



July 20, 2009

The Honorable Denise Moreno Ducheny, Chair  
Joint Legislative Budget Committee  
1020 N Street, Room 553  
Sacramento, CA 95814

Attn: Jody Martin, Principal Consultant

Dear Chairwoman Ducheny:

Pursuant to the requirements of the Supplemental Report of the 2008 Budget Act, Item 1760-001-0666, Provision 2, the Department of General Services (DGS) is submitting a report on 'Space Consolidation in San Francisco.'

In keeping with our commitment to encourage conservation, we have posted this report to our website. The report can be viewed at the following location:

<http://www.legi.dgs.ca.gov/Publications/2009LegislativeReports.htm>. The report is entitled 2009 Space Consolidation in San Francisco.

If you have further questions about the report, please contact Joe Mugartegui, Chief, Asset Management Branch, Department of General Services, at (916) 376-1816 or Teresa Bierer, Assistant Deputy Director, Real Estate Services Division, Department of General Services, at (916) 376-1900.

Sincerely,

Will Bush  
Director

cc: See attached Distribution List #5  
Joe Mugartegui, Chief, Asset Management Branch, Real Estate Services  
Division, Department of General Services

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1020 N Street, Room 553  
Sacramento, CA 95814  
Attn: Jody Martin, Principal Consultant

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State Capitol, Room 5019  
Sacramento, CA 95814  
Attn: Danny Alvarez, Staff Director

The Honorable Christine Kehoe, Chair (Attn: Bob Franzoia, Director)  
Senate Appropriations Committee  
State Capitol, Room 2206  
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The Honorable Noreen Evans, Chair  
Assembly Budget Committee  
State Capitol, Room 6026  
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The Honorable Kevin De León, Chair  
Assembly Appropriations Committee  
State Capitol, Room 2114  
Sacramento, CA 95814  
Attn: Geoff Long, Director

Mr. Mac Taylor **(Hand carry)**  
Legislative Analyst  
925 L Street, Suite 1000, B-29  
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**COPY OF JLBC NOTIFICATION TO EACH OF THE FOLLOWING:**

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State Capitol, Room 6026  
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The Honorable Dave Cox, Vice Chair  
Senate Appropriations Committee  
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Attn: Doug Yoakam, Minority Director

The Honorable Jim Nielsen, Vice Chair  
Assembly Appropriations Committee  
State Capitol, Room 6031  
Sacramento, CA 95814

Michael Prozio, Legislative Affairs Secretary  
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Sacramento, CA 95814

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Originating Office

**REVISED 5/26/09**

# **State Office Space Occupancy Report City and County of San Francisco**

**Report to the Legislature  
May 2009**

**Prepared by:  
State of California  
Department of General Services  
Real Estate Services Division  
Asset Management Branch**



## **Introduction**

The Department of General Services (DGS) prepared this State Office Space Occupancy Report - City and County of San Francisco per the Supplemental Report of the 2008 Budget Act, Item 1760-001-0666, Provision 2, which states: "The Department of General Services shall report to the chairs of the budget committee of each house of the Legislature and the Legislative Analyst's Office regarding existing leased space in the City and County of San Francisco. The report shall also include the following:

- projected need for future space in the San Francisco Area;
- the DGS practices in regards to reviewing potential consolidations of space requests from multiple departments;
- the DGS review of alternative locations for space requests in the City and County of San Francisco; and
- an accounting of identified program needs for locating in the City and County of San Francisco, with particular attention to those that may be candidates for consolidation in the next three years."

## **Current State-occupied office space**

The State of California currently occupies 1.4 million usable square feet (USF) of general purpose office space in the City and County of San Francisco (excludes space occupied by the University of California and California State University). Of this amount, 71 percent (1 million USF) is located in the three DGS – owned office buildings, which include: the Edmund G. "Pat" Brown State Building, occupied by the Public Utilities Commission and constructed in 1986; the San Francisco Civic Center consisting of the Earl Warren Building renovated in 1998 and the Hiram W. Johnson State Office Building constructed in 1998. The remaining 403,691 USF of leased office space is occupied by 25 State agencies in 27 different locations, as presented in the attached occupancy chart.

## **Projected need for future space**

The DGS has received 13 new requests for real estate services from State agencies in San Francisco within the last year. Five agencies are seeking to downsize (7,964 office square feet combined; 23 parking spaces), six are seeking to renew their current leases (78,283 office square feet combined), and two agencies are seeking new space (35,704 office square feet combined). In addition to these current requests for real estate services, the DGS expects office leasing requests in San Francisco to modestly decline due to fiscal constraints on agencies' support budgets. Several State agencies are attempting to relocate from San Francisco to less expensive office space in the East Bay and others are seeking assistance with amending current office leases to reduce their rental obligations.

