

MINUTES

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION

November 16, 2005
Room 514-S—Statehouse

Members Present

Representative Joe Humerickhouse, Chairman
Senator Dwayne Umbarger, Vice-Chairman
Senator Pat Apple
Senator Jim Barone
Senator Greta Goodwin
Senator Steve Morris
Representative Steve Brunk
Representative Bill Feuerborn
Representative Bob Grant
Representative Melvin Neufeld

Staff Present

Debra Hollon, Kansas Legislative Research Department
Michele Alishahi, Kansas Legislative Research Department
Matt Spurgin, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Jim Wilson, Revisor of Statutes Office
Mike Corrigan, Revisor of Statutes Office
Helen Abramson, Committee Secretary

Conferees

Mark Stock, Department of Administration
Gary Hibbs, Department of Administration
Keith Meyer, Department of Administration
Rick Shults, Department of Social and Rehabilitation Services
Corey Peterson, Associated General Contractors
Eric King, Board of Regents
Joe Levant, Eby Construction Company
Bob Totten, Kansas Contractors Association
Dan Heater, Kansas State University
Charlie Thomas, Kansas State University
Terry Marmet, Kansas State Historical Society
Jennie Chinn, Kansas State Historical Society
Christy Davis, Kansas State Historical Society

Michael Hayden, Secretary, Department of Wildlife and Parts

Others Attending

See attached list.

Morning Session

Chairman Joe Humerickhouse called the meeting to order at 9:30 a.m. in Room 514-S of the Statehouse.

Staff distributed copies to Committee members of the reported change orders (of less than \$75,000) which occurred during the month of August, 2005, and a report from the State Building Advisory Commission on the FY 2007 capital improvement requests. Staff also distributed copies to Committee members of the report of the status of construction claims made on behalf of the State of Kansas regarding the Larned Juvenile Correctional Facility, Osawatomie State Hospital, Kansas Department of Labor, Kansas State Fair, Statehouse/Docking State Office Building utility tunnel, Kansas Department of Transportation, and Parsons State Hospital. Copies are on file with the Legislative Research Department.

Mark Stock, Real Estate Officer, Division of Facilities Management, Department of Administration (DOA), presented a five-year lease for the Kansas Department of Health and Environment (KDHE) for 7,900 square feet of office space in Salina (Attachment 1). This lease was presented to the Committee in September. At that time, the Committee requested additional information—specifically, the going market rate for office space in Salina.

The conferee gave an overview of the lease. He stated that KDHE has been in this location since 1979 and is pleased with the space. The agency currently occupies 7,400 square feet. The proposal is to add an additional 500 square feet for a conference room. KDHE has 33 employees at this location. The lease is for a term of five years. The previous lease was a triple-net lease at \$7.00 per square foot. By the time the costs for janitorial services and utilities are added, the actual cost increases to \$9.31 per square foot. KDHE was able to negotiate a full service lease at \$11.00 per square foot without an early termination clause. Since DOA wished to have flexibility for potential consolidation/co-location in Saline County with other state agencies, KDHE asked the landlord for a lease that would include an early termination clause. The lease is priced at \$12.25 per square foot and provides the flexibility for an early termination after June 30, 2008. The lease also provides for 40 parking spaces. There is a renewal clause, but it is a “to be negotiated renewal clause.” Lessor will pay all building operating costs except telephone. However, this lease contains an expense cap of \$900 per month for gas and electricity combined. The average monthly expenses for these items for FY 2004 and the first half of FY 2005 were \$852 per month.

Mr. Stock reminded the Committee that it had reviewed the lease in September and had requested DOA to research the current market rate for full service offices leases in Salina. The Salina Chamber of Commerce stated that the mid-range rate for existing office space in Salina was leasing at full-services of \$14.00 to \$16.00 per square foot. It appeared that Salina does not have a lot of vacant space in the City. Rates for new construction were reported as being higher.

In response to Committee questions, the conferee remarked that:

- KDHE would prefer to have the \$11.00 full service straight lease;
- KDHE feels this is a good location;
- DOA would like to have the flexibility to have a possible co-location in Saline County by the fall of 2008, and would prefer the \$12.25 full service lease with early termination;
- There are no plans at this time to build a new facility in 2008;
- The manner by which DOA approaches consolidation/co-location efforts is typically driven by the expiration of the Department of Social and Rehabilitation Services' (SRS) leases since that agency requires a large amount of square footage;
- Many times, state-owned property is considered when co-location is involved;
- Taxes have increased from \$8,000 to \$24,000;
- A cost of \$1.25 per square feet is figured in the cost of the \$12.25 per square feet price for the lease with early termination;
- Currently SRS has 90 employees, 33,000 square feet, and their lease is \$7.60 per square feet, but after adding in the expenses it increases to \$9.79, or for a total of \$325,000 yearly; and
- Currently, there are nine state agencies leasing 57,000 square feet in Salina.

