



# REPORT TO COUNCIL

## City of Sacramento

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915 I Street, Sacramento, CA 95814-2604  
www. CityofSacramento.org

CONSENT  
July 21, 2009

Honorable Mayor and  
Members of the City Council

**Title:** Infill Strategy Report

**Location/Council District:** Citywide/All Districts

**Recommendation:** Review and comment including recommendations on issues to address in the upcoming update of the Infill Strategy.

**Contact:** Desmond Parrington, AICP, Infill Coordinator (916) 808-5044; and David Kwong, Planning Director, (916) 808-2691

**Presenter:** Not Applicable

**Department:** Community Development

**Division:** Infill

**Organization No:** 21001224

### **Description/Analysis**

**Issue:** In 2002, the City Council adopted the Infill Strategy and created the position of Infill Coordinator. The purpose the strategy and the Infill Program is to remove barriers and promote quality infill development in Sacramento by working with the community, developers, and public agencies. This report (refer to Attachment 1) outlines the City's progress with infill development over the last four years between 2005 and 2008. The report includes an overview of infill development in Sacramento, recent successes, remaining challenges, and the next steps for the City's Infill Program.

There have been a number of important changes that have occurred between 2001 and 2008. Infill has become a much larger share of total development; however, it still lags behind greenfield development. The increase in infill development in the City does not appear to stem from dramatic increases in demand or the number of infill developers, but rather an increasingly constrained



supply of greenfield land. This has boosted the percentage of infill from 19% in the 2001-2004 period to 43% in the 2005-2008 time period.

With growing numbers of local infill developers, increasing demand and a limited land supply, the percentage of infill development is expected to continue to grow. However, infill developers face a number of significant barriers including obsolete infrastructure, high construction costs and land prices, design issues, community resistance, and a complicated regulatory environment.

The City has made a lot of changes to improve the regulatory environment for infill developers. Changes include the new streamlined MATRIX review process; clearer design guidelines; zoning changes to allow higher density and promote flexibility; fee deferrals and waivers for infill; grant funding for amenities in infill areas; and financial assistance to projects. In addition, the City has begun proactive efforts, such as the Shovel-Ready Sites Program, to invest in infill areas in order to leverage additional private sector investment.

Despite the challenges that remain, the City has seen a number of exciting infill developments that have helped spur additional investment in infill areas. Projects such as Globe Mills, 1801 L Street, and 40 Acres project have helped to transform and energize City neighborhoods. Infill projects are also taking the lead on green building and sustainable development features. Projects such as 9 on F and the forthcoming Township 9 development include unique sustainable development features, such as geothermal heating and cooling and LEED-ND (Neighborhood Design).

Though the amount of infill has steadily increased in the last few years, infill still struggles to compete with greenfield development. Greenfield developers benefit from economies of scale, while infill typically happens at a smaller scale and as a result produces fewer units. As our population continues to grow and demand for housing, retail and office space increase, infill developers will continue to compete with new greenfield residential and non-residential projects in Delta Shores, Greenbriar, and the Panhandle. While development in the Railyards, the River District, and corridors like Stockton Boulevard and Florin Road could counter a return to more greenfield development, substantial investment is needed to spur development in these areas.

Given the changes in the economy, increasing demand for infill, and concerns about global warming, the City needs to reexamine the Infill Strategy and conduct a comprehensive update to look at additional means of facilitating quality infill and to continue to remove barriers to this type of development. This effort, which will involve outreach to residents, developers, and businesses, will require significant staff commitment. In addition, if the City wishes to facilitate greater infill development and remove some of the most significant barriers such as inadequate infrastructure, the City is going to need to look strategically at how and where it invests its limited resources.

**Policy Considerations:** The Infill Strategy is consistent with the goals of the City's 2030 General Plan and the Sustainability Master Plan.

**Environmental Considerations:** The proposed actions are exempt under CEQA Guidelines section 15262 as a planning activity for possible future action.

**Sustainability Considerations:** The Infill Strategy is consistent with the City's sustainability goals. Its objective is to encourage infill which will create additional housing and jobs in close proximity to one another and to transit, thereby reducing vehicle trips and greenhouse gas emissions.

**Committee/Commission Action:** The report was presented to the Planning Commission on June 11, 2009. The report was well-received and the Commission members had several comments. Specifically, Commission members recommended that staff consider the following changes to help promote infill including: 1) ensure that infill is a City priority over greenfield development; 2) implement Citywide design review; 3) focus on placemaking including early neighborhood input; 4) promote alternative parking strategies; 5) consider small lot and adaptive reuse ordinances to encourage this type of development; 6) develop special teams within Building to expedite infill reviews; 7) offer "green" pre-approved infill house plans; and 8) develop shovel-ready sites during the slow economy.

**Rationale for Recommendation:** Staff seeks Council input on the report and any recommendations for topics to address in the update to the Infill Strategy.

