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DEPARTMENT OF
PLANNING AND DEVELOPMENT

CITY OF SACRAMENTO
CALIFORNIA

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July 3, 1990

Transportation and Community Development Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Update on Downtown Development Since Adoption of the Urban Design Plan and Status Report on Ordinance No. 87-071 (M86-106)

SUMMARY

On June 16, 1987, the City Council adopted a new Urban Design Plan for the City's Central Business District (CBD). The plan sets forth design policies and strategies for developing the downtown area to its fullest potential. One important strategy was to achieve development of a "critical mass" of office space as quickly as possible. This was in recognition that office employees play a significant role for the revitalization of the CBD by providing the basic economic support to retail activities. Concentrating high density offices downtown would also have other positive effects including facilitating public transit. Implementation of this strategy took the form of City Ordinance 87-071. This Ordinance, adopted by City Council, specified that no major projects in the Central City (outside the CBD) and no height variances (city wide) will be approved until 2 million square feet of office space is built or under construction in the CBD or until 3 years (July 16, 1990) which ever occurs first.

The end of the 3 years is nearing, and staff has prepared this report which evaluates the success of the Urban Design Plan and status of the strategy to achieve the necessary critical mass. In summary, the findings are that the 2 million square feet goal for downtown has been achieved. Downtown office development has enjoyed renewed interest and was able to capture its proportionate share of the "explosive" regional growth since 1987. It is likely that downtown will outpace the region in 1990 and 1991. This report contains a recommendation not to extend the restrictions of Ordinance No. 87-071. However, it also recommends a continued City commitment to downtown by adoption of a policy action to be incorporated into the City's General Plan. The policy action would clearly state the City's position that high rise development should be downtown.

BACKGROUND

Before discussing the degree of success and impact of the 3 year restriction, a brief review of downtown goals and how specific incentives fit into achieving those goals is appropriate. One note at this point is that staff views the fact that the C-3 zone does not have a height limit as an incentive for development, and if height limits in outer areas are not enforced this incentive is lost.

CITY'S GOALS & OBJECTIVES FOR DOWNTOWN

- Maintain and enhance downtown's role as a regional office, retail, and employment center, with special emphasis given to promoting visitor service and cultural/entertainment uses (City's General Use Plan - 1988)

- Enhance downtown's role as the prime location for administrative, financial and professional office activity in the region (Downtown Sacramento Redevelopment Strategy -August 1, 1984)

- Concentrate major new office development within the traditional CBD to maintain a compact core (DSRS - 1984)

- Recover, improve, and enhance downtown's role as the region's prime location for specialized retail trade (DSRS - 1984)

WHY INCENTIVES ARE NEEDED TO ACHIEVE DEVELOPMENT GOALS AND OBJECTIVES

- To carry through the General Plan Policy "provide incentives for regional commercial and office development projects locating within the downtown area."

- To eliminate the perception by the business community that the city lacks commitment to downtown (DSRS - 1984)

- To encourage development in downtown where site acquisitions and construction costs are much higher than outlying locations

- To encourage the type and quality of development in downtown envisioned by the Urban Design Plan

INCENTIVES IN PLACE TO ENCOURAGE OFFICE DEVELOPMENT

- Ability to develop high rise buildings; maintains its role as regions most prestigious location

- Reduced parking standards

- Highest level of service by transit

- Proximity to shopping variety of restaurants, hotels, and cultural activities

- Fast tract permit approval in incentive areas

Certainly the most significant incentive that downtown sites have is the ability to develop more intense and with higher buildings than outlying location. A relaxing of height limits in other areas greatly reduces the ability of downtown sites and downtown development to compete with suburban office parks for tenants. To emphasize this point according to a 1989 Coldwell Banker Report, land prices in downtown range from $60.00 -175.00 versus in suburban sites which range from $4.50 - 16.00 a square foot.

The success and impact of Ordinance 87-071 was to be evaluated by at least the following factors: Vacancy rates for both office and retail commercial, growth in retail sales and expansion of retail activities, traffic and parking impacts. Additional relevant factors have been included by staff.

