

7 Joint Development Program

7.1 Overview

The Sacramento Intermodal Transit Facility presents unique opportunities (and challenges) due to the combination of four distinct development zones:

- Intermodal Facility and immediately adjacent parcels, including the Historic Depot and REA building
- Museum zone created by the existing Railroad Museum and its expansion into the Historic Southern Pacific Sacramento Shops with the Railroad Technology Museum
- Railyards Area, with negotiations under way between Union Pacific and potential buyers for private development
- Downtown Sports and Entertainment District (Study due to be made public in fall 2003, is anticipated to include a major retail/entertainment component, which should be considered in finalizing the Joint Development Program)

All of these sites fall under the broad definition of Transit Oriented Development (TOD) as they represent opportunities for “Moderate to higher density development, located within an easy walk of a major transit stop...” The Joint Development program we will examine here meets the more limited definition from paragraph 4.2 of “The use of publicly owned property in the development of real estate that is either physically or functionally related to a transit investment. The City of Sacramento’s Transit for Livable Communities (TLC) Report focuses on land use planning within ¼ mile of light rail stations.

In the context of these definitions, we classify the sites as follows:

- Transit Oriented Development
 - Museum site – Historic SP Shops area
 - Railyards Area site
 - Downtown Sports and Entertainment site
- Joint Development
 - Intermodal Transit Facility site, 43.7 acres including the adjacent areas per Figure 7.1

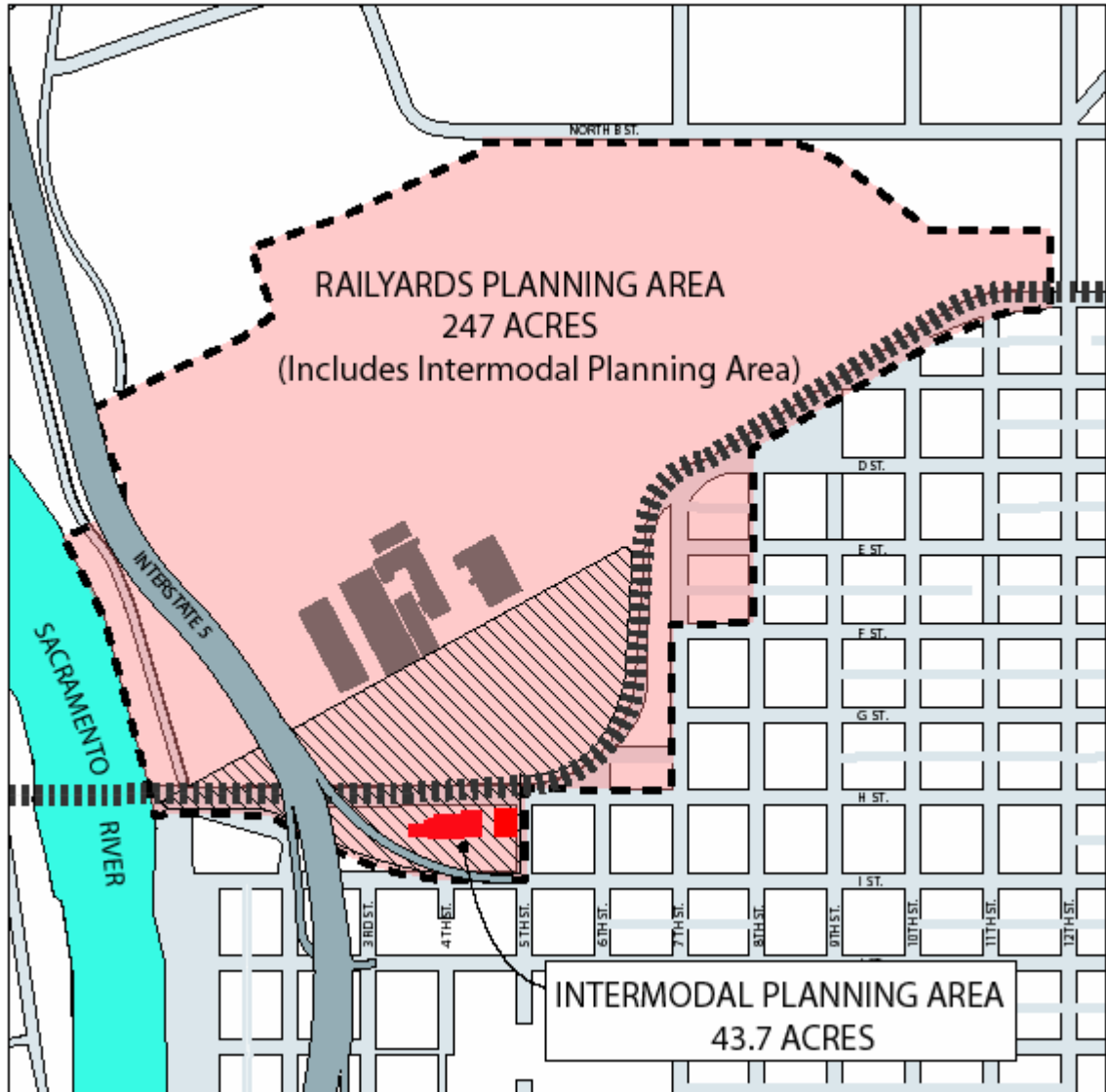
Of the four, the Museum site has the clearest current vision for its long-term development. For the purposes of our evaluations, we presume the document titled “The Railroad Technology Museum at the Historic Southern Pacific Sacramento Shops – Fact Sheet” articulates the expansion strategy for this facility. In discussions with the Museum staff, the development of this facility is anticipated over a 5 to 10 year period with Museum attendance projected to increase from the current 550,000 visits per year to 780,000 visits by 2007. The character, visitor traffic and functions incorporated into this facility will be important contextual considerations in evaluating alternatives for the Joint Development program for the Intermodal site. In a similar fashion, the impact of potential development of a Downtown Sports and Entertainment Facility must be considered for their impact, though the proximity of that facility will have less direct impact on the Joint Development opportunities.

