

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 07/23)

<b>Fiscal Year</b> 2025-26	<b>Business Unit Number</b> 1700, 2240, 2320, 4140, 6360	<b>Department</b> Civil Rights Department; Department of Housing and Community Development; Department of Real Estate; Department of Health Care Access and Information; Commission on Teacher Credentialing
<b>Hyperion Budget Request Name</b> Various		<b>Relevant Program or Subprogram</b> Various

**Budget Request Title**  
 May Lee State Office Complex (MLSOC) Relocation Support

**Budget Request Summary**  
 Five departments request increases for rent at the May Lee State Office Complex (MLSOC), and incremental increases thereafter. Specifically, for 2025-26, the Civil Rights Department requests \$2,266,000 General Fund; the Department of Housing and Community Development requests \$5,678,000 General Fund; the Department of Real Estate requests \$2,644,000 Real Estate Fund; the Department of Health Care Access and Information requests \$2,447,000 (\$839,000 General Fund) in 2025-26 for MLSOC rent and moving costs, and \$1,164,000 (\$399,000 General Fund) in 2026-27, for rent; and the Commission on Teacher Credentialing requests \$1,101,000 Teacher Credentials Fund.

<b>Requires Legislation (submit required legislation with the BCP)</b> <input type="checkbox"/> Trailer Bill Language <input type="checkbox"/> Budget Bill Language <input checked="" type="checkbox"/> N/A	<b>Code Section(s) to be Added/Amended/Repealed</b>	
<b>Does this BCP contain information technology (IT) components?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	<b>Department CIO</b> N/A	<b>Date</b> N/A

**For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.**

**Project No.** N/A **Project Approval Document:** N/A

**Approval Date:** N/A **Total Project Cost:** N/A

**If proposal affects another department, does other department concur with proposal?**  Yes  No  
*Attach comments of affected department, signed and dated by the department director or designee.*

<b>Prepared By</b> Ken Yu	<b>Date</b> 1/10/2025	<b>Reviewed By</b> Scott Christman	<b>Date</b> 1/10/2025
<b>Department Director</b> Elizabeth Landsberg	<b>Date</b> 1/10/2025	<b>Agency Secretary</b> Darci Delgado	<b>Date</b> 1/10/2025

**Department of Finance Use Only**

**Additional Review:**  Capital Outlay  ITCU  FSCU  OSAE  Dept. of Technology

<b>Principal Program Budget Analyst</b> Joseph Donaldson	<b>Date submitted to the Legislature</b> 1/10/2025
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## A. Problem Statement

The Department of General Services' Ten-Year Sequencing Plan provides a roadmap for the renovation or replacement of state office buildings in Sacramento. In 2018, a decision was made to construct and fund a new state-of-the-art Department of General Services (DGS)-owned multi-tower facility to be built on Richards Boulevard north of downtown Sacramento. The old state printing plant was demolished and replaced by a newly built state office complex. The project is designed to achieve zero net energy (ZNE) and zero net carbon (ZNC) for the entire site through state-purchased carbon free green power and is also seeking a Leadership in Energy and Environmental Design (LEED) Gold Certification through the United States Green Building Council. Pursuant to DGS' 10-Year Sequencing Plan, several state departments were selected to move into the MLSOC, located in the River District of Sacramento. The departments who have relocated their headquarters to the May Lee State Office Complex (MLSOC) include the Civil Rights Department (CRD), the Department of Housing and Community Development (HCD), the Department of Real Estate (DRE), the Department of Health Care Access and Information (HCAI), and the Commission on Teacher Credentialing (Commission).

### **Civil Rights Department**

The Civil Rights Department (CRD) relocated its Headquarters facility to the May Lee State Office Complex (MLSOC) in July 2024. The 2024 Budget included one year of funding for CRD's significantly higher leased space costs at MLSOC. Previously, CRD's Headquarters facility had been physically located in a leased office space in Elk Grove for nineteen years. CRD requests \$2,266,000 from the General Fund in 2025-26, and incremental increases thereafter, to fund CRD's permanent relocation to MLSOC.

### **Resource History** (Dollars in thousands)

<b>Program Budget</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25 (Projected)</b>
Authorized Expenditures	\$36,621	\$40,303	\$50,006	\$66,936*	\$67,200**	\$65,984
Actual Expenditures	\$34,070	\$39,541	\$48,694	\$63,226	\$66,076	\$65,984
Revenues	\$556	\$412	\$58	\$7,520	\$385	\$500
Authorized Positions	238.8	275.5	302.5	316.5	325.5	336.5
Filled Positions	210.8	216.5	255.5	276.5	296.5	303.5
Vacancies	28.0	59.0	47.0	40.0	29.0	25.0

\*\$2,855 carryovers in FY 2023-24

\*\*\$374 carryovers in FY 2024-25

### **Department of Housing and Community Development**

Previously, HCD HQ was located at 2020 W El Camino Avenue, Sacramento, CA 95833, leasing 119,148 square feet of private office space at a rate of \$4.3 million for 2023-24. HCD HQ has relocated to MLSOC, leasing 225,769 square feet of office space through the Department of General Services (DGS) at an annual rate of \$10 million for 2025-26. HCD is not currently funded to accommodate the higher leased-space costs at MLSOC. As a result of this

significant increase, HCD requests a General Fund increase of \$5,678,000 General Fund and incremental increases thereafter.

