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December 10, 1984

P-471

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

This letter is in response to a request for a review of the costs of relocating to Pleasant Hill the San Francisco district office of the Department of Conservation's (department) Division of Mines and Geology. This letter also provides information on the events and factors influencing the decision to relocate the district office.

In August 1984, the department relocated its San Francisco district office to Pleasant Hill. The department leased space in two buildings at 367 and 380 Civic Drive to house employees and the bulk of the library previously located in San Francisco. The total square footage of leased space is 8,604. In addition, the department moved the remainder of the library to Sacramento.

The annual rent for the offices and parking spaces in Pleasant Hill is \$134,647 per year, or approximately \$1.30 per square foot per month. This includes amortization over a four-year lease period of \$14,120 in improvements to be paid by the State. Total paid moving costs, including moving the different portions of the library to Pleasant Hill and Sacramento, were \$22,114.

Reference and working materials in the library, which are approximately 75 percent of the library and are most heavily used by both the staff and the public, were moved to Pleasant Hill. The remainder of the library, consisting primarily of historic and reference materials pertaining to other states and foreign countries, was moved to Sacramento. Although the portion of the library in Sacramento is in storage, the department plans the storage to be temporary until the Sacramento offices of the Division of Mines and Geology are consolidated within the next few months.

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Facility Selection

The department's Division of Mines and Geology (division) had been on notice for several years that the San Francisco district office would need to be relocated from the Ferry Building because of plans to renovate the building. The district office conducts three major mapping programs and maintains the main library of the division. The library provides information on all phases of geology and mining. Because of the uncertainty as to when the department would have to vacate the Ferry Building (the lessor or lessee could terminate the lease on 30 days notice), and because of the time and logistics needed to relocate the office, the department decided to proceed with the relocation in 1982. In anticipation of the move, the department sought and received a \$275,000 budget allotment in fiscal year 1983-84 to accomplish the relocation.

In its process for selecting a new site for its district office, the department considered such factors as cost, potential effects on the department's programs (including possible loss of experienced staff), and the loss of the library to the mining, petroleum, and geologic community located in the San Francisco Bay area. The department notes that there was public concern that the move would destroy access to the library and thereby limit its usefulness to the general geologic community in San Francisco.

In analyzing cost factors, the department obtained from the Office of Space Management in the Department of General Services estimates of rental rates for various Northern California locations, including San Francisco, Oakland, Concord, and Sacramento. The estimated rental rates per square foot per month were \$1.60 to \$2.25 in San Francisco, \$1.50 in Oakland, \$1.25 in Concord, and \$1.00 in Sacramento. The department initially conducted analyses comparing the costs of remaining in San Francisco with the costs of moving to Sacramento, taking into account rental costs, moving costs, and relocation costs.

In an effort to keep the district office in San Francisco, Mining Lamp, Inc., a nonprofit foundation, informed the department that it had found adequate space in San Francisco to house the staff and library. Mining Lamp indicated that the rent based on a ten-year lease would be \$0.52 per square foot per month, and the renovation costs (which the foundation estimated to be \$300,000) would result in a rent surcharge of \$0.17 per square foot per month. In addition, Mining Lamp's representative indicated that Mining Lamp was actively seeking pledges for contributions from the business community to reduce the department's costs of renovation.

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The department analyzed the Mining Lamp's proposal and rejected it. In a memorandum dated August 13, 1984, the department's Administrative Services Manager noted that the proposed space was on the second floor of a five-story reinforced concrete building constructed in 1942 and used by the U.S. Marine Corps as a warehouse. An on-site inspection by the department "raised serious doubts as to whether it could be renovated at a reasonable cost to make it suitable for office space." According to the manager's analysis, "the suggested space is not adequate for office and library use, but is largely open warehouse space without adequate heat, and is only minimally habitable for professional offices. Providing for employee health and safety becomes a major consideration in a facility of this nature."

