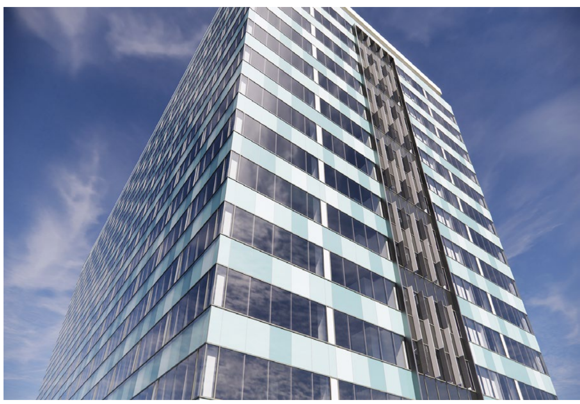
DGS CALIFORNIA DEPARTMENT OF GENERAL SERVICES

GOVERNMENT OPERATIONS AGENCY



2023

Department of General Services

REAL ESTATE STRATEGIC PLAN

Real Estate Services Division

DGS Real Estate Strategic Plan

Real Estate Strategic Plan Highlights

1. Multi-year success in the construction/renovation of Sacramento projects and in the divestment of non-Sacramento buildings (emphasizing affordable housing).

2. Integration of telework space planning principles into DGS' long-range planning.

3. Pivot towards adaptive reuse in Sacramento due to telework.

Plan Background and Overview

In 2015, DGS undertook a planning study of its portfolio of buildings. Using third-party consultants, DGS completed Facility Condition Assessments (FCA) of each building under the jurisdiction of the department. Given that concentration of state government in the greater Sacramento area, that region was prioritized first, with the balance of the state completed soon after. While these FCAs were not intended to be comprehensive infrastructure reviews, they did provide higher level assessments of building deficiencies and served as a basis for comparing those deficiencies across buildings. Upon completion of the study, a listing of DGS office buildings in order of deficiency was created and published.

In 2016, DGS published a Ten-Year Sequencing Plan that proposed a strategy for addressing its aging portfolio. The Sequencing Plan, focusing on buildings in and around Sacramento, incorporated projections for long-term office space needs, and established principles for DGS to follow in updating state office space. The Sequencing Plan recommended constructing three new state office buildings to expand the portfolio and accommodate the projected future growth. Doing so would allow DGS to relocate tenants from some of the most deficient buildings in the area, and then renovate the subsequently vacant building. This would continue, in a controlled sequence, until the portfolio's useful life was extended.

In establishing the order in which the portfolio would undergo renovations, DGS relied on the FCAs, building square footage, historicity, the opportunity for state agency consolidations, existing lease terms, and the priority of avoiding disrupting state operations via multiple relocations. In July 2016, DGS was provided funding and authorization to begin construction on two of the proposed new state office buildings. The third new construction project was authorized in July 2018, the same year that DGS was authorized to construct a fourth new building to serve as "swing space" to support the Capitol Annex project.

In 2019, DGS addressed its portfolio outside of Sacramento and published a Portfolio Plan. This Portfolio Plan makes a distinction between state-owned office buildings outside of Sacramento and those within the Sacramento portfolio. Sacramento, as the center of state government, has a dense concentration of state employees across dozens of departments. Further, while Sacramento certainly included site providing regional or local services to the public, governmental spaces are generally dominated by "headquarters" functions and the general support and administration of departments' statewide operations. In contrast, outside of the Sacramento area, state functions slant heavier toward field offices, local provision of services, or regional offices. The density of state employees in traditional office space is likewise markedly different, which impacts DGS' own building operations (the ability to find state tenants, the ability to adequately staff or share resources, etc.).

These distinctions required that DGS address its portfolio of buildings outside of Sacramento differently than it would Sacramento infrastructure. Accordingly, the DGS Sequencing Plan emphasized state ownership and is focused on the revitalization of existing infrastructure. In contrast, the Portfolio Plan provided an evaluation of the appropriateness of continued ownership of DGS-managed buildings and established the groundwork for this strategic plan with respect to state ownership of office space outside of Sacramento.[1]

In 2021, after several years of maintaining separate Sequencing and Portfolio Plans, DGS consolidated the two into a single Real Estate Strategic Plan. In doing so, the differences in approach between Sacramento and non-Sacramento buildings were maintained, and the basic recommendations of both plans remained intact. However, this consolidated plan 1) unified the two, 2) updated the recommendations considering current progress, 3) began to address the shift towards permanent telework, and 4) promoted the adaptive reuse of state office buildings.

Developments Impacting DGS' Long-Range Planning

Construction and Disposition Progress – Multi-Year Successes

As of July 2022, DGS has completed construction of the Clifford L. Allenby Building, the New Natural Resources Headquarters Building, and the 10th/O Office Building (Swing Space). The Richards Blvd Office Complex is well into construction, and the first three renovation projects (Resources, Unruh, and Bateson) have all successfully negotiated a Guaranteed Maximum Price and have begun construction utilizing Progressive Design Build as the delivery methodology.[2]

Outside of Sacramento, DGS is well underway in the execution of the recommendations in the Portfolio Plan. In early 2022, DGS awarded the San Diego State Office Building to the Michael's Corporation for redevelopment into housing.[3] The Fresno Water Resources Building is vacant and is slated for redevelopment as housing beginning in 2023. After two years of successful discussions with San Jose State University, DGS expects to transfer the Alfred E. Alquist Office Building to the university for demolition and redevelopment as faculty/staff housing in 2023. Further, DGS has begun the process of vacating the Stockton State Office Building and is working to transfer jurisdiction of the Redding State Office Building to the Department of Motor Vehicles to accommodate an area consolidation for the department.

Integration of Telework into Long-Range Planning

2020 Pandemic and the State Adoption of Telework

In 2020, after state government generally migrated to telework due to the COVID-19 pandemic, it appeared inevitable that there would be a permanent shift towards some degree of future telework. Fortunately, for the new buildings in construction and for the planned renovations, DGS had anticipated such a shift and designed its buildings to be telework-enabled. For example, the New Natural Resources Building will accommodate nearly 30 percent more

[1] Markets change, and the decision to divest from a building does not foreclose on future ownership in a given area. However, leasing can provide flexibility to account for future unknowns that ownership cannot.

[2] The 10th/O Office Building was the first pilot of the methodology by the state.

[3] This project, if constructed as envisioned, would be the single largest housing project in DGS' portfolio.

employees using the same number of workstations, which was accomplished at nearly no cost to the project.