**Rent History Table**

*Dollars in Thousands*

<b>2020 West El Camino Headquarters Lease History</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
Lease Square Footage	119,148	119,148	119,148	119,148	119,148
Total Annual Rent	4,032	4,032	4,175	4,175	4,261
Rate per Leased Square Foot	2.82	2.82	2.92	2.92	2.98

**Department of Real Estate**

The Department of Real Estate (DRE) requests an increase in expenditure authority of \$2,644,000 Real Estate Fund in 2025-26, and incremental increases thereafter, to support the increases in facilities costs associated with DRE's headquarters move to the MLSOC. DRE moved to the MLSOC July 5, 2024.

The current rent at MLSOC for DRE's headquarters is \$2,677,000 annually. In 2024-25, DRE received a one-time increase of \$849,000 to cover the rent increase from the previous headquarters location. The rent at the MLSOC location is projected to increase again to \$4,529,000 in 2025-26.

**Resource History**

*(Dollars in thousands)*

<b>Program Budget</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Authorized Expenditures	55,883	52,117	57,015	60,110	62,037	64,757
Actual Expenditures	51,392	50,950	55,623	60,086	60,049*	64,757
Revenues	50,930	54,235	61,909	54,054	51,488*	64,758*
Authorized Positions	369.0	369.0	376.0	380.0	380.0	383.0
Filled Positions	317.3	327.1	336.6	344.4	328.4	327.5**
Vacancies	51.7	41.9	39.4	35.6	51.6	55.5

\*Projected

\*\*As of December 1, 2024

**Department of Health Care Access and Information**

The Department of Health Care Access and Information (HCAI) Sacramento Office currently leases space at 2020 West El Camino Avenue in Sacramento, CA which is a privately leased office space. HCAI will relocate its Sacramento headquarters office to the MLSOC in July 2025.

HCAI anticipates an increase in annual lease payments of \$1,120,000, plus \$1,327,000 in one-time additional rent to decommission its space at 2020 West El Camino Avenue in 2025-26 after the move to MLSOC, requiring an increase in expenditure authority. HCAI does not have the existing resources to absorb these additional costs and will need one-time and ongoing expenditure authority to implement the move. Mission critical work and program operations

would be impacted by the move to MLSOC if HCAI were required to absorb the nondiscretionary rent increase within its existing authority.

**Commission on Teacher Credentialing**

The Commission on Teacher Credentialing (Commission) moved to MLSOC in May 2024. The Commission currently occupies the fifth floor of the Southeast Tower as well as a small area in the mailroom on the first floor of the Southwest Tower. Effective July 1, 2024, the Commission is paying rent for 46,554 net usable square feet at MLSOC. The Commission received a one-time augmentation of \$255,000 General Fund for fiscal year 2024-25 to pay the increased rent from the previous lease.

**Resource History**  
(Dollars in thousands)

<b>Program Budget</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Actual Expenditures	\$916	\$927	\$938	\$949	\$890	\$1,226
Authorized Positions	158.9	160.9	160.9	189.9	189.9	191.9
Filled Positions	150.1	152.2	152.7	178.9	184.2	TBD
Vacancies	8.8	8.7	8.2	11	5.7	TBD

**B. Justification**

The MLSOC brings together eight state agencies in a campus setting rich with amenities to meet occupants' needs such as onsite childcare, gym facilities, secure bike parking and easy access to public transportation, as well as providing state of the art office and meeting spaces. The complex is the largest all-electric, zero carbon building complex in the U.S., providing a case study for how a campus of this scale and complexity can be decarbonized by a holistic approach to minimizing its environmental footprint. The relocation of the CRD, HCD, DRE, HCAI, and the Commission have increased leasing costs for all departments, as the projected cost of MLSOC office space at \$3.71 per square foot in 2025-26, plus changes in leased square footage for several departments, exceeds the amount departments were previously spending at their respective privately leased locations.

**Civil Rights Department**

CRD began full tenancy at MLSOC July 2024, occupying approximately 64,598 square feet, including at least 162 private workspaces, approximately 23.5 work-support spaces, and 11 special function rooms. At CRD's previous Elk Grove Headquarters facility, CRD leased a total of 23,735 square feet at the cost of \$2.18 per square foot, per month, as of March 2024.

