



Agenda Report

TO: CCCSWA BOARD OF DIRECTORS

FROM: PAUL MORSEN, EXECUTIVE DIRECTOR

DATE: SEPTEMBER 18, 2009

SUBJECT: POSSIBLE PURCHASE OF CURRENT CCCSWA OFFICE, SUITE 275 AT 1111 CIVIC DRIVE, WALNUT CREEK

SUMMARY

Due to the CCCSWA Office sub-lease expiring at the end of September 2009, Staff searched for new quarters for the Authority's operations. While a large number of properties were assessed, very close to our final selection, the owner of our current office building made us an offer that was advantageous and the Board authorized the Executive Director to execute a 5-year lease at the July 2009 Board Meeting. The lease documents were signed shortly thereafter. On Friday September 11, 2009 staff was notified that the building owner defaulted on his loan and the building was in receivership. The court-appointed receiver, Mr. John Connolly, President of John Connolly Partners, Fairfax California, met with staff assuring us that the terms of our lease would be honored albeit with some unavoidable delay in the renovations and remodeling we are anticipating. On Monday September 14, 2009 our real estate broker met with us stating that due to the current economy and the building's status, the Bank who holds the note would likely sell our suite to us at a lower cost than the commercial real estate market would have dictated several months ago when we were looking for office space.

RECOMMENDED ACTION

1. Consider if staff should explore this potential opportunity of the purchasing the Authority's office suite and if so, direct staff to work with the Finance Committee by calendaring the matter on the Committee's October meeting agenda.

DISCUSSION

In the winter of 2009 when staff began the search for new quarters, the owner of 1111 Civic Drive offered to sell our suite to us for 1 million dollars; we declined. At this time the building was being converted to office condominiums. A few months later—the economic downturn was gathering steam—we were offered the suite at a cost of \$850,000; we declined. In early June 2009 the building owner offered to lease us our current offices at attractive terms; we accepted, obtained Board approval and signed the lease documents. Following this we learned that our building was in receivership and were approached by our real estate broker who said due to circumstances the suite could probably be purchased at half the cost of the last offer made to us, or perhaps even less.

The suddenness of this opportunity has precluded a thorough financial analysis; however, staff has reviewed our Diversion Incentive Fund (DIF) which could be used as a source of funds for the purchase because revenues have been much higher than we forecasted last spring when the budget was put together and revenues from recyclables were low (later in this meeting a report from PRR will provide details on the much improved recyclables market and our increased revenues as a result). Indeed, the DIF could “loan” the Operations Fund the money with a plan for repayment developed.

We are told that prior to the receiver marketing the properties within the building; all tenant improvements in contracts will be built which includes those improvements we have contracted for in our lease. We are told by the receiver that it could be as much as six months before the suites could be marketed which will allow ample time to thoroughly analyze and consider the advantages and disadvantages of moving in this direction.