

MINUTES

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION

January 11, 2007
Room 123-S—Statehouse

Members Present

Representative Joe Humerickhouse, Chairman
Senator Dwayne Umbarger, Vice-Chairman
Senator Pat Apple
Senator Jim Barone
Senator Greta Goodwin
Senator Stephen Morris
Representative Steve Brunk
Representative Bill Feuerborn
Representative Bob Grant
Representative Jo Ann Pottorff

Staff Present

Audrey Dunkel, Legislative Research Department
Reagan Cussimano, Legislative Research Department
Heather O'Hara, Legislative Research Department
Jim Wilson, Revisor of Statutes Office
Mike Corrigan, Revisor of Statutes Office
Helen Abramson, Committee Assistant

Conferees

James Garner, Kansas Department of Labor
Gerald Schneider, Kansas Department of Labor
Marilyn L. Jacobson, Kansas Department of Administration

Others attending

See attached list.

Chairman Dwayne Umbarger called the meeting to order at 12:10 p.m. on January 11, 2007 in Room 123-S of the Statehouse.

Staff distributed copies of a letter from the Kansas Department of Administration (DOA) which reported change orders of less than \$75,000 which have been approved by the DOA. The orders reflect change orders which occurred during the month of December 2006 and the current status of major projects under construction.

Chairman Umbarger opened the floor for nominations of officers for 2007.

Representative Brunk moved to elect Representative Joe Humerickhouse as Chairman for 2007. Representative Feuerborn seconded the motion. Motion carried.

Chairman Humerickhouse opened the floor for election of the Vice-Chairman for 2007. *Representative Grant moved to elect Senator Dwayne Umbarger as Vice-Chairman for 2007. Representative Brunk seconded the motion. Motion carried.*

Representative Brunk briefed the Committee concerning the soon-to-be vacated Eastman Building in Wichita. A couple of years ago, the Workforce Alliance Group moved to a different location in Wichita which left the Eastman Building partially vacant. The Call Center is still located there, but it is anticipated that it will move to a different location in Spring 2007. Representative Brunk remarked that an arena is being proposed off of downtown Wichita and he understands that Sedgwick County wants to buy the Eastman building, and he would like to see the building sold to a buyer before the close of this year's legislative session.

James Garner, Secretary, Department of Labor (DOL), stated that the Department of Labor Eastman Building will be empty by Summer 2007. The facility is located between Emporia and Topeka Street along Second Street in downtown Wichita. It is actually two buildings adjacent to each other and the State also owns two parking lots. There are 36,622 square feet of space in the two buildings. The facility was purchased in 2005. The Department of Labor is presently in the process of turning the Eastman Building into a consolidated Call Center operation. Copies of photographs were distributed showing recent refurbishing of the interior of the Eastman Building. Through new technology, the Call Center operations were consolidated and local phone numbers in Wichita and Kansas City were still maintained and will move to Topeka in the summer of 2007, leaving very few personnel in the facility. Secretary Garner said he does not see any reason for the DOL to keep the building. The only issue to keep DOL from pursuing the sale of the property is that the U.S. Congress has been dealing with re-authorization of the Work Force Investment Act. The bill has not yet gone through both houses, but the U.S. Senate passed the bill last year and one of the provisions in the bill is very attractive to the DOL. The language would basically allow the states to keep all the federal equity in any federal building that was purchased with unemployment insurance money. Right now, the federal government has equity in the Eastman Building in Wichita. If it is sold, two things could happen under current law: (1) either give the federal government a portion of their equity in the building from the sales proceeds; or (2) the state can keep the proceeds, but the proceeds can only be used to purchase new property.

The DOL, the Secretary noted, does not need any new property or buildings. The proposal that passed the U.S. Senate last fall would basically transfer all the equity to the unemployment insurance buildings to states and it can be used for any unemployment insurance purposes such as remodeling or operational purposes. Therefore, the DOL has not been pursuing the sale of the building hoping that Congress would finalize their work in this regard, but it adjourned without final action on the Work Force Investment Act. The bill will be back before the 110th Congress.

Senator Goodwin remarked that she received many inquiries about an arena, but nobody seems to know when or if one will be built and she has been unable to obtain any information about it.

Discussion followed concerning the lapse of the sales tax that funds the arena.