**Financial Considerations:** No funding is involved in this report and resolution.

**Emerging Small Business Development (ESBD):** Not applicable.

Respectfully Submitted by:   
David Kwong  
Planning Director

Approved by:   
William Thomas  
Director of Community Development

Recommendation Approved:

  
Ray Kerridge  
City Manager

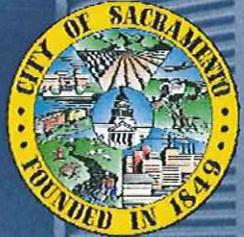
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City of Sacramento

# Infill Report

Summer 2009



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# Executive Summary

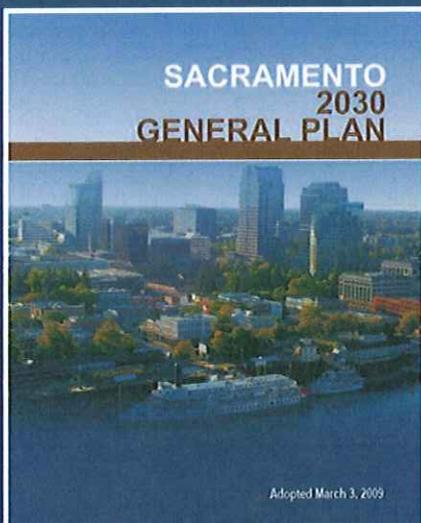


In 2002, the City adopted an Infill Strategy which was designed to promote infill development and to address the many issues and challenges faced by developers as well as residents.

Infill development involves the reclaiming and reuse of vacant or previously developed parcels in urbanized areas of the City (see map on p. 2). By 2030, the General Plan envisions that most development in the City will be infill. The goal of the Infill Program is to promote quality infill development in Sacramento by working with the community, developers, and public agencies. This report outlines the City's progress with infill development over the last four years between 2005 and 2008.

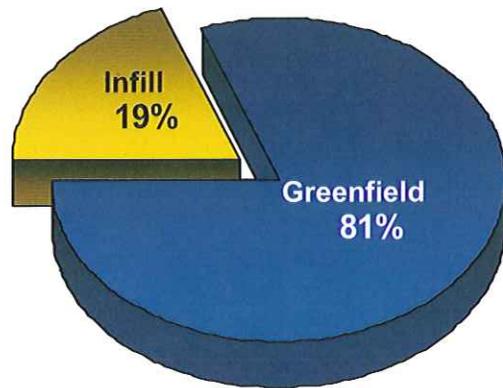
**Benefits of Infill:** Efforts to promote infill development in the City and the region have increased due to the benefits of this type of development as well as the concerns over global warming. By placing jobs, housing and services near existing businesses and residents rather than at the City's edge, the City can help reduce vehicle trips, improve air quality and reduce the long-term cost of having to build and maintain new roads, pipes, and facilities.

**Infill Envisioned:** The Sacramento Area Council of Governments' (SACOG) Blueprint and the City's new 2030 General Plan encourage infill development. Both plans envision a significant increase in compact, higher density development in Sacramento. By 2030, the City anticipates that two-thirds of all new development will be infill, especially in areas around light rail stations and along commercial corridors.