Downtown Office Spaces As A Percent Of Total for Metropolitan

	Downtown Net Rentable	Metropolitan Net Rentable	Downtown as a % of Metro
1990 (1st Qtr)	7,162,169	28,974,244	24.7
1989	7,116,787	28,842,168	24.7
1988	6,120,056	25,867,077	23.6
1987	6,030,472	23,835,038	25.3

Source: Coldwell Banker

Downtown Office Space Absorption as a Percent of Total for Metropolitan

	Sq. Ft. Added	% of Total
1990 (1st qtr)	60,800	10.0%
1989	523,252	13.2%
1988	451,941	15.7%
1987	355,397	13.5%

Source: Coldwell Banker

Office Vacancy Rates

	Downtown:	Suburban:
1990 (1st quarter)	12.8%	19.3%
1989 (4th quarter)	12.8%	20.3%
1988 (4th quarter)	7.2%	20.2%
1987 (4th quarter)	12.6%	22.7%
1986 (4th quarter)	11.3%	27.2%

Source: Coldwell Banker

New Downtown Projects Completed or Under Construction (1987 to Present)

Office Projects	Square Feet	Status
Capitol Place (L between 9th & 10th)	143,000	Completed
Renaissance Tower (8th & K St.)	341,000	Completed
Riverview Plaza (I between 7th & 8th)	8,000	Completed
Lankford & Cook (1215 K Street)	365,000	Under Construction
D. Benvenuti (1325 J Street)	226,000	Under Construction
	1,083,000 Total	

New Office Projects Approved (not under construction - 1987 to Present)

	Square Feet	Status
Central Library (I St. between 8th & 9th)	402,000	Approved, in for Building Permit
Wells Fargo Center (Capitol Mall)	532,000	Approved, in for Building Permit
Stagen (111 Capitol Mall)	120,000	Approved, in for Building Permit
Capitol Park West (9th & L St.)	173,000	Approved, no submission for Building Permit
Lot A (Capitol Mall)	800,000	Developer Selected
	2,027,000 Total	

Based on the preceding figures and list of projects approved and underway, it is safe to say that the Downtown's office market has kept pace with the "Explosive" growth in the Metropolitan Area from 1987 thru 1989. Staff believes downtown will surpass the pace of metropolitan growth in 1990 and 1991 based on completion and projected completion of several major projects in both years.

The list of projects also indicate that the 2 million square feet goal for new office construction will probably be reached shortly after July 16, 1990 (expiration date of Ordinance No. 87-071). Therefore the "critical mass" goal for expansion of new office space will be achieved. The hopes for positive impacts on revitalization of the CBD and in particular providing the needed economic support for retail activities will be more measurable later this year when additional occupancy of the new space occurs.

RETAIL ACTIVITIES

Presently retail activities in downtown are in two areas: Downtown Plaza, and K Street Mall, between 7th and 13th Street. Staff surveyed the K Street Mall area (J to L Streets, 7th to 13th Streets) and found 216 store fronts of varying sizes. 175 of the store fronts were occupied and 41 were vacant, which is a 19% vacancy rate. This is somewhat high and reinforces the fact that the economic support from recent office growth has yet to occur.

Downtown Plaza (west of 7th Street) has 36 store fronts and until recently had a relatively high occupancy rate. However, due to anticipated new construction/expansion some of the spaces have been vacated. The expansion plans call for the addition of 123,700 square feet of retail space to the existing 719,900 square feet. This does not include 35,000 square feet of space for the new cinemas to be built.

The following is a chart showing taxable sales volume and trends for shopping centers including Downtown Plaza. Staff notes that Downtown Plaza's 8.5% increase in sales between 1987 and 1988 exceeds the trend increase for Sacramento County including suburban locations.