Gerald Schneider, Chief Fiscal Officer, Department of Labor, informed that the Eastman Building was built with Federal Funds; therefore; the federal government has 100 percent equity in the building. However, the federal government does not have equity in one parking lot. The agency has to submit a letter to the U.S. Department of Labor requesting disposition instructions. In the letter, the agency would recommend that the building be sold, but the federal government could say it wants the building transferred to it as the federal government may have other purposes and intent for the use of the facility. Also, if the building has been identified as not being needed for unemployment purposes, then the agency must notify the federal government that this building is available for disposition.

Secretary Garner remarked that ultimately this building will be sold, and he suggested that the agency hold off with a letter to the U.S. Department of Labor, as the agency does not want to be locked in under old rules since there is a possibility of having a lot more latitude with what can be done with the proceeds of the sale because of the possibility of the law changing.

Gerald Schneider, DOL, stated that at one time the agency had eleven buildings for disposition. The recommendation has always been to sell the buildings.

Gerald Schneider also stated that there are regulations on how the agency goes about the sale of a building such as notifying the U.S. Department of Labor, obtaining the approval of the Building Committee as well as the State Finance Council, and getting three appraisals. If all parties agree, then the building can be put up for disposition.

Gerald Schneider remarked that if the Call Center and the Unemployment Tax unit is moved out, then the U.S. Department of Labor has to be notified that the building is empty and not in use.

Secretary Garner noted that the Wichita office will remain a regional tax office.

Marilyn L. Jacobson, Interim Director, Division of Facilities Management, provided additional data and information regarding future options for the Department of Administration managed buildings in the Capitol Complex ([Attachment 1](#)).

Director Jacobson noted, as discussed in the December Building Committee meeting, there is no one perfect solution to the issues facing the Capitol Complex buildings and in particular, Docking, Landon, and the Dillon House. However, there are several options depending on ownership choices such as maximizing FTE, cost, or aesthetic value. In previous reviews of the Capitol Complex, an underlying theme has been to improve the overall integrity of the complex by leveraging opportunities that ensure newly constructed or reconstructed buildings do not significantly change the view of the Capitol and are with architectural designs and materials that easily blend in with the other monumental buildings. Options covered:

- Reconstruction of Docking;
- New Construction;
- Demolish Docking;
- Parking Garage;
- Repair Docking;
- Reconstruction of Landon;

- Repair Landon; and
- Renovation of Dillon House.

The Kansas Division of Finance Authority provided information regarding the issuance of bonds for renovation/construction depending on the cost of the project.

Leasing cost per square foot of basic office space in Shawnee County in recent leases has ranged from \$9.60 to \$17.70.

Lease Purchase: The Curtis State Office Building was completed in FY 2002 at a cost of \$27,134,033.34. The parking garage has 687 parking stalls and cost an additional \$10,197,518.85. The State entered into an agreement with the Topeka Public Building Commission to purchase the building and garage over a 30-year period at a total cost of \$100,786,806. All maintenance on both buildings is provided and paid for by the Department of Administration.

The estimated cost to reconstruct Docking is \$77,426,267. This would take the building down to its base structure. The heating plant will be kept operational along with the Statehouse chilled water system. The new cooling towers also will stay and be used to support a new chilled water plant built in the Docking Building basement which will be sized to serve both the Statehouse and a reconstructed Docking Building. Current seat capacity is 1,551. New seat capacity will be 1,920. Other assumptions and considerations are: utility costs should be added to the cost of construction during time of construction; furnishing cost of \$5,000 per seat for new system furniture; rent rates increase for remaining tenants in complex during construction; moving costs; and costs associated with relocating the Central Monitoring, Central Mail, and Capitol Complex Data Centers.

A new building could be built south of the Docking Building location. This location will provide steam for heating by the existing heat plant. No costs associated with Docking are included in the estimated construction cost of \$53,587,891 for a new building with the seat capacity (1,135) of Curtis Building, or \$73,228,915 for a new building with the seat capacity (1,551) of Docking Building, or \$114,069,024 for a new building with the seat capacity (2,416) of Docking and Landon Buildings.

The construction costs do not include demolishing Docking or Landon. Other assumptions and considerations are: added utility costs during time of construction; a new utility tunnel from the heat plant to the new building will have to be built; furnishing costs per seat for new system furniture; parking in lot 2 and 4 will be displaced for a new building; and moving cost per person.