Finally, the vision adopted for the SITF will shape the character and feasibility of some of the Joint Development opportunities. For this reason, we have established ranges of potential program elements in this initial analysis, with the expectation that the policy decision and vision adopted for the facility will guide the finalization of a more specific joint development program.

Our examination of the Joint Development Program is specific to the 43.7 acre Intermodal site, but we develop two scenarios as follows:

- **Stand-Alone SITF** – program alternatives in the absence of development of the Railyards site within the foreseeable future
- **Combined SITF/Railyards Development** – Joint Development program opportunities assuming development of the Railyards in general accordance with the Railyards Specific Plan within the Central City Community Plan developed by the City of Sacramento Planning Division

Figure 7-1. Reference Image of Joint Development Area



7.2 Stand-Alone SITF

The Intermodal Facility site is defined as the 43.7 acre tract illustrated in Fig. 7.1. Track alignment considerations will have an overriding impact on the viability of alternative development scenarios for this site, but those considerations will be deferred until the design stage. For the moment, we will focus on the programmatic opportunities for the site, independent of track alignment. The Joint Development program elements will be classified as follows:

- Transit Program
- Public Space
- Parking
- Corollary Joint Development
 - Office
 - Retail
 - Residential
 - Hotel

7.2.1 Development Opportunities and Constraints

Development opportunities in the Intermodal site as defined above are in close proximity to the courts facilities and benefit from adjacency to the perimeter of the CBD development, Old Sacramento and the Railroad Museum site. Adjacency to existing historic structures provides unique character and distinct identity to any development. These opportunities will be balanced against constraints of challenging circulation obstacles including major streets and rail facilities, and the noise generated by both. Infrastructure requirements to support the development program will be examined in the subsequent design phase.

As an isolated development without the synergies of a vital Railyards development program, any joint development in this area will need to be planned to derive benefits of location and character, and will particularly need to optimize the value of adjacency to transit facilities. These drivers suggest limited office and retail development focused on capturing niche market opportunities unique to this location.

7.2.2 Transit Program and Passenger Facility

The transit program outlined in Section 2 of this Working Paper results in an operator requested site program of 26.09 acres, consuming over 60% of the available site. Of this program, 360,000 sq ft is for parking. Critical evaluation of shared use and reduced programs could yield some additional space (the Consultant Recommended Program is roughly 20 acres), but vertical development in terms of structured parking will be required to achieve any substantive joint development. The ranges of Joint Development opportunities identified in subsequent paragraphs considers, in part, the differences in available site depending on whether the Transit Program uses the requested 26 acres or a reduced transit program based on optional transit program modules. An alternative could be development of air rights over transit programs, but that alternative is more costly and likely to not prove feasible in this scenario.

