
THIRD READING

Bill No: SB 828
Author: Committee on Governmental Organization
Introduced: 4/6/21
Vote: 27

SENATE GOVERNMENTAL ORG. COMMITTEE: 15-0, 4/20/21
AYES: Dodd, Nielsen, Allen, Archuleta, Becker, Borgeas, Bradford, Glazer,
Hueso, Jones, Kamlager, Melendez, Portantino, Rubio, Wilk

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/20/21
AYES: Portantino, Bates, Bradford, Jones, Kamlager, Laird, Wieckowski

SUBJECT: Surplus state real property: disposal

SOURCE: Department of General Services

DIGEST: This bill authorizes the Department of General Services (DGS) to dispose of four specified state properties, as specified.

ANALYSIS:

Existing law:

- 1) Authorizes DGS, subject to legislative approval, to sell, lease, exchange, or transfer various specified properties for current market value, or upon such other terms and conditions that DGS determines are in the best interest of the state.
- 2) Establishes criteria for state agencies to use in determining and reporting excess lands. A state agency must report land as excess that is:
 - a) Not currently utilized, or is underutilized, for any existing or ongoing programs;

- b) Land for which the agency cannot identify a specific utilization relative to future needs; and,
 - c) Land not identified by the state agency within its master plan for facility development.
- 3) Requires DGS to dispose of surplus state real property in a specified manner, and prescribes the priority of disposition of the property before DGS may offer it for sale to private entities or individuals.
- 4) Authorizes DGS to sell surplus real property to a local agency or to a nonprofit affordable housing sponsor for affordable housing projects at a sales price less than fair market value if DGS determines that such a discount will enable housing for persons and families of low or moderate income.
- 5) Requires, under the California Constitution, that the proceeds from the sale of surplus state property be used to pay the principal and interest on bonds issued pursuant to the Economic Recovery Bond Act, until the principal and interest on those bonds are paid in full, the final payment of which was made in the 2015-16 fiscal year, after which these proceeds are required to be deposited into the Special Fund for Economic Uncertainties.
- 6) Exempts the sale of surplus property sold “as is” from designated provisions of the California Environmental Act (CEQA). However, the buyer or transferee of a parcel is subject to CEQA as well as any local governmental entitlement or land use approval requirements.

This bill:

- 1) Authorizes DGS to sell, exchange, or lease for fair market value, upon those terms and conditions as the Director of DGS determines are in the best interest of the state, all or any part of the following real properties:
- a) The Fresno Water Resources Building, located at 3374 East Shields Avenue in Fresno County.
 - b) The Alfred E. Alquist State Office Building, located at 100 Paseo De San Antonio in Santa Clara County.
 - c) The Stockton State Office Building, located at 31 East Channel Street, in San Joaquin County.
 - d) The Haagen-Smit Laboratory, located at 9528 Telstar Avenue in Los Angeles County.

- 2) Provides that to the extent that bonds issued by the State Public Works Board (Board) that involve a property to be sold, leased, or exchanged pursuant to the provisions of this bill are outstanding the Board shall approve of the bonds purchase, lease, or exchange agreement and all costs associated with the defeasance of the bonds shall be paid from the proceeds from the transaction.

Background

Fresno Water Resources Building. The Fresno Water Resources Building, so named because it is occupied primarily by the Department of Water Resources, has approximately 30,187 usable square feet and was built in 1967. However, only 19,900 square feet are currently occupied. The building is located at 3374 East Shields Avenue in Fresno. This very small building is old, with critical systems nearing the end of their useful life. It is inefficient and the presence of hazardous materials makes repairs and tenant improvements prohibitively expensive. The estimated cost of minimum repairs was identified in 2019 as nearly 111% of the building's value. There are three departments in the building occupying space ranging from 2,413 square feet to 14,118 square feet, with the Department of Water Resources requesting to vacate due to frequent security issues, vandalism and theft at the building. There are no outstanding bonds on this property.

Alfred E. Alquist State Office Building. The Alfred E. Alquist State Office Building is a three-story building with two large and five small courtyards that has 91,513 usable square feet and no onsite parking. It is located at 100 Paseo de San Antonio in San Jose. The building is situated in close proximity to the campus of San Jose State University and was built in 1980. It is a multi-tenant building with the Department of Industrial Relations, Department of Public Health and the Department of Rehabilitation as some of its larger tenants. There are no outstanding bonds on this property. Tenants have expressed security concerns, including vandalism and graffiti that continue to be issues at the building after business hours.