## **Reviewing consolidation requests from multiple departments**

The DGS' Real Estate Services Division (RESD), Asset Management Branch (AMB) staff assesses the future space needs of State agencies in the City and County of San Francisco in several ways:

- Regional Facilities Plans are prepared that guide strategic, long-range planning and consolidation recommendations. A survey is sent to each State agency in advance of writing the Regional Facilities Plan to assess office spaces needs, projected staffing changes, consolidation goals, budget, geographic boundaries served by program, co-location opportunities with other State agencies, etc.
- RESD Regional Portfolio Managers (RPMs) frequently communicate with State agencies to determine an agency's consolidation and/or co-location goals in a region.
- RESD Real Estate Officers (REOs) provide real estate services (leasing, acquisition, due diligence, etc.) to agencies and share agency needs with RPMs for planning purposes.
- State agencies submit a "CRUISE," an electronic space action request, to DGS to initiate a request for real estate services. The RPM assigned to the region where the services are requested analyzes all CRUISE requests to determine if a State agency could be included in a consolidation or co-location project.

## **Reviewing alternative locations for space requests**

Upon receipt of a request for space, the RPMs first check to ascertain if there is State-owned space available for occupancy that can accommodate the need. If none is available, the request is forwarded to the Real Estate Leasing and Planning Section (RELPS).

State agencies must provide RELPS site search boundaries and parameters that meet their needs for the State program(s) that will be administered from the proposed location. They must also communicate any special facility or program requirements (parking needs, security, evidence rooms, conference rooms, etc.) so that the assigned REO can evaluate available space in the market, initiate building tours, and commence negotiations with private-sector landlords. REOs consult with agencies to ensure that site search boundaries include enough lease space inventory to create competition, which aids their negotiations. The State agency ultimately chooses the location they determine best meets their real estate requirements, program needs, and budget.

### **Accounting of identified program needs for consolidation**

There are currently no plans for a major office consolidation project in San Francisco. The State's real estate portfolio in San Francisco has a healthy balance between State agencies in State-owned office space (71 percent) and those occupying private leased office space (29 percent). The DGS continually evaluates opportunities for office consolidation and will propose an office consolidation project if long-term occupancy costs for the State can be reduced and if State agencies can effectively administer their respective programs from a multi-tenant State office building.

The DGS uses regional facilities plans, State agency surveys, consultation with RPMs, REOs, and CRUISE requests for new services to analyze and assess the space needs of State agencies. Consolidation opportunities are analyzed based on factors that include local real estate market conditions, development costs, and long-term identified office space needs. It is standard industry practice to maintain a percentage of a real estate portfolio in leased space. For the State, this practice allows some flexibility and opportunities to address changes in office space requirements that result from organizational or programmatic adjustments. This flexibility is also important for the State's occupancy strategy for the DGS-owned buildings, as the first priority is to maintain full occupancy of these buildings. The DGS considers opportunities for consolidation and co-location with other State agencies in leased space when requests for real estate services are submitted by State departments.

