



**STATE BOARD OF EQUALIZATION  
STAFF LEGISLATIVE BILL ANALYSIS**

DRAFT

Date:	<b>08/22/14</b>	Bill No:	<a href="#"><u>Assembly Bill 1656</u></a>
Tax Program:	<b>Administration</b>	Author:	<b>Dickinson</b>
Sponsor:	<b>BOE</b>	Code Sections:	<b>GC 14669.16</b>
Related Bills:		Effective Date:	<b>01/01/15</b>

**BILL SUMMARY**

This bill requires the Department of General Services (DGS) by July 1, 2015, to complete a long-range planning study of the state-controlled and state-owned office buildings in the County of Sacramento and the City of West Sacramento, including the Board of Equalization’s (BOE) headquarters, for the management of the state’s space needs in the Sacramento region.

**Summary of Amendments**

The previous version of the bill would have authorized DGS to enter into a real property agreement for BOE headquarters consolidation and relocation in the Sacramento area. The bill now requires DGS to complete a planning study of state-owned office buildings, including the BOE headquarters, by July 1, 2015.

**ANALYSIS**

**CURRENT LAW**

Existing law<sup>1</sup> authorizes the DGS to perform various functions with regard to state property and provides for the sale, lease, or transfer of state property, if authorized or contemplated by law.

Existing law authorizes the DGS to acquire, construct, lease, or transfer state property, as specified, when specifically authorized by the Legislature.

Under Government Code Section 14660, DGS can 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.

Government Code Section 14669 authorizes DGS 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 or leasing is in the State’s best interest and is specifically authorized to do so by the Legislature.

The 2014 Budget Act<sup>2</sup> appropriated funding of \$2.5 million to the DGS for the development of a long-range planning study for the Sacramento region. The planning study is to determine the best course of action to address the region’s infrastructure deficiencies and space needs, while focusing on long-term asset management.

<sup>1</sup> Article 2 (commencing with Section 14660) of Chapter 2 of Part 5.5 of Division 3 of Title 2 of the Government Code.

<sup>2</sup> Senate Bill 852 (Chapter 25, signed by Governor and filed with Secretary of State on June 20, 2014).

*This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE’s formal position.*

**PROPOSED LAW**

This bill adds Government Code Section 14669.16, to require, by July 1, 2015, DGS to complete a long-range planning study of the state-controlled and owned office buildings in the County of Sacramento and the City of West Sacramento, including the BOE headquarters, for the management of the state's space needs in the Sacramento region. The planning study findings shall be used as the basis for recommendations and developing detailed cost and scope information to be considered in future budget proposals.

The bill requires DGS to, beginning with the three buildings with the most significant and immediate renovation or replacement needs, including highest cost of total maintenance and repair to usable space and other related costs identified in the long-range planning study, issue one or more requests for proposals for the planning, design, construction, and acquisition of facilities as recommended by the Legislature based on the planning study. The DGS shall issue the requests for proposals within 12 months of the Legislature making such recommendation.

The planning study shall include:

- Evaluation of the overall state facility needs in the Sacramento region, including the capacity of currently owned and leased space.
- Evaluation of each building including, condition, age, building use, and the extent that it meets the business needs and location of the state entity occupying the space.
- The impact the building's age and design has on potential reconfiguration and consolidation for state needs.
- The viability of antiquated building infrastructure systems, including the present and probable future availability of replacement parts for the buildings' systems.
- Evaluation of office buildings in need of major repairs or renovations to correct deficiencies, including estimated costs for fire and life safety, accessibility, seismic safety, and other building code compliance issues, and known existence of encapsulated hazardous materials and lead-based paint.
- Other considerations deemed appropriate by the DGS, in consultation with the state entity occupying the building.
- The development of a logical sequencing plan for renovation, replacement, or both, of existing state office buildings and new office development in the Sacramento region to guide the state over the next 25 years.

The bill also makes legislative findings and declarations.

If enacted, the bill takes effect on January 1, 2015.

**BACKGROUND**

The California's Five-Year Infrastructure Plan 2014 (Plan), in part, includes \$2.5 million funding to the DGS for the development of a long-range planning study for the Sacramento region to determine the best course of action to address the region's infrastructure deficiencies and space needs, with a focus on controlling long-term costs. The Plan specifies that additional funding has not been included for new or renovated office space pending completion and evaluation of the proposed study ([www.ebudget.ca.gov/2014-Infrastructure-Plan.pdf](http://www.ebudget.ca.gov/2014-Infrastructure-Plan.pdf))

According to the Plan, “DGS’ drivers of infrastructure needs are primarily the type and quantity of space required by client agencies to efficiently execute their programmatic responsibilities. In determining the space needs of the various state agencies, considerations include changes in the number of employees in an agency, benefits of consolidating fragmented agencies, and location requirements necessary to best meet program delivery needs. Aging infrastructure and infrastructure modernization needs impact the type and quantity of space required by state agencies for their programmatic responsibilities.”