There is strong local interest in the state vacating the building, with the site then being repurposed. The building is in a highly desirable location in downtown San Jose and offers excellent redevelopment opportunities. San Jose State University, which is one block away, has expressed a strong interest in the site to develop affordable housing for university faculty and staff. The Budget Act of 2019 provided the university with funds for a planning study for the project, and the university reports that they are making progress. DGS is seeking legislative

surplus authority to avoid delaying the disposition of the site if a deal with the university is not possible. The proposed surplus authorization would allow, but not require, DGS to dispose of the property, so it would not preclude a transfer of jurisdiction to the university.

Stockton State Office Building. The Stockton State Building is a four-story building built in 1967 and has approximately 43,000 usable square feet, with 10 departments occupying space ranging from 115 square feet to 12,120 square feet. The building is located at 31 East Channel Street in Stockton. The building is not fully occupied (only 22,907 square feet are in use). This very small building is old, with critical systems nearing the end of their useful life. Like other buildings within DGS' portfolio plan slated for disposal, it is inefficient and the presence of hazardous materials render repairs and tenant improvements prohibitively expensive.

The building does not have outstanding bonds or federal equity that need to be repaid from sale proceeds. The building was not constructed or purchased with special fund moneys; therefore, any proceeds would be deposited into the Special Fund for Economic Uncertainties.

The Haagen-Smit Laboratory. The California Air Resources Board (ARB) is vacating the Haagen-Smit Laboratory located at 9528 Telstar Avenue in the City of El Monte in Los Angeles County. The property consists of a 54,000 square foot building on approximately 2.25 acres. The lab is the site of many of ARB's groundbreaking efforts to reduce the emissions of cars and trucks, as well as efforts to introduce zero-emission and plug-in vehicles to California. A new Southern California Headquarters for ARB is under construction on a 19-acre site near the campus of the University of California, Riverside. The approximately 380,000 square-foot facility will be one of the largest and most advanced vehicle emissions testing and research facilities in the world. ARB will vacate their lab in El Monte in the second half of 2021.

Disposal of surplus property. Each year, state agencies review their lands, identify real properties which are excess to their needs and report them to DGS. DGS first offers the excess properties to other state agencies in order to maximize state use of existing facilities. If no state agencies express interest, DGS asks to include the properties in the annual surplus property bill and requests legislative authorization to sell or dispose of those properties. The Legislature must declare the property to be surplus and must authorize the Director of DGS to sell, exchange, lease, or transfer the surplus property according to specified procedures set forth in law.

Generally, current law requires surplus property to be transferred or sold at market value, or upon such other terms and conditions that DGS determines are in the best interest of the state. Current law gives right of first refusal on any surplus property to a local agency and then to a nonprofit affordable housing sponsor, prior to being offered for sale to private entities or individuals in the open market. In addition, DGS is authorized to sell surplus property to a local agency or to a nonprofit affordable housing sponsor at a sales price less than fair market value if DGS determines that such a discount will enable housing for individuals or families of low or moderate income.

Comments

Purpose of the bill. According to the author's office, "this bill represents the Senate Governmental Organization Committee's surplus property bill and allows DGS to dispose of a number of properties that DGS has determined no longer meet the state's needs."

Related/Prior Legislation

AB 518 (Calderon, Chapter 43, Statutes of 2020) authorized DGS, until January 1, 2025, to sell the Southern Youth Correctional Reception Center and Clinic to the City of Norwalk at fair market value upon terms and conditions DGS determines are in the best interest of the state.

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, one-time General Fund revenue gains, likely in the millions of dollars, related to the sale, exchange, or lease of each property.

Additionally, DGS costs of approximately \$125,000 related to the sale of each of the four specified properties. Administrative costs to DGS would be one-time for each property. All DGS costs would be recovered through the proceeds of the property sale.

Finally, potential annual savings of approximately \$925,000 from avoiding warm shutdown costs.

SUPPORT: (Verified 5/20/21)

Department of General Services (source)

OPPOSITION: (Verified 5/20/21)

None received

ARGUMENTS IN SUPPORT: According to the Department of General Services, “prompt disposition of state property that is no longer needed reduces the state’s maintenance costs and potential legal liability, and recovers funds for the state.”

Prepared by: Felipe Lopez / G.O. / (916) 651-1530
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