



Agenda Item: 7

Date: December 16, 2009

Subject: Facilities Consolidation and Potential Property Acquisition

Staff Contact: John E. Valdes, CIP Manager

Recommended Board Action:

Direct staff to proceed with one of the following options:

Option A – Suspend further consideration for facility consolidation at this time to save further costs for analysis of property, permitting, property acquisition and the capital costs of building a new facility.

Option B – Proceed with property acquisition with the intent to construct a production facility and eventual consolidation of the administration and field operations functions over a phased development taking several years.

Option C – Proceed with property acquisition with the intent to consolidate all District functions with a turn-key plan and construction program.

Discussion:

At the October Board Meeting, the Board of Directors received an update on the status of facilities consolidation and, more specifically, preliminary efforts related to the possible acquisition of property at 4600 Auburn Blvd. At that meeting, the Board gave staff approval to proceed with the following steps at a not to exceed cost of \$10,000: 1) approval to proceed with a property appraisal; 2) approval to proceed with a Phase II Environmental Site Assessment; and 3) approval to contact the owner of the property located to the South of 4600 Auburn Blvd. to discuss obtaining an easement to widen the access out to Pasadena Avenue.

This additional approved work has now been completed and the purpose of this staff report is to provide an update on the findings. In addition, staff desires to update the Board on the estimated costs of facility consolidation as first presented in a report dated August 15, 2008, by Domenichelli & Associates (D&A).

1. Property Appraisal

Pattison & Associates was hired as a subconsultant to D&A to appraise the property at 4600 Auburn Blvd. The property appraisal has been completed. See separate closed session agenda item.

2. Limited Phase II Environmental Site Assessment

Dunn Environmental was contracted to do a limited Phase II Environmental Site Assessment as a subconsultant to D&A. The additional activity was related to the further identification of existing wells on site and potential buried waste. This type of investigation is normally undertaken when a Phase I ESA determines a likelihood of site contamination or contaminant pathways of concern as was the case here.

Dunn Environmental's findings are included in a draft report that is under review and is expected to be finalized in late December. As indicated in the draft report, Dunn Environmental retained a utility locator to help identify significant contaminant sources and pathways. Two and possibly three domestic wells exist on the property; two wells appear not to have been properly abandoned. One well is adjacent to drums that are stored on the neighboring Berco Redwood Lumber Property (formerly Lund Equipment) which was a previous remediated leaky underground storage tank site. The second well is located in a three foot deep depression along Auburn Blvd. which is a significant drainage feature in the area. A single large septic tank that was used for the past mobile homes and a potential waste pile area was found.

All of these items are red flags for potential contamination and contaminant pathways that could hinder either end use of this site for a new municipal well or office complex development. Dunn Environmental recommends that: 1) that the existing wells and septic tank be exposed and abandoned (estimated cost of approx. \$10,000), 2) the use of the site as an office complex will require at a minimum several borings completed to ground water for both soil and lab testing near the abandoned wells and potential fill area sites to identify soil and/or ground water contamination. Estimated costs for this borehole investigation are not anticipated to exceed \$30,000. Payment by the property owner or District could be negotiated, but typically any contamination cleanup and the well abandonment would be paid for by the seller. The investigation borings and water quality testing would typically be at the District's cost.

If this site is to be considered for the development of a new domestic production well, Dunn Environmental recommends the completion of a drinking water assessment activity complete with a discrete zone testing drilling program to define water quality and quantity conditions suitable for production. The purchase of the property would be based on the findings of this investigation. The District would commonly pay for the test well, lab and oversight effort, estimated at \$70,000.

3. Contact with Owner of the Property Located to the South of 4600 Auburn Blvd. Re: a Potential Access Easement

Mr. Steve Long of Overland, Pacific & Cutler, a subconsultant to D&A, has made contact with the owner located to the south of 4600 Auburn Blvd. regarding a potential access easement out to Pasadena Avenue. The owner of the property was receptive to such a

request but requested additional details. However, no further action will be taken until such time that a decision is made to continue to pursue the property.

4. Update of Estimated Costs for Facility Consolidation

In 2008, the costs associated with facility consolidation were estimated by D&A for four specific parcels. Capital costs include the cost to acquire property, site work, hiring an architect to design the new building, and construction of the new building. These costs would be partially offset by the monies obtained from the sale of the District's two primary buildings at 3701 Marconi Avenue and 5331 Walnut Avenue. Some "soft cost" savings would also be realized mainly due to reduced travel costs and the lost work time that currently exists for trips between buildings (these costs were converted into a present worth cost).

Cost estimates were prepared for four separate properties and the estimated costs for each are shown in the table below.

