

Section 2.6 Economic Development

2.6 ECONOMIC DEVELOPMENT

2.6.1 Market Study

■ INTRODUCTION

This market study sets the context for the City of Sacramento General Plan Update by documenting major trends related to the Sacramento Region (Region)'s economic role and functions and by documenting key trends associated with the regional real estate market. By understanding these trends, the land use and economic development policies incorporated in the updated General Plan will provide a logical and effective basis for guiding growth in the City of Sacramento (City) through 2030.

The Region's economic role and urban form are evolving and maturing. The changes to the Region's urban form will unfold in coming years and may be influenced by regional planning efforts (e.g., Sacramento Area Council of Governments [SACOG] Blueprint) as well as a changing environment characterized by increasing land scarcity and cost.

This market study is broken into these sections:

- **Regional Market Trends** describes the demographic, economic and real estate growth patterns of the Region as it relates to other regions and to California. The section also identifies key opportunities and challenges facing the Region as it continues to grow and evolve within the context of statewide dynamics.
- **City Historical Residential Trends** provides an overview of historical housing and demographic trends in the City.
- **City Residential, Employment, and Commercial Space Projections** identifies local residential and commercial development trends and provides commercial space and housing development projections for the City between 2005 and 2030.
- **Growth Prospects and Patterns of Development** will identify specific areas of potential growth and development in the City, synthesizing the trends and projections in the previous sections. A framework for discussion of future land supply is provided to inform subsequent policy discussions.
- **Key Findings** discusses key demographic and real estate findings related to the City and its regional context, synthesizing the previous sections of the market study.

■ REGIONAL MARKET TRENDS

During the 1950s and 1960s, the Region's economy was based on agriculture and food processing, state government, and military base activity.¹ Through the 1970s, the Region remained primarily rural in character (though the Region gained health care and business services workers)² and was considered a low-cost alternative to the Bay Area. Diversification began to occur on a more substantial level during the 1980s with the development of previously

1 SRRI, *The Changing Structure of the Sacramento Region Economy*, 2003.

2 Collaborative Economics for New Valley Connections, *The Economic Future of the Sacramento Valley*, 2001, p. 25.

under-represented sectors such as electronics, scientific and health products, tourism, and software. This diversification, accompanied by significant population growth, turned the Region in a new direction—one that was more reflective of the statewide economy. Like many other regions in the State, the Region experienced substantial new growth in Services-sector employment, as well as Construction, which accommodated population growth during the 1980s.

The City is projected to have a population of 650,000 and a labor force of 450,000 by 2030 (as shown in Tables 2.6-1 and 2.6-2). While these figures represent major gains from today’s baseline, they represent only a portion of the projected growth of the Region, which is expected to reach a population of approximately three million and employment of nearly 1.5 million by 2030.³

Table 2.6-1. City of Sacramento Population Forecast

Item	Projected Population			
	2000	2010	2020	2030
City of Sacramento Population	410,000	470,000	580,000	650,000

Source: *Technical Background Report, Section 2.4*

Table 2.6-2. City of Sacramento Employment Forecast

Item	Projected Employment			
	2000	2010	2020	2030
City of Sacramento Employment	270,000	340,000	390,000	450,000

Source: *Technical Background Report, Section 2.4*

As the Region continues to grow, its evolution may proceed in several different directions. One theory presents three possible scenarios for the Region’s future:⁴ 1) absorption into the Bay Area, in which the Region continues to be a low-cost alternative for and an extension of the Bay Area; 2) Center City of the Central Valley (Valley), in which Sacramento is the Professional Support and Business center serving enormous population growth throughout the Valley, which includes the Sacramento Valley and the San Joaquin Valley; and 3) a Multitechnology Cluster, in which the Region develops and maintains its own technology clusters separate from the Bay Area. A related report describes the potential for the Region to build on existing, new, and other potential specializations, thereby becoming a “major league technology center” by enhancing its specializations in electronics and scientific and health products, by offering higher end business and professional services and urban-amenities-driven tourism, and by becoming a leading innovator in agriculture-related biotechnology research, development, and manufacturing.⁵

Whichever outcome occurs, the Region will face several challenges, including its diminishing affordability advantage over coastal regions, the development of other urban nodes throughout the Valley, and its competition with other regions throughout the West and worldwide for major, global employers. Within this framework, the City will continue to play a major role as the state

3 SACOG Master Transportation Plan Projections, December 2004.

4 SRRI, *The Changing Structure of the Sacramento Region Economy*, 2003, p. 23-24.

5 Collaborative Economics for New Valley Connections, *The Economic Future of the Sacramento Valley*, p. 7.

capital. Through progressive, proactive policies surrounding economic development, housing, and other quality of life issues, the City can work to meet other regional needs and reinforce the Region's role as a hub for technology, life sciences, and professional and business services for the Valley.

Recent Growth Patterns: 1990–2003

Figure 2.6-1 shows the counties comprising the Region, the Bay Area, and the San Joaquin Valley. During the 1990s, the Region's population, household, and employment growth rates eclipsed not only California but also the Bay Area and the San Joaquin Valley in virtually every category (Table 2.6-3). The Region experienced population growth of two percent annually, household growth of 1.8 percent annually, and employment growth of 2.6 percent annually. In 2000, the Region reached a population of approximately 1.9 million residents, 710,000 households, and 820,000 employees. These figures represent more than one-fourth of the Bay Area's population, and six percent of the State's households and employees.

Industry Employment Trends

While Trade and Manufacturing have remained important industries over the last 50 years, a surge in Professional Services employment has replaced California's agricultural employment base (Figure 2.6-2). During the 1990s, both the State and the Region continued to evolve. California has exhibited these major patterns:

- **The State continues to be dominated by Services-producing employment** (Table 2.6-4). California has always carried a relatively large share of Services employment compared to the Nation, largely because of its historical role as a financial and trade center in the West and its roles as a major tourist destination and a global center of the entertainment industry.⁶
- **Manufacturing in California has evolved significantly and much of Manufacturing is leaving the State.** At its height between 1939 and 1958, Manufacturing has declined steadily over the last 25 years, expanding in high technology and labor-intensive sectors but contracting in all "middle" Manufacturing, resulting in a reduction in its share of total employment from 25 percent in 1960 to 17 percent in 1990⁷ (Table 2.6-5). As Manufacturing becomes an increasingly globalized industry, California's role is increasingly as a distribution center for the country's trade rather than an originator or final destination of goods.⁸
- As Table 2.6-6 indicates, California grew rapidly in Business and Professional Services, Information, Educational and Health Services, Leisure and Hospitality, and Other Services between 1990 and 2000.

During the 1990s, the Region's economic evolution can be characterized by several shifts and trends:

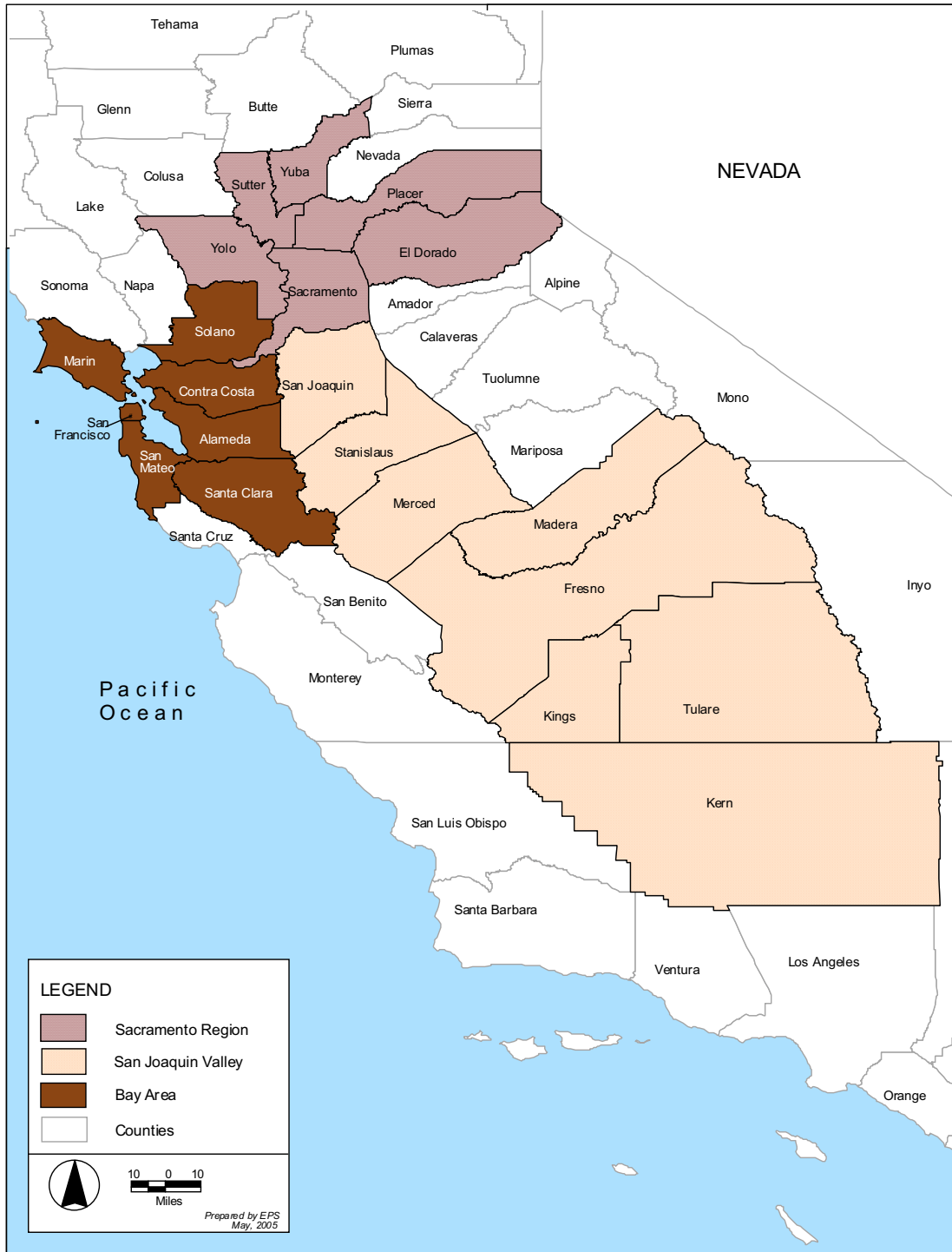
- Growth parallel to or exceeding the State's high growth industries contributes to the diversification of the Region's employment base. Eight of the Region's fastest-growing sectors also were in the State's ten fastest-growing industries (Table 2.6-6). In fact, the Region's growth rate outpaced the State's rate in Professional and Business Services, Leisure and Hospitality, and Educational and Health Services.

6 Paul Rhode, PPIC, *The Evolution of California Manufacturing*, 2001, p. 90.

7 Paul Rhode, PPIC, *The Evolution of California Manufacturing*, 2001.

8 Jon Haveman and David Hummels, PPIC, *California's Global Gateways: Trends and Issues*, 2004.

Figure 2.6-1. Select Regions in California



Source: Economic & Planning Systems, Inc. (2005).

Table 2.6-3. Historical Population, Households, and Employment Trends

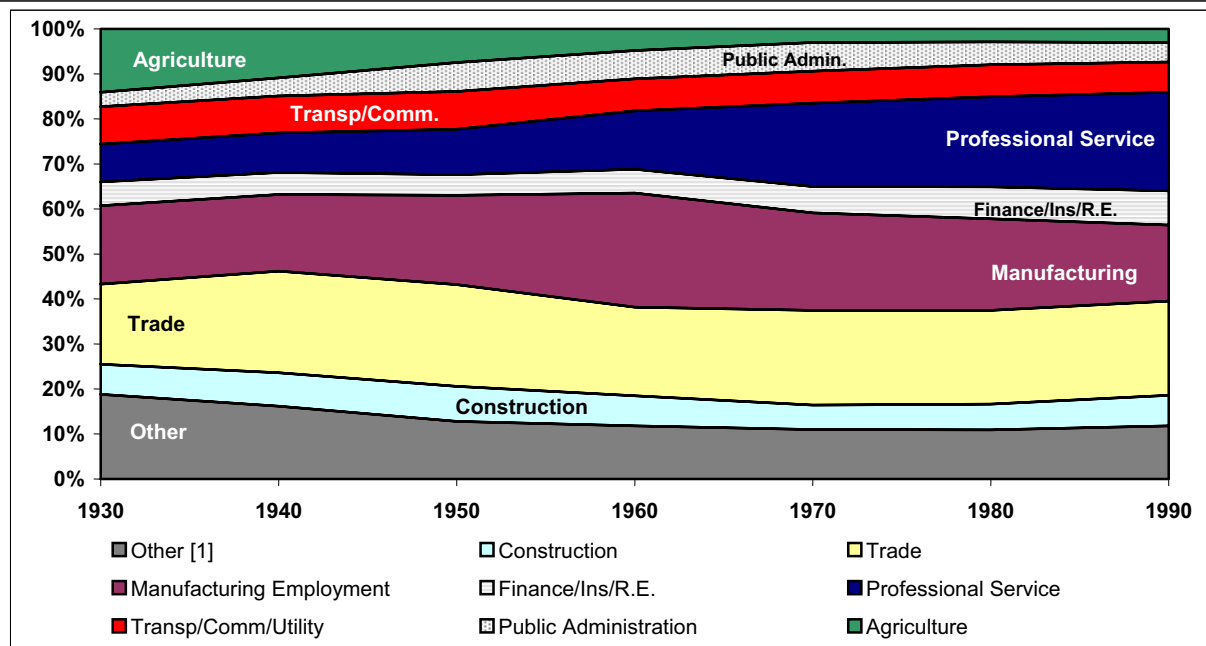
Item	1990	2000	Absolute Growth (1990-2000)	Avg Annual Growth (1990-2000)
Population				
California ¹	29,760,000	33,872,000	4,112,000	1.3%
Bay Area ¹	6,024,000	6,784,000	760,000	1.2%
San Joaquin Valley ¹	2,742,000	3,303,000	561,000	1.9%
Sacramento Region ²	1,549,000	1,886,000	337,000	2.0%
Households				
California ³	10,381,000	11,503,000	1,122,000	1.0%
Bay Area ⁴	2,246,000	2,466,000	220,000	0.9%
San Joaquin Valley ³	897,000	1,033,000	136,000	1.4%
Sacramento Region ⁴	599,000	713,000	114,000	1.8%
Employment				
California ⁵	12,500,000	14,488,000	1,988,000	1.5%
Bay Area ⁵	2,737,000	3,272,000	535,000	1.8%
San Joaquin Valley ⁵	893,000	1,063,000	170,000	1.8%
Sacramento Region ⁴	634,000	818,000	184,000	2.6%

Notes: All figures rounded to the nearest thousand.

1. PPIC, *A State of Diversity* (2002).
 2. SACOG, *Population Estimates and Housing Units Inventory* (2002).
 3. US Census Bureau.
 4. SRRI, *Placer County Econ/Demo Profile*
 5. EDD *Historical Industry Trends*
- Source: Economic & Planning Systems, Inc., 2005.

Region	Counties Included
Bay Area	Alameda, Contra Costa, Marin, San Francisco, San Mateo, Santa Clara, Solano
San Joaquin Valley	Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare
Sacramento Region	El Dorado, Placer, Sacramento, Sutter, Yolo, Yuba

Figure 2.6-2. Sector Distribution in the California Labor Force



Source: PPIC, "Evolution of California Manual" (2001)

Note: All data series include civilian labor force only.

1 Other includes mining, fishing, forestry, and other services.

Table 2.6-4. Sacramento Region Employment Base: 1990-2000

Industry	Employment Distribution by Industry		
	1990	1995	2000
Goods Producing	13.3%	11.3%	13.2%
Natural Resources and Mining	0.1%	0.1%	0.1%
Construction	7.0%	4.8%	6.8%
Manufacturing	6.2%	6.4%	6.3%
Service Providing	86.7%	88.7%	86.8%
Trade, Transportation and Utilities	18.0%	16.6%	16.5%
Wholesale Trade	3.0%	2.9%	2.8%
Retail Trade	12.7%	11.5%	11.4%
Transportation, Warehousing & Utilities	2.3%	2.2%	2.3%
Information	2.6%	2.8%	2.5%
Financial Activities	6.9%	6.4%	6.9%
Professional and Business Services	9.0%	11.4%	13.6%
Educational and Health Services	8.9%	9.9%	9.2%
Leisure and Hospitality	8.7%	9.8%	9.1%
Other Services	3.6%	3.4%	3.5%
Government	29.0%	28.3%	25.6%
Federal Government	5.3%	3.5%	1.8%
State and Local Government	23.7%	24.8%	23.7%
Total	100.0%	100.0%	100.0%

Source: EDD-Labor Market Information Division.

Table 2.6-5. Composition of California Manufacturing: 1930-90

Sector	1930	1940	1950	1960	1970	1980	1990
Manufacturing Employment	17.4%	17.0%	19.8%	25.3%	21.6%	20.3%	16.9%

Note: All data series include civilian labor force only.

Source: PPIC, "Evolution of California Manufacturing" (2001).

Table 2.6-6. Ten Fastest Growing Industries

Industry	Empl. Change 1990-2000	Growth Rank	Industry	Empl. Change 1990-2000	2000 Regional Industry Specialization ¹
California			Sacramento Region		
Professional & Business Services	48.2%	1	Professional & Business Services	92.4%	0.87
Information	47.3%	2	Leisure & Hospitality	32.7%	0.99
Educational & Health Services	25.2%	3	Educational & Health Services	31.7%	0.95
Leisure & Hospitality	20.7%	4	Manufacturing	30.1%	0.49
State & Local Government	19.4%	5	Financial Activities	28.3%	1.26
Other Services	17.1%	6	State & Local Government	27.7%	1.68
Construction	13.4%	7	Construction	24.8%	1.35
Trade, Transportation & Utilities	12.5%	8	Other Services	23.8%	1.05
Real Estate & Rental & Leasing	6.5%	9	Information	19.2%	0.62
Nondurable Goods Manufacturing	0.8%	10	Trade, Transportation & Utilities	17.3%	0.88

1. An index that compares an industry's share of total employment in the Region to the industry's share in the state. Numbers above 1.25 indicate more regional specialization than statewide; numbers below 0.75 indicates regional under-specialization compared to statewide. See glossary.

Source: EDD-Labor Market Information Division

- **Despite rapid growth in key sectors, the Region is still “catching up” to the statewide norm.** As shown in Tables 2.6-6 and 2.6-7, the Region has nearly doubled its employment in Professional and Business Services, reflecting California’s rapid growth in this sector. Even so, the Region continues to be under-specialized in Professional and Business Services.
- **The Region’s employment base remains tied to Government.** As Table 2.6-6 and Table 2.6-7 indicate, roughly 25 percent of the Region’s employment is tied to Government, attributed predominantly to State and Local Government. The Region’s level of specialization in 2003 for Government as a whole was 1.51; the State Government rating was 3.4.

Table 2.6-7. Sacramento Region Industry Specializations

Industry ¹	Employment Distribution <u>Industry Specialization</u> ²			
	2003	1990	2000	2003
More Specialized - 1.25 or higher				
Government	25.5%	1.75	1.60	1.51
State & Local Government	24.2%	1.73	1.68	1.61
State Government	11.2%	4.05	3.78	3.43
Construction	8.1%	1.35	1.35	1.48
Financial Activities	7.5%	1.04	1.26	1.22
Finance & Insurance	5.8%	1.08	1.40	1.36
Equally Specialized - 0.75 to 1.24				
Local Government	13.0%	1.07	1.10	1.10
Leisure & Hospitality	9.4%	0.99	0.99	0.97
Educational & Health Services	9.9%	1.00	0.95	0.93
Trade, Transportation & Utilities	16.4%	0.93	0.88	0.87
Professional & Business Services	11.7%	0.74	0.87	0.80
Under Specialized - less than 0.75				
Manufacturing	5.2%	0.40	0.49	0.49

Notes:

1. Includes sectors that have 5% or more of the region's total employment.
 2. An index that compares an industry's share of total employment in the Region to the industry's share in the state. Numbers above 1.25 indicate more regional specialization than statewide; numbers below 0.75 indicates regional under-specialization compared to statewide. See glossary.
- Source: EDD-Labor Market Information Division.

- **The Region exhibits specializations⁹ in Construction and Financial Activities.** The Region's strength in Construction has been largely because of the availability of land, the relative affordability of housing in the Region, and a growing labor force. As the Region's affordability advantage dissipates, its specialization in Construction may also decrease. In Financial Activities, the Region is especially concentrated in Finance and Insurance.

Industries Projected to Drive the Region

The Region's employment base likely will be driven by growth in Professional and Business Services, Health and Education Services, and life sciences.

⁹ Specialization is a ratio that describes the Region's relative concentration of employment compared to the State's concentration of employment in any given industry. For example, if 10 percent of the State's employment is in Construction, while 25 percent of the Region's employment is in Construction, the Region's level of specialization would be 2.5 (25 percent divided by 10 percent). This ratio indicates a highly specialized industry—the Region is 2.5 times more concentrated in Construction employment compared to the State. Generally, numbers above 1.25 indicate high specialization, numbers between 0.75 and 1.25 indicate equal specialization, and numbers below 0.75 indicate an under-specialization.

Professional and Business Services

The fastest-growing sector between 1990 and 2000 for California and the Region, Professional and Business Services is expected to continue to grow in Sacramento. The bulk of industry growth in the Region stems from Professional, Scientific, and Technical Services (particularly Residual-Other Professional, Scientific, and Technical Services) and Administrative and Support and Waste Services (specifically Employment Services). Despite its rapid growth, Professional and Business Services does not yet constitute a specialization for the Region (Table 2.6-8). Instead, the rapid growth represents the maturation and diversification of the Region's economy as a whole.

Table 2.6-8. Professional and Business Services Employment in Sacramento Region: 1990-2003

Sector	Specialization 2003	1990-2003 Job Growth			1990-2003 Shift Shares ¹		
		Absolute	Percent	Avg Ann. Growth	Statewide Growth	Industry Mix	Regional Factors
Professional and Business Services	0.80	38,400	76.8%	4.5%	15.3%	23.8%	37.7%
Professional, Scientific & Technical Serv.	0.83	15,000	63.0%	3.8%	15.3%	15.6%	32.1%
Acct, Tax Prep. & Bookkeeping Serv.	0.87	500	11.9%	0.9%	15.3%	-17.6%	14.3%
Architectural, Engineering & Related Serv.	0.95	2,800	60.9%	3.7%	15.3%	3.0%	42.6%
Computer Systems Design & Related Serv.	0.78	4,300	172.0%	8.0%	15.3%	136.2%	20.6%
Residual-Other Prof., Scientific & Technical Serv.	0.80	7,500	60.0%	3.7%	15.3%	8.2%	36.5%
Management of Companies & Enterprises	0.64	3,300	62.3%	3.8%	15.3%	15.3%	31.7%
Administrative & Support & Waste Serv.	0.82	20,200	97.1%	5.4%	15.3%	35.2%	46.6%
Administrative & Support Serv.	0.82	19,400	97.0%	5.4%	15.3%	36.9%	44.9%
Employment Serv.	0.78	11,800	190.3%	8.5%	15.3%	80.7%	94.3%
Investigation & Security Serv.	0.80	-300	-6.1%	-0.5%	15.3%	20.0%	-41.4%
Serv. to Builds & Dwellings	0.98	4,700	90.4%	5.1%	15.3%	19.8%	55.3%
Residual-Other Support Services	0.76	3,100	81.6%	4.7%	15.3%	-2.7%	69.0%
Waste Management & Remediation Serv.	0.85	800	100.0%	5.5%	15.3%	3.1%	81.6%

1. Shift shares isolate the individual effect of three factors on overall regional job growth - the state economy, the performance of particular industries, and the regional economy.

Source: EDD (2005) and Economic & Planning Systems, Inc. (2005).

There are many universities offering professional degrees in the area. There are four business schools offering MBAs, which include the University of California at Davis (UC Davis), California State University Sacramento (CSUS), the University of Phoenix, and National University. Similarly, there are opportunities to earn a law degree. UC Davis, the Lincoln School of Law, and the McGeorge School of Law at the University of the Pacific all offer JDs.

Two major submarkets in the Region attract Business and Professional Services firms: the City (particularly downtown and Natomas) and Roseville/Rocklin. Firms locating downtown are generally associated with legal, financial, and other business linked to State Government. Natomas houses firms in legal, financial, professional services, health services, and other industries. While downtown retains the largest concentration of these types of firms, the Roseville/Rocklin area became an important node for Professional and Business Services firms starting with Hewlett Packard's arrival during the early 1980s. Roseville/Rocklin, and to a certain extent Placer County, is expected to excel in this industry because of its continuing explosive population growth, more educated work force, expanding computer and technology firms serving the Region and the nation, and its emergence as a professional and corporate

location through its successful provision of executive housing, strong schools, super-regional retail, and recreational and natural amenities.¹⁰

Education and Health Services

The Region’s growth in this industry between 1990 and 2003 was tied primarily to Health Care and Social Assistance subsectors, particularly hospitals, but also included a doubling of educational services employment between 1990 and 2003 (Table 2.6-9).

Table 2.6-9 Education & Health Services Employment in Sacramento Region: 1990-2003

Sector	Specialization 2003	1990-2003 Job Growth			1990-2003 Shift Shares		
		Absolute	Percent	Avg Ann. Growth	Statewide Growth	Industry Mix	Regional Factors
Educational and Health Services	0.93	25,200	50.8%	3.2%	15.3%	22.3%	13.2%
Educational Services	0.77	5,500	112.2%	6.0%	15.3%	25.8%	71.1%
Health Care and Social Assistance	0.97	19,700	44.1%	2.8%	15.3%	21.7%	7.1%
Ambulatory Health Care Services	0.81	3,200	18.1%	1.3%	15.3%	20.7%	-17.9%
Hospitals	1.16	8,500	62.5%	3.8%	15.3%	7.1%	40.1%
Nursing and Residential Care Facilities	0.90	3,300	44.6%	2.9%	15.3%	31.5%	-2.1%
Social Assistance	1.09	4,700	78.3%	4.6%	15.3%	49.2%	13.8%

Source: EDD (2005) and Economic & Planning Systems, Inc. (2005).

The Region is home to several existing higher education institutions anchored by UC Davis, American River College, CSUS, Sacramento City College, Sierra College, and Cosumnes River College (Table 2.6-10). Educational Services will continue to grow rapidly as these universities expand—UC Davis alone is anticipated to increase enrollment from 26,870 in 2001 to 32,000 students by 2015. As the Region matures, educational institutions will need to expand to provide training for the growing labor force to match needs of existing and prospective employers. Already, several other planned universities are under development:

- CSUS’ planned 260-acre campus in South Placer County will have up to 25,000 students at buildout.
- University of Sacramento, a private four-year institution in the City, is envisioned to serve 7,000 students at buildout.¹¹
- A new regional university in South Placer County will be a private, four-year, liberal arts university with an estimated total of 6,000 students at buildout.

Also home to several hospitals, health maintenance organizations, and preferred provider organizations, the Region features Sutter General, UC Davis School of Medicine and Medical Center, Kaiser Permanente (Sacramento/Roseville and South Sacramento), and Mercy (General and San Juan Medical Center), who employ over 1,000 full-time equivalents each.

10 Placer County Economic and Demographic Profile 2004 prepared by SRRI, 2004. Also, Business and Professional Services Industry Study, prepared by SRRI, 2003.

11 www.Universityofsacramento.org. April, 2005.

Table 2.6-10. Higher Education in the Sacramento Region

Institution	Location	Total Enrollment	Public/Private
Universities/Colleges			
University of California, Davis	Davis	30,229	Public
California State University, Sacramento	Sacramento	28,375	Public
University of Phoenix	Sacramento	4,300	Private
National University	Sacramento	2,400	Private
Golden Gate University	Sacramento	1,800	Private
University of the Pacific, McGeorge School of Law	Sacramento	1,109	Private
Chapman University	Sacramento	1,000	Private
William Jessup University	Rocklin	452	Private
University of San Francisco, Sacramento Campus	Sacramento	250	Private
Lincoln Law School	Sacramento	230	Private
Trinity Life Bible College	Sacramento	200	Private
Union Institute and University	Sacramento	175	Private
St. Mary's College	Sacramento	121	Private
USC, State Capital Center	Sacramento	109	Private
Subtotal		70,750	
Community Colleges			
American River College	Sacramento	30,000	Public
Sacramento City College	Sacramento	22,000	Public
Sierra College	Rocklin	19,783	Public
Consumnes College	Sacramento	17,500	Public
Woodland Community College	Woodland	2,329	Public
Heald College	Roseville	1,156	Private
MTI College	Sacramento	637	Private
Subtotal		93,405	
Vocational Schools			
Western Seminary	Sacramento	125	Private
Capital Bible College	Sacramento	102	Private
University of Northern CA, Lorenzon Patino School	Sacramento	85	Private
Weimar College	Weimar	70	Private
Subtotal		382	

Source: Sacramento Business Journal, 2004 Top 25 Book of Lists, December 24, 2004.

Healthcare firms and preferred provider organizations tend to locate either in the City (particularly the Point West area)¹² or along the Highway 50 corridor in Gold River and Rancho Cordova (Table 2.6-11). Major healthcare firms include Kaiser (Sacramento), Health Net (Rancho Cordova), and Blue Shield (Gold River). Major preferred provider organizations include CorVel (Gold River), Blue Cross (Rancho Cordova), and Blue Shield (Gold River).

12 Point West is generally known as the area bounded by the Capital City Freeway and Highway 160, Arden Mall, and Cal Expo.