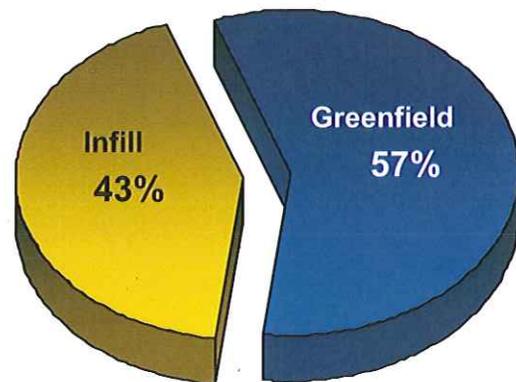


## Total Development

### Residential

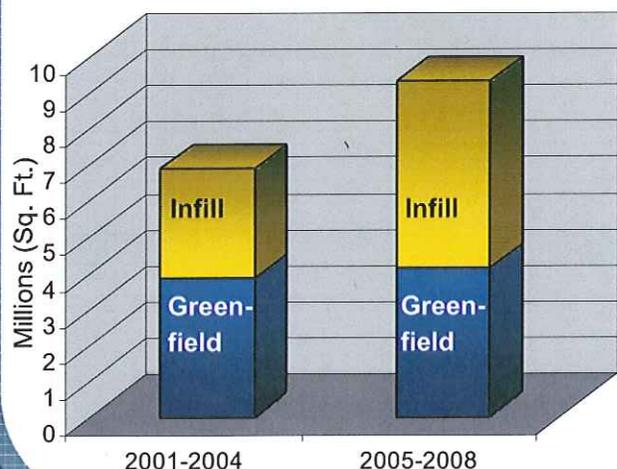


2001-2004



2005-2008

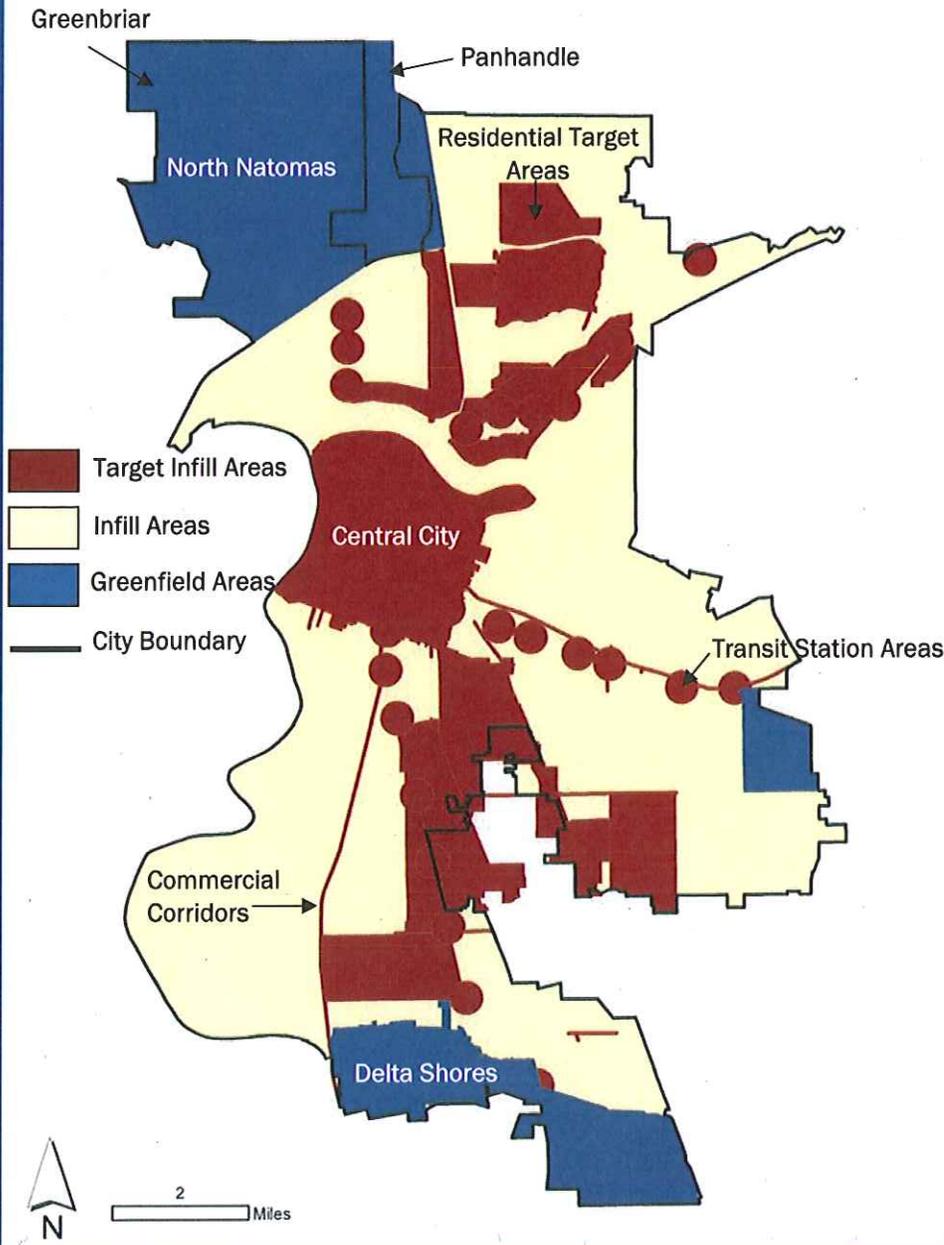
### Non-Residential



**A Shift Toward Infill:** As this report reveals, the City has seen a greater shift toward infill development in a short period of time. Between 2001 and 2004, infill development accounted for only 19% of all residential development with most of the development occurring in North Natomas and other greenfield areas in the City. However, over the last four years, the percentage of residential infill development increased to 43% while residential development in greenfield areas declined substantially. Overall, multi-family residential was an important component in the latter period –favoring infill over greenfield. The percentage of non-residential development, such as retail, office, and industrial construction, in infill areas increased from 44% to 56% during this same period. So, not only did non-residential infill increase as a relative proportion of total growth, but also grew substantially in absolute numbers.



### City of Sacramento: Infill and Greenfield Areas

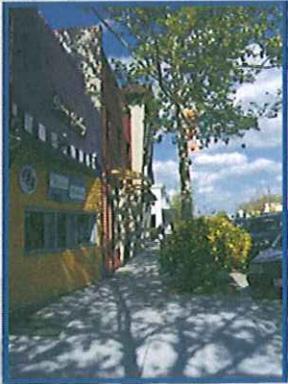


With growing numbers of local infill developers, increasing demand and a limited land supply, the percentage of infill development is expected to continue to grow. However, infill developers face a number of significant barriers including obsolete infrastructure; high construction costs and land prices; community resistance; and a complicated regulatory environment.