Estimated Total Cost of Facility Consolidation (4 Sites)

Component	Estimated Cost (2008 \$)			
	Site No. 1	Site No. 2	Site No. 3	Site No. 4
Land Cost	\$1,525,000	\$1,574,000	\$1,220,000	\$2,200,000
Construction Cost ¹	\$11,480,130	\$11,700,089	\$11,728,526	\$11,468,876
Design/Admin. & Management (12%)	\$1,377,616	\$1,404,011	\$1,407,423	\$1,376,265
Property and Soft Cost Savings ²	-\$6,716,961	-\$6,716,961	-\$6,716,961	-\$6,716,961
Total Implementation Cost	\$7,665,785	\$7,961,139	\$7,638,988	\$8,328,180

From Technical Memorandum, Office Complex Feasibility Study, Phase 2A – Site Selection Cost Analysis, August 15, 2008, Domenichelli & Associates.

Notes:

¹ Includes approx. 32,000 square foot (sf) administration and operations building, parking, parts and materials storage areas, site security and fencing, etc.

² The value of the existing District buildings was estimated at \$4.5 million. Soft cost savings include savings primarily due to reduced travel costs and lost work time for trips between buildings and these costs have been converted into a present worth cost.

As indicated above, in August 2008 the total cost to the District for facility consolidation was estimated to range between \$7.7 and \$8.3 million. Note that the estimated

construction costs shown above did not reflect the ongoing recession and the poor economy because it was not known when the construction work would actually be completed.

These costs have been updated to present day estimates for the property at 4600 Auburn Blvd. The estimated total implementation cost for the 4600 Auburn Blvd. property is not significantly different than those costs shown above in 2008 and would be approximately \$7.5 to \$8.0 million. In the short term, there could be a significant reduction in the construction cost. Costs for recently constructed buildings are coming in 25 to 30% lower than normal due to the poor economy. However, these lower than normal construction costs are not expected to last indefinitely. If the District does decide to purchase property for facility consolidation and doesn't build for 2 to 3 years, it is expected that construction costs will increase back to normal levels more accurately reflected in the cost estimates done in August 2008. Also, at this time the value of the District's existing buildings would be expected to be about 10% less than estimated in 2008 due to the soft real estate market.

Note that it will also be necessary to acquire an access easement from the property owner located to the south of the 4600 Auburn Blvd. property for better utility truck access out to Pasadena Avenue.

5. Additional Work Required to Obtain Property

As previously reported to the Board, the County of Sacramento Planning Dept. staff has been contacted regarding zoning issues related to 4600 Auburn Blvd. The largest of the three parcels that make up this property is zoned for high density residential use (RD-30). County staff indicated that, although most of the property is zoned RD-30, the District could apply for a Conditional Use Permit (CUP), and granting it would not violate the County's Housing Element because this specific parcel is not on their Housing Element list. A CUP, if utilized within 3 years of its granting, has no expiration date. County staff suggested that the District prepare a preliminary site plan of the proposed project and then set up a meeting to further discuss the requirements for obtaining a CUP. A preliminary site plan was prepared by D&A.

In August 2009, a meeting was held with County of Sacramento Planning Dept. staff to further discuss the property at 4600 Auburn Blvd. and the potential for obtaining a CUP. County staff indicated that there were no "fatal flaws" they could see that would prevent the District from obtaining a CUP. They outlined the process for obtaining a CUP which can take on the order of 6 months from start to finish and consists of several meetings with County staff and/or the Carmichael/Old Foothill Farms Planning Commission. The next step in the process would be to pay a \$700 fee and schedule a Pre-Application Meeting (PAM) where environmental, infrastructure, etc. issues would be addressed.

D&A has prepared a cost estimate for the services required to obtain the CUP. It is estimated that these services would cost on the order of \$50,000.

To summarize, additional site acquisition costs related to 4600 Auburn Blvd. would include:

- Conditional Use Permit - \$50,000
- Added Phase II Analyses - \$30,000
- Test Well (if contingent on finding good quality water) - \$70,000
- Acquisition of access easement out to Pasadena Avenue - Unknown

Fiscal Impact:

The estimated total present worth cost of facility consolidation for the 4600 Auburn Blvd. property is approximately \$7.5 to \$8.0 million. Some construction cost savings could be realized in the short term that would reduce the total cost but these savings are not expected to last indefinitely.

Strategic Plan Alignment:

Facilities and Operations – 2.B. Monitor and improve the District’s efficiencies in operating and maintaining system infrastructure.

Operational efficiencies could be improved and some costs reduced if District staff could be operated out of one facility but cost savings would not offset new facility costs in the near future.