, CA 95814-2736

4. Gatekeeper Issues.

(a) The City and Millennia acknowledge that the redevelopment of the Railyards Property presents a unique opportunity as one of the largest urban infill sites in the country, and that it is important to the City as a potential catalyst for the revitalization of downtown and the reintegration of downtown to surrounding areas. This redevelopment also presents unique challenges with complex issues that will require creative strategies and tremendous resources from all interested parties to allow development to proceed. The parties further recognize that as a major redevelopment project, the Railyards Property may require flexible and creative solutions not applicable to typical development projects. In order to meet these challenges, certain important "Gatekeeper" issues must be resolved so that they do not become impediments to the development of the Railyards Property. The parties desire to work together cooperatively as a public/private partnership to resolve these issues in a manner that will allow the development to proceed. Therefore, the parties have attached hereto as Exhibit A, incorporated herein by reference, a list of the Gatekeeper issues which have been identified thus far, together with an outline of the current principles of agreement for each of these issues. The principles of agreement set forth in Exhibit A are intended to give direction to City staff and Millennia with respect to future negotiation and resolution of these Gatekeeper issues. Millennia and the City agree to find creative solutions to these issues (based upon these principles of agreement) and any others which are identified during the entitlement process.

(b) Further, while many departments of the City will be involved in developing solutions to these challenges, it is the understanding of the City and Millennia that the City Manager is directed to take the lead in managing this process and resolving Gatekeeper and other key issues that arise during the entitlement process, and will receive support and authority from the City to do so. The City Manager shall appoint a dedicated senior project manager to the Railyards development project, who will report to the City Manager, and be delegated the authority to oversee the entitlement process and the resolution of Gatekeeper issues to ensure that the development process proceeds in a timely and efficient manner. To this end, Millennia shall employ its own project manager, who will work in coordination with the City's project manager.

5. Milestone Matrix. Exhibit B of the MOU is hereby deleted in its entirety and replaced with Exhibit B attached hereto.

6. City Staffing and Costs Exhibit. Exhibit C of the MOU is hereby deleted in its entirety. Subsections VIII.A.1.(a)-(b) of the MOU are hereby deleted in their entirety and replaced with the following:

“a. core group: Representatives from the City Manager’s Office, Downtown Department, Utilities, Public Works, Planning, Parks and Recreation, Police and Fire required for the expedient and orderly processing of the development application shall be appointed and authorized by the City to devote sufficient time therefor during the 18-month planning period. The City has the right in its sole discretion to replace and substitute City employees assigned to the Master Plan process, but will endeavor to maintain the dedicated project manager and shall keep Millennia informed as to the composition of this core group throughout the planning period.

b. additional staff: City will provide support staff in addition to the core group as necessary to process the development application, subject to Millennia’s payment of the application fee set forth in the cost estimates provided by the City according to the milestone matrix attached as Exhibit B hereto.”

7. Definitions. All terms not otherwise defined herein shall have the meaning attributed to them in the MOU.

8. Full Force and Effect. The MOU, as amended hereby, shall remain in full force and effect.

9. Counterparts. This First Amendment may be executed in counterparts.

Exhibits

- Exhibit A: Gatekeeper Issues - Principles of Agreement
- Exhibit B: Joint Development Process - Milestone Matrix

IT IS SO AGREED

MILLENNIA ASSOCIATES, LLC,  
a California limited liability company

By: \_\_\_\_\_  
Eric Levine  
CEO

MILLENNIA SACRAMENTO, III, LLC,  
a Delaware limited liability company

By: \_\_\_\_\_  
Stanley E. Thomas  
Manager

CITY OF SACRAMENTO

By: \_\_\_\_\_  
Robert Thomas  
City Manager

ATTEST:

By: \_\_\_\_\_  
Shirley Concolino, City Clerk

APPROVED AS TO FORM:

CITY ATTORNEY'S OFFICE:

\_\_\_\_\_  
City Attorney

## EXHIBIT A - I

### Gatekeeper Issues – Principles of Agreement

#### 1. Infrastructure.

The redevelopment of the Railyards Property will require significant infrastructure and public funding and support at the local, state and federal levels. The City agrees that during the entitlement process, the City will negotiate in good faith with Millennia to establish an appropriate level of public investment to support the development of the Railyards Property. The parties acknowledge that the infrastructure will support the private and public portions of the development as well as areas outside the Railyards Property that will be served by the additional infrastructure. The parties further recognize that at this time, it is anticipated that almost half of the Railyards Property will be devoted to public development of one form or another, and that the level of public development will be a significant factor in assessing and apportioning funding responsibility. As part of the entitlement process for the development, the City and Millennia will agree on the necessary infrastructure, the phasing and priority of the infrastructure, the cost of the infrastructure and a financing plan including allocation of cost of the infrastructure between the private sector and the public sector. The parties agree that a fair share allocation based on benefit shall also be an appropriate factor in allocating costs. In these negotiations, Millennia and the City will strive towards allocating the public and private contributions such that the public contributions for infrastructure costs reach a level not less than that committed under the ROMA financing plan, recognizing the relevance of this contribution to the success of the development. In addition, the City is supportive of prioritizing infrastructure necessary for the first phase of the development, including the widening of 7<sup>th</sup> Street.

#### 2. Sacramento Intermodal Transportation Facility (“SITF”)

The SITF is an important component of the development of the Railyards Property. The parties agree that it is important that the development of the SITF commence concurrently with the first phase of the development of the Railyards Property. Millennia and the City shall agree on the necessary footprint for the SITF and shall negotiate the purchase consideration for the transfer of land necessary for the SITF to the City. The City recognizes that Millennia is paying market value for the Railyards Property and that Millennia should be compensated for the transfer of land for the SITF through a negotiated purchase price to be satisfied in a mutually acceptable form including, by way of example, the provision of additional infrastructure funding or other subsidies. The parties will work together to find a creative ownership and operation model for the SITF which will facilitate the necessary funding to expedite development of the SITF.

#### 3. Housing Subsidies and Affordable Housing Requirement

Housing is a key component of the redevelopment of the Railyards Property, and the revitalization of Downtown Sacramento. At this time, many downtown housing projects have required public subsidies in order for such projects to be economically feasible in this developing market. The City has provided housing subsidies on a case by base basis. The City shall work with Millennia and review its financial models and will favorably consider providing public

subsidies for the development of housing at the Railyards Property. The affordable housing requirements for the development shall be governed by the City's inclusionary housing ordinance and applicable requirements of California redevelopment law. The City will favorably consider offsetting housing fund fees on non-residential elements of the project, as well as other development impact fees, by taking into consideration the inclusionary housing provided by the project as a whole.

4. Environmental Review of Development and Entitlement Structure

The City and Millennia agree to create an initial entitlement structure and environmental review program that will allow for subsequent "fast-track" procedures to enable development to proceed quickly.

5. Financing for Central Shops

The Central Shops are the heart of the Railyards Property but the buildings are in serious disrepair and the cost to restore the buildings is significant. City and Millennia acknowledge the benefit to the project (and the City and region as a whole) which will result from the renovation of the historic Central Shops on the Railyards Property. This renovation has the potential to provide significant cultural and commercial uses, such as a Public Marketplace, which can serve as a destination for the entire region. Further, the California State Railroad Museum has agreed to renovate two of the Central Shops to create the new Railroad Technology Museum. The City agrees to participate in and support the efforts to seek funding sources for the renovation and restoration of the other Central Shop buildings on the Railyards Property, which may include forming a JPA between the City and California State Parks in conjunction with making appropriate arrangements with Millennia to facilitate the development of the restored buildings.

6. Detention Basin Requirements

The City will work with Millennia to find workable solutions to minimize the size of the Detention basin on site, including supporting Millennia's efforts to obtain permits for water run-off into the Sacramento River. Any joint use of the detention basin will be factored into the public commitment for infrastructure.

7. Gateway Boulevard

The City and Millennia shall work together to resolve impediments to construction of the proposed "Gateway Boulevard."

8. Park Development Fee and Quimby Act Requirements

As the City acknowledged in its Infill Strategy, infill development in the Central City presents unique challenges which makes charging the citywide park fees problematic, and the park land dedication (or in lieu fees) under the Quimby Act and park impact fees together operate as a disincentive to Central City residential development. These unique challenges are present in the Railyards Property as well, and the City agrees that the citywide park fee requirements would be disincentives to Millennia for developing a high-density urban environment which would be appropriate and desirable for the setting. Further, the City