



August 12, 2025

TO: Capitol Area Development Authority (CADA) Board of Directors

**SUBJECT: August 15, 2025 Board Meeting
AGENDA ITEM 7**

DOWNTOWN SACRAMENTO STATE BUSINESS PLAN

CONTACT: Danielle Foster, Executive Director

RECOMMENDED ACTION:

Receive presentation of Downtown Sacramento State Business Plan and staff report for review and comment.

BACKGROUND

In early 2023, Governor Newsom announced three large state office buildings along the Capitol Mall as excess sites that would be made available for conversion to housing. These sites included: the EDD Headquarters Building 800 Capitol Mall, the Solar Building at 751 N Street and the State Personnel Board Building at 801 Capitol Mall. These three sites went through the excess site process under the Governor's Executive Order N-06-19 for long-term lease and conversion to housing. McCormack Baron Salazar, Inc. (MBS) was selected as the developer for an estimated 400 affordable units through the reuse of the buildings, but this project concept was later determined to be infeasible.

Now the State is exploring reuse of these sites through a transfer to the Cal State System and specifically Sacramento State that would include the demolition of the existing buildings and redevelopment of the sites, as detailed in the attached Business Plan (Attachment 1) that will be presented at the Board Meeting. This plan would include the development of both Sacramento State uses (e.g. the Center for Democracy and student housing) and private development possibilities (e.g. a hotel, market rate housing, etc.). Redevelopment of these sites would bring more residents, visitors, and increased activities to this corridor downtown, being a catalyst project area and providing potential prototype projects for high-rise residential, condominiums, or other uses.

ANALYSIS

Staff is supportive of this project business plan concept and has worked with CADA's counsel to draft the attached preliminary CADA commitment letter. Reuse of these sites is imperative to the vitality of downtown and is aligned with the goals of our State and City partners. All three of the sites within this plan are within CADA's Capital Area Plan and would generate revenue to CADA through possessory interest taxes on the privately-leased parcels. As CADA has done with past projects, it would pass-through a yet-to-be-determined percentage of possessory tax revenue back to the project, likely through Sacramento State, to subsidize development of the projects and their feasibility. Revenue would be dependent upon successful construction of project sites

and any passthrough amounts would be negotiated and would be reduced by CADA administrative processing costs and any affordable housing set-aside requirements.

FINANCIAL IMPACT

Staff is supportive of considering a passthrough of future tax increment revenue from the project parcels to CADA that results from the development of the projects in this plan. Revenue would come to CADA through Possessory Interest Taxes on the privately-developed portions of the plan. No commitment amount is being recommended at this time, as these details are still being refined. The value of the attached preliminary commitment at this time (Attachment 2) would be to support efforts in leveraging other financial opportunities and partnerships on this plan. Any future commitment to this plan would come back to the Board with a definitive agreement and all related terms for consideration and action.

POLICY

The proposed Business Plan and the related project sites are within CADA's Capitol Area Plan and redevelopment of these parcels with active mixed uses that support the vitality of the downtown, including a variety of housing types, hotel space, and other potential innovative projects aligns with CADA's Mission and Strategic Plan Objectives. While the draft commitment letter (Attachment 2) does not require Board action, it will help guide future action on this project.

STRATEGIC PLAN

This Business Plan and project scope covers a range of goals and two main objectives within the CADA Strategic Plan:

"Deliver Community Development Leadership" and "Provide Policy and Innovation Leadership." Supporting Sacramento State's work on the Downtown Sacramento State Business Plan is providing leadership and innovation, utilizing CADA tools and creativity to further revitalization of our downtown.

ENVIRONMENTAL IMPACT

This action is exempt under the California Environmental Quality Act (CEQA) as it involves only the consideration of funding for a business plan concept comprised of projects that will undergo the necessary environmental review(s) for its development separately.

CONTRACT AWARD CONSIDERATIONS

Not applicable.

Attachments:

1. Downtown Sacramento State Business Plan
2. Draft CADA Commitment Letter

BUSINESS PLAN

REIMAGING AND TRANSFORMING THE HEART OF DOWNTOWN SACRAMENTO:

MIXED-USE DEVELOPMENT
FUELED BY EDUCATION



EXECUTIVE SUMMARY

Sacramento State proposes the development of a visionary, 2- to 5-million-square-foot mixed-use Downtown Center in Sacramento's urban core next to the California State Capitol. Sacramento State will create a vibrant, inclusive destination that combines academic excellence, hospitality, housing, education, business, and community engagement. This development project will offer a first-of-its-kind live, work, play model in the heart of our urban core next to the current and only Class A office real estate in downtown Sacramento. The development will serve as a hub for education, industry co-location, experiential learning and workforce development, technology, civic leadership, and entertainment—solidifying Sacramento's role as the capital city of the 4th-largest economy in the world.

