
File ID: 2025-01873

12/2/2025

Waterfront Reinvestment Program and Resolution Declaring Official Intent to Reimburse Certain Expenditures from the Proceeds of Tax-exempt Obligations

File ID: 2025-01873

Location: Old Sacramento Waterfront, District 4

Recommendation: 1) Pass a **Motion:** directing staff to proceed with development of Phase A of the Waterfront Reinvestment Program, consisting of Boardwalk Board Replacement, Children's Play Area and Public Market Buildings projects; and 2) adopt a **Resolution:** declaring the City's "official intent" to reimburse certain expenditures for the rehabilitation and improvement of the Public Market Buildings, Boardwalk Board Replacement, and Children's Play Area projects from the proceeds of tax-exempt obligations.

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Presenter: Dustin Hollingsworth, Assistant Director, (916) 808-5538, djhollingsworth@cityofsacramento.org, Convention and Cultural Services Department

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Waterfront Reinvestment Program November 2025 Update
- 4-Sacramento Public Market Program Recommendations, Executive Summary
- 5-Resolution

Description/Analysis

Issue Detail:

Background

On November 19, 2024, City Council adopted Resolution No. 2024-0339 directing staff to proceed

with implementation of the Waterfront Reinvestment Program (the “WRP”). The WRP included 6 projects (collectively the “Waterfront Projects”), that would be constructed or improved within the Old Sacramento Historic District (“District”), delineated in two phases. Phase 1 included design of the Public Market Buildings, the Waterfront Site Redevelopment Opportunity, Boardwalk Replacement, K Street Barge Hull Repair, Old Sacramento Docks, and Native American-Themed Children’s Play Area. Phase 2 included construction of the Public Market Buildings. Descriptions of the Waterfront Projects, as framed in November 2024, are included in Attachment 3.

Initially, the cost of the Phase 1 Waterfront Projects was anticipated to be \$7.4 million paid by a mix of Federal and State grants as well as City funds and proceeds of \$25 million from the issuance of City of Sacramento Transient Occupancy Tax Revenue Bonds (the “TOT Bonds”). Phase 2 was expected to be approximately \$15 million and funded entirely through a second issuance of TOT Bonds.

The issuance of TOT Bonds to finance projects included in Phase 1 was anticipated to occur in early calendar year 2025. Shortly after kicking off the issuance of TOT Bonds, City staff began to encounter some significant challenges and the decision to pause the issuance of TOT Bonds was made. Since then, City staff have worked through most of the challenges and have come up with a revised plan to move forward.

State Lands Lease

City staff are still in the process of resolving one of the challenges it encountered associated with the Master Lease Agreement (City Agreement No. 86013) (the “Master Lease”) entered into between the State Lands Commission (“SLC”) and the City. While the City owns a significant portion of the property in Old Sacramento, anything west of the seawall is owned by the SLC. The Waterfront Site Redevelopment Opportunity, K Street Barge Hull Repair, and River Docks projects, all fall within the parameters of the Master Lease. The current Master Lease between the SLC and the City has about 9.5 years left of its original 49-year term with an expiration date of June 30, 2035. Typically, municipal bonds are issued with an amortization (or repayment) period of 30 years and any projects receiving funds from a bond issuance need to have a useful life covering the expected amortization period of the bonds. Therefore, this makes any Waterfront Projects associated with the Master Lease ineligible to receive any funds from the TOT Bond issuance. In September 2025, the City submitted a request to terminate the existing lease and to simultaneously reissue a new 49-year term Master Lease, a process that could take a year or more.

The City was able to utilize State Grant funding that was dedicated to the WRP to replace the deck at the Waterfront Redevelopment Opportunity Site. The project is on track to be completed before the end of 2025.

Public Market Buildings

The west side of Front Street, between J and L Streets, is home to Waterfront Park and the Public Market Buildings. A team of consultants studied how to best use the site, evaluating a rehabilitation of the existing land and structures versus a new design. They established goals to extend dwell times in the District and to strengthen connections between the retail businesses, museums, and the Embarcadero (Attachment 4). They concluded that new construction would allow outdoor spaces and activities to be thoughtfully designed, creating amenities in the public realm visible to the guests of the district. It would create new tenant spaces that would attract high quality tenants. Finally, it would be a catalytic investment that would elevate the experience of the District when compared to rehabilitation of the existing space. This aligns with past studies that indicated any transformative change to the District would require focus on the City-owned property on Front Street. Staff recommend proceeding with the design and new construction of the Public Market Buildings as part of Phase A, based on the consultants' recommendations.

Rephrasing

City staff have developed a strategy to rephrase the projects included in the WRP to enable the City to move forward with some components of the WRP. To maintain a distinction, Phases 1 & 2 approved in November 2024, have been revised to Phases A and B.

