Contra Costa County
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# Memo

February 24, 2014

**TO:** Finance Committee

**FROM:** For Julia R. Bueren, Public Works Director

**SUBJECT:** 2013 Real Estate Asset Management Plan (RAMP) Status Report

In accordance with the Real Estate Asset Management Plan (RAMP) adopted by the Board of Supervisors in 2009, and revised by the Board on October 16, 2012, this report provides a status of RAMP activities for calendar year 2013, including the status of Facilities Life-cycle Investment Program projects. Highlights of this report are as follows:

Real Estate Database. Prior to the merger between the General Services and Public Works departments, General Services had several databases that had become outdated. With the merger of the two departments, Public Works began a process to identify the business needs and practices associated with the merged departments, and how the databases could best support those needs. Given the complexity of the databases, Public Works selected a consultant to analyze the databases to determine how they can be updated and consolidated to increase functionality and work-flow efficiencies moving forward. The consultant was hired in 2013, and his recommendations are expected by the end of February 2014.

Capital Renewal Fund. For years, the County has deferred the maintenance of its buildings and has accrued a large deficit of deferred maintenance and capital renewal. In 2007, the County implemented the Facilities Life-cycle Investment Program (FLIP) to identify and prioritize the work that needed to be done to reduce and ultimately eliminate the deferred maintenance of our buildings. The balance of that deferred maintenance in 2007 was over $270 million.

In FY 12/13, the County appropriated $5 million from the General Fund to perform deferred maintenance of those capital assets. The County appropriated an additional $10 million for that purpose in FY 13/14. Other work completed in 2013 with those funds is described in the FLIP portion of this report below.

In our previous Summary RAMP Report, we proposed charging various departments occupying those County-owned buildings supported by the General Fund a "Capital Renewal Factor" to begin to cover (i.e. "pre-fund") the cost of properly maintaining our buildings and to properly implement the FLIP program. Effective July 1, 2013, $750,000 was allocated for FY 13/14 to pay for the known maintenance and capital improvement needs of certain County buildings. The intent is to allocate similar amounts for that purpose each year. The Capital Renewal Factor was then added to the occupancy expenses charged to the departments occupying selected buildings to offset that allocation. County staff is also recommending that an additional one-time amount of $500,000 be allocated in FY 14/15 for general, minor and unforeseen capital improvements that might occur in various County buildings. The consultant proposed to be hired to update the FLIP report will also be asked to recommend an adequate Capital Renewal Factor to be added to the occupancy cost of our buildings.

Master Plan. Staff is recommending that the County begin developing a Real Estate Master Plan of County facilities in 2014. The Master Plan would be used to assist the County with its future planning and will provide a strategic plan for the use of County owned and leased facilities. The potential benefits of a Real Estate Master Plan are outlined in Attachment 1 to this Summary.

The first step in the process to develop a Real Estate Master Plan should be to identify and coordinate County staff from the Public Works Department and County Administrator's Office, among others, to work on the Real Estate Master Plan project. Once that team has been developed, consultants should be identified that can assist the County with the Master Plan process and to develop a Scope of Work and a budget for the Master Plan. At a minimum, those consultant(s) should be identified and hired and a Scope of Work and budget for the Master Plan should be produced by the end of 2014.

## I. RAMP PROGRAM OBJECTIVES

The RAMP initiative listed 13 RAMP program objectives. The following is a status update of those objectives.

**Objective 1:** Real Estate Asset Management Policy. The County real estate portfolio is an asset to be used to maximize long-term public benefit. The Public Works Department, in consultation with the County Administrator, should develop a policy to guide implementation of RAMP goals and objectives.

Status: A draft policy was presented to the Finance Committee at its February 2013 meeting. The policy was then approved by the Board of Supervisors and Administrative Bulletin 526.0 became effective April 9, 2013. A copy of the final Administrative Bulletin is attached (Attachment 2). The RAMP Policy is further described in Section II.A below.

**Objective 2:** Real Estate Inventory. The Public Works Department should identify and create a comprehensive database of the County's real estate assets, including property descriptions and estimated valuations. The inventory should identify whether assets are fully utilized or have expansion, disposition, or revenue potential.

