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**OAKLAND UNIFIED
SCHOOL DISTRICT**
Community Schools, Thriving Students

Memo

To OUSD Board of Education Facilities Committee

Timothy White, Deputy Chief of Facilities

Committee Meeting Date April 26, 2019

Subject Central Administration Housing Update

Action Present an update to the Facilities Committee on the permanent and interim housing proposals for central office, and request that the Facilities Committee make a recommendation to the OUSD Board of Education President, Aimee Eng.

Background **History of District's Central Office Housing**

Why did central office move from 1025 2nd Ave?

Sometime during the night of January 7, 2013 a substantial water leak occurred on the top floor of the District's central office building located at 1025 2nd Avenue, causing excessive flooding on all four floors and significant damage to the entire structure.

Where did the central office move?

As a result of this water damage, the administrative building was vacated and staff temporarily relocated to numerous District sites including Cole Middle School, Lakeview Elementary School, Tilden Elementary, and 2111 International Avenue, while the District assessed its new permanent options for staff housing.

In June of 2013, the District signed a four-year lease at 1000 Broadway. Under the original lease, the District leased a total of 52,323 rentable square feet of office space.

Why was 1000 Broadway selected?

1000 Broadway was ultimately selected as a result of its price, current build-out, availability, parking, building access, and proximity to public transit. At the final negotiated rate of \$2.10 psf. per month, 1000 Broadway was the lowest priced downtown option available at the time.

How was it paid for?

The District's insurance broker, Keenan & Associates, advised the District that the insurance Memorandum of Coverage (MOC) provides for payment of all reasonable extra expenses and additional costs incurred in order to continue, as nearly as possible, the normal conduct of the District's operations had the flood not occurred, until the District's operations are at the level prior to the loss. When OUSD signed the initial lease for 1000 Broadway, a staff memo noted that, the MOC was likely to cover 36 month's rent.

When did OUSD expand its 1000 Broadway lease?

In April 2015, the BOE approved an expansion of the space leased to include Suite 150 with 25,333 square feet and Suite 600 with 21,771 square feet. The combined monthly lease payment is \$102,251.50, with 3 percent annual increase.¹ The additional space allowed for reuniting most District administration employees displaced as a result of the water damage, and as provided in the Board Asset Management Policy (BP 7155). The former Tilden school site stopped being used as administrative space.

How has OUSD paid for its 1000 Broadway lease?

According to a staff memo to the Board at the time,

“Based upon the best information available from District architects, estimators, brokers, risk managers and legal counsel, the insurance settlement related to the water damage at 1025 Second Avenue will likely cover the cost of the current and additional lease payments for 14 months or until May, 2016. Thereafter, lease payments shall be made from a combination of unrestricted funds and permissible restricted funds, until such time as District administrative staff can be re-housed at 1025 2nd Avenue.”

¹ The expansion lease terms were: 1) for Suite 600, \$1.90 per rentable square foot, with one month free rent, with the term commencing June 15, 2015; and 2) for Suite 150, \$2.40 per rentable square foot with two months free rent, with the term commencing on November 1, 2015, with the entire Office Lease, including the expansion lease terminating on August 31, 2019. In addition, the Landlord, at its expense, will undertake certain agreed to tenant improvements.

What prior actions has the Board taken or explored regarding housing central office?

This item has many associated actions. For a full list, see Appendix A. Since 2016, the Facilities Committee and the full Board have taken the following actions:

- 12/19/2016 - BOE approves plan to rehab 1025, cost of ~\$46.5 M (and dewey Multipurpose room ~\$10M) with completion scheduled by 08/2019. To be paid for by Measure J. Report required to BOE by 08/2017 if 1000 Broadway lease is to be extended.
- 06/19/2017 - Report to BOE to update on 1025 2nd Ave progress (reported as on track for 08/2019 move in date)
- 07/2017 - District issues New RFP for rehabilitating 1025 Second Avenue.
- 02/28/2018 - Preliminary Lease-Leaseback agreement with Cahill/Focon Joint Venture
- 10/30/2018 - Update to BOE on 1000 Broadway Lease terms
- 11/8 and 12/3 - Updates on Facilities Committee on expenditures and use of Measure J Funds to rehabilitate 1025. (documents not available).
- Throughout this period the Citizens Bond Oversight Committee has been receiving updates on use of bond funds and asking questions about Central Office site

What were the Board's priorities in housing central office?