Phase A includes the Boardwalk Replacement Project, Native American-Themed Children's Play Area, and design and construction of the Public Market Buildings. These are components of the Waterfront Projects that can move forward and be funded through Federal and State grants, City funds and/or TOT Bonds.

Phase B includes components of the Waterfront Projects that are paused until there is confirmation that the Master Lease with SLC will be renewed. Those projects include the K Street Barge Hull Repair, Old Sacramento Docks, and any other improvements to the Waterfront Site Redevelopment Opportunity.

Staff would return to the City Council in the coming months with a refined recommendation for allocating proceeds of TOT Bonds, aligning the original \$25 million Phase 1 and \$15 million Phase 2 TOT Bond funding to Phases A and B respectively.

Reimbursement

Certain Waterfront Projects are anticipated to incur expenditures and be paid out of the Community Center Fund (Fund 6010) prior to the completion of the issuance of TOT Bonds and the availability of bond proceeds. Under Section 1.150-2 of the Treasury Regulations (26 C.F.R. § 1.150-2(c)), the City will not be able to use the future portion of TOT bond proceeds issued on a tax-exempt basis to reimburse certain expenditures unless it has adopted a resolution stating its "official intent" to

reimburse. An “official intent” resolution for the Waterfront Projects is attached for your consideration.

Policy Considerations: Implementation of the WRP will further the visions, goals, and objectives of the City’s 2040 General Plan, the 2030 Sacramento Riverfront Master Plan as approved by the cities of Sacramento and West Sacramento and the Sacramento Riverfront Priorities set out by the Mayor and City Council in 2017. Further, the WRP will enhance Old Sacramento, a known visitor destination, complementing city investments in the SAFE Credit Union Convention and Performing Arts District and the Golden 1 Center, further aiding the economic development efforts of the city and other civic organizations.

The official intent resolution staff are requesting to be adopted is solely to comply with Section 1.150-2 of the Treasury Regulations. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with the Waterfront Reinvestment Projects.

Furthermore, adoption of the official intent resolution does not commit the City to issue TOT Bonds. City Treasurer’s Office staff will bring a separate report for the City Council’s review and consideration to approve the issuance of TOT Bonds and the near-final form of critical financing-related legal documents.

Economic Impacts: A renewed Sacramento waterfront destination can have a significant, beneficial impact on Sacramento’s ability to 1) capture increased sales and transient occupancy tax revenues from new waterfront business, 2) encourage visitors’ choice of Sacramento as a leisure and convention destination, and 3) market the region to new business relocations, and workforce attraction and retention.

Economic benefits will impact the entire Sacramento economy. Increased visitor spending and demand will expand business revenue, create new jobs, allowing for investment building infrastructure, new and improved businesses, amenities for residents, and serving as a catalyst for additional private infill development within an Opportunity Zone. The WRP will also support businesses within the District by increasing visitation and activity in the area. Further, the diverse businesses in the District support businesses in other areas of the City by serving as the gateway and encouraging visitors to explore the larger City and its offerings.

Environmental Considerations: This report concerns concept design activities that will not have a potentially significant effect on the environment, and do not constitute a “project” as defined by Sections 15061(b)(3) and 15378(b)(4) of the CEQA Guidelines (Title 14 Cal. Code Reg. §15000 et seq.).

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: As one of seven National Historic Landmark districts in California, the District is the most historically significant attraction in the City. The District attracts over 4 million visitors a year and contributes to the almost 1 million annual overnight hotel stays in the surrounding Downtown Sacramento Partnership boundaries. However, the District has not reached its potential as a tourism visitor attraction or marketing asset. The Waterfront Projects will reactivate the District and create a more compelling destination for locals, business and leisure visitors and will create a unique asset for marketing the Sacramento region.

Without approval of the official intent resolution, the City is limited by current federal regulations to the reimbursement for capital expenditures and other qualified expenditures paid not more than 60 days before approval of the tax-exempt bond financing(s). With the adoption of an official intent resolution for the Waterfront Projects, the City can reimburse itself for any qualified expenditures made no more than 60 days before the adoption of the resolution so long as reimbursement occurs no later than three years after the expenditures associated with the WRP.

Financial Considerations: On November 19, 2024, City Council adopted Resolution No. 2024-0339, directing staff to proceed with the WRP and authorizing the City Treasurer's Office to initiate the next issuance of TOT Bonds. Implementation of the WRP will be partially funded by the issuance of one or more series of TOT Bonds.

