

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Senator August "Gus" Bogina, Chairperson, at 11:09 a.m. on March 6, 1992 in Room 123-S of the Capitol.

All members were present except:

Senator Hayden

Conferees appearing before the committee:

Susan Seltsam, Acting Secretary of Administration
Orion Jordan, Director of Division of Facilities Management
Senator Ken Francisco, Chairman, Sedgwick County Delegation
Chris Cherches, City Manager of Wichita
Bill Buchanan, Sedgwick County Manager
Jeff VanSickle, Consultant, State Office Building
Dave Perrin, Consultant, State Office Building
Tom Powell, Bond Counsel

SB 716 - Sale of Wichita state office building, authorized.

Acting Secretary of Administration, Susan Seltsam, appeared before the Committee in support of **SB 716** and reviewed Attachment 1. She noted that the \$290,000 mentioned as an expenditure that could be avoided through consolidation is an FY92 appropriation for repair of the elevator in the current facility. Secretary Seltsam introduced Orion Jordan who completed the review of Attachment 1. Mr. Jordan explained that the "X" on the map (Attachment 1-4) represents the location of the building the agency hopes to acquire and the dots represent the agencies which would be consolidated under the proposal. He discussed the needs assessment conducted by the department, the square footage of usable space, and the fiscal analysis of the proposal.

In answer to a question, it was stated that the Department would provide more information on whether the area of the cafeterias, conference room, and telecommunications room were included in the usable square footage of the existing rental property, thereby distorting the comparative values.

There was discussion regarding the 68% of usable space projected for the Dillard's Building in comparison to the gross square footage of the existing rental property. Mr. Jordan noted that it is the landlord's choice as to what to consider "rentable," but added that the real issue is the total cost per year.

Concern was expressed about relocating the Indigents' Defense Office. Mr. Jordan indicated that the defenders' office is conducting an analysis of the impact of the move, and that the department would be visiting with them following the completion of the analysis. He noted that the obvious impact of that agency not taking part in the consolidation would be a higher cost per square foot for the space in the proposed new building. Senator Winter asked that this amount be provided to the Committee.

Senator Brady expressed concern about selling the state office building in Wichita without knowing its current market value.

Senator Ken Francisco appeared before the Committee in support of **SB 716** and reviewed Attachment 2. In answer to a question, he stated that although the Sedgwick County delegation had not been polled, he did not know of any member who opposed the proposal.

Senator Francisco introduced Chris Cherches, the City Manager of Wichita. Mr. Cherches stated that the proposal has broad based community support and will provide benefits to the state, to state employees, to users of state services, and will have a positive impact on citizen access and convenience for services. He noted that the proposal would also function as a catalyst to the revitalization of downtown Wichita. Mr. Cherches indicated that because the success of the proposal depends to a great extent on interest

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

rates, timing is crucial.

In answer to a question, Mr. Cherches stated that figures to date from a county appraisal of the state office building in Wichita indicate that its value is about half of the debt service.

In answer to Senator Doyen's question, Mr. Cherches stated that the city would assume responsibility for the environmental conditions of the building.

The Chairman recessed the meeting at 12:00 noon and reconvened the meeting at 12:38 p.m.

Mr. William Buchanan, Sedgwick County Manager, appeared before the Committee in support of SB 716. He reviewed the Legislature's 1990 provision for a feasibility study and the fund that was established for the purpose of receiving monies to complete the design. He reiterated the importance of securing low interest rates for the success of the proposal.

It was the consensus of the Committee that any legislation regarding capital improvements must be considered by the Joint Committee on Building Construction, that the needs for this proposal be justified in the form of a program statement, and that an appraised value for the Wichita State Office Building be submitted. The Chairman noted that he would refer the bill to the Joint Committee on Building Construction when the Department completed a program study. Art Griggs, Department of Administration, explained that SB 716 waives the appraisal requirement if the entire debt service is assumed by the purchasing agent.

In answer to a question, Jeff VanSickle, Architectural Consultant for the State Office Building, told the Committee that the old Dillard's building, originally built in 1926 and renovated with a doubling addition in the 1940's, is structurally sound. He noted that the configuration of the building will allow for the SRS office to be isolated from the other agencies.

The Chairman announced that the hearing on SB 716 would be continued after the proposal is heard by the Joint Committee on Building Construction. He adjourned the meeting at 1:00 p.m.

TESTIMONY: SB 716
March 6, 1992

Department of Administration

Susan M. Seltsam, Secretary

Senate Bill 716 authorizes the sale of the Wichita State Office Building currently occupied by the Department of Social and Rehabilitation Services. The City of Wichita and Sedgwick County have agreed to purchase the building as an integral part of the consolidation of S.R.S. and 10 other state agencies into the Dillard building in downtown Wichita. This consolidation is projected to occur on September 1, 1993. With the City and County assuming ownership of the Wichita State Office Building, S.R.S. will be able to relocate to the downtown Dillard building.

The Dillard building has been selected as the best site for consolidation as the result of competitive bids. Prior to soliciting consolidation proposals from developers, a space needs assessment was conducted of each agency's space requirements. This review process established that the eleven agencies needed 130,988 square feet of office space as compared to the 113,612 square feet of office space currently being occupied. Some agencies, most notably Social and Rehabilitation Services, need more space. Some agencies need less space than is currently being leased.

The State received six consolidation proposals from five developers. The Dillard building consolidation proposal submitted by the City of Wichita and Sedgwick County was the most

SWAM
March 6, 1992
Attachment 1

cost effective.

