



**REPORT TO THE REDEVELOPMENT AGENCY
REPORT TO THE CITY COUNCIL**

ITEM NO.

MEETING: 2/26/08

APPROVED BY

(Executive Director)

DATE: February 26, 2008

FROM: MARLENE MURPHEY, Executive Director

SUBJECT: Receive status report on South Stadium Project and to consider taking the following actions:

1. Establish the South Stadium Project as a priority for appropriate City and Agency funding sources such as CDBG, Section 108 funds, Capital Improvement Program funds, and tax-increment revenues.
2. Authorize Executive Director, in cooperation with the City, to establish a financing team to develop financing options for Merger 1 Redevelopment Area's Tax Increment, current Conference Center COP funding commitments, and other Agency and City funding sources that may be appropriate for bridging the project's financial feasibility.
3. Executive Director to apply for grants and other third-party funding sources that may be appropriate for bridging the project's financial feasibility.
4. Authorize Executive Director to consider acquisition of key opportunity sites.
5. Direct Agency to continue working with Forest City relative to project costs and financial feasibility.

RECOMMENDATION

Consider approval of the above action items.

BACKGROUND

The Redevelopment Agency ("Agency") and Forest City Development California, Inc. ("Developer") entered into an Exclusive Negotiation Agreement ("ENA") for master planning of the South Stadium Project area generally bound by Tulare Street to the north, Union Pacific Railways to the west, Van Ness Avenue to the east and Freeway 41 to the south. The South Stadium Project Area is part of Vision 2010 encompassing approximately nineteen city blocks.

On August 28th, Agency Board:

- accepted Forest City's proposed design concept as prepared by Calthorpe Associates for the purpose of giving direction to proceed with preparation and processing of an Environmental Impact Report;

- reviewed the Developer's conceptual level feasibility proforma and directed staff to work with developer to identify funding sources and a financial plan;
- authorized Executive Director to finalize agreement with Impact Sciences for the preparation of the Environmental Impact Report (including CEQA and NEPA guidelines) for the proposed concept;
- authorized Executive Director to extend the ENA to allow for completion of the EIR.

Design Concept

Forest City's proposed design includes loft-style living, pedestrian-oriented spaces, outdoor seating, water features and other amenities that are intended to enhance the perception of Downtown Fresno, by increasing vibrancy, creating housing, and revitalizing what was once a bustling downtown. The first phase is proposed to consist of approximately 665 loft-style rental apartment units and 102 for-sale townhouses in 3- and 4-story structures, with approximately 60,000 square feet of ground-floor neighborhood retail uses where appropriate. This development will incorporate many water elements and other public amenities at key locations throughout the project area, including a 1.3 acre community park and sculptures/artwork created by local artists.

Future phases will consist of a commercial development that includes approximately 400,000 square feet retail use, including a major and minor anchor as well as some smaller retail pads. Future phases will also involve luxury high-rise loft-style residential units looking into the Stadium in addition to complementary ground-floor urban retail uses in conjunction with the mixed-use and entertainment theme of Kern Street. The project envisions an environment that would promote new urbanism through walk-ability and attractive design elements.

Investment

The Forest City plan represents a total public and private investment of approximately \$425 million. The public investment strategy includes reinvesting in the basic infrastructure including street and other improvements to the public infrastructure, development of public parking assets to serve the project and the downtown and acquisition of the development sites. The strategy calls for the Agency to retain most of the development sites as a long-term investment, ground lease the sites to the Developer and to participate in the value created over time through long-term ground lease development. The total development cost for the Initial Phase is approximately \$231.7 million of which the public investment portion is approximately \$98.8 million and the private investment is approximately \$130.8 million.

Agency's Executive Director and staff, along with Cal Hollis, Agency's financial consultant, have held ongoing meetings with Forest City and their legal and financial consultants to discuss the progress of the project and in particular opportunities to fund the financial

feasibility "gap". By using much of the bonding capacity in the Merger 1 Project area, the Agency may be able to contribute as much as \$30 million, including housing set-aside monies. This catalytic downtown revitalization project will require other sources of public investment.

One way for the City to invest in the South Stadium Project would be to sustain and redirect current debt payment that is ending soon. The Conference Center's Certificates of Participation are scheduled to mature in 2013 or even sooner with use of the reserve funds. The annual debt service payment of just over \$1 million, could be redirected once the certificates are retired, supporting as much as \$12 million in new financing capacity that may be used to support the South Stadium Project.

Third-Party Funding Opportunities

In the effort to fill the financial feasibility gap, the Agency and Forest City have been diligently pursuing all potential third party funding assistance appropriate for an urban in-fill project with affordable housing. In October, the Agency applied for a Federal brownfield grant of \$250,000 specifically for the South Stadium project area. Notification is expected in March or April.

The South Stadium project, as an in-fill and transit-oriented project with a major affordable housing component may also attract significant State Propositions 1C and 84 funding.

Prop 1C

The Transit Oriented Development (TOD) Housing Program purpose is to stimulate production of housing developments located near qualified transit stations that include affordable units. The program awards infrastructure grants, housing development loans, and land acquisition loans for projects that include at least 15% affordable housing with a minimum building density of 40 units per acre in urban centers. This program also requires that the new project must be located with ¼ mile of a designated transit center. The original NOFA only included two transit centers (Manchester Mall & Amtrak Station). However, with assistance from FAX, Agency staff presented findings to HCD and CalTrans that resulted in the addition of the Court House Square to the designated transit center list.