SHOPPING CENTER OR AREA RETAIL TAXABLE SALES VOLUME & TRENDS ($000s)

TABLE	1987	1988	%CHANGE '88 vs. '87
SACRAMENTO COUNTY	3,062,247	3,298,985	7.7%
Sacramento City	1,033,671	1,133,384	9.6
Downtown Plaza	121,638	131,991	8.5
Arden Fair	78,177	81,459	4.2
Fruitridge Manor	7,553	7,244	-4.1
University Village	4,493	6,885	53.2
SUBURBAN COUNTY	2,028,576	2,165,601	6.8
Sunrise Mall	195,957	209,705	7.0
Florin Mall	96,694	99,282	2.7
Birdcage Walk	88,614	97,125	9.6
Country Club Plaza	77,784	73,523	-5.5
Southgate	37,130	47,164	27.0
Country Club Center	38,000	35,596	-6.3
Pavilions	16,852	19,751	17.2
Town & Country Village	17,812	18.631	4.6
Crestview	11,922	11,009	-7.7
Loehmann's Plaza	8,363	9,746	16.5

Source: Sacramento Bee

OTHER IMPORTANT IMPACTS

Lastly, implementation of the Urban Design Plan has two other major impacts. The Architectural Guidelines have been utilized by developers and their architects on 10 major projects downtown since 1987. This has resulted in projects designed with higher quality materials, ground floor uses that are oriented to pedestrians, and buildings with more interesting building forms and surface detailing. The other major impact of the concentration policy will be to place over 2 million square feet of new office space within two blocks of the light rail system by 1991.

POLICY CONSIDERATION

Office development will reach the 2 million square feet goal shortly after July 16. Planning staff therefore believes Ordinance No. 87-071 need not be extended. However, this should not mean that the City should relax height standards outside the CBD. Based on Findings in this report, quite the contrary is true. Under the Urban Design Plan Policies and Implementation Strategy, downtown is enjoying a rebirth in both the office and commercial developments. The most significant incentive is the ability to develop higher and more intense than in outlying areas. In return for this incentive the City is asking for:

- More architecturally interesting building designs;
- High quality materials;
- Ground floor commercial uses;
- Ground floor plazas and open space; and
- Art work in public spaces.

To continue the City's commitment to build a first class downtown and to continue the positive trend that has been started, staff recommends expansion of the list of downtown incentive actions in the General Plan. The existing General Plan's Downtown Policy calls for providing incentives for development projects downtown. However, under the implementation actions section, no substantive incentives were identified in 1988. The following additional actions are recommended to be included in the General Plan:

Action: Fast track processing of major projects in the incentive zones in the CBD that comply with the Urban Design Guidelines (previously adopted in Urban Design Plan)

Action: Prepare a master EIR for the CBD zone (adopted in Urban Design Plan)

Action: Give projects within incentive zone sites priority in the Building Permit Plan Check process (adopted in Urban Design Plan)

Action: Maintain the downtown height and intensity incentive by not allowing non-residential structures to exceed 100 feet in height outside the CBD (new)

MBW/WBE:

Not applicable.

FINANCIAL CONSIDERATION:

Not applicable.

RECOMMENDATIONS

Planning staff request the Committee's acceptance of this status report and concurrence with the policy recommendation. Staff will forward the Committee's action to the City Council. This matter will be considered by the City Planning Commission on June 28th. The Commission's recommendation will be forwarded verbally to the Transportation and Community Development Committee.

Respectfully submitted

MICHAEL M. DAVIS
Director of Planning and Development

Recommendation Approved:

DAVID R. MARTINEZ
Deputy City Manager

July 7, 1990
District No. 1

Contact Person:

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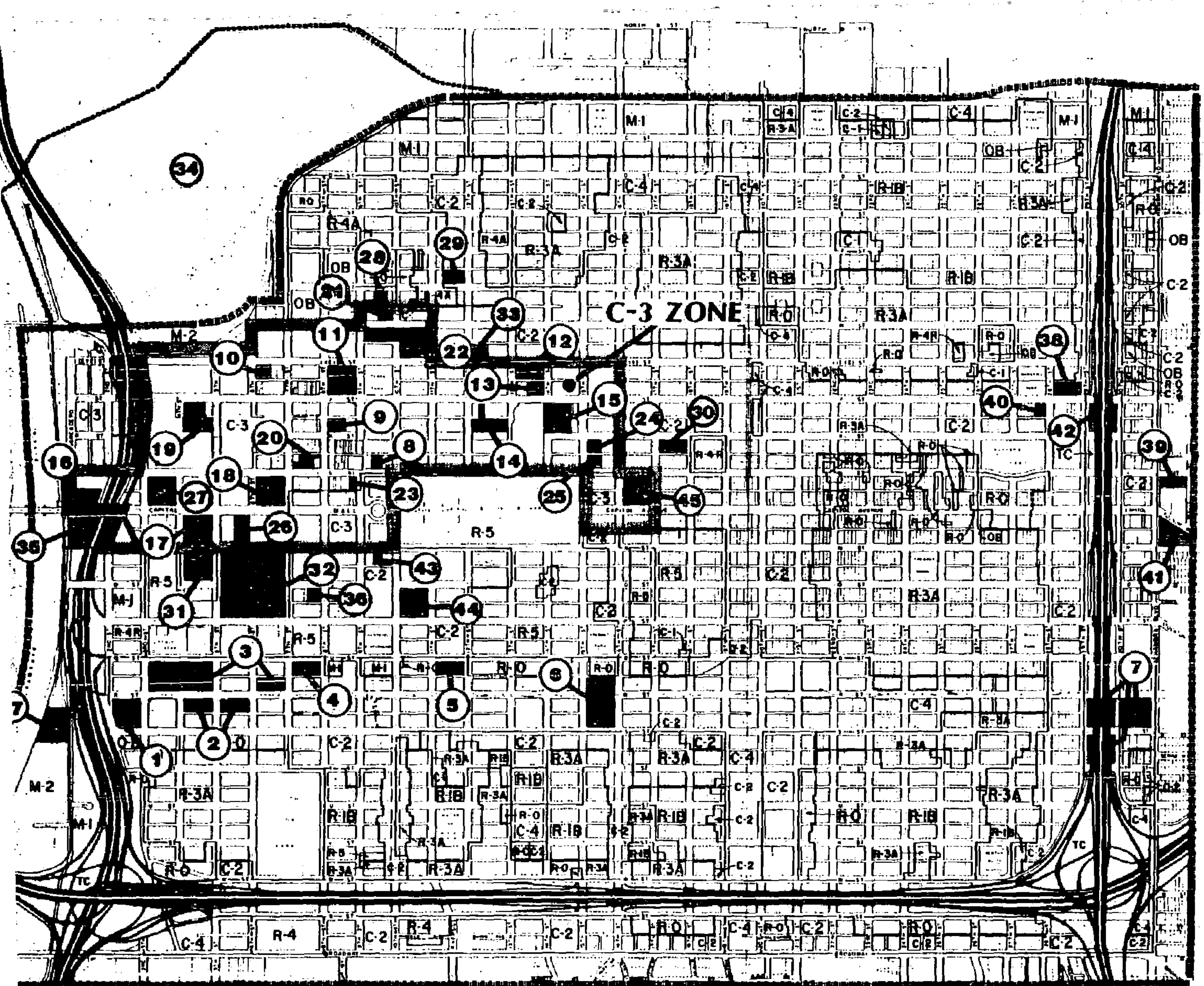
MMD:AG:BW:ei
M86-106
Attachment



LEGEND

ADOPTED ZONING

R-1B	SINGLE FAMILY	C-1	LIMITED COMMERCIAL
R-3A	LIGHT DENSITY MULTIPLE FAMILY	C-2	GENERAL COMMERCIAL
R-4	MEDIUM DENSITY MULTIPLE FAMILY	C-3	CENTRAL BUSINESS DISTRICT
R-5	HEAVY DENSITY MULTIPLE FAMILY	C-4	HEAVY COMMERCIAL
R-O	RESIDENTIAL - OFFICE	M-1	LIGHT INDUSTRIAL
O-B	OFFICE BUILDING	M-2	HEAVY INDUSTRIAL
		T-C	TRANSPORATION CORRIDOR