Despite these current challenges the City has seen a number of exciting infill developments that have helped spur additional investment in infill areas. In addition, the City has begun proactive efforts, such as the Shovel-Ready Sites Program, to invest in infill areas in order to promote additional investment from the private sector.

This report includes an overview of infill development in Sacramento, recent successes, remaining challenges, and the next steps for the City's Infill Program.

# Infill Development



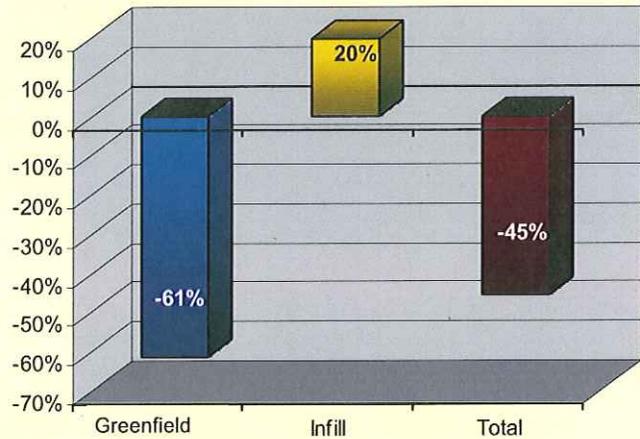
The story behind the level of infill development in Sacramento over the last four years is a mixed one. While the

level of infill increased as a percentage of total development, development was still dominated by housing construction in greenfield areas, most notably North Natomas. In fact, overall residential development declined by almost half between 2001-2004 and 2005-2008. By 2005, much of the available residential land in the City's greenfield areas, with the exception of Delta Shores, had been or was being developed. While increasing demand played a role, the increase in infill development was primarily due not to a dramatic change in the desire of consumers or builders, but instead to a constrained greenfield land supply.

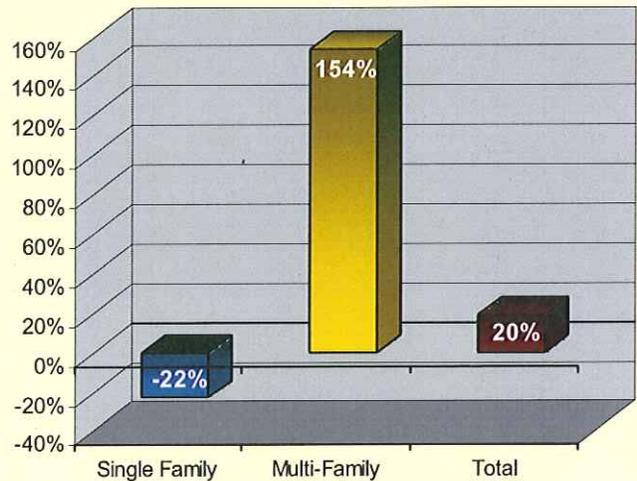
**A Shift to Higher Density Residential:** Looking more closely at activity in the infill target areas, there are several trends that support the City's General Plan goals for more compact urban infill development. Within the Central City, transit station areas, and commercial corridors, higher density development (including apartments, condominium and other mixed-use residential projects) accounted for 82%-94% of all residential development. Only in the residential target infill areas, which are predominantly single family areas, did single family development outpace higher density multi-family construction.

Overall, higher density multi-family development increased by 154% between 2001-2004 and 2005-2008. Yet, between 2005 and 2008, almost as many multi-family units were built in greenfield areas as in infill areas, which reflects rising land costs and City inclusionary requirements.

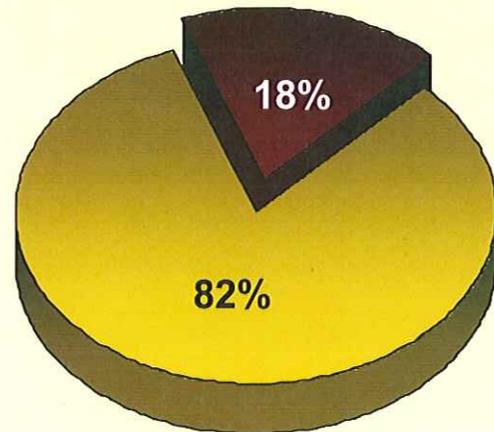
**Residential Development 2005-2008**



**Residential Trends: 2001-2004 vs. 2005-2008**



**Transit Station Area Development**



■ Single Family ■ Multi Family

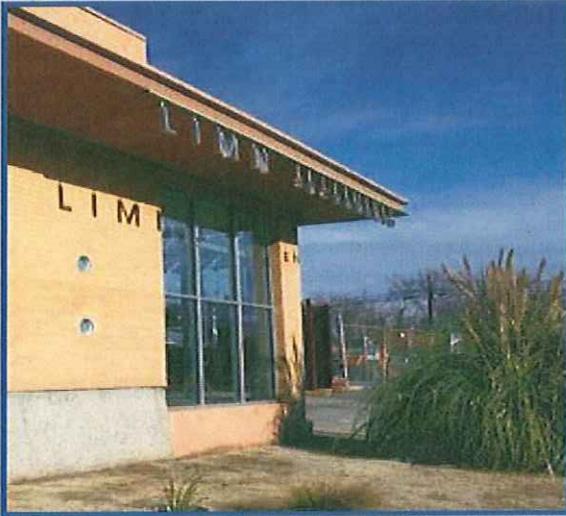


Photo courtesy of Limn Furniture.

