



CALIFORNIA STATE
PUBLIC WORKS BOARD

EDMUND G. BROWN JR. • GOVERNOR

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STATE PUBLIC WORKS BOARD

June 10, 2011

MINUTES

PRESENT:

Mr. Pedro Reyes, Chief Deputy Director, Policy, Department of Finance
Mr. Scott Harvey, Chief Deputy Director, Department of General Services
Mr. Martin Tuttle, Deputy Director of Planning and Modal Programs, Department of Transportation

STAFF PRESENT:

Greg Rogers, Administrative Secretary
Theresa Gunn, Assistant Administrative Secretary
Chris Lief, Assistant Administrative Secretary
Stephen Benson, Budget Analyst
Carlos Ochoa, Budget Analyst
Madelynn McClain, Budget Analyst
Deborah Cregger, Staff Counsel

CALL TO ORDER AND ROLL CALL:

Mr. Pedro Reyes, Chairperson of the Board and of the Department of Finance, called the meeting to order at 10:00 a.m. Mr. Greg Rogers, Administrative Secretary for the Board, called the roll. A quorum was established.

The first order of business was approval and adoption of the minutes from the May 13, 2011 meeting. Mr. Rogers reported Board staff had reviewed and recommended approval and adoption of the minutes.

A motion was made by Mr. Harvey and seconded by Mr. Reyes to approve and adopt the minutes. The minutes were approved by a 2-0 vote. Mr. Harvey abstained.

BOND ITEMS:

There were no Bond Items on this month's agenda.

CONSENT ITEMS:

The second order of business was the Consent Calendar. Mr. Rogers stated the Consent Calendar consists of Items 1 through 7.

- 1 request to accept a no cost acquisition [Item 1]
- 2 requests to authorize site selection [Item 2, 3]
- 1 requests to authorize the Department of Corrections' execution of a Memorandum of Understanding for site access with the County of San Bernardino and recognize revised project costs [Items 4]

- 1 request to (1) approve preliminary, (2) authorize the CDCR's execution of a ground lease with the County of Stanislaus, (3) authorize the CDCR's execution of an Easement Agreement for Grants of Access, Utilities, and Repairs with the county of Stanislaus [item 5]
- 1 requests to approve preliminary plans, recognize revised project costs, approve the use of inmate/ward labor [Item 6]
- 1 request to approve preliminary plans, an increase within appropriation, and a reversion of project savings [Item 6]
- 1 request to approve preliminary plans [Item 7]

Staff recommended approval of Consent Items 1 through 7.

Mr. Harvey asked the Administrative Office of the Courts to consider purchasing property outside of the Tahoe Regional Planning Agency (TRPA) for Consent Items 2 and 3 as it adds another layer of governmental review. Mr. Harvey stated that purchasing land and constructing a building within the TRPA could restrict the development. Mr. Rogers stated that we would work with the AOC to address this issue.

There were no comments or questions from the public.

A motion was made by Mr. Harvey and seconded by Mr. Tuttle to approve Consent Calendar Items 1 through 7. The Consent Items were approved by a 3-0 vote.

ACTION ITEMS:

Mr. Rogers informed the Board there were 2 Action Items on this month's agenda.

ACTION ITEM 1: Action Item #1 is for the Department of General Services, surplus property sale of the Department of Corrections and Rehabilitation's Fred C. Nelles Youth Correctional Facility, located in the City of Whittier, County of Los Angeles.

Mr. Rogers stated that if approved, this item would adopt a resolution to approve the sale of the property provided the sale will not close escrow and title will not be transferred until the portion of Board's outstanding bonds that financed a building have been defeased, and approve the form of termination and waiver agreements associated with the related financing leases, which are intended to be authorized for execution at a later date prior to the close of escrow. Government Code authorizes the Director of the Department of General Services (DGS), with the approval of the Board, to sell, exchange, or lease for current market value, or for any lesser consideration authorized by law, all or part of approximately 74-75 acres located at Fred C. Nelles Youth Correctional Facility. The state has determined that the property is not needed for any current or future program purposes, and declared it surplus to the state's needs in 2004.

Mr. Rogers noted that in April 17, 2009 DGS issued a Request for Proposal to sell the entire site and received 9 responses. In April 2010 DGS selected the preferred buyer, Brookfield Homes. The sale of this property is estimated at \$42.5 million.

Mr. Rogers also indicated that Board has outstanding lease-revenue bonds with an approximate amount of \$2,785,000 for construction of a vehicle repair and storage facility located at the Nelles Facility. Defeasance of the outstanding bonds that financed the repair and storage facility will need to occur prior to closing escrow and title transferring to the preferred buyer. The costs to defease the bonds will be deducted from the deposit made by the buyer. It is anticipated that escrow would close within 24 to 36 months after Board approval of this item. A separate item will be brought to the Board for action prior to the close of escrow requesting that the Board authorize defeasance of the bonds encumbering the property, and authorize execution of all necessary defeasance documents.

Finally, Mr. Rogers noted that the Board had received letters of support and of concern regarding the potential historic buildings on the site.

