

FILE NUMBER: 2024-298

DATE: Tuesday, August 13, 2024

SUBJECT: District Offices Update

DESCRIPTION: Presentation and Overview of District Office Buildings, Including Harbor Police Headquarters, Port Administration Building and Maritime Offices, Discussion of Long-Term Strategies to Accommodate District Office Needs, and Direction to Staff.

EXECUTIVE SUMMARY:

The life cycle of a real estate asset encompasses various stages from acquisition and development to eventual obsolescence and renovation or redevelopment. It is common practice for building owners to periodically review their facilities to ensure alignment with organizational needs, goals, and objectives. Furthermore, every building owner inevitably confronts the challenge of determining the next steps when their real estate assets are no longer adequate to meet current needs. This issue is not exclusive to the Port of San Diego and is a common consideration faced by all property owners.

Employees at the Port of San Diego occupy four primary office buildings on Port tidelands: Harbor Police Headquarters on East Harbor Island, Port Administration Building on Pacific Highway, Maritime Offices at and adjacent to Tenth Avenue Marine Terminal (TAMT), and the General Services Building on Tidelands Avenue. With the exception of the General Services Building, which was completed in 2003 and not a subject of this agenda, the remaining three facilities pre-date the creation of the Port of San Diego and/or were intended to be a temporary solution until more permanent facilities could be identified.

Over the years, it has become increasingly expensive to occupy these offices due to the accumulation of deferred maintenance, which is to be expected in aging buildings. All buildings require recurring major maintenance and capital expenditures to keep them operational, safe, and usable for their intended purposes. However, due to the age and condition of the Port Administration Building, built in 1942, and the Harbor Police Headquarters, built in 1948, the frequency and magnitude of major maintenance has increased with significant investment required in the coming years to keep the buildings in useable condition.

While the Harbor Police Headquarters, Port Administration Building and Maritime Offices all require a long-term plan to effectively house staff, the Harbor Police Department has the most urgent need to identify a solution to their office needs. The current facility, which originally housed Lockheed Corporation offices, is well beyond its useful life and does not have sufficient facilities to house incoming officers. The Harbor Police Headquarters was renovated in the early 1990s and has been supplemented with temporary and modular office buildings over the years. However, due to recurring major maintenance expenses and ongoing capital expenditures to expand the outdated facility, continued use of the existing facility is not an adequate long-term solution to housing Harbor Police staff.

Given the age and condition of the facility, staff recommends that a work plan be developed to analyze and assess the potential redevelopment of the Harbor Police Headquarters on East Harbor Island. The work plan would include assessing current and future building needs, potential features, estimated redevelopment costs, financing strategies, a redevelopment timeline, and other information the Board requests.

As part of this process, staff will also explore creative funding ideas and concepts such as incorporating revenue generating opportunities to help offset the costs of the possible solutions. Some examples include designing facilities in a manner that results in additional unused land that can be redeveloped into revenue generating uses, repurposing land from relocated facilities for redevelopment, or integrating mixed-use revenue-generating components into renovated or reconfigured Port facilities.

While identifying an approach and solution for Harbor Police Headquarters is the primary focus, staff will also explore the building needs and potential solutions for the Port Administration Building and the Maritime Offices as certain solutions may provide the opportunity for consolidation and colocation, provide opportunities for revenue offsets, or the possibility to solve other challenges currently faced by the Port.

This is a challenging yet important issue to address and will require significant input from the Board over multiple meetings. Early and ongoing Board input into the process and approach is critical to the success of this undertaking.

RECOMMENDATION:

Receive presentation on the state and condition of District office buildings, including Harbor Police Headquarters, Port Administration Building and Maritime Offices, discussion of long-term strategies to accommodate District office needs, and provide direction to staff.

FISCAL IMPACT:

This action has no fiscal impact to the District's FY 2025 budget.

COMPASS STRATEGIC GOALS:

This agenda item supports the following Strategic Goal(s).

- A Port that the public understands and trusts.
- A thriving and modern maritime seaport.
- A vibrant waterfront destination where residents and visitors converge.
- A Port with a comprehensive vision for Port land and water uses integrated to regional plans.
- A Port that is a safe place to visit, work and play.
- A Port with an innovative and motivated workforce.

DISCUSSION:

The District has made significant progress to advance the strategic goal of being “a Port with an innovative and motivated workforce”, which has resulted in increased employee retention and overall job satisfaction. An important contributor to a motivated workforce is sufficient and efficient office space that meets the needs of the employees. Employees of the District occupy four primary office buildings on Port tidelands: Harbor Police Headquarters on East Harbor Island, Port Administration Building on Pacific Highway, Maritime Offices at and adjacent to TAMT, and the General Services Building on Tidelands Avenue.

