



**CALIFORNIA STATE
PUBLIC WORKS BOARD**

ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ NINTH FLOOR ■ SACRAMENTO CA ■ 95814-3706 ■ (916) 445-9694

STATE PUBLIC WORKS BOARD
April 14, 2006 Meeting
MINUTES

PRESENT:

Ms. Anne Sheehan, Chief Deputy Director, Department of Finance
Mr. Ron Joseph, Director, Department of General Services
Ms. Cindy McKim, Deputy Director, Department of Transportation

ADVISORY MEMBER:

Director, Employment Development Department

LEGISLATIVE ADVISORS:

Assembly Member
Assembly Member Wilma Chan
Assembly Member Lloyd E. Levine
Senator Gilbert Cedillo
Senator Wesley Chesbro

STAFF PRESENT:

Karen Finn, Administrative Secretary, Public Works Board
Matt Schuller, Budget Analyst, Department of Finance
Georgia Johas, Budget Analyst, Department of Finance
Randy Katz, Budget Analyst, Department of Finance
Deborah Cregger, Legal Advisor, SPWB Counsel

OTHERS PRESENT:

Harriet Welch, Squire, Sanders & Dempsey LLC, Special PWB Counsel
Liz Yokoyama, Department of General Services
Darlene Masten, California Department of Corrections and Rehabilitation
George Sifuentes, California Department of Corrections and Rehabilitation
Debra Hampton, California Department of Corrections and Rehabilitation
Sabrina Winn, Department of General Services, RESD, PSB

CALL TO ORDER AND ROLL CALL:

Ms. Anne Sheehan, Chief Deputy Director for the Department of Finance called the meeting to order at 10:00 a.m. Karen Finn, Administrative Secretary for the State Public Works Board, called the roll. A quorum was established.

The minutes from the March 10, 2006 regular and March 24, 2006 special meetings were approved.

**A motion was made by Mr. Joseph and Second by Ms. McKim to approve the Minutes
The Minutes was approved by a 3-0 vote.**

BOND ITEMS:

No Bond Items

CONSENT CALENDAR:

Ms. Finn first reported that three items that were being pulled from the agenda. These Items were:

Bond Item #1 (the Relocation and Construction Project of the Camarillo Satellite in Ventura County for the California Conservation Corps),.

Consent Item #6 (the Mental Health Crisis Beds Project at the California Medical Facility in Vacaville for the Department of Corrections and Rehabilitation),

and Consent #9 (which is Phase II of the Psychiatric Services Unit/Enhanced Outpatient Care Project in Sacramento for the Department of Corrections and Rehabilitation

Ms. Finn further reported the Consent Calendar which covered items numbered 2 through 5, items 7 and 8, and items 10 through 17. In summary these items proposed:

- 1 request to authorize the authorize the sale of state surplus property, [2]
- 2 requests to authorize site selection, but perform further analysis on potential contamination and cost of remediation prior to acquisition, [3,4]
- 1 request to recognize scope change to terminate this project and revert any unexpended funds, [5]
- 2 requests to approve preliminary plans with authorization to proceed to workings drawings, and authorize the use of Inmate Ward Labor, [7,8]
- 7 requests to approve preliminary plans, [10,11 and 13 thru 17]
- 1 request to approve Reversion, [12]

There were **two** 20-day letters for Items #5 and #12.

1) **Item # 5, is for the Department of Corrections and Rehabilitation** at the Southern Youth Correctional Reception Center and Clinic in Norwalk, Los Angeles County and the Heman G. Stark Youth Correctional Facility in Chino, San Bernardino County

—The notice was to recognize terminations of the projects and revert any unexpended funds—

The letter was sent to the Joint Legislative Budget, Senate Appropriations, and the Assembly Appropriation Committees on April 4, 2006 and would expire after April 24, 2006. The approval of this item was contingent on the expiration of the 20-Day period without comment.

2) **Item # 12, California Community Colleges** at the Orange Coast College in Orange County

The project was for a Seismic Retrofit Library Demolition

—The notice was to cancel the project and revert the construction funds —

On March 24, 2006 the Department of Finance notified the chairs of the Joint Legislative Budget, the Senate Appropriations, and Assembly Appropriations Committees of its intent to approve this scope change after April 13, 2006.

In summary: staff recommended approval of the **Consent Calendar** consisting of Items numbered 2 through 5, items 7 and 8, and items 10 through 17.

Ms. Sheehan asked if there was any public comment on any of these Items.

There was no response.

A motion was made by Ms. McKim and Second by Mr. Joseph to approve the Consent Calendar

The Consent Calendar was approved by a 3-0 vote.

Ms. Sheehan asked if the two Corrections Items that were pulled from this Agenda will be coming back on May's Agenda.

Ms. Finn answered that a special meeting will be convened on May 4, 2006 to handle those two Consent Items

ACTION ITEMS:

Action Item #18

Ms. Finn presented considerations on whether the board should agree to support the construction and outside financing of an addition to the California Science Center, currently a Board financed facility. She reported that that in 1997 the board issued \$37,770,000 to finance construction of the main museum building and the related pavilion (Phase I), The Bonds were issued as tax-exempt bonds and the Board and the Center, at that time, covenanted to take no action that would cause or permit the Bonds to be considered Private Activity Bonds within the meaning of the Internal Revenue Code as this could adversely affect their tax-exempt status.

She reported that the California Science Center Foundation (Foundation), a non-profit 501(c)(3) organization, who currently helps to manage the Science Center, was proposing to issue one or more series of bonds through the State Infrastructure Bank to be used to finance the construction of a new three story addition to the Phase I Facility and other related project components (Phase II). This had all been authorized in Section 4101.3 of the Food and Agriculture Code which provides among other things that this lease purchase arrangement must be "compatible" with the Phase I Bonds. To accomplish the Foundation's Phase II financing, a certain portion of the Phase I Facility is required to be "released" from the Board's Phase I leases in order to become part of Phase II; Ms. Finn reported that this matter would be the subject of a later Action Item.

Ms. Finn reported that the structure of the Foundation bonds were going to be very complex as the issues and concerns stem, in large part, from the demands of the revenue structure that the Phase II financing team was intending to adopt. The Foundation is proposing to issue tax exempt bonds of approximately \$80 million to pay for the costs of the Phase II Facility. This is a much larger amount than would be secured by the State's lease purchase payments of approximately \$23 million. Ms. Finn reported that there would need to be very technical tracking completed of all the "revenues" the Foundation derives from operating the gift shops, food service and conference facilities located in the Phase I Facility and any revenues it may generate from the Phase II Facility. The pledges and contributions raised by the Foundation will be placed in its endowment and invested at an unrestricted yield. Such earnings will be

available to pay the new Phase II Bonds, but in order to maintain the unrestricted earnings ability of the endowment, these amounts will not (and must not) be “pledged” to the Phase II Bonds.

Ms. Finn reported that certain changes would need to be made to the Operating Agreement in order to allow the Foundation to use it in its financing. She reported that the currently proposed Operating Agreement creates what the tax law calls “private business use” of the Phase I Facility. She reported that Private business use is only one part of the Private Activity Bond test; however, up to this point the Board’s policy position has been that all its bond financed facilities should not exceed the private use limitations of the Private Activity Bond test. However, in an effort to comply with the provisions of Section 4101.3 and in an effort to accommodate the Foundation’s proposed revenue structure, Ms. Finn explained that the Board’s consideration was being sought to approve compliance with another component of the Private Activity Bond test – known as the “private payments” test. She introduced Harriet Welch from the firm Squires, Sanders and Dempsey to explain the “private payments” issue to the Board.

Ms. Welch was introduced and said that she was with the original bond counsel for the 1997 Bond’s; she was familiar with the aspects of Phase I before the Board. Ms. Welch said she wanted to assure the Board that this was common in other areas of finance bonds. She described the arrangement in further detail.

Ms. Finn adds that this certification and monitoring needs to continue until the Bonds are retired in approximately year 2022.

Ms. Welch also added that the Science Center is also represented by another nationally recognized bond counsel firm and that both firms are comfortable that these conditions are acceptable.

Ms. Finn then noted that the Board would be posed with considering to permit the Center to enter into an Operating Agreement that creates private use, thus moving beyond the “safety zone” set out in all other existing Board financings regarding private use.

Ms. Finn noted that If Board was not willing to accept this proposal from the Center, the Foundation may have to fundamentally alter its arrangements regarding operating the Phase I Facility and the structure of the Phase II financing.

Ms. Finn explained that the Board’s staff and legal counsel reviewed the form of Operating Agreement and were fine with the content, if in fact, all of the recommended staff suggestions were incorporated.

Mr. Joseph and Ms. Welch discussed what types of payments trigger the 10% private payment border.

Ms. Finn explained that the certifications and annual monitoring are specifically included to constantly remind staff and the Board of keeping a watch on the Science Center private payments and how they are accounted.