In addition, the operator requested program generates a 54,570 sq ft Passenger Facility program. This compares with a current space inventory within existing structures as follows:

<ul style="list-style-type: none"> • Historic Terminal Building, • Total Existing • Program Deficit: 	<table border="0"> <tr> <td>Floor 1:</td> <td style="text-align: right;">29,446 sq ft net</td> </tr> <tr> <td>Floor 2:</td> <td style="text-align: right;">19,326</td> </tr> <tr> <td></td> <td style="text-align: right;">48,772</td> </tr> <tr> <td></td> <td style="text-align: right;">-5,798 sq ft</td> </tr> </table>	Floor 1:	29,446 sq ft net	Floor 2:	19,326		48,772		-5,798 sq ft
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When adjacencies and program functionality are taken into account, the terminal building is likely to require a minimum of 37,720 sq ft of first floor program area. This leads to a first floor program deficit of 8,274 sq ft when compared to the existing available 1st floor area available in the historic depot.

If the REA building is used for transit functions, the space inventory and program differential is as follows:

- Historic Terminal Building: 48,772 sq ft net
- REA Building 24,614
- Total Existing Inventory 73,386
- Program surplus: **18,798 sq ft**

However, a direct comparison of space demand with supply in the existing buildings is potentially misleading. The layout, location and design constraints of the existing buildings may render them unsuitable to accommodate the transit program. For that reason, the transit program square footage will be summarized along with all other program elements listed below, and questions of where the program elements are accommodated will be addressed in the design phase.

7.2.3 Public Space Opportunities

The Historic Station creates unique opportunities to accommodate public functions. For an economically viable program, these uses need to be carefully considered in terms of their ability to generate revenue to avoid becoming an economic drain on the entire development. However, their integration will be important to preserving the character and public value of the facilities. Economic impacts will be evaluated in subsequent studies.

Potential public space uses that would complement the transit program and be consistent with the general character of the surrounding facilities could include:

- Chamber of Commerce facilities
- Cultural museum celebrating unique regional attributes
- Tourism facilities
- Kiosk or small scale displays promoting Old Sacramento and the Railroad Museum
- Government offices
- Non-profit offices

While these uses could generate wide ranges of program demand, the limitations of the existing facilities will provide practical constraints resulting in the following ranges, with specific footages somewhat transferable between different program elements:

Element	Minimum sf	Maximum sf
Chamber of Commerce	2,000	5,000
Cultural Museum	1,000	5,000
Tourism Facilities	1,000	2,500
Kiosk & Displays	0	800
Government	5,000	35,000
Non-profit	1,000	25,000
TOTAL PROGRAM	10,000	73,300

In aggregate, it is anticipated that the public space demands could range from 10,000 sq ft to a maximum that could utilize all existing space at 73,300 sq ft.

7.2.4 Parking

Parking requirements are driven primarily by the transit facility development plus parking to support other joint development facilities. The transit facility parking, programmed at 1027 spaces for Amtrak and Greyhound patrons, will be subject to significant pricing pressure. Current rates are approximately \$6.25 per day and will likely not support the amortization of structured parking costs.

However, structured parking will likely be required if additional joint development opportunities are to be generated from the existing site. In essence, the cost of structured parking will need to be justified by the value of the land made available by structuring parking. The total parking program, as a function of joint development opportunities, is summarized in the following table:

Program Element	Parking Ratio	Minimum Spaces	Maximum Spaces
Transit Program		600	1,027
Public Space	4/1000 sf	40	293
Office	3/1000 sf	720	1200
Retail	4/1000 sf	80	128
Residential	2/du	400	600
Hotel	1/key	250	300
Total Spaces		2090	3,548
Total Area	350 sf/space average	731,500	1,241,800

7.2.5 Corollary Joint Development

Considering the opportunities and constraints of the Stand-Alone SITF site and the market conditions associated with the CBD over the foreseeable future, we believe the primary joint development opportunities would be limited to niche office, multifamily residential and retail development. Secondary opportunities exist for limited high-rise residential or hotel development, but both are challenged by proximity to the rail facilities and the economics of developing a congested site.

Office

The office opportunity falls into two categories:

- Special use offices in existing buildings
- New office facilities in proximity to the courts and transit facilities

In addition to the transit and public space demands addressed above, there are current discussions with Regional Transit to relocate their office functions to this area to provide an additional 100,000 sq ft of demand.

Unique proximity to the court's facilities suggests the potential to develop offices focused on the legal profession. These facilities would be competing with existing inventory in the CBD for initial tenancy, and would see significant pressure on lease rates as a result. However, the superior location could justify modest development of additional office product.

