

## NATOMAS ARENA SITE REUSE

**P**ower Balance Pavilion (formerly ARCO Arena) is located in the north Natomas area of the City of Sacramento with Del Paso Road to the north, Truxel Road to the east, Arena Boulevard to the south and East Commerce Way to the West (see map below). The site is situated on a 184 acres (“Natomas Site”) and consists of two main parcels. The arena parcel, consisting of 84 acres, is owned by the City of Sacramento but is contractually obligated to the Kings Arco Arena LTP. The Power Balance Pavilion, the practice facility and paved parking are the only developments on the 84 acre parcel. Immediately to the north of the arena parcel is a 100 acre parcel also owned by the City of Sacramento. Both parcels are subject to a reciprocal parking and development agreement. The 100 acre parcel is partially paved with parking and has a partially constructed, but never completed, baseball stadium.



Figure 1: Power Balance Pavilion Site

## Think Big Natomas Subcommittee

The Mayor and City Council have expressed their support to identify an economic engine for Natomas that meets or exceeds the contributions to the region that a new arena would produce if built at the current Natomas Site. Current analysis of a downtown arena also includes a concurrent analysis of a designated reuse plan for the Natomas Site.

The “Think Big Natomas Subcommittee,” co-chaired by Councilmember Angelique Ashby and Assemblymember Dr. Richard Pan, consists of experts in land-use, planning, finance, business and design. In addition, it includes key regional leaders from neighboring communities. The Subcommittee contains the following members:

Angelique Ashby, J.D. - Councilmember, City of Sacramento, District One  
Dr. Richard Pan - Assemblymember, 5th District  
Darrell Steinberg - California Senator, 6th Senate District, President pro Tem  
Ed Koop Natomas - Chamber President  
Greg Guardino - Executive Vice President, Alleghany Properties  
Greg Thatch - Development Attorney, Thatch Law  
James Beckwith - CEO, 5 Star Bank (*Headquartered in Natomas*)  
Jesus Arredondo - Westlake President, Community Leader, Business Owner  
John Dukes - Yuba City Mayor  
Kip Blewett - Principal/Co-Founder, Rubicon Partners  
Michael Faust - Vice President, Sacramento Metro Chamber  
Michael Ault - Executive Director, Downtown Sacramento Partnership  
Ted Gaines - California Senator, 1st Senate District  
Tim Youmans - Principal, Economic & Planning Systems

In a series of meetings over the past few months, this team has worked to compile a comprehensive overview of the Natomas Site. During these working sessions, the Subcommittee has met with key City staff and stakeholders to identify past history, existing conditions, site attributes, constraints, and reuse options. The Subcommittee also attended and co-hosted a Town Hall Forum in Natomas as an opportunity for community members to share their ideas for the future of Natomas and potential reuse plans for the current Natomas Site. After taking a number of suggestions, participants voted on the items discussed. Ranked below, to give guidance on potential reuses, are the suggestions gathered at the Town Hall forum:

#1 Healthcare  
#2 TV/Film/Video Gaming Industry  
#3 High Tech Campus  
#4 Higher Education  
#5 Solar Energy/Green Tech

- #6 Mixed Use/High Density Multi-Use Village & Retail
- #7 Shopping Mall
- #8 Amusement Park
- #9 Industrial/Manufacturing
- #10 Office Park
- #10 Auto Mall
- #10 Service Commodities (for the airport)

## Existing Conditions

### Natomas Site

The 184 acre site (“Natomas Site”) is zoned as SPX, or Sports Complex Zone, to accommodate a private sports complex. The General Plan designation for the site is Urban Center High, which identifies a minimum density of 24 to a maximum of 250 dwelling units per acre with floor area ratios falling between a minimum of 1.75 and a maximum of 8. The current General Plan designation calls for a high density town center with a concentration of employment-intensive uses, high-density housing, and a wide variety of retail uses. This designation and zoning can be modified.