The advent of large-scale, permanent telework will impact space considerations, and DGS is working with state departments to navigate that transition. DGS has instituted mandatory telework reviews for all new space requests (new construction and leases) and is actively helping departments consider consolidation opportunities. It is important to note however, that while telework may reduce the need for square footage at a given location, it is not always easy to give up space or to merge offices. IT considerations, lease terms, building exiting limitations, and information security/confidentiality can make realizing space savings due to telework more complicated than it would appear. Additionally, while a state program, today, may be able to eliminate space, it would be foolish to not account for realistic future growth and the likelihood of needing to absorb that space again in the future.

As such, despite a rapid adoption of emergency telework during the pandemic, a transition to a “new normal” will likely take a number of years and will likely happen in iterative steps. At the time of the drafting of this Strategic Plan update, state government in California is transitioning from emergency telework to non-emergency telework. At present, each department is able to develop a tailored approach to telework that best fits their operations and customer needs. However, there is no guarantee that policies and approaches developed in 2022 will not be revisited in the future, and DGS is already seeing departments adjust earlier plans.

Industry Space Trends and the Need for Patience
Just as state government is beginning to adjust to post-emergency telework, the larger design and commercial real estate industry is still grappling with telework adoption and long-range planning.

At present, commercial real estate and architectural space programming has not fully come to terms with the impact of telework. To illustrate the point, not all commercial leases were subject to termination during the onset of telework, with longer term leases still up for renewal, renegotiation, or termination in the future. This means that significant, perhaps even titanic shifts in that market are possible in the next five years (this is counterbalanced by the fact that commercial real estate is its own financial sector, with some companies using such holdings as integral to their balance sheets, decreasing the likelihood of a wholesale abandonment of office space). There are daily reports that employee expectations (bolstered by a competitive labor market) related to telework are creating recruitment and retention difficulties for those companies imposing arbitrary returns to the office requirements. The 2020 pandemic also resulted in a large number of telework-enabled relocations of the workforce nationwide, and those that moved during the pandemic, and are now unable to telework, are more likely to change employers than to re-relocate.

From a space program perspective, leading design firms are beginning to talk about workspaces on a continuum, rather than as a binary or hybrid construct. Office space, home-centric work, and so-called third spaces (places where work can be performed, such as in a coffeeshop or hotel lobby) are part of a workforce that is conceived of as fluid and mobile. These firms are also discussing the future of the “office” as flexible, modular, and amenity focused. In short, the concept is that whereas the office was a place where everyone had to go to complete their work, it is (to some degree), much more optional now. And, if the office is optional, then the office environment should be designed as flexible and reconfigurable to ensure a myriad of potential uses to make the trek to the office more beneficial and worthwhile to the employee.[4]

In short, while there is a great deal of conversation about the future, very little is settled. As such, it is premature to attempt to develop a binding framework for the implementation of state telework as it relates to space. However, DGS cannot afford to be reactive, given the time and cost involved with construction, lease execution/moves, building restacking, and the budget cycle.

While patience is necessary, DGS has forged ahead and developed space planning guidelines, is finalizing a screening tool to quickly and effectively evaluate an office building for conversion into housing, and is in the process of developing a workplace hub concept pilot, which is a highly flexible/modular[5] space that agencies can use in lieu of dedicated owned or leased space.

Moreover, DGS is constantly evaluating its portfolio in light of probable space impacts due to telework.

- For buildings outside of Sacramento, DGS' strategy of divestment is reaffirmed in light of likely reductions in space, existing vacancy, building deficiencies, the sharp increase in the cost of construction, and likely future decreases in commercial rents.

- For DGS' Sacramento portfolio, DGS anticipates a change in historic practices, including the strategic divestment of aging infrastructure that can be adaptively reused and the redirection of departments with the largest, contiguous leases into state-owned buildings. As such, this Strategic Plan recommends the completion, with modifications, of its renovation program in Sacramento to ensure that departmental space needs can be met in safe, modernized office spaces.

Telework and New Office Space Models

As just noted, DGS is constantly evaluating its portfolio of office buildings in light of departmental feedback/plans for telework. At present, DGS is predicting a two-model approach to office spaces in the future: Quasi-Traditional and Progressive.

- In the **Quasi-Traditional** model, the actual configuration of the space would look fairly similar to a traditional office building. This model would utilize a mix of modular furniture and office for employees, though shared workspaces or the use of hoteling/free address is assumed. The actual ratio of enclosed to open spaces would tend towards more enclosed spaces than a traditional office building, and the building would have a preponderance of flexible collaboration spaces throughout floors. The users of the Quasi-Traditional model would be departments that have minimum number of days in the office or a preponderance of employees that prefer to work regularly in the office.

[4] State government and private sector industries are not always directly comparable. However, DGS' own analysis of state office space needs has resulted in similar conclusions.

[5] "Modular" in that the spaces are designed in modules. The actual furniture is conventional, to maximize flexibility and reconfiguration.

- The **Progressive** model would be preferred by those departments with a heavy emphasis on telework, but that still requires an office environment for those employees that a) cannot or will not telework, and b) ad hoc use by teleworking employees. These spaces would have a higher concentration of enclosed spaces than is typical, though some spaces would be smaller and intended for one-on-one meetings or as quiet spaces for a videoconference. The open spaces would predominantly utilize conventional furniture and would have additional infrastructure requirements (such as a larger number of electrical drops) to accommodate a variety of uses.[6]

DGS future space plans will generally account for/align with one of the two models, in both state-owned and leased.

Adaptive Reuse of State Office Buildings

Adaptive reuse generally refers to the reuse an existing building for a purpose other than for which it was originally built or designed. For the purposes of this strategic plan, adaptive reuse of state office buildings is intended to mean the repurposing of a commercial office building into permanent, residential housing.

In the Sacramento region, DGS anticipates potentially being able to vacate and adaptively reuse some of its office portfolio. This would have the benefits of addressing a regional need for housing, avoid costly Capital Outlay projects, not inundate the area's commercial regional market with vacant office space, and allow for the honoring of the historicity of buildings in the portfolio. For buildings outside of Sacramento, DGS has already focused its divestment of its planned office buildings into housing. While the state's "new normal" could result in the need to divest of more buildings than currently planned, it could also result in a redirection of state agencies from leased spaces into state owned spaces via hubs.

Real Estate Planning Concepts and Principles

This strategic plan relies on a number of planning concepts and principles that govern the recommendations made. While the concepts and principles are subject to change over time, and while their application requires a degree of discretion and expertise, DGS believes the following to reflect an appropriate guide to decisions about the portfolio.

Operational Efficiency

- To generate operational and programmatic efficiencies, DGS will consolidate departmental space and co-locate departments within the same agencies and/or similar functions between departments.

- DGS will use more standardized office configurations to minimize tenant improvement costs and allow for the greatest flexibility when filling space with state tenants.