Table 2.6-11. Health Services Firms in the Sacramento Region

Institution	Location	Amount
Hospitals¹		<i>Staff (FTE)</i>
Sutter General Hospital and Sutter Memorial Hospital	Sacramento	4,420
UC Davis School of Medicine and Medical Center	Sacramento	6,389
Kaiser Permanente Medical Center	Sacramento, and Roseville	4,831
Mercy General Hospital	Sacramento	1,600
Mercy San Juan Medical Center	Sacramento	1,670
Sutter Roseville Medical Center	Roseville	1,624
Kaiser Permanente Medical Center - S. Sac.	Sacramento	1,735
Marshall Medical Center	Placerville	1,000
Subtotal		23,269
Regional Health Maintenance Organizations (HMO)		<i>Local Enrollment²</i>
Kaiser Health Plan Inc.	Sacramento	630,000
Health Net	Rancho Cordova	160,000
Blue Shield of California	Gold River	130,000
Blue Cross of California	Rancho Cordova	120,000
PacifiCare/Secure Horizons	Sacramento	110,000
Western Health Advantage	Sacramento	60,000
Molina Healthcare, Inc.	Sacramento	20,000
Subtotal		1,230,000
Major Preferred Provider Organizations² (PPO)		<i>Local Enrollment²</i>
CorVel Healthcare Corp.	Gold River	210,000
Blue Cross of California	Rancho Cordova	160,000
Blue Shield of California	Gold River	60,000
Subtotal		430,000

Notes:

1. Includes all regional hospitals with at least 1,000 full time equivalent (FTE) staff members.

2. Rounded.

3. Includes the top three largest PPOs based on local enrollment.

Source: Sacramento Business Journal, "2004 Top 25 Book of Lists," December 24, 2004.

Life Sciences

Life sciences is a cluster that crosses multiple employment sectors. UC Davis, the anchor of this cluster, is a large and growing university that has “emerged as an acknowledged leader in agriculture, biological, biotechnical, food and environmental sciences;” its veterinary school, the only one in the State, “consistently receives top recognition nationally among its peers.”¹³ Beyond UC Davis’ existing depth, (it graduates the highest number of PhD’s in biological sciences nationwide),¹⁴ the Region is well-suited to succeed in development of this cluster for several reasons:

- **The Region holds a critical mass of entrepreneurs/experience and a mass of services to support them.** The 500 new faculty and staff hired by UC Davis over the last six years have focused primarily on engineering, life sciences, and health sciences.¹⁵ As a result, while existing entrepreneurs are mostly in software, UC Davis is increasingly focused on the industries of biotechnology

13 SACTO 2005/2005 Economic Profile & Membership Directory, p.23.

14 City of Davis. www.ci.davis.ca.us City Profile.

15 Interview with Alan Bennett, UC Davis Technology/Alliance, March, 2005.

and nanotechnology. These researchers are forming the next generation of business. In addition, interviews with UC Davis have consistently indicated that many UC Davis professionals are married to qualified professionals not working for UC Davis, suggesting the existence of an additional potential segment of the labor force in this field.

- Bay Area start-ups are looking for places to expand, and Bay Area venture capital firms are seeking additional investment opportunities. High technology start ups in Silicon Valley have quick access to venture capital and generate several spin-off firms. More mature firms, though, tend to relocate in California, presenting the Valley with an opportunity to house these firms.¹⁶ To the extent that the Region could supply a ready inventory of high technology space and employees, Sacramento could position itself to capture a significant share of these firms. Already, UC Davis is regularly contacted by start-ups seeking wet lab¹⁷ space large enough to accommodate growing businesses started in the Bay Area.¹⁸
- UC Davis is undergoing a major effort to expand life and health sciences including augmented research funding and planned space to support this growth. In 2004, UC Davis ranked 15th nationwide in research funding, and since 1994, its research funding levels have more than tripled. Its Medical Center—located downtown—carries National Cancer Institute status (one of only two in Northern California), and UC Davis received \$40 million from the National Science Foundation to create the Center for Biophotonics Science and Technology.¹⁹ In addition, it is creating a new Research Park—in Davis—with 175,000 square feet of wet lab space, while UC Connect and the Industry Technology Alliance are working to foster inventions and the transfer of research innovation to the private market. Other UC Davis initiatives include the Western Institute for Food Safety and Security, extensive research in the Biomedical Engineering department, participation in the California Institute of Food and Agricultural Research, and the planned Mondavi Institute for Wine and Food Science.²⁰
- **Nascent incubators are starting to assist the transfer of biotechnology to the business sector.** West Sacramento’s Technology Development Center, which includes wet lab space, is planning an incubator as an integral component of the Center.²¹ The Sacramento Area Region Technology Alliance (SARTA), founded by a public-private partnership involving UC Davis and the Sacramento Metropolitan Chamber of Commerce, fosters entrepreneurial growth and attracts investment capital to the Region by offering start-up resources to development-stage companies, tracking 700-800 technology firms on a regular basis (20 to 25 percent of which are life-sciences related), and serving firms located at the 28,000 square foot McClellan Technology Incubator.²²

16 Junfu Zhang, PPIC, *High-Tech Start-Ups and Industry Dynamics in Silicon Valley*, 2003.

17 “Wet labs” are office or industrial space equipped to handle the laboratory needs of biotechnology, pharmaceutical, and life sciences companies.

18 Department of Technology Alliance, March 2005.

19 “Biophotonics” is the science of using light to understand the inner workings of cells and tissues in living organisms.

20 Sedway Group, *A Study of the Economic Impact of the University of California, Davis, 2001–2002*, 2004.

21 Sacramento Business Journal, “Investors Start West Sac Lab, Plan Incubator,” April 8, 2004.

22 www.sarta.org; www.mtisac.com; Interview with SARTA, March 2005.

The Region's Role: 1990–Present

State Government

As the seat for California's government, Sacramento has been and will continue to be strongly influenced by the presence of government. While military base closures (e.g., McClellan Air Force Base) and other related trends resulted in the loss of more than 20,000 jobs in the Region between 1990 and 2003, State and Local Government added over 50,000 jobs during this same period (Table 2.6-12). State Government grew at approximately 1.6 percent annually between 1990 and 2003, but every component of Local Government (3.4 percent annually) far outpaced Regional population growth between 1990 and 2000 (two percent annually):

- Local Government Education: 3.7 percent annual growth.
- County Government: 3.1 percent annual growth.
- City Government: 3.5 percent annual growth.
- Other Local Government: 2.2 percent annual growth.

Table 2.6-12. Government Employment in Sacramento Region: 1990-2003

Sector	Specialization 2003	1990-2003 Job Growth			1990-2003 Shift Shares		
		Absolute	Percent	Avg Ann. Growth	Statewide Growth	Industry Mix	Regional Factors
Government	1.51	30,300	18.8%	1.3%	15.3%	1.7%	1.8%
Federal Government	0.69	-20,100	-68.4%	-8.5%	15.3%	-43.8%	-39.8%
Department of Defense	0.63	-15,900	-89.3%	-15.8%	15.3%	-70.7%	-33.9%
Other Federal Government	0.71	-4,200	-36.2%	-3.4%	15.3%	-28.7%	-22.8%
State and Local Government	1.61	50,300	38.1%	2.5%	15.3%	11.3%	11.5%
State Government	3.43	15,700	22.8%	1.6%	15.3%	8.2%	-0.6%
State Government Education	0.52	600	11.8%	0.9%	15.3%	9.5%	-13.0%
Other State Government	5.77	15,000	23.5%	1.6%	15.3%	7.2%	1.1%
Local Government	1.10	34,700	55.0%	3.4%	15.3%	12.2%	27.5%
Local Government Education	1.21	22,800	61.0%	3.7%	15.3%	16.3%	29.4%
County	1.13	6,400	48.5%	3.1%	15.3%	5.7%	27.5%
City	0.68	3,400	56.7%	3.5%	15.3%	-1.5%	42.9%
Other Local Government	1.11	2,100	32.3%	2.2%	15.3%	32.5%	-15.5%

Source: EDD (2005) and Economic & Planning Systems, Inc. (2005).

Affordability and Diversity

The basis for Sacramento's growing economy has been its relatively inexpensive housing stock, its proximity to the Bay Area, its role as the state capital, and its traditional agricultural economy. Table 2.6-13 also shows that population growth in the Region was led by Hispanic/Latino, Asian/Pacific Islander, and other ethnic groups.

Table 2.6-13. Sacramento Region Demographics

Item	1990	% of Total	2000	% of Total	Percent Change
Sacramento Region					
Population ¹	1,549,000		1,886,000		22%
Households ²	599,000		713,000		19%
Owner Occupied ³	58.7%		61.1%		
Renter Occupied ³	41.3%		38.9%		
Household Size	2.59		2.65		
Ethnic Composition ^{2,4}					
Caucasian	1,173,000	76%	1,231,000	65%	5%
African-American	102,000	7%	127,000	7%	25%
Hispanic or Latino	190,000	12%	306,000	16%	61%
Asian or Pacific Islander	120,000	8%	181,000	10%	51%
Other	19,000	1%	20,000	1%	5%
Two or more races	n/a	-	71,000	4%	-
Subtotal ⁵	1,604,000	104%	1,936,000	103%	21%
Avg. Household Income ²	\$30,407	-	\$43,740	-	44%
Median Rent (Gross) ⁶	\$637	-	\$637	-	0%

Source: Economic & Planning Systems, Inc. (2005)

1 SACOG, *Population Estimates and Housing Units Inventory* (2002).

2 SRRI, *Placer County Econ/Demo Profile*.

3 US Census Bureau.

4 Bay Area Average Annual Growth computed from Census figures reported at www.bayareacensus.ca.gov.

5 Sums to greater than 100 percent because those of Hispanic origin may be of any race.

6 PPIC, *In Short Supply* (2004); figures are an average for the six county region.

Continuing through the 1990s, Sacramento County (County) has grown more slowly than the Region.²³ This slower growth rate can be partially explained by the City's more mature level of development, as well as environmental constraints that prevented growth in some of the City's prime growth areas (e.g., North Natomas) during the 1990s. Instead, residential growth was displaced to the Region's burgeoning "edge cities"—Roseville and Folsom—resulting in a dynamic that eventually increased the attractiveness of these cities as job centers competing directly with Sacramento. The County (and the City) experienced moderate job growth rates of one-third percent annually over the period reflecting the fast-growing peripheral economies in the Region.

While the City continues to represent approximately one-third of the Region's employment, several cities have established themselves as independent employment nodes (Table 2.6-14). Together, Rancho Cordova, Folsom, Roseville, and West Sacramento comprise nearly

23 Between 1990 and 2000, the County grew 1.6 percent annually, as shown in Table 2.4-2 in Section 2 of the Technical Background Report. During this same time period, the Region grew 2.0 percent annually (Table 2.6-3).

17 percent of the Region’s employment. In addition, Elk Grove, Rocklin, and El Dorado Hills are emerging as new employment nodes. Figure 2.6-3 maps these nodes.

Table 2.6-14. Employment within the Sacramento Region: 1990-2000

Geography	1990	2000	Absolute Change	Percent Change	Region Share 1990	Region Share 2000
Six County Region Total	696,000	791,000	95,000	14%	100.0%	100.0%
City of Sacramento	268,000	258,000	(10,000)	-4%	38.5%	32.6%
Major Competing Job Centers						
Roseville	28,000	46,000	18,000	64%	4.0%	5.8%
Rancho Cordova	26,000	39,000	13,000	50%	3.7%	4.9%
Folsom	11,000	25,000	14,000	127%	1.6%	3.2%
West Sacramento	18,000	24,000	6,000	33%	2.6%	3.0%
Subtotal	83,000	134,000	51,000	61%	11.9%	16.9%
Emerging Competing Job Centers						
Elk Grove	7,000	15,000	8,000	114%	1.0%	1.9%
Rocklin	5,000	10,000	5,000	100%	0.7%	1.3%
El Dorado Hills	2,000	5,000	3,000	150%	0.3%	0.6%
Subtotal	14,000	30,000	16,000	114%	2.0%	3.8%
Stable Competing Job Centers						
Woodland	18,000	20,000	2,000	11%	2.6%	2.5%
Davis	20,000	19,000	(1,000)	-5%	2.9%	2.4%
Auburn	11,000	10,000	(1,000)	-9%	1.6%	1.3%
Subtotal	49,000	49,000	0	0%	7.0%	6.2%
Other Job Centers						
Yuba City	14,000	16,000	2,000	14%	2.0%	2.0%

Source: Census Transportation Planning Package, Part 1 and 2 files, 2000.

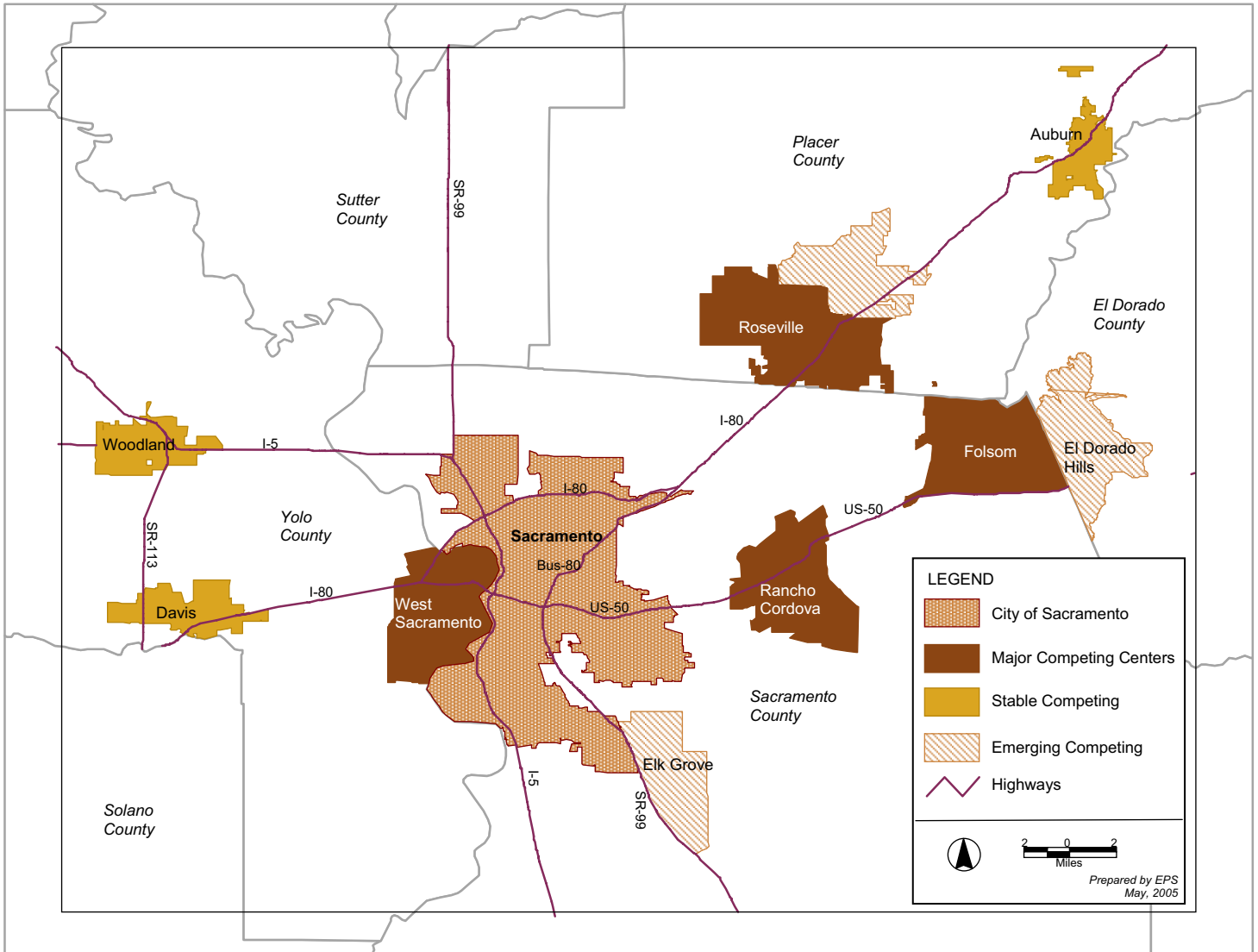
Executive Residential Nodes

The creation of these employment nodes largely has been driven by residential development patterns, namely the creation of executive-style housing outside the City. While the Region’s average per-capita income was nearly \$22,000 and household income was roughly \$46,000, Table 2.6-15 indicates that higher-income residents and households are concentrated in El Dorado County (Folsom), and Placer County (Roseville and Rocklin). Elk Grove also now appears to be an emerging high-income residential node.

Competitive Office and Industrial Markets

The Region has historically been characterized as a commercial market serving four purposes: back office for the Bay Area, business and financial office for the Valley, warehouse distribution for the Valley, and cost-effective manufacturing expanding from the Bay Area.

Figure 2.6-3. Competing Employment Centers in the Region



Source: Economic & Planning Systems, Inc. (2005).

Table 2.6-15. Median Incomes in the Sacramento Region

Jurisdiction	Per Capita		Household	
	Median Income	% of Sac. Region	Median Income	% of Sac. Region
Cities				
Folsom	\$31,210	144%	\$73,175	160%
Roseville	\$27,021	125%	\$57,367	125%
Elk Grove	\$21,587	100%	\$60,661	133%
Sacramento	\$18,721	86%	\$37,049	81%
Woodland	\$18,042	83%	\$44,449	97%
West Sacramento	\$15,245	70%	\$31,718	69%
Counties				
Placer	\$27,963	129%	\$57,535	126%
El Dorado	\$25,560	118%	\$51,484	113%
Sacramento	\$21,142	98%	\$43,816	96%
Yolo	\$19,365	89%	\$40,769	89%
Sutter	\$17,428	81%	\$38,375	84%
Yuba	\$14,124	65%	\$30,460	67%
Sacramento Region ¹	\$21,645	100%	\$45,758	100%
California	\$22,711		\$47,493	

Source: U.S. Census Bureau 2000 Summary File SF3 files.

1. Represents a weighted average of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba Counties.

The Region’s development as a multinodal region, as well as an increasingly diverse economy, also is revealed through trends in commercial development (Tables 2.6-16 to 2.6-18):

- **Nodal development has resulted in a heavily suburban office market.** While inventory in the Central Business District (CBD) increased from seven million to over 9½ million square feet, the Suburban inventory increased from 20 million square feet in 1997 to nearly 34 million square feet in 2003 (nearly doubling).
- **Economic diversification and maturation is evident through the steady rise of Class A space in the CBD and Suburban market.** Between 1997 and 2003, the share of Class A space in the CBD rose from 57 percent to 73 percent, while its share in the Suburban market increased from 19 percent to 24 percent. Lease rates for Class A space in suburban markets also have been strong, averaging around \$30 annually (full-service).
- **Roseville/Rocklin competes with downtown as one of the premier professional office locations and has dominated absorption in the Region.** Roseville/Rocklin’s straightforward entitlement and permitting processes, proximity to executive neighborhoods, and growing inventory of Class A space attracts professional firms seeking office space. Its Class A space lease rates of \$30 annually (\$2.50 monthly) are second only to downtown.

Table 2.6-16. Commercial Real Estate Trends: Sacramento Region

Item	1997	2000	2003
OFFICE MARKET TRENDS			
Inventory in Sq. Ft.			
Total Inventory	26,282,000	30,605,000	43,648,000
Central Business District	26%	23%	22%
Suburban	74%	77%	78%
Central Business District	6,946,000	7,141,000	9,408,000
Class A	57%	60%	73%
Class B	43%	40%	27%
Suburban Market	19,336,000	23,464,000	34,240,000
Class A	19%	26%	24%
Class B	81%	74%	76%
Vacancy Rate			
Central Business District			
Class A	2.8%	1.9%	8.3%
Class B	14.0%	10.6%	8.2%
Suburban Market			
Class A	10.1%	9.4%	10.7%
Class B	9.2%	9.2%	13.6%
INDUSTRIAL MARKET TRENDS			
Total Inventory in Sq. Ft.			
Warehouse/Distribution	112,500,000	128,500,000	159,630,000
Manufacturing	85%	80%	75%
High Tech/R&D	5%	10%	15%
	10%	10%	10%
Vacancy Rate			
	9.5%	6.5%	11.0%

Source: SIOR, *Sacramento Office Survey* (1998, 2001, 2004); *Sacramento Industrial Survey* (1998, 2001, 2004).

Note: All figures are rounded to nearest thousand square feet.

Table 2.6-17. Sacramento Region Prices Per Square Foot: Office

Item	1997	2000	2003
Central Business District			
Weighted Avg Lease Rate			
Class A	\$22.10	\$23.18	\$30.00
Class B	\$17.70	\$18.38	\$21.00
Weighted Avg Sale Price			
Class A	\$160.00	\$188.00	\$238.00
Class B	\$110.00	\$114.00	\$176.00
Suburban Markets			
Weighted Avg Lease Rate			
Class A	\$21.00	\$21.48	\$24.00
Class B	\$16.20	\$17.65	\$19.80
Sale Price			
Class A	\$140.00	\$121.00	\$213.00
Class B	\$107.00	\$134.00	\$137.00

Source: SIOR, *Sacramento Office Survey* (1998, 2001, 2004); *Sacramento Industrial Survey* (1998, 2001, 2004).

Table 2.6-18. Commercial Real Estate Comparison: 2004

Item	Sacramento Region	Bay Area	Fresno
OFFICE MARKET TRENDS¹			
Inventory in Sq. Ft.			
Total Inventory	41,538,000	98,822,000	17,777,000
Central Business District	21%	57%	17%
Suburban	79%	43%	83%
Central Business District	8,925,000	56,196,000	3,003,000
Class A	61%	73%	46%
Class B	39%	27%	64%
Suburban	32,613,000	42,626,000	14,774,000
Class A	38%	30%	49%
Class B	62%	70%	51%
Vacancy Rate			
Central Business District			
Class A	14%	19%	10%
Class B	17%	14%	5%
Suburban			
Class A	18%	19%	8%
Class B	17%	14%	8%
INDUSTRIAL MARKET TRENDS²			
Total Inventory in Sq. Ft.³			
Warehouse/Distribution	137,939,000	342,087,000	50,233,000
Manufacturing	75%	39%	100%
High Tech/R&D	15%	22%	0%
	10%	39%	0%
Vacancy Rate			
	11%	13%	9%

Source: SIOR; Sacramento Office Survey; Sacramento Industrial Survey; Fresno Industrial Survey; San Jose Office Survey; San Jose Industrial Survey; San Francisco Office Survey; Oakland Industrial Survey; (2005).

Notes: All figures are rounded to nearest thousand.

1. Bay Area figures are compilation of office markets in San Francisco and San Jose.

2. Bay Area figures are compilation of industrial markets in Oakland and San Jose.

3. Figure for Sacramento Region is lower than reported in Table 2.6-16 because of a change in SIOR's method of calculating industrial space.

- **As the urban center of the Region, downtown serves as the center for State government and associated businesses and groups.** The State leases approximately 4.3 million square feet of space in downtown's private office market representing, in 2004, almost 60 percent of its occupied space.²⁴ The

24 SIOR Sacramento Office Survey for 2004 reports that the Sacramento CBD contained roughly 8.9 million total square feet of privately-owned office space; 1.4 million square feet of this space was vacant, leaving 7.5 million square feet of occupied space in the private office market. Please note that starting in 2004, SIOR's inventory figure excludes buildings smaller than 5,000 square feet and all government-owned buildings; previously the inventory figure excluded buildings smaller than 10,000 square feet and a limited number of government-owned buildings. Therefore, the 2004 figure should not be compared to previous years.

remaining space is occupied by other private users such as financial, legal, and businesses associated with state lobbying.

- **The State owns and occupies roughly 9.7 million square feet of space in downtown.** In addition, the State has recently built or is building several new, large office projects:
 - › The East End Complex (two million square feet)²⁵ built between 2000 and 2004;
 - › CalPERS Building (560,000 square feet) currently under construction;²⁶ and
 - › CalEPA Building (950,000 square feet) completed in 2001.²⁷

Industrial markets have been affected by these trends:

- **Trends indicating California’s role as a distribution node increase the importance of air and highway accessibility.** This trend places the Stockton area in a competitive position with Sacramento for the State as a whole, though Sacramento can maintain its position as a distribution node for the northern part of the Valley and for Northern Nevada.
- **The Region’s industrial base is beginning to diversify.** While the Region’s industrial inventory remains oriented toward warehouse distribution, it also has carried a stable supply of high technology/Research and Development (R&D) space and an increasing amount of manufacturing space. Tables 2.6-16 and 2.6-17 highlight Sacramento’s path toward industrial diversification. The Bay Area’s industrial inventory (345 million square feet) is fairly diverse, with 40 percent each to warehouse distribution and high technology/R&D, and the balance (20 percent) dedicated to manufacturing. Sacramento’s 140 million square feet of inventory is weighed heavily toward warehouse distribution but carries a small representation of manufacturing and high technology/R&D; note that the Region absorbed just over 2 million square feet of total industrial space in 2004 alone.^{28,29}
- **The Region exhibits high lease rates for high technology/R&D.** Available wet lab space is in very short supply in the Region, pushing prices up—as of the 4th quarter of 2004, rents were \$7.20 annually.³⁰

Retail Market Performance

As Table 2.6-19 shows, retail development in the Region varied in 2003:

- **Placer County’s super-regional retail centers and auto sales dealers made it the highest performing retail sales county in the Region in 2003.** Placer

25 www.buildings.com “New Construction Awards 2004: Eureka!”
 26 http://california.construction.com “CalPERS \$153 million Complex to Be Completed This Summer” April 2005 Feature Story.
 27 www.tprge.com. Thomas Properties Group manages and operates the CalEPA building downtown.
 28 SIOR, *Sacramento Office Survey*, 2005.
 29 Any estimate of employment corresponding to industrial space absorption would require a significant level of additional information, including employment density, which can range from 500 square feet per employee to over 10,000 square feet per employee depending on the type of industrial user.
 30 CB Richard Ellis, Sacramento Industrial Market Interview, 4Q 2004.

County carries a surplus of roughly \$6,500 per capita in retail sales, comprising primarily general merchandise stores, specialty retail sales, and auto dealers and auto supplies.

- **The County's retail sales level was very close to the statewide average.** The County exhibited a slight loss in apparel, eating and drinking, and service stations. Since 2003, further retail development in both the County and El Dorado County may have higher retail sales levels.

Table 2.6-19. Retail Leakage Analysis: Sacramento Region (in \$2003)

Type of Business	Per Capita Excess/(Leakage) ¹						Region
	El Dorado	Placer	Sacramento	Sutter	Yolo	Yuba	
Retail Stores							
Apparel stores	(\$272)	\$92	(\$36)	(\$223)	(\$271)	(\$399)	(\$76)
General Merchandise stores	(\$662)	\$814	\$170	\$1,012	(\$569)	(\$758)	\$136
Specialty stores group	(\$538)	\$727	\$187	(\$1,246)	(\$474)	(\$1,246)	\$46
Food stores	\$232	\$329	\$77	\$264	\$152	(\$47)	\$134
Eating and drinking places	(\$219)	\$307	(\$83)	(\$314)	(\$224)	(\$623)	(\$78)
Home furnishings and appliances	(\$268)	\$152	\$80	(\$138)	(\$241)	(\$330)	\$14
Bldg. material & farm implements	(\$161)	\$584	\$224	\$1,009	\$146	\$251	\$269
Auto dealers & auto supplies	(\$469)	\$2,910	\$96	\$41	\$25	(\$1,216)	\$392
Service stations	(\$127)	\$181	(\$63)	(\$208)	\$152	(\$124)	(\$24)
All other retail stores	(\$60)	\$380	\$14	\$1,097	\$355	\$66	\$133
Total (rounded)	(\$2,500)	\$6,500	\$700	\$1,300	(\$900)	(\$4,400)	\$1,000

1. Represents the difference between a city's per capita level of taxable transactions and California's per capita level of taxable transactions. Source: Department of Finance-Demographic Research Unit; and California State Board of Equalization (2003).

Regional Housing Trends

Residential Market

Single-Family

The Sacramento market is and will continue to be dominated by single-family development, though overall densities likely will increase over time. However, the new small lot communities provide a distinguishable product from that of the more traditional larger lot products. Builders are preparing for that shift by planning to make the communities more compact and more affordable. Development of the Natomas Joint Vision Area and the Delta Shores project will provide the majority of single-family housing in the City.

Multifamily

Multifamily development is flourishing in the Region, where both apartment and condominium development are occurring at a much larger scale than during the 1980s and 1990s. Different segments of the population previously living a suburban lifestyle are now seeking urban living, and these sectors are growing in the Region. According to the Urban Land Institute, the following factors will produce demand for multifamily housing over the next 10 years:

- A rise in the number of young adults will increase demand for entry-level apartments;

- A continued manifestation of mobile adults who prefer to rent, rather than own, luxury apartments, or prefer not to maintain a single-family detached home; and
- Seniors increasingly attracted to urban living seek homes near shopping and public transportation—amenities often provided by urban living.³¹

Regional Distribution of Housing

As discussed earlier in this section, the Region has solidified its status as a regional hub that is competitive with the Bay Area in terms of providing comparably affordable and accessible housing. On an annual percentage basis, population and employment growth in the Region has exceeded that of the Bay Area in the past seven years. The Region's permit volume is now equal to that of the entire nine-county San Francisco Bay Area. The Region is one of the nation's top residential markets, though recently the industry has expressed concerns regarding increasing cost structures of land and unit development.

An indication of the relative strength of the regional housing market is the increased volume of permitting activity. Residential building permits issued in the Region from 1985 to 2004 reflect the cyclical economic conditions during that time period, with a decline of permits issued in the early 1990s. Construction activity increased substantially in the late 1990s to 2004, as permit growth in the Region consisted primarily of large lot, single-family units in master planned communities. Table 2.6-20 provides a detailed account of single-family and multifamily permits for the City, County, Region, and Bay Area from 1985 to 2004. Figure 2.6-4 depicts total permits for these areas.