Sacramento State currently has more than 30,000 students and is one of the few California State Universities growing in enrollment.

The development project's estimated value is up to \$5 billion, at roughly \$1,000 per square foot with current market conditions. The innovative and once-in-a-generation project will be the most significant public-private partnership in the region's history, next to the Golden 1 Center in the downtown urban core. This transformative initiative leverages and benefits from the final available tax increment financing (TIF) district in California.

The University currently has an exclusive opportunity to evaluate the redevelopment potential of the major sites along Capitol Mall in downtown Sacramento. Upon completion of an agreed-upon development plan, the California Department of General Services (DGS) would transfer the property to Sacramento State on behalf of the California State University Board of Trustees. Sacramento State would then serve as the master developer, entitling the project, demolishing of the existing site with outdated buildings, putting in place the horizontal site infrastructure, and finally delivering the new vertical improvements through a combination of self-developing the core Sacramento State uses and seeking best-in-class partners to develop the synergistic private uses.



SACRAMENTO STATE

California State University, Sacramento, commonly known as Sacramento State, is the only four-year public higher education institution in the capital city of the world's 4th-largest economy and the nation's most populous state. Sacramento State has more than 30,000 students and has long been a highly impactful regional university, comprising of eight colleges offering 224 degree programs, and counting among its nearly 300,000 alumni luminaries such as Tom Hanks, Lester Holt and Ryan Coogler.

Under the leadership of President Luke Wood, who in May 2023 became Sacramento State's ninth president at the age of just 41, one of the youngest in the nation, the University is now embarking on a new phase, where it will step beyond its success as a regional university to become a nationally recognized top-tier institution, offering innovative academic and athletic programming. These initiatives include creating the country's first-ever Combat U, expanding its profile through the elevation of its athletics programs, and taking on a larger role in important national, state and local conversations by expanding research, educating and hosting thought leaders in the world's most important subjects, and deeply engaging with its city and region as a true regional engine, driving economic and community development.

The main campus, located on a beautiful 305 acres in East Sacramento along the American River, will remain the central hub of these ambitions, supporting the development of new strategic vision and just 4.5 miles and 20 minutes directly west, an expansive vision for a downtown center on Sacramento's Capitol Mall, directly next to the California State Capitol.

STRATEGIC VISION

The Downtown Center will be a first-of-its-kind University led economic development model in downtown Sacramento, merging civic and political engagement, workforce development, industry co-location and driving innovation. Anchored by new academic and research initiatives in public policy and AI as well as other technologies will help to build a regional economic ecosystem. Additionally, providing a living option for Sacramento State students, and world-class conference and convening spaces, this project is critical to President Wood's vision of raising the profile and stature of Sacramento State and expanding opportunities to educate and mold the civic and business leaders of tomorrow on a national scale. This project will be an economic development engine for Sacramento's downtown, building on the nascent success of the Golden 1 Center and Downtown Commons (DOCO) entertainment district to transform downtown Sacramento into a vibrant urban core that anchors the Capitol region. The project will encompass the following core elements, with the potential to build upon these assets and include other uses as the market allows:

1) School of Public Affairs

Expand Sacramento State's physical and academic footprint in proximity to government and civic partners. Sacramento State has one of the most highly regarded Public Policy and Administration programs in the nation. To prepare for the future civic leaders of tomorrow, we plan to build a state-of-the-art School of Public Affairs in the heart of downtown right next to the State Capital.

- Build a 60,000- to 100,000-square-foot School of Public Affairs with an adjacent events center.
- Expand the Center for California Studies program in this academic facility. We serve the state and the region by developing leaders with strong analytical tools and a deep commitment to public service.
- Being downtown positions the Center to be the link between the University and the three branches of California's government, think tanks, other universities, and outside partnerships involved with public service in California.

2) Student Housing

Sacramento State wants to focus on building more student housing as one of its main University initiatives. The University

would like the opportunity to build more on- and off-campus housing, making the downtown project a perfect opportunity to bring student life to the urban core. This provides students with better experience for unique opportunities to engage in civic life and be close to the seat of government. Sacramento State will need more than 5,000 beds of student housing, according to a recent feasibility study done by Brailsford & Dunlavey, Inc. The firm completed and updated the student housing market analysis study in the fall of 2024.

