MINUTE ITEM
This Calendar Item No. C55 was approved as Minute Item No. 55 by the California State Lands Commission by a vote of 3 to 0 at its 10-01-02 meeting.

CALENDAR ITEM
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W25665
Bid Log Number 2002-08
J. Trout, D. Brown, A. Cueva

REQUEST DELEGATION OF AUTHORITY FOR EXECUTIVE OFFICER TO SOLICIT BIDS, AWARD AND EXECUTE AGREEMENT FOR NORTH COAST OFFICE MARKET SURVEY

PARTY:

California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825-8202

BACKGROUND:

The State Lands Commission is trustee of the School Land Bank Fund and as such is charged with securing investments that have the potential to produce revenue for the State Teachers Retirement Fund, beneficiary of all revenues produced by School Lands. The proposed project is an investment opportunity that is being explored.

On July 1, 2002 the Fund contained over forty three million available for investment. Section 8702 of the Public Resources Code states that the Commission is to "... plan and implement all transactions, ...which would facilitate the management of the school land interests for revenue generating purposes." One of the methods for revenue generation is the purchase and management of commercial real estate.

PROPOSED ACTIVITY

Several state agencies have expressed an interest in consolidating a number of separate office locations in the general Eureka/Arcata area of Humboldt County. They have approached Commission staff with the concept of leasing office space in a Commission purchased and/or built building using the resources of the Fund.

All costs would be capitalized with a market rate of return on the investment and repaid through rental payments from the tenant departments.

A proposal to acquire a suitable office facility, or in the alternative to purchase a site and construct such a building, may have merit to produce revenue for the Fund and its beneficiaries. The Departments of Conservation, Forestry & Fire Protection and Fish & Game, as well as the Coastal Commission, are among those who potentially would lease space in such a property. These units of State government are all within the sphere of the Resources Agency. In order to test the merit of this proposal, on April 24, 2002, the Commission authorized preparation of a feasibility report to estimate: the cost of acquiring or constructing a facility of adequate size for the potential occupants, the on-going maintenance costs and the rental rate required to produce a market rate of return on the investment. The feasibility study by the Real Estate Services Division of the Department of General Services is nearing completion.

Upon completion of the feasibility study, the Commission will also need a market survey of the current availability of fully serviced, Class A office space in the area, the present and projected rates of absorption of such new office space, and the current and projected lease rates for such space in order to consider whether to proceed with the proposal. This item requests authority to retain the services of a qualified real estate consulting firm to conduct such a survey.

Bids shall be conducted consistent with procedures as specified in the State Administrative Manual and Public Contract Code. All bid proposals and evaluation sheets will be available for public inspection at the Commission's Sacramento office in accordance with Public Contract Code requirements.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code Section 6106 (Delegation to execute written instruments)
B. Public Contract Code Section 10335 et. seq. (Contracts for Services)
C. Public Contract Code Section 10355 et. seq. (Consulting Services)
D. State Administrative Manual Section 1200 (Contracts)
E. Public Resources Code Section 8702 (School Land Bank Fund)

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THESE ACTIVITIES ARE EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL CODE REGS. 15061 BECAUSE THESE ACTIVITIES ARE NOT PROJECTS AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL CODE REGS. 15378.

2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO SOLICIT PROPOSALS, AWARD AND EXECUTE CONTRACT NOT TO EXCEED $15,000 FOR SPECIFIED REAL ESTATE SERVICES IN ACCORDANCE WITH STATE POLICIES AND PROCEDURES.

3. AS TRUSTEES, AUTHORIZE THE EXPENDITURE FROM THE SCHOOL LAND BANK FUND TOWARD THE CONSULTANT EXPENSE TO ASSIST THE COMMISSION STAFF IN EXPLORING POTENTIAL INVESTMENT OPPORTUNITIES.