Discussion followed concerning the use of state-owned property in Salina where the Highway Patrol previously was located should new construction for that agency be considered in 2007. The conferee noted that, typically, 18 months is allotted for consolidation/co-location of agencies in new construction. This follows the guidelines used by the Division of Purchases for Request for Proposals (RFP).

Committee discussion followed concerning advantages of new construction for consolidated/co-location facilities for agencies.

Representative Grant moved for the Committee's recommendation for approval of the five-year full service lease at \$11.00 per square feet, without the early termination clause for the Department of Health and Environment at Salina. Representative Brunk seconded. Motion carried. Senator Barone asked to be recorded as a "no" vote.

Robert E. North, Chief Attorney, Kansas Department of Commerce (KDOC), presented testimony concerning a proposed sublease by the agency in Wichita ([Attachment 2](#)). He outlined the process and lease terms and stated that copies of the proposed sublease agreement will be presented to Committee members prior to their next meeting.

The conferee explained that KDOC must sublease space from the Workforce Alliance (WA) to satisfy its federally-required role in the One-Stop Workforce Center in Wichita. A "one-stop" consists of up to 13 mandatory partners all combining to provide job seekers and employers with a "one-stop" location to satisfy employment and training needs. It is a federally funded program. In

order to meet federal requirements, the KDOC must be physically co-located with the other partners. The WA is the landlord and will operate this "one-stop" center to provide services in Wichita. They issued a RFP last spring and were near the end of the process when it was determined that there were some procurement process flaws. Rather than proceed at this point in selecting a space, KDOC and the U.S. Department of Labor's requested that the WA start the process over. WA issued another RFP and went through a second procurement process to comply with procurement regulations. The WA has now executed a lease. Therefore, the KDOC is now in a position to enter into a sub-lease.

Mr. North informed the Committee that the agency currently is located in a 22,000 square foot building owned by the Kansas Department of Labor (KDOL) at 402 East 2nd Street, Wichita. The proposed five-year sublease agreement, with two additional one-year terms, is for 15,817 square feet of space located at 150 N. Main, Wichita, at a cost of \$10.95 per square foot. This includes furnishings, telecommunications, and telephone equipment charges. The agency also pays a proportionate share of real estate taxes, special assessments, and utilities. As the lease progresses, real estate expense and utility expense could increase yearly from the \$10.95 per square foot. However, KDOC has not reached an actual agreement, but anticipates that the actual agreement can be presented at this Committee's next meeting. While it will be necessary for KDOC to begin moving into the space prior to the next Committee meeting, KDOC will include language in any sublease agreement that will allow for any necessary notifications.

Mr. North added that the current lease operating costs are included in the \$173,196 proposed lease rent. The \$10.95 per square foot cost in the proposed lease will increase over the years due to increased real estate taxes, special assessments, and utilities.

Discussion followed concerning whether the state is presently in compliance with the federal space requirements, as well as concerns regarding the proposed lease such as present and future vehicle parking spaces, floor location of KDOC, reason for the smaller square footage size of the new lease, the driving force behind the move, future usage of KDOC's present 22,000 square footage, federally-funded rent for KDOC's sublease, KDOC's employees located elsewhere in Wichita, ADA accessibility in the present space, the amount of square footage in the common space at the present location, and furnishings.

The conferee stated that KDOC will provide additional information to Committee members and will appear again at the Committee's next meeting. Chairman Humerickhouse remarked that the main question is why the agency cannot co-locate in the current location. One Committee member also requested information concerning the length of time the agency has been in its current location.

No action was taken on the proposed lease.

Gary Hibbs, Manager of Planning, Design and Construction, DOA presented testimony concerning the Memorial Hall Access Ramp. Mr. Hibbs reminded the Committee that during the last legislative session, money was appropriated for a passage ramp. Since that time, the Division of Facilities Management met with a user group consisting of representatives from the Attorney General's office, Secretary of State's office, and the ADA coordinator to outline a proposal for the ramp project. Copies of drawings of a proposed solution were distributed to Committee members (Attachment 3).