### Arena Building

The Power Balance Pavilion, formerly known as ARCO Arena, was built in 1988 for the Sacramento Kings at a cost of \$40 million. The arena has 442,000 square feet of gross building



Figure 2: Power Balance Pavilion (Formerly ARCO Arena)

space and holds 17,317 seats. The facility's age, size, deteriorating condition, restricted loading area and limited number of luxury and club seating render the facility to be almost functionally obsolete. While renovation is a possible option, initial examinations identify that a retrofit of the current arena would be cost prohibitive and fail to provide enough transformation to be meaningful to the NBA's current facility standards.

## Site Attributes and Issues

The Natomas Site possesses a number of unique attributes. Below is a summary of some of those that will have an impact on reuse options.

### Location

The Natomas Site is situated in a desirable location north of the Central Business District of Sacramento (Downtown) with easy access to the State's major freeway connections, both north/south with Interstate 5 (I-5), and east/west with Interstate 80 (I-80). Two freeway interchanges exist on I-5 at Del Paso Road and Arena Boulevard with additional access to I-80 via Truxel Road. The site is also a short 10 minute drive from Sacramento International Airport, which is located to the northwest. It is surrounded by well established businesses and desirable neighborhoods.

### Site Ownership

The 84 acre parcel on which the arena is located was assigned to the City to facilitate the issuance of lease revenue bonds. Upon the repayment of the bonds, ownership of the 84 acre site will revert to the Kings. The City was originally gifted the ownership of the 100 acres conditioned on the site being used for a public purpose with no restrictions remaining once the site has been sold. Both properties are subject to a reciprocal parking and development agreement. The reciprocal parking agreement allows both sides to have access to the entire parking area that surrounds the arena for events. The City and Kings ownership must also approve development proposals on each other's parcels.

### Flood Protection – Building Moratorium

In 2008 the Federal Emergency Management Agency (FEMA) decertified the Natomas basin levees due to increased standards as related to the impacts of Hurricane Katrina. As a result, construction of any new buildings would require them to be built at or above the current flood plain, which is cost prohibitive in nature and therefore, constituting a default building moratorium. The Sacramento Area Flood Control Agency (SAFCA), a city-county joint powers

agency, has been working aggressively to improve the levee system to meet the FEMA requirements.

The Natomas community recently voted overwhelmingly to increase property taxes to establish a higher local match, pushing the levee improvements forward. Recertification is projected for early 2013, but Congressional authorization is necessary for work to be certified. Any development plans being considered for the Natomas Site will need to consider risks associated with this timeframe. While Congressional authorization is pending, the City can initiate marketing, site planning and entitlement work.

### **Roadways**

One of the advantages attributed to the current Natomas Site includes the major roadway infrastructure presently in place. These roadways were constructed to accommodate traffic capacities associated with the multiple surrounding uses. For example, surrounding major arterials such as Truxel Road, Del Paso Road and Arena Boulevard, all received road widening in order to increase their traffic capacity. In addition, two I-5 overcrossings, complete with on and off ramps, exist at Del Paso Boulevard and Arena Boulevard. However, Sports Parkway does not connect on the northern side, resulting in limited access to the Arena Site via some of major roadways in north Natomas. Completing construction and connecting Sports Parkway on the northern 100 acres would likely be a condition of future development. Additionally, the development of a network of internal roads could be a requirement for some land use plans.

### **Parcel Size**

The combined 184 acre Natomas Site presents one of the largest redevelopment opportunities in the City. The large size of the Natomas Site presents a unique opportunity. With existing infrastructure and urban planning designations in place, the site could serve as an attractive opportunity for future development, with the potential to remain as a single property, or be split into multiple separate parcels. Large users such as a hospital, education campus or corporate site may or may not require the entire site.

### **Other Infrastructure**

A third interchange over I-5, known as Snowy Egret Way, was anticipated when the northern 100 acres included development of a baseball stadium. If constructed, Snowy Egret Way would connect East Commerce Way and Duckhorn Drive over Interstate 5 without on and off ramps (flyover only). The need for this additional overcrossing is not required without an additional high use development, but could be triggered if intense densities occur.

## Entitlements

As stated above, new uses will likely require a change to the zoning and/or the General Plan designations. Further environmental study will need to be conducted to determine the impact of that use on the surrounding environment. A traffic study will likely be required to examine the changes to traffic during peak times.