In 2014, the Board established the following priorities for housing central office:

- Parking & Accessibility to Public Transit
- Leveraging Existing Assets
- Redesign/Reuse
- Thoughtful about impact on future students/communities
- Provide Community Meeting Space
- Reduce our carbon footprint
- Proximity to OUSD/Educational Partners
- Enhanced Amenities/Healthy Lifestyle
- Efficient Timeline (avoid delays)
- Take up less space
- Central Location, centrally visible and accessible to parents/community
- Thoughtful about Community Needs & Perception
- Thoughtfulness about the Underserved Families
- Financial Responsibility

What options has staff explored in the past, prior to the current set of options?

Over the past six years, staff has explored a number of options, but has focused on rehabilitating 1025 Second Avenue. There have been several variations offered to the Board as options with different elements such as parking, a multi-purpose room for Dewey, scaled-down rehabilitation, explorations of teacher housing, and revenue generation. Staff has also brought forth options to purchase sites or engage in long-term leases at the Oakland Civic Center and agreements with private developers. Each option has encountered significant issues with lack of community engagement, alignment to Board priorities, and/or financial feasibility.

The Board adopted a scaled down plan to rehabilitate 1025 Second Avenue in 2016 with a move in date of Fall 2019. However, in 2018, staff determined that the prior cost estimate of ~\$50M was too low, and the project was not on track for a Fall 2019 occupancy. The cost estimate increased to \$85 million when a full set of plans and specifications was developed (which also met the requirements of redeveloping a historical site). In August 2018, staff informed the Board that there were not sufficient funds to complete all projects on the bond list at that time. Due to the increased cost of the 1025 project and competing school-based priorities, staff recommended that the project be reduced and predominantly deferred until a potential subsequent bond measure.

Discussion

What options for permanently housing central office did staff explore?

Staff has evaluated a number of options during its latest round of exploration. Informed by the Board's priorities and previous experience, the following four options for permanently housing Central Office become the most viable options (other options explored included space owned by the City at Frank Ogawa Plaza, and the Zhone Building owned by the Alameda County Office of Education ACOE):

1. Using existing district facilities (not centralized);
2. Leasing at the Supply Bank (Lease agreement with a non-profit organization located near airport);
3. Rebuilding the Cole Campus ("Cole");
4. Rehabilitating 1025 2nd Ave.

In Table A, below, we compare the timeline for completion, cost estimates, and pros and cons of each proposal (at a high level).

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Table A: Comparing options for permanently housing Central Administration

	1. Existing OUSD Facilities	2. Supply Bank	3. Cole Campus	4. Rehab 1025
Time	Sept. 2020 (some earlier, some later)	Jan. 2021	Sept. 2022	Aug. 2021
Cost	<p>~\$23-24M, Varies by options</p> <p>-Unless the Measure J spending plan is reprioritized, needs to be paid for by general fund for initial construction- requiring more reductions</p> <p>Or, wait for a new bond which would delay the construction and move in date</p>	<p>~60 year lease at 416K - 500K annually.</p> <p>(~\$25- \$30M in rental for entire lease)</p> <p>-Some move in upgrades required.</p>	<p>~\$55M Total</p> <p>-\$10M with Measure J (Current Bond)</p> <p>-\$45M with new Bond in 2020</p> <p>-\$4.35 M to move other programs out of Cole</p> <p>-requires a new bond unless Measure J spending plan is reprioritized</p>	<p>-\$76 M to \$100 M or more. Includes land acquisition</p> <p>-Requires a new bond unless Measure J spending plan is reprioritized</p>
Pro	<p>-Move into our own buildings</p> <p>-Less expensive option</p>	<p>-Less expensive than Cole</p> <p>-Can house all central office admin</p>	<p>-Our own building and on our own land</p> <p>-Capacity for all staff and conference rooms</p> <p>-Nonconforming DSA - educational space not negatively impacted</p>	<p>-Central Location</p> <p>-Central office in single location</p> <p>-Can design to suit needs</p> <p>-Use of existing facilities</p>
Con	<p>- Central office spread across city. Will impact collaboration,</p>	<p>-Property in not on our own land</p> <p>-Lease ends in 60 years</p>	<p>-Only \$10 out of \$55 million cost is set aside for project.</p>	<p>-Prohibitively expensive</p> <p>-Historical property</p>

	coordination, and efficiency -May negatively impact space available for students of district or charter schools.	-Not centrally located	-Dependent on getting a 2020 Bond -not centrally located	-Relies on revenue increase (2020 bond, etc)
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What is the staff recommendation for permanently housing Central Office?

Staff recommends rebuilding the Cole Campus to permanently house the Central Office. The primary advantages of rebuilding Cole are that:

1. It is less expensive than rehabilitating 1025 2nd Ave
2. OUSD develops its own property rather than leasing from a third party; and
3. The property is a large enough to reunify the Central Office, allowing for more efficient operations.