The conferee noted that there were four basic entry points: (1) the main entrance for the south side of the building, (2) the entrance on the west side of the building, (3) the Landon State Office Building connecting tunnel that would be accessed from the west side of the building, and (4) the

dock entrance on the north side of the building. It was the recommendation of the user group to pursue a ramp at the main entrance on the south side. Since the current access entrance is also on the south side, this would allow the public to enter the building at the same point and simplify security. It also allows for an easily visible point of entry. The purpose of undertaking the ramp was the current condition of the mechanical lift which is not 100 percent operational. The proposed solution ties both the current mechanical and the new passage ramp together in a common entry point into the building. Subsequent to the broad direction of the Building Committee, the Division of Facilities Management developed a scheme and then proposed it back to the user group and to the Kansas State Historical Society (KSHS). The user group decided a metal railing would be less imposing than a cement railing, and it would be safer. Therefore, the recommendation from the user group is to use metal railings and that the main entrance be on the south side of the building. The KSHS has signed off on the proposal.

Discussion followed concerning the tunnel passageway and the removal of ice.

Senator Barone moved the Committee's recommendation for approval to proceed with the proposed solution to the Memorial Hall Access Ramp. Representative Grant seconded. Motion carried.

D. Keith Meyers, Director, Division of Facilities Management (DFM), DOA discussed the agency's five-year capital improvement plan (Attachment 4). The request includes \$8,138,256 for FY 2007. The conferee first presented background information on the scope of the buildings overseen by the DFM (Attachment 5). The DFM currently manages 64 building/land assets in Shawnee County including 3.2 million gross square feet of space on 437.63 acres with an operating budget of \$22.4 million for non-monumental buildings and \$3.4 million for monumental buildings. The most significant building assets managed, their respective gross square footages, construction dates, and current occupancies were shown in the attachment.

Mr. Meyers pointed out that the DFM has completed an inventory assessment process by utilizing a scoring methodology consistent with that used by the Board of Regents. The DFM developed a strategic building plan that is underpinned by three processes: (1) inventory assessment, (2) agency needs assessment; and (3) financial analysis of options developed out of Numbers 1 and 2 to ascertain the most cost-effective manner in which to meet all space needs. New information shown is on the 418B form that entails a reference to the overall building condition rating for the building in which each project falls as well as the specific component condition rating that would be affected by the project. The summary spreadsheet (see Attachment 4) outlines overall building condition rating next to each of the prioritized projects.

Mr. Meyers continued by informing the Committee that the highest prioritized items in this year's plan include authorization for the agency to spend rehabilitation and repair money on the Capitol Complex non-monumental buildings, printing plant, parking lot/sidewalks, and funding requests for rehabilitation and repair of the Statehouse, Cedar Crest, and the Judicial Center. Remaining is a prioritized list of projects that address building components that are at or near the end of their useful lives. Most significant is the cooling tower replacement in the Docking State Office Building. A \$110,000 repair was made that extended its life into 2006, but it is imperative that the project be addressed in order to avoid any potential interruptions of business.

The conferee also noted that an important driver for future ownership decisions is input from agencies regarding their future business/space requirement needs. The DFM is currently compiling the results of a space requirements survey conducted this fall that will help the DFM match agency needs against available building inventory. The information will allow the DFM to develop well

reasoned ownership choices that can be appropriately costed and culled to a final direction that the administration can bring to the legislature for consideration.

Mr. Meyers noted that building condition assessments (shown in the distributed copies of the 5-year capital improvement plan) includes a consideration of exterior and interior components as well as engineered systems. Also explained was the makeup of each of the three component areas, how each one is scored, and how each building is given an overall condition rating.

Discussion followed concerning how the cost of the cooling tower replacement project for the Docking State Office Building affects the possible reconstruction of it. Mr. Meyers explained that one of the specifics noted was that moving forward with the tower replacement will not have an impact on the Docking reconstruction project, and dollars spent on the cooling tower replacement will not be dollars lost. The DOA included a request of \$120,147,186 for the reconstruction project in the agency's five-year capital improvement plan.

A Committee member indicated that there had not been much progress in the past few years as to a decision for reconstruction of both Docking State Office Building and Landon State Office Building and that a decision needed to be made soon. He remarked that it is his belief that these projects need to have high priorities.

Rick Shults, Director, Management Operations for Health Care Policy, presented the Department of Social and Rehabilitation Services' capital improvement request for the current year and also the five-year capital improvement plan (Attachment 6). In FY 2006, \$1,406,300 in new funding was requested for state hospitals, re-appropriations from FY 2005 were \$865,963, and \$300,000 was requested for the Chanute Service Center for a total of \$2,572,263. The request for state hospitals for FY 2007 is \$8,768,200 and for the Chanute Service Center is \$300,000 totaling \$9,068,200.