CRD requests \$2,266,000 General Fund in 2025-26, with 4 percent annual increases each year through 2029-30, to fund the difference in the lease amount between CRD's required tenancy at MLSOC and CRD's former Elk Grove Headquarters facility. The rental rate of \$2.18 per square foot, per month is used as the benchmark for increased cost in leased space, consistent with the timing of final calculations of the "Relocation to May Lee Office Complex" BCP, which provided one-time funding to accommodate CRD's 2024-25 increased cost for leased space at MLSOC.

**Department of Housing and Community Development**

The request supports HCD's state-mandated relocation to MLSOC, as part of the DGS Ten-Year Sequencing Plan. A denial of the request will result in HCD having to absorb these costs with existing state operations funding, which could affect existing administrative activities. Given

that this rent increase is a significant and ongoing cost to HCD, the associated General Fund increase is necessary.

### **Department of Real Estate**

Pursuant to DGS's 10-Year Sequencing Plan, MLSOC will be the headquarters of DRE and house more than 200 of DRE's personnel, as well as its Sacramento examination center. DRE moved into this complex on July 5, 2024. An increase in DRE's expenditure authority is required in 2025-26 to support the increase in facilities costs for this new location. The 2024 Budget Act includes one-time expenditure authority to cover the increase in lease costs. Lease payment amounts cannot be absorbed within DRE's existing expenditure authority.

If the increase in expenditure authority is not approved, DRE will have to make difficult decisions to reduce costs that will have an impact on the services and oversight DRE will be able to provide. DRE's highest priority of consumer protection, which is set in statute, could be impacted in many ways including:

- Inability to fulfill its mission-critical duties, such as consumer protection.
- Inability to file disciplinary action within the statute of limitations. This means that bad actors would not be held responsible for their actions and consumers would not be protected as the window in which DRE could hold them accountable would expire.
- Lengthy investigative and prosecutorial timeframes – lack of timely notice of disciplinary actions. Consumers would have to wait long periods to learn the result of their complaints and bad actors could continue to practice during these times.
- In our subdivisions area, high vacancies would result in missing statutory timeframes – causing delays in the availability of new housing in California. For example, statute requires subdivision public reports to be reviewed within specific time frames. These time frames help facilitate the construction and sale of housing.
- In our Licensing Division, increased timeframes to process exams, licenses and renewal applications – delaying otherwise qualified applicants from taking the real estate exam and procuring gainful employment. This would also impede the Department's ability to answer public inquiries in a timely fashion.

These drastic solutions impact DRE's ability to meet its strategic plan goal of building a healthy organization in support of Governor Newsom's Executive Order N-16-22, which requires state agencies to embed policies and practices into their strategic plans to advance equity and address disparities in access and outcomes.

### **Department of Health Care Access and Information**

Budget Letter 20-37, issued in November 2020, stated that in consultation with the Department of General Services where applicable, departments shall, as appropriate, identify opportunities to reconfigure workspaces and reduce the state's physical footprint by considering an increase in telework, evaluating available space in existing state-owned buildings, and ultimately reducing leased space. The MLSOC brings together eight state agencies, in a campus setting rich with amenities to meet occupants' needs such as onsite childcare, gym facilities, secure bike parking and easy access to public transportation, as well as providing state of the art office and meeting space. The complex is the largest all-electric, zero carbon building complex in the U.S., providing a case study for how a campus of this scale and complexity can be decarbonized by a holistic approach to minimizing its environmental footprint.

### **Commission on Teacher Credentialing**

The Commission absorbed the incremental increases from the previous lease. However, the Commission will need an augmentation of \$1,101,000 Teacher Credentials Fund in fiscal year 2025-26 and ongoing. The Commission is unable to absorb the increase from leasing costs due

to increased personal services costs as well as increased operating costs. The Commission has had to hold vacancies to remain within budget authority.

### **C. Departmentwide and Statewide Considerations**

Mission critical functions for departments may not be completed, met timely, or adhere to quality controls as the added cost of moving to the MLSOC has put a strain on the department's budget or expenditure authority. Relocating all five departments to the MLSOC aligns with the state's commitment to reducing private leases by making investments within, and to reduce its carbon and energy footprint. Consolidating into the MLSOC also allows these departments to reduce long term costs associated with privately leasing space, in addition to implementing sustainable facilities plans. Statewide considerations include impacts to the General Fund, and to other state funds.

#### **Civil Rights Department**

The Legislature has expressed the state's public policy that the civil rights of each and every Californian must be protected. CRD's services are "necessary to protect and safeguard the right and opportunity of all persons to seek, obtain, and hold employment without discrimination or abridgment on account of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender expression, gender identity, age, sexual orientation, or military and veteran status" (Gov. Code § 12920).

