

Friday, February 15, 2008

Township 9, Railyards fight for bond money

Sacramento Business Journal - by [Michael Shaw](#) Staff writer

The developers behind Sacramento's two largest infill projects have publicly supported each other in the quest to bring thousands of homes downtown.

Now, they find themselves battling over a limited pool of state funds.

The contenders are **Thomas Enterprises Inc.**'s The Railyards, considered the largest infill project in the nation, and Township 9, also an expansive proposal but one that's been overshadowed by the larger and showier Railyards.

The two are vying for a fraction of \$335 million that will be distributed to transit-oriented and infill developments in California this year.

The Railyards already has a leg up. City staffers are recommending that it be selected as the single Sacramento project guaranteed funding from a state infrastructure grant program, the Business Journal has learned. Thomas Enterprises wants \$100 million in state funding to build roads and utility lines in the former **Union Pacific** railyard.

Township 9's backers plan to tear down industrial warehouses and build 3,000 homes on 65 acres between Richards Boulevard and the American River north of the railyard, the first major step in transforming the industrial River District. They say they need \$25 million to improve roads and make way for a light-rail station, and they argue their project should be first in line because they could start building homes immediately.

"We've been strong supporters of The Railyards project," said Scott Syphax, one of three Township 9 partners. "Our position is we're advocating for ourselves because we're shovel-ready."

Suheil Totah, a representative for Thomas Enterprises in Sacramento, was complimentary of Syphax's project but said The Railyards' scope and level of investment should catapult it to the top of the list.

The city's scorecard

Marty Hanneman, Sacramento assistant city manager, is leading the city's effort to secure state infrastructure bond funds authorized under Proposition 1C. He and his staff strongly support both projects but he said city workers feel The Railyards will score highest on the state's checklist -- at least on the criteria for a \$95 million pool designated to go to transit-oriented developments throughout the state.

That program guarantees funding to one "marquee" project in Sacramento and three others elsewhere in the state. On Tuesday, staff members will recommend that the City Council select

The Railyards as the marquee project, Hanneman said. The maximum funding under that program for any one project this year is \$17 million; applications are due next month.

"Based on our scoring assessment, The Railyards comes out on top," Hanneman said. "The only question, is do we submit two applications and rank them?"

An existing light-rail station close to The Railyards makes it a stronger contender, he said. Township 9 isn't due for a light-rail station until 2010, according to Sacramento Regional Transit District's schedule. And Township 9's "shovel-ready" argument might have been tempered when the state removed requirements that housing be delivered within a certain time frame. Township 9 would have been ready to build before The Railyards.

If not selected as a marquee project by the City Council, Township 9 would have to compete against other applicants in the state for what's left of the \$95 million, said Chris Westlake, a deputy director at the **Department of Housing and Community Development**.

Another channel for cash

But there is still another, larger pool of infrastructure funds within Proposition 1C that could give a boost to both projects, and the city is pursuing that option as well. Infill projects -- The Railyards and Township 9 both qualify -- are due to receive \$240 million this year.

The rules to apply for those funds were expected some time ago but have been delayed. They also are likely to change from early drafts, Westlake said, but funding generally will be limited to \$20 million per project or \$30 million per project area this year. Both infrastructure grant programs are expected to dish out money for the next three years.

Proposition 1C was approved by voters in November 2006, in part to provide affordable housing. Both development groups say 15 percent of their new homes will qualify as affordable housing.

But Totah said The Railyards' mix is more likely to find success than Township 9's housing-centric approach. In addition to about 12,000 homes, Thomas Enterprises plans shops, office buildings and an entertainment district that would include the California State Railroad Museum. "We don't believe there is a market for housing in industrial or blighted areas right now," he said. "You have to create a 'place' first."

The roadways proposed within The Railyards would relieve highway congestion and allow alternate routes into downtown, and state funds would jump-start construction of the planned 5th Street extension and Railyards Boulevard, Totah said.

Thomas has invested \$150 million in the project and cleanup, and Totah said it has exhausted all sources of funding, including tax rebates and Mello-Roos districts on future development to pay for infrastructure.

Township 9's partners won't disclose how much they've spent but said they'll be able to deliver housing under current market conditions.

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Syphax and partners Steve Goodwin and Ron Mellon also are contending with the size of each project. The Railyards is estimated to cost \$5.7 billion, Township 9's estimated cost is \$1.7 billion.

"At any other time, people would be bowled over by the size of this project, but everything is comparable," he said. "Our message is, 'We're out there as well.' "

Proposition 1C funds

Total statewide funding available this year:

- Infill Infrastructure Grant Program: \$240 million
- Transit Oriented Development (TOD) Grant Program: \$95 million

Maximum funding per project this year:

- Infill: \$20 million per project; \$30 million per project area
- TOD: \$17 million

Maximum funding per project:

- Infill: \$50 million
- TOD: \$50 million

Sacramento contenders:

- The Railyards: Wants \$100 million for streets, sewers, other utilities
- Township 9: Wants \$25 million, largely for street improvements

mshaw@bizjournals.com | 916-558-7861



Downtown railyard off of I-5 in Sacramento