Cheryl Tateishi, Deputy Director for the California Science Center, and Cynthia Pichen, Chief Financial Officer of the California Science Center Foundation, stated that they both fully support the Public Works Boards Staff’s recommendation

Ms. Finn then explained the actions to be adopted by the Board as such:

- A) In order to facilitate the California Science Center Foundation's financing of a portion of a Phase II facility for the California Science Center does this board wish to allow the California Science Center to utilize a private payments analysis for compliance with the private activity bond limitations on the Bonds. If this policy matter is concluded in the affirmative, at a minimum, staff will recommend a number of the following assurances be included in the documents; these assurances will be separately voted upon.

A motion was made by Mr. Joseph and Second by Ms. McKim to approve the action. The action was approved by a 3-0 vote.

With the threshold policy matter being concluded in the affirmative, Ms Finn then went over each of the assurances staff recommended be included in the transaction documents.

1. Require the California Science Center Foundation to give the Board a broad tax covenant relative to preserving the tax-exempt status of the Board's Bonds;

A motion was made by Ms. McKim and Second by Mr. Joseph to approve the action. The action was approved by a 3-0 vote.

2. Require the California Science Center Foundation to indemnify the Board related to the tax covenant;

A motion was made by Ms. McKim and Second by Mr. Joseph to approve the action. The action was approved by a 3-0 vote.

3. Require the California Science Center Foundation to fund its indemnity obligation to the Board in the amount of one million dollars;

A motion was made by Ms. McKim and Second by Mr. Joseph to approve the action. The action was approved by a 3-0 vote.

4. Require an initial determination and regular quarterly reporting of private payment activity (as defined in Section 141 of the Internal Revenue Code) to the Board and State Treasurer together with expert certification, at least annually, that the tax-exempt status of the Bonds has not been impaired

A motion was made by Ms. McKim and Second by Mr. Joseph to approve the action. The action was approved by a 3-0 vote.

Ms. Sheehan said she would like both parties to discuss how some of the costs to be borne by the state for work incurred on this unusual and complicated transaction might be reduced or offset in this arrangement.

- B) Approve and authorize consent to the form of Joint Operating Agreement in substantially the same form as presented with such changes as the Board's counseled may deem appropriate.

A motion was made by Mr. Joseph and Second by Ms. McKim to approve the action. The action was approved by a 3-0 vote.

- C) Approve form of and authorize execution of a Cooperation Agreement by and between the California Science Center Foundation and State Public Works Board in substantially

the same form as presented with such changes as the Board's counsel may deem appropriate.

**A motion was made by Mr. Joseph and Second by Ms. McKim to approve the action
The action was approved by a 3-0 vote.**

Action Item #19

Ms. Finn then stated the related action item will be concerning removing of approximately 11,000 square feet (sf) from the Phase I facility from the property subject to the Center's Site and Facility Leases so that it can be used in the footprint of the Phase II Facility.

Ms. Cregger, counsel to the State Public Works Board, showed a map of the 11,000 sf area and discussed the due diligence Staff had done to ensure removal of this property would not impact use or operation within the Phase I Facility. She indicated the Irrevocable Right of Entry and Easement Agreement was critical to the Board's ability to release this property and the release would be contingent upon the execution and reconstruction of that Right of Entry Agreement. Ms. Cregger noted progress was being made on the various documents the Board needed to approve; however, more time was needed to get them in condition for the Board to approve.

Ms. Finn then said in conclusion, "with this Board's concurrence, we would just request that we put off final approval of the documents, but get your approval in concept of the issue to assure the Foundation that staff will continue to finalize the necessary documents for the carve out and will bring them back to this board either at our next meeting in May."

No vote was taken at this time.

REPORTABLES:

Ms. Finn reported that there were three reportable items for this month that staff had approved under authority delegated by the Board.

OTHER BUSINESS:

Ms. Finn reported that there was no Other Business.

NEXT MEETING:

Ms. Finn reported that the next regularly scheduled meeting is set for:

Friday, May 12, 2006, at 10:00 AM, State Capitol, Room 113.

Ms. Finn also asked that the Board to please take note that we have a Special Meeting regarding the Consent Items #5 and #12 that were pulled from the agenda today, scheduled for May 4, 2006 at 4:30 P.M. in room 113 of the State Capitol.:

Mr. Joseph expressed that he appreciated all the work being done by the Staff for the Science Center Actions.

Ms. Finn also expressed thanks to her related Staff.

Chair: Are there any comments or questions from the public before we adjourn?

There was no response.

Chair: ADJOURNMENT (the chair adjourns the meeting)

End at 10:41 AM

BOND ITEM

BOND ITEM – 1

BOND ITEM – 1 – IS PULLED FROM THE AGENDA

**CALIFORNIA CONSERVATION CORPS (3340)
CAMARILLO SATELLITE, VENTURA COUNTY**
Relocation/Construction

*Authority: Chapter 106/01, Item 3340-301-0660(1),
as partially reverted by Chapter 38/05, Item 3340-495-0660(1); and
Chapter 38/05, Item 3340-301-0660(2)*

Adopt resolution to:

1. Authorize the use of interim financing, to be repaid from the Public Buildings Construction Fund from the proceeds from the sale of bonds.
2. Approve the form of and the execution and delivery of a Construction Agreement between the Department of General Services and the State Public Works Board, with the consent of the California Conservation Corps.
3. Approve the form of and authorize the execution of a Site Lease between the California Conservation Corps and the State Public Works Board.
4. Approve the form of and authorize the execution of a Facility Lease between the California Conservation Corps and the State Public Works Board.
5. Authorize the sale of the State Public Works Board Lease Revenue Bonds.

Total Estimated Bond Authorization:

\$15,960,000

BOND ITEM – 1 – IS PULLED FROM THE AGENDA

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CONSENT ITEM

CONSENT ITEM – 2

DEPARTMENT OF GENERAL SERVICES (1760)
DEPARTMENT OF MENTAL HEALTH (4440)
PATTON STATE HOSPITAL, UNIMPROVED LAND - SOUTH SIDE OF HIGHLAND AVENUE,
CITY OF HIGHLAND, SAN BERNARDINO COUNTY
Surplus Parcel Number SSL 288

Authority: Chapter 1266, Statutes of 1982

Authorize the sale of state surplus property

APPROVED: 3/0

CONSENT ITEM

STAFF ANALYSIS ITEM – 2

Department of General Services
Department of Mental Health
Patton State Hospital

Unimproved land of 25 acres on the south side of Highland Ave., San Bernardino County

Action requested

The requested action will authorize the sale of state surplus property consistent with the staff analysis.

Scope Description

This project is within scope. Pursuant to Government Code Section 11011.1 and as authorized by Chapter 1226, Statutes of 1982, the Director of the Department of General Services (DGS), with the approval of the State Public Works Board, is permitted to sell, exchange, or lease for current market value, or for any lesser consideration authorized by law, all or part of approximately 25 acres located at Patton State Hospital on the south side of Highland Avenue, in the County of San Bernardino. The Department of Mental Health has determined that the property is not needed for any current or future program purposes, and declared it surplus to the agency's needs.

Funding and Cost Verification

The costs associated with the sale of the state surplus property are administrative staff costs of \$395,000. These costs will be paid from the gross proceeds of the sale. No future costs have been identified with this sale.

Project Schedule

The project schedule is as follows:

The anticipated close of escrow is April 2006.

Other

- Pursuant to Government Code 11011.1 the property was offered to state and local governmental agencies with no expressed interest.
- The approved appraised value of the property is \$5,380,000 dated September 2005.
- The property was offered at a seal bidding auction on December 1, 2005. There were multiple offers and the bidding was opened to oral bids, the highest bid offered to the State was \$7,050,000.
- Pursuant to Article III, Section 9 of the California Constitution, the net proceeds of any monies received from the disposition are to be used to pay principal and interest on bonds issued pursuant to the Economic Recovery Bond Act.
- The state contracted to have a geologic study conducted to assess the potential presence of mineral resources on the subject property. The study determined there were no known or potential economic mineral resources at or near the site. Based upon the findings of the geologic study the state will reserve the mineral rights without a right of surface entry in plane from the surface to a depth of 500 feet below the surface.

Staff Recommendation: Authorize the sale of state surplus property

CONSENT ITEM

CONSENT ITEM – 3

DEPARTMENT OF GENERAL SERVICES (1760)
CALIFORNIA STATE UNIVERSITY (6610)
HUMBOLDT STATE UNIVERSITY
MAI KAI LAND ACQUISITION - MILL STREET HOUSE
HUMBOLDT COUNTY
Project No. CSU 500.1, DGS Parcel No. 10401

Authority: Chapter 38, Statutes of 2005, Item 6610-302-6041(5)

Authorize site selection

APPROVED: 3/0

CONSENT ITEM

STAFF ANALYSIS ITEM – 3

Department of General Services
California State University
Humboldt State University
Mai Kai Acquisition - Mill Street House

Action requested

The requested action will authorize site selection for this project.