[6] The pilot "hub" is a type of Progressive office space. The only difference is that the hub is intended to be used by a large number of departments. In other words, the Department of General Services may have need to occupy space in San Diego and elect to utilize a Progressive space model. Conversely, the department may create a hub in the same city for use by a dozen different departments on an ad hoc or intermittent basis. The space would look substantially the same and would be utilized similarly: the primary difference between the two would be the number of users.

- To avoid disruption and minimize costs, DGS will strive to minimize the number of moves a department must make.

Cost Effectiveness

- As DGS' portfolio spans multiple markets, DGS will develop strategies that take localized market conditions and trends into account.

- DGS will ensure that the recommendations address its deficient infrastructure. Without intervention, these buildings will continue to degrade and will cost taxpayers more to address later than through a proactive approach.

- DGS will continue to meet the programmatic needs of tenants in state buildings but will not complete significant building improvements in buildings it plans to completely renovate, demolish or sell within the next five years.

Sustainability and Climate Adaptation

- DGS will first consider building on state property before pursuing construction on undeveloped or underdeveloped sites.

- DGS will incorporate climate change risks into design decisions.

- DGS will design new construction and renovation projects with a goal towards achieving Zero-Net Energy and Zero-Net Carbon by incorporating the latest proven materials, designs, technologies, and construction practices.

Responsible Development

- For excess state office buildings, DGS will prioritize adaptive reuse over surplus sales

- DGS will recognize in its planning that the ability of the state to provide services remotely or electronically will only increase over time, and service expectations from the public post-pandemic will likely trend that way as well. Accordingly:

    - DGS will ensure that telework plans are incorporated into all projects.

    - DGS will continue to design telework-enabled spaces as a default.

    - DGS will ensure that it retains a flexible portfolio, including keeping approximately half of all leases in soft term.

- DGS will, when feasible, construct new buildings in proximity to public transit.

- When feasible, DGS will look to activate underserved areas through the inclusion of building amenities (such as retail) that support the area.

Additional Considerations in Approaching the Strategic Plan

Beyond the concepts and principles noted above, a comprehensive real estate strategic plan cannot be static. DGS has to account for a large number of fluid variables, including market conditions, building conditions, necessity of state ownership, building valuation, and tenant program needs. Because these variables are subject to change over time, it is the intention of DGS to reevaluate the assumptions and data used in the plan on an annual basis and shift its recommendations as applicable.

Additionally, DGS recognizes that decisions on how to address its portfolio must minimize disruption to vital governmental services. Moreover, DGS acknowledges that this Plan will have an impact on state employees – both the tenants occupying the building, as well as those DGS staff who maintain them. The department is hopeful that any change enacted because of the Plan will be in the best interests of all impacted state employees.

Summary of New Construction, Building Renovations, Adaptive Reuse

DGS' Sacramento Portfolio
As the Ten-Year Sequencing Plan started in 2016, the majority of the planned projects are either completed or underway. While more detailed information about the projects may be found in the appendices to this plan, the following represents a summary of the progress of the plan and the remaining projects. Upon completion, DGS will have addressed its most deficient infrastructure and greatly extended the portfolio's viability and useful life.

Completed Projects

1. Demolition of the Food and Ag Annex and Construction of the Clifford L. Allenby Building (255,000 NSF)

2. Construction of the New Natural Resources Headquarters Building (775,000 NSF)

3. Demolition of the Office of State Publishing Print Plant

4. Construction of the 10th/O Office Building – "Swing Space" (472,000 GSF)

Projects in Progress

1. Utilization (with Improvements) of the EDD Subterranean Building (55,000 NSF)

2. Construction of the Richards Blvd Office Complex (1,2500,000+ NSF)

3. Renovation of the Gregory Bateson Building (247,000 NSF)

4. Renovation of the Jesse Unruh Building (141,000 NSF)

5. Renovation of the Resources Building (507,000 NSF)

6. Improvements to the Paul Bonderson Building (98,000 NSF)

Proposed Office Building Renovation

1. Renovation of the Warren-Alquist State Energy Building (125,000 NSF)
2. Renovation of the Blue Anchor Building (17,000 NSF)

Potential Adaptive Reuse Projects

1. Adaptive Reuse of both the EDD Headquarters and Solar Buildings (455,000 NSF)
2. Adaptive Reuse of the State Personnel Building (58,000 NSF)

Potential Housing Partnership Projects

1. Department of Justice Building (305,000 NSF)

Undetermined Building Project(s)

1. Adaptive Reuse of the 450 N Street Building (479,000 NSF)

The Balance of the State

For DGS non-Sacramento portfolio, the essential recommendations from the 2019 Portfolio Plan remain unchanged. The largest changes are the shift to adaptive reuse (rather than property sales) for the office buildings and the decision to retain the Junipero Serra Office Building rather than declare it excess.

The following reflects the current status of DGS disposition recommendations for its non-Sacramento portfolio. Additional information about the methodology used to arrive at these recommendations, including the actual scoring, can be found in the appendices to this plan.

Building Narratives – Active Reuse or Disposal

1. **San Diego State Office Building**
   DGS has awarded the site to the Michael's Corporation under Executive Order (EO) N-6-19. DGS, The Department of Housing and Community Development (HCD), the City of San Diego, and Michaels are collaboratively advancing housing at the site. Tenants are in the process of being relocated.

2. **Fresno Water Resources Building**
   DGS has vacated the building tenants and is in the process of awarding the project to an affordable housing developer (award expected in FY 22/23).

3. **Alfred E. Alquist Building (San Jose)**
   DGS is working with tenants to finalize their relocations into leased buildings, which is expected to be completed in early 2023. Concurrently, DGS and San Jose State University are nearing completion on negotiations to transfer of jurisdiction to the University for the development of middle-income university-centric (faculty and employee) housing.

Building Narratives – Immediate Reuse or Disposal

1. **Stockton State Building**
   Stockton is not a high-rent area, and this building represents a very small footprint for the state. DGS is working with tenants and securing approvals for relocation. DGS partnered with UC Berkeley to evaluate potential reuse concepts and intends this building to be adaptively reused once vacated.

2. **Redding State Building**
   Redding is not a high-rent area, and this building represents a very small footprint for the state. DGS is currently working with tenants on potential relocation plans (made possible by telework), and with the DMV on a potential transfer of jurisdiction to facilitate a consolidation of DMV offices in the area.

Building Narratives – Future Reuse or Disposal

1. **Red Bluff State Building**
   While in 2019 there is no appropriate leased space available in Red Bluff, DGS will reevaluate both the leasing availability and the tenant's needs for space in light of telework in 2023. If adequate space (especially if DWR can transition substantially to telework) can be found, DGS recommends relocating DWR into private-sector leased space. The disposition of this building will be sequenced relative to local availability.