Scale in Feet

North

entral city California study

City of Sacramento- PLANNING AND DEVELOPMENT 2/80

DOWNTOWN MAJOR OFFICE PROJECT

	PROJECT	SIZE (S.F.)	STATUS
	R Street Corridor Projects		
1	Thompson Diggs	197,000	Completed
2	Duke Development	220,000	Under Constructio
3.	Pacific Plaza (California Capitol Center Union Realty)	1,250,000 (Office) 17,000 (Retail)	EIR
4	Golden State Towers	350,000	EIR
5	Watkins	150,000	Application Susper
6	Benvenuti Plaza	380,000	Completed
7.	Farmer's Market Plaza	178,000 (Phase I) 104,000 (Phase II)	Completed / Under Construction
	TOTAL OFFICE	2,942,000	
	C-3 Zone Projects		
8	Capitol Place	143,000	Completed
9	Renaissance Tower	341,000	Completed
10	Riverview Plaza	8,000 (Office) 124 (Res. Unit)	Completed
11.	Central Library/Office	414,000 (Office) 165,000 (Library Add)	Approved / Under Construction
12	1300 I Street	236,000	EIR Certified .
13	1325 J Street	365,000	Under Construction
14	12th & K Streets	226,000 (Phase I) 300,000 (Phase II)	Under Construction / Preliminary Discussio
15	Convention Center Expansion	130,000 (Conv. Ctr.)	Supplemental EIR
16	111 Capitol Mall	120,000	Approved
17	400 Capitol Mall	532,000	Approved
18	6th & Capitol Mall (Lot A)	800,000 (Office) 300 (Hotel) 20,000 (Retail)	EIR
19	Site D-1	240,000 (Retail)	EIR
20	703 L Street (Greyhound)	530,000	EIR
21	10th & H St. (Mory's Place)	551,000	EIR
22	Civic Center Expansion	620,000	Program Study
23	Capitol Park West	173,000	Approved
24	15th and K	129,000	Preliminary Discussion
25	15th and L Hotel	240 rooms	Application Suspended
26	IBM (Capitol Mall)	500,000	Preliminary Discussion
27	Sacramento Union	unknown	Preliminary Discussion
	TOTAL OFFICE	6,008,000	
	Adjacent Areas to C-3 Zone		
28	906 G Street	56,000	Completed
29	1111 G Street	86,000 (Office) 9,400 (Retail) 40 (Res. Units)	Redesign
30	St. John's Plaza	112,000	Completed
31	PERS Garage Site (State Board of Equalization)	435,000	EIR
32	Capitol Towers	1,400,000	Application Suspended
33	12th and I	528,000	EIR
34	So. Pacific Railroad	unknown	Master Plan
	TOTAL OFFICE	2,617,000	
	SUB TOTAL CORE AREA OFFICE	11,467,000	
	Other Projects		
35	Docks Hotel	Rooms 245	Design Review
36	Sheraton Hotel	Rooms 150	Approved by CADA
37	State Museum of Railroad Technology		Proposed by State
38	Sims Hardware/California Sutter Building	77,415	Under Construction
39	Alhambra & L (Burt Oates)	92,826	Under Construction
40	28th & J Streets	34,529	Approved
41	Northeast Corner of Alhambra Boulevard & N Street	30,000	
42	Sutter Square Galleria	18,290 (Retail)	Completed
43	State Library Expansion (Site 5)	105,300	Approved
44	Secretary of State Office Archives Building (Site 7)	400,000±	Approved
45	State Office Building (Site 4)	373,000±	Approved
	TOTAL OFFICE	1,113,070	
	GRAND TOTAL OFFICE CENTRAL CITY	12,570,070	

SUMMARY

C-3 Zone - Completed or under construction	1,083,000 SF
C-3 Zone - Approved but not yet under construction	1,139,000 SF
C-3 Zone - Pending CPC or CC Action	4,404,000 SF
C-3 Zone - Conceptual or preliminary discussion	2,949,000 SF

TRANSPORTATION AND COMMUNITY DEVELOPMENT COMMITTEE
PENDING ITEMS
1990

Item	Responsible Department	Due to PWA	Meeting Date	Meeting Time