Scope Description

This project is within scope. This project is for the combined renovation, reconfiguration and expansion of the California State University (CSU) Humboldt campus (Humboldt campus). This project includes the creation of academic quadrangles, interconnecting pedestrian pathways and open space, a major campus entry into an on-campus transit center and improved instructional facilities with accessibility and site safety improvements. This request will authorize site selection of approximately 0.17 acre parcel of land contiguous to, and surrounded by the Humboldt campus. The subject property contains two, single-story, 1950's wood-frame residential structures that have been altered to accommodate multiple rental units. The rental units (approximately 6) have been rented for many years principally as student housing. These buildings will remain rented until they are demolished as part of the entrance project. The campus is currently studying whether relocation assistance would be needed for residents in the rental units.

The acquisition of this property is essential for the reconfiguration of the campus' Plaza Avenue entrance for improvements needed to aid campus vehicular circulation, pedestrian access/safety (especially disabled access), and parking.

Funding and Cost Verification

This project is within cost. Item 6610-302-6041(5), Chapter 38 of Statutes of 2005, provides \$6,000,000 for this project, as well as, the related Campus Apartments project.

CEQA

An Environmental Impact Report (EIR) was completed for the campus Master Plan. A Notice of Determination was filed with the State Clearinghouse on September 22, 2004, and the 30-day statute of limitations expired on October 22, 2004. "Addendum No. 2 to the Final EIR for the 2004 HSU Master Plan, Clarification of Acquisition of the Campus Apartments and Mill Street Parcels, State Clearinghouse No. 2004052085" was completed in January 2006. Addendum No. 2 has been reviewed by appropriate CSU staff. There are no changes to the project, the Addendum meets the requirements of CEQA, and no further action is required.

Project Schedule

The project schedule is as follows:

The anticipated close of escrow is September 2006.

Condition of Property

On December 2, 2005, staff from the Department of General Services (DGS), Real Estate Services Division, Professional Services Branch, Environmental Services Section (PSB/ESS) conducted a site survey of the property located at 426 Plaza Avenue, Arcata, California, which is immediately adjacent to the Plaza Avenue entrance to Humboldt State University. The parcel is bounded on three sides by local streets; and the campus facility office on the fourth side.

An Environmental Site Assessment (Phase I) was prepared for the property in January 2006. Based on this report and supplemental investigations of a pipe protruding near a foundation wall, the property contains no hazards of concern (underground tanks, stored materials, industrial wastes, etc.) nor is it likely that the property has the potential for soil/groundwater contamination associated with home heating oil. Additional subsurface testing around the abandoned pipe concluded it was used for water service. Given the age of the structure the Phase I report assumes that lead paint and asbestos-bearing materials are probably present.

PSB/ESS believes the structures pose no short or long-term hazard/risk to the State. The condition of these structures will not impose any significant hazard remediation or demolition costs to the campus as CSU has budgeted for costs associated with potential lead paint and asbestos-bearing material removal as part of the construction costs of the access project.

Other:

- The purchase price does not exceed estimated fair market value as determined by a DGS approved appraisal.
- The CSU Board of Trustees approved acquisition of this property on November 17, 2004, as evidenced by its approval of the Master Plan. The Master Plan specifically identifies this parcel as needed for the expansion of the campus.
- CSU is not aware of any lawsuits pending concerning the property.
- The Property Acquisition Agreement will require delivery of title to the property free and clear of any mortgages or liens.
- There may be relocation assistance involved with the acquisition of this property. A relocation assistance study is currently underway.

Staff Recommendation: **Authorize site selection, but perform further analysis on potential contamination and cost of remediation prior to acquisition**

CONSENT ITEM

CONSENT ITEM – 4

**DEPARTMENT OF GENERAL SERVICES (1760)
CALIFORNIA STATE UNIVERSITY (6610)
HUMBOLDT STATE UNIVERSITY
MAI KAI LAND ACQUISITION, CAMPUS APARTMENTS
HUMBOLDT COUNTY
Project No. CSU 500, DGS Parcel No. 10396**

Authority: Chapter 38, Statutes of 2005, Item 6610-302-6041(5)

**Authorize site selection
APPROVED: 3/0**

CONSENT ITEM

STAFF ANALYSIS ITEM – 4

Department of General Services
California State University
Humboldt State University
Mai Kai Land Acquisition – Campus Apartments

Action requested

The requested action will authorize site selection for this project.

Scope Description

This project is within scope. This project is for the combined renovation, reconfiguration and expansion of the California State University (CSU) Humboldt campus (Humboldt campus). The project includes the creation of academic quadrangles, interconnecting pedestrian pathways and open space, a major campus entry into an on-campus transit center and improved instructional facilities with accessibility and site safety improvements. This request will authorize site selection of approximately 1.02 acres of land contiguous to, and surrounded by the Humboldt campus. The acquisition of this property will include two structures. The structures consist of a four-story apartment building containing approximately 110 apartments that are rented primarily to students, and a building that includes an office and a laundromat facility. Although the structures will be demolished to construct a new student services building, the apartment building will remain rented until construction commences. The campus is currently studying whether relocation assistance would be needed for residents in the apartment building. The acquisition of this property is contained within the Campus' Master Plan and is considered necessary to meet the needs of the University's increasing enrollment growth projections. The proposed building cannot be implemented without the acquisition of this property.

Funding and Cost Verification

This project is within cost. Item 6610-302-6041(5), Chapter 38 of Statutes of 2005, provides \$6,000,000 for this project, as well as the related Mill Street House project.

CEQA

An Environmental Impact Report (EIR) was completed for the campus Master Plan. A Notice of Determination was filed with the State Clearinghouse on September 22, 2004, and the 30-day statute of limitations expired on October 22, 2004. "Addendum No. 2 to the Final EIR for the 2004 HSU Master Plan, Clarification of Acquisition of the Campus Apartments and Mill Street Parcels, State Clearinghouse No. 2004052085" was completed in January 2006. Addendum No. 2 has been reviewed by appropriate CSU staff. There are no changes to the project, the Addendum meets the requirements of CEQA, and no further action is required.

Project Schedule

The project schedule is as follows:

The anticipated close of escrow is September 2006.

Condition of Property

On December 2, 2005, staff from the Department of General Services (DGS), Real Estate Services Division, Professional Services Branch, Environmental Services Section (PSB/ESS) conducted a site survey of the Humboldt campus apartments located on the campus at 335 Laurel Drive.

The subject property contains two structures built in the late 1950's. At the west end of Laurel Drive is a single-story structure that contains offices, a maintenance shop, and a laundromat. The second structure is a rectangular, four-story concrete and wood apartment house that is situated against a steep hillside; there is a substantial change in grade between the north (Laurel Drive) and south (University parking lots) sides of the building. Surface parking is present on both the upper and lower levels of the parcels comprising this property.

An Environmental Site Assessment (Phase I) was prepared for the property in January 2006. Based on this report and other facility assessments conducted on the campus, the apartment and associated office structures contain no hazardous substances of concern. While it is assumed that lead paint and asbestos-bearing materials are probably present due to the age of the building, no reported underground tanks or hazardous debris associated with these structures were found. The Phase I did note a remote potential for soil contamination because of the property's proximity to a former steam laundry located approximately 200 feet west to southwest of the acquisition area. However, the HSU is already responsible for this adjacent parcel so no additional liability will be assumed from the purchase of the apartment complex.

PSB/ESS believes the structures pose no short or long-term hazard/risk to the State. The condition of these structures will not impose significant hazard remediation or demolition costs to the campus as CSU has budgeted for costs associated with potential lead paint and asbestos-bearing material removal as part of the construction costs of the proposed building project.

Other:

- The purchase price does not exceed estimated fair market value as determined by a DGS approved appraisal.
- The CSU Board of Trustees approved acquisition of this property on November 17, 2004, as evidenced by its approval of the Master Plan. The Master Plan specifically identifies this parcel as needed for the expansion of the campus.
- CSU is not aware of any lawsuits pending concerning the property.
- The Property Acquisition Agreement will require delivery of title to the property free and clear of any mortgages or liens.
- There may be relocation assistance involved with the acquisition of this property. A relocation assistance study is currently underway.

Staff Recommendation: Authorize site selection, but perform further analysis on potential contamination and cost of remediation prior to acquisition

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CONSENT ITEM

CONSENT ITEM – 5

DEPARTMENT OF CORRECTIONS AND REHABILITATION (5225)
SOUTHERN YOUTH CORRECTIONAL RECEPTION CENTER AND CLINIC, NORWALK,
LOS ANGELES COUNTY AND HEMAN G. STARK YOUTH CORRECTIONAL FACILITY,
CHINO, SAN BERNARDINO COUNTY
Housing Unit and Education Modifications

*Authority: Chapter 208, Statutes of 2004, Item 5460-301-0747(1), 60.56.145.204
Chapter 208, Statutes of 2004, Item 5460-301-0751(1), 60.56.145*

a. Recognize scope change to terminate this project

b. Approve reversion

\$1,142,000

APPROVED: 3/0

CONSENT ITEM

STAFF ANALYSIS ITEM – 5

Department of Corrections and Rehabilitation
Southern Youth Correctional Reception Center and Clinic, Norwalk, Los Angeles County and
Heman G. Stark Youth Correctional Facility, Chino, San Bernardino County
Housing Unit and Education Modifications

Action Requested

The requested action will approve scope change to terminate this project and revert any unexpended balances.