- Sacramento State currently only captures 11% of all students in campus housing with its capacity of 3,289 beds. This is a relatively low capture rate for an institution of 30,000+ students, which supports an argument for additional housing.
- The overall demand is projected to be more than 4,000 beds in total. As currently planned, Sacramento State will not have enough capacity to house all first-year and sophomore students. Solutions such as acquisition, development, and leasing should be explored to supplement capacity.
- Sacramento State would like to build up to 1,000-2,000 beds of housing for students in the downtown urban core, specifically offering upper-division student housing.

3) Artificial Intelligence Center

Sacramento State has positioned itself to be at the forefront of AI education and innovation, becoming one of the first organized efforts among colleges and universities nationwide to advance the technology’s ethical, equitable, and accessible uses in education. The University has led a comprehensive AI initiative that spans multiple colleges and programs across campus. Sacramento State is the only CSU located in the state capital, with a direct pipeline to California’s \$300 billion-plus government ecosystem.

Sacramento State’s goal is to build an AI & Policy Center with a private industry sector partner that stands out among university-based AI centers. In particular, through public-private partnerships, it could carve out a unique niche by focusing on civic-scale AI and human-centered public sector innovation, while embedding inclusive, community-responsive design principles. The University could create a living Lab for State-Centered AI by leveraging Sacramento’s proximity to the State Capitol to create a policy innovation lab:

- Work with private industry partner to learn about potential workforce needs and partnership opportunities on technology to drive R&D, workforce development, and entrepreneurship.

- Embed students and researchers in state agencies to co-design AI solutions.
- Work with the Governor’s Office, CalEPA, CalHHS, and California’s Chief Data and AI Officers.
- Smart governance, ethical algorithms in public services.
- AI for state and local agencies (transportation, housing, public safety, homelessness, education, climate resilience).
- Pilots in partnership with the State of California, the City of Sacramento, and nonprofits.
- Rapid prototyping of AI governance frameworks and regulatory tools.
- Build a public-private AI Center advancing ethical AI, government modernization, quantum computing, and applied data science.

Potential AI Program Pillars

Pillar	Description
CivicTech AI Lab	Incubates AI tools for public housing, urban planning, energy, transportation
Policy & Governance	Develops model legislation, regulatory frameworks, and impact reports
Community	Hosts participatory design sessions with community members
Public Interest AI Fellowship	Places Sac State grads in state agencies and nonprofits
Ethics & Accountability Hub	Researches bias, explainability, and fairness in algorithms used in government

Additionally, Sacramento State’s College of Business is developing a new concentration on practical applications of artificial intelligence, one of the first in the CSU system. A proposal for a new BS in Business Administration focused on AI Management and a Business AI minor is currently in the approval process.

Students can begin taking the required courses for these programs in the fall of 2025. The University is also working on proposals in healthcare AI and other specialized areas.

The College of Engineering and Computer Science plays a crucial role in this initiative through the hiring of new faculty members in the Department of Computer Science, with a focus on faculty who have expertise in AI and quantum computing. The department already offers graduate courses in artificial intelligence, machine learning, and intelligent systems, and provides a Certificate in Intelligent Systems for graduate students.

Looking ahead, Sacramento State is actively exploring opportunities to expand its AI footprint within education, developing new programs and partnerships that will further establish the University as a pioneer in preparing students for an AI-driven future while ensuring ethical and equitable applications of this transformative technology.

4) Market-Rate Housing

Downtown Sacramento is still in need of market-rate housing.

This offers an opportunity to allow non-subsidized housing where renters or owners pay the full market value for rent or purchase, as determined by the prevailing market conditions.

There currently still is no high-rise market-rate housing in downtown Sacramento, providing the University an opportunity for revenue generation and market growth.

- Sacramento needs to build an estimated 6,800 new market-rate rental units in the next three years, with the most demand in specific areas. This indicates a clear gap between the current supply and the projected demand for market-rate housing. Source: J.P. Morgan

- We would like to offer an opportunity for a private developer to ground lease land from Sacramento State and build market-rate housing in a prime real estate location with views overlooking the State Capitol building.

5) Events Center

Capitol Mall currently does not have capacity to hold large-scale or boutique events. In addition, Sacramento State only has one event space on campus that can hold large-scale events, space that is frequently scheduled and booked, sometimes years in advance.