Both Harbor Police Headquarters and the Port Administration Building predate the formation of the Port of San Diego and have become increasingly expensive to maintain and do not have improvements or workspaces that are up to market standard. Additionally, the Maritime Offices were originally intended to be an interim solution to office needs on and adjacent to TAMT and are insufficient to meet the needs of Maritime staff. Below is a summary of the current state of these three facilities and potential solutions that Port staff can investigate to help solve the building needs of the respective occupants.

Existing District Office Facilities

Harbor Police Headquarters

The Harbor Police Headquarters, originally established in 1948 as Lockheed Corporation’s offices and repurposed for Harbor Police in the early 1990s, faces significant challenges due to outdated infrastructure and space limitations. Current conditions inhibit operational efficiency and morale, with critical deficiencies including physical fragmentation across multiple buildings, insufficient meeting spaces, and infrastructure issues such as leaks and sewage issues. Furthermore, anticipated growth in Harbor Police staff exacerbates these challenges, underscoring the urgent need for improved facilities. Lastly, existing space deficiencies result in an additional \$2.2M required to be spent on adding another modular office building to the premises to accommodate incoming officers. Even though the addition of another modular office building is a necessity for the immediate needs of Harbor Police staff, continually adding modular offices is not a sustainable long-term solution to the needs of the department.

Port Administration Building

The Port Administration Building, constructed in 1942, and its adjacent Annex Building, constructed in the 1960’s, struggle with high maintenance costs and space inefficiencies. Outdated infrastructure and substandard workspaces compromise functionality and cost-effectiveness, highlighting the need for modernization to meet current office standards and future demands. It is estimated that approximately \$15.7M in Major Maintenance Costs will be incurred between now and the end of FY2027, highlighting the high cost of keeping an older building occupiable.

Maritime Offices

The Maritime Offices, comprising two modular trailers leased in 2018 as a temporary measure, present significant shortcomings. These include frequent maintenance needs,

inadequate conference facilities, privacy and security issues, and limited room for expansion, failing to adequately support the department's operational needs.

Comprehensive Work Plan – Start with Harbor Police Headquarters

Each of the three buildings requires an assessment and plan for the future; however, the most pressing need is to identify a long-term solution for the Harbor Police Headquarters. The facility is beyond its useful life, at or nearing capacity, and in need of a comprehensive work plan to identify possible solutions to adequately meet the needs of the Harbor Police Department officers and staff. The work plan may require third party assistance and should include:

- Assessing the space needs of the department;
- Creating a draft building program based on the identified needs;
- Exploring the best option for the facility:
 - Renovate – update the existing facility to meet current needs;
 - Relocate – relocate staff to a leased facility or relocate entire facility;
 - Redevelop – redevelop the facility in place or in an alternate location; and/or
 - Reconfigure – consolidate this use with other Port functions or commercial uses;
- Identifying potential costs associated with the solution;
- Identifying options to fund or finance the solution;
- Identifying possible revenue offsets to help cover funding or financing costs; and
- Any other information requested by the Board.

A comprehensive work plan will enable the District to understand the needs of the Harbor Police Department, the potential options to meet those needs, and the resources required to execute those identified solutions.

Explore Multiple Solutions at Once

Staff recommends focusing first on Harbor Police Headquarters, then creating work plans for the Port Administration Building and the Maritime Offices. Those latter facilities also face unique challenges stemming from outdated infrastructure and insufficient space, necessitating strategic planning and investment to address deficiencies and accommodate future growth effectively. Furthermore, some solutions for the Harbor Police Headquarters may help address issues at the balance of the office facilities. Lastly, exploring options to solve all three facilities may provide funding options to help offset the costs of each of the facilities.

Funding and Financing Options

In addition to the comprehensive work plan outlined above, a critical component of this effort is to determine how to fund the identified solutions. Identifying and exploring funding and financing strategies will be a pivotal aspect of this initiative, as it directly influences financial feasibility and long-term sustainability. This process involves not only assessing various potential funding sources but also delving into creative financial solutions that can minimize the required investment such as pursuing grants or support from local, state or

federal agencies. In addition, staff will explore concepts that would reduce the financial burden of servicing debt over time. Potential strategies include the following:

Researching debt financing options.

- Evaluate the Port's financing capacity, including the implications for existing debt service coverage ratios and bond rating. Identify strategies to prevent an increase in the Port's overall debt service. For instance, since the Port's current debt is set to be fully paid off by 2030, consider timing any new debt issuance to coincide with this date to minimize its impact on the operating budget.