The County has consistently dominated the Region in terms of overall housing permit activity (Table 2.6-21). As a total percentage of new housing growth, the County claimed more than 55 percent of the total number of permits approved in the Region. Of the permits approved in the County, the City makes up almost 35 percent of the permits in the County. The City has incurred half of this activity during the last four years, particularly with active development in North Natomas and Meadowview.

The long-term average number of annual permits from 1985 to 2004 for all unit types in the City has been approximately 2,300 per year (Table 2.6-21). Since 2000, the average number of permits issued has been about 4,000 per year, largely because of new development in North Natomas. This represents almost 45 percent of the total permits in the Region during this time period.

Although these new developments in the City typically consisted of large lot single-family housing, recent trends indicate a movement toward higher density products, particularly in the downtown area. The City could serve as the major metropolitan center of the Region. The provision of a greater diversity of housing, particularly in infill locations and through higher density product, could achieve a competitive edge to capturing the projected increases in retiring baby boomers and young professionals relative to neighboring cities and counties.

Transportation and Land-Use Linkages

A vital principle underlying smart development practices is the relation between transportation and land use. As growth continues to the edges of the Region, proximity of employment to housing becomes an important factor in determining where consumers will live as well as for

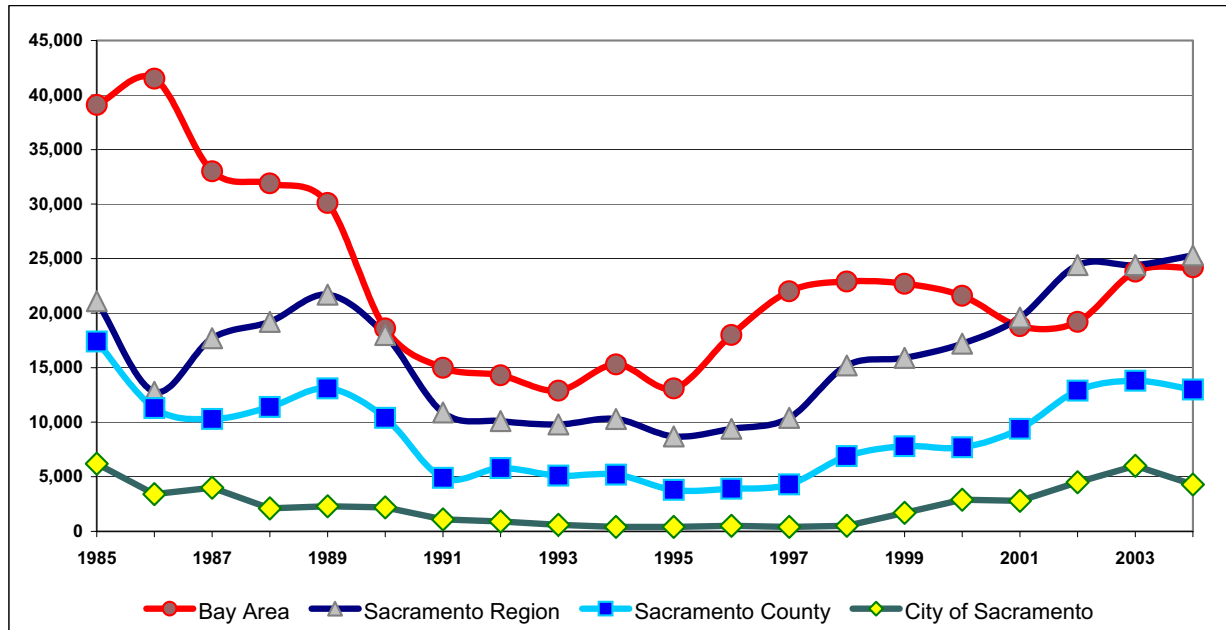
31 The Congress for the New Urbanism, *The Coming Demand*, 2003.

Table 2.6-20. Residential Building Permits: 1985-2004

Year	Sacramento Region			Sacramento County			City of Sacramento			Bay Area				
	SF	MF	Total	SF	MF	Total	Regional Share	SF	MF	Total	Regional Share	Total	Annual % Change	Sac Region as % of Bay Area
1985	11,100	10,000	21,100	8,700	8,700	17,400	82.5%	2,200	4,000	6,200	29.4%	39,100	-	54.0%
1986	8,900	3,900	12,800	7,700	3,600	11,300	88.3%	2,800	600	3,400	26.6%	41,500	6.1%	30.8%
1987	11,600	6,100	17,700	6,200	4,100	10,300	58.2%	1,800	2,200	4,000	22.6%	33,000	-20.5%	53.6%
1988	14,400	4,800	19,200	8,200	3,200	11,400	59.4%	1,300	800	2,100	10.9%	31,900	-3.3%	60.2%
1989	17,300	4,400	21,700	10,600	2,500	13,100	60.4%	1,600	700	2,300	10.6%	30,100	-5.6%	72.1%
1990	14,700	3,300	18,000	8,400	2,000	10,400	57.8%	1,900	300	2,200	12.2%	18,600	-38.2%	96.8%
1991	8,600	2,300	10,900	4,300	600	4,900	45.0%	900	200	1,100	10.1%	15,000	-19.4%	72.7%
1992	8,800	1,300	10,100	4,800	1,000	5,800	57.4%	600	300	900	8.9%	14,300	-4.7%	70.6%
1993	8,900	900	9,800	4,500	600	5,100	52.0%	500	100	600	6.1%	12,900	-9.8%	76.0%
1994	9,300	1,000	10,300	4,600	600	5,200	50.5%	400	0	400	3.9%	15,300	18.6%	67.3%
1995	8,000	700	8,700	3,500	300	3,800	43.7%	400	0	400	4.6%	13,100	-14.4%	66.4%
1996	8,500	900	9,400	3,600	300	3,900	41.5%	400	100	500	5.3%	18,000	37.4%	52.2%
1997	9,000	1,400	10,400	3,800	500	4,300	41.3%	300	100	400	3.8%	22,000	22.2%	47.3%
1998	11,200	4,000	15,200	5,200	1,700	6,900	45.4%	400	100	500	3.3%	22,900	4.1%	66.4%
1999	11,700	4,200	15,900	5,700	2,100	7,800	49.1%	1,300	400	1,700	10.7%	22,700	-0.9%	70.0%
2000	14,000	3,200	17,200	6,400	1,300	7,700	44.8%	2,100	800	2,900	16.9%	21,600	-4.8%	79.6%
2001	15,700	3,900	19,600	7,600	1,800	9,400	48.0%	2,700	100	2,800	14.3%	18,800	-13.0%	104.3%
2002	19,800	4,600	24,400	10,400	2,500	12,900	52.9%	3,200	1,300	4,500	18.4%	19,200	2.1%	127.1%
2003	19,600	4,800	24,400	10,500	3,300	13,800	56.6%	3,600	2,400	6,000	24.6%	23,800	24.0%	102.5%
2004	21,700	3,600	25,300	10,200	2,800	13,000	51.4%	3,100	1,200	4,300	17.0%	24,200	1.7%	104.5%
Totals														
1985-2004	252,800	69,300	322,100	134,900	43,500	178,400	55.4%	31,500	15,700	47,200	26.5%	458,000	-	70.3%
1995-2004	139,200	31,300	170,500	66,900	16,600	83,500	49.0%	17,500	6,500	24,000	28.7%	206,300	-	82.6%

Note: All figures rounded to the nearest 100 permits.
Source: Construction Industry Research Board (1985-2005).

Figure 2.6-4 Annual Building Permit Activity in Select Areas: 1985-2004



Source: Construction Industry Research Board (1985-2005).

Table 2.6-21. Average Permits per Year

Time Span	Sacramento				Bay Area	
	Region	County	Regional Share	City	Regional Share	Sac Region as % of Bay Area
	Permits ¹	Permits ¹		Permits ¹		
1985-1994	15,200	9,500	62.5%	2,300	15.1%	25,200
1995-1999	13,900	5,300	38.1%	700	5.0%	19,700
2000-2004	13,600	11,400	83.8%	4,100	30.1%	21,500
1985-2004	16,100	8,900	55.3%	2,400	14.9%	22,900

Note: All figures rounded to the nearest 100 permits.

1. Represents the average annual permits.

Source: Construction Industry Research Board (1985-2005).

employers deciding where to locate their businesses. Access to public transportation and ease of commute are key attractions for business recruitment and retention efforts.

Despite increased commute times, many consumers will continue to choose to locate in peripheral areas in the County, Placer County, and El Dorado County, among other areas, to satisfy their preference for lower density housing, high-quality schools, and scenic foothill locations. These consumers are likely to live in the suburban areas of the Region such as Folsom, Roseville, and Elk Grove and commute to Employment Centers in Sacramento. Employment nodes are developing closer to these fast-growing regions north and east of the County.

The Region's transportation system can ease the pressure on highway infrastructure to accommodate projected residential and employment growth. In addition, a series of higher

density residential nodes distributed around downtown could develop as a result of the Delta Shores project and the Natomas Joint Vision Area. If these projects follow the principals of the Blueprint scenario, they likely would take the form of large mixed use projects with at least some element of town center nodes and multiple transit alternatives.

Supply Trends

As indicated earlier in this section, the historical supply of new housing has increased dramatically over the past 10 years. Regionally, available housing supply is decreasing somewhat, as developable land becomes more scarce and more expensive. Consequently, developers have begun to turn to producing smaller lot, higher density products that allow developers to maximize their cost margins as well as reflect policy trends toward higher density development.

However, until recently, the majority of the high-density projects have been built on a small scale, usually fewer than 100 units, and usually rental product. Based on residential projects proposed in the Region, particularly in the City, the following trends likely will impact the City's future development:

- Changing household demographics;
- Interest in higher density product;
- Increased development in infill sites;
- Mixed use development; and
- Development near workplace or transit opportunities.

Definition of Key Market Segments

Based on a review of ongoing residential projects and other real estate data, these four major residential market segments are present in the City:

- **Multifamily.** Multifamily units typically include any residential building with more than three units, such as garden-style apartment homes or more urban three- or four-story residential complexes. These units are usually rental units.
- **Attached For-Sale Housing Units.** While this category is typically considered to be a multifamily product, this category distinguishes between rental apartment units and for-sale condominium and townhome products that attract buyers who cannot afford or do not want to purchase a detached single-family home. The target market for this product category includes households earning moderate incomes, single professionals, and trade-down buyers such as empty-nesters and retirees. Units typically range in size from 1,000 square feet to 2,500 square feet and are priced between \$250,000 and \$500,000 depending on size and location.
- **Entry-Level Single-Family Units.** These single-family homes are usually built on small or standard-size lots that are smaller than 6,500 square feet. The homes typically range in size from 1,750 square feet to 2,500 square feet and are priced between the mid-\$200,000s and mid-\$500,000s.
- **Move-Up/Semi-Custom/Custom Single-Family Units.** These homes are typically built on large lots of at least 6,500 square feet and priced above \$500,000. These units would include housing suitable for executives.

Density

High land prices have made denser developments much more attractive to builders. In addition, home prices for higher density units can be more affordable than their single-family large-lot counterparts.

Traditionally, new homes in the Region have been built at a gross density of five to six units per acre. A renewed interest to develop higher density residential product in the Region, especially in downtown, has surfaced. New housing in Sacramento is becoming increasingly dense. Proposed projects in Sacramento have the highest average density in the Region, with approximately ten units per acre.

Challenges to Infill Development

Several challenges are present in developing infill and redevelopment sites:

- Length of approval and entitlement process;
- Speculation on land;
- High cost of land assembly because of small parcels;
- Increased cost to construct units (building materials and potential construction-defect litigation);
- Aging infrastructure; and
- Increased involvement by interest groups and stakeholders.

These challenges lead to higher costs of development. Initially, it appeared that successful infill development in Sacramento required a City subsidy. Based on recent development proposals, it appears that it is becoming easier for developers to construct infill without a subsidy. However, the extent to which these privately financed developments pass costs on to the home buyer has yet to be determined. Although several high-rise condominium projects recently have been proposed with more than 1,000 units, market conditions could conceivably price those homes at levels unaffordable for most buyers.

The Future of the Region's Economy: Challenges Facing the Region

As stated previously, the Region faces several challenges over the next 25 years:

- Diminishing affordability;
- Changing dynamics in the Valley; and
- Acclimation into the global marketplace.

Diminishing Affordability

The affordable housing climate that has drawn a wide variety of households to the Region is disappearing. Table 2.6-22 shows the relative affordability of Sacramento compared to the State and other regions. Although the Region still is more affordable compared to the Bay Area and the State, the Region's degree of affordability has decreased over the past three years.

Table 2.6-22. Affordability Index for Select Areas and Years

Location	1984	1989	1994	1999	2000	2001	2002	2003	2004
Sacramento	38%	44%	56%	58%	53%	51%	45%	41%	29%
San Francisco Bay Area ¹	14%	15%	33%	27%	18%	21%	20%	20%	15%
Central Valley Area ²	N.A.	N.A.	54%	54%	48%	47%	41%	37%	29%
California									
Detached Homes	23%	21%	39%	37%	31%	34%	29%	26%	20%
Condominiums	30%	37%	52%	50%	44%	46%	42%	38%	29%

Notes: Figures are the percentage of households who can afford a median-priced home.

1. Includes Alameda, East Bay, Berkeley, Contra-Costa, Marin, North Solano, Oakland, San Benito, San Francisco, San Mateo, Santa Clara, and Solano.

2. Includes Sacramento, Bakersfield, Central Valley, Fresno, Kern River, Lake Isabella, Lodi, and Merced.

Source: California Association of Realtors, "2005 California Housing Market Annual Summary."

Statewide, the average annual increase of median home prices for resale homes from 1994 to 2002 was 6.7 percent, as shown in Table 2.6-23. The median sales price in the Region also increased, but by only 4.9 percent annually during this same time period. Compared to prices in the Bay Area and the Valley, the Region shows a competitive advantage in terms of relative affordability, despite recent declines in the Region's affordable housing.

Table 2.6-23. Median Home Prices for Select Areas: 1994-2002

Year	Sacramento Region		SF Bay Region		Stockton-Lodi MSA ²		California
	Avg Price ¹	% of CA	Avg Price ¹	% of CA	Avg Price ¹	% of CA	Avg Price ¹
1994	\$153,000	94%	\$210,000	129%	n/a	n/a	\$163,000
1995	\$145,000	91%	\$213,000	134%	\$124,000	78%	\$159,000
1996	\$131,000	81%	\$220,000	137%	\$121,000	75%	\$161,000
1997	\$134,000	79%	\$237,000	140%	\$125,000	74%	\$169,000
1998	\$140,000	76%	\$258,000	140%	\$121,000	66%	\$184,000
1999	\$150,000	77%	\$289,000	147%	\$140,000	71%	\$196,000
2000	\$163,000	74%	\$359,000	162%	\$152,000	69%	\$221,000
2001	\$191,000	81%	\$383,000	162%	\$178,000	75%	\$236,000
2002	\$225,000	82%	\$411,000	150%	\$219,000	80%	\$274,000
Avg Growth ³	4.9%		8.8%		8.5%		6.7%

Notes:

1. Prices are for all homes. All prices are rounded to the nearest thousand dollars.

2. Comprises San Joaquin County.

3. Represents the average annual growth between 1994 and 2002 except Stockton-Lodi MSA, which is between 1995 and 2002.

Source: RAND California (2005).

Factors Driving Affordability

Several trends in real estate and the construction industry are decreasing the affordability of owning a home in the Region.

- Entitlement Time Requirements.** An average time for a proposal to be processed in the Region is typically several years, though some can take more than a decade before the homes reach the market.

- **Increased Land Costs.** Record levels of homebuilding have caused the price of lower density land to surge in the Region, partially because of the scarcity of available developable land as well as the entitlements (or lack thereof) on the purchased land. In the Region, acreage with tentative map status can reach a per-acre cost of up to \$600,000, nearly double the price paid for similar land in 2002. These higher Greenfield development costs also have the effect of making infill development competitive despite the expense of dealing with brownfields issues, resizing infrastructure, and other barriers to infill development.

Over the past five years, home buyers have faced extraordinary circumstances in which buying a home is more competitive and less affordable.

- **Income of Prospective Buyers.** The Region presents relatively affordable housing opportunities for workers employed in the surrounding Bay Area counties. The income characteristics of these prospective buyers from the Bay Area are likely to be higher than those of existing residents in the Region. The 2000 median household income for the Region was estimated at approximately \$45,000, as shown earlier in Table 2.6-15. Based on the new home sales prices discussed in this section, however, the Region's households earning the estimated median area income cannot afford to buy a new home.
- **First Time vs. Move-Up Buyers.** As new home prices become significantly higher than the affordability level of the majority of the City's population, the new housing market is extending beyond the reach for many local first-time home buyers. Instead, residential demand is driven by new households that are moving into the area and by move-up home buyers in the Region who have accumulated home equity during the recent housing price appreciation. The California Association of Realtors (CAR), which tracks the characteristics of first-time and move-up home buyers, reports that in the past five years the percentage of first-time home buyers in California has decreased from 42 percent in 1999 to 31 percent in 2003. Conversely, the number of repeat and move-up home buyers increased from 58 percent of the home buying market in 1999 to nearly 70 percent in 2003.
- Table 2.6-24 provides a regional comparison of increases in home sales prices relative to that of apartment rents. Home sales prices are increasing at a faster pace than average apartment rents, indicating that there is a widening gap between the cost of buying a home compared to the cost of renting.
- **Role of Interest Rates.** Interest rates in the past five years have reached record lows, resulting in a lower cost to borrow money, and consequently, higher borrowing potential for home buyers, benefiting both first-time and move-up home buyers. Nationally, mortgage interest rates have decreased from 7.4 percent in 1999 to 5.8 percent in 2003. Interest rates are expected to continue to increase gradually in the near future, negatively impacting the borrowing capacity of prospective home buyers and their ability to buy more expensive homes. As mortgage rates and home prices continue to rise, more home buyers are forced to look to alternative financing mechanisms to afford a home, including interest-only loans, 100-percent financing, and adjustable rate mortgages.

Table 2.6-24. Comparison of Housing Prices to Rents by Region

Metropolitan Market	Housing Price		Apartment Rent	
	Median Price ¹	Annual Change ²	Average Rent ³	Annual Change ²
Phoenix, AZ	\$165,600	8.6%	\$717	0.6%
Portland, OR	\$206,700	7.9%	\$734	-1.2%
Riverside-San Bernardino, CA	\$294,500	38.5%	\$978	6.0%
Las Vegas, NV	\$269,900	52.4%	\$757	2.6%
Reno, NV	\$270,500	28.0%	\$766	3.4%
Seattle, WA	\$293,200	7.1%	\$1,091	-0.5%
Sacramento, CA ⁴	\$308,600	27.0%	\$902	2.5%
Los Angeles-Long Beach, CA	\$438,400	30.4%	\$1,336	3.7%
San Diego, CA	\$559,700	37.5%	\$1,197	3.3%
San Francisco, CA	\$647,000	15.5%	\$1,310	-0.7%
Orange County, CA	\$655,300	38.7%	\$1,297	3.5%

Notes:

1. Median single family price as reported by the National Association of Realtors.
2. Year to year change between second quarter 2003 to second quarter 2004.
3. Average market rate for multi-family unit as reported by RealFacts Quarterly Surveys.
4. Sacramento median price may vary as reported elsewhere in this report due to different data source, definition of region, and mix of existing and new home sales.

Source: *RealFacts Quarterly Surveys* and the National Association of Realtors (2005).

- Role of Equity and Available Cash.** In the past five years, move-up home buyers have found it easier to transfer equity from their previous residence to purchase a new home. The CAR reports that in 1999 the median down payment of all home sales for repeat buyers in California was \$51,000. By 2003, it increased by 70 percent to \$86,950. The median down payment of all home sales in Northern California experienced a 76 percent increase, from \$80,000 to \$141,000, during the same period. Such increases are attributable to the rapid home price appreciation over the past several years. The accumulated home equity available for a down payment makes home ownership more affordable, particularly for those who benefited from the appreciating housing market of the past several years. Unfortunately, first-time home buyers do not have that access to this accumulated home equity and, on average, face higher home-ownership costs than move-up and repeat buyers.

Changing Dynamics of the Valley

According to the Public Policy Institute of California (PPIC), increased growth pressures and existing development dynamics during the 1990s resulted in tremendous inland growth. Most of this growth was disproportionately located in inland areas, in “new” neighborhoods (as opposed to infill). The Region created a relatively large share of these neighborhoods (13 percent³²), but the San Joaquin Valley (19 percent) and the Inland Empire (15 percent) created an even more significant share.

Historically, Sacramento has been the urban node for the Valley. As the Region builds out, though, growth will spread to other “new” areas, and the Valley will likely comprise several other

32 Hans P. Johnson, PPIC, *California's Newest Neighborhoods*, 2003.

urban nodes—Redding, Sacramento, Stockton, Fresno, Merced, and Bakersfield will all be housing and employment nodes for the Valley. Their relative importance in the Valley will depend on the type of housing stock, commercial space, and accessibility to other parts of the State and the Nation. The newest University of California, UC Merced, for example, will present Merced with an opportunity to shape itself as a separate node in the Valley over the long term.

As other nodes develop, the Region's role in the Valley will remain associated with its status as the state capital and may reinforce the Region's role as a hub in several other aspects. It also will remain the Valley's financial and business services center. Its ability to foster life sciences and medicine through partnership with UC Davis also may shape its economic role in the Region. In addition, the international airport and other planned universities will reinforce Sacramento's central role in the Region.

Competing for Employment Growth in the Global Marketplace

Recent research shows that business location and expansion decisions are not made on a statewide basis (e.g., California vs. Arizona).³³ Decision factors vary widely among industries—e.g., manufacturing, computer support—and across different metropolitan areas, such as Phoenix versus Sacramento. At the most general level, firms still choose one region over another based on access to labor and consumer markets and transportation nodes, labor force characteristics, and specialized suppliers. Once firms choose a particular region, a specific location therein is based on local land prices, taxes, proximity to housing, the entitlement and permitting processes, and location of related businesses.

Today's global economy requires "smart" and "focused" regions that attend to the business of competing in the areas of their strengths and overcoming their weaknesses—identification of key sectors and clusters driving the economy will allow Sacramento to maintain its competitiveness with other regions worldwide.

Because the State Capitol is in Sacramento, the Region will continue to be referred to as the "Sacramento" region, which is branding Sacramento worldwide. A healthy urban core will solidify the Region's identity and sustainability.

Regional Response: Blueprint

Major goals of the SACOG Blueprint were to develop a policy framework to adapt to the projected population and housing demand in the six-county region by 2050 and to reduce dependence on cars by encouraging residential development close to jobs and public transportation.

Long-term population and employment projections were prepared by the Center for the Continuing Study of the California Economy (CCSCE) in March 2005 for SACOG. The revised report reflects significant demographic changes in the Region from 2004 to 2030.

- **Higher Levels of Population Growth.** Regional growth is projected at a rate of 47 percent, much faster than that of California (32 percent) or the United States (24 percent).
- **Shifts in Age Distribution.** The age distribution of the Regional population will shift, with projected increases in the share of population 65 and older.

33 PPIC, *Rethinking the California Business Climate*, 1999, p. 24.

Conversely, the share of population younger than 65 is expected to decrease by almost nine percent.

- **Smaller Households.** Despite increased household size from 1990 to 2000, the average household size is expected to decline from 2.66 persons per household to 2.39 persons in 2030 as a result of lower fertility rates and the aging of the Region's population.

The following concepts are supported by the preferred Blueprint scenario and would link to actual policies implemented by each jurisdiction:

- Provide a variety of transportation choices;
- Offer housing choices and opportunities;
- Take advantage of compact development;
- Use existing assets;
- Develop mixed land uses;
- Preserve open space, farmland, and natural beauty by conserving natural resources; and
- Encourage distinctive, attractive communities with quality design.

The preferred Blueprint scenario identifies areas in the Region where these principles could most likely be implemented. The preferred scenario proposes an even mixture of jobs and housing growth, increased reinvestment of Employment Centers and housing units of between ten and 15 percent, and balanced housing growth between large lot single-family units, small lot single-family units, and attached product consistent with the demographic trends and market conditions.

The population and employment projections discussed in this market study have been carefully coordinated with SACOG to ensure consistency with the proposed Blueprint growth scenario (as discussed in Section 2.4 of the Technical Background Report).

■ CITY HISTORICAL RESIDENTIAL TRENDS

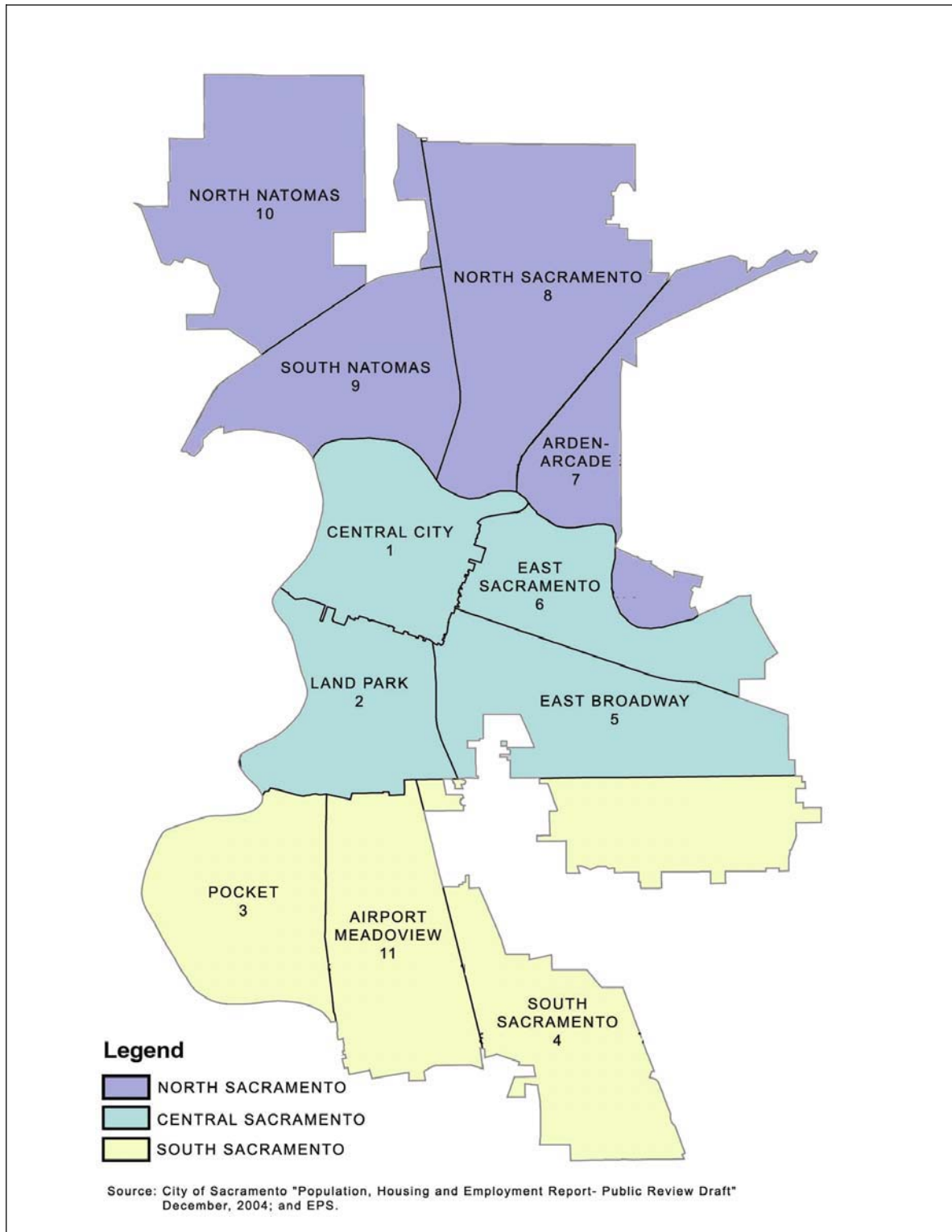
As discussed previously in this market study, the Region's relative housing affordability and lower cost of living have attracted people and families who are migrating from other regions in the State, including the Bay Area. The Region has grown at a faster rate than the State since the 1980s, and until recently most housing development accommodating this growth has been predominantly master-planned communities featuring single-family homes on green field sites throughout Placer, Sacramento, and El Dorado Counties. In the City, several community plan areas exhibit different demographic and housing characteristics. Figure 2.6-5 shows three groupings of community plan areas.