Furthermore, the memorandum indicated that "it would have cost a considerable amount to bring [the warehouse space] up to code, including both the Fire and Life Safety requirements and the Handicapped Access requirements. This was confirmed in discussions with Caltrans." The memorandum noted that Caltrans, which owns one-half of the building and was looking for a site to consolidate its San Francisco operation, had determined that it would be less expensive to build a new building than convert the warehouse.

The department concluded that the \$300,000 renovation cost estimated by Mining Lamp was too low and estimated the renovation cost at \$500,000, indicating that \$500,000 is a relatively conservative figure considering the condition of the facility and the amount of work necessary to bring it up to code. Based on the \$500,000 estimate to renovate the warehouse site in San Francisco, the department calculated that the rent for a five-year lease would be \$174,240 per year for the facility in San Francisco compared with \$164,628 per year for similar space in Pleasant Hill. The department's analysis also questioned Mining Lamp's ability to raise funds to pay for the renovation because of Mining Lamp's inability to fulfill previous fund-raising commitments.

Although the department's facility study showed that moving the district office to Sacramento would be the least costly alternative, the department considered such other factors as potential effects on the department's programs and the loss of the district office library to the mining, petroleum, and geologic community located in the San Francisco Bay area. For example, the department's San Francisco staff commented in a report dated December 15, 1983, that "removal of our staff from the Bay area would lead to a gradual dissipation of our accumulated knowledge of the community and its many geologic problems." Further, the department's "effectiveness in early response to major earthquake and landslide disasters would be seriously reduced, not

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simply because a Sacramento office would be further away, but because we would lack many of our present contacts and intimate experience with the geography as well as the geology of the Bay area." Finally, the report noted that at least 11 staff members in the San Francisco district office indicated they would not relocate to Sacramento.

In considering the impact of moving the library, the department split the library so that the documents most used by the staff and the mining and geology industry would be available in the Bay area. The Secretary of the Resources Agency, in response to a letter concerning the relocation, indicated that the department had considered, to the extent possible, the concerns and needs of the San Francisco users of the library. According to the Secretary, the department has in fact agreed to consider the recommendations of an industry committee formed to ensure that the library located at Pleasant Hill will contain the most-used documents. The department acknowledged that removal of the library from San Francisco to Pleasant Hill, a round-trip of approximately 40-45 miles according to department estimates, makes it more inconvenient for persons from San Francisco to use the library. The department also noted, however, that the State established and has always funded the library to service staff of the Division of Mines and Geology.

Decision to Move

In April 1984, the Director of the Department of Conservation decided to relocate the Division of Mines and Geology's district office (including part of the library) to Pleasant Hill. In supporting this decision, the director noted the difference between rental rates in San Francisco (\$2.25 per square foot) and Pleasant Hill (\$1.25 per square foot) and indicated that the new site allows staff access to the Bay area where the division conducts much of its work. The director further noted that locating the district office in Pleasant Hill continues the department's presence in the San Francisco community. In addition, the Pleasant Hill office space is adjacent to the Office of Emergency Services' Bay area office. The department has an ongoing working relationship with the Office of Emergency Services to provide geologic advice and assistance in the case of emergencies such as earthquakes or severe landslides.

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We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the first paragraph of this letter.

Sincerely,



THOMAS W. HAYES
Auditor General

Attachment

Memorandum

To : Thomas W. Hayes
Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Date : DEC 7 1984


Subject: Report on the
San Francisco
Relocation, Department
of Conservation

From : **Department of Conservation—Office of the Director**

Secretary Van Vleck has asked me to thank you very much for sending the draft copies of the report concerning the relocation of the Department of Conservation's Division of Mines and Geology San Francisco district office to Pleasant Hill.

We would like to thank Mr. Eugene Potter and especially Nori Hirasuna for their professional and courteous evaluation of this issue.

We feel the report accurately represents the facts and we do not have any comments.


Don L. Blubaugh
Director

cc: Honorable Gordon K. Van Vleck
Resources Agency Secretary