**Non-Residential Development:** Unlike the residential market where a constrained land supply drove an increase in infill activity over the last four years, industrial, office, and retail development was influenced by different factors. Such factors include proximity to consumers, market demand, and ease of access. While non-residential development increased almost 70% in infill areas compared to only 28% in greenfield areas, a breakdown by type reveals a more complex picture.

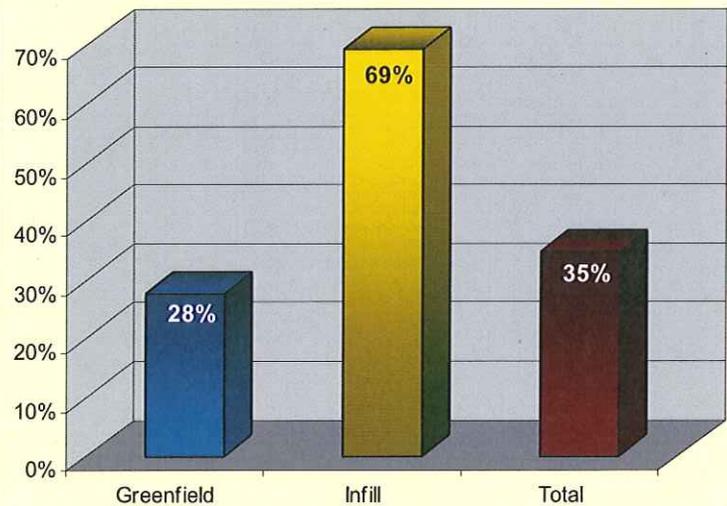
Between 2005 and 2008, the level of industrial and especially retail development was higher in greenfield areas compared to infill areas. In infill areas, only office development was higher, but that was a result of significant high-rise office projects in Downtown such as the U.S. Bank Tower rather than a widespread increase in infill areas.

The higher level of retail development in greenfield areas stems from the high demand created in areas such as North Natomas as a result of thousands of residential units built there during the preceding four years. In general, retail development in greenfield areas was dominated by larger buildings concentrated in North Natomas such as power centers like the Promenade at Natomas, while retail in infill areas included many smaller retail buildings housing restaurants, drug stores, and clothiers scattered throughout the City's commercial corridors.

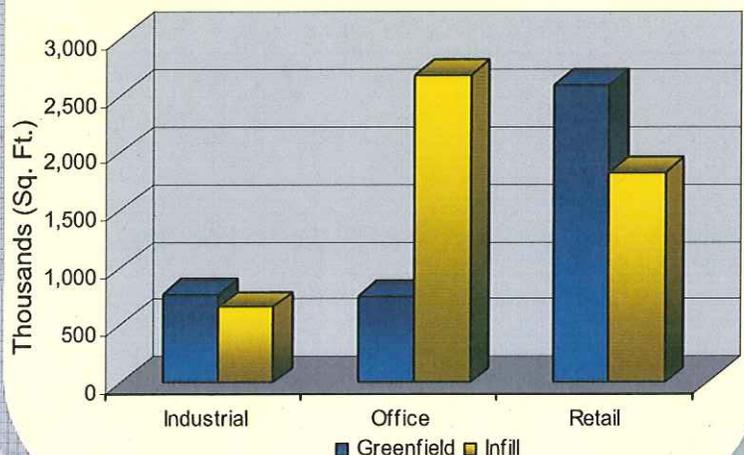
**Future Trends:** Given the past increases in gas prices and continued congestion in the Sacramento region, it is expected that more households will want to live closer to jobs and services. This trend is likely to sustain increasing levels of development in infill areas.

However, once new greenfield areas are open to develop, it is expected that greenfield development in areas such as Greenbriar, Delta Shores, and the Panhandle, will continue to make up the majority of residential building permit activity. While development in the Railyards, River District and Florin area could counter this trend, substantial investment needs to occur in those infill areas to facilitate development. Infill development in Sacramento remains hampered by a limited pool of experienced infill developers, construction costs and household income levels.

