

Prison agency's moving plan criticized

Lawmaker calls proposal too expensive

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The head of a legislative budget committee says a plan to move the state's massive prison health care agency from downtown Sacramento to Elk Grove is too costly and shouldn't have bypassed the state's usual leasing process.

Senator **Mark Leno**, who chairs the Joint Legislative Budget Committee, urged the receiver running the health care system to reconsider the 10-year, \$91 million deal, which is still under negotiation.

California Correctional Health Care Services is being run by **J. Clark Kelso** after a federal judge took control away from the state for not moving swiftly enough to improve inmate health care. The agency announced last month it was negotiating a deal to move to a campus of existing buildings and some yet to be built in an Elk Grove business park. The agency operates primarily from two buildings downtown and one in Natomas but has been seeking to consolidate 1,500 employees at one campus since last year.

Typically, state agencies rely on the Department of General Services to negotiate real estate deals. While DGS was involved at the outset, Kelso decided to hire third-party consultants to complete the search for a new headquarters, a spokeswoman said.

That decision didn't sit well with Leno.

"I am very concerned about the lack of DGS involvement and the deviation from the state's usual leasing methods," he wrote in a letter issued to Kelso last week. It's unclear, however, whether the state can stop Kelso's move.

"We're confident we followed the appropriate procurement process," said **Nancy Kincaid**, a spokeswoman for Kelso. "The bottom line is that the federal court has tasked (Kelso) with fixing the system. That means moving faster than the normal bureaucracy." She said Kelso is in the process of drafting a response to Leno.

The nonpartisan Legislative Analyst's Office confirmed this week it reviewed details of the lease and forwarded concerns to Leno.

Those included the lease's cost as well as a mid-stream change in the space requirement.

According to the LAO, the lease for the Elk Grove buildings works out to \$2.66 per square foot — above market rates for rent in Elk Grove. In total, the deal works out to \$91 million over a 10-year term.

The agency is paying \$2.16 per square foot on average at its current locations and market-rate rent in Elk Grove is between \$2 and \$2.15, the analyst said.

“Given the high vacancy rates in the Sacramento region’s office space market, one might expect new tenants entering into long-term leases to attract market or below-market rates,” Leno wrote in his letter to Kelso. “This agreement could result in the state expending millions of dollars more than necessary.”

Kelso’s advisers have said staying in the current offices would require prohibitively costly upgrades. In addition, the office at 501 J St., which houses the majority of the workers, wasn’t in the running to serve as the new headquarters.

That office might not have been in the mix because the building and nearby properties couldn’t provide the nearly 300,000 square feet of space the health care operation initially requested. The space requirement was downgraded to 265,000 square feet, but a new search was not initiated.

The landlord at 501 J St. is real estate investment firm Chase Merritt . Its brokers have since said that 501 J and other nearby buildings could accommodate 265,000 square feet.

The Department of General Services confirmed it received a copy of Leno’s letter, but a spokesman said the department is not involved in the lease and can’t comment on the dispute. He said the department was participating in the process for a short time initially but hasn’t been involved since Kelso chose to pursue the lease.