2. **Justice Joseph A. Rattigan Building (Santa Rosa)**
   The tenants will be relocated to leased space. The amount of available space in the area is limited, so the disposition of this building will be sequenced relative to local availability. For this building in particular, special consideration will be given to finding space within the county to ensure that the constituencies of the tenants won't be impacted.

Buildings Subject to Further Evaluation

1. **Hugh Burns State Building**
   Fresno is not a high-rent area, and DGS recommends that tenants be relocated to leased space. However, a possible need for a workforce office hub for multiple departments is needed in the area due to the adoption of telework. Should that be the case, DGS will evaluate the potential for a renovation of the building.

Buildings to be Retained

Special Circumstance Buildings (Maintain)

There are three buildings that are only temporarily in DGS' jurisdiction. These buildings must be maintained prior to transferring to the client agencies for which they were constructed.[7]

1. Leo J. Trombatore Building (Caltrans District 3), Marysville
2. Wadie P. Deddeh State Office Building (Caltrans District 11), San Diego
3. California Tower, Riverside

[7] California Tower is not technically a state-owned building but will transfer to the state in 2024.

Buildings in Fair Condition (Maintain)
These two buildings are in fair condition. Their FCA costs are among the lowest in DGS' portfolio and are less than 30 percent of the building's value. DGS recommends utilizing existing maintenance budgets to make appropriate repairs to these buildings.

1. Van Nuys State Building
2. Mission Valley State Building, San Diego

Buildings to be Updates/Major Repairs to be Completed
While the five buildings listed below have FCA costs valued at less than 30 percent of building value, the actual FCA costs are high and far exceed DGS' ability to repair with existing funds. Additionally, these buildings are generally large and located (in the case of San Francisco and Oakland) in rent areas significantly above current DGS rates.

1. Governor Edmund G. "Pat" Brown Building (CPUC), San Francisco
2. Elihu M. Harris Building, Oakland
3. Hiram W. Johnson State Office Building, San Francisco
4. Earl Warren Building, San Francisco[8]
5. Ronald Reagan Building, Los Angeles
6. Junipero Serra Office Building

Approach to Leasing

DGS does not expect telework to eliminate the need for leased office spaces. In fact, while the actual footprint of state office leases may decrease, the number of leases may increase. For example, to the extent that workspace hubs prove viable, they may be needed in locations where DGS does not have state-owned space which would necessitate leasing. It is possible that smaller hubs, located where clusters of state employees live, could be established statewide via lease.

Given this, and the number of office buildings proposed for disposal, leased space is a critical element of DGS' management of office space needs for state departments. As such, it is fitting that this Plan includes an outline of the general leasing strategies/approaches available to the department as DGS strategically transitions away from state ownership on a case-by-case basis.

As a general rule, DGS follows industry standards of maintaining a healthy mixture of regular and long-term leases. The following reflects the types of leases entered into by DGS on behalf of state departments:

Regular-Term Leases
DGS has traditionally emphasized an eight-year contract for regular-term leasing in order to maximize flexibility. These leases have between a four- and five-year firm term, with a soft term for the remaining years that provides the state the option of vacating the lease without a penalty. This allows DGS to terminate leases if the lessee has a programmatic change, needs to

[8] The Earl Warren Building has FCA costs somewhat comparable to Van Nuys and Mission Valley. However, the building is significantly older, so the need for additional work is highly likely.

relocate, can no longer afford the lease, etc. It also allows DGS to renegotiate lease terms if market conditions have changed in the state's favor.

Generally speaking, regular-term leases should be considered when:

1. A below-market rate can be achieved without increasing the firm term past a five-year term.

2. The lessee requires a standard office build-out and/or the lessor is willing to provide a significant amount of build-out dollars to cover improvement costs.

3. Market rates in the area have been increasing in a meaningful way.

4. The build-out is not specialized like a DMV or CHP field office.

5. The likelihood of near-term growth or programmatic change in the lessee is probable.

Long-Term Leases

DGS has traditionally defined a long-term lease as any lease with a firm term longer than eight years. Typically, because long-term leases increase the saleable value of a building for the lessor (and facilitate borrowing against the future income of the lease), lessors are willing to lease at more favorable rates when the term of the lease is longer. In these leases, the state typically enjoys lower rent and more funding for tenant improvements, with long-term stability.

While long-term leases require specification notification to the Legislature per Government Code Section 13332.10, these leases are a significant benefit when entered into appropriately.

Generally speaking, long-term leases should be considered when:

1. The lessor is willing to materially reduce the rental rate or rent escalation, or otherwise offer financial incentives to make the lack of flexibility worthwhile.

2. The lessee requires significant build-out or alterations in a space prior to taking occupancy.

3. Market rates in the area have been decreasing in a meaningful way.

4. It would cost the lessee a significant amount of money to relocate in the future, and that fact can be used against them in future negotiations.

5. The likelihood of regular growth (or significant program change) of the lessee is small.

6. The lessee's finances are stable and can reasonably be predicted.

7. The lessee is unlikely to need to change locations for programmatic reasons.

Appendices

- Attachment A – Sacramento Sequencing Plan Projects
- Attachment B – Non-Sacramento Portfolio Analysis Approach
- Attachment C – Non-Sacramento Building Narratives

Completed Projects

1. **Demolition of Food and Ag Annex/Construction of the Clifford L. Allenby Building**
   Authorized for Traditional Design-Build in FY 16-17 and completed in FY 20-21, constructing this 255,000 NSF office building required the demolition of a condemned annex attached to the Food and Ag building at 12th and N streets. Completed in 2021, the building is LEED Platinum, Zero Net Energy, and achieved a platinum rating from the US Resiliency Council.

   - Tenants relocating from the Bateson Building
     - Developmental Services
     - Health and Human Services Agency
     - State Hospitals

   - Tenants relocating from other DGS-controlled buildings
     - Developmental Services

   - Tenants relocating from leased facilities
     - CHHS/Office of Patient Advocate (from 925 L Street)

2. **Construction of the New Natural Resources Headquarters Building**
   Authorized for Traditional Design-Build in FY 16-17 and completed in FY 21-22, this LEED Platinum, Zero Net Energy building is 775,000 NSF, and was completed in July 2021.

   - Tenants relocating from the Resources Building, the Bonderson Building, and leased space, representing a partial consolidation of the California Natural Resources Agency.
     - Natural Resources Agency
     - Water Resources
     - Parks and Recreation
     - Fish and Wildlife
     - Forestry and Fire Protection
     - Conservation
     - Wildlife Conservation Board
     - California Energy Commission
     - Office of Energy Infrastructure Safety
     - Delta Stewardship Council

3. **Demolition of the Office of State Publishing Print Plant**
   Authorized for Design-Bid-Build in FY 17-18 and completed in FY 20-21, this abatement and demolition project was necessary to provide a clean, empty site upon which the build the Richards Blvd Office Complex. The 17-acre site was formally cleared in January 2021, with the Office of the State Printer relocated to commercially leased space.