## COMMENTS

- 1. Sponsor and Purpose.** The BOE is sponsoring this bill in order to facilitate the BOE’s transition to a new consolidated headquarters facility.
- 2. The August 22, 2014 amendments** delete the previous version of the bill which authorized DGS to enter into a real property agreement for BOE Headquarters consolidation and relocation in the Sacramento area. **The August 5, 2014 amendments** (1) required DGS to determine whether it is in the state’s best interest to sell or lease the 450 N Street property, and report on the most cost-effective option to the Legislature, (2) defined the 450 N Street property and refer to it as the “Sacramento property,” (3) required DGS, after making the determination, to make an early payoff of the total outstanding bonds on the property, (4) authorized DGS and SPWB, in order to facilitate the sale of the property, to borrow from the General Fund an amount necessary to satisfy the total outstanding bonds, (5) stipulated that any amounts loaned shall be repaid from the sale proceeds of the 450 N Street property, and (6) authorized the SPWB to issue bonds, negotiable notes, or negotiable bond anticipation notes to finance the acquisition or construction of a new consolidated facility for the BOE. **The May 23, 2014 amendments** (1) limited DGS authorization to entering into a lease-purchase or a lease with an option to purchase to provide usable office and related space in order to consolidate the BOE Headquarters into a single location, (2) deleted provisions requiring DGS to determine if selling the current headquarters building or leasing it to other tenants is in the best interest of the state, and (3) required DGS to be reimbursed for its cost to enter into an agreement in an amount not to exceed \$3 million from a loan of funds that are deposited in the Architecture Revolving Fund for repairs to the 450 N Street building. Any amount loaned must be repaid from the BOE’s operating funds within five years from the date those funds were borrowed.
- 3. The long-range planning study shall be used as the basis for Legislative recommendations for future budget proposals.** The three buildings with the most significant renovation or replacement needs shall be considered first in developing any requests for proposals for the planning, construction, and acquisition of new facilities that have been recommended by the Legislature. DGS shall issue the requests for proposals within 12 months of the Legislature’s recommendation.
- 4. The Joint Legislative Audit Committee (JLAC) approved an audit request on March 12, 2014, to evaluate BOE costs to house its employees and repair and maintain its headquarters office and satellite locations in the Sacramento area.** Assembly Member Dickinson requested an audit to analyze the overall state costs to house and repair the BOE at 450 N Street and its other Sacramento locations, and whether the state could increase efficiency, improve workers and public safety and decrease costs by consolidating the operation in a new facility.

State Auditor Elaine Howle testified that the audit work can be completed in approximately five months. The proposed audit scope and objectives will:

- Determine and assess, to the extent possible, any actions taken by the State Government Operations Agency (SGO), DGS, and BOE to address the following:
  - The total investment the State would have to make to repair failing components in the 450 N Street building necessary to maintain employee and public health and safety levels, and the time frame for those investments to be made.
  - The potential loss of worker productivity, which would result from temporarily relocating employees in the building at 450 N Street during the course of repairs.
  - The costs and benefits of maintaining the current spatial configuration of the building at 450 N Street and the BOE satellite facilities, compared to costs and benefits of housing all BOE employees in one consolidated facility.
  - The extent to which proposals for housing BOE employees involving public-private partnerships have been considered, and whether those proposed partnerships would result in cost savings to the State.
- To the extent possible, determine whether SGO, DGS, or BOE has assessed whether the repair process may impact the collection of state tax revenues.
- Determine whether the BOE has accurately projected its staffing level over the next 15 years. If not, use available data to estimate that projected growth in staffing levels.
- Review and assess any other issues that may be significant to the audit.

The report is expected to be released in September 2014.

### **COST ESTIMATE**

The 2014 Budget Act appropriated funding in the amount of \$2.5 million to DGS for the development of a long-range planning study for the Sacramento region. This bill outlines the information to be included in that study. The bill also states that it is the intent of the Legislature that the \$2.5 million funding to DGS be used for this purpose.

### **REVENUE ESTIMATE**

This bill does not impact the state's revenues.

Analysis prepared by:	Debra Waltz	916-324-1890	08/26/14
Contact:	Michele Pielsticker	916-322-2376	
ls			1656ab082214dw.docx

*This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.*