MINUTES

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION

June 2, 2015
Room 159-S—Statehouse

Members Present

Representative Steve Brunk, Chairperson
Senator Kay Wolf, Vice-chairperson
Senator Marci Francisco
Senator Laura Kelly
Senator Forrest Knox
Senator Larry Powell
Representative John Alcala
Representative J. Steve Alford
Representative Pam Curtis for Representative Lusker
Representative Mark Hutton

Staff Present

Shirley Morrow, Kansas Legislative Research Department
Mark Dapp, Kansas Legislative Research Department
Daniel Yoza, Office of Revisor of Statutes
David Wiese, Office of Revisor of Statutes
Gary Deeter, Committee Secretary

Conferees

John Milburn, Director of Legislative and Public Affairs, Kansas Department of Administration

Other Attending

See attached sheet.

Chairperson Brunk welcomed John Milburn, Director, Legislative and Public Affairs, Kansas Department of Administration (DofA), who reviewed the leases required to accommodate agencies moving to new locations in preparation for demolition of the Docking State Office Building (Attachment 1).

Regarding the Mills Building lease contract for the Kansas Department of Revenue (KDOR), Mr. Millburn reported the contract was terminated and seven new bids for the agency have been received in the downtown area. Renovations at the Scott Building and the Dillon Building were moving forward; the move into the Athene Building by the Kansas Department for

Children and Families has been completed. Currently, the DofA is reviewing bids for demolition of Docking and for construction of the new Energy Center; bid selection should be completed by the end of June 2015.

Representative Alcala questioned the events surrounding the termination of the Mills Building lease and distributed a time line to members outlining the lease process from May 24, 2014, to the present (Attachment 2). Members discussed the ramifications of the lease cancellation. Mr. Milburn explained that the leases in the Scott and Dillon buildings were acceptable, but the Mills Building lease was terminated for noncompliance. Jim Clark, Secretary, DofA, explained the leasing agent could not provide the needed renovations in a timely manner to accommodate KDOR's schedule for moving into new facilities. Leasing agent Mike Morse, Kansas Commercial, reported the "necessity clause" in the state's leasing contract made it difficult for a landlord to obtain loans for the extensive renovations required. Stephen Cavanaugh, an attorney representing Mills, LLC, stated attempts to negotiate with KDOR had been unsuccessful. He noted the landlord for the Mills Building had already made a substantial financial investment preparing for the required renovations.

Representative Alcala stated he wanted to work toward compromise and resolution regarding the Mills lease termination. Another member noted the state leases pose risks that dissuade many landlords from contracting with the state. Members continued to discuss the lease termination.

A member requested a time line from DofA to compare with the time line distributed to members.

Frank Burnam, Director, Facilities and Property Management, DofA, reported the extensive renovations for the Scott Building were going well and will be completed in December 2015, enabling an agency to move into the facility by January 2016. Dillon Building renovations will follow a similar time line. Two issues contributed to the lease termination of the Mills Building: the proposed 40 weeks required for renovation could not meet the KDOR schedule, and the Mills Building would not accommodate all KDOR employees. Therefore, a new bid request was issued, which received seven responses. Answering a question, he stated the original bid responses did not include the AT&T or the Hallmark building.

Mr. Cavanaugh, replying to a question, stated he believed the time line distributed to members is accurate.

Chairperson Brunk requested that Mr. Clark provide the Committee with a history of state lease contracts for the past ten years to ascertain whether lease termination presents a pattern that would sully the state's reputation.

Mr. Clark replied to questions: bids for the proposed Energy Center include options; bids were received for the Docking demolition in September 2014, but a demolition contract will not be let until the Energy Center is completed. He stated Bob Challquist, mentioned in the time line in the second attachment, is the staff attorney for KDOR.

The meeting was adjourned at 9:00 a.m. A further meeting was proposed but not scheduled. An informal discussion among members was held following the meeting to outline interim travel plans.

Prepared by Gary Deeter
Edited by Shirley Morrow

Approved by the Committee on:

June 26, 2015
(Date)