The FY 2006 projects which are underway include: re-roofing several buildings, replacing worn out air conditioning compressors, improving drainage systems to prevent flooding, replacing deteriorated water lines, and a variety of other critical equipment repair and replacement items. The request also included \$300,000 to begin the replacement of windows at the Chanute Service Center.

Of the \$8.8 million requested in FY 2007 for rehabilitation and repair at the state hospitals, \$1.4 million is for critical high priority projects such as: replacing deteriorating water mains at Osawatomie State Hospital, adding an emergency stand-by power generator at Rainbow Mental Health Facility, replacing refrigerators and freezers at Parson's State Hospital and Training Center, several re-roofing projects, and replacing air conditioner condenser units at KNI. Other portions of the hospitals' building and infrastructure continue to deteriorate and need rehabilitation and repair. The remaining \$7.4 million is for these "second priority" projects.

In addition to the direct use of State Institutions Building Fund, SRS is requesting \$6,520,060 to repay the bonds that were issued in FY 2002 and FY 2004 to construct the new Isaac Ray State Security Hospital and to make other major repairs and renovations at the state mental health hospital. Work that continues using proceeds from the bond issuance includes remodeling and rehabilitation of treatment units at Osawatomie State Hospital and the Dillon and Jung buildings at Larned State Hospital.

Future projects include the potential need to expand program capacity for the Sexual Predator Treatment Program (SPTP); however, no funding is being requested at this time. SRS reported earlier this fall in testimony to the Legislative Budget Committee that, if the SPTP census grows at

a pace of 1½ persons per month, the current program capacity would be exceeded by December 2009 and additional residential and program space would be needed.

Corey Peterson, Executive Vice President, Associated General Contractors presented testimony concerning Alternative Building Construction Project Delivery Methods in the Public Sector (Attachment 7). Public owners wanted the opportunity to use alternative delivery when situations merit. State agencies have used Construction Manager/At-Risk when approved through individual bills. This method was used on the biosecurity building at the Kansas State University.

Associated General Contractor of Kansas, Inc. (AGC) spent two years developing a white paper on Alternative Building Project Delivery in the Public Sector. AGC feels the traditional construction delivery method has worked well for many years and will continue to do so in most cases, but there are circumstances that may warrant the use of alternative methods. AGC feels strongly that if alternative delivery methods are used, the selection process should be as fair, open, objective and free of political influence as the low bid process. AGC has long been concerned over bills that exempt agencies from all bidding statutes, and opposes exemptions from bid laws. Opposition to this slows down the approval of bills and puts industry in an awkward position of slowing down bills that would bring millions of dollars worth of work to the industry. Therefore, AGC supports HB 2394, which mirrors the white paper.

The Department of Administration introduced HB 2394 because of the desire to utilize CM/At-Risk and Design Build on building construction. It was the result of several months work by the Governor's Best Team on Building Construction. The bill specifically and exclusively addresses "building" construction. Highways and bridges are not included. The bill lays out specific criteria, ground rules, and procedures for permission to use CM/At-Risk and Design build and selection of the contractor/construction manager/design builder.

Discussion followed concerning use of alternative building construction under different scenarios for the Docking State Office Building. The Committee recommended that the Division of Facilities Management look at all the issues and report its decision to the Committee.

Bob Totten, Public Affairs Director, Kansas Contractors Association, addressed the organization's concerns and their present position regarding Alternative Delivery methods when companies submit bids (Attachment 8). The Kansas Contractors Association (KCA) strongly supports full and open competition among all parties providing construction and affiliated services. KCA recommends that owners select the delivery systems that best fit their particular needs, but with due regard for their independent interest in an open and competitive construction industry. KCA maintains that alternative delivery systems are appropriate for the public sector if the selection process is an open, objective, cost effective and free of political influence as the competitive bid system.

Chairman Humerickhouse recessed the meeting at 12:00 noon.

Afternoon session

Chairman Humerickhouse called the meeting to order at 1:40 p.m.

Dan Heater, Facilities Planning Office, Kansas State University, presented information to the Committee concerning new scoreboards and video display systems at the football stadium (Attachment 9).