Demand Trends

City Demographic Characteristics

Many efforts have been made to evaluate and mirror the success of other western cities, such as Portland, Oregon, that have improved their regional quality of life, instituted successful

Figure 2.6-5. City Community Plan Areas



Source: Economic & Planning Systems, Inc. (2005).

use. While it is appropriate for the City to consider how these cities have achieved success, it is critical to recognize that the City and its regional context contains significant challenges that may not be applicable to similar venues. A demographic comparison of the City from 1990–2000 is shown in Table 2.6-25. The following text describes the City’s unique population base:

- **Immigrant Flow.** Similar to California, the Region has a steady flow of foreign-born immigrants arriving annually. But the characteristics of the City’s immigrants separate it from the rest of the Valley. Immigrants to the Region tend to have achieved higher levels of education and are more affluent than immigrants to other Valley cities. In 2000, 79 percent of the City’s residents were United States natives, while 21 percent of City residents were foreign-born. Of those foreign-born, 12 percent were not naturalized citizens.
- **Population Growth.** Based on the population forecast discussed in **Section 2.4**, the City’s population is expected to increase by 240,000 persons between 2000 and 2030, resulting in an annual average rate of growth of 1.5 percent. This population growth level assumes that the City will annex the Natomas Joint Vision and Panhandle area, providing land for the construction of new housing units to maintain the higher growth rate experienced between 2000 and 2004, from the development of North Natomas.
- **Household Size.** In 2000, the average household size in the City was 2.57 persons. Based on the population and household analysis conducted by EPS through 2030, household size likely will decrease to 2.33 persons per household by 2030.
- **Ethnic Composition.** In 2000, the City’s ethnic composition showed a greater distribution of ethnicities than in 1990. Based on United States Census data, the number of persons of Hispanic origin in the City increased from 16 to 22 percent in 2000. Populations in other non-white categories also increased. In addition, the percentage of foreign-born residents in the City increased by about seven percent, particularly those foreign-born but not naturalized citizens. These increases in immigrants and ethnic groups in the City could have an impact on household sizes, home ownership, and income levels.
- **Age Distribution/Cohort Analysis.** The Region is experiencing the same aging dynamic as the State and the country. By 2030, 17 percent of California’s population will be 65 or older, compared to 11 percent in 1998.³⁴ Regionally, the age distribution of those residents older than 65 is expected to be 21 percent of the total population by 2030, a change from 11 percent in 2000. The percentage of the regional population aged 19 and under and 20 to 64 is expected to decrease by 2030. Figure 2.6-6 shows this shift in age distribution.³⁵

34 PPIC, “Graying in the Golden State: Demographic and Economic Trends of Older Californians,” September 2000.

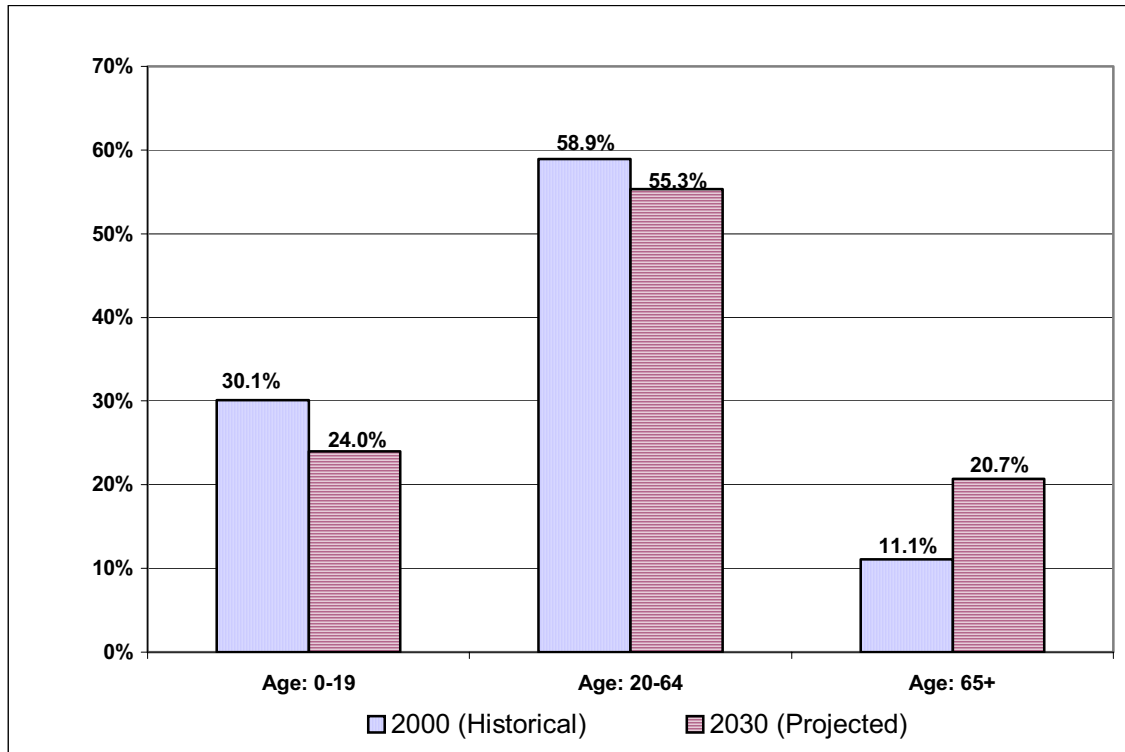
35 Pending final release of information from SACOG.

Table 2.6-25. Sacramento Citywide Profile: 1990 and 2000

Item	Citywide - 1990		Citywide - 2000	
	Amount	%	Amount	%
Population Characteristics				
Total Population	369,365		407,018	
Racial/Ethnic Distribution				
White	221,963	60.1%	196,549	48.3%
Black	56,521	15.3%	62,968	15.5%
Asian	55,426	15.0%	67,635	16.6%
Other	35,455	9.6%	79,866	19.6%
SUBTOTAL	369,365	100.0%	407,018	100.0%
Hispanic Origin	60,007	16.2%	87,974	21.6%
Total¹	429,372	116.2%	494,992	121.6%
Age Distribution				
0-17	96,681	26.2%	111,290	27.3%
18-34	110,333	29.9%	105,484	25.9%
35-54	90,332	24.5%	113,601	27.9%
55 and over	72,019	19.5%	76,643	18.8%
Total	369,365	100.0%	407,018	100.0%
Birthplace				
Native of U.S.	-	86.3%	-	79.2%
Foreign Born				
Naturalized Citizen	-	4.8%	-	8.6%
Not a Citizen	-	8.9%	-	12.2%
Total		100.0%		100.0%
Household Characteristics				
Number of Households	144,444		154,581	
Average Household Size ²	2.56		2.57	
Median Household Income	\$28,183		\$42,023	
% of HH Less than \$30,000	-	52.6%	-	39.5%
% of HH \$30,000 to \$59,999	-	32.3%	-	32.9%
% of HH \$60,000 to \$99,999	-	12.0%	-	18.0%
% of HH over \$100,000	-	3.0%	-	9.6%
Total		100.0%		100.0%
Housing Unit Characteristics				
Housing Units				
Total Units	144,444		154,581	
Owner-Occupied	74,126	51.3%	77,514	50.1%
Renter-Occupied	70,318	48.7%	77,067	49.9%
Total		100.0%		100.0%
Vacant Units	8,918	6.2%	9,376	6.1%
Owner-Occupied Units with no Mortgage	N/A	N/A	24,476	15.8%
Age of Structure				
% Units Built 1995-2000	-	-	-	3.4%
% Units Built 1990-1994	-	-	-	6.4%
% Units Built 1980-1989	-	23.7%	-	17.9%
% Units Built 1960-1979	-	32.9%	-	34.5%
% Units Built 1940-1959	-	28.9%	-	25.4%
% Units Built Before 1940	-	14.5%	-	12.4%
Total		100.0%		100.0%

Notes: SF3 files are summary-level data and reflect weighted sample data.
 1. Sums to greater than 100% because those of Hispanic origin may be of any race.
 2. 1990 household size is the number of persons divided by households.
 Source: Census 2000 SF 1 and SF3 files.

Figure 2.6-6. Age Distribution in Sacramento Region



Source: DataQuick Information Systems (2005).

- **Poverty/Income.** The Region has similarly low levels of poverty as the Bay Area, eight percent of the population versus seven percent, based on 2002 Federal poverty threshold. The Region does not, however, have a similar level of affluence, defined by the PPIC as an income seven times that of the Federal poverty threshold.³⁶ Approximately 26 percent of the Bay Area population has an income of greater than \$128,000, as compared to 18 percent in the Region.
- As noted earlier in this market study, median incomes have increased in the Region. The 2000 City median income (\$37,000) is lower than the median income at the Regional level (\$47,000). Table 2.6-26 shows the relative median income at the community plan level. This level of income puts many City residents at a disadvantage when trying to purchase a home or pursue additional levels of education.

36 PPIC, *Recent Trends in Income and Poverty*, February 2004.

Table 2.6-26. Median Incomes and Housing Prices by CPA: 2000

Community Plan Area	Median Household Income	Median Housing Price	Ratio of Income to Price
Arden-Arcade	\$41,880	\$176,194	4.21
Central City	\$25,016	\$148,236	5.93
East Broadway	\$31,185	\$103,811	3.33
East Sacramento	\$49,410	\$208,452	4.22
Land Park	\$50,736	\$199,527	3.93
North Natomas	\$62,913	\$208,525	3.31
North Sacramento	\$29,444	\$89,357	3.03
Pocket	\$56,793	\$199,595	3.51
South Natomas	\$46,372	\$125,675	2.71
South Sacramento	\$36,062	\$98,090	2.72
Airport-Meadowview	\$32,437	\$94,835	2.92
Citywide¹	\$37,049	\$128,800	3.48

Notes:

1. Represents weighted average of household income and housing price for all community plan areas.

Source: 2000 Census SF3.

- Educational Attainment and Cultural Patterns.** The number of residents with college degrees (including associates, bachelors, and graduate degrees) increased by approximately 27 percent, and residents with graduate or professional degrees grew by over 41 percent.³⁷ In addition, the unique cultural history of Sacramento also has impacted development in the City; of particular significance are immigrants from mainland Asia and Europe, who established communities in the City more than 60 years ago, and recent immigrants to the City, particularly from Southeast Asia and Eastern Europe. These groups have impacted commercial and residential development, particularly in the North and South Sacramento areas.
- Origin and Destinations of City Employees and Residents.** Table 2.6-27 indicates where people employed in the City reside. An increased number of commuters are traveling from areas outside of the City, such as Elk Grove and Placer County, to work in the City. This is also true for residents of the City traveling to other areas for work. The number of City residents commuting to Rancho Cordova and Roseville more than doubled between 1990 and 2000, and nearly doubled for Elk Grove. Also, the number of City residents commuting to the Bay Area—not including Solano County—rose 14 percent over the same period. This is probably most affected by the continuing relative affordability of the City’s housing market.³⁸

37 Census 2000.

38 U.S. Census Transportation Planning Package.

Table 2.6-27. City of Sacramento Commute-In Trends

Place of Origin			Percent Share ¹		Change 1990-2000
	1990	2000	1990	2000	
Sacramento County					
Folsom	2,985	4,930	1.1%	1.8%	65.6%
Elk Grove	3,686	11,650	1.4%	4.4%	216.9%
Sacramento City	108,157	100,215	40.4%	37.5%	-7.1%
Remaining Sac. County	111,479	102,450	41.6%	38.4%	-7.9%
Subtotal Sac. County	226,307	219,245	84.5%	82.1%	-2.9%
Area Counties					
El Dorado	6,017	6,840	2.2%	2.6%	14.0%
Placer	12,382	15,350	4.6%	5.7%	24.3%
Yolo	12,783	11,785	4.8%	4.4%	-7.6%
Yuba	621	810	0.2%	0.3%	30.8%
Other					
Solano County	2,285	2,785	0.9%	1.0%	22.2%
San Joaquin County	1,599	2,668	0.6%	1.0%	67.3%
Bay Area ²	1,710	1,847	0.6%	0.7%	8.3%

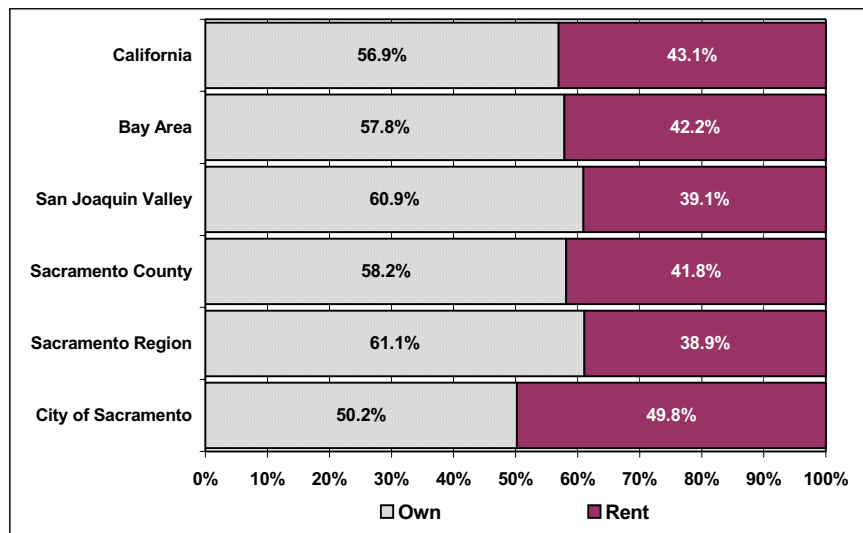
Notes:

1. Represents the share of people who work in the City of Sacramento.
 2. Includes Alameda, Contra Costa, Marin, Napa, San Mateo, San Francisco, Santa Clara, and Sonoma counties.
- Source: Census Transportation Planning Package (1990, 2000).

Home Ownership

Figure 2.6-7 provides information on the tenure split (owner-occupied versus renter-occupied) for the City, the County, the Bay Area, and the San Joaquin Valley.

Figure 2.6-7. Housing Characteristics: Tenure



Source: U.S. Census Bureau 2000 Summary File SF1 files.

As shown, the home ownership level for the City differs substantially from the surrounding jurisdictions. In contrast to the Region's tenure split of about 61 percent owner-occupied and 39 percent renter-occupied, the County shows a profile nearly identical to that of the Bay Area (58 percent owner-occupied versus 42 percent renter-occupied).

The City has a 50/50 tenure split. This tenure split is indicative of the City's higher percentage of lower income residents. This percentage also reflects the City's government specialization, with significant support for downtown rental housing among legislators, lobbyists, and other part-time residents. The increase in higher density units, many of which are ownership units, as proposed in the Blueprint, should increase the levels of home ownership in the City.

Historical Home Sales Trends

Housing Prices

Table 2.6-28 shows median sales prices for resale single-family housing units sold in the Region, the County, and the City from 2002 through 2005. In the past three years, the median sales price has increased annually by almost 25 percent in the Region, the County, and the City. The City has a lower median sales price than that of the Region and the County.

In the past five years, the annual average price for a new housing unit in the Region increased by 14 percent (Table 2.6-29). Sales prices of new homes in the City are keeping up with prices in the County and the Region. The development of small lot, lower cost housing product could affect the average median prices in the Region.

The Region has been included among the top 20 metropolitan areas in the nation with the highest annual rate of home price appreciation, according to the Office of Federal Housing Enterprise Oversight.³⁹ The City ranks 14th, with home prices rising 27 percent during the year-long period from third quarter 2003 to third quarter 2004. Residential appreciation in the Sacramento area was more than double the national average of 13 percent during the same period.

Housing Capacity in the City

Major Housing Supply Expansion Areas

The Natomas Joint Vision area and the Delta Shores project have the capacity and scale to substantially expand the City to its capacity to accommodate additional population growth. Although many planning decisions remain regarding the overall form, function, and land uses of these areas, these projects will have a significant impact on the City's development patterns.

Of particular note is the relation of these projects to potential Employment Centers. The function of Delta Shores, for example, is to draw employees living in the South Sacramento area, or even Elk Grove, which could improve commute times and reduce congestion on Interstate 5 (I-5). A similar relation between places of employment and residence could be developed in the Natomas Joint Vision area.

39 Office of Federal Housing Enterprise Oversight, *Office of Federal Housing Enterprise Oversight House Price Index*, March 1, 2005.

Table 2.6-28. Median Sales Price: 2002-05

City Portion/ Community Plan Area ¹	ZIP Code	Median Price ²				Avg Annual Change 2002-05
		2002 ³	2003 ³	2004 ³	2005 ³	
Sacramento Region		\$179,380	\$227,400	\$262,210	\$346,950	24.6%
Sacramento County		\$169,983	\$205,000	\$252,828	\$324,684	24.1%
Citywide	All	\$151,027	\$186,078	\$232,230	\$294,178	24.9%
North Sacramento						
North Natomas	95834	\$158,990	\$250,250	\$282,750	\$281,000	20.9%
North Natomas	95835	\$244,992	\$318,000	\$334,000	\$462,250	23.6%
South Natomas	95833	\$170,068	\$200,000	\$262,000	\$315,000	22.8%
North Sacramento	95838	\$101,251	\$129,500	\$155,500	\$235,000	32.4%
North Sacramento/Arden	95815	\$95,727	\$116,500	\$175,000	\$221,750	32.3%
Central Sacramento						
Central City	95814	n/a	\$283,500	\$235,750	\$375,000	15.0% ⁴
Central City/East Sacramento	95816	\$274,056	\$225,000	\$330,750	\$399,000	13.3%
East Sacramento	95819	\$242,424	\$304,000	\$392,500	\$419,000	20.0%
East Broadway	95817	\$87,740	\$109,500	\$174,500	\$195,000	30.5%
East Sacramento/E. Broadway	95826	\$159,476	\$207,000	\$240,000	\$305,000	24.1%
East Broadway/Land Park	95820	\$115,037	\$140,000	\$173,000	\$219,000	23.9%
Land Park	95818	\$230,074	\$280,000	\$310,250	\$451,500	25.2%
South Sacramento						
Pocket	95831	\$183,688	\$250,000	\$308,000	\$359,000	25.0%
Airport-Meadowview/County	95832	\$115,037	\$200,000	\$169,000	\$255,000	30.4%
Airport-Meadowview/Land Park	95822	\$125,000	\$165,000	\$205,000	\$260,000	27.7%
South Sacramento	95823	\$140,016	\$179,500	\$215,500	\$290,000	27.5%

Notes:

1. Economic & Planning Systems, Inc. matched zip codes with existing Community Plan Areas.
2. For January in the year indicated.
3. Not adjusted for inflation.
4. For the period 2003-05

Source: Sacramento Bee © DataQuick Information Systems (2005)

Table 2.6-29. Average New Housing Prices: Sacramento Region

Area	1999	2000	2001	2002	2003	2004	Avg Annual Change
Sacramento Region	\$240,604	\$281,623	\$309,159	\$350,276	\$393,405	\$471,987	14.4%
El Dorado County	\$314,791	\$406,776	\$411,076	\$439,927	\$499,079	\$564,388	12.4%
Placer County	\$260,824	\$296,681	\$324,352	\$372,746	\$445,185	\$547,943	16.0%
Yolo County	\$289,191	\$246,965	\$260,874	\$291,000	\$319,831	\$503,186	11.7%
Sutter County ¹	n/a	n/a	n/a	n/a	\$257,604	\$306,552	-
Yuba County ¹	n/a	n/a	n/a	n/a	\$236,555	\$321,443	-
Sacramento County	\$217,831	\$254,271	\$289,454	\$323,172	\$357,165	\$458,233	16.0%
Sacramento City (Natomas)	\$216,124	\$241,739	\$286,988	\$322,670	\$329,306	\$423,490	14.4%

Note:

1. Data not available prior to 2003.

Source: The Gregory Group (2005).

Infill and Redevelopment Area Housing

Approximately 80 percent of the City's territory is defined as infill, or established neighborhoods with vacant land or buildings for development. The City's current infill strategy is to focus on existing neighborhoods, redevelopment areas, and Transit-Oriented Development (TOD). Housing in TOD areas has the benefit of providing higher density development, increased retail business from foot traffic, and increased reliance on public transportation. The rate of infill development is much slower than that of new development in the City, however. From January 2000 to May 2004, 990 units, an average of 247 units a year, were constructed in downtown, compared to 2,700 units a year during that same period in North Natomas.

Several trends are emerging in redevelopment and infill areas, (further treatment of key opportunity areas will be discussed later in this market study):

- The emergence of new housing stock in South Sacramento and Meadowview signifies the acceptance of consumers to trade-off conveniently located smaller lot product located in transitional areas for larger lot homes in more peripheral areas.
- The further development of key Sacramento Regional Transit (RT) station sites in the South Area Community Plan and elsewhere create nodes of high-density and mixed use activity.
- Significant opportunities exist for converting struggling retail sites in over-retailed corridors to housing and mixed use projects.

■ CITY RESIDENTIAL, EMPLOYMENT, AND COMMERCIAL SPACE PROJECTIONS

The demographic trends discussed earlier will impact residential and commercial development in the Region. This regional population and employment growth will impact the City's future urban form and economic vitality.

Projected Housing Unit Development

This projection is intended to provide a forum for further discussion of residential development trends and implications for development of General Plan land use scenarios. It is not intended to provide a definitive forecast.

Recognizing the cyclical nature of the housing market, EPS forecasts an annual average housing growth of 4,400 units in the City through 2030, a growth rate of 1.9 percent annually. This rate of development is expected to support the buildout of Delta Shores, Natomas Joint Vision, the Railyards, and many other infill projects around the City.

Table 2.6-30 details the projected housing units for the City from 2005 to 2030. Applying a five-percent "frictional" vacancy factor⁴⁰ to household formation, Sacramento's total housing unit count is estimated to be 294,000 units in 2030, which represents an increase of 110,000 total units from 2005 to 2030. EPS assumes that the average persons per household for the City is projected to decrease over time, beginning with the City's current estimated 2.56 persons per household, and declining, as shown in Figure 2.6-8. Shown are CCSCE's March 8, 2005,

40 For purposes of this analysis, it is assumed that a healthy residential market will have a housing unit vacancy rate of five percent, reflecting normal movement of households between units or absorption of new product.

unofficial projections showing for the Region a reduction in household size from 2.61 persons in 2005 to 2.39 persons in 2030. Also shown are the implied household sizes for the City, assuming reductions in the City are of equal magnitude.

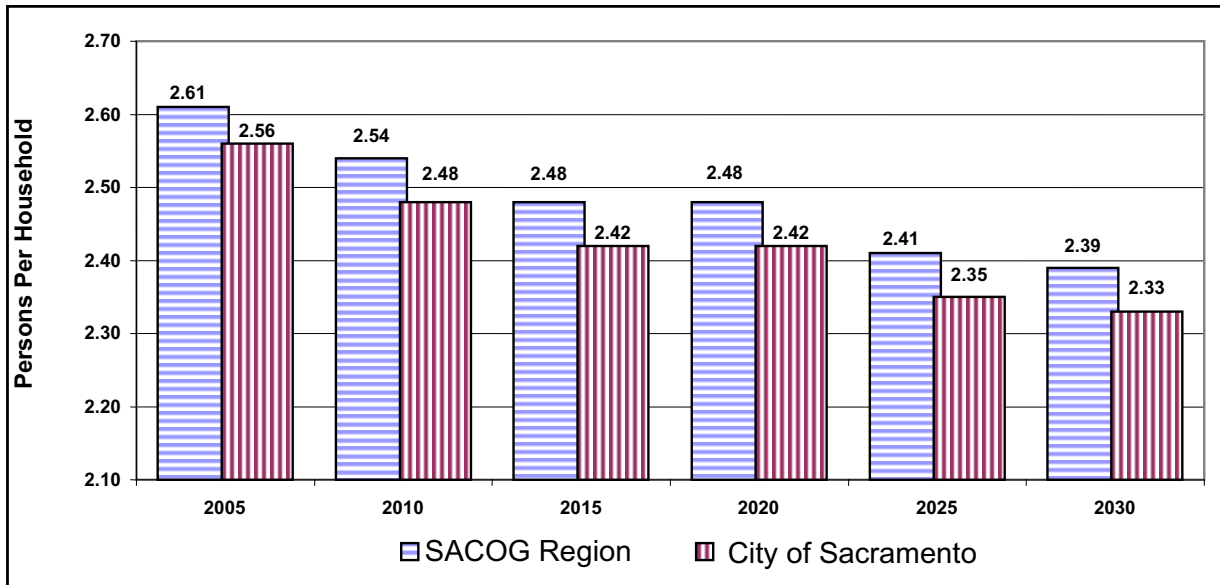
Table 2.6-30. City of Sacramento Projected Housing Units, 2005-30

Item	2005	2010	2015	2020	2025	2030	Change (2005-30)	
							Absolute	Percent
City of Sacramento Population ¹	448,000	470,000	525,750	588,250	619,600	650,000	202,000	
Single Family Housing Projection								
Percent of City Population ²	67%	67%	67%	67%	67%	67%	-	
Population	300,160	314,900	352,253	394,128	415,132	435,500	135,340	
Persons per Household ³	2.93	2.86	2.80	2.80	2.73	2.71	(0.22)	
Households	102,444	110,105	125,804	140,760	152,063	160,701	58,257	
Projected SFR Housing Units⁴	107,835	115,900	132,426	148,168	160,066	169,159	61,170	56%
Multi-Family Housing Projection								
Percent of City Population	33%	33%	33%	33%	33%	33%	-	
Population	147,840	155,100	173,498	194,123	204,468	214,500	66,660	
Persons per Household ³	2.03	1.96	1.90	1.90	1.83	1.81	(0.22)	
Households	72,828	79,133	91,314	102,170	111,731	118,508	45,681	
Projected MFR Housing Units⁴	76,661	83,298	96,120	107,547	117,612	124,746	48,085	44%
Total Households	175,271	189,238	217,119	242,930	263,794	279,209	103,938	
Avg Persons per Household (all types)	2.56	2.48	2.42	2.42	2.35	2.33	(0.23)	
Total Housing Units^{1,4}	184,496	199,197	228,546	255,715	277,678	293,905	109,409	100%

Source: Economic & Planning Systems, Inc. (2005).

1. Includes Natomas Joint Vision area.
2. 2005 figure based on Census 2000 SF3 Sample Data, H33. Subsequent years estimated by EPS.
3. Census 2000 SF3 Sample Data, H33; decreases at rate identified by CCSCE.
4. Assumes a vacancy of 5.0 percent. Mobile homes and attached single family units are included with multifamily calculations.

Figure 2.6-8. Persons Per Household in Sacramento Region: 2005-30



Source: Center for the Continuing Study of the California Economy, SACOG, and Economic & Planning Systems, Inc. (2005).

Resulting housing demand projections produce a split of 56 percent detached and 44 percent attached product.^{41,42} This is a marked increase in the share of multifamily households compared to past trends in the City:

- Between 1985 and 2004, 15,700 multifamily units were permitted, comprising 33 percent of the 42,700 total units permitted in the City;⁴³ and
- More recently, during the 1995-2004 period, 6,500 multifamily permits were issued, comprising only 27 percent of the 24,000 total units permitted during the period.

Projected Supply in the City

Table 2.6-31 depicts anticipated residential development in the Region, the County, and the City. The County represents 32 percent of the total projected units in the Region, with over 123,000 proposed or planned units. Based on planned and proposed development projects in the City, an estimated 20,000 units are estimated to be developed at buildout. This number represents more than 30 percent of the total residential development in the County.

In addition, growth in certain community plan areas has been significant. Table 2.6-32 depicts the building permits issued by the City by community plan area from 2000 to 2004. The number of permits issued citywide in 2004 (nearly 5,000) has increased by almost 70 percent since 2000. This is because of significant growth in the North Natomas, Airport-Meadowview, and South Sacramento areas.

Particular places in different community plan areas have the potential for significant residential growth.

North Area

Comprising the North Natomas, South Natomas, North Sacramento, and Arden Arcade community plans, as well as the Natomas Joint Vision Area, the North Area's highest development potential is concentrated in the existing North Natomas Community Plan area and the Natomas Joint Vision area, 28,055 acres north of North Natomas in the sphere of influence of the City. Development of the Natomas Joint Vision area will result in the construction of approximately 44,000 units over the next 50 years. Also 10,000 units have yet to be developed in North Natomas. Also located in this area is the 1,448-acre North Natomas Panhandle area, east of the North Natomas Community Plan area in the City's sphere of influence. An additional 2,000 to 3,000 units are proposed in that area.

41 Attached product, as used in this analysis, includes single-family attached units and mobile homes.

42 Two comments should be noted regarding this forecast: 1) single-family stock represents over 70 percent of units added between 1995 and 2005, even though tenure (owner/renter) split is 50/50, implying that many single-family homes in the City are occupied by renting households; 2) under the scenario shown here, the population assigned to each housing type is maintained at current ratios, although the demand for multi-family units increases, as proportionately more units are demanded by multi-family residents on a per-capita basis due to relatively low person per unit assumptions.

43 Refer to Table 2.6-20.

Table 2.6-31. Summary of Planned and Proposed Residential Development

Project	Res. Acres	Total Units at Buildout	Units to be Built	Total Acres in Density Calc.	Avg Density per Res. Acres
Sacramento County					
City of Sacramento	3,190	37,746	19,846	8,661	11.83
Elk Grove	4,238	21,669	13,464	5,722	5.11
Folsom	1,768	6,219	3,583	3,053	3.52
Unincorporated Sacramento County	13,496	57,669	53,888	26,277	4.27
Total Sacramento County	22,693	123,303	90,781	43,712	5.43
Placer County	6,401	17,328	17,278	8,929	2.71
El Dorado County	5,341	11,491	8,683	8,512	2.15
Yolo County	5,163	26,561	20,091	9,678	5.14
Yuba/Sutter Counties	6,250	26,999	25,575	3,224	4.32
Six-County Region	80,167	382,322	296,704	142,110	
Six-County Region Avg Density per Acre					4.77
Sacramento County as Percentage of Region	28.3%	32.3%	30.6%	30.8%	-
Sacramento City as Percentage of County	14.1%	30.6%	21.9%	19.8%	
Sacramento City as Percentage of Region	4.0%	9.9%	6.7%	6.1%	-

Notes:

1. Approved projects are projects in approved or master planned projects. Planned projects are projects in the specific or master planning process.
2. Acres estimated based on average densities in Yuba and Sutter Counties.

Source: Economic & Planning Systems, Inc. and various jurisdictions as of 2004.