The Award Limits are a maximum of \$17 million for a housing development loan or grant, or a combination of both, and a total project maximum of \$50 million per transit station. RDA land acquisition loans cannot exceed an 80% loan to value ratio or \$3 million. Deadline for application submittal is March 7, 2008.

The Infill Infrastructure Grant Program provides grant funds for gap funding for infrastructure improvements necessary for specifically new residential or mixed-use infill development. At least \$48 million shall be awarded to projects located within the

Central Valley (Sacramento included). Deadline for application submittal is the end of March 2008.

The Housing Parks Grant provides for the development of urban, suburban, and rural parks. A total of \$200 million has been allocated statewide, but no other information has been released.

The CalHome Homeownership Grant is awarded to local public agencies and nonprofits to fund first-time homebuyer mortgage assistance and owner-occupied housing rehabilitations. Fifty million dollars has been allocated statewide with the NOFA to be released in March 2008

CalReuse Brownfield Assessment Program is for brownfield cleanup that stimulates affordable infill housing development. The Program awards low interest loans up to \$500,000 for infill housing and up to \$5,000,000 in grants and loans for projects that develop housing for the elderly, special needs households, and or the homeless. Ten percent of the funds are to be allocated to Central Valley counties. The Program in the draft text stage and no other information has been released.

Proposition 84

Local and Regional Parks Program awards grants for urban greening and the acquisition and creation of parks in "park needy" cities. Funding for the Central Valley is expected to upwards of \$100 million. Applications are to be released in April, 2008 and due in December. No other information has been released

Priority Funding

The completion of the South Stadium Project will bring nearly ½ billion dollars of new investment in downtown and will be the catalytic project making downtown a desirable residential location. Upon completion, this project will likely have the highest residential density in the Central Valley and will serve a model for urban renewal. The South Stadium area, and the South Stadium Project merit priority by the City and Agency, in pursuit and use of funding such CDBG, Section 108, Measure "C", State Proposition Bonds (1C & 84), capital improvement program allocations and other appropriate housing and infrastructure funding sources.

Currently the portion of the South Stadium Project area south of Inyo Street has a Land to Improvement Value Ratio (based on tax assessment) of just 1.38 whilst the remainder of downtown has a ratio of approximately 7.5, with some property sectors (such as office / commercial) having LIV Ratios approaching 10. The low ratio of the South Stadium area shows the existing improvements add little contributing value to the overall property, thus indicating most of the buildings have reached or are approaching the end of their economic lives.

Land Assemblage

The six city blocks bound by Van Ness Avenue, Inyo Street, "H" Street and Ventura Street, consists of 53 individual properties owned by 34 different owners. At this time, two of the properties are currently listed for sale, and the Agency has been approached by several other property owners offering to sell their properties to the Agency. Regardless of the outcome of the Forest City's plan for this area, this area has been identified a priority for redevelopment purposes. Thus, it is appropriate to entertain proposals from property owners for selected acquisitions that allows for the removal or clean up of blighted properties or for key located sites critical for future redevelopment projects.

CEQA/NEPA Compliance

In October, a professional consulting contract was signed with Impact Sciences to prepare an Environmental Impact (EIR) for the South Stadium Project. The EIR will be at the project level for the six-block area bound by "H" St., Inyo St., Mono St., and Van Ness Ave (Phase 1), and at a program level for the remainder of the project. On December 8th, the Notice of Preparation was released and the related scoping meeting was held December 20th. During the 30-day response period, Agency received 19 responses from various respondents. The Agency, City's Planning Department, and Impact Science (EIR Consultant) are currently reviewing the responses and comments.

VRPA Technologies has been selected to prepare the Traffic Impact Study (TIS) that will be required for inclusion in Impact Science's EIR. The contract has been prepared and is expected to be fully executed within the week. Thus the TIS should be completed by end of March.

ENA Extension

In January 2008, the Executive Director approved the extension of Forest City's ENA for an additional 12 months (until January 2009) so as to provide sufficient time for completion of the EIR and development of a Disposition and Development Agreement ("DDA").

Cost Reductions

As previously noted, the total development cost for the Initial Phase is approximately \$231.7 million of which the public investment portion is approximately \$98.8 million. In addition to the pursuit of funds Agency and Developer are continuing to seek a reduction in the financial gap. Project cost reduction strategies may include project reconfiguration such as change in amenities, product mix (e.g. townhouse vs. flats or ownership vs. rental), and overall design (e.g. reduce parking ratio).

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CONCLUSION

Pursuant to approval of the subject report, the next step is to return to the Agency Board / City Council in late summer for an update including the summary deal points to be used in the preparation of a Development and Disposition Agreement.

Attachments: Preliminary Concept Sketch

SOUTH STADIUM PROJECT

(December 4, 2007)

Note: Existing uses and historic structures (and other buildings of significance) within the study area will be incorporated as appropriate.

SOUTH STADIUM PROJECT
Fresno, California
December 4, 2007

Parent City Enterprises
Los Angeles, CA

Callborge Associates
Berkeley, CA