The unique character of the Historic Station and REA buildings will create a strong marketing position for small professional offices. The challenge with these will be the ability to create compatible access for employees and visitors while accommodating the critical circulation functions for the transit development. The potential square footage resulting from this attraction has already been accounted for in the Public Space program addressed above, but the economics of converting the space to private versus public functions can be examined in later phases.

Finally, in discussions with local brokers, they suggest the most viable office scenario capitalizes on the proximity to the transit facilities and the ability to create large floorplates. While the ERA study referenced in Paragraph 4.5.1 suggested these characteristics would appeal to large corporate users, it is more likely they would be attractive for further government consolidation. The ability to achieve the large floorplates with adjacency to the SITF would be very attractive to departments still seeking consolidation. While the East End and planned West End projects by the state have achieved consolidation of many departments, they have by no means exhausted the possibilities. The recent consolidation of the State of California Department of General Services into the Ziggurat in West Sacramento is an example of the market capturing these remaining opportunities. The challenge with this scenario will be pricing pressure, with the space needing to compete with the excess of Class B and C space on the market. These competitive pressures will likely limit density to midrise product.

Taken together, we see an aggregate demand for office facilities from 240,000 sq ft to 400,000 sq ft, in addition to the transit and public space programs. However, this space would need to be developed by structuring parking, imposing a cost premium on the office development costs.

Retail

In the Stand-Alone SITF option, retail opportunities are very limited. The limited new space development will not create significant traffic, so the retail opportunities will be limited to those supported by the transit facility traffic, limited neighborhood service retail to serve office and residential development plus limited destination retail, likely a full service restaurant.

The transit focused retail will be required to be located in conjunction with the transit facilities with informal dining and convenience retail the most viable candidates. With transit volumes in the vicinity of 29,000 riders per day the retail demand is likely to be limited to 5,000 sq ft maximum within the transit facilities.

In addition, the unique character of the Historic Station and REA building create an opportunity for a destination restaurant location, likely in the first floor of the REA building as currently contemplated. This location has the benefit of some isolation from activities in the station, whether it is used for the transit function or converted to more commercial activities. The REA location also creates opportunities for convenient parking adjacent to the restaurant facility. This function could consume 10,000 to 12,000 sq ft of the existing facility. The ability in the planning process to segregate this destination restaurant from some of the incompatible functions of the transit facility will be critical to the success of a facility of this nature.

Finally, the office and residential programs will support limited convenience retail focused on the needs of employees and residents. These functions are likely to be limited in scope and would be constructed as first floor functions in either the residential or office developments. For the scope of development in those categories, we would expect the convenience retail program to be in the range of 5,000 to 15,000 sq ft.

Combined, these retail components establish a range of 20 to 32,000 sq ft.

Residential

While high-rise residential development in this area could be attractive for its proximity to the courts facilities and the CBD in general, the site would demand that housing be very close to the rail facilities. The noise of rail operations combined with security challenges of a relatively isolated location would create significant marketing obstacles for upscale housing. In addition, the locations to the east closer to the activities around the capital have been more attractive for the upscale developments.

The attraction of Sacramento tends to be the low cost single-family development, and high-density housing linked to a reverse commute, even by rail, is not likely to be a strong market driver. However, adjacency to transit facilities would create some attraction, but long range commuting by rail would not be a strong draw for the facility. The combination of proximity to transit, additional commercial development (likely for governmental functions) and the periphery of the CBD should make the site attractive for limited multi-family residential development at market prices. The challenge will be to create adequate critical mass while controlling costs to minimize the need for subsidies. This housing will likely be 3 to 4 story product focused to middle income households. Based on other site usage, we would expect approximately 8 to 10 acres to be available for this function at densities of 25 dwelling units/acre for a total of 200 to 300 units.

Hotel

The PKF analysis referenced in Paragraph 4.5.4 indicated market demand adequate to support development of a four star full service hotel ranging from 250 to 300 keys with appropriate meeting space. While the economics may be marginal and could require some subsidy, the proximity to the transit facility, Old Sacramento and the northwest corner of the CBD make this an attractive location for a hotel. Like the residential development, the planning for the hotel will need to carefully consider segregation of incompatible activities as well as mitigation of noise and pollutants associated with the transit facilities. Like the destination restaurant referenced under retail development, it will be critical to create an atmosphere of sophistication in close proximity to transit activities for a hotel facility to be successful as part of this joint development.