This proposal is consistent with:

- The Governor's policy direction of "cost-cutting measures or implementing efficiencies to offset unavoidable costs."
- Directive to reduce cost associated with leasing of building facilities through consolidation of space usage.
- The Governor's Office of Emergency Services Continuity Guidelines Objective 4, which emphasizes the importance of protecting "essential facilities, equipment, essential records, and other assets."
- CRD Strategic Plan, Goal 1 – Strategy 4: "Aim for the Greatest Impact for Every Dollar We Spend."
- CRD Strategic Plan, Goal 3 – Strategy 2: "Decrease complexity and improve timeliness of services by streamlining processes."

#### **Department of Housing and Community Development**

This proposal is consistent with:

- The project is part of the DGS Ten-Year Sequencing Plan to renovate and/or replace state office buildings in Sacramento. The Governor's Office of Emergency Services Continuity Guidelines Objective 4, which emphasizes the importance of protecting "essential facilities, equipment, essential records, and other assets."
- The Administration's clean energy goals including ZNE and ZNC for the entire site through State-purchased carbon free green power and is also seeking a LEED Gold Certification through the United States Green Building Council.
- HCD's Strategic Objective Goal #4, Strategically Invest Internal Resources, which includes creating and implementing a sustainable facilities plan.
- The Governor's Executive Order N-16-22 regarding diversity, equity, and inclusion. The facility will be located in an area that provides substantial accessibility by means of various transportation methods for individuals (e.g., light rail, bus, bike, etc.).

#### **Department of Real Estate**

The mission of DRE is to safeguard and promote the public interests in real estate matters through the licensure, regulation, education, and enforcement of the Real Estate Law. Real estate and home construction have a significant impact on the state's economy, and

therefore, it is essential that DRE be funded appropriately to make certain that mission critical operations are met, which creates a fair and just marketplace for the consumers of California.

### ***Department of Health Care Access and Information***

An increase in the appropriation for HCAI would impact the General Fund, as well as the Special Funds that support the department. This proposal would not require an increase in fees or revenue to sustain the relocation and additional rent costs. Funding will come from the General Fund, and the California Health Data and Planning Fund.

### ***Commission on Teacher Credentialing***

The Commission's move to MLSOC is consistent with the state's commitment to reducing its liability in private leases by making investments within.

## **D. Outcomes and Accountability**

Consolidation of physical infrastructure and services for several state departments into a single facility managed by DGS will result in long-term cost avoidance for maintenance and operations and will improve the overall capabilities, effectiveness, and efficiencies of the facility's infrastructure services. The new MLSOC facility is designed and designated as a "Zero Net Energy" building. Consolidating multiple sites into a single facility will contribute to a more effective and efficient energy usage environment and eliminate costs associated with facility location leasing. An operationally efficient location for state departments is needed to fulfill the state's mission to expand equitable access to quality, affordable programs for all Californians through resilient facilities, actionable information, and the workforce each community needs.

### ***Civil Rights Department***

CRD's funding request aligns with its permanent MLSOC tenancy and the 2025-26 and ongoing budget enactments, beginning July of each year. Upon initial appropriation and each year thereafter, CRD will immediately allocate and utilize the requested funds to accommodate the difference between its former Elk Grove and current MLSOC Headquarters facility.

### ***Department of Housing and Community Development***

HCD's relocation into a DGS-managed facility will result in long-term cost avoidance for maintenance and operations and will improve the overall capabilities, effectiveness, and efficiencies of the facility's infrastructure services. This request will support the funding of rent to align with DGS' Ten-Year Sequencing Plan. The relocation also meets many of the Governor's directives with:

#### Operational Efficiency

- To generate operational and programmatic efficiencies, the state will aim to consolidate departmental space and co-locate departments within the same agencies and/or similar functions between departments.
- The state will use more standardized office configurations to minimize tenant improvement costs and allow for the greatest flexibility when filling space with state tenants.

#### Cost Effectiveness

- The state prefers to own buildings in areas with high lease costs in order to reduce space costs for state departments.
- The state shall first consider building on state property before pursuing construction on commercial sites.

#### Sustainable Communities

- The state will design new construction and renovation projects with a goal towards achieving ZNE by incorporating the latest proven materials, designs, technologies, and construction practices.
- The state prefers new buildings be built in proximity to public transit.

If the requested budget augmentation is approved, HCD will meet its state-mandated relocation and rent obligations in alignment with the DGS Ten-Year Sequencing Plan, which will support the state's long-term asset management strategy, operational efficiency, and cost efficiencies.

### ***Department of Real Estate***

DRE is an equal opportunity employer and its recent relocation to MLSOC provides proximity to light rail and other public transportation systems. This move created potential employment opportunities for those that otherwise would not be able to seek employment with DRE due to transportation issues.

### ***Department of Health Care Access and Information***

An operationally efficient location for HCAI's Sacramento headquarters is needed to fulfill the department's mission to expand equitable access to quality, affordable health care for all Californians through resilient facilities, actionable information, and the health workforce each community needs. The location of a state agency's headquarters to a state-owned DGS building provides a safe and functional location for the department to achieve its mission.

