

MINUTES

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION

June 4, 2009
Room 446-N—Statehouse

Members Present

Representative Jo Ann Pottorff, Chairperson
Senator Dwayne Umbarger, Vice-Chairperson
Senator Pat Apple
Senator Jay Emler
Senator Marci Francisco
Senator Laura Kelly
Representative Steve Brunk
Representative Bill Feuerborn

Members Absent

Representative Bob Grant
Representative Mitch Holmes

Staff

Audrey Dunkel, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Mike Corrigan, Office of the Revisor of Statutes
Gary Deeter, Committee Secretary

Conferees

Richard Gaito, Deputy Director, Division of Facilities Management, Kansas
Department of Administration
Eric King, Director of Facilities, Kansas Board of Regents

Others Attending

See attached list.

The Chairperson called the meeting to order at 10:47 a.m.

The Committee minutes for August 13, September 17, November 18-19, and December 8, 2008, were approved. (Motion by Senator Umbarger, seconded by Representative Brunk)

Richard Gaito, Deputy Director, Division of Facilities Management, Kansas Department of Administration, reviewed four proposed agency leases (Attachment 1).

Commenting on the State Banking Commission lease, Mr. Gaito said that the agency had received three proposals, with the lowest total cost (\$12.59 per square foot for five years) provided by the current landlord, where the agency has been since 1996. Noting that taxes, insurance, and utilities are included in the base, he stated that annual increases of \$2,500 to \$6,000 represent possible increases in taxes, insurance, and utilities. Energy-efficient upgrades and an energy audit are planned.

Answering a question, Mr. Gaito said the loss of parking for the agency is reflected in a decrease of \$45 per month.

The proposed lease was approved. (Motion by Representative Feuerborn and seconded by Senator Umbarger)

Noting that the Kansas Lottery has been at the same location since 1994, Mr. Gaito said the proposed lease will consolidate the office and warehouses at the same location. Of the four bids received, the current landlord offered the lowest total cost (average cost \$12.21 psf) with a full-service lease extending to 2022, the 12.5-year lease attributed primarily to the security measures required for the agency. The landlord will replace furnaces as needed and currently has replaced eight air-conditioning units.

Mr. Gaito replied to various questions from members:

- A 90-day termination is included in the agreement;
- There are no comparable sites in Topeka that include office and warehouse space, so a comparison with a Kansas City (Shawnee) site was used;
- While the state owning the building might be technically cost effective, it does not give an agency flexibility to respond to changing circumstances. The state has no formula or policy to guide such decisions;
- An escalator clause for increases in taxes, utilities, and insurance allows for up to \$13.50 psf;
- Warehouses in Kansas City and Wichita will be closed and consolidated at the Topeka location;
- Both buildings at the lease site would be described as “no-frills” buildings;
- Considering comparable office leases for \$15.00 psf and warehouse space at \$5.00 psf, the proposed lease combining both sites seemed a reasonable figure;
- Parking is not needed for all employees, since about 25 are in the field at any given time; and

- The total cost of \$9 million includes remodeling and utilities, costs which are major factors in calculating expenses.

The lease was approved, 7-1. (Motion by Representative Feuerborn, seconded by Senator Umbarger, with Senator Apple voting no)

Mr. Gaito presented proposed leases for the State Board of Indigents Defense in Topeka, an aggregate of four separate leases for which the agency received 21 proposals from six bidders. The recommended consolidated proposals are full-service leases extending for five years and reduce the psf cost from \$12.29 to \$11.98, a savings of \$82,000 annually. The landlord is installing thermal windows and a new boiler, updating the heating/air-conditioning and the lighting, and will implement recommendations from an energy audit.

Answering questions, Mr. Gaito said an escalator clause addresses increases in taxes and utilities. Explaining delays, he said that the consolidation process took longer than an ordinary lease. Debbie Rosacker, staff for the agency, explained that the savings were absorbed by budget cuts.

The lease was approved by motion of Representative Brunk, seconded by Senator Umbarger, and vote of the Committee.

Mr. Gaito presented a proposed lease amendment for Wichita State University, which allows for additional expenditures (a one-time cost of \$140,767) for remodeling an expanded Physical Therapy program at the WSU satellite site in downtown Wichita. He noted that the current lease cost will not change. *The lease was approved. (Motion, Senator Francisco; second, Senator Kelly)*

Eric King, Director of Facilities, Kansas Board of Regents, reviewing the quarterly maintenance for Regents institutions, referenced the written narrative, the funding sources for each campus, and the maintenance accomplished during the third quarter FY 2009 ([Attachment 2](#)). He noted the issuance of \$20 million in bonds by the Kansas Development Finance Authority for FY 2009 deferred maintenance, with payment on the bonds coming from the State General Fund and reimbursed by each Regents institution. He explained that various institutions submitted proposed projects, which were implemented based on priorities. He noted that the tax-credit portion of the 2007 legislation has not been utilized as expected.

Answering a question, he replied that Fort Hays State University developed one large project, which seemed to interest tax-credit donations more than projects at other universities.

Mr. King listed the allocations for the federal stimulus package received by the state (American Recovery and Reinvestment Act of 2009), which includes the community colleges ([Attachment 3](#)).

Mr. King requested approval for allocation of funds for rehabilitation and repair projects listed in [Attachment 4](#).

The request was approved by motion of Senator Kelly, seconded by Representative Brunk, and vote of the Committee.

Mr. King outlined a lease-purchase plan through the University of Kansas Endowment Association for a building to be used by the School of Architecture and Urban Planning ([Attachment 5](#)). He said that the architecture school needs additional space for its Design/Build activities that cannot be accommodated by existing facilities, that the school's students approved a \$15 per-credit-hour course fee in 2007 to finance the project, and that an available industrial building (67,250 gross square feet) would meet the school's needs. The Endowment Association will front the construction

funds, which will be reimbursed with the course fees, the fees generating about \$250,000 per year. Answering a question, Mr. King said that maintenance costs are included in the lease; later he will provide information as to where the \$15 course fee presently is allocated.

Audrey Dunkel, Legislative Research, provided possible dates for future meetings. No further meetings were scheduled.

The meeting was adjourned at 11:45 a.m.

Prepared by Gary Deeter
Edited by Audrey Dunkel

Approved by Committee on:

October 21, 2009
(Date)