Table 2.6-32. Additional Residential Units by CPA: 2000-05

Community Plan	2000	2001	2002	2003	2004	2005 ¹	Total	Avg Annual Change ²
Arden-Arcade	0	3	4	0	0	1	8	0.0%
Central City	29	93	70	38	32	2	264	2.5%
East Broadway	24	31	19	26	26	16	142	2.0%
East Sacramento	14	15	45	15	318	17	424	118.3%
Land Park	10	15	13	11	12	8	69	4.7%
North Natomas	1,259	1,840	2,546	4,054	3,659	593	13,951	30.6%
North Sacramento	98	127	156	142	164	34	721	13.7%
Pocket	32	49	63	269	55	11	479	14.5%
South Natomas	261	280	250	136	181	33	1,141	-8.7%
South Sacramento	138	305	191	249	168	66	1,117	5.0%
Airport-Meadowview	2	31	40	99	351	114	637	264.0%
Total City of Sacramento	1,867	2,789	3,397	5,039	4,966	895	18,953	27.7%

Notes: Table based on the number of residential building permits issued for the construction of new units.

1. Through March 31, 2005.

2. Represents average annual change between 2000 and 2004.

Source: City of Sacramento, Planning and Building Department *Development Activity Report, First Quarter 2005 (4/15/05)*.

Downtown

Growth in the downtown area is typified by higher density, infill development. Over 4,800 apartment and ownership units are proposed downtown. Proposals in the downtown and Midtown areas range from luxury high-rise residential units, such as the Towers, to live-work spaces and lofts, such as the Capitol Lofts project. The most significant project in downtown is the Railyards, a 240-acre project which proposes a mix of housing, retail, and commercial space. At this time, 3,000 apartments and homes are proposed for the area, and housing would serve as the prime factor in redeveloping the area. In addition, there is residential development potential in the Richards area north of the Railyards, and the R-Street Corridor and the CalPERS project will lead new residential and office development on the west side of downtown, while the new Safeway, a residential mixed use project, will lead new development on the east side of downtown.

In the past few years, new restaurants and nightspots have attracted more people to the downtown core after workday hours. Entertainment opportunities will need to be developed in downtown to capture a reasonable share of future residential development. Intensified development of the City’s cultural and entertainment opportunities could provide the catalyst to attract back to the City downtown workers and people who want a more sophisticated, lively downtown lifestyle.

Housing also can serve as a catalyst for increased retail, cultural, and commercial opportunities. Particularly if the new housing product attracts a market seeking an urban lifestyle, commercial and cultural opportunities could arise because of this distinct niche that is so different from the surrounding suburban markets.

South Sacramento

The Delta Shores project is in a position to play a significant role in closing the gap in housing supply between the time development of the North Natomas Community Plan is completed and development of the Natomas Joint Vision Area lands is approved. Moreover, South Sacramento has a need for move-up housing and is well positioned with good proximity to the

Central City. The Delta Shores project's location, given regionally significant congestion issues on I-5, could compensate for the South Area's perceived conditions of high crime and poverty. Delta Shores is discussed in further detail later in this market study.

Emergence of New City Housing Products

The demographics of the Region are rapidly shifting, as shown by population shifts toward a more ethnically and racially diverse population and smaller and more numerous households, because of a combination of longer life expectancies and the preference for small families.

These demographic and economic conditions have resulted in increased demand for housing in Sacramento. Consequently, the housing supply and types of product available have changed to meet the needs of this evolving demand.

- **Mixed Use.** Residential mixed use projects contain mostly housing combined with retail or office uses. An example of a project that includes significant mixed use development is Plaza Lofts, a two-story, 200-unit mixed use building located in downtown. The project consists of 200 mixed-income residential units, parking, and ground floor retail.
- Additional potential exists for mixed use development in more suburban areas, particularly in underutilized commercial corridors. Combined with TOD opportunities, mixed use development could serve as revitalizing nodes for some community plan areas.
- **Loft Products.** A wide variety of mixed use, attached-rental, and for-sale units are often labeled as “loft” space or “live/work” lofts. Typical features of a loft are an open floor plan, a converted existing space, and location in a central-city area.
- **Small Lot Single-Family Units.** Increased land costs, rising sales prices, and the small size of lots available for infill opportunities provided an opportunity for development of small lot single-family residential units in the City. Home lot sizes will range from 2,500 to 3,500 square feet, compared to the typical detached lot of about 6,500 square feet. Average density for these small lot homes may increase from the current average of five or six homes per acre to ten to 15 or more homes per acre.
- The development of the 45-unit Metro Square and 65-unit Capitol Park Home projects in downtown and Midtown demonstrated the demand for small lot detached single-family units in infill locations. The Metro Square project sold out in one week in 1998, proving the initial market for higher density units. This trend has continued in greenfield development areas as well, particularly in North Natomas.
- **High-Density Attached Product.** Demographics, increasing land scarcity, rising land and unit costs, increasing entitlement complexity, and political will, as evidenced by the Blueprint process, have contributed to interest in developing higher density prototypes. These prototype projects have led to increased interest in the development of attached ownership products in downtown. These projects have been influenced by the New Urbanist concepts of walkable city neighborhoods with less reliance on automobiles for transportation. Generally, these attached products are available in two types of ownership formats: condominiums and town homes but also can include rental-based product.

Trends Affecting High-Density Attached Products

Market Segment

Recent high-rise attached unit projects proposed in downtown will rely on the ability to attract a diverse array of consumers, including these:

- **Young Professionals.** Usually first-time buyers seeking relatively affordable, low-maintenance housing, this group tends to seek out housing that reflects a more urban lifestyle near entertainment, cultural activities, and work.
- **Single Women.** Research indicates one-third of condominium buyers are single women. Important factors in attracting this market are affordability, access to amenities, and perceived safety.
- **First-Time Buyers.** Although expensive on a price-per-square-foot basis, the smaller size of condominiums relative to single-family units makes condominiums a logical choice for this group. Increasingly, condominiums are becoming one of the few choices for first-time buyers not willing to locate in peripheral areas or invest significant equity into fixer-uppers in transitional areas.
- **Empty Nesters and Retirees.** While some in this group move to rural vacation homes, others seek to downsize their lifestyles in urban locations, reducing levels of home maintenance. This group appears to be well represented, according to developers accepting deposits on high rise condominium projects in downtown.
- **Singles/Couples without Children.** Downtown, with its cultural amenities and nightlife, attracts many single residents and couples without children, who are drawn to an urban center. The small size of attached units, along with the reduced maintenance of a condominium or townhouse, make higher density attached products desirable.
- **Professionals/Lobbyists.** The City's status as the state capital attracts many government-related industries. Professionals who work downtown represent a potential market for living downtown. Many government lobbyists and elected officials also choose to live downtown and may be attracted to an urban form related to higher density attached products, as well as the convenience of living downtown.

Housing Prices

As much as \$50,000 can be reduced from the price of a typical home by building high-density projects that use less land. Denser housing generally sells for \$439,135,⁴⁴ or approximately \$150,000 less than the average new-home price in the Region. Until recently in Sacramento, housing prices have been inadequate to support such buildings. At this time, however, three 50+ story towers have been proposed in downtown with prices generally quoted in the \$350,000 to \$1.0 million range.

Existing condominiums in the County and the City have been steadily appreciating since 1990, as shown in Table 2.6-33. In 2004, the median price for a condominium in the County was \$160,000, as compared to only \$65,000 in 2000. At the same time, the average price for resale attached for-sale product downtown increased from \$68,000 in 2000 to \$153,000 in 2004. This appreciation trend indicates the potential for continuing appreciation over the next five years.

44 The Gregory Group. 2004.

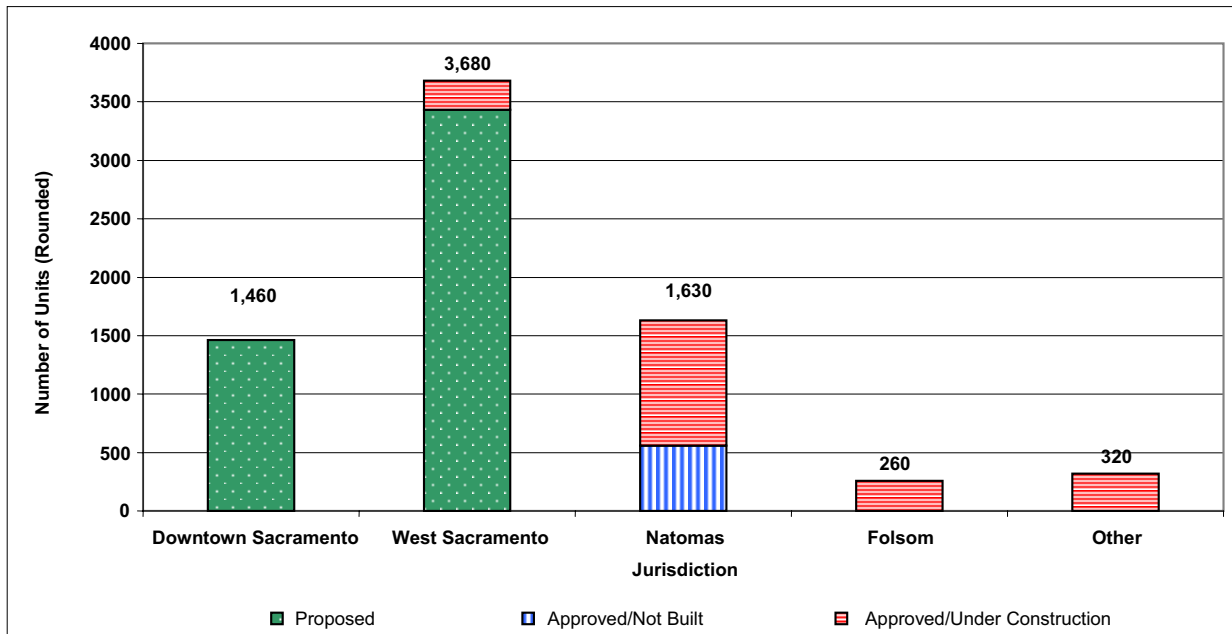
Table 2.6-33. Average Condominium Prices

Jurisdiction	2000	2001	2002	2003	2004
City of Sacramento					
Median Sales Price	\$68,250	\$80,500	\$95,000	\$125,000	\$153,000
Annual Appreciation	-	18%	18%	32%	22%
Sacramento County					
Median Sales Price	\$65,000	\$81,000	\$100,000	\$127,500	\$159,000
Annual Appreciation	-	25%	23%	28%	25%

Source: DataQuick Information Systems (2005).

Figure 2.6-9 depicts the amount of recently approved/built, proposed, and planned attached projects in downtown, West Sacramento, Natomas, Folsom, and Roseville/Rocklin. Table 2.6-34 provides a listing of the particular projects in the Region and their estimated price ranges.

Figure 2.6-9. New Condominium Projects in Units: 2004



Source: DataQuick Information Systems (2005).

Table 2.6-34. New Condominium Projects in Select Areas: 2004

Location	Units Planned ¹	Absorption ²	
		Units	Percent
City of Sacramento			
Downtown Sacramento	1,460	50	3.4%
Natomas	690	440	63.8%
Other City of Sacramento	60	30	50.0%
Total City of Sacramento	2,210	520	23.5%
Other Areas			
West Sacramento	3,680	0	0.0%
Roseville	2,630	320	12.2%
Rocklin	400	0	0.0%
Folsom	260	200	76.9%
North Highlands	120	70	58.3%
Unincorp. Sacramento County	140	60	42.9%
Total Other Locations	7,230	650	9.0%
TOTAL	9,440	1,170	12.4%

Notes: All figures rounded to the nearest 10 units.

1. Includes all condominium units proposed, approved, and recently constructed as of December 2004.

2. Absorption reflects only the percentage of planned units which have been constructed and sold.

Source: Economic & Planning Systems, Inc. (2005).

Apartment Trends

As shown in Table 2.6-35, in the North Natomas Community Plan area, 4,200 units of apartments were developed over in the past seven years, with rents currently averaging between \$1,100 and \$1,200 per month. Downtown also shows increased apartment development, with construction of fewer than 500 units from 1990 to 2003, (36 units annually on average), to nearly 1,000 units approved over the last two years, and another 2,300 units currently proposed (Table 2.6-36).

Challenges to Developing Attached Product

- **Cost of Construction.** High-density projects typically are far more complicated than those with lower densities because of the need to coordinate utilities, drainage, and streets. In addition, costs of construction increase as the total height of the building increases. Buildings more than three stories have to be built using steel construction rather than the less expensive wood-frame construction.
- **Construction-Defect Litigation.** Another significant issue affecting the delivery of condominiums has been construction defect litigation. This insurance issue is particularly relevant for medium-density wood-frame structures. At this time, insurance is high and difficult for many smaller firms to obtain. The net result is often \$30,000 per unit or more in additional project costs, which has the effect of pricing units at higher levels, which narrows the market and increases overall project risk.

Table 2.6-35. North Natomas Apartment Inventory

Project	Number of Units¹	Rent²
Existing		
Atrium Court	224	\$831-\$1,105
Granite Point	384	\$838-\$1,271
Homecoming	450	\$995-\$1,750
Irongate	280	\$1,010-\$1,605
Lofts	188	\$1,050-\$1,745
McKenzie	152	n/a
Miramonte/Trovas	440	\$849-\$1,430
Natomas Park	212	n/a
Terracina Gold	280	\$343-\$1,100
Terracina Meadows	148	n/a
Tuscaro	296	\$950-\$1,415
Villagio	272	\$1,000-\$1,550
Subtotal	3,326	
Approved/Under Construction		
Cambay West	216	n/a
Carefree	500	n/a
Subtotal	716	
Approved/Not Built		
Northpointe	180	n/a
Subtotal	180	
Total Units	4,222	

Notes:

1. Based on information provided by the City of Sacramento Planning Department, current as of September 2004.
2. Rents obtained from *Apartmentguide.com*, March 2005.

Source: City of Sacramento Planning and Building Department (2004).

Table 2.6-36. Downtown Sacramento Apartment Inventory

Project	Number of Units
Approved Projects	
Existing	
Pensione K (17th & K) ¹	129
Other Downtown Apartments	336
Subtotal	465
Under Construction	
18th & L Apartments	176
Plaza Lofts (9th & J)	225
Fremont Mews (14th/15th @O/P St.)	119
Other Downtown Apartments	105
Subtotal	625
Not Built	
CADA Warehouse Live/Work Units (11th/12th & R)	107
Globe Mills (12th & C)	141
Other Downtown Apartments	121
Subtotal	369
Total Approved Units	1,459
Total Proposed Units	2,297
Total Approved and Proposed Units (Since 1990)	3,756

Source: City of Sacramento Planning Department " *Summary of City Housing Activity, 1990 to February 2005.*"

1. Existing units includes those built since 1990.

- Recent legislation (SB 800), providing condominium owners with non-litigation paths (e.g., individual right to repair, arbitration) to resolving construction defects, was passed in 2002 and appears to be producing more insurers willing to underwrite attached ownership housing design, engineering, and construction.⁴⁵ This change should enable further development of larger for-sale projects, which would provide densities of 80 to 100 units per acre in a four- to six-story configuration.

Condominium Conversions

Another trend related to higher density attached product is the conversion of rental apartments into for-sale condominiums. The combination of flat apartment rents and rising home prices encourages owners and developers to transform rental units into condominiums. Northern

45 California Builder, "Fighting Back," September/October 2004.

California has the largest existing inventory of rental units nationwide that could be converted to condominiums—almost 33,000 units.⁴⁶

In the Region, condominium conversions may displace up to 2,200 units this year, reducing the amount of net new supply in the market in 2005. A portion of these converted units, however, along with a significant number of new condominium units, likely will hit the rental market, partially offsetting the supply reduction.

In addition, while condominiums may provide an affordable option for entry-level home buyers, conversions can contribute to a gentrification process that is cost-prohibitive for lower-income and elderly tenants who could not possibly afford to buy the apartments they rent. Based on Real Facts data, an average ten to 15 percent of renters in a converted building purchase one of the condominiums. These conversions have the potential to threaten the socioeconomic diversity of cities, displacing lower income renters with higher income buyers.

City Employment Trends

The City is estimated to have roughly 310,000 employees in the year 2005. By 2030, this number is expected to reach 450,000, resulting in the addition of approximately 140,000 new jobs over the next 25 years.

During that same time, the state capital likely will continue to drive the City's employment base, though growth in other sectors will help to diversify the City's economy. Table 2.6-37 provides a snapshot of employment for the Region (2004) and the City (2003). As discussed previously, the development of previously underrepresented sectors (e.g., Professional and Business Services, Educational and Health Services) has increasingly balanced the Region's strong history of government and agricultural-related employment.

A snapshot of the City's major economic sectors reveals the impact of its role as the center for State employment. Forty-four percent of the City's employment is in the Government sector. The remaining sectors placed far behind, though Other Services constitutes roughly 60 percent of the Region's employment for this sector.

A glance at the Region's largest employers mirrors the dominance of public-sector employment (Table 2.6-38). The State, UC Davis, and the County—all public employers—are the area's largest employers. Large private-sector firms include Hewlett Packard, Intel, and Kaiser Permanente. In the City, while the largest public employers are the State and County, the largest private employers (Kaiser Permanente, Sutter Health, and Wells Fargo), represent a variety of industries with a heavy concentration in the healthcare industry. Moreover, nearly 85 percent of businesses in the Region and City have fewer than 20 employees (Table 2.6-39). As the Region progresses, economic development efforts should focus on small business retention and growth (especially private firms linked to State government activities), a better understanding of owner-user preferences, and maximization of infill development opportunities to house these small establishments.

Projected Employment and Commercial Growth in the City

Based on the expected population and employment, and accounting for other regional and statewide growth dynamics, as well as the City's historical employment patterns, Table 2.6-40 shows how the City's projected employment of 450,000 for 2030 is distributed to each sector.

46 Realfacts survey. 2002.

Table 2.6-37. Sacramento Employment Snapshot: 2004

Sector	Employment			
	Amount	Distribution	Amount	Distribution
	Sacramento City - 2003		Sacramento Region - 2004 ²	
Government	130,779	43.5%	236,500	26.8%
Trade, Transportation & Utilities	38,249	12.7%	150,200	17.0%
Professional & Business Services	28,924	9.6%	99,200	11.3%
Educational & Health Services	25,457	8.5%	85,500	9.7%
Leisure & Hospitality	19,715	6.6%	80,500	9.1%
Construction	11,443	3.8%	68,300	7.7%
Financial Activities	12,765	4.2%	61,200	6.9%
Manufacturing	9,224	3.1%	48,500	5.5%
Other Services	17,580	5.8%	29,300	3.3%
Information	6,192	2.1%	21,800	2.5%
Natural Resources & Mining	187	0.1%	500	0.1%
Total	300,515	100.0%	881,500	100.0%

Source: Economic & Planning Systems, Inc. (2005).

1. Sectors are categorized according to the North American Industry Classification System (NAICS).
2. Source: EDD - original data in NAICS, converted to SIC by EPS, Employment in zip codes: 95814, 95815, 95816, 95817, 95818, 95819, 95822, 95831, 95833, 95820, 95826, 95832, 95823, 95834, 95835, 95838, and all P.O Boxes & "other unique" zip codes (e.g. Tax Board, etc).
3. Source: SACTO 2004/2005.

Table 2.6-38. Top Public and Private Employers: 2004

Employer	Employees ¹	Local Headquarters	Industry/Type
Sacramento Region²			
Public Sector			
State of California	66,792	Sacramento	Government
University of California, Davis ³	14,300	Davis	University
Sacramento County	13,933	Sacramento	Local Government
UC Davis Health Center ⁴	6,399	Sacramento	Healthcare
Los Rios Community College District	6,000	Sacramento	Education
Private Sector			
Intel Corporation	6,500	Folsom	Semiconductor Manufacturer
CHW/Mercy Healthcare Sacramento	5,832	Rancho Cordova	Healthcare
Kaiser Permanente	5,374	Sacramento	Healthcare
Hewlett-Packard Co.	4,500	Roseville	Computer Hardware Manufacturer
SBC Communications	4,500	Sacramento	Telecommunications
City of Sacramento⁶			
Public Sector			
State of California	66,792	Central City	Government
Sacramento County	13,933	Central City	Local Government
UC Davis Health Center ³	6,399	East Broadway	Healthcare
Los Rios Community College District	6,000	Arden Arcade	Education
City of Sacramento	4,695	Central City	Local Government
Private Sector			
Kaiser Permanente	5,374	Arden Arcade	Healthcare
Sutter Health Sacramento Sierra Region	4,274	Central City	Healthcare
Wells Fargo	2,380	Central City	Financial Services
The McClatchy Company	1,410	Central City	Newspaper Publishing

Notes:

1. Number of full-time equivalent (FTEs) employees in Sacramento County.
2. Sacramento region includes El Dorado, Placer, Sacramento, and Yolo Counties.
3. Includes 1,260 temporary employees.
4. Includes 947 employees who work less than 50 percent of a full-time schedule.
5. Represents employers headquartered in the City of Sacramento.

Source: Sacramento Business Journal, "2004 Top 25 Book of Lists," December 24, 2004.

Table 2.6-39. Number of Establishments by Size: 2002

Size of Establishment ¹	California		Sacramento Region		City of Sacramento		Placer	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1 - 4	445,186	54.2%	23,696	52.3%	13,380	50.2%	4,605	55.6%
5 - 9	150,899	18.4%	8,912	19.7%	5,222	19.6%	1,612	19.5%
10 - 19	104,617	12.7%	6,064	13.4%	3,743	14.0%	1,014	12.3%
20 - 49	75,509	9.2%	4,206	9.3%	2,726	10.2%	657	7.9%
50 - 99	25,827	3.1%	1,367	3.0%	885	3.3%	225	2.7%
100 - 249	13,780	1.7%	780	1.7%	540	2.0%	119	1.4%
250 - 499	3,306	0.4%	173	0.4%	114	0.4%	29	0.4%
500 - 999	1,182	0.1%	56	0.1%	37	0.1%	8	0.1%
1000 or more	691	0.1%	36	0.1%	23	0.1%	7	0.1%
Total	820,997	100.0%	45,290	100.0%	26,670	100.0%	8,276	100.0%

Source: County Business Patterns, US Census Bureau 2000.

1. Grouped by number of employees per establishment.

Table 2.6-40. City of Sacramento Employment Projections: 2030

Sectors	2005 Est Employment		2030 Projected Employment		2005-30 Projected	
	Number	Percent	Number	Percent	Change	Avg Annual Growth
Retail Trade	24,613	7.9%	36,111	8.0%	11,498	1.5%
Services	99,304	32.0%	167,000	37.1%	67,696	2.1%
Education	3,897	1.3%	5,321	1.2%	1,424	1.3%
Government	133,370	43.0%	175,938	39.1%	42,569	1.1%
Mining	176	0.1%	176	0.0%	0	0.0%
Construction	11,987	3.9%	17,162	3.8%	5,174	1.4%
Manufacturing	9,368	3.0%	9,368	2.1%	0	0.0%
Transport & Public Utilities	4,856	1.6%	6,209	1.4%	1,352	1.0%
Wholesale Trade	9,323	3.0%	13,542	3.0%	4,219	1.5%
Finance, Insurance & Real Estate	13,383	4.3%	19,145	4.3%	5,761	1.4%
Total (rounded)	310,300	100.0%	450,000	100.0%	139,700	1.5%

Source: Economic & Planning Systems, Inc. (2005).

Note: Sectors are categorized according to the Standard Industry Classification System (SIC).

Compared to 2005 employment estimates, the 2030 projected employment can be characterized as continuing to move toward the statewide average, with sectors evolving as follows:

- Government's share of total City employment decreases, yet remains the largest employment sector (39 percent);
- Services, projected to grow statewide, grows from 32 percent to 37 percent of total employment;
- Manufacturing and Mining, projected to fall statewide, experience no growth;
- Construction, a primarily cyclical sector and regionally tied to population growth, remains stable;
- Finance, Insurance, and Real Estate (FIRE), tied partly to Construction but also to population, remains stable.

Each employment sector is expected to generate demand for office, retail, industrial, institutional, and other land uses. EPS translated projected employment growth into demand for office, industrial, and retail building square footage. The methodology distributes projected employment growth in each sector across different land use types. The methodology applies standard employee density factors to the new employees in each land use to determine corresponding building square footage.⁴⁷

Table 2.6-41 distributes 140,000 new jobs to different land use categories, resulting in these approximations:

- 28,000 jobs attributed to General Office land uses;
- 20,000 jobs attributed to Industrial land uses;
- 19,000 jobs attributed to Retail land uses;
- 23,000 jobs attributed to Institutional land uses, (e.g., government-owned space, hospitals, utilities); and
- 50,000 jobs attributed to Other land uses (e.g., agriculture, open space, schools).⁴⁸

Table 2.6-42 translates projected employment growth by land use into building square footage. Based on current assumptions regarding building square feet per employee for each land use, the City's projected employment growth is expected to generate demand through 2030 as follows:

- 275,000 square feet annually of General Office space;
- 700,000 square feet annually of Industrial space;
- 300,000 square feet annually of Retail space; and
- 325,000 square feet annually of Institutional space.

47 EPS's *Working Paper for the Sacramento General Plan Update City Employment Projections* provides a more detailed explanation of all assumptions driving this analysis. Contact EPS for a copy of this report.

48 This allocation was based on a model provided by the Southern California Association of Governments and was designed to reflect land usage in Southern California. EPS further adjusted this model to fit the dynamics of the City.

Table 2.6-41. Distribution of New Employment by Land Use: 2005-30

Sector	Total New Employees	New Employment by Land Use (2005-30) ¹				
		Office	Industrial	Retail	Institutions	Other ²
Retail Trade	11,498	851	977	6,358	172	3,139
Services	69,120	15,621	12,372	6,912	6,497	27,717
Government ³	42,569	8,386	2,852	1,788	16,091	13,452
Mining	-	-	-	-	-	-
Construction	5,174	476	1,609	771	67	2,251
Manufacturing	-	-	-	-	-	-
Trans & Pub. Utilities	1,352	229	406	250	28	439
Wholesale Trade	4,219	481	1,911	675	46	1,105
FIRE	5,761	1,797	351	1,786	173	1,653
Total (rounded)	139,700	27,800	20,500	18,500	23,100	49,800

Source: Economic & Planning Systems, Inc. (2005).

1. Based on employment distribution assumptions from Natelson Company and EPS.
2. Does not generate commercial space requirements.
3. Institutions includes Government employment in state-owned space, while Office includes government employment in privately-owned space.

Table 2.6-42. New Building Space Demand, City of Sacramento: 2005-30

Land Use	2005-2030 Projected Employment Growth	Average Space per Employee ¹ (Sq. Ft.)	2005-2030	
			Projected Building Sq. Ft.	Projected Net Annual Absorption
Commercial				
General Office	27,800	250	6,950,000	278,000
Industrial	20,500	850	17,425,000	697,000
Retail	18,500	400	7,400,000	296,000
Subtotal²	66,800	614	31,775,000	1,271,000
Institutional	23,100	350	8,085,000	323,400
Other	49,800			
TOTAL	139,700			

Notes:

1. General Office - Urban Land Institute *BP & Ind. Dev Handbook*; Industrial and Retail - Illustrated Book of Development Definitions, 2004; Institutional - EPS.
 2. Commercial - Subtotal reflects weighted average.
- Source: Economic & Planning Systems, Inc. (2005).

Table 2.6-43 shows how this square footage may be distributed between the CBD and the remaining Suburban market in the City. Using standard floor area ratios, this table also estimates annual demand for 15 general office acres, 57 industrial acres, and 25 retail acres in the Suburban market portion of the City.

Table 2.6-43. Demand for New Building Space: 2005-30

Land Use	Citywide		CBD		Suburban					
	Total Sq. Ft.	Annual Absorp.	Total Sq. Ft.	Annual Absorp.	Total Sq. Ft.	Annual Absorp.	FAR ¹	Net-to-Gross	Total Gross Acres	Annual Absorp.
Commercial										
General Office	6,950,000	278,000	2,500,000	100,000	4,450,000	178,000	0.35	0.80	365	15
Industrial	17,425,000	697,000	-	-	17,425,000	697,000	0.35	0.80	1,429	57
Retail	7,400,000	296,000	1,875,000	75,000	5,525,000	221,000	0.25	0.80	634	25
Subtotal	31,775,000	1,271,000	4,375,000	175,000	27,400,000	1,096,000	0.00	0.00	2,428	97
Institutional	8,085,000	323,400	3,750,000	150,000	4,335,000	173,400	0.35	0.80	355	14
Total	39,860,000	1,594,400	8,125,000	325,000	31,735,000	1,269,400			2,783	111

Source: Economic & Planning Systems, Inc. (2005).

1. **General Office** and **Institutional**- EPS; **Industrial** and **Retail**- *Illustrated Book of Development Definitions*, 2004.

Table 2.6-44 shows three different development density scenarios for Office and Institutional space downtown to provide an idea of potential demand for acreage between 2005 and 2030. All three scenarios assume that all Institutional space downtown will be office, given that the most likely users in this area would be State offices rather than utilities or hospitals.

Table 2.6-44. Sacramento CBD Density Scenario for Office Space: 2005-30

Land Use	CBD Projected Building Space		Gross Acres by Scenario ¹					
	Total Sq. Ft.	Annual Absorption	Office FAR = 1.5		Office FAR = 2.5		Office FAR = 3.5	
			Total Acres ²	Annual Absorption	Total Acres ²	Annual Absorption	Total Acres ²	Annual Absorption
COMMERCIAL								
General Office	2,500,000	100,000	48	2	29	1	20	1
Institutional Office ³	3,750,000	150,000	72	3	43	3	31	3
Industrial	0	0	0	0	0	0	0	0
Retail	1,875,000	75,000	215	9	215	9	215	9
TOTAL	8,125,000	325,000	335	13	287	13	266	12

1. FAR scenarios apply only to General Office space. FARs for other land uses remain as in Table 2.6-43.

2. Net-to-Gross conversion factor = 0.8.

3. All Institutional space in the CBD is assumed to be Office.

Source: Economic & Planning Systems, Inc. (2005).

