



Agenda Report

TO: CCCSWA BOARD OF DIRECTORS
FROM: PAUL MORSEN, EXECUTIVE DIRECTOR
DATE: OCTOBER 16, 2009

SUBJECT: FINANCE COMMITTEE RECOMMENDATION FOR APPOINTMENT OF AN AD HOC COMMITTEE

SUMMARY

The CCCSWA office building is in receivership due to the owner defaulting on his loan. This was reported to the Board at the September 24, 2009 meeting. The status of the building—now in the hands of a receiver—may possibly provide the Authority with the opportunity to purchase its suite at an attractive price. This event came to light just a few days before the September Board Meeting and it was recommended by staff to have the matter calendared for the Finance Committee’s agenda at the October 1, 2009 meeting (the October Finance Committee Meeting is normally called to introduce rate setting matters). The Committee considered the matter and has made a recommendation to the Board.

RECOMMENDED ACTION

1. In accordance with the Finance Committee’s recommendation, appoint an Ad Hoc Committee comprised of Board Members Sue Rainey and Dave Trotter to work with staff to ascertain the viability of purchasing the CCCSWA office suite as opposed to the current leasing agreement.

DISCUSSION

Over the past two and a half years, the owner of the office building at 1111 Civic Drive, where the Authority’s offices are located, has emplaced many improvements to the building in preparation for selling the suites as office condominiums. Just under half of the units have been sold. During the last several months, Authority staff has been searching for new office space due to our sub-lease expiring at the end of September 2009. During this search, we were offered our current suite at prices near one million dollars; we declined these offers. Our search culminated in an agreement to lease our current space at an advantageous price. The Board authorized staff to enter into a five-year lease which was done in mid-August.

Shortly before the September 24, 2009 Board Meeting, we were informed that due to default, the building was in receivership. Our broker met with staff and informed us that under these circumstances it may be possible for the Authority to purchase the suite in the near future at prices that could be less than half the price that was offered us during our search for new quarters. The Board was informed of this at the September 24th Board

meeting and agreed to turn the matter over to the Finance Committee at their October 1st meeting for a recommendation to the Board.

At the October 1st Finance Committee Meeting, our broker, Michael Sharapata of Jones Lang Lasalle, made a presentation outlining possible purchase scenarios, outlining the pluses and minuses of purchase as well as the financial advantages that might accrue to the Authority. It was also explained that it would not be necessary to make a decision in the very near future as the receiver must attend to many details in the assumption of temporary ownership of the building, not the least of which arranging for the tenant improvements which we were guaranteed in our leasing agreement. However, when the time comes for consideration and decision to purchase, there will not be a lot of time available and the decision will have to be made over a matter of days when the remaining units are finally marketed for sale. The Finance Committee felt that having an ad hoc committee who could be available to meet on short notice would be advantageous. Accordingly, Board Members Rainey and Trotter have been recommended as they are in the Walnut Creek Area daily and can attend a meeting on short notice. Moreover, both of these members have experience in commercial real estate matters which will be helpful as the advantages and disadvantages of purchase are weighed.