4. **Construction of the 10th/O Office Building – "Swing Space"**
Not originally anticipated in the 2016 Sequencing Plan, DGS was authorized to construct this 472,000 NSF building through Progressive Design-Build in FY 18-19 (July 2018). The building, open to the public in January 2022, provides swing space for the occupants of the Capitol during the Capital Annex Project (undertaken by the Joint Rules Committee of the California Legislature). Leveraging Progressive Design-Build, DGS was able to start construction in only 9 months from authorization, and the project may be the fastest high-rise construction ever accomplished by California State Government.

- Initial tenants will occupants of the Capitol temporarily relocating during the Capitol Annex Project. This includes:
  - The Office of Governor
  - California State Legislature (Assembly and Senate), including staff
  - Department of Finance (Capitol Office)
  - California Highway Patrol
  - Department of General Services
  - Office of Legislative Counsel

- After the completion of the Capitol Annex Project, the building will be modified to accommodate permanent occupants, including:
  - Department of Finance (93,000)
  - Government Operations Agency (10,100)
  - Business, Consumer Services, and Housing Agency (6,500)
  - California State Transportation Agency (6,900)
  - Office of Planning and Research (11,000)
  - Legislative staff as determined by the Joint Rules Committee

Projects in Progress

1. **Construction of the Richards Blvd Office Complex (1,000,000+ NSF)**
Authorized for Traditional Design-Build in 18-19, the building is slated for completion in FY 23-24, with tenants moving in beginning in April 2024. The campus includes four high-rise office buildings totaling over 1,000,000 NSF, a parking garage with surface parking, childcare facility, a wellness center, and several retail locations.

- Tenants from departments within the Business, Consumer Services and Housing Agency (365,600)
  - Housing and Community Development (160,000)
  - Financial Protection and Innovation (100,000)
  - Department of Real Estate (65,000)
  - Civil Rights Division (40,000)

- California Department of Tax and Fee Administration (350,000)

- Department of Healthcare Access and Information (140,000)
  - Due to telework, the Department of Tax and Fee Administration required less space than originally planned.

2. **Utilization (with Improvements) of the EDD Subterranean Building**
The EDD Subterranean Building is a small (55,000 NSF) building, half of which is below grade and half above. The building was slated to be used for childcare (to be built above the building) in the 2016 Sequencing Plan. The childcare construction was funded through the New Natural Resources Headquarters Building project, supporting multiple new buildings/renovation, and is the largest childcare facility ever constructed by a state agency. In addition to housing the childcare facility, the building has served, and will serve, as a “big room environment” for multiple Sacramento projects.

   In the event that additional childcare facilities need to be developed pursuant to Government Code Section 4560, they will also be constructed above this building.

3. **Renovation of the Gregory Bateson Building (247,000 NSF)**
In FY 19-20, DGS was authorized to begin establishing performance criteria, the initial step in Traditional Design-Build, for this renovation project. However, the project was put on hold due to the COVID-19 pandemic in 2020. In FY 21-22, the project was restarted, this time as Progressive Design-Build. Changing delivery methods reduced the project schedule and costs, with the renovation slated for completion in FY 24-25 (tenants to move in beginning December 2024).

   - Tenants from the California Natural Resources Agency departments not consolidating into the New Resources Building (relocating from leased space):
     - Water Resources (75,000)
     - Parks and Recreation (8,000)
     - Fish and Wildlife (10,000)
     - Conservation (27,000)
     - Natural Resources Agency (2,900)

4. **Renovation of the Resources Building (507,000 NSF)**
In FY 18-19, DGS was authorized to begin establishing performance criteria, the initial step in Traditional Design-Build, for this renovation project. However, the project was put on hold due to the COVID-19 pandemic in 2020. In FY 21-22, the project was restarted, this time as Progressive Design-Build. Changing delivery methods reduced the project schedule and costs, with the tenants to move in beginning late 2025/early 2026).

   - Tenants relocating from existing office buildings (both state-owned and leased spaces), representing a partial consolidation of the Labor and Workforce Development Agency. Tenants include:
     - Labor and Workforce Development Agency (41,000)
     - Employment and Development Department (EDD) (178,000)
       - Staff will be relocating from the from the following state-owned facilities: EDD Headquarters Building, EDD Solar Building, and EDD Subterranean Building.
       - Additional staff will be relocating from the from the following leased facilities: 9323 Tech Center Drive, 1325 J Street, 1750 Howe Ave, 2180 Harvard Street and 1100 J Street.

5. **Improvements to the Paul Bonderson Building (98,000 NSF)**
   In FY 21-22, DGS was authorized to address the major issues identified in the 2015 Facilities Condition Assessments, as well as several additional cosmetic and infrastructure upgrades. This will constitute a partial renovation and increase the life expectancy of the building. As such, after FY 24-25 when the STO returns to the Unruh Building, Bonderson will be utilized as swing space for additional consolidations, temporary relocation space for departments consolidating their footprints due to telework, and as general hoteling space for downtown state department use.

6. **Renovation of the Jesse Unruh Building (141,000 NSF)**
   In FY 19-20, DGS was authorized to begin establishing performance criteria, the initial step in Traditional Design-Build, for this renovation project. However, the project was put on hold due to the COVID-19 pandemic in 2020. In FY 21-22, the project was restarted, this time as Progressive Design-Build. Changing delivery methods reduced the project schedule and costs, with the renovation slated for completion in FY 24-25 (tenants to move in beginning April 2025).

   - Consolidation of the State Treasurer's Office:
     - Relocating from swing space (Bonderson Building)
     - Relocating from the State Personnel Building

Additional DGS Buildings in Sacramento

Beyond those projects in progress or already completed, the Personnel Building (801 Capitol Mall), the Employment Development Complex (Headquarters at 800 Capitol Mall, and the Annex/Solar Building at 751 N Street), the Justice Building (4949 Broadway), and the Blue Anchor Building (1400 10th Street), were rated in "poor" condition in the 2015 Facilities Condition Assessments. Additionally, the projects begun or completed to date will vacate and allow two significant additional buildings to be addressed – specifically, 450 N Street (former Board of Equalization Headquarters) and Warren-Alquist State Energy Building (1516 9th Street).

After tackling these building's infrastructure needs, the department will have addressed all the significant deficiencies in its Sacramento portfolio.