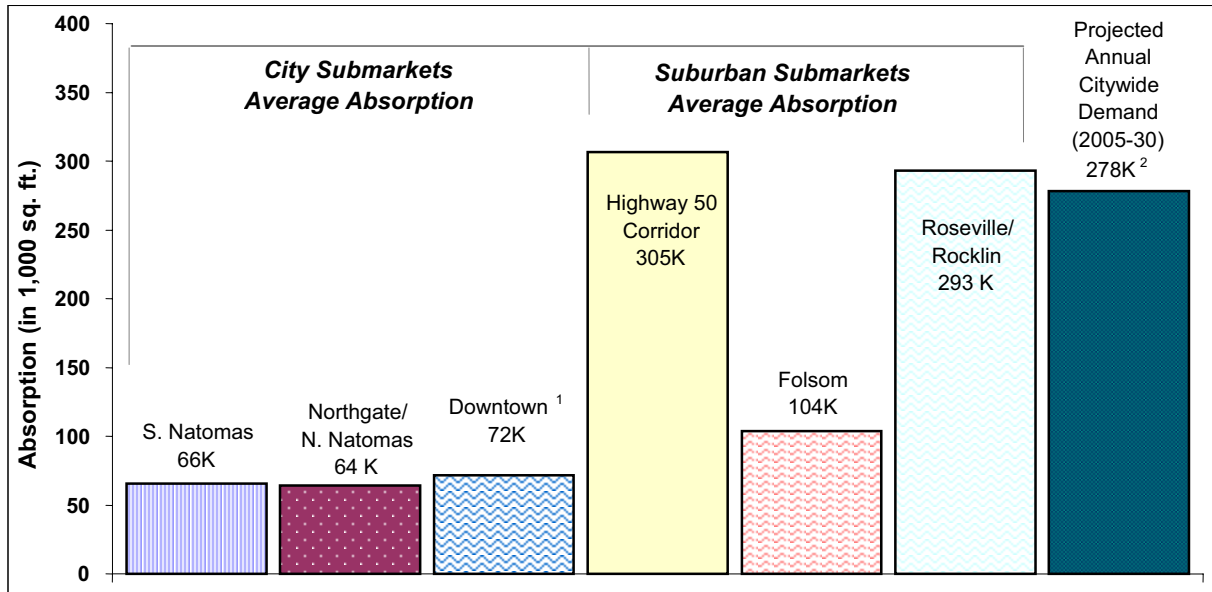
Office Trends and Expected Growth

The Region's office market is composed of a CBD market and suburban markets. The suburban submarkets continue to play a significant role, with Roseville/Rocklin and the Highway 50 Corridor absorbing high levels of space between 1995 and 2004 (Figure 2.6-10). Downtown, Northgate/Natomas, and South Natomas have been the strongest office submarkets in the City in terms of annual absorption over the last 10 years.

Downtown's office space is heavily influenced by the presence of the State, which leases approximately 5.2 million square feet of office space in the City's private office market; about 83 percent of this space is located downtown.⁴⁹ Beyond the State's central role, downtown's office market can be characterized as follows:

49 Based on data provided by the State Department of General Services. Roughly 4.3 million building square feet of office space is leased downtown, in zip codes: 95814, 95816, and parts of 95818.

**Figure 2.6-10 Private Office Market Average Annual Absorption
Select Submarkets: 1995 - 2004**



Source: CB Richard Ellis, Office Market Index, 4th Quarter 1995-2004 and Economic & Planning Systems.

Note: This Chart compares Projected Annual Citywide Demand to historical average annual absorption in several submarkets.

1. Downtown Submarket is heavily influenced by state presence. Figure excludes all state-owned development, development, for example, the recently completed East End Complex.
2. Projected Demand estimated by Economic & Planning Systems, Inc.

- **Downtown remains the preeminent location for professional users.** Rent for downtown Class A space (\$2.60 monthly) is the highest in the Region (Table 2.6-45). Aside from the State, professional users include lobbyists, professional services, legal, and accounting firms.
- **Downtown’s private office market is experiencing relatively low net absorption rates.** Downtown’s office market has been growing by fewer than 150,000 square feet annually since 1999. The City’s private office market absorbed -163,000 square feet in 2004, partially attributable to the State’s relocation to its new East End complex.⁵⁰ New job growth in the City will generate corresponding demand for office space, a portion of which will be Downtown.
- Before 2001, the City’s downtown office market experienced average absorption of 150,000 to 200,000 square feet annually.

⁵⁰ The City achieved negative net absorption in 2004 because the State’s relocation to the East End complex created negative absorption, and additional absorption by new tenants in other space was not enough to fully counter-balance the State’s move out of the private market.

Table 2.6-45. Sacramento Region Private Office Market: 2004

City Submarket	Inventory (Sq. Ft.)	Percent Share	Percent Vacant	Avg Lease Rate ¹	
				Class A	Class B
Downtown	9,657,018	19.9%	12.8%	\$2.58	\$1.94
Carmichael/Fair Oaks ²	1,206,100	2.5%	7.3%	\$1.47	\$1.46
Folsom/ El Dorado Hills	2,991,084	6.2%	21.6%	\$1.96	\$1.85
Highway 50	12,031,909	24.8%	18.9%	\$1.59	\$1.49
Highway 80	5,662,670	11.7%	10.3%	\$1.95	\$1.64
Laguna/ Elk Grove	306,307	0.6%	19.0%	\$2.33	\$2.27
Midtown	2,182,505	4.5%	7.0%	\$1.85	\$1.49
Natomas	5,258,377	10.9%	27.6%	\$1.93	\$1.63
North Sacramento	1,533,577	3.2%	39.4%	\$1.50	\$1.28
Roseville/ Rocklin	5,318,772	11.0%	13.2%	\$2.13	\$1.82
South Sacramento	856,471	1.8%	16.8%	-	\$1.55
West Sacramento	1,437,096	3.0%	22.1%	\$1.55	\$1.49
Total Market	48,441,886	100.0%	17.0%	\$2.04	\$1.62

Source: Grubb & Ellis, *Office Market Report 4th Quarter 2004*.

1. Prices are per square foot for full service.

2. Includes Carmichael, Fair Oaks, Citrus Heights, and Orangevale.

- On the one hand, beginning in the late 1990s, the State decided to primarily develop office space on its own property; as a result, starting in 2000, downtown's private office market had to adjust to the construction of the East End Complex (roughly 2 million square feet), as well as other State development projects. On the other hand, recent budget deficits have caused the State to reexamine this policy. The role of State-owned versus leased space remains uncertain. Future demand in the private market is uncertain because of further construction of the West End and other State projects elsewhere in the City and County and private demand for office.

Table 2.6-46 compares historical average annual absorption in key office markets to the projected average annual demand for the City between 2005 and 2030. As this table indicates, to accommodate the expected demand for office space, the City will need to provide space at a level equal to or exceeding the average annual absorption by the Rocklin/Roseville submarket.

Industrial Trends and Expected Growth

The City's industrial market will continue to evolve, as the City reaches buildout and the land supply for industrial development diminishes. Some existing submarkets, such as the Richards Boulevard area, are undergoing redevelopment.

Other sizeable submarkets outside the City include Rancho Cordova/Highway 50, Woodland/Davis, and West Sacramento (about 17 million square feet each), and Roseville/Rocklin/Lincoln (18 million square feet total). In these suburban submarkets, Woodland/Davis is strong with an average net absorption of 360,000 square feet, as is Rancho Cordova/US Highway 50 with 330,000 square feet of net absorption (Table 2.6-47).

Table 2.6-46. Office Market Trends: Sacramento Region

City Submarket	Existing City Historical Absorption (1995-2004)	Projected GPU Citywide Demand
Downtown	71,679	
Northgate/Natomas	64,033	
Midtown	(9,344)	
Campus Commons	12,673	
Point West	25,736	
South Sacramento	18,283	
East Sacramento	5,314	
South Natomas	65,518	
Subtotal City	253,892	278,000

Source: CB Richard Ellis (1995-2004).

Table 2.6-47. Sacramento Region Industrial Market

Submarket	Avg Ann. Absorption (1995-2004)	Current Inventory (2004)	Vacancy Rate (2004)
Downtown/Midtown/East Sac.	30,000	5,950,000	1.6%
Northgate/Natomas	40,000	12,760,000	7.5%
Richards Blvd.	120,000	6,030,000	3.6%
Power Inn Area	440,000	25,550,000	13.7%
Rocklin/Roseville/Lincoln	270,000	17,940,000	16.4%
Rancho Cordova/Highway 50	330,000	17,100,000	5.4%
Woodland/Davis	360,000	16,570,000	11.4%
West Sacramento	260,000	1,720,000	8.5%
McClellan Park ¹	610,000	5,820,000	55.9%
Total Regional Market	1,770,000	149,830,000	n/a

Source: CB Richard Ellis, *Sacramento 4th Quarter Industrial Market Reports*, 1998-2004; *Sacramento Industrial Market Summary*, 1995-1997.

1. Average annual absorption calculated from 2001-2004.

The City’s industrial concentration west of McClellan Park provides an opportunity to become a key manufacturing center. Industrial opportunities in North Sacramento would arise from the zoning of additional R&D and light industrial land to the west of McClellan Park, accommodating a diverse array of end-users and providing a good transition between industrial and residential districts in the area. Additional industrial development would strengthen the City’s existing industrial base in the Power Inn and Richards Boulevard areas.

Retail Trends

A retail leakage analysis, using 2003 data from the State Board of Equalization, shows that Sacramento leaks an estimated \$300 per capita annually to other areas (Table 2.6-48).⁵¹

51 Leakage is computed by comparing per capita taxable transactions for a city to the statewide average.

Table 2.6-48. Retail Leakage Analysis: Select Areas (in \$2003)

Type of Business	Per Capita Excess/(Leakage) ¹		
	Roseville	Sacramento	Uninc. Sac. Cnty
Retail Stores			
Apparel stores	\$911	\$48	(\$152)
General Merchandise stores	\$3,378	\$8	\$84
Specialty stores group	-	-	-
Food stores	\$412	\$55	\$77
Eating and drinking places	\$1,103	\$66	(\$198)
Home furnishings and appliances	\$709	(\$126)	\$247
Bldg. material & farm implements	\$1,822	\$201	\$411
Auto dealers & auto supplies	\$9,631	(\$660)	\$27
Service stations	\$485	(\$66)	\$118
All other retail stores	\$3,882	\$1,364	\$1,420
Total (rounded)	\$21,100	(\$300)	\$700

Sources: DOF-Demographic Research Unit; and California State Board of Equalization, 2003.

1. Represents the difference between a city's per capita level of taxable transactions and California's per capita level of taxable transactions.

Although the City is the premier office, civic, and cultural node of the Region, its retail sales level is close to that of the statewide average. The City exhibits the highest retail leakage in Home Furnishings and Appliances (\$126 per-capita sales in the City lower than the per-capita sales level in California as a whole) and Auto Dealers (\$660 less than the statewide average). The unincorporated area of the County, as well as South Placer County, provides City residents with retail alternatives for both of these types of goods.

Roseville carries the highest amount of excess sales—\$21,100 surplus in per-capita taxable sales—indicating that it attracts residents from throughout the Region. Super-regional retail centers, like the Galleria, attract shoppers from the Region and beyond.

Since 2003, a significant amount of retail in North Natomas has been built, including regional shopping centers providing local residents with an alternative to the County and Roseville. Table 2.6-48 also indicates that more than 2.4 million square feet of various types of retail projects are being planned in the City.

With the projected population growth in the City and the Region, the City has the opportunity to strengthen its position as a regional retail center. Major retail sites include downtown, Delta Shores, North Natomas, and various commercial corridors. The capture of additional retail sales will aid the City's ability to deliver services and build infrastructure needed to serve development.

■ GROWTH PROSPECTS AND PATTERNS OF DEVELOPMENT

The preceding sections of this market study have documented broad trends affecting the future growth and development of the City, including forecasts of employment and housing. This section evaluates the overall supply of land available to meet this demand, followed by a discussion of area-specific development trends, including references to community plan areas and City-identified opportunity areas for new growth and investment.

This section provides a context for subsequent development of General Plan Update land use alternatives. It applies the employment and housing forecasts to information related to available supply to provide general guidance for the overall balance of land uses in the City. The supply information is provided primarily by the City’s “Population Housing and Employment Report” (December 2004) and includes vacant, underutilized, and reuse parcels to determine total supply (also called holding capacity).

The analysis presented below is not intended to be a definitive forecast or to result in specific recommendations; rather, it serves as a forum for discussing how alternative densities and certain land use policy decisions affect the City’s ability to provide adequate land supply and how the City might proceed in making certain land use adjustments to facilitate a balanced mix of uses in the future.

Land Supply and Demand Synthesis

Based on the projected supply of and demand for developable land in the City from 2005 to 2030, potential surpluses and shortfalls of commercial and residential land were estimated. Table 2.6-49 summarizes the land demand and supply analysis for the City. Development of the Natomas Joint Vision Area and the Delta Shores project were included.

Table 2.6-49. Land Demand and Supply for Residential and Commercial Uses

Item	DEMAND (2005-30)			SUPPLY			Surplus/ (Shortfall) without Reserve	Surplus/ (Shortfall) with Reserve
	Projected Demand	Reserve Capacity ¹	Total Demand	Existing Holding Capacity	Adjustment for NJV ² and Delta Shores	Total Holding Capacity		
Housing ³								
Residential Acres	8,615	1,723	10,339	4,726	3,674	8,400	(215)	(1,939)
Employment ⁴								
Non-residential Acres	3,088	618	3,706	6,470	(75)	6,395	3,307	2,689

Source: City of Sacramento "Population, Housing, and Employment Report - Public Review Draft" (Dec, 2004); SACOG "Blueprint Draft Preferred Scenario" (2004) ; Place³s Model , and Economic & Planning Systems, Inc. (2005).

1. Assumes a 20 percent reserve.
2. Natomas Joint Vision.
3. Refers to Table 2.6-52 and Table 2.6-53.
4. Projected Demand generated from EPS crosswalk model. Refers to Table 2.6-50.

Projected demand of 3,088 land acres for office, industrial, and service-commercial/retail space is derived from Tables 2.6-43 and 2.6-44 and is shown in Table 2.6-49. This analysis provides for an additional 20 percent supply reserve for both residential and commercial land uses. This reserve addresses the need to ensure an adequate long-term supply of land and facilitates market efficiencies. Having an adequate land supply reduces pressure on land prices. As land supply nears exhaustion, prices will tend to increase. In addition, the most difficult development areas tend to be developed last, meaning that project costs will increase resulting in higher prices for finished units. The exact reserve percentage can vary based on market conditions and other policy considerations, and should be discussed further before forming the policy.⁵²

⁵² In particular, land supply assumptions should be more fully discussed prior to setting policy. This analysis incorporates 2,855 acres of underutilized and re-use properties. The basis for inclusion in each category and further consideration of amounts to be attributed as viable capacity should occur prior to development of land use alternatives and formulation of policy. Total land supply in these categories documented by

EPS identified the following potential shortfalls and surpluses in the commercial and residential land markets based on the development scenarios developed herein:

- Based on employment projections, commercial land markets could result in an oversupply of about 2,600 acres, assuming a 20-percent land reserve; and
- Assuming no supply reserve, there may be an overall shortfall of 215 acres of residential land by 2030. However, residential land markets could be undersupplied by approximately 2,000 acres when a 20-percent reserve is factored in. This analysis incorporates an average density of 12.7 units per gross acre (about 17 units/net acre assuming 75 percent of gross acreage is dedicated to open space and infrastructure rights-of-way).⁵³ This density represents a scenario assumed by EPS based on a review of current market trends. As discussed in the following sections, required land would be much greater under lower densities (and vice-versa); further consideration of alternative scenarios should precede formulation of policy.

These are the overall implications of this analysis:

1. With development of the Natomas Joint Vision Area, the City may have the land required to achieve projected commercial and residential development through 2030, including creating a 20-percent reserve through the strategic rezoning of some existing commercial land in the City.
2. As part of the baseline residential holding capacity figures prepared by the City, about 670 residential acres⁵⁴ of land would be developed in the context of redeveloped or underutilized parcels. This will be a significant challenge for the City and SHRA because of land assembly, relocation costs, and risks of the redevelopment process.
3. This analysis indicates that in addition to the redeveloped or underutilized parcels above, another 1,900 acres may need to be identified to provide an adequate residential reserve. If the City adopts a land use plan with higher densities, the shortfall would be reduced.
4. The City may need to evaluate strategic areas for possible conversion from Employment Center, industrial, and strip corridor retail to housing. These areas may include parts of North Natomas (Employment Center), North Sacramento (industrial), East Broadway (industrial) and certain South Sacramento corridors (strip retail). Key redevelopment areas in these and other parts of the City are discussed later in this section.

Appendix C of the City's Population Housing and Employment Report is 3,396 acres but includes parks, open space, and other non-applicable property types. The City has reduced developable acreage to 1,270 acres using a "market factor" primarily based on seller willingness and location considerations. The market factor has not been applied in this analysis as seller propensities, access conditions, and other constraints may change or be addressed over time.

53 Because land supply data provided by Appendix C of the City's Population Housing and Employment Report (2004) are expressed in gross terms, all densities and acreage figures in this section are expressed in gross terms in order to facilitate tracking of data from source documentation. Moreover, net-gross ratios can vary widely according to specific project types and conditions.

54 City of Sacramento, *Population Housing and Employment Report*, Public Review Draft, December 2004, App. C. Does not include reduction using "market factor".

Commercial Development Demand and Supply

As discussed previously, employment growth trends in the City indicate substantial ongoing demand for office, service-commercial, retail, and industrial development. For the purposes of this analysis, commercial land use refers to the nonresidential employment-generating land uses listed above.

Table 2.6-50 compares the projected demand and supply of commercial land in the City based on the City’s identified acreage by community plan land use category.⁵⁵ This estimate includes the Natomas Joint Vision Area as defined by the SACOG Blueprint preferred scenario and a sensitivity analysis of the Delta Shores project under both existing zoning and the Blueprint. The majority of available office land is concentrated in North Natomas. For retail/service-commercial space, the CBD is joined by major concentrations in South Sacramento and North Natomas. Industrial land is well distributed throughout the City. This table also accounts for planned development in the Natomas Joint Vision Area and the Blueprint version of the Delta Shores project. In the Blueprint version of this project, the high technology industrial acreage is reduced and is replaced partially by increased housing.

Table 2.6-50. Holding Capacity by Community Plan Area: Commercial

Community Plan Area	Formula	Office		Industrial		Retail/Commercial		Total Nonresidential	
		Acres	%	Acres	%	Acres	%	Acres	%
Projected Demand for Commercial Land	<i>A</i>	668		1,571		849		3,088	
Acreage Required to Achieve a 20% Reserve	<i>B = A + 20%</i>	801		1,885		1,019		3,706	
Current Capacity (Supply)¹									
Airport Meadowview		52.6	3.8%	513.8	14.7%	59.7	3.9%	626.1	9.8%
Central City		102.5	7.4%	113.9	3.3%	443.5	29.1%	659.9	10.3%
East Broadway		68.0	4.9%	601.1	17.3%	68.0	4.5%	737.0	11.5%
East Sacramento		64.4	4.7%	346.0	9.9%	64.4	4.2%	474.8	7.4%
North Natomas		805.7	58.2%	145.2	4.2%	246.3	16.1%	1,197.2	18.7%
North Sacramento		-	0.0%	950.9	27.3%	53.8	3.5%	1,004.7	15.7%
Pocket		16.6	1.2%	0.0	0.0%	7.3	0.5%	23.9	0.4%
South Natomas		169.3	12.2%	0.0	0.0%	133.0	8.7%	302.3	4.7%
South Sacramento		32.2	2.3%	996.9	28.6%	238.0	15.6%	1,267.1	19.8%
Other ²		52.1	3.8%	73.0	2.1%	52.1	3.4%	177.1	2.8%
Subtotal - Current Capacity (Supply)	<i>C</i>	1,363.3	98.5%	3,740.8	107.4%	1,366.0	89.5%	6,470.1	101.2%
Supply as a % of Projected Demand	<i>D = C / A</i>	204%		238%		161%		210%	
Sensitivity Analysis:									
Natomas Joint Vision ³		73.6	5.3%	0.0	0.0%	224.0	14.7%	297.6	4.7%
Reduced Delta Shores		(52.2)	-3.8%	(257.4)	-7.4%	(63.4)	-4.2%	(373.0)	-5.8%
Subtotal Additional Acreage	<i>E</i>	21.4	0.0	(257.4)	(0.1)	160.6	0.1	(75.4)	(0.0)
Total Commercial Capacity (Supply) in Acres⁴	<i>F = C + E</i>	1,385	100.0%	3,483	100.0%	1,527	100.0%	6,395	100.0%
Supply as a % of Projected Demand		207%		222%		180%		207%	
Capacity in Excess of Reserve Requirement	<i>G = F / A</i>	583		1,598		507		2,689	

Source: City of Sacramento "Population, Housing, and Employment Report - Public Review Draft" (Dec, 2004); SACOG Blueprint Draft Preferred Scenario (2004); and Economic & Planning Systems, Inc. (2005).

1 Community Plan Area classifications used where available; otherwise General Plan estimates used, incorporating 50/50 commercial/office split.

2 Consists of Arden-Arcade and Land Park CPAs.

3 Estimate based on Blueprint Draft Preferred scenario assumption of 55% retail jobs and 45% office jobs. Office assumes 0.35 FAR, 225 SF/employee; Retail assumes 0.25 FAR and 400 SF/employee; and Net-to-Gross conversion at 0.80.

4 Rounded

55 City of Sacramento, *Population Housing and Employment Report*, Public Review Draft, December 2004, App. C.

Anticipated demand in the City for commercial land is estimated to be about twice that of identified supply, with industrial land uses showing the highest extent of potential land oversupply over the 25-year period.^{56,57} Overall, commercial land uses in the City may have an oversupply of more than 2,700 acres based on projected demand and current capacity levels.

A potential commercial land surplus of this magnitude implies that the City should consider strategic reallocations of commercial land to meet ongoing demand for housing. As discussed above, this adjustment could be derived from reductions in commercial acreage from some combination of Employment Center land in North Natomas, industrial areas, such as the Robla area in the North Sacramento Community Plan and the Power Inn area of the East Broadway Community Plan, and aging retail strip centers throughout the City.

It should be noted, however, that a well-functioning land market requires adequate surplus capacity to keep land prices within reasonable ranges, enhancing the feasibility of a broad range of product types. Furthermore, protection of remaining land near downtown or major transportation infrastructure such as freeways and airports is necessary as a strategic measure to provide for long-term growth and development of the City's economy.

Specific influences in the community plan areas, as well as the development outlook and key challenges confronting successful buildout of projected development, are addressed after the following discussions of housing land supply and key development opportunity areas.

Residential Development Demand and Supply

A housing demand analysis indicating potential demand for 61,300 single-family units and 48,000 multifamily units through 2030 was presented earlier in this market study. Table 2.6-51 shows a separate density sensitivity analysis for single-family and multifamily units. For purposes of this discussion, the average density for single-family units by 2030 is assumed to be 8.4 units per gross acre, for multifamily units the average density is assumed to be 36.1 units per gross acre. The range of potential densities are based on a review of market trends, with mid-points selected to illustrate the implications for land supply based on a significant increase in overall densities, in keeping with the Blueprint theme.

Based on this housing demand scenario, Table 2.6-52 includes an average density of 12.7 units per gross acre for all unit types. Assuming this overall average density, over the next 25 years there would be an average demand for approximately 8,600 acres through 2030. Acreage requirements could increase if developed densities turn out to be lower; required residential land would exceed 12,000 acres if development proceeds at typical suburban densities.

Table 2.6-53 presents a comparison of residential demand and estimated residential land holding capacity. Using an average density assumption of 12.7 units per gross acre citywide, the comparison evaluates anticipated demand alongside existing zoned acreage, indicating the City may need to nearly double its currently identified residential land resources to meet demand. However, the additional capacity associated with the Blueprint for the Delta Shores project and the Natomas Joint Vision Area means that the projected demand for 8,600 acres may be very close to meeting the required total residential land capacity of 8,400 acres.⁵⁸

56 It should be noted that this methodology establishes the high end of a plausible range of land area needed for projected employment growth, as standard suburban floor-area ratios have been applied across the board, resulting in more acreage required than actually needed in the central city, for example.

57 City of Sacramento, *Population Housing and Employment Report*, Public Review Draft, December 2004, p.22, difference between estimated 2025 and 2005 holding capacity for employment.

58 All capacity figures include vacant and reuse lands, without assuming application of the "market Factor"

Table 2.6-51. Required Residential Acreage: Density Sensitivity Analysis

Item	2010	2015	2020	2025	2030	Avg Density
Single Family Units						
Total Projected Units	115,900	132,426	148,168	160,066	169,159	
Cumulative New Units ¹	8,064	24,590	40,333	52,231	61,324	
Required Gross Acreage ²						
6 DU/Acre	1,344	4,098	6,722	8,705	10,221	
8 DU/Acre	1,008	3,074	5,042	6,529	7,665	
10 DU/Acre	806	2,459	4,033	5,223	6,132	
12 DU/Acre	672	2,049	3,361	4,353	5,110	
Average	958	2,920	4,790	6,202	7,282	8.4
Multifamily Units						
Total Projected Units	83,298	96,120	107,547	117,612	124,746	
Cumulative New Units ¹	6,637	19,460	30,886	40,951	48,085	
Required Gross Acreage ²						
25 DU/Acre	265	778	1,235	1,638	1,923	
40 DU/Acre	166	486	772	1,024	1,202	
55 DU/Acre	121	354	562	745	874	
Average	184	540	856	1,135	1,333	36.1

Sources: Census 2000 SF3 Sample Data; and Economic & Planning Systems, Inc. (2005).

1. Assumes a vacancy of 5.0 percent. Mobile homes and attached single family units are included with multifamily calculations.
2. Represents the number of gross acres required at different levels of average density (units per acre).

Table 2.6-52. Total Residential Land Requirements

Item	Single Family	Multi-Family	Total	Avg Density
Total New Residential Units	61,324	48,085	109,409	12.7
Residential Land Requirements				
Low Land Requirement acres ¹	5,110	874	5,985	18.3
High Land Requirement acres ²	10,221	1,923	12,144	9.0
Average Land Requirement acres ³	7,282	1,333	8,615	12.7

Sources: US Census Bureau 2000 and Economic & Planning Systems, Inc. (2005).

1. Assumes maximum densities of 12 units per acre (single family) and 55 units per acre (multifamily).
2. Assumes minimum densities of 6 units per acre (single family) and 25 units per acre (multifamily).
3. Represents the weighted average of the Low and High Land requirement alternatives.

discussed on p. 33 of the City's Population Housing and Employment Report.

Table 2.6-53. Holding Capacity by Community Plan Area: Residential

Item	Acres	% Share of Total Supply	Supply as % of Total Demand
Projected Demand for Residential Land¹	8,615		
Acreage Required to Achieve a 20% Reserve	10,339		
Current Capacity (Supply)²			
Central City	261	3.1%	
Pocket	131	1.6%	
South Sacramento	444	5.3%	
North Sacramento	852	10.1%	
South Natomas	378	4.5%	
North Natomas	1,553	18.5%	
Airport Meadowview	727	8.7%	
Other ³	380	4.5%	
Total Residential Capacity (Supply)	4,726	56.3%	54.9%
Sensitivity Analysis			
Additional Delta Shores ⁴	485	5.8%	
Natomas Joint Vision ⁵	3,189	38.0%	
Subtotal Additional Acreage	3,674	43.7%	
Total Residential Capacity (Supply) in Acres	8,400	100.0%	97.5%
Additional Acres Required without Reserve	215		
Additional Acres Required with Reserve	1,939		

Source: City of Sacramento "Population, Housing, and Employment Report - Public Review Draft" (Dec, 2004); SACOG Blueprint Draft Preferred Scenario (2004); Place³s Model and EPS (2005).

1. Projected demand assumes average weighted density of 12.7 units per acre.
2. General Plan classifications applied where CP land use classifications are not specified.
3. Consists of East Sacramento, East Broadway, Land Park, and Arden Arcade.
4. Assumes 485 additional acres of residential land, as specified by the SACOG Blueprint Draft Preferred Scenario for Delta Shores. This represents the difference in acres between the current General Plan (177 gross acres) and the Blueprint (662 gross acres including some mixed use).
5. Natomas Joint Vision assumes 40,500 units at an average density of 13 units per acre.

As with the commercial land market, a land reserve of 20 percent of the total residential demand⁵⁹ in the residential market is incorporated in this analysis. Accounting for this housing reserve, the City requires an additional 1,900 acres for housing through 2030 at an average density of 12.7 units per gross acre. This finding assumes that the City adopts plans for the Natomas Joint Vision Area and the Delta Shores project that are consistent with the Blueprint. If the City adopts land use plans with higher densities, the projected shortfall would be reduced.

As shown in Table 2.6-54, North Natomas still has the most remaining land of all community plan areas. As discussed previously in this report, however, North Natomas presently accounts

59 The size of the reserve is open for policy discussion. This figure is used for discussion purposes only.

for nearly 75 percent of all housing production in the City and is likely to complete buildout within the next four years' time based on current absorption rates.

