

## **MINUTES**

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

March 5, 2015  
Room 159-S—Statehouse

#### **Members Present**

Representative Steve Brunk, Chairperson  
Senator Kay Wolf, Vice-chairperson  
Senator Marci Francisco  
Senator Forrest Knox  
Representative John Alcala  
Representative Mark Hutton  
Representative Adam Lusker

#### **Members Absent**

Senator Laura Kelly  
Senator Larry Powell  
Representative J. Steve Alford

#### **Staff Present**

Shirley Morrow, Kansas Legislative Research Department  
Mark Dapp, Kansas Legislative Research Department  
Jill Wolters, Office of Revisor of Statutes  
David Wiese, Office of Revisor of Statutes  
Gary Deeter, Committee Assistant

#### **Conferees**

Ken Schmanke, Consultant, CBRE  
Randy Goldsmith, Consultant, CBRE  
Jim Clark, Secretary of Administration  
Mark McGivern, Director, Office of Facilities and Property Management, Kansas  
Department of Administration  
Frank Burnam, Deputy Director of Design, Construction, and Compliance, Office  
of Facilities and Property Management, Kansas Department of Administration

#### **Others Attending**

See attached sheet.

The meeting was called to order at 12:04 p.m. by Chairperson Brunk. The Chairperson welcomed two representatives of the real estate consulting firm CBRE: Ken Schmanke and Randy Goldsmith, who were under contract with the Kansas Department of Administration (DofA) to assess the feasibility of selling and leasing back the state offices in the Capitol complex ([Attachment 1](#)).

Mr. Schmanke outlined the parameters of the CBRE study: the Curtis, Landon, Eisenhower, and Myriad State Office Buildings. Considering the income stream over the next 20 years, he reported the study evaluated the market conditions, provided a value analysis, and listed options. The study considered these questions:

- Can the rentable square feet be reduced?
- Can operating costs be reduced?
- Are there opportunities to increase market value?
- Are there funding reserves to adequately maintain the properties?
- What are the potential benefits of a sale/leaseback?

Mr. Schmanke stated, after answering these questions, CBRE does not recommend the sale of the Capitol complex buildings. He noted clearing the bonded indebtedness and adding real estate taxes made unfeasible any sale to a private entity. He and Mr. Goldsmith made four observations to address possible deficiencies:

- Rentable square foot per employee is higher than the national average;
- An overall workplace strategy could reduce occupancy costs and improve productivity;
- Standardized real estate accounting practices would give a better basis for comparing state vs. private occupancy costs; and
- Creating reserve funds to address future capital improvement needs will lead to more reliable maintenance of buildings.

Jim Clark, Secretary of Administration, responded to members' questions:

- The bonded indebtedness of all the buildings, other than Landon, will extend eight to nine years before the appraisal value reaches the debt level;
- The DofA will start, as soon as possible, to create a reserve fund so maintenance need not be deferred;
- A forensic look-back regarding the bonded indebtedness will be provided for the Committee;
- The DofA has information comparing the budget for each agency with the square-feet-per-employee and will provide it for the Committee;

- The information regarding accounting practices is readily available and can be adjusted to fit various accounting procedures. Government accounting is based on fund accounting; private businesses use category accounting; and
- The cost of the CBRE study was \$50,000.

Mark McGivern, Director, Office of Facilities and Property Management, DofA, and Frank Burnam, Deputy Director of Design, Construction, and Compliance, Office of Facilities and Property Management, DofA, provided an update on the Docking State Office Building (Docking) and the new utility plant ([Attachment 2](#)). The Kansas Department for Children and Families (DCF) will be relocated to the Athene Building by May 2015. Construction is ongoing for the various divisions of the Kansas Department of Revenue at the Scott, Mills, and Dillons buildings; relocation will be completed in December 2015, October 2015, and January 2016, respectively. Mr. McGivern noted floors seven and eight in Docking house the Information Technology center; those offices will move to the Defense Building sometime in January 2016, with a temporary alternative in the Landon State Office Building.

Mr. McGivern stated, to reduce costs, the employees and equipment now on top floors of Docking may be consolidated to the first three floors of the building until the relocation is completed. The designs on the new utility plant are nearly complete; a Request for Proposal is scheduled to close by May 10, and the contract let before June 30, 2015.

Answering members' questions, Mr. Burnam stated the proposed utility building comprises steel, block, and brick. The new utility tunnel will tie into the present utility tunnels at the north end of the underground parking garage. The tunnel between Docking and the Capitol will be sealed off. The architect for the project was chosen through the State Advisory Council, from which five respondents were selected to interview.

Regarding demolition of Docking, Mr. McGivern noted a change in the scope of the project: since the state owns agricultural property north of the Juvenile Correction Center in Topeka, using that area as landfill for Docking could generate aggregate for sale. Mr. Burnam stated hazardous material will be separated out before sending material to the landfill area. Linda Thomas, State Lease Administrator, Office of Facilities and Property Management, DofA, stated Barry Beagle, coordinator for the Shawnee County Planning Commission, had signed off on the landfill proposal.

The meeting was adjourned at 12:58 p.m. The next meeting is scheduled for Thursday, March 12, 2015, to view progress on the Kansas Bureau of Investigation's forensic laboratory on the Washburn University campus.

Prepared by Gary Deeter  
Edited by Shirley Morrow

Approved by the Committee on:

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May 14, 2015  
(Date)