

MINUTES

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION

March 20, 2007
Room 123-S—Statehouse

Members Present

Representative Joe Humerickhouse, Chairperson
Senator Pat Apple
Senator Greta Goodwin
Representative Bill Feuerborn
Representative Bob Grant
Representative Jo Ann Pottorff

Members Absent

Senator Laura Kelly
Senator Steve Morris
Senator Dwayne Umbarger
Representative Steve Brunk

Staff Present

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

Conferees

Richard Gaito, Department of Administration
John Moyer, Department of Social and Rehabilitation Services
Chris Rieser, Kansas Department of Corrections

Others Attending

See attached list.

The meeting was called to order by Chairperson Joe Humerickhouse at 12:20 p.m., March 20, 2007 in Room 123-S of the Statehouse.

Richard Gaito, Deputy Director, Division of Facilities Management, Department of Administration (DOA), presented a seven-year lease for the Department of Revenue (DOR) DLEX Office in Dodge City, Kansas (Attachment 1). The DOR has been in the current location since 1997. The DOA voiced concern that the lease space exceeds the current space standard of 250 square feet per person. The DOA is supportive of the lease process and the lease, with the exception of the amount of space exceeding space standards.

Director Gaito stated the building is a driver's license center; therefore, the large lobby is figured into the square footage which causes it to exceed space standards.

The previous lease was for five years, and normally a new five-year lease would be requested. This one is for seven years to align with co-location projects.

Representative Feuerborn moved the Committee's recommendation to approve the seven-year lease for the Department of Revenue at Dodge City. Representative Grant seconded the motion. Motion carried.

Director Gaito presented a two-year lease for the Department of Corrections (DOC) Parole Office in Emporia, Kansas (Attachment 2). The DOC has been in this location since 1993. The location of the lease is a Lyon County facility. The DOC currently co-locates with the Fifth Judicial District Community Corrections and Court Services for both adults and juveniles. The cost is \$5.00 per square foot for a full service lease, with other leases in this area beginning at a rate of \$7.50 per square foot. In addition, the space requested meets the space standards. There was a lack of competitive bids for this lease. The previous DOC lease at this location expired December 31, 2006, and the start date of this lease is January 1, 2007. The DOC did not solicit other bids for this lease. The lease rate is favorable to the State of Kansas and the DOA is supportive of the rate. The DOA noted the lack of solicitation of other bids does not follow the normal leasing practices.

Chris Rieser, Parole Manager, Department of Corrections, informed the Committee that other bids were not solicited because the parole office has been in the same office at the Fifth Judicial District Community Corrections and Court Services since 1993, and it is a very cooperative working relationship. The facility provides both reception and conference room services. The parole office staff stated that there is security at the current facility. It is believed that no other entity could provide this type of service at this rate.

Representative Feuerborn expressed his displeasure at the agency's decision not to follow the usual procedures to secure competitive bids.

Representative Grant moved Committee's recommendation to approve the two-year lease for the Department of Corrections Parole Office in Emporia, Kansas. Senator Goodwin seconded. Motion carried.

Director Gaito, Department of Administration, presented a 15-year lease for the Department of Social and Rehabilitation Services at Kansas City, Kansas (Attachment 3). Director Gaito informed the Committee that there are two changes from the copy of this lease presented to Committee members. They are: (1) an error in line 47, showing an amount of \$.81 which should not have been included, and (2) the agency's requirements were included which was not shown on the original lease.

Director Gaito stated that SRS has been at this location since 1971. In November 2005, a Request for Proposal (RFP) was posted on the DOA's website. The RFP closed January 9, 2006, and two proposals were received. The Purchase Negotiating Committee (PNC) members and the two bidders toured the proposed sites in February. In April 2006, the PNC recommended accepting the low bid, and in August, 2006, the DOA received a completed lease. The bidder had increased

the cost from what was the previously agreed amount and added numerous special provisions. At this time, the DOA requested that the PNC go back to the bidder to explain that this was unacceptable. In November 2006, the bidder again presented a revised lease that still contained the special provisions and the increased cost that was previously unacceptable to the DOA. In November 2006, the bidder was informed that all negotiations on that lease were terminated due to the two sides not being able to agree on the lease. The PNC met with the second bidder in December 2006, and negotiations began. The lease before the Committee today is the result of those negotiations. The lease is for construction of a new facility to be located adjacent to the current SRS facility in Kansas City. Two comparison leases in the Kansas City area are shown on the proposed lease information sheet. The first is for a newly constructed building in Kansas City, Kansas, which has an annual rate of \$25.62 per square foot. The other comparable lease is for the SRS regional office in Overland Park. The annual rate for this location \$11.94. The lease for this facility was done on an emergency basis and the facility has had minimal remodeling to meet SRS current business needs since its occupation. In addition, the DOA, Real Estate Leasing Department, contacted the Kansas City Area Development Council to obtain current lease rates for the Kansas City area. The results were that rates for new construction by the bidder are below the area norms. The lease contains a few items requested by the agency which are not found in a normal lease, such as mechanical rolling filing system, kitchen appliances, ceiling fans, and a safe room. At this time, the DOA is supportive of the leasing negotiations process. The DOA has no position concerning the agency's requested items.

The current owner has the lease the Committee has before them now, and the lease that was not acceptable to the DOA was submitted by another party.

Representative Pottorff remarked that a more comparable building would have been one that was not a federal building as they are oftentimes higher priced.

Senator Apple stated that the agency's improvement requests were somewhat expensive.

Director Gaito said the utilities will be paid separately from the lease and will fluctuate. The \$1.60 mentioned in the lease is based on previous usage, cost of the current facility, and is not an exact amount.

Director Gaito reminded the Committee that they approved at their last meeting a lease amendment for this lease. At that time, the DOA did not know that the present negotiations of this lease were going to be completed so soon. This 15-year lease will allow time for construction. In the event this lease is approved and construction begins, both parties have agreed to a provision written in the amendment, that voids that lease at that time. However, SRS has the right to stay in the present facilities until 2010. If this lease is approved and the building is done prior to that date, SRS would move into it under the terms of this lease.

John Moyer noted there is not an out clause in the lease, but there is a provision in the lease that it can be terminated if fiscally necessary.

Senator Apple informed the Committee that the Subcommittee is working with the Department of Insurance regarding the Dillon House.

Representative Feuerborn moved the Committee recommend approval of the 15-year lease for the Department of Social and Rehabilitation Services in Kansas City, Kansas. Representative Grant seconded. Motion carried.

Chairman Humerickhouse adjourned the meeting at 1:40 p.m.

Prepared by Helen Abramson
Edited by Audrey Dunkel

Approved by Committee on:

June 6, 2007
Date