Table 2.6-54. Housing Holding Capacity

Location	Units		Acres	
	Number	% of Total	Number	% of Total
Community Plan Area				
Central City	7,067	7.4%	261	3.1%
North Natomas	17,633	18.4%	1553	18.5%
South Sacramento	5,363	5.6%	444	5.3%
Airport-Meadowview ¹	13,180	13.8%	1212	14.4%
East Broadway	1,020	1.1%	188	2.2%
North Sacramento	5,984	6.2%	852	10.1%
South Natomas	2,742	2.9%	378	4.5%
East Sacramento	482	0.5%	65	0.8%
Arden-Arcade	401	0.4%	36	0.4%
Land Park	413	0.4%	92	1.1%
Pocket	984	1.0%	131	1.6%
Subtotal	55,269	57.7%	5,211	62.0%
Other Area				
Natomas Joint Vision ²	40,500	42.3%	3,189	38.0%
Total	95,769	100.0%	8,400	100.0%

Sources: City of Sacramento "Population, Housing, and Employment Report Public Review Draft" (Dec, 2004); SACOG Blueprint Draft Preferred Scenario (2004).

1. Assumes 485 additional acres of residential land for Delta Shores, as designated by SACOG.
2. Source: SACOG Blueprint Draft Preferred Scenario.

The City may experience significant fluctuations in annual housing activity over the coming decade unless the Delta Shores project or the Natomas Joint Vision Area is entitled and under construction within the next five years' time. Other potential residential areas are the industrial conversion in the Robla area in North Sacramento and the large tracks of vacant industrial acreage on the eastern portion of the East Broadway Community Plan.

The Central City Community Plan also has significant expansion opportunities; however, the largest tracks of vacant land (i.e., Railyards, C Street) have complicated access and environmental and other issues and may not satisfy near-term needs. Higher density mid- and high-rise product in the CBD will make an important contribution but would likely fulfill less than ten percent of annual housing production for the City.⁶⁰

⁶⁰ Past absorption rates for downtown are approximately 51 units per year over the past five years. Average annual absorption for the City is projected to be 4,400 units per year, requiring downtown to supply 440 units per year to achieve a 10-percent market share.

Development Opportunity Areas

The preceding sections have established broad regional and citywide trends affecting the magnitude, function, and form of recent and planned growth. This section discusses major opportunities and constraints for accommodating this growth at 15 high-priority opportunity areas recognized by the City to have development potential.⁶¹ Some of the high-opportunity areas represent groupings such as riverfront projects. The following opportunities and constraint analysis applies the market study to locational issues within the City. For purposes of this discussion, the development opportunity areas are discussed in the context of community plan areas, organized into three groups as shown in Table 2.6-55:

Table 2.6-55. Community Plan Areas Grouped by Location

North Sacramento	Central Sacramento	South Sacramento
North Natomas	Central City	Pocket
South Natomas	East Sacramento	Airport Meadowview
North Sacramento	Land Park	South Sacramento
Arden Arcade	East Broadway	

Source: Economic & Planning Systems, Inc.(2005).

Table 2.6-56 presents a summary of the 15 areas under consideration for development opportunities, which total 9,200 acres. Table 2.6-57 organizes the area by type, indicating a relative emphasis on infill, commercial reuse, and TOD areas.

Table 2.6-56. High Priority Opportunity Areas

Opportunity Area Full Name	Opportunity Area Short Name	Opportunity Area ID	Acres
NORTH			
North Natomas Employment Center	North Natomas EC	100	974
Robla Area	Robla Area	103	479
Globe, Arden/Del Paso, Royal Oaks, & Marconi LRT Station Areas	North Area Light Rail	104C,104B,104E,104D	504
Del Paso Blvd. Commercial Corridor	Del Paso Blvd Corridor	14F	113
Northgate Commercial Corridor	Northgate Corridor	101	377
Subtotal			2,447
CENTRAL			
CBD/Midtown/R Street Commercial Corridor	CBD/Midtown/R St	108A,108B,108C	936
UP Railyards SPD & Richards Blvd. SPD	UP Railyards/Richards Blvd	106A,106B	1,211
Sacramento Riverfront Projects	Sac Riverfront	112	188
C Street	C Street	107	936
Broadway Corridor LRT Station & Broadway West Commercial Corridor	Broadway Corridor	111A,111B	332
Stockton Blvd. Commercial Corridor & UCD Medical Center/ Greenfair	Stockton Corridor/UCDMC	113A,113B	314
Lemon Hill	Lemon Hill	115	777
Subtotal			4,694
SOUTH			
Florin Road Commercial Corridor	Florin Corridor	116	891
Delta Shores and Morrison Creek LRT Station	Delta Shores	117	1,040
Fruitridge LRT Station Area	Fruitridge LRT	114	126
Subtotal			2,057
Total High Priority Acreage			9,198

Source: City of Sacramento and Mintier & Associates (2005).

61 Criteria used to identify high-priority opportunity areas include significant vacant and re-use acreage within a target infill, commercial corridor, transit station, or new growth area; 67 sites have been catalogued to date.

Table 2.6-57. High Priority Opportunity Areas by Type

Name of Opportunity Area	Green-field	TOD	Residential Infill	Residential Reuse	Indust. Reuse	Comm. Reuse ¹	Regional EC ²
NORTH							
North Natomas EC	P						
Robla Area			S		P	P	
North Area Light Rail		P	S				
Del Paso Blvd Corridor			S			P	
Northgate Corridor			S			P	
CENTRAL							
CBD/Midtown/R St		S	S			P	P
UP Railyards/Richards Blvd		P		S			
Sac Riverfront			S	P			
C Street		S					P
Broadway Corridor		P	S			P	
Stockton Corridor/UCDMC			S			P	
Lemon Hill			P				
SOUTH							
Florin Corridor			S			P	
Delta Shores	P						
Fruitridge LRT		P					

Source: City of Sacramento (2005).

1 Commercial Reuse.

2 EC = Employment Center.

P	= Primary Emphasis of Opportunity Area
s	= Secondary Emphasis of Opportunity Area

North Area Opportunities

The following priority City development opportunity areas are located in the North Sacramento area and its community plan areas:

- North Natomas Employment Centers;
- Robla area;
- Globe, Del Paso/Arden, Royal Oaks, and Marconi Station areas;
- Del Paso Boulevard commercial corridor; and
- Northgate commercial corridor.

Table 2.6-58 presents a matrix of opportunities, constraints, and land use considerations associated with development in the North Area. While the matrix covers each development opportunity area, the following discussion points focus primarily on major areas with significant potential for redesignation of land uses as necessary to meet overall land demand:

- **North Natomas** is the City’s major population and employment growth engine, adding about 3,700 units annually over the last three full years. As of March 2005, 9,900 housing units, 1.7 million square feet of retail space, and 11.6 million square feet of office space had yet to be developed.⁶² Based on current

62 EPS’s March 2005 analysis of remaining residential capacity is 811 acres, in contrast to the City’s November 2004 estimate of 1,425 acres.

Table 2.6-58. North Sacramento Community Plan: Opportunity Areas (OA) Matrix

OA #	Economic Opportunities	Economic Constraints	Land Use Considerations
------	------------------------	----------------------	-------------------------

North Natomas Community Plan

100	North Natomas Employment Centers		
	974-acres of land is zoned for EC development. The land is absorbing slowly and owners are seeking to rezone to housing and retail.		
	<ul style="list-style-type: none"> ▪ Existing zoning preserves long-term capacity between airport and downtown for corporate employment growth ▪ 3,700 new housing units and 830,000 new square feet of commercial space per year (last three years) ▪ Holding capacity of 9,900 housing units, 1.7 million square feet of retail, and 11.6 million square feet of office ▪ Housing area fully absorbable within four years 	<ul style="list-style-type: none"> ▪ Requirement for vacant lands to cover infrastructure debt service makes holding EC land for long-term infeasible for private sector ▪ Office land is over supplied; relative to GP horizon of 20 years, best case N. Natomas supply is at least 40 years (possibly more) ¹ 	<ul style="list-style-type: none"> ▪ May be appropriate to rezone portions of EC land to mixed use to include large and small office users ▪ EC land should be preserved at strategic locations to allow for major market opportunities
	<p><small>1 Example of "best case" absorption rate assumes 15 net acres per year at an average FAR of 0.35, or 230,000 SF annually. Available consultant reports indicate a potential range of 10 to 12 acres annually</small></p>		

North Sacramento Community Plan

103	Robla		
	479-acre area has been primarily industrial in past and is now a possible residential area		
	<ul style="list-style-type: none"> ▪ Maintain industrial capacity to create jobs matching labor force skills ▪ Viable location to build on / improve the City's industrial inventory ▪ Identity as a major industrial center, with proximity to McClellan AFB ▪ Increasing interest in residential resales and new development activity, with local interest in additional retail 	<ul style="list-style-type: none"> ▪ Industrial demand in the City expected to move to peripheral areas based on cost sensitive nature of operations and increasing scarcity of land for new housing ▪ Reuse of available capacity challenged by inconsistent parcelization, levels of investment, and infrastructure development ▪ Low average incomes and educational attainment levels affect prospects for significant retail 	<ul style="list-style-type: none"> ▪ Possibly introduce new, modern flex product to shore up industrial district in subareas with good access to major arterials and freeways ▪ Identify viable areas for transition to residential development. Consider using flex-product as a buffer to mitigate industrial interface issues

Table 2.6-58. North Sacramento Community Plan: Opportunity Areas (OA) Matrix

OA #	Economic Opportunities	Economic Constraints	Land Use Considerations
104B	North Area Light Rail Stations		
104C			
104D	Globe, Arden/Del Paso, Swanston, Royal Oaks, and Marconi Station sites - approximately 500 acres at 126 acres		
104E	per station location; develop support transit and compatible community land uses		
	<ul style="list-style-type: none"> ▪ Proximity to major retail agglomeration ▪ Good access to major residential markets ▪ Good access to downtown ▪ Has potential to become a distinct district within City driving off efforts to revitalize the Del Paso Corridor 	<ul style="list-style-type: none"> ▪ Traffic congestion on Business 80 and Arden Road ▪ Lack of cohesive land uses ▪ Inconsistent levels of investment and challenging parcelization ▪ Will require concerted, coordinated inter-agency effort 	<ul style="list-style-type: none"> ▪ Opportunity to become a high quality, close-in mixed use district supporting and complimenting downtown ▪ Can serve as a possible transition between higher density core development and outlying suburban ▪ Consider developing detailed implementation plans for development in coordination with RT and SHRA
14F	Del Paso Boulevard Commercial Corridor		
	113 acre commercial corridor undergoing revitalization		
	<ul style="list-style-type: none"> ▪ Improving identity/character ▪ Good art/cultural presence ▪ Excellent transit development opportunities ▪ Good potential to become "edgy" urban district 	<ul style="list-style-type: none"> ▪ High vacancies, perceived crime ▪ Continues to present risks as a business investment for "mainstream" retailers and investors 	<ul style="list-style-type: none"> ▪ Evaluate potential to coordinate with Station Area development effort to conduct a focused corridor plan ▪ Consider targeting specific catalyst project opportunities in concert with a larger infrastructure, parking, and development strategy

Table 2.6-58. North Sacramento Community Plan: Opportunity Areas (OA) Matrix

OA #	Economic Opportunities	Economic Constraints	Land Use Considerations
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South Natomas Community Plan

101	Northgate Commercial Corridor		
	377 acre area from Garden Highway to I-80; City is interested in mixed use pedestrian oriented Boulevard; current uses include strip retail; somewhat blighted conditions		
	<ul style="list-style-type: none"> ▪ Important transportation segment connecting Garden Highway to I-80 ▪ Several large land holdings ▪ Excellent large-format retail opportunities near I-80 ▪ Likely higher traffic over long term based on area's position along axis connecting downtown/railyards/Richards to South Natomas and North Natomas 	<ul style="list-style-type: none"> ▪ Inconsistent neighborhood and commercial district quality ▪ Preponderance of auto service and low end retail ▪ Very little character in neighborhood and commercial districts ▪ Light rail alignment on Truxel will dissuade transit-oriented concepts on this corridor 	<ul style="list-style-type: none"> ▪ Conversion of area to pedestrian-oriented land use may be long term prospect ▪ In short- to mid-term it may be appropriate to improve appearance and seek investment among medium- to large-floorplate office, traditional retail, and multi-family development types

¹ Example of "best case" absorption rate assumes 15 net acres per year at an average FAR of 0.35, or 230,000 SF annually. Available consultant reports indicate a potential range of 10 to 12 acres annually

development rates, the housing area could be fully absorbed within four years' time. In contrast, office land supply represents a 50-year land supply even with relatively aggressive development assumptions.⁶³ Assuming the City wishes to avoid major growth fluctuations, rezoning of lower quality Employment Center lands in North Natomas may be a partial solution to the City's tight residential land inventory in the immediate future and the longer term.

- **Robla**, in the North Sacramento Community Plan area, also could help to contribute additional housing stock through the conversion of industrial property. This area has traditionally accommodated cost sensitive distribution centers, light industrial, and manufacturing operations. The Robla area does benefit from proximity to an established and growing industrial district, stretching from the former McClellan Air Force Base to North Natomas, and it is viable for conversion in terms of its large parcel sizes and proximity to Interstate 80 (I-80), Business Route 80, and I-5. However, industrial space needs are expected to shift to higher value uses and decline in terms of absorption rates compared to the past decade. Users are likely to seek more light industrial "flex" product that is more compatible with residential development. Areas adjacent to residential

⁶³ Example of "best case" absorption rate assumes 15 net acres per year at an average FAR of 0.35, or 230,000 sq. ft. annually. Other consultant reports reviewed for this study indicate a potential range of 10 to 12 acres annually.

neighborhoods could be converted to residential zoning to meet projected demand, while also bolstering the quality of existing neighborhoods in the area. This approach also will bolster the ability to attract retail to the area.

- **Del Paso Corridor and North Area Station Sites.** There is an excellent opportunity to create a mixed use center in the Del Paso Corridor/Arden area, serving as a transition between high-density development in downtown and the more suburban scale of the Arden Arcade area.

Central Sacramento Area Opportunities

This area of the City comprises the Central City, East Sacramento, Land Park, and East Broadway Community Plans.

The Central City Community Plan represents the hub of the City. The future vitality of the City depends on a strong cultural and civic element in the Central City that will be identified as a regional asset. The Central City hosts commercial and residential densities that far exceed other parts of the City and should increase housing, entertainment, and retail development to fulfill regional needs. Most of the priority development opportunities in the Central Sacramento grouping are found in the Central City Community Plan area and the Broadway Corridor.

While not identified as a high priority area by the City, the industrial areas in the East Broadway Community Plan offer significant potential to be repositioned as housing and mixed use centers to satisfy long-term demand. This area has more than 600 acres of vacant land and is undergoing evaluation by key land owners seeking to position property for future development, which may or may not follow along the lines of past industrial development.

The following priority City development opportunity areas are located in the Central Sacramento area and its community plan areas:

- CBD/Midtown/R-Street commercial corridors;
- UP Railyards and Richards Special Planning District;
- Sacramento Riverfront projects;
- C-Street housing;
- Broadway corridor;
- UC Davis Medical Center and Stockton Boulevard commercial corridor; and
- Lemon Hill.

Table 2.6-59 presents a matrix annotating the key opportunities, constraints, and land use considerations for the above-referenced opportunity areas.

Key observations include these:

- **CBD Housing.** About 4,800 attached rental and condominium housing units are planned for downtown, building on a wave of successful medium-density, mixed use projects scattered throughout the area. In 2004, about 30 attached ownership units were completed.

Table 2.6-59. Central Sacramento Community Plan: Opportunity Areas (OA) Matrix

OA #	Economic Opportunities	Economic Constraints	Land Use Considerations
Central City Community Plan			
108A	Central Business District/Midtown Commercial Corridor/R Street		
108B			
108C	<div style="border: 1px solid black; padding: 5px;"> Blueprint indicates as many as 47,000 units could be added to the area (including the Railyards and C Street covered separately in this matrix) through 2050 allowing housing growth to keep pace with job growth in these districts. Specific areas of focus include the J/K/L Corridors and more intensive development in midtown at J/K, 15th/16th Street and 19th/21st. </div>		
	<ul style="list-style-type: none"> ▪ Downtown part of a national resurgence, bolstered by regional and local market trends ▪ Trends include movement of empty-nester boomers back into central city ▪ Increasingly recognized as viable alternatives for housing, overall as an opportunity to be an example of a well-balanced, livable, and diverse collection of neighborhoods ▪ Rapid appreciation in unit values makes new high density prototypes a real possibility ▪ Housing can target empty nester boomers and ride a wave of successful medium density, mixed-use projects scattered throughout the area ▪ Average densities for new projects have historically not exceeded 100 units/acre, but will change over the next decade. ▪ Development of West Sacramento will expand the scale and diversity of the CBD 	<ul style="list-style-type: none"> ▪ While the area has about 4,800 units in the supply pipeline, only 1,500 are ownership units. 28 ownership attached housing units were built in 2004 ▪ Pace of development hampered in the past by a difficult, inconsistent, and unpredictable development approval process ▪ Improvement of transit options to encourage use by administrative and clerical employees who avoid system due to real or perceived safety issues ▪ Lack of arts and entertainment options typically needed to attract younger age groups ▪ High land costs and lease rates for all uses will limit the area's regional capture of development ▪ Interest rate and economic cycles could hamper feasibility of tower-format condos recently proposed ▪ Issues of crime and safety are persistent barriers to investment 	<ul style="list-style-type: none"> ▪ Consider implementation of refined regulatory programs and seek additional arts, entertainment, and culture ▪ Key decisions regarding maximum height and densities could help to provide a predictable climate for developers ▪ The market will respond favorably to a predictable, logical regulatory infrastructure

Table 2.6-59. Central Sacramento Community Plan: Opportunity Areas (OA) Matrix

OA #	Economic Opportunities	Economic Constraints	Land Use Considerations
106A 106B	Union Pacific Railyards/Richards Boulevard		
	<p>These areas encompass 257 and 954 acres, respectively. The railyards is envisioned as a large new mixed use project complementing downtown and other adjacent areas. The Richard's Blvd area is viewed as an eclectic mixed use district with many possibilities.</p>		
	<ul style="list-style-type: none"> ▪ Railyards one of the prime development districts in the State ▪ Opportunity to tie-into an increasingly interesting downtown district and a more eclectic adaptive reuse area in Richards Blvd ▪ The Richards Boulevard Area Plan can achieve its objective of 4,100 units if access, circulation, local amenities, and public safety are improved ▪ Richards Blvd has opportunity to fulfill niche for smaller owner-user office space and medium-density condos and apartments developed in an urban environment ▪ Richards has excellent potential for integration with American River Parkway recreational opportunities 	<ul style="list-style-type: none"> ▪ High risks associated with infrastructure investment, site remediation, and adaptive reuse of historic buildings make Railyards a challenging project ▪ Adaptive reuse of Richards Boulevard will take considerable time ▪ Challenges include integrating new development within a dilapidated historic district ▪ Parcelization, infrastructure, appearance, crime are constraints 	<ul style="list-style-type: none"> ▪ Continue work with Railyards master developer to implement Railyards project ▪ Richards Boulevard may require a more incremental, organic approach to redevelopment ▪ Historic assets and opportunities for smaller start-up business looking to be close to downtown may need protecting ▪ Richards has opportunity to facilitate biotech and other tech firms needing more cost effective space than found downtown by providing a "funky" alternative

Table 2.6-59. Central Sacramento Community Plan: Opportunity Areas (OA) Matrix

OA #	Economic Opportunities	Economic Constraints	Land Use Considerations
112	Sacramento Riverfront Projects		
	Continue development of 188 acre area along the Sacramento waterfront, including the Docks and other areas.		
	<ul style="list-style-type: none"> Remaining development opportunities along the waterfront limited but are critical to improving downtown border conditions and bolstering the "River City" identity 	<ul style="list-style-type: none"> The waterfront is isolated from the downtown and surrounding neighborhoods by I-5 	<ul style="list-style-type: none"> Consider alternatives for relocating or otherwise mitigate infrastructure and industrial uses along waterfront that diminish developable acreage
	<ul style="list-style-type: none"> Excellent opportunities for both housing and commercial development. Housing segmented into short-term opportunities for medium density product, with longer term potential for densities over 100 units per acre 	<ul style="list-style-type: none"> May be major engineering design issues around decking freeway 	<ul style="list-style-type: none"> Master developer strategies to be developed and presented for the Docks Area Specific Plan
	<ul style="list-style-type: none"> Commercial opportunities include small scale office space and support retail for burgeoning neighborhoods, as well as additional hotel development 	<ul style="list-style-type: none"> Land holdings relatively modest and contained by existing public infrastructure and other industrial facilities (sewer treatment plant at the Docks, tank farms, etc.) 	<ul style="list-style-type: none"> Marketing to potential museums and other cultural entities would help to further Crocker Museum's expansion project, potentially creating museum "cluster"
	<ul style="list-style-type: none"> Recreational opportunities critical to provide true waterfront experience for downtown workers and residents 	<ul style="list-style-type: none"> Connections are poor to surrounding neighborhoods 	<ul style="list-style-type: none"> May benefit from improved connections between downtown, R Street, and waterfront
	<ul style="list-style-type: none"> Expansion of the Crocker Museum would help in bolstering the area's civic and cultural identity 	<ul style="list-style-type: none"> Freeway noise and appearance must be mitigated 	<ul style="list-style-type: none"> Cooperation and collaboration with West Sacramento to bridge river with a pedestrian crossing would help market performance
	<ul style="list-style-type: none"> I-5 decking may have major design challenges but would provide opportunity to integrate the Docks with R Street and downtown 		
107	C Street		
	Develop the 936 acre area as a housing district supporting nearby Richards and downtown areas.		
	<ul style="list-style-type: none"> Occupies a relatively unencumbered area adjacent to major open space 	<ul style="list-style-type: none"> Separated from the central city by major freight train route 	<ul style="list-style-type: none"> Strategy incorporating market potential, engineering, and implementation actions could improve integration with surrounding areas
	<ul style="list-style-type: none"> Deep enough to be organized into 5 or 6 City blocks as an extension of central city and as a transition between urban, industrial, and recreational uses 	<ul style="list-style-type: none"> Mix of other uses necessary to create a viable district 	<ul style="list-style-type: none"> Loft space is an appropriate product in this environment. Work with loft proponents to develop long-term strategy
	<ul style="list-style-type: none"> Area large and unique - can take on a new identity separate from Midtown 		<ul style="list-style-type: none"> Coordination with Blue Diamond may be useful in formulating long-term plans for adjacent property

Table 2.6-59. Central Sacramento Community Plan: Opportunity Areas (OA) Matrix

OA #	Economic Opportunities	Economic Constraints	Land Use Considerations
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East Broadway Community Plan

<p>113A 113B</p>	<p>UC Davis Medical Center Area</p>		
<p>Develop mixed uses within a 314 acre area support existing Oak Park and other neighborhoods, driving off the successful ongoing transformation of the Med Center area.</p>			
<ul style="list-style-type: none"> ▪ Major investments by UC, Children's Hospital, and others established a positive identity for area ▪ Grass roots economic development efforts are revitalizing Oak Park ▪ SHRA actively evaluating redevelopment potential ▪ Overall good alignment of public and private investment initiatives in the area 			
<ul style="list-style-type: none"> ▪ Continued efforts necessary to secure and stabilize border neighborhoods around the area ▪ Existing code enforcement critical (land use and public safety) 			
<ul style="list-style-type: none"> ▪ Excellent opportunity for City and SHRA to work together to leverage private investment to achieve vision ▪ Continue current planning and redevelopment processes 			

<p>206</p>	<p>Broadway Commercial Corridor</p>		
<p>Revitalize 332 acre corridor with transit oriented development, supporting older existing uses and the waterfront master plan.</p>			
<ul style="list-style-type: none"> ▪ High income levels nearby could support additional boutique retail and other uses ▪ Levels of traffic sufficient to attract new retail investment ▪ Commercial and entertainment uses could be facilitated by additional high density housing 			
<ul style="list-style-type: none"> ▪ Business 80 severs the Broadway neighborhood from Central City ▪ Lack of development standards and inconsistent levels of investment ▪ Traffic calming needed to create improved pedestrian feel 			
<ul style="list-style-type: none"> ▪ A strategic close-in corridor with significant potential for increased densities ▪ Tax increment financing could help to catalyze development at light rail station site and other key nodes ▪ Key focus area for improved transit services to reduce reliance on automobiles. Parking and traffic management will be key strategic issues as area intensifies ▪ Improved connections to the area from Central City and waterfront could improve performance 			

<p>115</p>	<p>Lemon Hill</p>		
<p>Facilitate neighborhood infill development within a 777 acre area within the East Broadway CP Area.</p>			
<ul style="list-style-type: none"> ▪ Overall demand for residential land will drive investment in this area, particularly among starter-home buyers and other cost-sensitive households ▪ Diverse, multi-cultural population and available infill opportunities create excellent setting for medium-density housing (recently developed townhomes are a good example). 			
<ul style="list-style-type: none"> ▪ Internal circulation problems and overall poor infrastructure conditions; some blight 			
<ul style="list-style-type: none"> ▪ Evaluate service delivery and infrastructure to facilitate orderly and manageable growth ▪ Important that existing residents understand benefits of infill housing in providing a financing vehicle for neighborhood improvement 			

- **CBD-based projects.** Projects including C Street, Richards Boulevard, the Railyards, R Street, the Docks, and the West Sacramento Waterfront have the potential to substantially transform the CBD into a major collection of neighborhood districts with enhanced housing, employment, and cultural/recreational attributes. More than three million square feet of office space, in addition to the State's West End complex, is in the planning stages,⁶⁴ although over the last 10 years the area has experienced net absorption of only 100,000 square feet annually.
- **Adjacent Neighborhoods and Corridors.** The Broadway Corridor, its transition into the Oak Park neighborhood, and the continued investment in the medical uses emanating from the UC Davis Medical Center complex create a convergence of multicultural influences, historic architecture, strong adjacent neighborhoods, and significant private investment. Oak Park and the Broadway Commercial Corridor are well-positioned but require a concerted public-private development effort to catalyze development at key nodes. To date, investment is lagging behind the areas' potential.

South Area Opportunities

The South Area Community Plan is being updated at this time, which includes preparing a job-housing study. Several discussion points have emerged from the development of this update and are presented in the following sections. The South Area is a major component of the City's future urban form and economic potential. The present level of uncertainty regarding the direction of the Delta Shores project and other elements of the South Area Community Plan warrant a somewhat expanded discussion of conditions and potential development in the following sections.

South Sacramento has many aging commercial corridors. Strong market forces in retail and housing will continue to exert change in these areas. Prominent among these corridors, Florin Road has benefited from the momentum established between the City and the Florin Road Partnership in reversing trends of economic decline. Two trends in national retail and regional residential markets identify the potential for underperforming properties in the area to turnover, improve building conditions, lease to new tenants, and increase employment and sales revenue. These trends may become evident over time in other socioeconomically similar parts of the City, including parts of North Sacramento.

- First, the ascendance of large format retailers can improve aging community retail centers, similar to repositioning the Southgate Plaza near State Route (SR) 99.
- Second, interest has begun to surface from several homebuilders in the Region in removing obsolete building shells in strip commercial centers, rezoning the land, and installing improvements required to accommodate high-density detached housing with smaller sized, new frontage retail that can generate market rents.

64 The West End is projected to provide approximately 1.4 million square feet of office space (Source: www.dgs.ca.gov/West Side)

South Area Employment Holding Capacity

As in other areas of the City, surplus commercial development holding capacity exists in the South Area. The City's holding capacity estimate of 53,000 jobs for this area likely exceeds anticipated demand for high technology business parks or warehouse/distribution centers given market trends discussed in this study.

Positioning the Delta Shores project for regional retail land uses would likely have significant fiscal benefits to the City. The City would likely capture retail sales from fast growing Laguna, Pocket, and the South Area, some of which is diverted to SR 99 commercial centers in the unincorporated County or in Elk Grove. With regard to City-based households, the Delta Shores project may be able to capture some Land Park and Central City household spending, an increasingly important zone of households given pending regional retail development in West Sacramento, a short drive from these neighborhoods.

This approach, however, would need to be considered in light of the tradeoffs involved. For example, given the State's recent interest in building office space near light rail throughout the Region, the Delta Shores project could logically accommodate significant State office employment, benefiting from the large pool of employees either living in Pocket or passing the site on their commute from Elk Grove/Laguna to downtown via I-5. Conversely, it may be advantageous to concentrate higher density housing prototypes on this site. These options would need to be weighed based on their merits to the property owner, the City's policies for the area, and transportation/other system capacity issues.

South Area Housing Potential

The Delta Shores project is in a position to play a significant role in closing the gap in housing supply between the time development of the North Natomas Community Plan is completed and development of the Natomas Joint Vision Area lands is approved. Moreover, South Sacramento has a need for move-up housing and is well positioned with good proximity to the Central City. The Delta Shores project's location, given regionally significant congestion issues on I-5, could compensate for the South Area's perceived conditions of high crime and poverty.

Opportunity Areas: Lessons Learned from the South Area Jobs-Housing Study

The South Area includes the following development opportunity areas (see matrix presented in Table 2.6-60):

- Delta Shores and Morrison Creek Light Rail Station;
 - Florin Road commercial corridor; and
 - Fruitridge Light Rail Station.
1. **Transportation investments will impact development of the Delta Shores project, the City's last significant South Sacramento greenfield site.** The likely timing of vertical development in more than 700 acres of Delta Shores land is dependent in part on the design and construction timeline governing the extension of Cosumnes River Boulevard from Franklin Boulevard to I-5 and the completion of the I-5 interchange at that point. The new owner of the property has not yet released detailed planning information for proposed development, which may include low- and medium-density residential supplemented by regional retail. Land use alternatives proposed for the property now include 1) transit-based medium-density mixed use residential centers and corridors

supplemented by community-serving retail and 2) high technology office parks surrounded by low- and medium-density residential. Only the Blueprint's land uses are positioned to maximize light rail passenger ridership at the Morrison Creek station beyond the eastern edge of the property.