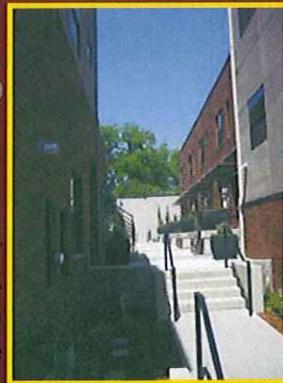
### Non-Residential Development: 2005-2008



### Non-Residential Development: Type and Location



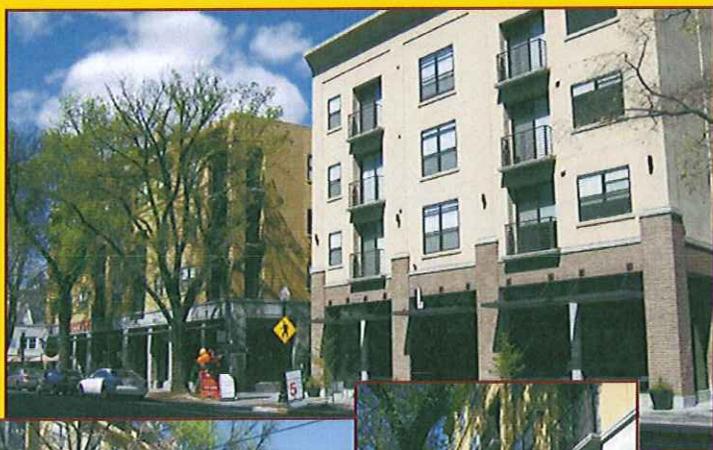
# Successes



Over the last four years, the City has seen the construction of a number of successful catalyst projects ranging from large office towers such as the U.S. Bank Tower in Downtown to neighborhood developments like the Fourth Avenue Lofts in Oak Park. Other projects have transformed aging historic structures (such as Globe Mills, the Elliot Building and the Arnold Brothers building) into vibrant new destinations.

The Infill Program had several major successes in 2008. Working with the City Manager's Office and developers, staff helped secure over \$80 million from the State's Proposition 1C grant programs for infrastructure and site clean up for several infill projects including the Railyards, Township 9, Broadway Lofts, La Valentina, and Curtis Park Village. In addition, staff secured grant funding for a new park in the R Street Corridor. Grant funding was also used for the development of the Globe Mills project in the Alkali Flat neighborhood. Along with substantial funding from the Sacramento Housing and Redevelopment Agency (SHRA), this historic mill was revitalized and converted into a mixed use, affordable housing development (see Featured Project box on p. 6).

## Featured Project: 1801 L Street



Completed in 2007, the 1801 L Street project developed by SKK development was voted the best infill project of 2007 by the **Sacramento Business Journal**. This five-story mixed use project was designed by Ron Vrilakas and Bob Kuchman. The project contains restaurants and retail on the ground floor with 176 residential units above including 47 which are restricted for low and moderate-income tenants. With its mix of retail, small businesses and residential spaces that include balconies and walk-up entrances, this project helped to energize the L Street area of Midtown, creating a vibrant new urban landscape between 18<sup>th</sup> and 19<sup>th</sup> Streets. Despite its success, the project faced a number of challenges including increasing construction costs, inadequate infrastructure and design issues. The project benefited from close collaboration between the developer and the City, including significant assistance from SHRA.



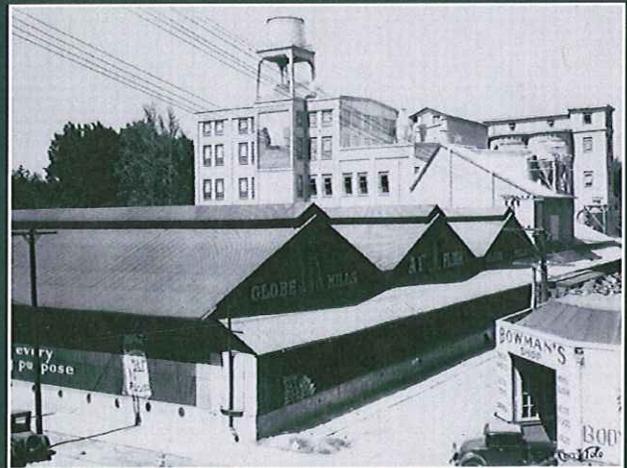
**Pre-Approved Infill House Plan Program:** In its efforts to promote neighborhood revitalization, the Infill Program updated and improved the Pre-Approved Infill House Plan Program. Working with Building Division staff, the plans were value-engineered to reduce construction costs. The program offers a site plan and full construction drawings for \$1,850 that are pre-approved through Design Review and Building. With the program, a building permit can be issued in less than a week.

**Shovel-Ready Sites Program:** The Infill Program kicked off the Shovel-Ready Sites Program in 2008. The program is designed to prepare key infill areas for future development by addressing such issues as land use, transportation, infrastructure, site clean up, and financing. Funding from this program helped launch the River District Specific Plan, which is a City and property owner effort designed to encourage redevelopment in that 800-acre area north of Downtown. A similar effort was launched on Florin Road west of Franklin Blvd. where many of the existing auto dealerships have closed. The City executed a Memorandum of Understanding with the property owners and staff has begun a comprehensive effort to redevelop that 40+ acre area (see box on p. 8).

