

Add Section 14669.16 to the Government Code to authorize the Department of General Services, with the consent of the Board of Equalization (BOE), to enter into a lease, lease-purchase agreement, or lease with an option to purchase a build-to-suit facility in the Sacramento area for purposes of consolidating the BOE Headquarters operations into one central location.

Source: Administration Department

Existing Law

Existing Article 2 (commencing with Section 14660) of Chapter 2 of Part 5.5 of Division 3 of Title 2 of the Government Code authorizes the Department of General Services (DGS) to acquire, construct, lease, or transfer state property, as specified, when specifically authorized by the Legislature.

Existing law authorizes DGS to acquire title to real property in the name of the State whenever the acquisition of real property is authorized or contemplated by law, if no other state agency is specifically authorized and directed to acquire it.

DGS is authorized to hire, lease, lease-purchase, or lease with an option to purchase any real or personal property for the use of any state agency if DGS deems the hiring and leasing is in the State's best interest and is specifically authorized to do so by the Legislature.

The BOE Headquarters building located at 450 N Street is owned by the State of California and has property management services provided by DGS. The BOE is the primary tenant and pays monthly rent as identified annually by the DGS to occupy the building, as well as any additional costs to upgrade, operate, or fund other special repairs to the building.

Background. Construction of the BOE Headquarters building began in 1991 and was completed in January 1993. The Headquarters building is a twenty-four story office facility, which includes a four-level parking garage, ground floor cafeteria and a children's daycare center. The BOE moved their headquarters operations into the building in February 1993.

The BOE has been working with DGS since 2008 to right size the headquarters building by identifying adequate office space for additional employees. The Space Optimization Study of 1997 prepared by Dreyfuss and Blackford and two additional reviews prepared by DGS (2006 and 2008), have indicated that the building is designed to house 2,200 employees. The BOE requires space for approximately 2,900 employees in its headquarters building.

The staffing increases are due largely to growth to address legislative mandates for revenue collection and enforcement efforts. The BOE has been forced to move approximately one-fourth of the Headquarters operations to four different annex locations in the greater Sacramento area.

In 2008, BOE permanently relocated 32 employees and over one million taxpayer records to an annex location in West Sacramento. In spring 2010, the BOE permanently moved 354 employees to two annex locations, one in West

Sacramento and one in downtown Sacramento. Then in December 2010, the BOE moved an additional 312 revenue generating employees to a fourth annex location in the North Natomas area of Sacramento.

The addition of the annex facilities has provided space to house the 700 employees that will not fit in the Headquarters building, but even these facilities are at maximum capacity, which leaves no room for future growth. Assuming modest growth of 96 positions per year over the next five years, there will be inadequate space for these employees. Consequently, the implementation of any additional tax and fee programs enacted by the Legislature would likely be delayed because it generally takes about 12 months to locate facilities to house the new staff. BOE needs a new facility that can house all Headquarters staff, with reasonable room for growth, in light of its critical, revenue generating work.

This Proposal

This proposal would provide DGS the authority to enter into a lease, lease-purchase agreement, or lease with an option to purchase for a build-to-suit facility for purposes of relocating the BOE's Headquarters to a consolidated location in the Sacramento area. Implementation of this proposal would require DGS to obtain approval from the Department of Finance and notify the Chairs of the Assembly and Senate Appropriations committees and the Joint Legislative Budget Committee the terms and conditions of any agreement. If the Joint Legislative Budget Committee does not express any opposition, then the DGS could proceed with the agreement.

This proposal would accomplish the following:

- Support BOE's core mission of revenue generation processing,
- Eliminate inefficiencies of supporting multiple annex locations,
- Accommodate future short-term as well as long-term growth,
- Avoid or reduce additional repair costs, and
- Protect the health and safety of employees.

Section 14669.16 is added to the Government Code, to read:

14669.16. (a) Notwithstanding any other provision of law, the Director of General Services, with the consent of the State Board of Equalization, may enter into a lease, lease-purchase agreement, or a lease with an option to purchase for a build-to-suit facility, for the relocation of the State Board of Equalization in the Sacramento region. The director may enter into one or more agreements or leases for the purposes of providing usable office and related space in the Sacramento region in order to consolidate various departments of the State Board of Equalization into a single location.

(b) (1) The Department of General Services shall develop the terms and conditions of any agreements or lease authorized by this section, and

provide them to the Department of Finance for review and approval prior to soliciting bids. The Department of General Services shall obtain approval from the Department of Finance prior to execution of any agreement or lease.

(2) The Department of General Services shall notify the chairs of the fiscal committees of the Legislature and the Joint Legislative Budget Committee, or his or her designee, of the terms and conditions of the agreement or lease at least thirty days prior to executing the agreement for a lease, lease-purchase, or lease with an option to purchase for a build-to-suit of real property authorized by this section. The Department of General Services may proceed with the agreement or lease 30 days following the date the Department of General Services gave notice to the chairpersons. If any of the three committees fail to take an action with respect to the submittal within 30 days after the submittal, this inaction shall be deemed to be approval for purposes of this section.

(c) The Department of General Services shall be reimbursed for any reasonable cost or expense incurred for the transactions described in the section.