Scope Description

This project is not within scope. The original scope included various construction activities at the Southern Youth Correctional Reception Center and Clinic (SYCRCC) and the Heman G. Stark Youth Correctional Facility (HGSYCF) to accommodate wards transferred due to the closure of Fred C. Nelles Youth Correctional Facility. The project's preliminary plans were not presented to or approved by the Public Works Board before work commenced. Furthermore, the project's scope was changed without Department of Finance approval. Therefore, this project is being terminated.

Work at the SYCRCC included the replacement of structurally damaged wardroom doorframes, replacement of toilet fixtures, repair of plumbing chases, removal of protruding metal from ward rooms, and the creation of an Americans with Disabilities Act compliant cell in a designated housing unit. Also included were construction of a 2,500 square foot sexual offender program treatment building adjacent to the housing unit and installation of approximately 5,700 square feet of modular classroom space and associated site improvements, as well as enlargement of several existing classrooms. Of the above renovations that were completed were the removal of the protruding metal in ward rooms, replacement of vitreous china toilet fixtures, repair plumbing chases, and replacing of damaged wardroom doorframes in three of the five proposed housing units. Also completed was the purchase of a 2,100 square foot modular for the program treatment building for the sex offender wards.

Work at HGSYCF included the addition of approximately 5,700 square feet of modular classroom units and the conversion of dining halls into classrooms. Site preparation for the modular units included foundation, electrical, sewer, telephone, water, information technology infrastructure, and personal alarm locator. Of the above renovations, the modular classroom units were not completed, and due to operational changes and reactivation of the dining halls these conversions did not occur.

On April 4, 2006 the Department of Finance notified the chairs of the Joint Legislative Budget, the Senate Appropriations, and Assembly Appropriations Committees of its intent to approve this scope change after April 24, 2006.

Funding and Project Cost Verification

This project is not within cost. The authorized project was approved for preliminary plans (\$100,000), working drawings (\$160,000), and construction (\$1,740,000) funded from two separate General Obligation Bond appropriations.

\$2,000,000	total estimated project cost
\$858,000	project costs previously allocated: construction \$858,000 (\$858,000 contract)
\$1,142,000	reversion: preliminary plans \$100,000; working drawings \$160,000; construction \$882,000 (\$482,000 contract; \$140,000 contingency; \$260,000 A&E)

CEQA

Not applicable.

Staff Recommendation: Recognize scope change to terminate this project and revert any unexpended funds

CONSENT ITEM

CONSENT ITEM – 6

CONSENT ITEM – 6 – IS PULLED FROM THE AGENDA

**DEPARTMENT OF CORRECTIONS AND REHABILITATION (5225)
CALIFORNIA MEDICAL FACILITY, VACAVILLE, SOLANO COUNTY
Mental Health Crisis Beds**

*Authority: Chapter 157, Statutes of 2003, Item 5240-301-0660 (2), 61.09.036
Chapter 38, Statutes of 2005, Item 5225-301-0660 (3)*

Approve augmentation	\$3,195,000
	(13.47 percent of construction)
	(12.01 percent of total project)

CONSENT ITEM – 6 – IS PULLED FROM THE AGENDA

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CONSENT ITEM

CONSENT ITEM – 7

**DEPARTMENT OF CORRECTIONS AND REHABILITATION (5225)
STATEWIDE**

Small Management Exercise Yards (CMC, CIM, DVI)

Authority: Chapter 38, Statutes of 2005, Item 5225-301-0001(7), 61.01.200

- a. **Approve preliminary plans with authorization to proceed to working drawings**
 - b. **Approve use of Inmate Ward Labor**
- APPROVED: 3/0**

CONSENT ITEM

STAFF ANALYSIS ITEM – 7

Department of Corrections and Rehabilitation
Statewide

Small Management Exercise Yards (CMC, CIM, DVI)

Action Requested

The requested action will provide approval of the preliminary plans, authorize to proceed to working drawings, and the use of Inmate Ward Labor resources pursuant to Public Contract Code Section 10103.5 to complete the construction phase.

Scope Description

This project is within scope. The purpose of this project is to construct 96 small management exercise yards (SMY) at three institutions: California Men's Colony (45), California Institution for Men (21), and Deuel Vocational Institution (30) as required to meet court ordered out of cell exercise time for Administrative Segregation inmates.

These SMY's will be 10' x 15' constructed of ¼-inch crimp lock pre-galvanized fabric, with a secured roof constructed of ¼-inch crimp lock pre-galvanized fabric and half of metal pan decking. The yards also include sanitation facilities that will require connection to the institution's utility systems. The Department expects to utilize five to ten inmates at each of the three aforementioned locations.

Funding and Project Cost Verification

This project is within cost.

\$2,640,000 total estimated project cost

\$2,640,000 project costs previously allocated: construction \$2,640,000 (\$2,006,000 contract, \$173,000 contingency, project administration \$346,000, agency retained \$115,000)

CEQA

The areas in which these SMYs are located are not environmentally sensitive and CEQA is not required because the areas of construction will convert existing large exercise yards into smaller, safer, and more manageable exercise yards.

Project Schedule:

The project schedule is as follows:

Complete preliminary plans:	April 2006
Complete working drawings:	May 2006
Complete construction:	February 2007

Due Diligence:

N/A

Staff Recommendation: Approve preliminary plans with authorization to proceed to workings drawings, and authorize the use of Inmate Ward Labor

CONSENT ITEM

CONSENT ITEM – 8

DEPARTMENT OF CORRECTIONS AND REHABILITATION (5225)
CALIFORNIA MEN'S COLONY-EAST FACILITY, SAN LUIS OBISPO
SAN LUIS OBISPO COUNTY
High Mast Lighting

Authority: Chapter 38, Statutes of 2005, Item 5225-301-0001(20), 61.10.036

- a. Approve preliminary plans and proceed to working drawings
 - b. Approve use of Inmate Ward Labor
- APPROVED: 3/0**

CONSENT ITEM

STAFF ANALYSIS ITEM – 8

Department of Corrections and Rehabilitation
California Men's Colony, San Luis Obispo
High Mast Lighting

Action Requested

The requested action will provide approval of the preliminary plans and proceed to working drawings, and the use of Inmate Ward Labor resources pursuant to Public Contract Code Section 10103.5 to complete the construction phase.

Scope Description

This project is within scope. This project will provide high mast luminaries in four inmate yards to improve the night lighting and to enhance security at the institution.

This project includes work necessary to provide for the construction of eight 90-foot high mast lights distributed throughout East Facility in Quads A, B, C, and D. Two 90-foot high mast lighting poles will be installed in each of the four quads with each pole receiving ten 1000 watt lamps. The fixtures will provide the lighting level and uniformity consistent with the Department of Corrections and Rehabilitation's policy and Design Criteria Guidelines. The project also includes controls that will turn on and off the lights at the proper time and light level. The controls will also have the capability to reduce the lighting levels to 50 percent at low activity times to reduce energy usage.

Funding and Project Cost Verification

This project is within cost.

\$1,199,000	total estimated project cost
\$154,000	project costs previously allocated: preliminary plans \$81,000; working drawings \$73,000
\$1,045,000	project costs to be allocated: construction \$1,045,000 (\$849,000 contract, \$34,000 contingency, project administration \$54,000, agency retained \$108,000)

CEQA

The Notice of Determination was filed on August 3, 1999 and the waiting period expired on September 3, 1999, with no public comment.

Project Schedule:

The project schedule is as follows:

Complete working drawings:	June 2006
Complete construction:	December 2006

Due Diligence:

Due Diligence is anticipated to be completed by June 2006.

Staff Recommendation: Approve preliminary plans and proceed to workings drawings, and approve the use of Inmate Ward Labor

CONSENT ITEM

CONSENT ITEM – 9

CONSENT ITEM – 9 – IS PULLED FROM THE AGENDA

DEPARTMENT OF CORRECTIONS AND REHABILITATION (5225)
CALIFORNIA STATE PRISON, SACRAMENTO, SACRAMENTO COUNTY
Psychiatric Services Unit/Enhanced Outpatient Care, Phase II

Authority: Chapter 106, Statutes 2001, Item 5240-301-0001 (33)
Chapter 379, Statutes 2002, Item 5240-301-0001 (10)
Chapter 157, Statutes 2003, Item 5240-301-0660 (5)

- a. **Recognize scope change**
- b. **Approve augmentation** **\$1,235,000**
(18.85 percent total project)

CONSENT ITEM – 9 – IS PULLED FROM THE AGENDA

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CONSENT ITEM

CONSENT ITEM – 10

CALIFORNIA STATE UNIVERSITY (6610)
LONG BEACH CAMPUS, LOS ANGELES COUNTY
Seismic Upgrade, Liberal Arts 2, 3 and 4

Authority: Chapter 38/39, Item 6610-301-6041 (3)

Approve preliminary plans
APPROVED: 3/0

CONSENT ITEM

STAFF ANALYSIS ITEM – 10

California State University, Long Beach
Seismic Upgrade, Liberal Arts 2, 3 and 4

Action requested

The requested PWB action will provide approval of preliminary plans.

