

CalPERS plans 30-story tower on infamous Capitol Mall site

Sacramento Business Journal

Updated: Feb 3, 2016, 2:18pm PST

Owners of an empty site on Capitol Mall — the infamous "hole in the ground" at 3rd Street — have an ambitious plan for it: a new tower with offices, retail and penthouse apartments.

Owners of an empty site on Capitol Mall — the infamous "hole in the ground" at 3rd Street — have an ambitious plan for it: a new tower with offices, retail and penthouse apartments.

Specifics are still in flux. But officials with developer [CIM Group](#) said the current plan calls for a 30-story, 420-foot-tall mixed-use building that would rival the Wells Fargo Center as the region's tallest. The developer is working with the [California Public Employees' Retirement System](#), which owns the site and is lead investor in the project.

“It may not be exactly this, but our intention is to do something great,” said [Avi Shemesh](#), co-founder and principal with Los Angeles-based CIM.

As currently envisioned, the building would have 460,000 square feet of office space for an anchor tenant; 155,780 square feet for other office tenants; 100 residential units on the top five floors totaling about 9,000 square feet; and 28,000 square feet of ground-floor retail space wrapping on all four sides around a 1,261-space parking garage.

“We want to make sure you’re not looking at a parking structure,” Shemesh said.

Other building features would include a south-facing outdoor terrace open to the public above the parking garage, including a cafe or restaurant. An enclosed terrace about halfway up the office portion of the building would serve as a lobby for an anchor tenant, and another outdoor terrace near the top would serve the apartment residents. The north side of the terrace above the garage would be designated for creative-industry office users.

"We will do things here you don't see anywhere else," Shemesh said.

On the first few floors of the east side of the building, office spaces would have ceiling heights of about 24 feet, targeted toward “creative class” tenants. Having interesting office space makes it easier for creative companies to attract talent, he said.

Shemesh said many of the final details, such as number of stories, will depend on market demand for space. CIM will target tech companies Sacramento is trying to lure to diversify the local economy, but [state government agencies](#) also are a possibility. Talks have begun with potential tenants, but nothing has been finalized, he said.

Ground-floor retail spaces also could be filled by office tenants on a temporary basis, he said, until there’s enough retail demand to fill them all. Total building size would be about 1.16 million square feet.

A name for the building is still under discussion, and could hinge on whoever fills the anchor office space.

CIM and CalPERS also are committed to building a highly sustainable building, representatives said. Features to meet that goal include solar panels, water reclamation and drought-resistant landscaping. Shemesh said the goal is to meet standards at or near LEED Platinum status.

But 301 Capitol Mall still has a wait before building activity begins. Shemesh said his firm estimates it’ll take about two years to fully flesh out the design concept and sign tenant leases, with construction taking a couple years more. The project fits within existing city zoning for the land, so planning and design review should be fairly routine, Shemesh said.

Still, a formal plan for the site will be highly welcome news for local development watchers. About a decade ago, developer John Saca joined with CalPERS to develop a 53-story hotel and condominium tower on the site. Preliminary work even began before the housing crash and economic downturn [sank the entire project](#) in 2007. CalPERS acquired Saca’s interest in the project afterward.

CIM officials said the pilings for the previous project will be used in the new 301 Capitol Mall plan.

The pension fund has already invested \$60 million into that city block.

"We have great confidence in CIM to deliver a quality project," said Brad Pacheco, spokesman with CalPERS. The pension fund has been a lead investor in all the projects CIM has done in downtown Sacramento, including building 800 J Lofts,

buying the Sheraton Grand Sacramento Hotel and buying the 25-story office building at 980 9th St. known as Park Tower.

Since its beginning, CIM has focused on downtown investments in cities where it anticipates future growth.

“By no means are we saying we know it all,” Shemesh said. CIM Group believes it can do projects in urban areas that both generate a good investment return and add something positive to their surroundings, he said repeatedly. “We want it to be a hub of activity.”

Because of the apartments, the building would be busy day and night, Shemesh said. The apartments will be small units with a high level of amenities. The small space will keep the rents relatively low, allowing for a mix of tenants who want to be downtown.

He said he is confident the rentals will be popular: "The residential will be filled on Day One."