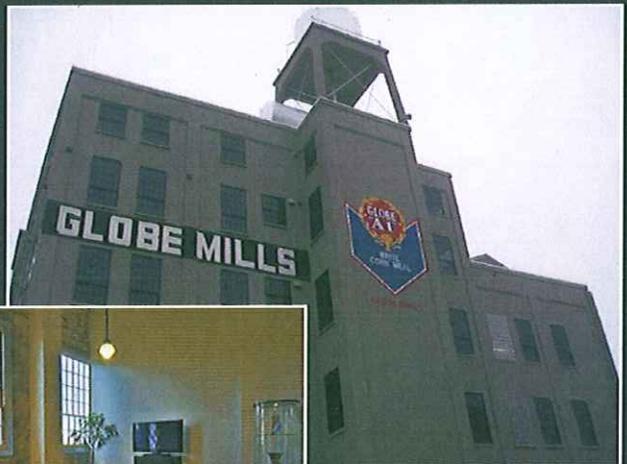
## Featured Project: **Globe Mills**

Built in 1913 the historic Globe Mills complex had fallen into disrepair after its closure in 1969 and became a major eyesore - a sad reminder of Sacramento's proud agricultural history. After a major fire in 1995, the complex was slated for demolition; however, the building was saved due to efforts of local preservationists including Bruce Booher, Michael Malinowski and Paula Boghosian.

The transformation of the blighted complex was the result of efforts by architect Michael Malinowski and developers Skip Rosenblum and Cyrus Youssefi, who championed an adaptive reuse of the historic structure. The mill and its silos were converted into a new mixed-use, mixed-income project with 114 housing units for seniors and 31 lofts including retail space and a new community center atop the silos overlooking the Railyards and Downtown. The \$38 million dollar project was the result of a unique public and private effort - including both grants and loans from SHRA. **The Globe Mills project opened in October 2008 and was recently awarded the 2008 Fall Award for Redevelopment Excellence by the National Association of Local Housing Finance Agencies.**



*Photo courtesy of California State Library*



# Remaining Challenges



One of the primary missions of the City's Infill Program is to remove barriers to infill development. Unlike greenfield development, infill projects often face challenging development conditions that can include:

- ◆ Inadequate infrastructure;
- ◆ Site contamination (brownfields);
- ◆ Irregular lot sizes;
- ◆ Higher land and construction costs;
- ◆ Regulatory issues;
- ◆ Environmental challenges;
- ◆ Financial hurdles; and
- ◆ Neighborhood resistance.



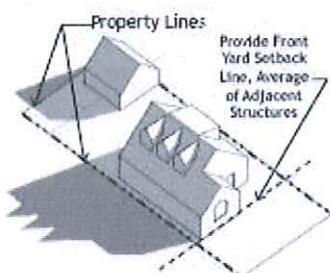
These issues can result in higher project costs and long delays and put infill development at a disadvantage in Sacramento as it competes with greenfield development, which doesn't face many of these challenges.

The City has made efforts to reduce these barriers through a combination of regulatory improvements such as the MATRIX development processing program and other types of assistance. Specific improvements include:

- ◆ Zoning to promote higher density and flexibility;
- ◆ Clearer design guidelines;
- ◆ Fee reductions and waivers for infill projects;
- ◆ Brownfield loan program for site clean up; and
- ◆ Use of grant funds for amenities and infrastructure improvements.



## ILLUSTRATIVE DIAGRAMS



East Sacramento Interim Ordinance

While the amount of infill has increased, many issues remain (especially infrastructure and financing issues) that can impact development. With the Shovel-Ready Sites Program, the City is pursuing ways of getting infrastructure in place in advance of development to help make infill feasible. This has included pursuing state and federal grant funding to help with infrastructure improvements. Other issues that remain include design and compatibility issues which are often at the top of the list of neighborhood concerns. As infill increases, design, context and scale are likely to become major concerns for residents and developers. The City's urban design staff has been pursuing new approaches to design including context-sensitive and form-based design to give developers clear guidance on design in infill areas.