Scope Description

The project is within scope. This project will mitigate seismic hazards in the CSU East Bay (Hayward), Liberal Arts 2, 3 and 4 buildings that were built in 1954 and 1955. These two story buildings have a total of 29,000 ASF/43,600 GSF and have operable wood framed windows. Shear walls need to be added to the central portion of the buildings on all floors to ensure safety in a seismic event. The Seismic Review Board has assessed these buildings to be a level 6 per the Department of State Architect classifications. Hazardous materials incidental to seismic work will be abated and ventilation will be provided in those rooms where the windows are being replaced by shear walls. These facilities will be evaluated for comprehensive renovation in a future capital program.

Funding and Project Cost Verification

The project is within cost.

\$1,253,000 total estimated project cost

\$44,000 project costs previously allocated: preliminary plans -- \$44,000 at CCCI 4328

\$1,209,000 project cost to be allocated: working drawings -- \$58,000 at CCCI 4328 and construction -- \$1,151,000 at CCCI 4328

CEQA

The University certifies that the project is in compliance with the requirements of CEQA. A Categorical Exemption was filed with the State Clearinghouse on January 29, 2004.

Due Diligence

California State University (CSU), on behalf of the CSU Trustees, is vested with the authority for management of the property for the benefit of the university and acknowledges that they have full responsibility for reviewing and clearing due diligence title issues for general obligation bond funded projects.

Project Schedule

The project schedule is as follows:

Complete Preliminary Plans:	April 2006
Begin Construction:	June 2006
End Construction:	September 2006

Staff Recommendation: Approve preliminary plans

CONSENT ITEM

CONSENT ITEM – 11

CALIFORNIA STATE UNIVERSITY (6610)
EAST BAY CAMPUS, ALAMEDA COUNTY
Student Services Replacement Building

Authority: Chapter 38/39, Item 6610-301-6041 (2.5)

Approve preliminary plans
APPROVED: 3/0

CONSENT ITEM

STAFF ANALYSIS ITEM – 11

California State University, East Bay
Student Services Replacement Building

Action requested

The requested PWB action will provide approval of preliminary plans.

Scope Description

The project is within scope. This project will build a replacement building (65,000 ASF/100,000 GSF) for the upper floors of CSU East Bay (Hayward), Warren Hall that will house the student services and administrative functions of the university, including enrollment services, financial aid, career development center, the provost, campus data center, academic and administrative services offices. This project is part of a rescoping approach to address the seismic deficiencies and asbestos risks associated with Warren Hall by constructing this replacement building that will provide space to move activities and people from the top eight floors of Warren Hall.

Funding and Project Cost Verification

The project is within cost.

Funding and Project Cost Verification

\$42,361,000 total estimated project cost

\$749,000 project costs previously allocated: preliminary plans -- \$749,000 at CCCI 4328

\$41,612,000 project cost to be allocated: working drawings -- \$902,000 at CCCI 4328, construction -- \$38,938,000 at CCCI 4633, and equipment -- \$1,772,000 at EPI 2726

CEQA

The University certifies that the project is in compliance with the requirements of CEQA. A Categorical Exemption was filed with the State Clearinghouse on March 15, 2005.

Due Diligence

California State University (CSU), on behalf of the CSU Trustees, is vested with the authority for management of the property for the benefit of the university and acknowledges that they have full responsibility for reviewing and clearing due diligence title issues for general obligation bond funded projects.

Project Schedule

The project schedule is as follows:

Complete Preliminary Plans: April 2006

Begin Construction: April 2007

End Construction: April 2009

Staff Recommendation: Approve preliminary plans

CONSENT ITEM

CONSENT ITEM – 12

**CALIFORNIA COMMUNITY COLLEGES (6870)
COAST COMMUNITY COLLEGE DISTRICT
ORANGE COAST COLLEGE, ORANGE COUNTY**
Seismic Retrofit Library Demolition

Authority: Chapter 379/02, Item 6870-301-0574 (.5)

Approve reversion
APPROVED: 3/0

\$1,449,000

CONSENT ITEM

STAFF ANALYSIS ITEM – 12

Coast Community College District
Orange Coast College, Orange County
Seismic Retrofit Library Demolition

Action Requested

The requested action will cancel the project and revert the construction funds.

Scope Description

The district has canceled the project. This project would have provided construction funds to demolish the old 40,346 assignable square feet (asf) library building on the Orange Coast campus. The district passed a \$370 million local bond measure in November 2002 to fund several local projects. To enable the district to properly manage these projects, they decided to cancel the demolition and seismically retrofit and remodel the old library into swing space for the other local projects with local bond dollars.

On March 24, 2006 the Department of Finance notified the chairs of the Joint Legislative Budget, the Senate Appropriations, and Assembly Appropriations Committees of its intent to approve this scope change after April 13, 2006.

Funding and Project Cost Verification

The project has been canceled.

\$1,449,000 total authorized project costs (construction at CCI 4019)

\$1,449,000 total estimated project costs

\$1,449,000 state funds to be reverted: (construction at CCI 4019)

CEQA

Not applicable.

Due Diligence

Community college districts are local entities and the state does not have title to their real property, hence districts acknowledge that they have full responsibility for clearing due diligence issues for general obligation bond projects.

Project Schedule

The project schedule is as follows:

Complete construction: Project canceled

Staff Recommendation: Approve Reversion

CONSENT ITEM

CONSENT ITEM – 13

**CALIFORNIA COMMUNITY COLLEGES (6870)
LOS ANGELES COMMUNITY COLLEGE DISTRICT
WEST LOS ANGELES COLLEGE, LOS ANGELES COUNTY**
Science Complex

Authority: Chapter 208/04, Item 6870-301-6041 (27)

Approve preliminary plans
APPROVED: 3/0

CONSENT ITEM

STAFF ANALYSIS –13

Los Angeles Community College District
West Los Angeles College, Los Angeles County
Science Complex

Action Requested

The requested action will approve preliminary plans for this project.

Scope Description

The project is within scope. This project will construct a 52,900 assignable (asf) science complex building. The project includes 13,350 asf lecture, 34,615 asf laboratory; 4,745 asf office, and 190 asf of other science related space.

Funding and Project Cost Verification

The project is within cost.

\$36,688,000 total authorized project costs

\$8,307,000 state project funds to be allocated: construction \$7,558,000 (\$6,805,000 contracts; \$349,000 contingency; \$404,000 construction management, administration, testing and inspection) at CCI 4100; and equipment \$749,000 at EPI 2564

\$564,000 local project costs previously allocated: preliminary plans \$564,000

\$27,817,000 local project funds to be allocated: preliminary plans \$340,000, working drawings \$1,162,000, construction \$25,567,000 (\$22,570,000 contracts; \$1,120,000 contingency; \$1,877,000 construction management, administration, testing and inspection) at CCI 4100; and equipment \$748,000 at EPI 2564

CEQA

This project has been identified in the college's Environmental Impact Report, state Clearinghouse #2004051112.

Due Diligence

Community college districts are local entities and the state does not have title to their real property, hence districts acknowledge that they have full responsibility for clearing due diligence issues for general obligation bond projects.

Project Schedule

The project schedule is as follows:

Approve working drawings:	November 2006
Complete Construction:	February 2008

Staff Recommendation: Approve preliminary plans

CONSENT ITEM

CONSENT ITEM – 14

**CALIFORNIA COMMUNITY COLLEGES (6870)
LOS RIOS COMMUNITY COLLEGE DISTRICT
SACRAMENTO CITY COLLEGE, SACRAMENTO COUNTY**
North Gym Building Modernization

Authority: Chapter 38/05, Item 6870-301-6041 (19)

Approve preliminary plans
APPROVED: 3/0

CONSENT ITEM

STAFF ANALYSIS –14

Los Rios Community College District
Sacramento City College, Sacramento County
North Gym Building Modernization

Action Requested

The requested action will approve preliminary plans for this project.

Scope Description

The project is within scope. This project modernizes 28,795 assignable square feet (asf) comprised of 27,453 asf physical education, 637 asf office, and 615 asf laboratory. Design refinements in preliminary plan development resulted in a total modernization project of 29,615 asf comprised of 28,161 asf physical education, 704 asf office, and 750 asf laboratory.

Funding and Project Cost Verification

The project is within cost.

\$5,462,000 total authorized project costs

\$42,000 state project costs previously allocated: preliminary plans \$42,000

\$2,962,000 state project funds to be allocated: working drawings \$32,000, construction \$2,930,000 (\$2,341,000 contracts; \$266,000 contingency; \$293,000 construction management, administration, testing and inspection) at CCI 4328

\$191,000 local project costs previously allocated: preliminary plans \$191,000

\$2,267,000 local project funds to be allocated: working drawings \$152,000, construction \$1,890,000 (\$1,890,000 contracts) at CCI 4328; and equipment \$225,000 at EPI 2649

CEQA

A Categorical Exemption was filed with the state Clearinghouse on August 8, 2005 and the waiting period expired on Sept 11, 2005.