The demolitions estimate to raze Docking building and protect the heating plant and cooling tower: \$10,309,539. Assumptions and considerations consist of cost to modify the Docking Chilled Water Plant to add new chillers. To demolish Docking Building with the heat plant to remain would require 1,128 occupants to move out into lease space or a new office building. The heat plant would be kept operational. The new cooling towers also will stay and be used to support a new chilled water plant for the Statehouse that will set east of the cooling towers. Other assumptions are furnishing costs, moving costs, and relocation of Central Monitoring, Central Mail, and Data Centers. Construction cost of a new parking garage to be built in a yet to be determined site for a 501-stall garage is \$9,631,224 and for a 1,002 stall garage \$19,262,448.

Construction estimates for individual repairs to Docking: \$147,750,785. The Docking Building will be kept occupied while individual repairs are done to the Building. Items include replacing the air handler units, HVAC piping, duct work, VAV boxes and controls, Statehouse chillers, fire protection, electrical and lighting, ceiling, carpeting, walls, hazardous material abatement, roofing and waterproofing, exterior walls, elevators, and foundation repairs.

Construction estimates to reconstruct Landon: \$71,264,223. Assumptions and considerations are: utility costs should be added to the cost of construction during the time of construction, furnishing costs per seat for new system furniture; moving cost of \$200 per person; DISC data centers and demark to relocate elsewhere; and rent rate increase 6 percent from current rates for remaining tenants in complex until tenants are moved back into the building.

Construction estimates for individual repairs to Landon: \$83,074,794. The building will be kept occupied while individual repairs are done to the building. Estimates include replacing the air handler units, HVAC piping, duct work replacement, VAV boxes and controls, building chillers, fire protection, electrical and lighting, ceiling, carpeting, walls and lighting, exterior walls, hazardous material abatement, roofing and waterproofing, and elevators.

Construction estimates for individual repairs to Dillon House is \$3,027,500. Construction estimates for demolition of Dillon House and building a parking lot is \$252,000.

Director Jacobson answered some of the Committee members' queries by stating that:

- The Data Center probably could not be put in the Dillon House.
- If the Docking Building was stripped down it would retain its gross square footage, but it actually would increase the number of state employees by 431 as the design would be much more efficient.
- If the Curtis Building was built today, the space standards would be different.
- It would take longer and be more costly to reconstruct the Docking Building if it was done two or three floors at a time.
- If the Docking Building was reconstructed, it should be a very functional efficient building.
- It is estimated that it would take approximately three or four years to strip down and reconstruct the Docking Building.
- It would take approximately three years to built a new building depending on the size of it.
- There would be an additional cost of \$10 million to demolish the Docking Building after a new building was built.
- It would cost \$77.5 million to reconstruct Docking and \$84 million to build a new building.
- The chilled water plant is in the basement of Docking and if the building was demolished and the heat plant saved the chilled water plant still needs to be addressed since the capacity needs to be addressed due to the Statehouse renovation.
- An analysis of how much it would cost to keep the Docking Building for the next five years has not been done.
- It would cost \$2.5 million above daily operating costs to keep the Landon building operating for the next four to six years.
- There is enough rental space available for employees in the Docking Building if they were displaced while Docking was rebuilt.
- Cost estimate for individual repairs to Dillon House: \$3,027,500.
- Lots 2 and 4 are surface parking lots. But if a new building and a parking garage was constructed to replace the Docking Building on these two parking lots, the garage would replace the present amount of lost space in lots 2 and 4.
- Cost for a temporary patch on the Dillon house was \$52,000 and included flat roof, membrane, and flashing repairs, and replacing some tile. The project was competitive bid. Last session, DOA worked with the Kansas State Historical Society and presented a plan to the Building Committee regarding a temporary

fix that would at least keep out the water until a decision could be made about other repairs to the Dillon House.

Chairman Humerickhouse remarked that he thinks the Landon Building should be a high priority due to problems with the facade of the building and recent measures implemented for safety.

Committee discussion followed concerning a goal to address problems of buildings in the Capitol Complex Buildings as presented by the Department of Administration.

Senator Apple stated he felt the Legislature would come under a lot of fire if a 50-year-old building was torn down.

Committee members expressed their views concerning whether the Docking Building should be renovated in stages or all at once and also to look into how Blue Cross Blue Shield has renovated the outside of their building in Topeka.

Senator Apple requested that the Kansas Insurance Company be contacted to ascertain if they are still interested in having some office space in the Dillon House.

The meeting adjourned at 1:30 p.m. The next meeting was not scheduled.

Prepared by Helen Abramson, Committee Secretary
Edited by Audrey Dunkel

Approved by Committee on:

May 22, 2007

(date)