- Allowing more event space overlooking the State Capitol that could be used by not only Sacramento State but the broader community would enjoy a venue overlooking California's State Capitol.

ECONOMIC IMPACT

The Downtown Center has the potential to be the most transformative public and private partnership economic development project in the urban core next to the Golden 1 Center.

- This Sacramento State Center mixed-use development project will create thousands of construction and permanent jobs.
- Anchor downtown revitalization through mixed-use density and public-private partnerships.
- Utilize TIF or EIFD to reinvest tax revenue directly into infrastructure, affordable housing, and other facilities.

Golden 1 Center Case Study

Construction of the Golden 1 Center supported more than 2,000 jobs and the arena and development supported \$665 million in direct economic output, including arena operations, visitor spending and wider economic ripple effects. The Golden 1 Center has been a catalytic economic development project that transformed downtown, bringing economic vitality to the urban core.

- \$42 million in visitor spending on lodging, dining, retail and transportation
- \$2.6 million in city tax revenue
- Post-opening, downtown saw an accelerated invest-

ment over \$7 billion in central city development, with 42 new businesses opening or signing leases nearby.

- Pedestrian traffic increased by 47%.
- During NCAA Tournament rounds it hosted, Sacramento welcomed more than 70,000 visitors.



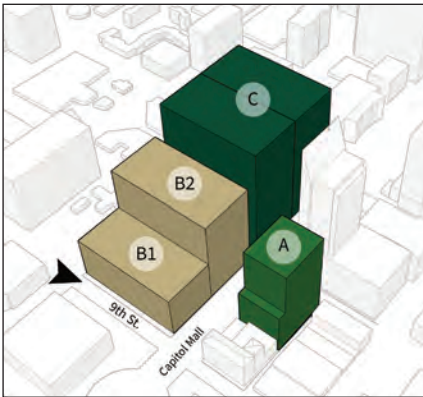
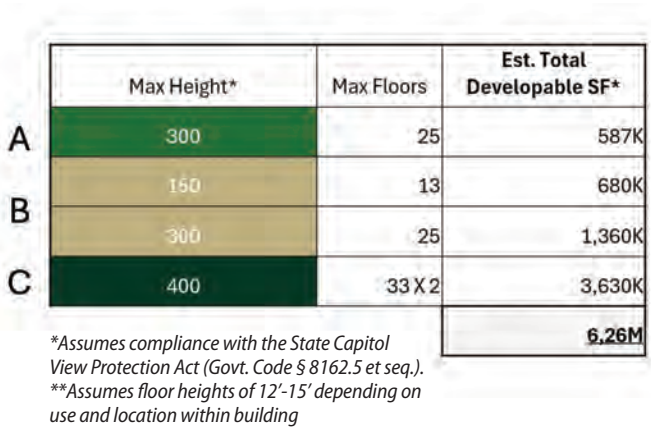
DEVELOPMENT STRATEGY

The Board of Trustees of The California State University (CSU) would assume jurisdiction for the property from the California Department of General Services. As a state agency, the CSU has sovereign authority from zoning and other local land use regulations. Additionally, CSU is empowered to serve as its own lead agency for CEQA and as the Authority Having Jurisdiction (AHJ) for building permitting.

The property will remain subject to the State Capitol View Protection Act (Govt. Code § 8162.5 et seq.), which establishes height limits on the site. Those limits are generously 300’-400’ across most of the site. Massing studies assuming 12’-15’ floor-to-floor heights result in the following development capacity, which does not account for light and air requirements that will be necessary for residential or hotel uses.

Sacramento State and the CSU will act as master developer for the project, developing a formal master plan for the site, entitling the project through CEQA and other necessary environmental reviews, abating and demolishing the existing structures, performing any necessary environmental remediation of the land and constructing the horizontal site infrastructure to produce development ready pads.

As described in more detail in the Financial Plan, the vertical improvements will then be delivered via a combination of Sacramento State self-development for the core University uses and one or more partnerships with private developers to deliver the non-core university assets.



FINANCIAL PLAN

The Downtown Center is intended to be a financially self-sustaining project, with ground rent and TIF revenue from private development approaching \$15M by year 10 of the project. This revenue will supplement tuition and other direct revenue sources to support operations of the academic program facilities and, if needed, subsidize debt service on student housing to ensure the cost of that housing remains aligned with the below-market rates that Sacramento State charges across its portfolio.