## Light Rail

In the future, the Green Line light rail line connecting Downtown with the Sacramento International Airport will pass by the Natomas Site, increasing the site's accessibility via public transportation. This will be an attribute especially important to government and major corporate users. Currently, Natomas has a Transportation Management Authority shuttle service and an existing Regional Transit bus line that serves the immediate area.

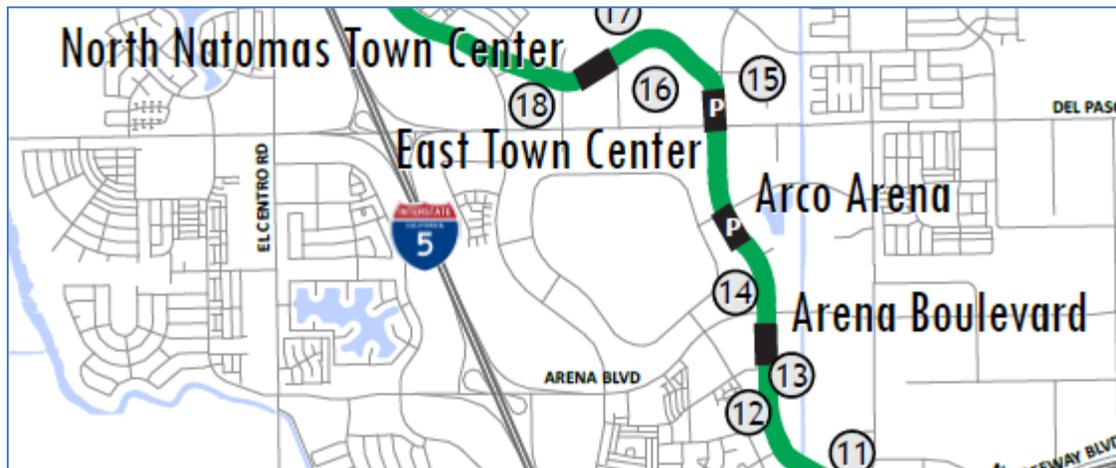


Figure 3: The Green Line to the Airport

## Reuse Options

The Natomas Site would be suitable for a number of different types of uses. Due to its large size, it could be home to multiple users encompassing a diversity of robust industries. The following is a discussion on some of these potential uses that have been identified through initial analysis, research and community feedback.

### Major Medical or Hospital Complex

The Natomas Site is an ideal location for a major medical or hospital complex. Several features such as its large size, existing infrastructure, and surrounding uses, make this site a strong

candidate that will be able to support a large hospital complex as well as many of the ancillary support services that accompany such a use.

### **Major Corporation/High Technology Campus**

When evaluating a potential business relocation or expansion, companies consider many factors such as the availability of a skilled labor force, development costs, access to markets and energy costs. Equally high on the list are quality of life factors including: a quality school system, housing affordability, recreation opportunities, a vibrant social, cultural and arts scene, weather and low crime rates. The Sacramento region offers a full compliment to these requirements.

In the past, the Sacramento region has benefited from its relative proximity to the San Francisco Bay Area by attracting high technology companies. The Natomas area has been seriously considered in past business expansions, and is currently home to several large high tech companies.

### **Higher Level Education Campus**

Sacramento's growing population has made it attractive to colleges and universities, both public and private. Over the last few years, a number of private colleges and universities have expanded into Sacramento including Drexel and the University of Southern California. Natomas is already home to several higher education campuses including American River College, the Art Institute of Sacramento, the International Academy of Design & Technology and Le Cordon Bleu Sacramento. Due to its size, the Natomas Site would serve as an ideal location for major universities.

### **Mixed-Use Development**

Currently, the General Plan calls for a mixed use community with residential and commercial development at higher densities than the surrounding Natomas developments. While a master developer could be sought for the entire 184 acres site for a large mixed-use project, the oversupply of commercial, office and residential property types make this option less desirable until current product in the development pipeline is absorbed.