Two considerations for the Board to weigh during its deliberations:

1. **Timely completion of the project is dependent on identifying additional revenues** such as passing a facilities bond in 2020, selling surplus property, and/or funding via the general fund. If this funding is not identified then the project will not be completed. To be clear, this is true of other options as well except for leasing Supply Bank.
2. **Cole is not centrally located.** Even though Cole is near the West Oakland BART station, there may be impacts regarding the accessibility of the site for members of the public.

What options have been explored for housing Central Office between now and completion of permanent location (“Interim Housing”)?

The Central Office requires interim housing between now and the opening of permanent housing because there are no move-in ready options available. Some key consideration in evaluating our interim housing options:

- There are no move in ready options for 2019-20 for a permanent Administrative Building for Central Staff
- Lease extension at 1000 Broadway for temporary Central Staff housing will be at a cost of approximately \$3M per year .
- District faces a funding shortfall to cover lease payments.
- A fiscally sound strategy to meet both short-term needs and a permanent solution is needed.
- Recommended approach is to minimize cost by reducing amount of leased space and implement staff consolidation plan at 1000 Broadway.
- Concurrently create a capital project for a permanent Administrative Building on

- District-owned property or designated sites.
- Any move to a temporary building as interim housing will require it is paid for by the general fund.
- Legally, the District can't sell or privately lease properties that have been improved with bond funds

We look OUSD's interim housing needs in two phases.

Phase I: Sept. 2019-Aug 2020: Staff recommends that for the 2019-2020 school year, the central office remain in 1000 Broadway, reduce our office space, and place ~25 staff into other facilities. It will cost approximately ~\$1.5 million to reduce our office space. Without this reduction, our rent expense would increase significantly. The fastest option for permanent housing--existing OUSD facilities--would be available at the end of this lease period.

Phase II: Sept 2020- Sept 2022: If the Board develops the Cole campus, it will not be ready until Sept of 2022. Phase II offers options for the additional two years required to complete that project. Staff has explored two options:

1. **Option 1: 290 people Remain in 1000 Broadway and move ~20 people to off-site locations:** OUSD would maintain its lease for two additional years. With reduced office space, lease is ~\$3.0 million annually. The estimated costs to move a subset of staff to an off-site location is \$1.5M.
2. **Option 2: Interim Relocation to Existing OUSD facilities:** Move all central office employees to existing district facilities for two years prior to completing the Cole campus.

The pros and cons of these two approaches are reviewed in Table B below.

Table B: Interim housing for Sept 2020-Sept. 2022

	Stay in 1000 Broadway	Move to Existing OUSD Facilities
Cost	~\$6.0 M in rent	~\$23.8M TO \$24.1M. - \$3.5 M to move a special education program to Golden Gate Childhood Development Center (cost \$3.5 M) and moving - \$850 K to OUSD Police Dept.

Pro	<ul style="list-style-type: none"> ● Meet demand by some to move out of 1000 Broadway and stop using any funds (bond or general funds) on rent ● No disruption to current operations ● Allows all staff to stay centralized for duration of transition ● General obligation bond eligible with Board-approved permanent housing plan 	<ul style="list-style-type: none"> ● Move out sooner than later- we would not have to rent for two more years ● Even if we need to move again- we will not have to pay move out costs or pay rent while we wait to move ● Can move core teams to same locations (e.g., HR). ● The restoration can benefit the temporary location and overall improvement for other long term use (it will not be wasted money)
Con	<ul style="list-style-type: none"> ● Negative public perception ● Expensive rent ● Not accessible to staff or public 	<ul style="list-style-type: none"> ● TEMPORARY MOVES MUST BE PAID BY GENERAL FUND ● Significantly more expensive to move staff to new interim OUSD facilities (see above). ● Central office spread across city. Will impact collaboration, coordination, and efficiency ● Will have to pay for additional move to permanent housing once it is complete

Exit costs: Regardless of when OUSD leaves 1000 Broadway, exit costs are estimated to be ~\$750,000 (\$500,000 to moving central office employees/equipment and ~250,000 to return 1000 Broadway back to its original condition [required by lease]).

What is the staff recommendation for interim housing?

Staff recommends Central Office remain in 1000 Broadway until the completion of the Cole project in November of 2022.

Staff recognizes, and shares, a strong desire to move out of 1000 Broadway as soon as possible. However, staff is making this recommendation because remaining in 1000 Broadway will have a smaller immediately impact OUSD's general fund and allow OUSD to realize some of its long-term goals.