Private Development Ground Rent and TIF Revenue						
	Year1	Year 2	Year 3	Year 4	Year 5	Year 6
Site A Ground Rent	\$ —	\$ —	\$145,161	\$217,742	\$290,323	\$296,129
Site B2 Ground Rent	\$ —	\$ —	\$ —	\$185,252	\$277,878	\$370,504
Site C Ground Rent	\$ —	\$ —	\$ —	\$ —	\$ —	\$370,504
Total Ground Rent	\$ —	\$ —	\$145,161	\$402,994	\$568,201	\$1,037,138
Site A Tax Increment Revenue	\$ —	\$ —	\$939,532	\$939,532	\$939,532	\$939,532
Site B2 Tax Increment Revenue	\$ —	\$ —	\$ —	\$4,028,337	\$4,028,337	\$4,028,337
Site C Tax Increment Revenue	\$ —	\$ —	\$ —	\$ —	\$ —	\$8,056,675
Total TIF Revenue*	\$ —	\$ —	\$939,532	\$4,967,869	\$4,967,869	\$13,024,544

*TIF Revenue assumes 50% of equivalent to possessory interest tax at a rate of 1.1235% accruing to Sacramento State and 50% “abatement” as development subsidy

• The feasibility of private development that will generate the necessary ground rents and TIF revenues has been vetted through analysis of development potential across asset types, based on current market conditions, and vetted in conversations with developers, who have validated the project team’s assumptions and expressed strong interest in the project. The viability of private development is conditioned on two major needs: delivering entitled, development-ready pads, and providing a small development subsidy, most likely via a property tax abatement or similar mechanism.

• TIF authorization will be accomplished in partnership with the Capital Area Development Authority (CADA).

• With revenues from private development projected to finance the long-term operating needs of the Center, the current need is for capital dollars to fund pre-development costs.

Pre-Development Costs	
Master Planning	\$1.5M
Environmental Studies	\$0.5M
CEQA Clearance	\$2M
Abatement and Demolition	\$40M
Environmental Remediation	\$1M
Horizontal Site Infrastructure	\$7.5M
Total Estimated Pre-Dev Costs	\$52.5M

• Following clearing and preparation of the site, the first phases of the project are expected to be the concurrent development of the first private project on Site A and development of the main Sacramento State uses – the School of Public Affairs, conference and convening center, and student housing – on Site B1.

• The student housing and conference convening space will likely be self-developed by Sacramento State, financed primarily through CSU Systemwide Revenue Bonds supported by the projects’ future revenues, though delivering these projects via development partnerships will also be assessed.

• Additionally, should a proposed \$10 billion housing bond get on the 2026 state ballot, Sacramento State will work to position itself to receive funds that can further support aggressive affordability targets for the student housing.

• As a non-revenue generating use, the School of Public Affairs, along with the pre-development costs, requires capital funding from other sources. A variety of options are being explored, including corporate, foundation or private donations, one-time state funds, and the potential capture of revenues from a newly established Enhanced Infrastructure Funding District (EIFD), which could be bonded against.

• Economic Planning Systems (EPS) formed a report, and a study called the City of Sacramento Capitol Area EIFD Analysis. This study shows that if an EIFD is formed around the downtown properties, it can generate through both the county and city, more than \$900 million dollars if it captures 100% of the EIFD revenue.

• 100% city and county allocation

Private Sector Partner(s)

Through a competitive RFP process, Sacramento State will select one or more private development partner(s) for the vertical buildout of private elements of the development. The University anticipates that it will:

• Contribute land through long-term ground lease (99 years preferred).

• Define use, design, and academic program integration standards.

• Retain ownership of core educational and public facilities.

Cumulative EIFD Revenue	
City of Sacramento	\$524,457,270
County of Sacramento	\$395,231,877
Total Cumulative EIFD Revenue	\$919,689,147
80% Flexible Project Share	\$735,751,318
20% Affordable Housing Set Aside	\$183,937,829
Cumulative EIFD Revenue	
City of Sacramento	\$393,342,953
County of Sacramento	\$296,423,908
Total Cumulative EIFD Revenue	\$689,766,860
80% Flexible Project Share	\$551,813,488
20% Affordable Housing Set Aside	\$137,953,372
Cumulative EIFD Revenue	
City of Sacramento	\$262,228,635
County of Sacramento	\$197,615,938
Total Cumulative EIFD Revenue	\$459,844,573
80% Flexible Project Share	\$367,875,659
20% Affordable Housing Set Aside	\$91,968,915
Cumulative EIFD Revenue	
City of Sacramento	\$131,114,318
County of Sacramento	\$98,807,969
Total Cumulative EIFD Revenue	\$229,922,287
80% Flexible Project Share	\$183,937,829
20% Affordable Housing Set Aside	\$45,984,457

SITE READINESS & TIMELINE

2025–2026:

- Finalize site control with DGS, re-development agreements.
- Complete a formal Master Plan, entitle the project through CEQA, and complete other approvals through the CSU Board of Trustees
- Issue developer RFP or RFI and select private developer partners
- Secure additional public funding (TIF plan approval, state/federal buckets of funding, earmarks etc.)