## Tackling the Challenges: The Shovel-Ready Sites Program

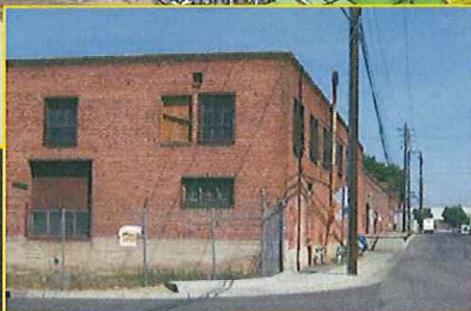
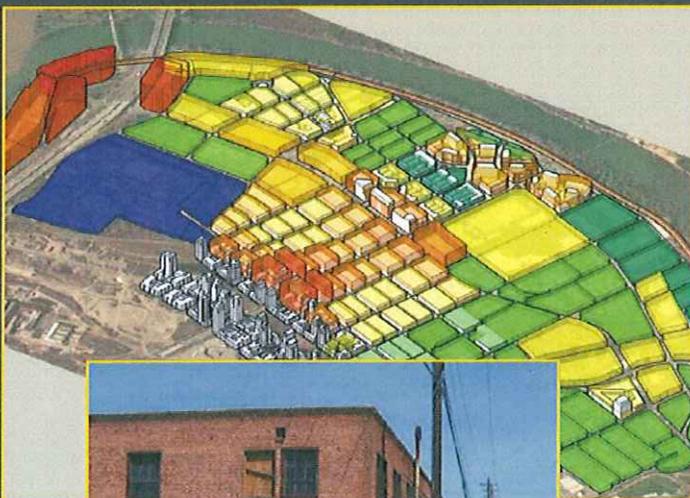
As noted earlier, infill faces special development challenges. Ideally, a developer might solve these problems in an area, but when these challenges are too great, City efforts are needed to spur development. Without concerted City investment in these areas, it will be very difficult for economic development to occur. That is the idea behind the Shovel-Ready Sites Program. The purpose of the program is to:

- ◆ Make available sites to advance City's economic development objectives and opportunities;
- ◆ Foster public-private partnerships to achieve economic development goals; and
- ◆ Spur private investment in the City, especially by business.

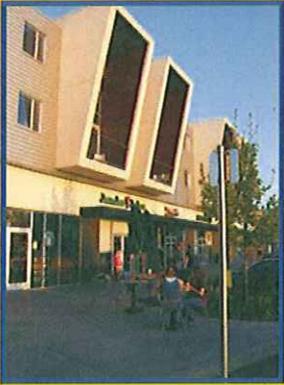


The City can play an important role by identifying and finding solutions to the obstacles that prevent these areas from being economic development engines, where development fosters new, better-paying jobs, sales tax revenue, and higher property values. This means tackling planning, design, infrastructure, transportation, and open space issues in advance of development and creating an environment where development is feasible. It also means being strategic about City investments. It does not mean solving all the issues, but it does involve addressing the major challenges so that a developer or a public-private partnership could proceed with economic development in that area.

Shovel-ready efforts are currently underway for the Railyards, River District, the Florin Road area, and the 65th Street/Ramona Avenue area. While these efforts can help spur infill and economic development, they are also time and staff intensive.



# Next Steps



In 2002, the City Council adopted the Infill Strategy to remove barriers and promote quality infill development. Infill development has attracted greater interest from Sacramento area residents and developers. Though the amount of infill has steadily increased in the last few years, infill still struggles to compete with greenfield development. Greenfield developers benefit from economies of scale, while infill typically happens at a smaller scale and as a result produces fewer units.



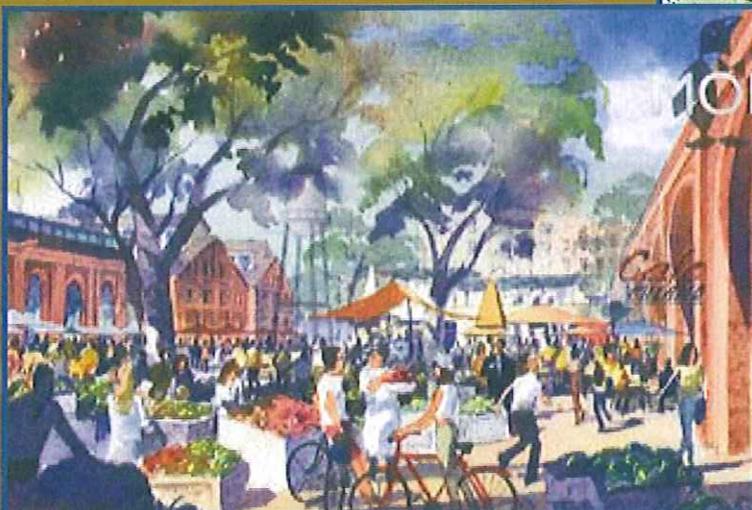
*Illustration courtesy of Rooney-Tate Group.*

While the amount of infill now comprises 43% of all development, infill developers cannot replicate the level of growth that has been seen in the City's greenfield areas. Since the 2030 General Plan proposes that two-thirds of all future growth will be infill, the City needs to look at new ways to promote infill development to meet future demand. The risk that the City faces is that if it is not able to increase the supply of infill development, people and jobs may locate in greenfield areas or elsewhere in the region. If more people and employers locate away from urbanized infill areas, our region will see less open space, increased congestion and worsening air quality.

With this challenge confronting Sacramento, the City needs to undertake a comprehensive reassessment and update of its Infill Strategy to develop additional tools to encourage infill. This effort will need to involve residents, developers, and businesses. Looking toward the future, the City needs to ensure that infill development meets not only market demand, but also the needs of our community – creating quality projects that provide housing, jobs and enhance our neighborhoods.



*Illustration courtesy of Capitol Station 65, LLC.*



*Illustration courtesy of Thomas Enterprises.*



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