

Date of Hearing: July 7, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

SB 828 (Committee on Governmental Organization) – As Introduced April 6, 2021

Policy Committee: Accountability and Administrative Review Vote: 7 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

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

- 1) Authorizes DGS to sell, exchange or lease for fair market value the following properties:
 - a) The Fresno Water Resources Building, located at 3374 East Shields Avenue, Fresno, California.
 - b) The Alfred E. Alquist State Office Building, located at 100 Paseo De San Antonio, San Jose, California.
 - c) The Stockton State Office Building, located at 31 East Channel Street, Stockton, California.
 - d) The California Air Resources Board's (ARB's) Haagen-Smit Laboratory, located at 9528 Telstar Avenue, El Monte, California.
- 2) Requires the State Public Works Board to approve the purchase, lease or exchange agreement and use the proceeds from the transaction to pay for all costs associated with the defeasance of bonds, to the extent that bonds issued by the board involve one of the properties.

FISCAL EFFECT:

- 1) One-time General Fund revenue gains of an unknown amount related to the sale, exchange or lease of each property. The estimated value of the properties is unknown. The net property sale proceeds for the buildings will be deposited into the Special Fund for Economic Uncertainties, per the California Constitution.
- 2) No net costs to the state. DGS estimates one-time costs to sell the four properties of approximately \$125,000, which includes preliminary title reports, Phase I Environmental Site Assessments, appraisals if needed and staff time. There are no outstanding bonds on the properties. Existing law allows DGS' upfront costs to be paid from the Property Acquisition Law Money Account (with approval by the Department of Finance). The Property Acquisition Law Money Account would be repaid from the property sale proceeds, resulting in no net costs to DGS.

- 3) By disposing of the Fresno Water Resources, Alquist and Stockton buildings, DGS estimates potential annual savings of approximately \$925,000 (GF) from avoiding warm shutdown costs after buildings are vacated. DGS estimates, through ARB, additional savings of approximately \$571,000 (GF), from avoiding warm shut down costs of the ARB building once it is vacated. For the Alquist State Office Building, it is possible there will be no warm shutdown costs for DGS (and therefore, no savings) if jurisdiction of the property is transferred to San Jose State University. Warm shutdown costs include building management, security, utilities, maintenance, etc.

COMMENTS:

- 1) **Purpose.** According to the author, “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.”
- 2) **Background.** DGS is responsible for the disposition of state-owned property that has been declared surplus to future state needs. The Legislature must declare the property to be surplus and must authorize the Director of General Services to sell, exchange, lease or transfer the surplus property according to specified procedures set forth in law.

Existing 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. Existing 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.

- 3) **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.

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