Due Diligence

Community college districts are local entities and the state does not have title to their real property, hence districts acknowledge that they have full responsibility for clearing due diligence issues for general obligation bond projects.

Project Schedule

The project schedule is as follows:

Approve working drawings:	October 2006
Complete Construction:	January 2008

Staff Recommendation: **Approve preliminary plans**

CONSENT ITEM

CONSENT ITEM – 15

CALIFORNIA COMMUNITY COLLEGES (6870)
YUBA COMMUNITY COLLEGE DISTRICT
YUBA COLLEGE, YUBA COUNTY
Liberal Arts Modernization

Authority: Chapter 38/05, Item 6870-301-6041 (50)

Approve preliminary plans
APPROVED: 3/0

CONSENT ITEM

STAFF ANALYSIS –15

Yuba Community College District
Yuba College, Yuba County
Liberal Arts Modernization

Action Requested

The requested action will approve preliminary plans for this project.

Scope Description

The project is within scope. This project will renovate 12,467 assignable square feet (asf) in the Liberal Arts Building/Building 1000. Space types in the project include 7,496 asf laboratory space, 3,787 asf lecture space, 556 asf office space and 628 asf of other space.

Funding and Project Cost Verification

The project is within cost.

\$3,557,000 total authorized project costs

\$229,000 state funds previously allocated: preliminary plans \$229,000

\$25,000 local funds previously allocated: preliminary plans 25,000

\$2,973,000 state funds to be allocated: working drawings \$135,000, construction \$2,838,000 (\$2,432,000 contracts; \$189,000 contingency; \$217,000 construction management, administration, testing and inspection) at CCI 4328

\$330,000 local funds to be allocated: working drawings \$15,000; construction \$315,000

CEQA

A Categorical Exemption was filed with state Clearinghouse on February 7, 2006 and the waiting period expired on March 14, 2006.

Due Diligence

Community college districts are local entities and the state does not have title to their real property, hence districts acknowledge that they have full responsibility for clearing due diligence issues for general obligation bond projects.

Project Schedule

The project schedule is as follows:

Approve working drawings:	April 2007
Complete Construction:	September 2008

Staff Recommendation: **Approve preliminary plans**

CONSENT ITEM

CONSENT ITEM – 16

**CALIFORNIA COMMUNITY COLLEGES (6870)
LOS ANGELES COMMUNITY COLLEGE DISTRICT
LOS ANGELES TRADE TECHNICAL COLLEGE, LOS ANGELES COUNTY
Building F Structural Repairs**

Authority: Chapter 38/05, Item 6870-301-6028 (1)

**Approve preliminary plans
APPROVED: 3/0**

CONSENT ITEM

STAFF ANALYSIS – 16

Los Angeles Community College District
Los Angeles Trade Technical College, Los Angeles County
Building F Structural Repairs

Action Requested

The requested action will approve preliminary plans for this project.

Scope Description

The project is within scope. This project corrects a structural deficiency of Building F at the Los Angeles Trade Technical College where the beams/girders supporting the roof were stressed beyond a point acceptable according to Title 24 construction standards.

Funding and Project Cost Verification

The project is within cost.

\$2,374,000 total authorized project costs

\$91,000 state funds previously allocated: preliminary plans \$91,000

\$2,283,000 state funds to be allocated: working drawings \$147,000, construction \$2,136,000 (\$1,832,000 contracts; \$128,000 contingency; \$176,000 construction management, administration, testing and inspection) at CCI 4328.

CEQA

This project has been identified in the college's Environmental Impact Report, state Clearinghouse #2003031103.

Due Diligence

Community college districts are local entities and the state does not have title to their real property, hence districts acknowledge that they have full responsibility for clearing due diligence issues for general obligation bond projects.

Project Schedule

The project schedule is as follows:

Approve working drawings: September 2006

Complete Construction: June 2008

Staff Recommendation:

Approve preliminary plans

CONSENT ITEM

CONSENT ITEM – 17

**CALIFORNIA COMMUNITY COLLEGES (6870)
LOS ANGELES COMMUNITY COLLEGE DISTRICT
LOS ANGELES PIERCE COLLEGE, LOS ANGELES COUNTY**
Physical Sciences Renovation

Authority: Chapter 38/05, Item 6870-301-6041 (17)

Approve preliminary plans
APPROVED: 3/0

CONSENT ITEM

STAFF ANALYSIS – 17

Los Angeles Community College District
Los Angeles Pierce College, Los Angeles County
Physical Sciences Renovation

Action Requested

The requested action will approve preliminary plans for this project.

Scope Description

The project is within scope. This project will renovate 36,482 assignable square feet (asf) of various physical science buildings. The renovation will include 2,747 asf laboratory, 28,526 asf lecture, 2,578 asf office, and 2,631 asf of other space.

Funding and Project Cost Verification

The project is within cost.

\$7,569,000 total authorized project costs

\$171,000 state project costs previously allocated: preliminary plans \$171,000

\$3,614,000 state project funds to be allocated: working drawings \$47,000, construction \$2,942,000 (\$2,594,000 contracts; \$174,000 contingency; \$174,000 construction management, administration, testing and inspection) at CCI 4328; and equipment \$625,000 at EPI 2649.

\$186,000 local project costs previously allocated: preliminary plans \$186,000

\$3,598,000 local project funds to be allocated: working drawings \$227,000, construction \$2,942,000 (\$2,594,000 contracts; \$174,000 contingency; \$174,000 construction management, administration, testing and inspection) at CCI 4328; and equipment \$429,000 at EPI 2649

CEQA

This project has been identified in the college's Environmental Impact Report, state Clearinghouse #2002021004.

Due Diligence

Community college districts are local entities and the state does not have title to their real property, hence districts acknowledge that they have full responsibility for clearing due diligence issues for general obligation bond projects.

Project Schedule

The project schedule is as follows:

Approve working drawings:	September 2006
Complete Construction:	June 2008

Staff Recommendation: **Approve preliminary plans**

ACTION ITEM

ACTION ITEM – 18

**CALIFORNIA SCIENCE CENTER (1100)
CALIFORNIA SCIENCE CENTER, PHASE II
LOS ANGELES COUNTY**

Authority: Food and Agriculture Code Section 4101.3

- a. In order to facilitate the California Science Center Foundation's financing of a portion of a Phase II facility for the California Science Center, consider allowing the California Science Center to utilize a private payments analysis for compliance with the private activity limitations on the State Public Works Board lease revenue bonds, 1997 Series A, California Science Center (the "Bonds"). If this policy matter is concluded in the affirmative, at a minimum, staff recommends the following assurances be provided in the documents:
1. Require the California Science Center Foundation to give the Board a broad tax covenant relative to preserving the tax-exempt status of the Board's Bonds;
 2. Require the California Science Center Foundation to indemnify the Board related to the tax covenant;
 3. Require the California Science Center Foundation to fund its indemnity obligation to the Board ~~to some degree~~;
 4. Require regular reporting of private payment activity (as defined in Section 141 of the Internal Revenue Code) to the Board and State Treasurer together with expert certification, at least annually, that the tax-exempt status of the Bonds has not been impaired.
- b. Approve and authorize consent to the form of Joint Operating Agreement in substantially the same form as presented with such changes as the Board's counsel may deem appropriate.
- c. Approve form of and authorize execution of a Cooperation Agreement by and between the California Science Center Foundation and State Public Works Board in substantially the same form as presented with such changes as the Board's counsel may deem appropriate.

EACH PART VOTED AND APPROVED: 3/0. PLEASE SEE ACTION ITEMS IN THE WITH ONE REWORDING OF BULLET 'A' SUBSECTION '3' TO NOW READ AS FOLLOWS:

3. **Require the California Science Center Foundation to fund its indemnity obligation to the Board at one million dollars.**

ACTION ITEM

STAFF ANALYSIS ITEM – 18

California Science Center
California Science Center Phase II

Action requested

The requested action will provide direction and decide certain policy issues with respect to the Board's Lease Revenue Bonds, 1997 Series A, California Science Center which arise as a result of a proposed financing by the California Science Center Foundation to support the construction of an addition to the Board's financed facility.

Background Information

In 1997 the State Public Works Board ("Board") issued its \$37,770,000 State Public Works Board of the State of California Lease Revenue Bonds, 1997 Series A, California Science Center ("Bonds"). The Bonds financed construction of the main museum building and related pavilion (the "Phase I Facility"), which was leased by the Board to the California Science Center ("Center") pursuant to a Facility Lease. The Bonds were issued as tax-exempt bonds and it is essential that no actions be taken with respect to the Phase I Facility that could adversely affect their tax-exempt status. The Board and the Center have covenanted to take no action that would cause or permit the Bonds to be considered Private Activity Bonds within the meaning of the Internal Revenue Code.