Status: The Public Works Department hired a consultant to evaluate the department's databases and to use either new or custom software to coordinate those databases to maximize their use and efficiency. Recommendations regarding an approach to use will be made by the end of February 2014. An estimated completion date for the Real Estate database will then be determined in coordination with the consultant after his recommendations have been considered and evaluated.

**Objective 3:** Needs Assessment and Master Planning. The Public Works Department, together with the County Administrator's Office, should work with County departments to discuss and plan their long and short-term facility needs. The first report of this collaborative effort will be completed in 2013 and updated every 5 years thereafter.

Status: Public Works Real Estate staff regularly meets with various departments to discuss and plan those departments' long and short-term facility needs. Most recently, Public Works Real Estate staff met separately with the Health Services Department and the Department of Information Technology (DoIT) to outline the priority of their projects for calendar year 2014 and beyond. While those meetings have been helpful to guide the Real Estate Division's workload, more in-depth discussions will have to be held with all departments as part of a more formal real estate master planning process.

**Objective 4:** Facilities Condition Assessments. In 2007, the General Services Department completed a comprehensive Facilities Life-cycle Investment Plan (FLIP) assessment of 103 County buildings totaling over 3 million square feet to identify deficiencies in building conditions and systems. The assessment included estimated replacement cost and capital renewal requirements to better plan for necessary facilities improvements and should be updated every 5 years with a 10-year planning horizon.

Status: In 2013, Public Works revised the list of buildings to be included in the update to the FLIP assessment by removing those buildings that are relatively new and whose condition is good, leaving only those buildings that are in more immediate need of repair and those that were not included in the initial assessment in 2007.

A new assessment of FLIP properties will be completed in the first half of 2014. The revised list will improve the County's ability to plan for the maintenance of its buildings and other assets. A consultant was hired to update the above assessment of the County's buildings. The consultant's report will be used to determine and prioritize the completion of maintenance and capital renewal for those buildings.

**Objective 5:** Real Estate Management Strategy. Using the Real Property Inventory, Master Plans, and the Facilities Condition Assessments, a real estate management strategy should be developed that integrates information to strategically assess and plan for County facilities needs over time. This strategy initiative includes evaluation of land and building acquisition, leasing, adaptive reuse, and disposition. It should be updated on an annual basis with a planning horizon of 10 to 15 years.

Status: Real Estate staff regularly identifies and evaluates opportunities to move County departments from relatively more expensive leased office space to vacant County-owned office space. This is one of the fundamental tenets of the RAMP program. As described in the previous RAMP update, the implementation of a more formal written "strategy" has been deferred until the Needs Assessment and Real Estate Master Plan report described in Objective 3 have been completed.

**Objective 6:** Leasing. The Public Works Department administers leases where the County acts as either a landlord or a tenant. Revenue leases where the County is a landlord are negotiated and managed to produce the highest return to the County. Acquisition leases where the County is a tenant are negotiated and managed to minimize the County's costs. RAMP policy and program objectives would include comprehensive review of the County's leasing portfolio to identify and incorporate best management and strategic practices.

Status: Real Estate staff continually strives to incorporate best management and strategic practices to maximize the negotiation of lease terms. One of the primary efforts has been to reduce and stabilize lease costs over the term of each lease. Section II.B. of this report provides more detail of lease savings achieved in 2013.

**Objective 7:** Facility Life-cycle Investment Program Updates. The Public Works Department should update the Facilities Life-cycle Investment Program (FLIP) report every 5 years to provide a comprehensive evaluation of the overall condition of County-owned facilities. The FLIP report should then be used as a guide for the maintenance and capital renewal of County building assets. The updated plan will be submitted to the County Administrator and the Board of Supervisors for its consideration and approval.

Status: As stated above, the 2007 FLIP report referred to in Objective 4 will be updated after an updated assessment of FLIP properties is completed in 2014. The report will identify and prioritize project costs in the categories of modernization, deferred maintenance, and capital renewal needs that should be completed over a 10-year period. The results of that update will then be used to prioritize the capital improvement of County facilities. A FLIP progress report is provided in Section II.E. of this report.