Office Building Renovation Projects

1. **Renovation of the Warren-Alquist State Energy Building (125,000 NSF)**
   This building, generally called the "Energy Building," has historically housed the California Energy Commission. In the 2016 Sequencing Plan (and in later updates), the Commission was slated to move to the EDD Headquarters Building after it was renovated. However, due to the significant adoption of telework by the California Natural Resources Agency departments (including the Commission), space was freed up in the New Natural Resources Headquarters Building and the Commission has been relocated there.

   As a result (the current tenant vacating several years ahead of schedule), DGS and the Natural Resources Agency agreed to use the building as swing space for tenants that will relocate to the Gregory Bateson Building after its renovation. As a result, the Energy Building will be occupied until FY 24-25. DGS intends to seek authorization to begin a renovation of this building using Progressive Design-Build.

   In light of DGS' own adoption of telework, a significant reduction of space is currently being projected.[1] Absent a change in policy, DGS would be able to relocate the current occupants of the Ziggurat (including the Department of Technology) to the Energy Building.[2]

2. **Renovation of the Blue Anchor Building (17,000 NSF)**
   This historic building is in very close proximity to the Capitol, and the current tenants include the Office of Planning and Research and staff from the Office of the Governor. Both tenants will be relocated. The building requires a significant renovation, necessitating the relocation of the tenants to either swing space or a new, permanent location. It is anticipated that these tenants would be relocated to the Bonderson building after the STO relocates back to the Unruh building in 2025. The tenants could ether then remain in Bonderson or potentially be relocated to the 10th/O Office Building upon its subsequent renovation.

   Upon renovation, the intent for the Blue Anchor Building is to serve as a Capitol employee "hubspace." A "hubspace" is a workplace that is not dedicated to any particular department or agency, and is comprised of meetings spaces, alternative officing spaces (such as hoteling or benching stations) for state workers that either need a temporary desk or office (such as between hearings), and flexible interior spaces for ad hoc use by departmental staff that are generally teleworking.

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[1] In reviewing space needs at the Ziggurat, it is expected that 60-70 percent less space will be needed (or approximately 100,000-130,000 SF).

[2] The other tenants that would have consolidated with DGS to 450 N Street could not occupy the Energy Building. As such, those entities that are currently in leased space would remain until vacancies in other state-owned buildings occurred. The State Personnel Board would relocate from their building to either new leased space, Richards Blvd, or the Bonderson building.

Potential Adaptive Reuse Projects

1. **EDD Headquarters and Solar Buildings (455,000 NSF)**
   The current occupants of these buildings will relocate to the Resources Building upon completion of that renovation project. Due to the adoption of telework, DGS is projecting that these buildings (essentially one, connected building) may not be needed. In that case, adaptive reuse is recommended.

   While the building is significantly underbuilt from the perspective of the Capitol View Protection Act, it is nonetheless historic and DGS would prefer to avoid demolition. Its age and condition require a complete renovation, but its location and proximity to public transportation make it a prime candidate for reuse as housing. An initial study of the site indicates that a mixed-use development (including some degree of commercial retail or office space) is viable.

   There is considerable federal equity in this property, which will need to be addressed when the Employee Development Department vacates (the equity is tied to their occupancy of the building).

2. **State Personnel Building (58,000 NSF)**
   This building has historically been utilized as limited swing space, with the anchor tenant being the State Personnel Board. Listed as the second worst building in Sacramento according to the Facility Condition Assessments, the building should undergo a complete renovation. However, for the same reasons as applicable to the EDD Headquarters and Solar Buildings, DGS is recommending this building be repurposed into housing.

   As the building is directly across the street from the EDD buildings, DGS will pursue adaptive reuse as part of a larger, single solicitation.

Potential Housing Partnership Project(s)

1. **Partnership Opportunity for the Justice Building**
   The Justice Building's location (4949 Broadway) and condition make it less conducive to long-term use as a state office building, and a housing-centric disposition is preferred. The building presents an opportunity to partner with the UC system for the delivery of housing through the Aggie Square project. However, there are no plans at present to relocate the current tenants.

Undetermined Building Project(s)

1. **450 N Street Building (479,000 NSF)**
   In DGS' original 10 Year Sequencing Plan, DGS proposed the renovation of 450 N street to provide a working consolidation of the Department of General Services and co-location of other Departments under the Government Operations Agency.

   With the advent of telework, departments within the Government Operations Agency have taken a progressive stance on alternative workspaces, and it is expected that the space needed by these departments will lessen significantly by the time the renovation project would be completed. Assuming a 50 to 70 percent reduction in NSF needed, the consolidation of these departments would result in 230,000 to 350,000 NSF being vacant.

While the state leases approximately 7 million SF in the Greater Sacramento region, very few of those leases belong to departments in the Government Operations Agency. As such, DGS considered other options for tenants for the building, but given the costs to renovate the building, DGS is considering adaptive reuse for this building amongst other options.

Depending upon the state’s need for office space later in the future, it is possible that a mixed used project (via developer, not Capital Outlay due to bond complications) of housing and state office space would be ideal for the site. Regardless, given the general need for parking downtown, DGS would endeavor to retain some amount of the building’s separate parking garage spaces for state use.

Should the economics of the renovation become more favorable, or the need for downtown office space change, a renovation would be reconsidered.

Portfolio Analysis Approach

In the review of its Non-Sacramento buildings, DGS undertook the following steps:

1. **Building Data Compilation:**
DGS compiled data about its buildings (such as age, bond status, gross and net square feet, and FCA costs). Buildings that are temporarily in DGS' jurisdiction,[1] and bond-funded buildings with more than five years of debt were excluded from the analysis.[2] Of the remaining buildings, DGS then compiled updated FCA costs, and noted building- and tenant-specific factors, such as whether tenant space was generic or specifically built out, and whether the building was occupied by a single tenant or had multiple tenants.

2. **State Ownership Analysis:**
DGS' intent was to analyze whether it is in the state's best interest to continue to own the current buildings in its portfolio.[3] To accomplish this, DGS combined the building data noted above with market-based data and criteria to be used in the evaluation, and then weighted the criteria and assigned each building a Retention Score. The market factors considered included:

    - **Approximate Building Sale Prices:** While formal appraisals were not conducted,[4] DGS evaluated recent comparable building sales. Numerous "comps" were considered, and an average sale price per foot was derived and then applied to the DGS building. This was intended to provide an order of magnitude estimate of building value that could then be evaluated in relation to the FCA costs.[5]

        - **Note:** absent the 2020 pandemic, 2022 would have been an appropriate year to reevaluate sales prices to update the analysis. However, market disruption in the form of supply chain issues (driving up the cost of construction), a robust construction market in general, and an uncertain future for office space in urban areas makes a reassessment of sales prices unwise. This analysis will be updated in 2023.

