

## **MINUTES**

### **JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION**

March 7, 2007  
Room 241-N—Statehouse

#### **Members Present**

Representative Joe Humerickhouse, Chairman  
Senator Pat Apple  
Senator Greta Goodwin  
Senator Laura Kelly  
Representative Steve Brunk  
Representative Bill Feuerborn  
Representative Bob Grant  
Representative Jo Ann Pottorff

#### **Members Absent**

Senator Dwayne Umbarger, Vice-Chairman  
Senator Stephen Morris

#### **Staff Present**

Audrey Dunkel, Legislative Research Department  
Reagan Cussimano, Legislative Research Department  
Heather O'Hara, Legislative Research Department  
Helen Abramson, Committee Assistant

#### **Conferees**

Richard Gaito, Department of Administration  
John Moyer, Department of Social and Rehabilitation Services

#### **Others Attending**

See attached list.

The meeting was called to order by Chairman Humerickhouse at 12:00 p.m. on March 7, 2007, in Room 241-N of the Capitol.

Chairman Humerickhouse recognized Richard Gaito, Deputy Director, Division of Facilities Management, Department of Administration (DOA), who pointed out a change in the lease for the Department of Social and Rehabilitation Services' Disability Determination Services (DDS) Office in Topeka ([Attachment 1](#)). The change regards line 63 concerning the improvements the agency requires being included in the base rent. The previous lease mistakenly showed that improvements were not included in the base rent.

Director Gaito refreshed the Committee's memory concerning the history of the 10-year lease. This lease was presented to the Committee at its September 13, 2007 meeting in Hutchinson. At that meeting, the Committee voted to release a new RFP. The lease before the Committee is the result of that meeting.

Currently, DDS is located at the White Lakes Mall on South Topeka Boulevard. It has been at this location since 1997 and the current lease expires on June 30, 2007. The lease includes a 3-month amendment the Department of Administration negotiated on behalf of The Department of Social and Rehabilitation Services (SRS) with Blue Cross and Blue Shield of Kansas. Blue Cross and Blue Shield has an option on the space effective July 1, 2007. No other lease extension options can be exercised on the current lease.

An request for proposal (RFP) was let by the Division of Purchases on November 30, 2006 and a request for the RFP also appeared in the Kansas Registry and on the Division of Purchases website. The Division of Facility Management (DFM) leasing department contacted numerous local realtors and commercial developers to inform them of the RFP. The RFP closed on January 16, and three bids were received. Two of the bids were received from the same developer but for different locations. A procurement negotiations committee (PNC) was formed that reviewed the bids; the PNC included SRS, Division of Facilities Management, and Division of Purchases which met with each of the bidders to review the proposal and answer questions. In addition, the PNC toured each proposed facility. Each bidder was allowed to submit their best and final offer proposal to the PNC. At this time, the PNC reviewed the best and final proposals and selected the lowest bid. The lease before the Committee today was the lowest of the three proposals. The two other proposals were between the \$23 and \$25 per square foot limit.

This lease contains a number of items required by SRS which is listed under the Federal Social Security Administration (SSA) requirement sections on the lease comparison sheet. At this time DDS is requesting a lump sum payment of \$476,719 for the items listed in SSA. In addition, lines 61 and 62 list two items that are requested by SRS (a storm shelter and ceiling fans). These items are not traditionally found in leases.

Two comparable properties were listed in the lease comparison. The previous lease, from the original RFP, and the KCC lease. These two leases were chosen as the best available bids to meet the major needs of Kansas. The original lease is rated best for the purpose of preparing this lease against the state's current market environment, since it is only six months old. The KCC lease is the most recent comparable sized facility leased by the State of Kansas. The SRS lease before the Committee today is for 10 years and the KCC comparable lease is for 15 years. At this time the Department of Administration is supportive of the lease negotiation process and the base. Due to the unusual federal requirements and the agency's requested items, the Department of Administration has no position on this lease. Director Gaito stated that to the best of his knowledge the current lease proposal does not include any of the original proposals of the lease that was rejected in Hutchinson.

John Moyer, Lease Administrator (SRS) spoke about including the storm shelter and ceiling fans in the RFP. Cost of the storm shelter is approximately \$.11 a square foot. The agency is trying

to make sure employees are as safe as possible, and this is just another safety measure. Also, the storm shelter facility will be "F" rated and is located in a storage locker, so this space will have a dual purpose. The ceiling fans are only in the conference, training, and waiting rooms.

Committee discussion followed concerning the unusual requirements that SRS mandated for the facilities such as special wiring, gas suppression system, one-inch set in locks, raised floor, and the change of computers every one or two years.

Mr. Moyer noted that most of the mandated items already exist in current SRS facilities, except for the raised floor. Blue Cross Blue Shield has spent \$100,000 for updates since they moved into the White Lakes Mall, and it still needs to make additional updates.

Mr. Moyer remarked that if SRS went into a state owned building it would cost the state \$3.5 million. As it is, the federal government pays 100 percent of lease costs.

Senator Goodwin expressed pleasure with today's proposed lease compared with the previous one brought before the Committee.

Director Gaito related the history of this facility. It used to be an Albertson's grocery and Albertson's still owns it. The grocer tried to dispose of it by providing options to developers and the developer has to pay up front for such options which is good for a certain period of time. At the time the previous proposal was before the Committee in September, the Committee asked the DOA to go back to put another RFP together. That developer lost his exclusion to that property and the current developer came in immediately and paid Albertson's a sum of money for that option. So the situation is two different developers, probably, two competitors, and not in business together.

Director Gaito informed that the developer has expressed real concerns about this being the final offer.

*Representative Feuerborn moved the Committee's recommendation to approve the 10-year lease for SRS' DDS office in Topeka. Representative Grant seconded the motion. Motion carried.*

Chairman Humerickhouse adjourned the meeting at 12:35 p.m.

Prepared by Helen Abramson  
Edited by Audrey Dunkel

Approved by Committee on:

May 22, 2007

(Date)