### ***Commission on Teacher Credentialing***

The Commission will be able to house employees in a safe working environment. This move is also consistent with the state's commitment to reducing its liability in private leases by making investments within.

## **E. Implementation Plan**

Upon receiving the requested funding or an increase in budget expenditure authority, MLSOC tenant departments will be adequately supported to fund the increased rental costs associated with their relocation to MLSOC.

## **F. Supplemental Information (If Applicable)** Click or tap here to enter text.

See Attachment:



# BCP Fiscal Detail Sheet

BCP Title: May Lee State Office Complex Lease Appropriation Adjustment

BR Name: 1700-005-BCP-2025-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5324 - Facilities Operation	0	2,266	2,357	2,451	2,549	2,651
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$2,266</b>	<b>\$2,357</b>	<b>\$2,451</b>	<b>\$2,549</b>	<b>\$2,651</b>

Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$2,266</b>	<b>\$2,357</b>	<b>\$2,451</b>	<b>\$2,549</b>	<b>\$2,651</b>

Fund Summary

Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0001 - General Fund	0	2,266	2,357	2,451	2,549	2,651
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$2,266</b>	<b>\$2,357</b>	<b>\$2,451</b>	<b>\$2,549</b>	<b>\$2,651</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$2,266</b>	<b>\$2,357</b>	<b>\$2,451</b>	<b>\$2,549</b>	<b>\$2,651</b>

Program Summary

Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
1490 - Administration of Civil Rights Law	0	2,266	2,357	2,451	2,549	2,651
<b>Total All Programs</b>	<b>\$0</b>	<b>\$2,266</b>	<b>\$2,357</b>	<b>\$2,451</b>	<b>\$2,549</b>	<b>\$2,651</b>

# BCP Fiscal Detail Sheet

BCP Title: May Lee State Office Complex (MLSOC) Relocation Support

BR Name: 2240-010-BCP-2025-GB

Budget Request Summary

## Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5324 - Facilities Operation	0	5,678	5,905	6,141	6,387	6,642
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$5,678</b>	<b>\$5,905</b>	<b>\$6,141</b>	<b>\$6,387</b>	<b>\$6,642</b>

## Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$5,678</b>	<b>\$5,905</b>	<b>\$6,141</b>	<b>\$6,387</b>	<b>\$6,642</b>

## Fund Summary

### Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0001 - General Fund	0	5,678	5,905	6,141	6,387	6,642
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$5,678</b>	<b>\$5,905</b>	<b>\$6,141</b>	<b>\$6,387</b>	<b>\$6,642</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$5,678</b>	<b>\$5,905</b>	<b>\$6,141</b>	<b>\$6,387</b>	<b>\$6,642</b>

## Program Summary

### Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
1665 - Financial Assistance Program	0	5,678	5,905	6,141	6,387	6,642
<b>Total All Programs</b>	<b>\$0</b>	<b>\$5,678</b>	<b>\$5,905</b>	<b>\$6,141</b>	<b>\$6,387</b>	<b>\$6,642</b>

# BCP Fiscal Detail Sheet

BCP Title: Rent Increase - New May Lee State Office Complex

BR Name: 2320-003-BCP-2025-GB

Budget Request Summary

## Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5324 - Facilities Operation	0	2,644	2,750	2,860	2,974	3,093
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$2,644</b>	<b>\$2,750</b>	<b>\$2,860</b>	<b>\$2,974</b>	<b>\$3,093</b>

## Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$2,644</b>	<b>\$2,750</b>	<b>\$2,860</b>	<b>\$2,974</b>	<b>\$3,093</b>

## Fund Summary

### Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0317 - Real Estate Fund	0	2,644	2,750	2,860	2,974	3,093
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$2,644</b>	<b>\$2,750</b>	<b>\$2,860</b>	<b>\$2,974</b>	<b>\$3,093</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$2,644</b>	<b>\$2,750</b>	<b>\$2,860</b>	<b>\$2,974</b>	<b>\$3,093</b>

## Program Summary

### Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
1700010 - Department of Real Estate - Support	0	2,644	2,750	2,860	2,974	3,093
<b>Total All Programs</b>	<b>\$0</b>	<b>\$2,644</b>	<b>\$2,750</b>	<b>\$2,860</b>	<b>\$2,974</b>	<b>\$3,093</b>

# BCP Fiscal Detail Sheet

BCP Title: Relocation Rent Adjustment

BR Name: 4140-030-BCP-2025-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5324 - Facilities Operation	0	2,447	1,164	1,211	1,260	1,310
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$2,447</b>	<b>\$1,164</b>	<b>\$1,211</b>	<b>\$1,260</b>	<b>\$1,310</b>

Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$2,447</b>	<b>\$1,164</b>	<b>\$1,211</b>	<b>\$1,260</b>	<b>\$1,310</b>