**Objective 8:** Design and Construction. The Public Works Department performs and engages professional consultants to provide architectural and engineering services. Construction documents should be developed based on pre-established building standards and design criteria including space standards, life-cycle cost analyses, and evaluation of maintenance and operational impacts.

Status: Public Works staff continues to manage the design and construction of numerous County capital projects in accordance with County and industry standards. For example, the Public Works Capital Projects Management Division completed the construction of the new Hope House (aka Crisis Residential Facility) in Martinez and the expansion of the Concord Health Clinic in Concord in 2013.

**Objective 9:** Operations and Maintenance. The Public Works Department identifies and implements custodial, grounds, and preventive maintenance standards, corrects building deficiencies, and monitors building system performance to extend the useful life of facilities to the extent possible with the County's budgetary requirements. RAMP will accentuate comprehensive life-cycle cost analysis to guide strategic decisions relative to new construction, capital renewal, and investment.

Status: The Facilities Maintenance Division, within the County's budgetary requirements, continues to identify and implement a preventative maintenance program, correct deficiencies, and monitor building systems performance to extend the life of facilities. When investments are made, maintenance performed, or capital renewal projects planned, life-cycle analysis is performed by reviewing the initial cost, the annual maintenance cost, and the expected service life.

**Objective 10:** Surplus Real Property. The real property inventory will be used to identify underutilized County-owned properties and to evaluate opportunities for revenue generation (leasing) or declaring property surplus to the needs of the County. Surplus properties would then be eligible for sale through a public auction or negotiated sales process.

Status: Real Estate staff regularly reviews our asset inventory to identify properties that are no longer needed for County use and which can then be sold as surplus property. This will be easier when the Real Estate Inventory database is completed. The County's current potential surplus property is discussed in Section II.D. of this report.

**Objective 11:** Financing Capacity Analysis. Assess the overall ability to finance capital projects, including revenue and expenditure projections, fund balances available to pay for facilities maintenance, capital renewal, new construction, and property acquisition. Inherent in this analysis is a comprehensive review of the County's existing debt service obligations, cash and revenue projections, and its capacity to finance future capital projects.

Status: This Objective outlines the steps the County goes through in developing the County's budget every year. The County analyzes and assesses its ability to finance the operational, capital, and service needs for all County departments to meet service delivery goals, including the needs of County-owned buildings. The County also reviews the County's debt service obligations and bonding capacity as part of the annual Debt Report. The Debt Report is developed each year during the budget cycle.

**Objective 12:** Internal Services Fund for Facilities Maintenance. Evaluate the feasibility of developing an Internal Services Fund (ISF) for facilities maintenance to improve planning and paying for deferred maintenance and capital renewal of buildings. An ISF would stabilize funding for building repairs and establish a more equitable and consistent process for maintaining the County's building assets.

Status: "Internal Services Funds" (ISFs) are specific tools to implement cost-reimbursement for certain specific purposes. ISFs include provisions that were thought not to be applicable to this RAMP policy. Instead, County staff implemented a 1% "Capital Renewal Factor" described at the beginning of this report for departments occupying County-owned buildings, and created a separate account to keep the revenue raised. That revenue will then be used to fund major maintenance and capital replacement needs for County-owned buildings and to eliminate future deferred maintenance. The revenue from this occupancy cost factor is being tracked by building and by funding source.

**Objective 13:** Administration of RAMP Partnerships. Under direction of the County Administrator, the Public Works Department should initiate collaborative partnerships with County departments to identify how departments are currently planning for and utilizing real estate assets and to manage department space needs within the framework of RAMP policy, goals, and objectives.

Status: As stated above, Public Works Real Estate staff continues to meet with various departments to determine their real estate needs, and to maximize opportunities to implement RAMP policies, goals, and objectives. Funds will be set aside in each year's County budget to pay for proactive analysis of vacant County-owned buildings to fill them with departments from leased space to the maximum extent practicable. This Objective would also benefit from a Master Plan of County facilities.

## II. ANNUAL PROGRESS REPORT

The following is an annual progress report of the County's Real Estate Asset Management Plan (RAMP) program adopted by the Board of Supervisors in August 2009. The following information summarizes RAMP projects and accomplishments that were completed in 2013.