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[1] Several buildings were constructed by DGS for other departments, but placed in DGS' jurisdiction for the purposes of bond financing. Once all bond obligations have been cleared, the buildings will transfer to the jurisdiction of the occupying department.

[2] These buildings will be reevaluated as the termination of their bond obligations approaches, unless the bonds are refinanced and the obligation period is extended.

[3] However, this was not an attempt to evaluate whether future ownership is appropriate or not.

[4] A formal appraisal at this point in the process would not be appropriate. Because appraisal information is time-limited, appraisals are not advised in conceptual planning.

[5] If a given building's FCA cost is $20 million, and the potential sale price is $10 million, the FCA costs can then be expressed as 200 percent of the "value" of the building. This allows for a relative weight for the FCAs.

- **Product (Leased) Availability:** DGS conducted a survey of potentially appropriate leased space in the same general area as the DGS building. This served two purposes: first, it provided confirmation (or a refutation) that moving from state space to leased space was viable; and second, the survey became the universe of buildings that were evaluated for costing alternatives.[6]

- **Current State and General Leased Costs:** The likely cost per foot for the identified available commercial buildings was then reviewed in light of DGS negotiating effectiveness, and a cost per foot representing that local market was established. This cost per foot was then used both as a comparison to the DGS cost-to-recover rate, and for the purposes of the alternatives analysis.

  - **Note:** as described above, any reevlaution of the commercial leasing market is likely to be accurate only for a very narrow window. As such, a reevaluation is scheduled for 2023.

3. **Alternatives Analysis:**
   In 2019, DGS produced a high-level, standardized alternatives analysis that provided an order of magnitude comparison of costs for each building where surplus is being recommended. The analysis compared: 1) the costs to vacate the building and move to leased space, 2) the costs to perform the FCA repairs over a period of time, and 3) the costs to retain the building and renovate.

   While each alternative was considered for each building, the specific condition and age of any given building in some cases preclude certain approaches. These factors were considered in DGS' final recommendation. DGS will update the alternatives analysis every three years to capture changes in local markets and in construction costs.

This data was compiled and analyzed, and recommendations for disposition have been made for each DGS building.

Planning Summary

DGS' statewide portfolio currently includes buildings that are old, and in some cases failing. The department believes it is in the best interest of the state to strategically divest of these buildings and engage in long-term regional planning. Departments would generally be moved – at least in the short term – to leased space while DGS works with them to plan out potential state consolidations or otherwise leverage space to make operations more efficient. Then, once that plan is established, the state can enact the corresponding regional plan through leasing, building, or buying in a strategic and data-informed way.

[6] It is important to note that further analysis is needed to determine whether the state departments need to be in the area where the DGS building is currently located. It is possible that the departments can be relocated to less expensive locations and still perform their functions effectively.

Recommended Building Disposition

Evaluation of state ownership of office buildings is complex, and will vary based upon factors such as the state of the building, the needs of tenants, and market conditions. In evaluating which buildings outside of Sacramento to retain or surplus, DGS utilized the following criteria in assigning points for the Retention Score:

Ownership Criteria[7]

1. **Building Condition** – whether the value of the building is less than the cost to maintain or renovate it.

    a. **How it was used:** DGS used adjusted FCA costs, escalated to the present day, and divided that amount by the building's estimate of value to reflect the Building Condition as a percentage. DGS used the median value (40 percent) as the threshold for this criterion – 40 percent or above was considered in poor condition and those buildings were assigned points.

2. **Building Capacity** – whether the building is of sufficient size to justify continued ownership. Generally speaking, state buildings that are smaller and house fewer state employees generally do not achieve the economies of scale to justify state ownership.

    a. **How it was used:** The threshold was set at 100,000 square feet (net). Buildings less than that amount were considered "small" and assigned points.

3. **Program Requirements** – whether the departments have specialized program requirements or necessary geographic proximities that would be costly or impractical to implement in a leased building.

    a. **How it was used:** DGS reviewed existing program information and attempted to characterize tenant space as either "Specialized," "Generic," or "Constituent Need." A specialized space is one that has been built out to needed program requirements, beyond what is customary (e.g., storage space for laboratory functions). Generic refers to typical office space, whereas constituent need reflects that either the functionality or location of the space is necessary to serve the tenant department's client (e.g., a public counter providing services to the public). Most buildings were either generic office space, or a combination of generic space and space for constituents. Buildings that were generally generic were assigned points.

[7] DGS considered using market rent pricing as a factor. However, DGS building rates were less than the market in every jurisdiction when factoring in current pricing (and availability – some areas would require new construction on the part of a developer to address the state's space needs). This made market rent pricing useless as a criterion.

4. **Regional Space Needs** – whether the state has a need for a significant footprint in the area. Likewise, whether that need comes from a single department with a significant space need or whether it consists of multiple departments with smaller footprints (and that would not benefit from a consolidation).

    a. **How it was used:** Buildings were either classified as single or multi-tenant, with points assigned for multi-tenant buildings.

5. **Ability to Maintain** – whether DGS can adequately maintain and operate the building to meet customer needs. DGS' ability to maintain buildings is compromised when the department operates so few buildings in the region that staffing is overly expensive or there is otherwise no economy of scale, and/or where the ability to hire and retain qualified maintenance staff is compromised by labor supply limitations or the region's high cost of living.

    a. **How it was used:** Buildings were classified as "easy," "moderate," or "difficult," with points assigned for moderate and difficult buildings.

6. **Debt Service** – whether the building currently is indentured by bonds. Buildings subject to indenture cannot be sold and must be well maintained.

    a. **How it was used:** Buildings with any bond debt were assigned points. However, because bond debt changes over time, buildings were assigned more or fewer points based upon the duration of remaining debt service.

7. **Commercially Available Space** – whether there is a general availability of commercially available space in the market sufficient for the state's needs (including growth).

    a. **How it was used:** A building was assigned points when a commensurate amount of occupied space was available in the market at present in the same location.

Building Narratives – Active Reuse or Disposal

San Diego State Office Building
This downtown building was constructed in 1963 and has approximately 123,226 usable square feet. It is centrally located at 1350 Front Street in the city's downtown core. Many of the building systems are original and have far exceeded their useful life. There are 16 departments in the building occupying or paying for space ranging from 299 square feet to 27,540 square feet. However, only approximately 61,832 usable square feet are currently occupied and DGS has requests from current building occupants to relocate. It is almost impossible to accommodate state departments' programmatic needs due to design inefficiencies and hazardous materials in the building that make tenant improvement work prohibitively expensive.

- **Status:** DGS has awarded the site to the Michael's Corporation under Executive Order (EO) N-6-19. DGS, The Department of Housing and Community Development (HCD), the City of San Diego, and Michaels are collaboratively advancing housing at the site. Tenants are in the process of being.

