

Former exec indicted

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MARK ANDERSON, 3

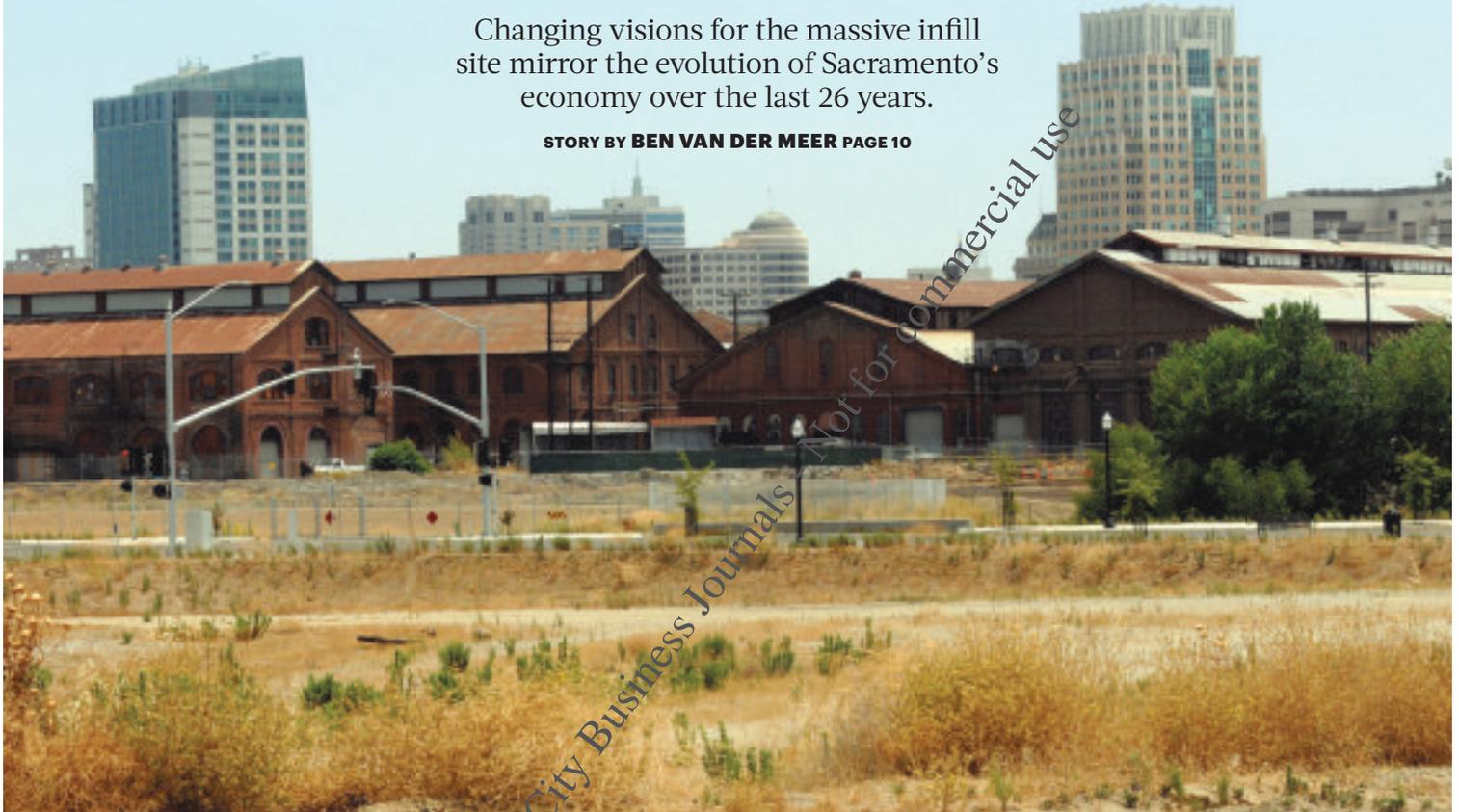


COVER STORY

THE RAILYARD RISES AGAIN

Changing visions for the massive infill site mirror the evolution of Sacramento's economy over the last 26 years.