### A. COMPLETED RAMP PROJECTS AND INITIATIVES

1) RAMP Policy. A draft Administrative Bulletin implementing RAMP principles for the use and management of County-owned and leased assets, and to establish a centralized program to manage the space needs of County departments was presented to the Finance Committee on February 11, 2013. Administrative Bulletin 526.0 (AB 526.0) became effective on April 9, 2013.

   AB 526.0 established RAMP policy by, i) addressing the reduction of the vacancy rate of County buildings, ii) providing sustainable occupancy rates for County-owned space, iii) providing for the orderly occupancy of, including the financial responsibility for, County-owned space, and iv) providing for possible loans from the General Fund to fund beneficial RAMP projects under certain circumstances. A copy of AB 526.0 is attached to this Summary.

2) Proposed Relocation of the Sheriff-Coroner Administrative Offices. A report evaluating a proposed move of the Sheriff-Coroner's Administrative Offices from the County Administration Building at 651 Pine Street in Martinez to leased space in Pleasant Hill was presented to the Finance Committee on February 11, 2013.

3) Proposed Relocation of the Sheriff-Coroner's Records and Fingerprinting Operations. A report evaluating a proposed move of the Sheriff-Coroner's Records and Fingerprinting operations from leased space at 500 Court Street, Martinez to the County-owned Summit Centre building also in Martinez was completed on September 25, 2013.

### B. LEASE COST SAVINGS

In calendar year 2013, Public Works Real Estate staff renegotiated 12 leases that resulted in a net rent reduction of approximately $147,300 in the first year of the agreements. Real Estate staff also negotiated several new leases in 2013 that took advantage of the relatively soft real estate market by locking in lower fixed rents over the lease terms.

## C. RE-USE OF COUNTY-OWNED VACANT SPACE

No County departments were relocated from leased space to County-owned space in 2013.

## D. EVALUATION OF SURPLUS PROPERTY

The following properties were evaluated in 2013 for potential disposition in 2014:

1) 1420 Livorna Road, Alamo (Flood Control). This is a single-family residence that is located on Flood Control property. The building has been rented out to private individuals for many years, but will be sold at auction in early 2014.

2) Oak Park Blvd., Pleasant Hill. This is an approximately 10-acre parcel of vacant land that is the former site of an elementary school ball field. County staff has been discussing land use issues with City of Pleasant Hill in preparation of disposing of the property on the open market.

3) 343 Rodeo Avenue, Rodeo. This is the former Rodeo Veterans Memorial Building. The building is vacant and is being evaluated for disposal in 2014

## E. FACILITIES LIFE-CYCLE INVESTMENT PROGRAM (FLIP)

In 2007, as part of the FLIP program, the County hired the ISES Corporation (ISES) to complete a comprehensive evaluation of the condition of certain County-owned buildings (the "FLIP Evaluation"). The purpose of the FLIP Evaluation was to reveal the level of deferred maintenance and improvements that would be required over a 10-year period to both extend the useful life of those County facilities and promote the health and safety of employees and the public who use those facilities. Deferred maintenance and capital renewal projects were categorized in the FLIP Evaluation as having a Priority 1 through Priority 4 rankings as follows:

- Priority 1 projects are defined as needing immediate action to return a facility to normal operation, stop accelerated deterioration, or to correct a safety hazard;
- Priority 2 projects are defined as needing correction within a year to avoid intermittent interruptions, rapid deterioration, or potential safety hazards;
- Priority 3 projects include conditions requiring appropriate attention to prevent predictable deterioration or potential downtime and the associated damage or higher costs if deferred further; and
- Priority 4 projects include items that represent a sensible improvement to existing conditions. These projects are not required for the most basic

functions of a facility, however they will either improve overall usability or reduce long-term maintenance.

In 2014, the County has proposed to contract with ISES to complete an update of the 2007 FLIP Evaluation. Public Works has revised the list of buildings to be included in that updated evaluation. Buildings no longer in the County inventory due to sale, or other reasons, have been removed from the building list and other buildings not assessed in 2007 were added. The revised list will improve the County's ability to plan for the maintenance of its buildings and other assets. The updated FLIP Evaluation will be completed by the end of FY 13/14. As part of that evaluation, ISES will also recommend an adequate Capital Renewal Factor to add to the occupancy cost of our buildings for us to consider.