Fresno Water Resources Building
This building, so named because it is occupied primarily by the Department of Water Resources (DWR), only has approximately 30,187 usable square feet. However, only 19,900 square feet are currently occupied. This very small building is old, with critical systems nearing the end of their useful life. Like San Diego and Santa Ana, it is inefficient and the presence of hazardous materials makes repairs and tenant improvements prohibitively expensive. There are three departments in the building occupying space ranging from 2,413 square feet to 14,118 square feet, with DWR recently requesting to vacate due to frequent security issues, vandalism and theft at the building.

- **Status:** DGS has vacated the building tenants and is in the process of awarding the project to an affordable housing developer (award expected in FY 22/23).

Alfred E. Alquist Building (San Jose)
The Alfred E. Alquist Building in San Jose is a three-story building with two large and five small courtyards that has 91,513 usable square feet and no onsite parking. The building is situated in close proximity to the campus of San Jose State University and was constructed in 1980. It is a multi-tenant building with the Department of Industrial Relations, Department of Public Health and the Department of Rehabilitation as some of its larger tenants.

The FCA costs are nearly 50 percent of the building's value, and tenants have expressed security concerns, including vandalism and graffiti that continue to be issues at the building after business hours. Finally, there is strong local interest in the state vacating the building with the site then being repurposed.

- **Status:** DGS is working with tenants to finalize their relocations into leased buildings, which is expected to be completed in early 2023. Concurrently, DGS and San Jose State University are nearing completion on negotiations to transfer of jurisdiction to the University for the development of middle-income university-centric (faculty and employee) housing.

Building Narratives – Immediate Reuse or Disposal

Stockton State Building

The Stockton State Building has only approximately 43,000 usable square feet, with 10 departments occupying space ranging from 115 square feet to 12,120 square feet. The building is not fully occupied (only 22,907 square feet are in use). This very small building is old, with critical systems nearing the end of their useful life. Like San Diego and the (already) surplus Santa Ana building, it is inefficient and the presence of hazardous materials render repairs and tenant improvements prohibitively expensive.

- **Recommendation:** DGS is working with tenants and securing approvals for relocation. DGS partnered with UC Berkeley to evaluate potential reuse concepts, and recommends that the building be adaptively reused once vacated.

Redding State Building

The Redding State building is a one-story building constructed in 1963 with 19,371 usable square feet. The majority tenant is the Department of Motor Vehicles, which occupies 7,160 square feet. This is another very small, old building with aging infrastructure nearing the end of its useful life and burdened with hazardous materials. It has significant repair costs relative to its value.

- **Recommendation:** Redding is not a high-rent area, and this building represents a very small footprint for the state. DGS is currently working with tenants on potential relocation plans (made possible by telework), and with the DMV on a potential transfer of jurisdiction to facilitate a consolidation of DMV offices in the area.

Building Narratives – Future Reuse or Disposal

Red Bluff State Building

The Red Bluff State Building is a one-story building constructed in 1969 with 20,885 usable square feet occupied solely by DWR. The building sits on a 3.14-acre parcel with a large fenced parking area where DWR stores state vehicles used to carry out their program in the area. The building contains hazardous materials and infrastructure that is at or near the end of its useful life, and has significant repair costs relative to its value.

- **Recommendation:** While in 2019 there is no appropriate leased space available in Red Bluff, DGS will reevaluate both the leasing availability and the tenant's needs for space in light of telework in 2023. If adequate space (especially if DWR can transition substantially to telework) can be found, DGS recommends relocating DWR into private-sector leased space. The disposition of this building will be sequenced relative to local availability.

Justice Joseph A. Rattigan Building (Santa Rosa)

The Justice Joseph A. Rattigan Building is a four-story building with 73,014 usable square feet, located in downtown Santa Rosa. This is a multi-tenant building with some larger tenants that include the Department of Industrial Relations, the California Department of Tax and Fee Administration and the Department of Rehabilitation. Parking for building tenants is provided via a lease in a city-owned parking structure located across the street from the building. The building has an open atrium that provides natural light via a skylight, however, that feature makes the building's design inefficient. The FCA costs are more than 50 percent of the value of the building.

- **Recommendation:** Relocate the tenants into private-sector leased space. In terms of sequencing, consideration should be given to finding space within the county to ensure that the constituencies of the tenants won't be impacted.

Buildings Subject to Further Evaluation

Hugh Burns State Building

The Hugh Burns State Building is a five-story building with a basement built in 1960, with 127,490 usable square feet. This is a multi-tenant building. Larger tenants include the Employment Development Department, the Department of Industrial Relations and the Department of Rehabilitation. There is a two-story parking garage. Due to its age, size and the existence of hazardous materials, the FCA costs far exceed the value of the building.

- **Recommendation:** Fresno is not a high-rent area, and DGS recommends that tenants be relocated to leased space. However, a possible need for a workforce office hub for multiple departments is needed in the area due to the adoption of telework. Should that be the case, DGS will evaluate the potential for a renovation of the building.

Buildings to be Retained

While these buildings shall undergo an annual review, DGS is recommending the following general paths forward:

Special Circumstance Buildings (Maintain)

There are three buildings that are only temporarily in DGS' jurisdiction. These buildings must be maintained prior to transferring to the client agencies for which they were constructed. Additionally, the California Tower building in Riverside is not technically a state-owned building, but will transfer to the state in 2024.

- Leo J. Trombatore Building (Caltrans District 3), Marysville
- Wadie P. Deddeh State Office Building (Caltrans District 11), San Diego
- California Tower, Riverside

Buildings in Fair Condition (Maintain)

These two buildings are in fair condition. Their FCA costs are among the lowest in DGS' portfolio, and are less than 30 percent of the building's value. DGS recommends utilizing existing maintenance budgets to make appropriate repairs to these buildings.

- Van Nuys State Building
- Mission Valley State Building, San Diego

Buildings to be Updated/Major Repairs to be Completed

While the five buildings listed below have FCA costs valued at less than 30 percent of building value, the actual FCA costs are high and far exceed DGS' ability to repair with existing funds. Additionally, these buildings are generally large and located (in the case of San Francisco and Oakland) in rent areas significantly above current DGS rates.

- Governor Edmund G. "Pat" Brown Building (CPUC), San Francisco
- Elihu M. Harris Building, Oakland
- Hiram W. Johnson State Office Building, San Francisco
- Earl Warren Building, San Francisco[1]
- Ronald Reagan Building, Los Angeles
- Junipero Serra Office Building

[1] The Earl Warren Building has FCA costs somewhat comparable to Van Nuys and Mission Valley. However, the building is significantly older, so the need for additional work is highly likely.