STORY BY BEN VAN DER MEER PAGE 10



HEALTH CARE

Health executives focus on technology

Speakers at the SBJ's Health Care Leadership Forum said consumers expect better communication options. **MARK ANDERSON, 6**



AFTER HOURS

BUSINESS LEADERS MIX WITH LAWMAKERS 19



EXECUTIVE PROFILE

A HOMEBUILDER WHO TOOK A DIFFERENT PATH 17

T H E L I S T

REGION'S LARGEST TITLE COMPANIES 13

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COVER STORY

Latest reinvention of the railyard

BEN VAN DER MEER
Staff writer

A document on file at City Hall says development of Sacramento's railyard will connect and expand downtown Sacramento. Make it walkable and transit-friendly. Add housing and respect the land's history as a railroad hub.

Sounds familiar, right? But this isn't the current plan. It's a vision from 1990.

Some 26 years later, much of the vision for the 200-acre site remains consistent, but much has changed. For example: neither that 1990 plan nor another one approved in 2007 envisions a medical center or soccer stadium.

With the project now closer than ever to construction, a look back at the history of previous attempts tells us a lot about Sacramento. Shifts in the economy and the city's aspirations are sketched in plans for what some have called the nation's largest infill development site.

Both previous plans for the railyard were completed just before recessions, and both reflect the optimism of their times. In 1990, the Southern Pacific plan foresaw 9 million square feet of office space. In 2007, the Thomas Enterprise plan foresaw 12,000 residential units.

A lot has changed since then. Technology and fashion trends mean companies need less office space for the same number of workers. The homebuilding surge of the last boom shows no sign of returning.

The result is a more balanced vision for the railyard. The current developers, Larry and Denton Kelley, are planning for 5.4 million square feet of office. But that includes 1.2 million square feet for a Kaiser Permanente medical center. The University of California Davis also is considering a facility of unknown size in the railyard.

The current plan also cuts in half the number of residential units foreseen in the 2007 plan. Though demand for housing in the central city has been strong for several years, the market is still not where it was a decade ago. And developers are intent on making the railyard a jobs center.

Evan Compton, a senior planner for the city of Sacramento, said the current plan avoids focusing primarily on office or residential uses, while keeping an emphasis on multiple modes of transit.

"Now, it's focused on making it a complete neighborhood," Compton said.



Transit was key to original vision

For more than a century, development wasn't an issue for the railyard at all. Central Pacific and then Southern Pacific used the site for building, repairing and maintaining rail cars from the 1870s until the 1990s, when operating costs outweighed the benefit.

As the railyard went dark, redevelopment ideas came to light. Southern Pacific commissioned San Francisco-based Roma Design Group to come up with a plan, and the 1990 document was the result.

Boris Dramov, a principal with Roma, said he recalled transit as a big component of the plan. In particular, the plan called for developing a full multimodal transit station

and realigning the rail lines through the site to allow that to happen, he said. That track work has now been done, and the vision of a multimodal transit hub remains part of the plan.

"They were trying to knit back together this very large site and also preserve the shops area," Dramov said. "These kinds of long-range plans influence those areas."

Though Roma and Southern Pacific worked with city officials on the plan, the conceptual stage was as far as it got. By 1996, Union Pacific had acquired Southern Pacific and was focused more on its existing hub in Roseville, said historian William Burg. "The change in ownership changed the dynamic," he said.

An ambitious residential plan

By 2003, though, another plan emerged, from Los Angeles-based Millennia Associates. That one shifted the focus toward residential development, reducing office to 2.34 million square feet and proposing up to 10,000 homes. That was on a smaller footprint than the original plan, after a portion of the former railyard was sold to the federal government to build a courthouse. Millennia bought about half of what was left from Union Pacific.

Millennia's parent company, Thomas Enterprises, eventually acquired the entire site. The plan it submitted to the city, and ultimately got approved in 2007, was largely the same as the Millennia plan.

TIMELINE

1800s	1910s	1920s	1930s	1940s	1950s	1960s	1970s
<p>1863: Central Pacific Railroad Co. begins building a rail line east from its railyard north of downtown Sacramento.</p> <p>1869: Transcontinental rail link completed. By this year Central Pacific had built nearly 1,700 freight cars in the Sacramento yard.</p>		<p>1926: Southern Pacific, now operating the yard, opens a new passenger depot on the southern end of the property.</p>		<p>1942-45: Railyard reaches its height of activity, with up to 7,000 people working three shifts in the railyard shops during World War II.</p>			

Railyard aims to strike a balance



LDK's Denton Kelley stands in one of the rail yard shops buildings. His company is developing the railyard, which it bought for \$18 million.