Mr. Robert McKinnon, Assistant Branch Chief, Asset Management Branch, Real Estate Division of the Department of General Services provided an overview of the sale of the Fred C. Nelles Youth Correctional Facility. Mr. McKinnon discussed how these transactions are typically handled with large high-value state surplus properties. The asset enhancement process begins with DGS entering into a contract with a buyer and the buyer then getting entitlements from the City. They are responsible to get these entitlements as opposed to selling the property as-is. The state will recognize a higher value by taking the time to enter into the entitlement process. Once the purchase contract is executed, the buyer submits their application to the City for the project. This ensures the property will be used for its intended purposes as agreed to in the contract.

Mr. McKinnon noted that they were consulting with the State Historic Preservation Office to determine which buildings on the property need to be preserved. The historic issue will be addressed through the CEQA process.

Mr. Harvey asked if the purchase contract was finalized. Mr. McKinnon stated that it was complete and ready to be signed once the Board took action to authorize the Director of the Department of General Services to sign the deal. Mr. McKinnon noted that the purchase contract included performance provisions to ensure that the state shares in any excess profits materialized from a higher density project.

Mr. Jeff Collier, Assistant City Manager, City of Whittier, indicated that there was draft plan for the area that establishes the zoning land uses and development standards for this parcel. This allows flexibility for mixed land uses. Mr. Harvey asked if there were any ordinances in the general plan regarding the historic buildings on site. Mr. Collier stated that the City did.

Mr. Harvey asked whether or not the Redevelopment Agency had a contingency plan in place in case the RDAs were eliminated. Mr. Collier indicated that once the Board took action to allow the purchase contract to be signed, the buyer could then access those dollars for the project. Additionally, the City Council could make a finding for blight in this area. This project is in a Redevelopment Project Area. Had the RDAs been abolished, the buyer would not have access to these funds to assist with the site.

Mr. Tony Rice, Rice/Englander & Associates, stated that the draft language proposed with the Governor's Budget contained a provision allowing a review of current projects. This project would have stood the test as it had been in process for many years.

Mr. Tuttle asked if would take approximately 2 to 3 years for the entitlement process. Mr. Collier indicated that it was a worst case scenario and that they would work with the surrounding neighborhoods for concerns. A concept plan has been drafted, but a final plan has not been submitted. Mr. Tuttle asked if film industry provided revenue to use the buildings on this property. Mr. Collier noted that the state allows film companies to use surplus property sites for free. Mr. Greg Nordbak, Councilman, City of Whittier, stated that the City would do everything in its power to make sure that the entitlement process didn't take 2 to 3 years.

Mr. Tuttle asked about the non-refundable deposit, as shown in the purchase contract. Mr. Rick Couco, Director of Land Acquisition, Brookfield Homes, stated that the attorney for DGS suggested that the deposit is tied to the defeasance of bonds. Mr. Tuttle noted that the state would not get the deposit until the City approves the project in a couple of years and a lot a staff time would have already been expended. Mr. McKinnon noted that he would provide further information to the members regarding the deposit.

In summary staff recommended approval of the sale of the Fred C. Nelles Youth Correctional Facility, provided that the sale will not close escrow and title will not transfer until the portion of Board's outstanding 2000 Series B bonds that financed a building at the Facility have been defeased; and approve the form of the following agreements, which are intended to be authorized for execution, along with other defeasance documents, prior to the close of escrow.

There were no questions and or comments from the public.

A motion was made by Mr. Harvey and seconded by Mr. Reyes to approve Action Item 1. Action Item 1 was approved by a 2-1 vote (Mr. Tuttle voted No).

ACTION ITEM 2: Action Item 2, the California State University, San Diego, Love Library Addition.

In order to facilitate the removal of a portion of the real property inadvertently encumbered by a Site Lease and Facility Lease associated with the a San Diego State University library addition project financed with the Board's 1994 Series A lease revenue bonds and 1998 Series A lease revenue refunding bonds, the Board is being requested to consider adopting a Resolution to:

- a) Approve the form of and authorize the execution of a First Amendment to Site Lease between the Board and the Trustees of the California State University;
- b) Approve the form of and authorize the execution of a Second Amendment to Facility Lease between the Board and the Trustees of the California State University;
- c) Authorize other actions, including execution of necessary or advisable certificates or other documents in order to consummate the amendment of the above noted amendments to the Site and Facility Lease.

In short, the original site boundary is overly extensive and limits the master planned development of adjoining areas, including the improvements related to the future construction of the student union replacement facility. This would have no adverse effects on the bonds or bond holders.

Mr. Harvey asked about the excessive footprint of the building. Mr. Rogers indicated that this was inadvertent and when the title work was being finalized, it was overlooked.

In summary staff recommended adopting the resolution.

There were no questions and or comments from the public.

A motion was made by Mr. Harvey and seconded by Mr. Tuttle to approve Action Item 2. Action Item 2 was approved by a 3-0 vote.

OTHER BUSINESS

Mr. Rogers informed the Board that there were no items of Other Business

REPORTABLES:

Mr. Rogers informed the Board there were four reportable on this month's agenda.

NEXT MEETING:

Mr. Rogers announced the next meeting Public Works Board meeting is scheduled for **Friday, July 8, 2011, at 10:00 am, at the State Capitol, in Room 113.**

There were no comments or questions from the public.

The meeting was concluded at 10:40 am.