Two primary reasons we are not recommending OUSD move to existing facilities for interim housing are the following:

1. **Impact on General Fund:** The \$23.8 - \$24.1 million to make required facilities upgrades, plus \$4.35 M to move the special education program and OUSD PD will immediately impact the general fund. This would require ~\$28-30 m additional reductions to 2019-2020 year budget.
2. **Disruption of moving:** The disruption involved with moving the special education program and OUSD PD. These programs may eventually have to move, but waiting allows OUSD to develop additional options for the moves.

Fiscal Impact

Table C: Stay in 1000 Broadway until completion of Cole Campus

Element	2019/20	2020/21	2021/22	2022/23
1000 Broadway	-\$3.0 M Rent	-\$3.0 M Rent	-\$3.0 M Rent -\$750K Broadway Exit	
Cole Project	-\$10 M planning etc.		-\$3.5 M Move Sped Program -\$500 K Move OUSD PD	-Move in Costs

Table D: Move into OUSD existing sites prior to Cole Completion

Element	2019/20	2020/21	2021/22	2022/23
1000 Broadway	-\$3.0 M Rent	-\$750K Broadway Exit Cost		
Cole Project			\$3.5 M Move Sped Program -\$500 K Move OUSD PD	
Upgrade OUSD Facilities	\$~23/24 M Upgrades to OUSD Facilities	-Move into OUSD Building		-Move into Cole Costs

Appendices: Appendix A: BOE actions related to 1025 and Central Office

The Board has considered a number of options.

- 6/23/2013 - Approved initial lease for 1000 Broadway
- 8/8/2013 - Contract with HY Architects for scope and renovation plans for 1025.
- 6/24/2014 - RFQ Issued, prioritized mixed use to off-set costs; Finalist to be selected by Sept 2014
- 7/30 - RFQ Updated, finalist selected by Nov 12, 2014
- Early proposal for development?
- 7/29/2014 - Contract with individual for community engagement
- 10/16/2014 - BOE adopts resolution "Intent to Construct an Education Leadership Complex at 1025 and 1105 Second Avenue" Requires (1) BOE action in formal responses to RFQ; (2) Community engagement; (3) two written progress updates; and (4) Present designs for BOE action by April 22, 2015.
- 01/14/2015 - Change to HY contract to provide conceptual designs for 1025.
- 04/15/2015 - Contract with Niam Group for community engagement.
- 04/20/2015 - BOE presented with three options for 1025.
- 05/13/2015 - Expand and extend 1000 Broadway lease to 08/2019
- 11/13/2015 - BOE presentation on three options for 1025
- 04/13/2015 - contract for historical assessment of 1025
- 10/13/2016 - Contract for design services for renovation of 1025
- 12/19/2016 - BOE approves plan to rehab 1025, cost of ~\$46.5 M (and dewey Multipurpose room ~\$10M) and completion by 08/2019. To be paid for by Measure J. Report to BOE by 08/2017 if 1000 Broadway lease is to be extended.
- 06/19/2017 - Report to BOE re update on 1025 progress (on track for 08/2019 move in date)
- 07/2017 - Issues New RFP for rehabing 1025.
- 02/28/2018 - Preliminary Lease-Leaseback agreement with Cahill/Focon Joint Venture
- 10/30/2018 - Update to BOE on 1000 Broadway Lease terms
- 11/8/2018 and 12/3/2018 - updates on facilities committee on expenditures and use of measure J Funds to rehab 1025. (documents not available).

Appendix B: Costs for Consolidating OUSD's 1000 Broadway Office Space

1000 BROADWAY CONSOLIDATION PLAN						DRAFT
	TENANT IMPROVEMENT COSTS	SUITE RESTORATION COSTS	MOVE OUT COSTS	MOVE IN COSTS	OFF-SITE STORAGE COST	TOTALS
SUITE 150	\$31,000			\$21,000		\$52,000
SUITE 295		\$130,000	\$90,000			\$220,000
SUITE 300	\$106,000			\$7,000		\$113,000
SUITE 398		\$118,000	\$57,000			\$175,000
SUITE 440	\$192,000			\$15,000		\$207,000
SUITE 450	\$1,000			\$1,000		\$2,000
SUITE 600		\$203,000	\$108,000			\$311,000
SUITE 640		\$64,000	\$31,000			\$95,000
SUITE 680		\$169,000	\$78,000			\$247,000
TOTALS	\$330,000	\$684,000	\$364,000	\$44,000	\$85,000	\$1,507,000