### **Automotive Mall**

While the road network, location and size of the Natomas Site make it a potential site for an auto mall, the Natomas community has expressed a lack of support for such a business use as expressed at the recent Natomas "Think Big" town hall forum.

Additionally, the Natomas Site is not immediately adjacent to the Interstate, and other parcels are available with greater visibility from I-5, a valuable feature for most auto malls.

## Absorption and Vacancy Rates

Sacramento's office market has been plagued with high vacancy rates that top 17% in the region.<sup>1</sup> When broken out by submarkets, Downtown Sacramento fares significantly better than the suburban markets at 9.7% compared to 24.5% for vacancies. As landlords offer deals on leases, absorption of vacant space is colored by "class flight activity" as tenants move from Class B to Class A space and from Class C to Class B.<sup>2</sup> Rents remain flat at around 2005 levels. In the Natomas/Northgate submarket, over 6 million square feet of office is available with average rents at \$1.79 a square foot a month. The vacancy rate is almost 25%. The apartment market has fared better than the office market, with an occupancy rate at approximately 94%, and it has been improving on a slow but steady incline since 2009.<sup>3</sup> Similarly, residential rents have been stable at \$904 month average. Permit activity for new apartment construction remains low, with only 301 new apartment units permitted within the last year in the region.

In contrast, the area's home sales market continues to decline and still suffers from foreclosures. Even as 94 of the 154 metropolitan areas are beginning to see increases in home values, Sacramento's declined last quarter 2.7% over the previous quarter.<sup>4</sup>

Sacramento's retail market is experiencing vacancies above 13%, but with improving leasing activity.<sup>5</sup> While there is debate whether the industry is in recovery, the market does appear to be stabilizing. Net absorption of retail space is positive, for the fifth quarter in a row.

## Action Plan

The Natomas Site poses a unique opportunity. Rarely is such a large parcel available within city limits, especially in the Capital city of the nation's greatest economic producer, California. Existing infrastructure in place, such as easy access to two major freeways, an international airport a short drive away, and access to the Capital and entire Central Valley are tremendous advantages to this property. In addition, valued quality of life factors such as an array of housing options and higher education facilities, make the Natomas Site attractive to

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<sup>1</sup> Sacramento Region Research & Forecast Report, 2<sup>nd</sup> Quarter 2011, – Office, Colliers International.

<sup>2</sup> Colliers International.

<sup>3</sup> Sacramento Apartment Overview, Quarter 1 2011 – Research & Forecast Report – Apartment Overview, Colliers International.

<sup>4</sup> "Sacramento's home market lags others around the nation," August 8, 2011, Sacramento Bee

<sup>5</sup> Sacramento Region Research & Forecast Report, 2<sup>nd</sup> Quarter 2011 – Retail, Colliers International.

developers. The City should take advantage of this opportunity to aggressively pursue vibrant new uses.

To prepare for the redevelopment of the Natomas Site, the City should institute an Action Plan well in advance that includes the following steps:

1. Identify reuse priorities with input from North Natomas to focus economic development efforts on options that will be acceptable to the community. This effort is already underway with the “Think Big” Natomas Subcommittee under the guidance of Councilmember Ashby and Assemblymember Pan.
2. Develop an “incentive package” of potential resources that could be made available to entice reuse of the site.
3. Work with experts to identify businesses meeting the prioritized options for reuse and develop a target list of companies to aggressively pursue.
4. Make the site as “shovel ready” as possible by resolving access, ownership and any other development issues.
5. Develop marketing and demographic materials tailored specifically to the priority users, highlighting areas that would be of the most importance to those industries.
6. Work with the City’s Economic Development Department and SACTO to pursue the targeted list of companies.

## Summary

The Natomas Site poses many opportunities for Sacramento and the region. Due to its large size and configuration, the site is highly capable of sustaining more than one use. Regardless of what use is ultimately developed at the site, outreach to the neighboring community will be ongoing.

Planning can be undertaken while work to lift the building moratorium continues. Redevelopment of the 84 acres will require resolution of the Kings loan and an agreement to repurpose or sell.

The City should develop an action plan to identify target uses, address development constraints, and market the Natomas Site so that it is well positioned to attract desirable uses