DENNIS McCOY | SACRAMENTO BUSINESS JOURNAL

SACRAMENTO RAILYARD



SOURCE: AECOM

and the company lost the railyard in foreclosure in 2010. LDK Ventures, under the name Downtown Railyard Venture LLC bought it for about \$18 million from the lender last year. Burg said that was a positive development.

“LDK is a lot more experienced as a commercial/industrial developer,” Burg said. Larry Kelley, one of the principals with LDK, is best known for turning McClellan Air Force Base in North Highlands into McClellan Business Park.

Like the railyard that effort meant transforming an existing development with soil contamination issues into a new commercial hub. But Larry’s son Denton Kelley, who’s taking a lead role on the railyard, said the vision for the railyard isn’t McClellan 2.0. Instead, the development team envisions something like the Mission Bay neighborhood of San Francisco. There, mid-rise offices and residential units have popped up alongside existing city buildings from an industrial past.

A new vision

For the railyard, the desired balance now

office buildings of four to eight stories with potentially large floorplates. There would be 6,000 to 8,000 residential units in mixed-use and apartment buildings, and an emphasis on walkability.

“We’re still a far place from having seven to 10-story residential towers,” Kelley said. “The most important thing is having more workforce housing for those offices, so people can live this dynamic urban lifestyle.”

Two factors led Downtown Railyard Venture to shift from what Thomas Enterprises proposed. One was the strong likelihood of both a Kaiser Permanente medical center and a Major League Soccer stadium anchoring the railyard’s two northern corners, both ideas not considered a decade ago.

Kelley said the other was the opportunity to bring new office space to Sacramento’s downtown and pair it with amenities that didn’t exist before.

Over the next couple of decades, Kelley said, his group can sell employers on new space in a neighborhood with work, play and live options. In turn, those firms can make the same sales pitch to their employ-

ees. For workers entering the professional ranks now and in the future, that’s catnip.

City officials who worked on past and current proposals for the railyard said they acknowledge the lofty visions developers have painted. But they also said this time more than any before, they believe them.

“In a decade, if you’ve got market-rate housing and a hospital there, and maybe a soccer stadium, I’d call it a major success,” said City Councilman Jeff Harris, whose district includes the railyard. “You’re making a space where people want to be.”

Steve Cohn, who preceded Harris in the District 3 seat, said he’s happy that transit, bike paths and walkability are key features of the current concept.

Like others, he said it’s not fair to say nothing has happened with the railyard. Ownerships changed, development cycles came and went. More recently, millions of dollars in investment both cleaned up the toxic soils and the site and put in infrastructure such as bridges and roads.

“It’s not going to happen overnight, and that’s a good thing,” Cohn said. “It’s more organic this way.”

RAILYARD PLANS AT A GLANCE

1990

Developer: Southern Pacific

Office: 9 million sf

Retail: 450,000 sf

Residential: 2,450 units

Notable: Plan included two hotels totaling 600 rooms

2007

Developer: Thomas Enterprises

Office: 2.34 million sf

Retail: 620,000 sf

Residential: 12,000 units

Notable: Plan included Bass Pro Shops store and Sacramento Kings arena

2016

Developer: LDK Ventures

Office: 5.4 million sf

Retail: 620,000 sf

Residential: 6,000 to 8,000 units

Notable: Plan includes 1.2-million-square-foot Kaiser hospital and a soccer stadium

1980s

1980: Southern Pacific shifts railcar construction from Sacramento to Roseville railyard.

1990s

1996: Union Pacific Railroad absorbs operations of Southern Pacific.
1999: Sacramento railyard shops close.

2000s

2006: Thomas Enterprises acquires property.
2007: City OKs a redevelopment plan, but it falls through when the developer has financial issues.

2010s

2010: Lender Inland America acquires property through foreclosure.
2015: Downtown Railyard Ventures buys railyard from Inland for \$18 million.