- **Florin Road and Meadowview Road Light Rail Stations.** These projects could enhance the performance of the City's transportation network and catalyze market acceptance of higher density housing products. Conceptual TOD plans at two South Area Community Plan light rail stations will convert existing surface parking into neighborhoods of compact attached and detached housing.

Implications: Citywide Growth Allocations

This analysis evaluates major supply and demand trends, which indicate that based on proposed supply reserve requirements and assumed densities, commercial land is oversupplied. It may be necessary for the City to consider reallocating excess office, industrial, and retail land to residential uses. Table 2.6-61 summarizes the City's ability to accommodate housing and employment growth by community plan.

A good balance of employment and housing growth will serve the City's emerging economic development strategy by facilitating the continued growth of a labor force that will be attractive to regional employers. A strategic approach to balancing existing land resources will be needed to ensure that productive land resources key to long-term economic development are protected.

To balance employment and residential growth in the City, difficult land use choices will need to be made. These choices, ultimately, must be based on a wide variety of factors, including community vision, infrastructure financing and fiscal considerations, land use compatibility issues, and anticipated market forces. As discussed in this report, candidate areas for conversion of employment holding capacity to residential capacity include North Natomas, Robla, East Broadway, and South Sacramento.

As a subsequent step, the General Plan Update Team will consider the information contained in this market study as input to be considered in allocating growth to the communities that comprise the City.

Table 2.6-60. South Sacramento Community Plan: Opportunity Areas (OA) Matrix

OA #	Economic Opportunities	Economic Constraints	Land Use Considerations
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South Area Community Plan

117	Delta Shores / Morrison Creek Light Rail Station		
	Identify land use recommendations and supports policies to develop a large-scale greenfield opportunity and a new light rail station with a small park and ride lot.		
	<ul style="list-style-type: none"> ▪ 750 acre greenfield site ▪ Planned for a high tech industrial core ▪ Planned also for housing, retail, and office ▪ South Line extension at eastern edge 	<ul style="list-style-type: none"> ▪ Regional demand low for high tech office/R&D park product ▪ Road infrastructure not ready: 5 more years of planning for Cosumnes Connector 	<ul style="list-style-type: none"> ▪ Unmet City housing needs and retail leakages suggest different plan ▪ New property owner has strong retail development experience ▪ Potential for higher density mixed use development adjacent to Morrison Creek light rail station

116	Florin Road Commercial Corridor		
	Identify infill land use recommendations and supporting policies to redevelop and revitalize a commercial district that has struggled over the years losing some major retail entities and auto dealerships		
	<ul style="list-style-type: none"> ▪ 891 acre aging commercial corridor ▪ New big box and Asian niche retail tenants in renovated centers since 2000 ▪ Florin Road Partnership and improvements to streetscape and signage 	<ul style="list-style-type: none"> ▪ Much of retail space obsolete; rest is Class B ▪ Stigma attached to area: crime, poverty ▪ Poor code enforcement ▪ Slow permit processing for new development 	<ul style="list-style-type: none"> ▪ Scarcity of land in region and land value appreciation key to sustaining change ▪ Higher density and new product possible adjacent to Florin Road light rail station ▪ Interest by homebuilders in rezoning commercial property to single family residential and frontage commercial

Table 2.6-60. South Sacramento Community Plan: Opportunity Areas (OA) Matrix

OA #	Economic Opportunities	Economic Constraints	Land Use Considerations
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114 Fruitridge Light Rail Station Area

Facilitate development that supports transit and are compatible with the adjacent residential and commercial neighborhoods.

- | | | |
|--|--|--|
| <ul style="list-style-type: none"> ▪ Residential development spanning from single-family to higher-density multifamily housing products could fill a more affordable housing market niche | <ul style="list-style-type: none"> ▪ Prevalence of auto-related commercial and heavy industrial development is inconsistent with potential for transit-oriented development | <ul style="list-style-type: none"> ▪ An infrastructure needs analysis could inform strategies for accommodating future development |
| <ul style="list-style-type: none"> ▪ Demand for neighborhood-serving and service retail is substantial | <ul style="list-style-type: none"> ▪ Long-term deterioration of Franklin Boulevard presents risks to some business investors | <ul style="list-style-type: none"> ▪ Given numerous small vacant parcels, some land assembly may be required for larger projects which may positively impact revitalization efforts |
| <ul style="list-style-type: none"> ▪ Franklin Boulevard Redevelopment Area allows for funding of commercial façade improvements, revitalization projects, neighborhood cleanup, etc. | <ul style="list-style-type: none"> ▪ Majority of commercial development is low-wage neighborhood and service retail | <ul style="list-style-type: none"> ▪ There may be potential for converting land surrounding Fruitridge Regional Transit Station to pedestrian-oriented transit-based land uses |
| <ul style="list-style-type: none"> ▪ Adding ethnically-diverse commercial development will enhance multi-ethnic character of area | | <ul style="list-style-type: none"> ▪ Small medical/professional office space may be integrated in land use mix to provide for higher-wage jobs and diversity of economy |

COMMUNITY DEVELOPMENT

Table 2.6-61. City's Ability to Accommodate Growth by Community Plan Area

Item	Central City	North Natomas	South Sac	Airport-Meadowview ²	East Broadway	North Sac	South Natomas	East Sac	Arden Arcade	Land Park	Pocket	Natomas Joint Vision ¹		
												Total	Total	
Housing Holding Capacity														
Units	7,067	17,633	5,363	13,180	1,020	5,984	2,742	482	401	413	984	40,500	95,769	
Employment Holding Capacity²														
Employees	35,584	32,544	27,619	22,165	21,953	21,692	10,258	2,675	2,555	1,773	815	8,868	188,501	
High Priority Opportunity Areas³														
North Natomas EC		X												
Robla Area						X								
North Area Light Rail						X								
Del Paso Blvd Corridor						X								
Northgate Corridor							X							
CBD/Midtown/R St	X													
UP Railyards/Richards Blvd	X													
Sac Riverfront	X													
C Street	X													
Broadway Corridor	X													
Stockton Corridor/UCDMC					X									
Florin Corridor			X											
Delta Shores				X										
Fruitridge LRT				X										
Lemon Hill					X									
ABILITY TO ACCOMMODATE GROWTH														
Housing	Med/High	High	High	High	Med/High	Medium	Low/Med	Low/Med	Low	Low	Low	High		
Employment	High	High	Medium	Medium	Med/Low	Medium	Med/High	Low/Med	Low	Low	Low	Med/High		

Source: City of Sacramento "Population, Housing, and Employment Report - Public Review Draft" (Dec, 2004); SACOG Blueprint Draft Preferred Scenario (2004); and Economic & Planning Systems, Inc. (2005).

¹ According to SACOG Blueprint Draft Preferred Scenario

² Airport-Meadowview adjusted to reflect Blueprint Draft Preferred Scenario land use zoning for Delta Shores.

³ Source: City of Sacramento. No changes or adjustments assumed.

■ FINDINGS

The City's Economic Context

1. Growth trends in California and the Region will support strong population and housing growth in the City.

The Valley is projected to become the State's major growth center over the next 25 years. Sacramento is emerging as a major regional economy in the State, strengthened by the prospects of serving as a center for the additional 1 million people forecasted to locate in the Region through 2030.

2. The Region's planning and development interests have created a Blueprint for regional growth that will help reshape both the Region and the City.

A major goal of the SACOG Blueprint is to develop a policy framework to adapt to the projected population and housing demand for the six-county region—El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba Counties—by 2050.

This regional effort has produced a preferred growth scenario that focuses on concentrating development in specific nodes, anchored by an improved road and rail transportation infrastructure. The growth strategy is intended to reduce vehicle trips, improve air quality, and improve the urban form of the Region's communities. Implementation would be carried out through the land use policies of each city and county in the Region. The Blueprint's housing recommendations reflect changing household dynamics as households decrease in size and the Region's share of persons aged 65 and older increases significantly.

The preferred scenario proposes a balanced mixture of jobs and housing growth. New housing growth is balanced between large lot single-family units, small lot single-family units, and attached product consistent with demographic trends and market conditions. In the City, the preferred Blueprint scenario provides for higher densities, increased infill development, and a greater variety of housing products.

3. The Regional economy is largely tied to rapid population growth brought about by inexpensive housing in relation to the Bay Area.

The 1980s and 1990s were a time of rapid growth for the Region. During the 1990s, the Region's population and employment base grew more quickly than almost every county in California, including the Bay Area and the San Joaquin Valley, because of workers and companies leaving the Bay Area for more affordable housing. This spillover effect from the Bay Area is expected to continue because of ongoing disparities in housing prices.

A key component of attracting businesses to an area relates to the affordability and variety of housing product available. Recent reductions in housing affordability will decrease the allure of the Region for companies looking to relocate or expand such functions. The City also has consistently maintained a lower price point for its housing stock, indicating an overall lack of executive housing found in these areas. This factor is significant in terms of attracting headquarters operations to the City. Future projects should look to accommodate a wide variety of price points.

4. Sacramento is one of the most ethnically diverse cities in the United States.

Sacramento is one of the most diverse cities in the United States in ethnic and other socio-economic characteristics. This diversity is one of the Region's strengths, providing cultural vibrancy and a diverse labor force. This diversity will continue to drive population and employment growth.

5. The City's status as the state capital is an economic engine for the City and the Region.

The state capital is complemented by the presence of private-sector firms associated with the business of government (i.e., legal, financial, lobbyists). Key industries related to government activity include educational services, health care, social assistance, professional and business services, information technology, and other services. As the State's population grows, government and government-related employment is also expected to grow at a similar rate.

In addition, business, convention, and leisure visitors have contributed largely to the success of downtown hotels. A significant component of tourism and convention business is related to the government-related industries in the Region.

6. The Region is gradually adopting a "polynucleated" urban form comprising a major regional node, the Sacramento CBD, and several edge cities.

The region is gradually moving toward a land use pattern of focused density at key nodes in the transportation infrastructure. These key nodes of focused density are developing as edge cities, (Folsom, Roseville/Rocklin, Elk Grove/Laguna, and Davis) similar to their Bay Area counterparts (Walnut Creek, Pleasanton, and Palo Alto). The Bay Area edge cities are characterized by relatively high educational attainment, income, and property values even in relatively high-density areas.

The City has the opportunity to build up the central core of the Region through more intensive development of the downtown area, infill areas, and the development of major Greenfield sites, namely Delta Shores to the south and the Natomas Joint Vision area to the north.

7. The evolution of the employment base and residential development patterns in the Region has influenced office market trends in Sacramento.

As a whole, the Regional office market serves as a hybrid between the Bay Area and other major Valley nodes. Suburban office markets in Sacramento and Fresno play a larger role compared to their respective CBD,⁶⁵ but both Sacramento and the Bay Area contain high portions of Class A space in their CBD. The growth of suburban office markets in the Region has been largely driven by the executive housing nodes previously established throughout the Region, such as Roseville, Granite Bay, and El Dorado Hills.

8. Development of the Region has benefited from an improved transportation network. Continued improvement of the network will be necessary to maintain the Region's high quality of life.

The network of streets, rails, waterways, and airports in the Region are fundamental to the economic viability of the Region and the City and have provided a significant competitive

65 The CBD is the traditional business core of the community, often characterized by a high concentration of business activity relative to residential uses.

advantage in attracting labor and capital to the Region from the Bay Area and other parts of the State. Future development of the Region's backbone transportation systems will have significant effects on the economic viability, urban form and holding capacity of the Region.

- **Freeways and Major Arterials.** Completion of major regional projects including the Highway 65 Bypass, Placer Parkway, SR 99/70 toward Yuba County, and the Elk Grove/Folsom corridor will improve regional traffic flows and aid overall economic performance. Major industry representatives have commented on the need for additional High-Occupancy-Vehicle (HOV) lane capacity stretching from downtown to the Region's edge cities.
- **Sacramento RT Agency.** Light rail expansions and station area development projects are moving forward. Intensification of housing density around stations will increase ridership.
- **Sacramento Airport System.** The County is developing a balanced air transportation system serving passenger airline, air cargo, and general aviation markets through the continual improvement of regional airport infrastructure at Sacramento International, Mather Field, and Executive Airports.
- **Port of Sacramento.** The future of the Port of Sacramento (Port) is uncertain at this time. A task force is evaluating the prospects for maintaining the Port's viability in an effort to define the facility's future role in the Region.
- **Sacramento Intermodal Transportation Facility.** The development of this intermodal facility is intended to link local, regional, and interregional passenger rail, light rail, and bus service. This planned facility is projected to handle five million passengers by 2025.⁶⁶

Economic Base Trends

1. California continues to strengthen its share of Services-based jobs.

California's economy has long been associated with higher than average levels of services employment because of its historical role as a financial/trade center in the West, the popularity of its tourist attractions, its role as a global center of technology innovation, and the entertainment industry. Over the last 15 years, this trend has further intensified as the State has grown rapidly in Professional and Business Services, Information, Education and Health Services, Leisure and Hospitality, State and Local Government, and Other Services sectors.

2. The Region is gradually becoming increasingly diversified similar to the State's other major metropolitan areas.

Rapid growth in more services-based sectors, (e.g., Professional and Business Services and Health and Education Service), complements statewide trends and indicates the continuing diversification and maturation of the Regional economy.

3. The City and the larger Region are economically interdependent.

As the economic and cultural/entertainment center of the Region, the City is the economic hub of the Region. The City's economic health also depends on the continued health and prosperity of surrounding jurisdictions. Companies located in the City provide services to clients

⁶⁶ City of Sacramento Economic Development Department, May 2005.

throughout the Region and draw their employees from the entire six-county area and beyond. Conversely, the health of the Region relies on the vitality of the Central City. Key industries also share infrastructure regionally and work within the context of a regional buyer/supplier network.

4. The Region’s manufacturing base is “holding on” as California’s base dwindles.

Future projections of manufacturing for the State indicate substantial job losses, a trend that adversely affects the manufacturing outlook for Sacramento. Basic manufacturing employment will continue to be relocated to lower cost areas in the Region (and outside of California or the U.S.) as a result of the area’s rapidly increasing cost of housing and cost of doing business. However, the Region may be able to transition into new manufacturing areas, including biotechnology and other technology-based manufacturing. Overall, it is expected that Sacramento’s manufacturing sector will not see significant manufacturing employment growth in the foreseeable future.

5. Certain economic sectors will continue to grow as a function of population growth.

Because the Region is expected to absorb approximately 1 million people over the next 25 years, population-serving sectors can expect healthy growth. The growth of Construction, Retail, Wholesale Trade, Local Government, Health Care, and other services are tied to the Region’s growing population.

6. The Region is well-positioned to expand in the life sciences cluster.

Anchored by existing and intensifying university research, life sciences, a cluster crossing multiple industries, can succeed in this Region based on its highly educated and available workforce, expanding Bay Area start-ups seeking cost-conscious locations in California, Bay Area venture capital searching for new investment opportunities, and the Region’s own efforts to start and grow biotechnology and other life sciences–oriented firms.

7. All indicators point to the need to evolve labor force capabilities.

Based on the trend toward information-based, higher level service jobs in the regional economy, and recognizing the likelihood of continued evolution of the Region’s economic base, it will be critical that the Region’s labor force be capable of moving between industries with transferable technical skills. The Region also is beginning to develop several private colleges which will complement growth at CSUS and UC Davis. Continued focus on improving K–12 schools, community colleges, and vocational programs will be critical as Sacramento competes with other cities in the western United States for domestic employers.

Sacramento’s Competitive Position

1. The City is the civic, cultural, and economic hub of the Valley and the Region.

From its civic role as the state capital, to its cultural amenities, as well as its regional retail opportunities and professional sports teams, the City serves as the premiere urban core for the Valley. As the Valley continues to grow and develop other urban nodes from Redding to Bakersfield, the City has the opportunity to reinforce its role as the primary civic, cultural, and economic hub in the Valley.

2. **The City can compete effectively for economic development but can enhance its regional role through meaningful regional collaboration.**

Globalization has forced local jurisdictions to strategize within a regional framework. The City's economic development policies can lead regional efforts to establish and maintain the identity and attractiveness of the Region to businesses statewide, nationwide, and internationally.

3. **The City has many opportunity areas which will accommodate significant catalytic growth.**

Throughout the City, opportunity areas have been identified which could serve as a means for residential, commercial, and industrial growth. These areas have the potential to strengthen their respective communities and revitalize neighborhoods, as well as serve as vital reuse and infill opportunities.

Commercial Market Trends

1. **The City is projected to gain roughly 140,000 additional employees between 2005 and 2025, driven by growth in Services (Professional, Health, Education, and Business), Government, Retail Trade, and life sciences.**

The increased employment in these sectors will generate new demand for office, industrial, retail, and institutional space (e.g., government-owned, utilities, and hospitals) as shown in Table 4.6-62.

Item	Employment Growth 2005-30	Total Sq. Ft.	Average Annual Demand
Commercial Land Uses			
Office	27,800	6,950,000	278,000
Industrial	20,500	17,425,000	697,000
Retail	18,500	7,400,000	296,000
Institutional	23,100	8,085,000	323,400
Subtotal Commercial	89,900	39,860,000	1,594,400
Other	49,800	n/a	n/a
Total Land Uses	139,700	39,860,000	1,594,400

Source: Economic & Planning Systems, Inc. (2005).

2. **The Region's population growth will drive retail and certain types of office development.**

Service-related firms will likely prefer to locate near population centers. Retail space demand will primarily be driven by population growth, and new retail will locate near growing residential nodes.

3. Increasing demand for entertainment and regional shopping should favor urban, diverse areas such as downtown.

Nationally, downtowns have experienced a recent resurgence. Cities across the United States are capitalizing on renewed interest in living, working, and recreating in high quality urban environments. The City is participating in this phenomenon. Unlike many cities across the country, Sacramento has the opportunity to leverage one of the strongest real estate markets in the nation, (in terms of growth levels and price appreciation), to intensify development in downtown.

4. The City should continuously evaluate retail trends and look for opportunities to strengthen its position as a regional retail center.

In addition to downtown, the City contains several areas to accommodate and attract significant retail development:

- Delta Shores
- North Natomas
- Commercial Corridors

5. Several retail strip corridors in the City are underutilized and have been targeted for redevelopment to accommodate future economic growth.

The City's Economic Development Strategy Framework (2000) identified several under-performing retail strip centers in the City. Developing and implementing ongoing action plans for these centers could result in the transformation of these obsolete retail strips into productive housing and mixed use centers.

6. The City competes in a broad regional market for office development.

Office users will be attracted to the City's key areas (e.g., downtown and North Natomas) based on proximity to government offices, association with the agglomeration of the legal and financial sectors, and proximity to the airport. Only specialized users deriving specific benefit from proximity to State government, finance, and other key CBD functions will pay the premiums associated with a location in the CBD.

A long-term land supply exists, particularly in the northern and eastern edges of the Region. Cost sensitive users will naturally migrate to the less urbanized areas of the Region, while Roseville and Folsom will continue to attract operations tied to the regional labor force in construction-related finance sectors and high technology.

7. The success of the life sciences economic cluster, as well as statewide warehouse and distribution trends, will drive the Region's industrial market.

The Region's efforts to encourage the growth of the life sciences cluster will likely lead to increased interest in additional high-end industrial flex⁶⁷ space in the Region. Start-ups and expanding bio-technology firms will generate demand for this specialized space.

⁶⁷ Industrial flex space is a relatively new type of commercial building that can change the proportion of office to warehouse space to meet an individual tenant's needs. It is usually characterized by high-end amenities such as professional landscaping and quality architecture.

Although new products associated with emerging industries can be expected, as described above, Sacramento will also sustain its traditional role as a viable distribution center. California continues its role as a major warehousing and distribution node serving as the gateway to the United States from international manufacturing sites. The Region also will continue to serve as the primary distribution center for the northern part of the Valley based on the confluence of major transportation facilities available in the region.

8. The goals of economic diversity and local economic strength require that certain industrial districts in the City be preserved in coming decades.

Existing industrial districts in the City are changing to reflect the changing economic and population base. Industrial areas in the City such as North Sacramento, Richards Boulevard, and Power Inn Road, should be evaluated to determine the appropriate land uses and product mix in light of these changing economic strengths and goals, as well as to determine the competitive advantage of these areas over other regional alternatives.

Housing and Mixed Use Market Trends

1. Historically Sacramento's housing market has been competitive with the Bay Area.

Sacramento has attracted new residents with its affordable housing stock, growing employment base, and proximity to outdoor recreation opportunities. Although housing prices have risen in the past few years, the City, (as well as the Region), continues to maintain its price differential with the Bay Area. Sacramento is a central location relative to the Bay Area and Sierra Nevada region.

2. There is future demand for smaller and higher density housing units because of population shifts.

The reduced size of households, typified by retiring baby-boomers and young professionals, serve as demand drivers for smaller housing units in the City. The residential real estate market in Sacramento is addressing this demand through higher density development. The City's planned supply of housing is twice the average density of other regional housing. New proposals for higher density housing in downtown, including for-sale and rental townhomes and condominiums, are a promising indicator. Other medium-density projects are being proposed in the City's neighborhood suburbs, where substantial pockets of vacant and underutilized land exist.

3. The desire for affordability in the City will increase the demand for smaller, denser housing.

Median sales prices have increased at a rate much faster than increases in median income. Reduced home affordability has led to a market for smaller-lot single-family homes, or attached high-density condominiums and townhomes. As affordability declines, smaller more affordable products make homeownership more accessible for first-time home buyers.

4. Existing homes in infill and redevelopment areas will continue to serve as starter homes, with the majority of supply for move-up homes in newer development projects in the City as well as selected premier neighborhoods.

Existing homes are typically more affordable than newer homes. An impact of the increased demand for affordable home ownership is the gentrification of older existing neighborhoods. These neighborhoods have the potential to become more affluent over time and could price existing residents out of the housing market.

Growth Prospects and Patterns of Development

1. Overall land supply in the City may be adequate in terms of accommodating demand through 2030, assuming the annexation and development of the Joint Vision Area and the Panhandle.

Based on the projected supply of and demand for developable land in the City from 2005–2030, potential surpluses and shortfalls of commercial and residential land were identified as a basis for further discussion (see Table 2.6-63).

- Based on employment projections and City land supply estimates, commercial land markets could result in an oversupply of about 2,700 acres, assuming a 20 percent land reserve.
- Assuming no supply reserve, there may be an overall shortfall of 215 acres of residential land by 2030. However, residential land markets may be undersupplied by approximately 2,000 acres when a 20 percent reserve is included in the supply.

Table 2.6-63. Land Demand and Supply for Residential and Commercial Uses

Item	DEMAND (2005-30)			SUPPLY			Surplus/ (Shortfall) Reserve	Surplus/ (Shortfall) with Reserve
	Projected Demand	Reserve Capacity ¹	Total Demand	Existing Holding Capacity	Adjustment for NJV ² and Delta Shores	Total Holding Capacity		
Housing³								
Residential Acres	8,615	1,723	10,339	4,726	3,674	8,400	(215)	(1,939)
Employment⁴								
Non-residential Acres	3,088	618	3,706	6,470	(75)	6,395	3,307	2,689

Source: City of Sacramento "Population, Housing, and Employment Report - Public Review Draft" (Dec, 2004);

SACOG "Blueprint Draft Preferred Scenario" (2004) ; Place³s Model , and Economic & Planning Systems, Inc. (2005).

1. Assumes a 20 percent reserve.

2. Natomas Joint Vision.

3. Refers to Table 2.6-52 and Table 2.6-53.

4. Projected Demand generated from EPS crosswalk model. Refers to Table 2.6-50.

2. Reallocation of land resources in the City may require a concerted effort to identify nonessential commercial areas appropriate for housing development, pending further discussion of policy options.

A potential commercial land surplus of this magnitude implies that the City could consider strategic reallocations of commercial land to meet ongoing demand for housing. However, a well-functioning land market requires surplus capacity to keep land prices within reasonable ranges, enhancing the feasibility of a broad range of product types. Sources of surplus commercial land may include the Employment Center in North Natomas, the Robla industrial area in the North Sacramento Community Plan, the Power Inn area of the East Broadway Community Plan, and aging retail strip centers in South Sacramento and other parts of the City.

3. The strategic rezoning of underutilized commercial land in the City can potentially improve the City’s economic development outlook.

Presently, an oversupply of underutilized, poorly performing commercial land appears to be consuming space which could be positioned as housing and mixed use development. Both visual observation and quantitative analysis support this potential need to reallocate the City’s land supply. However, this conversion process must be undertaken judiciously as not to undermine the City’s economic development efforts. Protection of strategically located commercial land near downtown or major transportation infrastructure such as freeways and airports is necessary to provide for long-term growth and development of the City’s economy.

The strategic conversion of nonessential commercial land to housing will help make the realization of employment forecasts possible, as employers will be attracted by continued growth of the City’s labor force. Additional population will bring support for new retail and entertainment options.

4. Realization of development potential will require the City and the Sacramento Housing and Redevelopment Agency to engage in an intensive process of reusing vacant infill and underutilized parcels scattered throughout the City.

Current land allocations could be adjusted to convert significant areas of commercial land to residential uses over the next 25 years to achieve more balanced growth. This conversion process, in combination with 670 acres⁶⁸ of existing residential underutilized and reuse land, constitutes a significant challenge for the City and the Sacramento Housing and Redevelopment Agency (SHRA) because of factors such as land assembly, relocation costs, and other complexities and risks of the redevelopment process.

5. Residential land supply is both a short-term and a long-term challenge for the City.

North Natomas presently accounts for nearly 75 percent of all housing production in the City and is likely to complete buildout within the next four years’ time based on current absorption rates. Both Delta Shores and Natomas Joint Vision are essential components that will ensure the City can continue to meet market demand for annual housing activity over the coming decade.

6. Several opportunity areas will play pivotal roles in delivering needed growth and development in coming decades.

- **North Natomas** is the City’s major population and employment growth engine, presently adding about 3,700 units annually over the last three full years. As of

68 Based on Appendix C the City’s Population Housing and Employment Report (2004). Does not include reduction of acreage using “market factor” as discussed on p. 33 of City report.

March 2005, 9,900 housing units, 1.7 million square feet of retail space, and 11.6 million square feet of office space had yet to be developed.⁶⁹ Based on current development rates, the housing area could be fully absorbed within four years' time. In contrast, office land supply represents a 50-year land supply even with relatively aggressive development assumptions.⁷⁰ Assuming the City wishes to avoid major growth fluctuations, rezoning of lower quality Employment Center lands in North Natomas may be a partial solution to the City's tight residential land inventory in the immediate future and the longer term.

- **Robla**, in the North Sacramento Community Plan Area, also could help to contribute additional housing stock through conversion of industrial property. This area has traditionally accommodated cost sensitive distribution centers, light industrial, and manufacturing operations. The Robla area does benefit from proximity to an established and growing industrial district, stretching from the former McClellan Air Force Base to North Natomas, and it is viable for conversion in terms of its large parcel sizes and proximity to Interstate 80 (I-80), Business Route 80, and I-5. However, industrial space needs are expected to shift to higher value uses and decline in terms of absorption rates compared to the past decade. Users are likely to seek more light industrial “flex” product that is more compatible with residential development. Areas adjacent to residential neighborhoods could be converted to residential zoning to meet projected demand, while also bolstering the quality of existing neighborhoods in the area. This approach also will bolster the ability to attract retail to the area.
- **Del Paso Corridor and North Area Station Sites.** There is an excellent opportunity to create a mixed use center in the Del Paso Corridor/Arden area, serving as a transition between high-density development in downtown and the more suburban scale of the Arden Arcade area.
- **CBD Housing.** About 4,800 attached rental and ownership housing units are planned for downtown, building on a wave of successful medium-density, mixed use projects scattered throughout the area. In 2004, about 30 attached ownership units were completed.
- **CBD-based projects.** Projects including C Street, Richards Boulevard, the Railyards, R Street, the Docks, and the West Sacramento waterfront have the potential to substantially transform the CBD into a major collection of neighborhood districts with enhanced housing, employment, and cultural/recreational attributes. Over one million square feet of office space, in addition to the State's West End complex, is in the planning stages, although over the last 10 years the area has experienced net absorption of only 100,000 square feet annually.
- **Adjacent Neighborhoods and Corridors.** The Broadway Corridor, its transition into the Oak Park neighborhood, and the continued investment in the medical uses emanating from the UC Davis Medical Center complex create a convergence of multicultural influences, historic architecture, strong adjacent neighborhoods, and significant private investment. Oak Park and the Broadway

69 EPS's March 2005 analysis of remaining residential capacity is 811 acres, in contrast to the City's November 2004 estimate of 1,425 acres.

70 Example of “best case” absorption rate assumes 15 net acres per year at an average FAR of 0.35, or 230,000 sq. ft. annually. Other consultant reports reviewed for this study indicate a potential range of 10 to 12 acres annually.

Commercial Corridor are well-positioned but require a concerted public-private development effort to catalyze development at key nodes. To date, investment is lagging behind the areas' potential.

- **The Delta Shores project.** The likely timing of vertical development in more than 700 acres of Delta Shores land is dependent in part on the design and construction timeline governing the extension of Cosumnes River Boulevard from Franklin Boulevard to I-5 and the completion of the I-5 interchange at that point. The new owner of the property has not yet released detailed planning information for proposed development, which may include low- and medium-density residential supplemented by regional retail. Land use alternatives proposed for the property now include 1) transit-based medium-density mixed use residential centers and corridors supplemented by community-serving retail and 2) high technology office parks surrounded by low- and medium-density residential. Only the Blueprint's land uses are positioned to maximize light rail passenger ridership at the Morrison Creek station beyond the eastern edge of the property.
- **Florin Road and Meadowview Road Light Rail Stations.** These projects could enhance the performance of the City's transportation network and catalyze market acceptance of higher density housing products. Conceptual TOD plans at two South Area Community Plan light rail stations will convert existing surface parking into neighborhoods of compact attached and detached housing.