Consolidating facilities to free up property for revenue generating commercial uses.

- Efficiencies in new building design as well as the potential to build vertically may free up space for revenue generating commercial uses, particularly on East Harbor Island where the Harbor Police Headquarters is currently located. Further, multiple uses may be consolidated in a single location which would leave an undeveloped site that could be developed with commercial uses.

Incorporating revenue-generating uses into Port facilities.

- Certain Port facilities may be conducive to collocating with commercial uses that could be leased to tenants. For example, the Port could share office space with other retail or Public Trust Doctrine-consistent commercial tenants or maritime tenants on the marine terminals.

Considering strategic redevelopment of Port property to benefit other development on tidelands.

- Vacated Port property could be redeveloped with uses that would benefit other projects on Port tidelands, such as a stand-alone lower cost overnight facility. The Port has been in discussions with developers and tenants on multiple hospitality projects, including East Harbor Island, 1220 Pacific Highway, RLJ/Wyndham and Seaport Village. Each of these hospitality projects are likely to require mitigation in the form of lower cost overnight visitor accommodations. The Port could develop a stand-alone project as a "mitigation bank" for hospitality projects on tidelands.

Board Input

Staff is seeking the Board's input on this effort early in the process to ensure alignment going forward. At the August 13, 2024, meeting, staff requests Board feedback and direction on the concepts discussed above, additional information that would help the Board understand the various approaches, third-party consultants that may be helpful, and any other concepts the Board would like staff to explore.

Next Steps

Following the August Board meeting, and subject to Board feedback and direction, staff will continue this effort with the following next steps:

- Create a comprehensive work plan, assessing the needs and options for each of the three identified staff facilities with a focus on Harbor Police Headquarters, including identifying any third-party assistance needed;

- Identify the ideal location for each of the facilities;
- Identify the costs associated with the potential solutions;
- Identify the options available to fund or finance the potential solutions;
- Identify possible revenue offsets to help cover funding or financing costs;
- Identify creative solutions to possibly help solve other challenges; and
- Explore any other information requested by the Board.

Staff will return to the Board at a future meeting to present and discuss the findings of this comprehensive work plan and continue working with the Board to help solve the building needs of the Port's evolving workforce.

General Counsel's Comments:

The Office of the General Counsel has reviewed this agenda and the attachments as presented to it and approves the same as to form and legality.

Environmental Review:

The presentation regarding the state of District office buildings, and direction to staff, does not constitute a project under the definition set forth in California Environmental Quality Act (CEQA) Guidelines Sections 15352 and 15378 because no direct or indirect changes to the physical environment would occur. CEQA requires that the District adequately assess the environmental impacts of projects and reasonably foreseeable activities that may result from projects prior to the approval of the same. Any project developed as a result of the presentation and direction to staff requiring the District or the Board's discretionary approval resulting in a physical change to the environment would be analyzed in accordance with CEQA prior to such approval. CEQA review may result in the District, in its sole and absolute discretion, requiring implementation of mitigation measures, adopting an alternative, including without limitation, a "no project alternative" or adopting a Statement of Overriding Consideration, if required. The exercise of this discretion is in no way limited by this presentation and direction to staff. Therefore, no further CEQA review is required.

The presentation and direction to staff complies with Section 35 of the Port Act which allows for the Board to do acts necessary and convenient for the exercise of its powers. The Port Act was enacted by the California Legislature and is consistent with the Public Trust Doctrine. Consequently, the presentation and direction to staff is consistent with the Public Trust Doctrine.

This presentation and direction to staff does not allow for development, as defined in Section 30106 of the California Coastal Act, or new development, pursuant to Section 1.a. of the District's Coastal Development Permit (CDP) Regulations because there will not be, without limitation, a physical change, change in use or increase the intensity of uses. Therefore, issuance of a Coastal Development Permit or exclusion is not required. However, development within the District requires processing under the District's CDP Regulations. Future development would remain subject to its own independent review pursuant to the District's certified CDP Regulations, Port Master Plan (PMP), and Chapters 3 and 8 of the Coastal Act. The exercise of the District's discretion under the District's CDP Regulations is in no way limited by this presentation and direction to staff.

Diversity, Equity, and Inclusion Program:

This agenda sheet has no direct DEI impact on District workforce or contract reporting at this time.

PREPARED BY:

Anthony Gordon
Acting Vice President, Business Operations

Christian de Manielle
Department Manager, Real Estate

Attachments:

Attachment A: Harbor Police Headquarters
Attachment B: Port Administration Offices
Attachment C: Maritime Offices