2027–2028:

- Begin site abatement, demolition, environmental remediation (if necessary), and horizontal infrastructure and phased vertical construction.
- Deliver either first academic, housing, and hotel components, depending on which one is financially viable at the start.

2028–2033:

- Full build-out of academic buildings, residential, events center, hotel, entertainment, and retail districts.
- Commence operations and full activation.

STRATEGIC PARTNERS & NEXT STEPS

Sacramento State has many key stakeholders and community partners at the table including the California Department of General Services (DGS), the Downtown Sacramento Partnership (DSP), the Greater Sacramento Economic Council (GSEC), Visit Sacramento, and the Sacramento Metropolitan Chamber of Commerce. Local political leaders both at the congressional, state and local level as well as community leaders are in support.

Additionally, the University will look for a significant naming partner for the School of Public Affairs as well as the AI Center. We will evaluate the following recognition and partnership opportunities:

- Naming rights, publicity, signage, etc.

Key Next Steps: Secure funding for planning, abatement and demo that will allow us to take the project to the CSU Board of Trustees, execute the transfer of the property, and kick off the master planning and CEQA processes.



CONCLUSION

Sacramento State's Downtown Center represents a once-in-a-generation opportunity to revitalize the downtown urban core through a true public and private investment. It will serve students from all backgrounds, and lift communities and create economic legacy as well as civic leadership in California's state capital.

With the development project scale and ambition, this development can be a national model for university-led urban transformation in the world's 4th-largest economy.





SACRAMENTO
STATE

Prepared by:

Michelle Willard
Chief of External Relations
Office of the President
Sacramento State

Eric Anderson
Executive Director,
Real Estate
California State University

Attachment 2

Date

Michelle Willard, Chief of External Relations
Office of the President
Sacramento State
6000 J Street
Sacramento, CA 95819

RE: CADA Tax Increment Financial Support for Proposed Sacramento State Capitol Mall Development,
Addresses: 800 and 801 Capitol Mall, and 751 N Street; APNs: _____

Dear Ms. Willard,

On behalf of the Board of Directors of Capitol Area Development Authority ("CADA"), I would like to extend our sincere thanks for taking the time to attend the Board meeting on August 15, 2025 to discuss the Sacramento State Downtown Business Plan and your proposed Capitol Mall Development (the "Project"). The Board appreciates the opportunity to learn more about your vision and the potential impact it will have on the community.

Following the Board meeting, I am pleased to inform you that CADA is supportive of providing a tax increment contribution to the development of your Project. As CADA understands it, the Project is expected to be developed across four parcels in three distinct phases. Three of the sites will be developed by private entity developers pursuant to ground leases, and will include a hotel site, a market-rate mixed-use residential site, and an unknown future private development site. Sacramento State will develop the student housing site, with the potential for additional partners, and will complete a separate predevelopment phase across all sites including the abatement and demolition of the current buildings.

Once the projects are completed, CADA will receive tax increment from the possessory interest taxes paid by the ground lessees of the privately-leased sites. Sacramento State has requested that CADA contribute a portion of the tax increment it receives from the private development sites to Sacramento State, and or the ground lessee, for the purpose of supporting development of the Project, the uses of which will be later negotiated by the parties. The eligible contribution amount will be further negotiated by both parties and calculated from the amount of possessory interest tax collected from each of the three privately-leased development parcels, less CADA's administrative expenses and any amounts legally required to be retained for allocation to CADA's affordable housing fund.

While this letter reflects CADA's present understanding of the proposed Project, this interest letter shall not constitute a formal and binding agreement to provide tax increment contribution assistance. CADA expects that a definitive agreement, to be negotiated between CADA and Sacramento State, will contain the specific business terms containing the amount of and use of tax increment contribution as well as default, termination and other agreement terms.

We look forward to working collaboratively with you to solidify the terms of a definitive agreement, which will require Board action at a future meeting. Thank you again for your partnership and commitment to this important Project.

Sincerely,

Danielle Foster
CADA Executive Director