7.2.6 Summary

Reviewing the development opportunities in the Stand-Alone SITF scenario, we believe the likely range of supportable development opportunities to be as follows:

Program Element	Minimum Program (x 1000 sq ft)	Maximum Program (x 1000 sq ft)
Passenger Facility	54	54
Public Space	10	73
Office	240	400
Retail	20	32
Residential	200 units	300 units
Hotel	250 rooms	300 rooms
Parking – Transit	210	360
Parking – Joint Dev	522	882

However, as noted above, it is likely the parking, residential and hotel components of this program could require subsidies. Economic feasibility of each program element will be examined in detail in subsequent phases.

7.3 Combined SITF/Railyards Development

This program addresses the development opportunities of the same 43.7 acres identified in Figure 5.1, but it assumes the development of a mixed-use residential, commercial and retail program on the remaining Railyards site and the synergies that creates for support of enhanced retail and commercial activities.

7.3.1 Development Opportunities and Constraints

The expansion of the program to integrate the Railyards development dramatically enhances the long-term viability of the Joint Development opportunity. While the expanded program carries significant market risk in bringing substantially more product to market, it has the critical mass necessary to ensure success. The increased site size creates appropriate zones for each type of development while retaining synergies that enhance the market attractiveness of each product offering.

The challenge in this scenario will be to create and fund infrastructure development while phasing the development of new product in a manner consistent with market absorption. In addition, pursuit of an aggressive program of this nature carries the potential of getting bogged down in entitlement conflicts that delay the initiation of the project to the point that it will become unattractive to investors. While preliminary zoning and Land Use plans have been adopted for this area, specific approvals and negotiations around infrastructure issues, environmental remediation, traffic issues and phasing remain areas of uncertainty within the public realm, and the perception of this becoming an extended process could discourage private investment if the process does not move forward rapidly.

7.3.2 Transit Program and Passenger Facility

The transit program summarized in section 5.2.2 of this Working Paper remains substantially as discussed in the Stand-Alone SITF scenario. However, this scenario allows flexibility for more favorable accommodation of the Transit Program in general and the Passenger Facility in particular. This alternative more opportunity for synergies that could enhance both the transit and joint development facilities. For example, proximity to a larger variety of retail supported by the adjacent residential development means transit riders would have access to a wider variety of options than those in the previous scenario which were required to be supported primarily by the transit traffic.

7.3.3 Public Space Opportunities

As with the transit program, the public space program oriented to the existing facilities is probably not significantly impacted by this scenario, but would benefit from increased traffic and synergy with an activated environment. The difference in this scenario is the ability to create additional new public facilities oriented to the significant residential development in the Railyards, such as parks and community recreation facilities. The critical mass of housing development would also justify increased investment in public safety and education facilities if required to support the increased population.

The integration of the remaining shops facilities creates opportunities to reuse those facilities to accommodate some of the community functions that benefit from long spans and high bays. The mix of public and private commercial or retail use of these facilities can create a sense of community while preserving a significant historical asset.

The challenge in creating these facilities is economic. To the extent that development fees or tax increments are allocated to the creation of these facilities, they are unavailable to support other functions such as the intermodal facilities themselves or critical infrastructure development.

For the purposes of evaluating the development opportunities for the SITF site, we will assume that public facilities required to support the Railyards development will be accommodated within the Railyards site area, and will not affect the Public Space demands anticipated in the Stand-Alone SITF scenario.

7.3.4 Parking

As in the previous scenario, parking requirements are driven primarily by the transit program plus parking to support other joint development facilities. In this case, however, adequate site area is available to allow for decisions about structured versus surface parking based on derived land values. This logic can be taken further with a phasing strategy that develops surface parking in the early stages of development with a master plan designed to convert surface parking to structured parking with increased densities of commercial or residential development as the market absorption increases land values over time.

The total parking program, as a function of joint development opportunities, is summarized in the following table:

Program Element	Parking Ratio	Minimum Spaces	Maximum Spaces
Transit Program		600	1,027
Public Space	4/1000 sf	40	293
Office	3/1000 sf	1200	3000
Retail	4/1000 sf	80	200
Residential	2/du	600	800
Hotel	1/key	250	300
Total Spaces		2770	5,620
Total Area	350 sf/space average	969,500	1,967,000

7.3.5 Corollary Joint Development

With the expanded opportunities of the full development program, the residential program of the Railyards development becomes a key driver for all other elements, and allows the Intermodal Facility and the redeveloped shop facilities to function as a hub of neighborhood redevelopment.