The City Treasurer's Office staff will bring a separate City Council report as soon as practicable, to obtain the formal authorization to issue the next series of TOT Bonds, to obtain approval of the near-final form of all bond-related documents, and to obtain approval of all necessary actions prior to and subsequent to the issuance of the next series of TOT Bonds to effectuate the financing.

Adoption of the official intent resolution does not entail any financial costs for the City and does not bind the City to make expenditures, incur any indebtedness, or proceed with the WRP. Adoption of the resolution will benefit the City by satisfying the federal prerequisite for the reimbursement of prior expenditures from tax-exempt bond proceeds.

Local Business Enterprise (LBE): Not applicable.

Background: The FY2016/17 Mayor and City Council approved budget priorities included an initiative to invest in the Sacramento riverfront as an economic driver for the region. In December 2016, the Mayor and City Manager requested a plan to identify opportunities to enhance the riverfront as a strategic destination asset for conventions, visitors, businesses, and workforce attraction efforts by both the City and other organizations.

Since 2017, staff have been working on various initiatives to leverage the city's existing riverfront assets and transform the Old Sacramento Historic District ("District") into a vibrant entertainment

district within its historic setting, establishing a premiere destination. On April 30, 2019, City Council approved an initial \$5 million in funding for the Destination Sacramento Program and directed Staff to proceed with project feasibility, anticipating an additional \$42 million in funding utilizing Transient Occupancy Tax (“TOT”) funding.

The Destination Sacramento Program progressed through the schematic design phase. In 2020, due to the COVID-19 pandemic, project funding was reallocated to other City TOT-eligible obligations, and the project was paused.

Since then, staff have developed a waterfront recovery strategy to position the District to welcome visitors back and to prepare for future funding opportunities. Staff used American Rescue Plan Act funding to implement immediate clean and safe upgrades, including new lighting, Police Observation Device cameras, and other beautification projects in the District, while identifying key improvements to further enhance it as a tourist destination.

In November, 2024, City Council approved Resolution No. 2024-0339 directing staff to proceed with implementation of the Waterfront Reinvestment Program, a reenvisioning of the Destination Sacramento Program.

Waterfront Reinvestment Program - November 2025 Update



IN PROGRESS

Waterfront Site Redevelopment Opportunity Deck (Formerly Rio City Café)

Governor Newsom signed AB157, which included \$4.6 million for the “Sacramento Riverfront Safety and Pedestrian Access Restoration Project”, providing further support for the Waterfront Site Redevelopment Opportunity (formerly Rio City Café) deck repair project. The State Grant funding eliminated the need for TOT Bond Funding and the SLC lease reissuance and the project was able to move forward. The deck is under construction, and it is expected to be completed by the end of the calendar year.

PHASE A

Public Market Buildings

Design and reconstruction of the west side of Front Street, including the Public Market Buildings, will create a high-performing regional destination to anchor the historic district, attract locals and tourists with a unique Sacramento-sourced food and beverage experience. A conceptual design has been developed. Staff will socialize this concept and continue to work Stantec, the projects architect, to move bring a design back to council that meets the needs of the project and falls within budget available.

Boardwalk Replacement

Over one mile of wooden boardwalks make up a vital part of the tourist experience in Old Sacramento. More than four million visitors walk on the wooden sidewalks annually. The last comprehensive boardwalk replacement project was completed in 2005. A full boardwalk replacement is necessary to ensure a safer experience for visitors. The Boardwalk Replacement project will begin to move forward with Council's approval of the reimbursement resolution.

Native American Children's Play Area

The Children's Play Area is a collaboration with the Shingle Springs Band of Miwok Indians and Wilton Rancheria. The design reflects local indigenous life along the river, featuring a central iconic play structure with climbing nets and a slide, smaller play structures represent tule boats and huts, with play surfaces that mimic the natural landscape. The construction contract and playground equipment contract will go to Council in December 2025.

PHASE B

K Street Barge Hull Repair

The City owns the barge and dock system in the Sacramento River. The K Street Barge sits at the north end of the docks and provides ADA access to the public docks with an elevator housed on the barge. The barge is also the mooring site for The Delta King, a historic 1920's river vessel. Many of the Delta King's essential systems, including boilers and chiller, are housed on the barge to keep the hotel and restaurants functional. Over its lifespan, the barge hull has deteriorated and requires rehabilitation.

Old Sacramento Docks

The City's existing public dock system provides an opportunity to improve connection to the waterways. Enhancements to the dock system will provide the Sacramento community and visitors with the opportunity to experience and reconnect with the Sacramento River in a safe and engaging way.

Waterfront Site Redevelopment Opportunity (Formerly Rio City Café)

While the work on the deck is expected to be complete by the end of the calendar year there is still a potential need for funding of other improvements. Over the summer, the City issued a Request for Expression of Interest for the space and is now reviewing proposals seeking a business to lease the site. The almost 40-year old building may need additional funding to address refurbishment subject to lease negotiations.