Over $270 million in deferred maintenance was identified in the 2007 FLIP Evaluation. As stated in this report above, $5 million was appropriated from the General Fund in FY 2012-13 to perform deferred maintenance of those County facilities included in the FLIP Evaluation. An additional $10,000,000 was appropriated from the General Fund for that purpose in FY 2013-14.

In 2013, the above funds were used on the following three projects:

1) Martinez Detention Facility, 1000 Ward St., Martinez. Infrastructure improvements were completed in June 2013 with the replacement of two chillers that were in critical need of replacement. The 30-year old chillers were 10 years beyond their useful life, and one chiller failed in the past and had to be repaired. The chillers were also identified in the FLIP report as needing to be replaced during this time period. The chillers were replaced with new energy efficient units that contain the latest ozone-friendly refrigerant.

2) Orin Allen Youth Rehab Facility, 4491 Bixler Rd., Byron. A sewer line replacement project was completed in January 2013 to replace a sewer main that would often break.

3) Finance Building, 625 Court St., Martinez. The initial FLIP report recommended that, i) the metal roof of this historic building be replaced, ii) the ornamental roof components be reconditioned, iii) the exterior masonry and façade be upgraded, and iv) the foundation wall waterproofing be repaired. While the County was addressing that work, an architectural consultant of the County who was completing a further investigation of the building discovered other seismic and structural defects. A structural analysis of the building was then conducted, and a report and cost estimate was generated.

The original project budget for the above work was $5 million. The additional seismic improvements will increase the project budget to a preliminary estimate of approximately $12 - $15 million. An additional study is being initiated to validate structural connection details and to assess the physical and cost impacts to the mechanical, electrical, and plumbing systems as a result of the potential seismic work. Once the cost of this expanded project has been determined and approved, the project scope will likely be adjusted prior to commencing with the design phase. Once the design work has been completed and a revised project budget has been approved, Public Works' Capital Projects Management team and a consultant will work with the departments that occupy the building to coordinate the likely temporary relocation of staff and storage prior to beginning the work. Once approved, this will be a design-build project which will take 2-3 years to complete.

Priority 1 and 2 projects typically reflect life-safety and/or code issues. With the increased appropriation of funds, the County has begun to strategically address deferred facilities maintenance and capital renewal on a yearly basis by addressing the ranked needs established by the FLIP Evaluation. Of those buildings, the buildings whose operating costs are supported by the General Fund (i.e. "General Fund Buildings") will be addressed first.

Attachment 3 provides a listing of the Priority 1 General Fund Building projects to be addressed. The estimated cost to complete those projects is $600,985. Attachment 4 provides a listing of the Priority 2 General Fund Building projects to be addressed. The estimated cost to complete those projects is $6,410,042. Public Works has begun work on the Priority 1 General Fund Buildings, and will begin work on the Priority 2 General Fund Buildings once that work is complete.

Attachment 5 is a listing of projects completed from 2008 through 2013 and their associated costs totaling $11,198,975, as summarized in the following table:

**Completed Deferred Maintenance/Capital Renewal Projects for County Facilities from January 1, 2008 to December 31, 2013**

| Priority Classification | 1 | 2 | 3 | 4 | Total |
|---|---|---|---|---|---|
| Project Cost | $203,991 | $1,402,501 | $7,897,949 | $1,694,534 | $11,198,975 |

Attachment 6 is a listing of all County-owned facilities by building number including such assets as fuel tanks, storage facilities, and airport towers.

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**ATTACHMENTS:**

ATTACHMENT 1 - Real Estate Master Plan Outline
ATTACHMENT 2 - Administrative Bulletin 526.0
ATTACHMENT 3 - Priority 1 General Fund Building Projects
ATTACHMENT 4 - Priority 2 General Fund Building Projects
ATTACHMENT 5 - 2013 List of Completed FLIP Projects
ATTACHMENT 6 - County-owned Facilities By Building Number

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