Office

The office opportunity in this scenario remains in the categories identified in the Stand-Alone SITF scenario, but with greatly expanded potential:

- Special use offices in existing buildings as well as the redeveloped shops facilities
- New office facilities in proximity to the courts and transit facilities, with more critical mass of activity justifying higher density development responding to the commercial market long term in lieu of being limited to governmental occupancies

This scenario has all the opportunities of the previous discussions, but with the ability to expand the available sites, increase densities and orient new office development to interface with the Railyards

residential development as well. The expansion of office program within the SITF site as well as in the Railyards area is consistent with the Railyards Specific Plan and the City's policy objectives to locate employment intensive uses in this portion of the Railyards site.

While market absorption will be a major concern in an expanded scenario, the plan could integrate planning for office development with a relatively low cost of carry on existing sites, allowing for patience and opportunistic pursuit of tenancy as the office market recovers long term. Under this scenario, an aggregate demand for office facilities from 400,000 sq ft to 1,000,000 sq ft could be justified long term. Near term absorption of 120 to 200,000 sq ft per year plus other product in the market suggests this level of development would probably occur over a 10 to 15 year span. While these densities remain well below the levels anticipated in the Railyards Specific Plan developed by the City of Sacramento Planning Division, they appear to be supportable in the marketplace and would result in Floor Area Ratios in the range of 4 to 5 for the portions of the site allocated to office development, midway in the range adopted by the Planning Division in their Land Use plan.

Retail

In addition to the program identified for the Stand-Alone SITF, this scenario allows for the development of significant neighborhood and specialty retail, using the redeveloped shops buildings to create unique character. This use also establishes optimum location to appeal to both the residential market and the transit facility riders.

With the larger market and increased site, it is possible to create the critical mass of retailing with high-end anchor stores as well as boutique shops and a variety of restaurants. As noted in the study by ERA, this development would compete directly with existing downtown retail facilities, creating competitive pressures. It will require careful planning to minimize competitive impacts, and instead create synergies that potentially enhance the viability of both new and existing retail. Under this scenario, a 240 to 500,000 sq ft retail program in the Railyards area, consistent with the City's community plan objectives, is very reasonable, and would likely function as a complement to the specialty retail identified in the Stand-Alone SITF scenario. However, it is unlikely that the retail component of the Joint Development would be expanded significantly, as the critical mass of the retail development would be centered in the Railyards area. At the low end, the program could remain unchanged at 20,000 sq ft and at the high end; additional destination restaurant or neighborhood retail could be added to increase the total in the SITF site to 50,000 sq ft.

Residential

The Railyards plan targets approximately 3000 units of residential development in a variety of densities. These seem to be reasonable projections for the Railyards site, and create opportunities for appropriate buffers from rail and freeway noise generators. With this critical mass of housing development revitalizing the area, we would see some opportunity to incorporate additional housing in the Joint Development site, but would not expect the density to increase dramatically. The likely range would change to 300 to 400 dwelling units, still in a mixed-use mid-rise product. Under this scenario, it would be critical to work closely with the adjacent development to complement phasing and market absorption considerations with development of the residential product on the Railyards site.

Hotel

The combination of increased general levels of activity, increased office and retail density, and enhanced synergies with the Museum and Intermodal Facilities under this scenario significantly enhances the feasibility of hotel development. This scenario also offers more siting opportunities to avoid conflicts with noise generators and potentially more economical courtyard style hotels to meet competitive market rates. While the economics may still be weak in early stages of the Joint Development program, a site

should be identified for development of a hotel in later stages of the program when the activity in the area should clearly support hotel development. We would still anticipate a facility of 250 to 300 rooms as described in the Stand-Alone SITF scenario, oriented to a combination of business and tourist markets. The activity generated by the Railyards development could eventually justify another hotel within that development, as anticipated in the Railyards Plan.

7.3.6 Summary

The Combined SITF/Railyards Development scenario produces a likely range of supportable Joint Development opportunities within the SITF site as follows:

Program Element	Minimum Program (x 1000 sq ft)	Maximum Program (x 1000 sq ft)
Passenger Facility	54	54
Public Space	10	73
Office	400	1,000
Retail	20	50
Residential	300 units	400 units
Hotel	250 rooms	300 rooms
Parking – Transit	210	360
Parking – Joint Dev	760	1,608

Under this scenario, subsidies for the parking, residential and hotel components should be reduced, however the timing for the development horizon could be extended as the market is asked to absorb a much larger program including the significantly larger program planned for the Railyards site.