SACRAMENTO PUBLIC MARKET PROGRAM RECOMMENDATIONS, EXECUTIVE SUMMARY

Economic development goals for the Public Market are the “guiding light” for program development, and the City recognizes that these buildings are the best opportunity for the City to buttress Old Sacramento’s retail ecosystem.

Optimizing the Retail Program for Economic Development

- **Attracting local residents is secondary** to strengthening Old Sacramento’s appeal to its existing customers
- Retailers to target
 - F&B concepts with broad appeal
 - Specialty retailers with unique or “authentic” appeal in established categories
- Partnerships with DSP and Alchemist should establish **place-based authenticity**
- City investment in additional F&B spaces is justified by economic development priorities

Placemaking and Economic Development

- Amenities distinct from DoCo, **targeted at families and out-of-town visitors**, will build on existing assets
- Southwest corner of Front and J Streets must be active and visually compelling
- Non-retail uses can temporarily occupy vacant market building spaces
- Activity must be **visible**
- Indoor and outdoor space should be **integrated**
- Promoting **physical connections** to the Railroad Museum and riverfront is critical
- Outdoor spaces must accommodate new CCS public programming

Key Strategy 1: Extend Dwell Times and Strengthen Connections with Public Real Estate

- Develop casual F&B
- Create amenities in the public realm
- Activate plaza between market buildings
- Strengthen connections to the Embarcadero
- Activate the southwest corner of Front and J Streets

Key Strategy 2: Catalyze Investment in Privately-Owned Old Sacramento Retail

- Position new entrepreneurs to succeed and create “proof of concept” with opportunistic, flexible space
- Analyze foot traffic and sales data on an ongoing basis
- Educate retail brokers to correct misperceptions about foot traffic and sales volumes
- Undertake proactive marketing to specific operators or franchisees

SACRAMENTO PUBLIC MARKET PROGRAM RECOMMENDATIONS, EXECUTIVE SUMMARY

Physical Planning Considerations

- **New and/or upgraded spaces** needed to attract desired tenants
- **New plaza** between the market buildings needed for consistent, high-quality experience
- Public investment in **seasonal retail infrastructure** can
 - Catalyze private investment in ground-floor spaces
 - Create a low barrier to entry for new merchants at a high-traffic location
- **Common seating areas** will be needed throughout

Recommendations and Next Steps

- Pursue **new construction** alternative
- Develop plans for **new plaza between market buildings at K Street**
 - Collaborate with Delta King on enhanced guest arrival experience
 - Align with City and DSP programming/holiday event installations
- Address **management** of and relationship between
 - Public Market
 - Other City-owned real estate in Old Sacramento
 - The greater public realm of Old Sacramento



RESOLUTION NO. 2025-____

Adopted by the Sacramento City Council

November 18, 2025

DECLARATION OF THE CITY OF SACRAMENTO'S OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS

BACKGROUND

- A. The City anticipates that it will, in the future, finance the construction and acquisition of certain public facilities using bonds issued by the City of Sacramento (the "Bonds"). The facilities are anticipated to consist of the following: Public Market Buildings, Boardwalk Board Replacement, Native American Children's Play Area, K Street Barge Hull Repair, and Sacramento River Docks or other Waterfront Improvements (the "Waterfront Projects")
- B. The maximum principal amount of Bonds is not expected to exceed \$30 million, and the Bonds will likely be issued either in Fiscal Year 2025/26 or in Fiscal Year 2026/27, in one or more series to comply with federal tax law.
- C. The City expects to pay certain expenditures in connection with the Waterfront Projects before the Bonds are issued (the "Original Expenditures") from the City's Community Center Fund (Fund 6010) and to use a portion of the proceeds of the Bonds to reimburse itself for the Original Expenditures.
- D. Section 1.150-2 of the United States Treasury Regulations (26 C.F.R. § 1.150-2) requires the City to declare its reasonable "official intent" to reimburse itself for the Original Expenditures with the proceeds of the portion of the Bonds that are issued on a tax-exempt basis.
- E. The City Council is fully advised in this matter.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1.** The statements in paragraphs A through E of the Background are true.
- Section 2.** The City hereby declares its official intent to use proceeds of a tax-exempt obligation, (i.e., proceeds of some or all of the Bonds) to reimburse itself for the Original Expenditures in the maximum principal amount of \$30 million.
- Section 3.** This resolution is adopted solely for the purpose of establishing compliance with the requirements of Section 1.150-2 of the United States

Treasury Regulations. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with any of the Waterfront Projects.

Section 4. This resolution takes effect when adopted.