Fund Summary

Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0001 - General Fund	0	839	399	416	432	450
State Operations - 0143 - California Health Data and Planning Fund	0	1,608	765	795	828	860
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$2,447</b>	<b>\$1,164</b>	<b>\$1,211</b>	<b>\$1,260</b>	<b>\$1,310</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$2,447</b>	<b>\$1,164</b>	<b>\$1,211</b>	<b>\$1,260</b>	<b>\$1,310</b>

Program Summary

Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
3831 - Health Care Quality and Affordability	0	433	206	214	223	232
3835 - Health Care Workforce	0	344	165	171	178	185
3855 - Health Care Information and Quality Analysis	0	537	255	266	276	287
3860 - Administration	0	1,133	538	560	583	606
<b>Total All Programs</b>	<b>\$0</b>	<b>\$2,447</b>	<b>\$1,164</b>	<b>\$1,211</b>	<b>\$1,260</b>	<b>\$1,310</b>

# BCP Fiscal Detail Sheet

BCP Title: May Lee State Office Complex - Rent Costs

BR Name: 6360-007-BCP-2025-GB

Budget Request Summary

Operating Expenses and Equipment

Operating Expenses and Equipment	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5324 - Facilities Operation	0	1,101	1,145	1,191	1,239	1,289
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$1,101</b>	<b>\$1,145</b>	<b>\$1,191</b>	<b>\$1,239</b>	<b>\$1,289</b>

Total Budget Request

Total Budget Request	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$1,101</b>	<b>\$1,145</b>	<b>\$1,191</b>	<b>\$1,239</b>	<b>\$1,289</b>

Fund Summary

Fund Source

Fund Source	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
State Operations - 0407 - Teacher Credentials Fund	0	1,101	1,145	1,191	1,239	1,289
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$1,101</b>	<b>\$1,145</b>	<b>\$1,191</b>	<b>\$1,239</b>	<b>\$1,289</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$1,101</b>	<b>\$1,145</b>	<b>\$1,191</b>	<b>\$1,239</b>	<b>\$1,289</b>

Program Summary

Program Funding

Program Funding	FY25 Current Year	FY25 Budget Year	FY25 BY+1	FY25 BY+2	FY25 BY+3	FY25 BY+4
5381 - Preparation & Licensing of Teachers	0	1,101	1,145	1,191	1,239	1,289
<b>Total All Programs</b>	<b>\$0</b>	<b>\$1,101</b>	<b>\$1,145</b>	<b>\$1,191</b>	<b>\$1,239</b>	<b>\$1,289</b>

## **Overview**

The Ten Year Sequencing Plan provides a roadmap for the renovation or replacement of state office buildings in Sacramento and to address deficiencies in the State Capitol East Annex. This plan, taken together with the department's Portfolio Plan, provides a statewide, strategic, and long-term asset management strategy for DGS' portfolio of office buildings.

A key component of the sequencing plan is the integration of the results from the Facility Condition Assessments completed for the 2015 State Facility Long Range Planning Study (Planning Study). The Planning Study provided the Department of General Services (DGS) with an independent assessment of the DGS-managed office buildings and resulted in an analysis that identified the buildings with the highest need for repair or replacement.

## **DGS Facility Sequencing Principles**

*Market conditions, client needs, and fiscal circumstances change over time. Accordingly, this Sequencing Plan is subject to change so DGS may best maximize value to the State as opportunities arise.*

Nevertheless, while DGS must be attuned to market conditions and client needs, the department cannot take a reactive approach to office building planning. Rather, DGS must lay out a plan for the future to provide overall direction for the state's office needs. To this end, DGS has developed long-range office facility sequencing principles that will help guide the state irrespective of changing market conditions and specific client preferences.

These ten principles align with three DGS goals – Operational Efficiency, Cost Effectiveness, and Sustainable Communities:

### ***Operational Efficiency***

- To generate operational and programmatic efficiencies, the state will aim to consolidate departmental space and co-locate departments within the same agencies and/or similar functions between departments.
- The state will use more standardized office configurations to minimize tenant improvement costs and allow for the greatest flexibility when filling space with state tenants.

### ***Cost Effectiveness***

- The state prefers to own buildings in areas with high lease costs in order to reduce space costs for state departments.
- The state shall first consider building on state property before pursuing construction on commercial sites.
- To avoid disruption and minimize costs, DGS will strive to minimize the number of moves a department must make.

- DGS will coordinate its facility sequencing strategy with its review of state leased space to generate more competitive lease rates in private sector facilities.
- 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.

### ***Sustainable Communities***

- The state will design new construction and renovation projects with a goal towards achieving Zero-Net Energy by incorporating the latest proven materials, designs, technologies, and construction practices.
- The state prefers that new buildings be built in proximity to public transit.
- When feasible, the state will offer mixed use development in new office buildings to better meet our tenant and larger community needs.