**San Francisco County Space Totals**

State Agency	Address	City	Zip	Space Type	Square Feet	Monthly Rent *	Lease #
ALCOHOLIC BEVERAGE CONTROL, DEPT OF	71 STEVENSON STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	4,807	\$17,165.02	5267002
COASTAL COMMISSION, CALIFORNIA	45 FREMONT STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	28,036	\$149,811.68	2718002
COASTAL COMMISSION, CALIFORNIA	539 BRYANT STREET	SAN FRANCISCO	94107	STORAGE	1,623	\$1,380.00	2731003
CONSUMER AFFAIRS, DEPT OF	301 JUNIPERO SERRA BLVD	SAN FRANCISCO	94127	OFFICE (GENERAL)	2,506	\$7,856.91	2693001
CORPORATIONS, DEPT OF	71 STEVENSON STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	8,863	\$28,850.13	5267001
CORPORATIONS, DEPT OF	71 STEVENSON STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	560	\$1,801.59	5267003
CORRECTIONS AND REHABILITATION, DEPT OF	1727 MISSION STREET	SAN FRANCISCO	94103	OFFICE (GENERAL)	13,601	\$74,665.89	4764001
CORRECTIONS AND REHABILITATION, DEPT OF	101 S. VAN NESS AVENUE	SAN FRANCISCO	94103	OFFICE (GENERAL)	10,469	\$34,338.38	2668001
CSU, SAN FRANCISCO	205 13TH STREET	SAN FRANCISCO	94103	OFFICE (GENERAL)	10,157	\$28,351.00	5494001
CSU, SAN FRANCISCO	2017 MISSION STREET	SAN FRANCISCO	94110	OFFICE (GENERAL)	4,630	\$6,945.00	5501001
CSU, SAN FRANCISCO	3004 16TH STREET	SAN FRANCISCO	94103	OFFICE (GENERAL)	1,547	\$5,223.00	5504001
EMPLOYMENT DEVELOPMENT DEPARTMENT	185 BERRY STREET	SAN FRANCISCO	94107	OFFICE (GENERAL)	21,952	\$57,610.99	2721003
EMPLOYMENT DEVELOPMENT DEPARTMENT	1700 CALIFORNIA STREET	SAN FRANCISCO	94109	OFFICE (FIELD)	7,025	\$20,500.00	4567001
EQUALIZATION, STATE BOARD OF	121 SPEAR STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	17,219	\$91,718.50	5054001
FINANCIAL INSTITUTIONS, DEPT OF	45 FREMONT STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	16,885	\$86,014.16	2718004
FINANCIAL INSTITUTIONS, DEPT OF	45 FREMONT STREET	SAN FRANCISCO	94105	STORAGE	437	\$1,773.49	2718004
FOOD AND AGRICULTURE, DEPT OF	FIVE THOMAS MELLON CIRCLE	SAN FRANCISCO	94134	OFFICE (FIELD)	590	\$1,432.00	2681001
FOOD AND AGRICULTURE, DEPT OF	501 CESAR CHAVEZ	SAN FRANCISCO	94124	OFFICE (GENERAL)	100	\$62.50	5418001
FRANCHISE TAX BOARD	221 MAIN STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	6,201	\$27,807.28	4377002
FRANCHISE TAX BOARD	121 SPEAR STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	5,285	\$25,869.32	5054001
FRANCHISE TAX BOARD	121 SPEAR STREET	SAN FRANCISCO	94105	STORAGE	500	\$0.00	5054001
HABEAS CORPUS RESOURCE CENTER	50 FREMONT STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	20,296	\$61,162.79	2705007
HABEAS CORPUS RESOURCE CENTER	50 FIRST STREET	SAN FRANCISCO	94105	STORAGE	2,800	\$2,240.00	5291001
HABEAS CORPUS RESOURCE CENTER	50 FREMONT STREET	SAN FRANCISCO	94105	STORAGE	50	\$0.00	2705007
HEALTH CARE SERVICES, DEPT OF	575 MARKET STREET	SAN FRANCISCO	94111	OFFICE (GENERAL)	18,542	\$56,214.38	5261001
HEALTH CARE SERVICES, DEPT OF	575 MARKET STREET	SAN FRANCISCO	94111	OFFICE (GENERAL)	9,271	\$27,907.19	5261002
INDUSTRIAL RELATIONS, DEPT OF	121 SPEAR STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	4,247	\$22,649.52	5054002
INDUSTRIAL RELATIONS, DEPT OF	121 SPEAR STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	2,315	\$12,149.52	5054003
INSTITUTE FOR REGENERATIVE MEDICINE, CA	250 KING STREET	SAN FRANCISCO	94107	OFFICE (GENERAL)	19,500	\$0.00	5681001
INSURANCE, DEPT OF	45 FREMONT STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	63,002	\$329,173.30	2718001
JUSTICE, DEPT OF	2720 TAYLOR STREET	SAN FRANCISCO	94133	OFFICE (GENERAL)	25,525	\$54,167.16	2670001
LIEUTENANT GOVERNOR, OFFICE OF THE	225 BUSH STREET	SAN FRANCISCO	94104	OFFICE (GENERAL)	684	\$5,265.48	5878001
MOTOR VEHICLES, DEPT OF	FIVE THOMAS MELLON CIRCLE	SAN FRANCISCO	94134	OFFICE (GENERAL)	3,443	\$7,323.96	2681002
PILOT COMMISSIONERS, CA BOARD OF	PIER 9	SAN FRANCISCO	94111	OFFICE (GENERAL)	2,280	\$5,227.00	5152001
PUBLIC DEFENDER, STATE	221 MAIN STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	19,343	\$51,848.17	4377001
PUBLIC DEFENDER, STATE	101 HOWARD STREET	SAN FRANCISCO	94105	STORAGE	344	\$430.00	2732002
REHABILITATION, DEPT OF	301 HOWARD STREET	SAN FRANCISCO	94105	OFFICE (GENERAL)	12,181	\$34,584.36	2706003
SAN FRANCISCO BAY CONSERV & DEVELOP COMM	50 CALIFORNIA STREET	SAN FRANCISCO	94111	OFFICE (GENERAL)	19,032	\$83,608.52	4826001
SOCIAL SERVICES, DEPT OF	1390 MARKET STREET	SAN FRANCISCO	94102	OFFICE (GENERAL)	853	\$2,488.00	4143016
TRANSPORTATION, DEPT OF	595 MARKET STREET	SAN FRANCISCO	94111	OFFICE (GENERAL)	14,823	\$40,604.72	2699001
TRANSPORTATION, DEPT OF	595 MARKET STREET	SAN FRANCISCO	94111	OFFICE (GENERAL)	2,027	\$7,053.75	2699003
TRANSPORTATION, DEPT OF	595 MARKET STREET	SAN FRANCISCO	94111	STORAGE	140	\$238.00	2699002

San Francisco County Totals

403,691 \$1,473,512.66

Space Type includes: Office (General), Office (Field), Storage, and Warehouse.

\* All Monthly Rent figures are rounded to the nearest dollar.