Mr. Heater stated that funds for the project are on deposit at the Kansas State University Foundation and that all costs associated with the operation and maintenance of the proposed additions and renovations shall be borne by the Department of Intercollegiate Athletics. The project is being funded through private gifts to the Athletic Department. The project cost is estimated at \$1,750,000 (\$1,500,000 for equipment and \$250,000 for installation). Additions and renovations of scoreboards and video display systems include renovation of the existing Sony Jumbotron at the north end of the stadium, installation of new full matrix video board at the south end of the stadium, renovation of the existing fascia displays and replacement of marquee on Kimball Avenue. Requests for proposals have been solicited, received, and evaluated. A potential vendor (Daktronics) has been selected and a letter of intent to enter into a contract is pending. The proposed schedule of planning and construction is for awarding the project in the fall of 2005, beginning construction in December 2005, with completion by June 2006.

Discussion followed concerning the need for this project when there are life safety issue concerns at the University.

Jennie Chinn, Executive Director, Kansas State Historical Society (KSHS), presented testimony concerning completed capital improvement projects and the agency's five-year capital improvement budget plan for FY 2007-2011 (Attachments 10 and 11).

Director Chinn, noted that, last year, the agency rehabilitated the William Allen White State Historic Site in Emporia, completed similar work using non-state funds at the Kaw Mission State Historic Site in Council Grove, and raised more than \$1million from non-state sources to complete the rehabilitation and reinterpretation of the Shawnee Indian Mission State Historical Site in Fairway. The Governor and the Legislature provided supplemental state funds to repair the Pawnee Indian Village State Historic Site in Republic County that was damaged by a tornado.

The Kansas Museum of History is facing the failure of glass skylights. Last winter, three large panes of glass broke out and fell near visitors at the Kansas Museum of History. It will cost \$184,000 to replace the glass and ensure the public's safety. The KSHS has requested this funding as a supplemental to the FY 2006 budget. This is the agency's most urgent capital improvement project.

Terry Marmet, Director of Historical Sites, KSHS, addressed the agency's five-year capital improvement plan showing requests for FY 2007 of \$125,000 for emergency repairs, \$280,000 for historic sites preservation and development, and \$515,039 for the Museum rehabilitation.

The conferee continued by speaking about the interior skylights in the museum, and although none of those have fallen, large amounts of water can be seen between the glass panes in the lobby and children's exhibit area. The life expectancy of the seals is 20 years and the museum building is now 22 years old. The Museum is in the process of installing a special netting beneath the exterior glass canopy to catch falling glass when more panels break. Replacing the seals and keeping the existing glass would require total disassembly of the glass canopy system and would cost more than a new glass and seal system. If extremely cold temperatures are encountered, the interior glass could also break and fall.

Discussion followed concerning: exterior and interior glass panes, capital improvement project requests for FY 2007, the status of Grinter Place and Mine Creek, the National Heritage Act Bill, private donations, and volunteer help at historical sites.

Christy Davis, Acting Director, Division of Cultural Resources, KSHS, presented testimony regarding the rehabilitation of the Dillon House (Attachment 12). For comparison purposes, staff distributed copies of previous Department of Administration proposals (Attachment 13). Ms. Davis

reviewed the first two meetings and tours of the Dillon House, fundraising options, the Joint Building Committee's direction for the Kansas Preservation Alliance (KPA) to take the lead in fundraising for the rehabilitation of the Dillon House, condition of the roof, and recommended repairs.

Ms. Davis reported on short-term and long term solutions of the Dillon House roof. Cost of the short-term solution was estimated at \$52,000 and \$386,000 for the long-term or permanent restoration.

Committee discussion followed regarding the short-term solution versus the long-term solution and the need to quickly repair the roof.

Representative Neufeld moved for the Committee's recommendation that the Director of the Budget and the Director of the Kansas Legislative Research Department find funds within existing state resources for the short time solution for repairing the roof. Representative Brunk seconded the motion. Motion carried.

Representative Grant moved for the Committee's approval of the September 2005 minutes. Representative Neufeld seconded. Motion carried.

Copies of a letter were distributed from Representative Harold Lane which spoke of his desire of rehabilitation and preservation of the Dillon House (Attachment 14).

Chairman Humerickhouse adjourned the statehouse meeting and reminded Committee members that Michael Hayden, Secretary of Wildlife and Parks would lead a tour of the agency's Region 2 office. During the tour, Secretary Hayden remarked that the agency has requested that the owner of the adjacent land progress with the promised donation of it to the state (to be used for State Park 24) prior to the start of the 2006 Legislative Session or that the agency would reconsider the establishment of a state park at that location.

Prepared by Helen Abramson
Edited by Debra Hollon

Approved by Committee on:

January 17, 2006

(date)