These facility sequencing principles will guide the state as we begin to address the long term office building needs and determine which buildings will be retained, renovated, sold, or constructed over the next quarter century.

### **Initial Projects**

The 2016-17 Governor's Budget included a proposal to address the need to improve the safety and capacity of the Capitol Annex building, as well as the most critical state office space deficiencies in Sacramento. With this proposal, employees in three of the five buildings identified in the Planning Study as having the greatest needs will be in new or renovated space within five years. Initial projects in 2016-17 include:

- Demolition of the vacant California Food and Agriculture Annex on O Street and a new building consisting of approximately 255,000 net square feet (NSF), to be occupied by the current tenants of the Bateson Building.
- A new building consisting of approximately 700,000 to 750,000 NSF, to be occupied by the current tenants of the Natural Resources Building and the Bonderson Building.
- A new Capitol Annex or renovation of the existing Capitol Annex to address the significant building systems and accessibility deficiencies.

In addition to projects identified in the current year budget, a parking structure was included in the 2017 Budget Act. It includes:

- Demolition of an existing warehouse and build a new mixed-use parking structure consisting of approximately 800 parking stalls and retail on the first floor. The parking will include monthly state employee parking as well as hourly parking for public use.

This sequencing plan outlines the subsequent projects that will continue with this progress.

### Four Stage Approach

DGS's facility sequencing plan proposes more than 4.3 million square feet in new construction or extensively renovated state buildings, which equals one-quarter of all state-owned space in the Sacramento region. There are four stages to this facility sequencing plan. These stages are:

1. High Priority Facilities - 2016-17 Governor's Budget proposal
2. Development of the North Sacramento site
3. Renovation of historic state buildings
4. Additional demolition or renovation of state buildings

The first three stages of the facility sequencing plan will be accomplished over the next 10 years and will address the needs of the state departments housed in nine of the eleven state office buildings in the poorest condition. The following lists the affected facilities and departments within each stage.

### **High Priority Facilities**

The 2016-17 Governor's Budget included a proposal to construct a new facility for the Natural Resources Agency and its departments, which are currently housed in the Resources Building, which was identified as the state office building in the poorest condition. The budget also includes the construction of a new facility for the California Health and Human Services Agency at the site of the vacant California Food and Agriculture Annex Building. Finally, the budget included a proposal to address the safety and capacity issues within the Capitol Annex building.

1. **Demo, Construct, and Replace: O Street Building (255,000 NSF)**

Design-Build FY 16-17 through FY 20-21, Move-in: March 2021

- Tenants relocating from the Bateson Building
  - ◆ Development Services
  - ◆ Health and Human Services Agency
  - ◆ State Hospitals
- Tenants relocating from other DGS-controlled buildings
  - ◆ Development Services

2. **Construct: New Resources Building (700,000-750,000 NSF)**

Design-Build FY 16-17 through FY 21-22, Move-in: September of 2021

- Tenants relocating from the California Natural Resources Agency (CNRA) Building the Bonderson Building and leased space, representing a partial consolidation of CNRA. Tenants include:
  - ◆ Water Resources
  - ◆ Parks and Recreation,
  - ◆ Fish and Wildlife
  - ◆ Forestry and Fire Protection
  - ◆ Conservation
  - ◆ Conservation Corps
  - ◆ Wildlife Conservation Board



3. **Construct or Renovate: Capitol Annex (367,000 GSF)**  
Planning discussions with the Committee on Joint Rules.
4. **Demo, Construct, and Replace existing warehouse with a new mixed-use parking structure: 805 R Street (7-story, 800 parking stalls and retail on the first floor)**  
Design-Build FY 17-18 through FY 19-20, Move-in: Winter 2019

In addition to high priority projects identified in the current budget, a parking structure for state employees was approved in the 2017 Budget Act.

#### ***Development of the North Sacramento Site***

The Office of the State Printer (OSP) occupies 17 acres of state-owned land in North Sacramento, which is within two miles of the State Capitol. DGS is relocating OSP from this site to commercially leased space in mid-2018. DGS proposes to construct at minimum 1 million NSF of new state office space.

1. **Environmental Assessment/Study, Demolish:**  
Environment Assessment FY 16-17. Design-Bid-Build Demolition FY 17-18 through FY 20-21, Ready for Development: January 2021
2. **Construct New Office Complex (1,000,000+ NSF)**  
Design-Build FY 18-19 through FY 23-24, Move-in: March 2024

Tenants planned to occupy this site:

- **Business, Consumer Services and Housing (BCSH) Agency and its departments (751,500)**
  - ◆ Business Consumer Services & Housing Agency (4,000)
  - ◆ Housing and Community Development (114,500)
  - ◆ Business Oversight 1515 K Street (44,000)
  - ◆ Department of Consumer Affairs consolidation from various leased locations (545,000)
  - ◆ Board of Chiropractic Examiners (4,000)
  - ◆ Alcoholic Beverage Control consolidate 2 locations (40,000)
- California Department of Tax and Fee Administration (394,000) and Board of Equalization (6,000) 450 N Street **(400,000)**

### **Renovation of Historic State Buildings**

As state departments vacate state buildings in poor condition, DGS will either completely renovate or demolish and construct new state facilities on these sites. DGS proposes that the tenants of these new state facilities will largely be those departments housed in other state buildings listed in poor condition or those departments in commercial space where the state may exercise the option to terminate their lease.