The California Science Center Foundation ("Foundation"), a non-profit 501(c)(3) organization, is proposing to issue one or more series of bonds through the State Infrastructure Bank ("Phase II Bonds") to be used to finance the construction of a new three story addition to the Phase I Facility and other related project components ("Phase II Facility"). Authorization for the Center to enter into the lease with the Foundation for the Phase II Facility is contained in Section 4101.3 of the Food and Agriculture Code ("Section 4101.3"). Section 4101.3 provides that the Center will enter into a lease-leaseback arrangement with the Foundation and the State will pay approximately \$23,000,000 (plus certain financing costs associated with the Phase II Bonds) and at the end of the term of the lease the State will own the Phase II Facility. Section 4101.3 provides among other things that this lease purchase arrangement must be "compatible" with the Phase I Bonds. To accomplish the Phase II financing, a certain portion of the Phase I Facility is required to be "released" from the Board's Phase I leases in order to become part of Phase II; this matter is the subject of the second Action Item.

The Foundation's financing team has developed a financing structure that is much more complex than originally presented to the state at the time Section 4101.3 was passed. This new structure, which we will term the "revenue structure" as opposed to the "lease structure" originally envisioned, has created both tax and financing issues that, if not properly addressed, can potentially threaten to adversely affect the Bonds for the Phase I Facility.

(Continued on next page)

The current level of issues and concern stems, in large part, from the demands of the revenue structure that the Phase II financing team has adopted. The Foundation is proposing to issue tax exempt bonds of approximately \$80 million to pay for the costs of the Phase II Facility. This is a much larger amount than would be secured by the state's lease purchase payments of approximately \$23 million. In addition to the state's lease payments, the Foundation is required to demonstrate the "revenues" the Foundation derives from operating the gift shops, food service and conference facilities located in the Phase I Facility and any revenues it may generate from the Phase II Facility can support the Foundation's payments on the Phase II Bonds. The pledges and contributions raised by the Foundation will be placed in its endowment and invested at an unrestricted yield. Such earnings will be available to pay the new Phase II Bonds, but in order to maintain the unrestricted earnings ability of the endowment, these amounts will not (and must not) be "pledged" to the Phase II Bonds.

When the Board's Bonds were issued in 1997, the Board was aware that the Foundation and Center planned to enter into an arrangement by which the Foundation would operate some of the features and functions located within the Phase I Facility ("Operating Agreement"). The Operating Agreement was reviewed by the Board's Bond Counsel and provisions were included to ensure the Operating Agreement did not cause problems with the tax exempt status of the Bonds. However, the Foundation's chosen revenue structure requires the Board agree to certain substantive changes in the Operating Agreement between the Center and the Foundation relative to the operations of the Phase I Facility since the Operating Agreement is a key security feature for the marketability of the proposed Phase II Bonds.

The parties agree that the currently proposed Operating Agreement creates what the tax law calls "private business use" of the Phase I Facility by the Foundation. While a non-profit organization, for tax purposes the Foundation is treated as a private user of the Phase I Facility because it is not a governmental entity. There is a 10% limit on private business use of a bond financed facility such as the Phase I Facility; this limit would be exceeded based on the terms of the Operating Agreement. One way the private business use could be addressed is to put the Operating Agreement into a Federal tax "safe harbor" by adding a provision to provide for a 30 day automatically renewing term.

But, because the revenue structure selected for the Phase II financing relies on revenues derived by the Foundation from its use of the Phase I Facility to support the issuance of the Phase II Bonds, such a short term renewal feature is unacceptable to the Foundation which indicates a long term (25 year) Operating Agreement is necessary for security for the Phase II Bonds.

"Private business use" is only one part of the Private Activity Bond test; however, up to this point the Board's policy position has been that all its bond financed facilities should not exceed the private use limitations of the Private Activity Bond test. This position is consistent with the majority of governmental issuers. However, in an effort to comply with the provisions of Section 4101.3 and in an effort to accommodate the Foundation's proposed revenue structure, we will outline and ask the Board's consideration to approve compliance with another component of the Private Activity Bond test – known as "private payments".

(Continued on next page)

Policy Issue Regarding Private Use/Private Payments components of the Private Activity Bond Test

As noted above, the currently proposed Operating Agreement likely results in private business use of the Phase I Facility by the Foundation. It is not clear what percentage of private business use of the Facility, and thus of the Bonds, results from the Agreement. However, assuming (as we do) that the Agreement results in private business use, the percentage of that private business use is significantly greater than 10%, possibly as great as 100%. (For example, the federal tax regulations state that “a governmentally owned facility that is leased or managed by a nongovernmental person in a manner that results in private business use is treated as entirely used [i.e., 100%] for a private business use.” Treas. Reg. §1.141-3(g)(4)(iii).) On this basis, it becomes necessary to determine whether the private payment/security limit is exceeded.

Private Payment/Security Limit

The private payment/security limit is exceeded if either the private payment limit or the private security limit is exceeded. Private security generally includes any security interest in property, such as a mortgage, used for a private business use (i.e., used by an entity, such as the Foundation, that is not a state or local governmental entity). Private security also includes a security interest in payments derived from property used for a private business use. The property with respect to which the private security arises need not be the bond-financed property, but can be any property used for a private business use. As applied here, there are no security arrangements with respect to the Bonds that could be treated as private security.

The other limit that must be satisfied to preserve the tax-exempt status of the Bonds is the private payment limit. In general, this limits the amount of private payments that can be received by an issuer with respect to a governmental bond issue to 10% of the amount of proceeds that was derived from the sale of the bonds.

The private payments (described below) that are taken into account are those received by the issuer (Board) or a related person to the issuer (e.g., Center or the state). The private payment limit is applied on a present value basis by discounting all private payments back to the issuance date of the bonds using the yield of the bond issue as the discount rate.

The private payments subject to this limit include both direct and indirect payments made by any nongovernmental person (i.e., private person, including non-profit organizations, such as the Foundation) that is treated as using the bond-financed facility. These payments can take any form, such as cash or property. In addition, the payments taken into account can be received from any person with respect to the facility, not just from the private business user (i.e., the Foundation in the case of the Facility). For example, if revenues from the public visiting the Phase I or Phase II Facility were paid to the state or Science Center, those revenues would constitute private payments.

In applying the private payment limit, the amount of private payments can first be reduced by the amount of certain costs, generally operating and maintenance costs (“O&M Costs”), paid by the bond issuer (or related person) with respect to the bond-financed facility. This is a helpful rule as it can reduce the amount of private payments that are subject to the above limits.

In the case of the Phase I Facility, there are several forms of potential private payments: (1) Improvements to exhibits owned or to be owned by the Center, (2) Concession revenues, and (3) Improvements to Phase I Facility.

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Another potential private payment could result if the Foundation were ever disbanded. Currently, the majority of exhibits located in the Phase I Facility are actually owned by the Foundation and the current Operating Agreement provides that these exhibits would be transferred to the state if the Foundation ceased to operate. Because such transfer would be treated as a private payment, the proposed version of the Operating Agreement provides that the state may reject such exhibits, thus avoiding private payment, but perhaps also losing access to such exhibits.

Discussion

Up to this point the Board's policy position has been that all its bond financed facilities should not exceed the private use limitations of the Private Activity Bond analysis. Thus, as a threshold policy question: is the Board willing to permit the Center to enter into an Operating Agreement that creates private use, thus moving beyond the "safety zone" set out in all other existing Board financings regarding private use?

If Board is not willing to accept this proposal from the Center, the Foundation may have to fundamentally alter its arrangements regarding operating the Phase I Facility and the structure of the Phase II financing.

If the Board is willing to accept the Operating Agreement creating "private use", and rely on the Foundation and Center to operate within the bounds of the private payment test, staff recommends the Board receive adequate assurances from both the Center and the Foundation in the Operating Agreement and other pertinent documents related to the Phase II Bonds to the effect that:

- The Foundation provide a broad tax covenant to the Board that would provide the Board with a direct right to sue the Foundation for breach of the covenant. (The Board has this right in its Facility Lease related to the Phase I Facility as against the Center.)
- The Operating Agreement contain a provision requiring Foundation to indemnify the Center and the Board due to any breach by the Foundation. This indemnity could be partially funded from a minimum \$1 million of Foundation funds held separate and apart from amounts pledged to pay the Phase II Bonds.
- Require an initial determination of the level of private payments made to date (there is a threshold level of private payment that exists to date because of payments received by Center from private operators in the Phase I Facility (McDonalds) and from proposed improvements to the Phase I Facility to be made by the Foundation as part of the design of the Phase II Facility, then require regular (quarterly) reporting by both the Center and Foundation updating the private payment information and, at least annually require the Center and Foundation to provide expert certification that the tax exempt status of the Bonds has not been impaired

Adoption of the recommendations will impose increased monitoring responsibilities on the Board staff and consultants through the term of the Bonds which mature on October 1, 2022.

