

## South Natomas offices will seek downtown rates

### Kelly aims for '09 completion

**SACRAMENTO BUSINESS JOURNAL - APRIL 27, 2007**

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The majority owner of River City Bank plans to start construction this fall on what would be some of the most expensive office space outside downtown Sacramento.

The 12-story building would conserve water, save energy and even produce electricity.

It might also be the new headquarters for River City Bank.

Jon Kelly, bank founder and leader of the partnership developing the building, wants a lease rate of \$3.20 per square foot for The Gateway Tower, a dramatic increase from the going rate of \$2 in Natomas, but most of that is in older two- and three-story buildings.

The new Class A office buildings downtown fetch lease rates as high as \$3.50 per square foot.

The 320,000-square-foot building in Natomas Corporate Center would be the tallest building in South Natomas. The tallest buildings there now are the two six-story buildings next door in the center.

The lease rates, however, might be pushing the limits of what businesses will want to pay for the area.

People paying downtown prices want to be downtown, said Chris Strain, tenant office broker with C. Strain Corporate Real Estate.

"If you are talking Class A office space, you are competing against downtown, and there is a tremendous amount of competition," Strain said. "It is only when downtown gets really tight, then offices get squeezed out to the suburbs. The professionals who want Class A offices want to be able to go outside and be part of the city, not just part of an office park."

"That is the benefit of downtown" said Don Little, senior vice president of Northern California for Opus West Corp. "There, you can walk to the high-end restaurants and hotels. In Natomas, you have to get in your car to go to lunch."

A high-end hotel is planned for the Natomas Corporate Center.

The current high rate in Natomas is about \$2.35 per square foot in a fully serviced building, said Steve Park, office broker with TRI Commercial/Corfac International.

"I think it is going to be a tough play to get 90 cents more," he said. "I can't see them getting that."



The most likely candidates for occupants in the building are people lured out of downtown, Little said.

"It's going to be a beautiful building, and they will lease it out," said John Frisch, senior vice president with Cornish & Carey Commercial.

Price aside, Gateway Tower does have one advantage -- free parking. The cost of parking downtown adds anywhere from 40 cents to 50 cents per square foot to the lease price.

## **GREEN, HAPPY TENANTS**

The greening of society should also be a big selling point for the Gateway Tower, said Tom Aguer, broker with Aguer Havelock Associates, which is pre-leasing the building. "This will be the crowning touch in the South Natomas market, a real landmark."

The building's design will save more than 3.5 million gallons of water a year compared to a traditional design. It will do that with an efficient heating and air conditioning system, waterless urinals and other features. It will also have an array of solar panels creating covered parking. The duct work of the mechanical systems will be cleaned to hospital standards, and the ongoing filtering will eliminate 95 percent of the pollutants.

The building will have a "gold" Leadership in Energy and Environmental Design (LEED) rating, the second-most stringent rating. Not only will the building conserve resources, but also it will use no gas-emitting paints, carpets or finishes.

"Employees who work in a LEED building are healthier, happier and more productive," Aguer said.

There is a huge additional cost to converting an existing building to LEED certification, but it is only a nominal additional cost to build with LEED in mind from the start, he said. And the building will benefit from ongoing savings.

"The CEOs of today are sensitive to this," Aguer said. "Thirty years ago, they didn't think about it very much, or they didn't think it was important. The people running companies now were raised in the 1960s and 1970s, and they want this."

## **SETTING SIGHTS ON SPRING 2009**

When Kelly, chairman of the board of River City Bank, developed the other signature buildings in the Natomas Corporate Center, he jump-started the project by moving the headquarters of River City Bank there. The bank's lease comes due in a year.

"We are an interested party, but we are not committed to it yet," said Anker Christensen, chief financial officer of RCB Corp., the holding company of River City Bank.

The tower has no signed leases yet, but as Aguer points out, the partnership didn't get its entitlements from the city until the end of last year. So far, tenants are interested in everything from large offices to multiple floors, he said.

With construction starting in October, the Gateway Tower could be ready for tenants in spring 2009. That timeline would have it enter the marketplace within a year or so after David Taylor's U.S. Bank Tower on Capitol Mall, expected to open in September 2008. A new office building that Angelo G. Tsakopoulos is building at 500 Capitol Mall could open sometime in 2009.

Back in the recession of 1994, the Sacramento market had three new Class A office buildings open within a span of two years: One Capitol Mall, the current U.S. Bank Plaza and 400 Capitol Mall (Wells Fargo Plaza).

"That was more than the market had seen in a long time, and they all leased up," Aguer said.

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