**1. Renovate: Bateson Building (215,000 NSF)**

Design-Build FY 18-19 through FY 23-24, Move-in: April 2024

Tenants planned to occupy this site:

- California Natural Resources Agency departments not consolidating into the New Resources Building (relocating from leased space):
  - ◆ Water Resources
  - ◆ Parks and Recreation
  - ◆ CalFire
  - ◆ Fish and Wildlife
  - ◆ Conservation
  - ◆ Conservation Corps

**2. Renovate: Unruh Building (114,000 NSF)**

Design-Build FY 18-19 through FY 23-24, Move-in: January 2024

Tenants planned to occupy this site (STO Headquarters):

- STO from the Bonderson Building (swing space) (108,000)
- STO relocate from State Personnel Building (11,000)

**3. Renovate: Resources Building (520,000 NSF)**

Design-Build FY 19-20 through FY 24-25, Move-in: June 2024

Tenants planned to occupy this site:

- Employment and Development Department (EDD) (491,000)
  - ◆ EDD Headquarters Building (327,700)
  - ◆ Labor and Workforce Development Agency (7,300)
  - ◆ EDD Solar Building (120,000)
  - ◆ EDD Subterranean Building (36,000)
  - ◆ Vacant (29,000)

**4. Utilize the Bonderson Building as swing space for Unruh tenants (113,000 NSF)  
Beginning FY 21-22 and vacating in FY 24-25:**

- Transportation Agency (8,000)
- State Treasurers Office (108,000)
- Government Operations Agency (5,000)
- Business Consumer Services & Housing Agency (4,000)

**5. Renovate: Blue Anchor Building (17,000 NSF)**

Design-Build FY 20-21 through FY 23-24, Move-in: January 2024

Administration hoteling and meeting space; accommodating staff that are located beyond the Capitol corridor.

Tenants planned to occupy this site:

- Tenants relocating to leased space (17,000)
  - ♦ Governor's Office (6,000)
  - ♦ Office of Planning and Research (11,000)

***Demolition or Complete Renovation of State Buildings***

With the complete renovation or construction of a new state facility on the site of the current Resources Building and the renovation of the Unruh and Bateson buildings, DGS will have four vacant buildings which it may either renovate or demolish and construct new facilities.

**1. Renovate: 450 N Street Building (479,000 NSF)**

Design-Build FY 21-22 through FY 26-27, Move-in: June 2026

Tenants planned to occupy this site:

- The Government Operations Agency and its departments with the exception of California Public Employees Retirement System, California State Teachers Retirement System, the California Department of Tax and Fee Administration and the Franchise Tax Board.
  - ♦ Government Operations Agency (5,000)
  - ♦ Dept. of General Services (DGS) 707 3<sup>rd</sup> Street, W.S. (319,000)
  - ♦ CalHR 1515 S Street (40,000)
  - ♦ SPB (29,000)
  - ♦ Office of Administrative Law 300 Capitol Mall (9,000)
  - ♦ Victims Compensation & Government Claims Board 400 R Street (66,000)
  - ♦ Dept. of Technology 1325 J Street (21,000)
  - ♦ DGS 2525 Natomas Park Dr (4,000)

**2. Renovate: EDD Headquarters and Solar (455,000 NSF)**

Design-Build FY 21-22 through FY 26-27, Move-in: September 2026

Tenants planned to occupy this site:

- CDCR 1515 K Street (33,000)
- CDCR 1515 S Street (305,000)
- California Energy Commission (124,000)

**3. Use EDD Subterranean Building for construction staging and swing space (27,000 NSF)**

Beginning January 2018 through FY 29-30

4. **Renovate: Warren-Alquist State Energy Building (125,000)**  
Design-Build FY 24-25 through FY 29-30

Tenants planned to occupy this site:

- Dept. of Managed Health Care 980 9<sup>th</sup> St (86,000)
- Dept. of Managed Health Care - FTB (34,000)

**Conclusion**

Initial projects, as identified in the 2016-17 Governor's Budget have received funding through the new State Project Infrastructure Fund. The 2017-18 final budget includes authorization for bond financing for these projects. This significant investment will address the most critical state office space deficiencies in Sacramento. Future projects will be guided by the principles described in this plan.