The Board's staff and legal counsel have reviewed the form of Operating Agreement presented at this meeting and believes the terms and conditions therein fairly reflect the above noted staff recommendations, as such. Based only upon the unique facts presented in this situation, should the Board wish to depart from it's well established reliance on the private use component of the Private Activity Bond test and rely on the private payments component of the test, staff presents the following recommendation.

Staff Recommendation:

- a. In order to facilitate the California Science Center Foundation's financing of a portion of a Phase II facility for the California Science Center, consider allowing the California Science Center to utilize a private payments analysis for compliance with the private activity bond limitations on the Bonds. If this policy matter is concluded in the affirmative, at a minimum, staff recommends the following assurances be provided in the documents:
 1. Require the California Science Center Foundation to give the Board a broad tax covenant relative to preserving the tax-exempt status of the Board's Bonds;
 2. Require the California Science Center Foundation to indemnify the Board related to the tax covenant;
 3. Require the California Science Center Foundation to fund its indemnity obligation to the Board to some degree;
 4. Require an initial determination and regular reporting of private payment activity (as defined in Section 141 of the Internal Revenue Code) to the Board and State Treasurer together with expert certification, at least annually, that the tax-exempt status of the Bonds has not been impaired.
- b. Approve and authorize consent to the form of Joint Operating Agreement in substantially the same form as presented with such changes as the Board's counsel may deem appropriate.
- c. Approve form of and authorize execution of a Cooperation Agreement by and between the California Science Center Foundation and State Public Works Board in substantially the same form as presented with such changes as the Board's counsel may deem appropriate.

ACTION ITEM

ACTION ITEM – 19

**CALIFORNIA SCIENCE CENTER (1100)
CALIFORNIA SCIENCE CENTER, PHASE I
LOS ANGELES COUNTY**

Authority Government Code Section 15809, Section 16 of the Site Lease, Section 22 of the Facility Lease, and Sections 5.03 and 5.11 of the Master Indenture

- a. **Authorize execution of the First Amendment to Site Lease and Easement Agreement and First Amendment to Facility Lease by and between the State Public Works Board and the California Science Center, for the State Public Works Board Lease Revenue Bonds, 1997 Series A, California Science Center, in substantially the form as presented with such changes as the Board's counsel may deem appropriate. These lease amendments remove a portion of the improved site from the 1997 Series A financing and will only become effective when the document referenced in (c) below is executed and recorded.**
- b. **Approve the form of and authorize execution of the Board's Certificate in support of the above referenced First Amendment to Site Lease and Easement Agreement and First Amendment to Facility Lease with such changes as the Board's counsel may deem appropriate.**
- c. **Approve the form of and authorize the execution of an Irrevocable Right of Entry, Easement, Access and Use Agreement by and among the California Science Center Foundation, the California Science Center and the State Public Works Board in substantially the form as presented with such changes as the Board's counsel deems appropriate.**
- d. **Consent to the form of Right of Entry and Consent Permit by and between the California Science Center and the California Science Center Foundation in substantially the form as presented with such changes as the Board's counsel may deem appropriate.**

FURTHER AMMENDMENTS WERE NEEDED FOR THIS ITEM. CONCEPT WAS PUT FORTH FOR APPROVAL, BUT NO VOTE WAS TAKEN. ITEM POSTPONED UNTIL MAY SPWB MEETING

ACTION ITEM

STAFF ANALYSIS ITEM – 19

California Science Center
1997 Series A
California Science Center Phase I

Action requested

Authorize in concept the release of approximately 11,000 square feet of the existing Phase I Facility, with specific authorization of the necessary lease amendments, certificates and other supporting documents to be scheduled for action at the Board's regular May meeting.

Background Information

In 1997 the State Public Works Board ("Board") issued its \$37,770,000 State Public Works Board of the State of California Lease Revenue Bonds, 1997 Series A, California Science Center ("Bonds"). The Bonds financed the construction of the main museum building and pavilion ("Phase I Facility"), which was leased by the Board to the California Science Center ("Center") pursuant to a Facility Lease.

As noted in the prior Action Item, the California Science Center Foundation ("Foundation") is proposing to issue one or more series of bonds through the State Infrastructure Bank ("Phase II Bonds") to be used to finance the construction of a new three story addition to the Phase I Facility and other related project components ("Phase II Facility"). Authorization for the Center to enter into the leases with the Foundation for the Phase II Facility is contained in Section 4101.3 of the Food and Agriculture Code ("Section 4101.3"). The Center has requested the Board remove approximately 11,000 square feet of the existing Phase I Facility from the property subject to the Center's Site and Facility Leases so that such released property can be used as part of the footprint of the Phase II Facility.

Section 4101.3 states that the lease-purchase agreement entered into between Center and the Foundation should be "... on terms that are compatible with the Phase I Project financing." Hence, in order to address the "compatibility" issue (as it relates to real estate) and to assist the Board in acting on the Center's request to release a portion of property from the Phase I Facility, the Department of General Services ("DGS") has been requested to assess whether the Phase I Facility can be re-let in the event of default by the Center since the Phase I Facility and the Phase II Facility will comprise a single building. This factual determination will give assurance that the construction of the Phase II Facility and the related property release does not appear to substantively alter the range of remedies available to the Board and, thus is not incompatible with the Phase I Facility financing. Written backup from DGS on these matters has yet to be finalized.

Sections 5.03 and 5.11 of the Master Indenture for the Bonds contain provisions limiting sale or disposition of the facilities financed with bond proceeds, but permit such release of the property if the State Treasurer, as Trustee, concludes that it will not result in a material impairment of the security given to the holders of the Bonds.

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The Center and Foundation propose to provide the Board an irrevocable right of entry and easement ("Right of Entry") to all aspects of the released property and the Phase II Facility integral to the operation of the Phase I Facility. The Right of Entry is necessary since certain equipment and infrastructure needed to operate the Phase I Facility are located within the portion of the Phase I Facility requested to be released; this equipment and infrastructure will be located within the Phase II Facility upon completion of that project. In addition, the Right of Entry will be recorded and will provide the Board rights of entry even if the Foundation or Center has defaulted on their obligations.

Given the significance of the Right of Entry in supporting the requested release, the proposed amendments to the Board's Site and Facility Leases will provide that execution and recordation of the Right of Entry is a condition precedent to the effectiveness of the proposed lease amendments. Staff has been advised that once the Right of Entry is recorded in the public records, it should prevail against future lien holders of the Phase II Facility. A legal opinion from Center's counsel states that the Right of Entry provides the Board with the right of access on the released parcel and the Phase II Site at least equivalent to the access currently possessed by the Board.

It should be noted that previous "releases" done by Board and the Treasurer have generally involved unused real property adjacent to a bond financed facility. To date, the Board has not released improved property for use and development by a third-party, non-state entity such as the Foundation. While staff believes the Right of Entry will provide adequate safeguards and addresses certain limitations set forth in the Bond indenture relative to release of a portion of the Facility, it must be pointed out that the nature of this requested release coupled with the extent of the modifications to the Phase I Facility in order to accomplish the design for the Phase II Facility go far beyond the mere release of unoccupied land which was the subject of prior releases.

The Center advises it will provide certifications to the Treasurer and the Board supporting their request. Special Counsel to the Board will provide a legal opinion that based on the facts set forth in such certificates there is a reasonable basis for the Board and Treasurer to conclude that the release will not result in a material impairment of the security given for payment of the Bonds. Counsel to the Center and Foundation will provide legal opinions as to the effectiveness and enforceability of the Right of Entry. Center and Foundation counsel opinions have not yet been finalized.

Board staff has worked diligently to finalize the form of the various opinions, certifications, and lease amendments necessary for the Board to authorize the requested property release; however, not all of the documents or certificates are in a final form. Further, staff has learned that the Center's governing Board has not fully been briefed as to the impact and extent of the proposed release and the documents their staff is required to execute in order to effectuate the release. Accordingly, at this time, staff requests the Board approve the requested release of a portion of the Phase I Facility in concept with specific authorization of the release documents to occur at the Board's regular May meeting.

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Staff Recommendation: The requested action will approve in concept the release of the necessary property to facilitate the Foundation's financing. Staff will bring back to the board next month final approval of the following documents:

- (1) First Amendment to Site Lease and First Amendment to Facility Lease by and between the State Public Works Board and the California Science Center, for the 1997 Series A Lease Revenue Bonds, California Science Center,**
- (2) The Board's Certificate in support of the above referenced First Amendment to Site Lease and First Amendment to Facility Lease with such changes as the Board's counsel may deem appropriate,**
- (3) The form of and execution of an Irrevocable Right of Entry, Easement, Access and Use Agreement by and between the Science Center Foundation, the California Science Center and the State Public Works Board, and**
- (4) Consent to a Right of Entry Permit by and between the Science Center Foundation and the Science Center.**

OTHER BUSINESS

OTHER ITEM –

None.

REPORTABLES

To be presented at meeting.

Respectfully Submitted
By:

KAREN FINN
Administrative Secretary