To consolidate offices in Wichita under the Dillard building proposal, the State will spend an additional \$3,338 per year for rent and operating costs as compared to a decentralized operation of offices. This cost difference is based on a twenty-year lease and a five-year lease option. In addition to the \$3,338 per year cost, \$446,666 in moving and telecommunications costs will occur during the first year. However, \$290,000 in capital improvements appropriated for the Wichita State Office Building and \$505,000 in projected office building debt service are expenditures which will be avoided under consolidation.

With this minimal increase in cost, the State will experience the following benefits from consolidation:

- A centralized location for eleven State agencies will improve access to State services by the public.
- Enhanced accessibility will be provided to the disabled through compliance with the Americans With Disabilities Act.
- A joint effort between City, County and State will achieve redevelopment goals for downtown Wichita.
- Working environments will be improved through total renovation of the Dillard building, interior and exterior, including new fire protection system, energy saving heating and air-conditioning systems, and energy efficient lighting and construction.
- Convenient parking will be available to constituents and employees through renovation of an adjacent multi-story parking garage and construction of a new surface parking lot. A Total of 675 spaces will be provided, 75 which are free for the public.

- If growth in office space is required through a reallocation of resources, the growth can be rationally planned in a single location. Future office space, equivalent to two floors (60,000 sq. ft.) of the Landon State Office Building, is available for expansion in the Dillard building. Rent of this space based on tenant finish, operating costs and 30% of base rent would result in substantial savings to the State.
- Shared use of 56 vehicles now assigned to eleven agency locations becomes feasible.
- Training of state employees can be scheduled in one location and thus save staff time and travel costs.

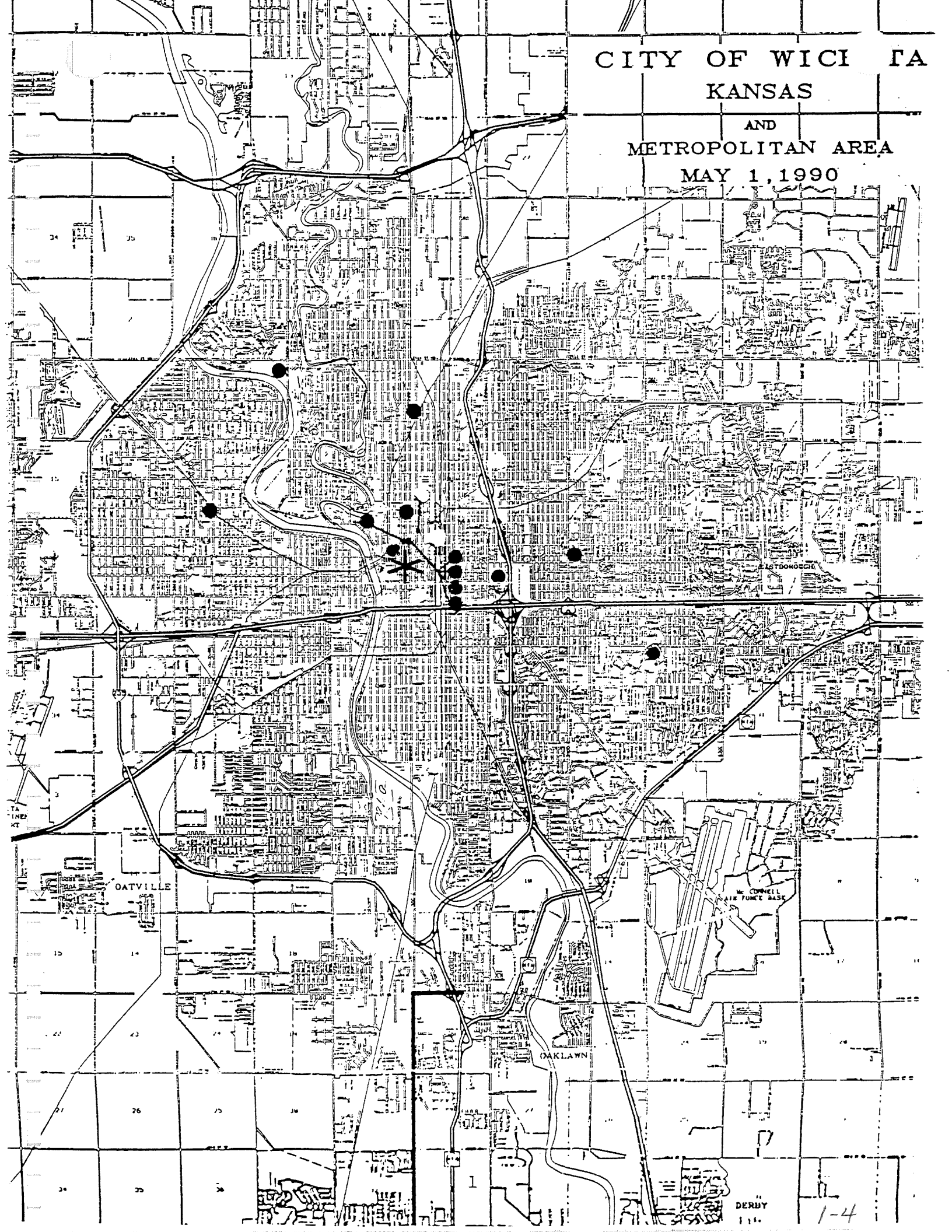
Your support of SB 716 is requested. Mr. Jordan will now go through the attachments.

WPS1\TEST\T-SB716

CITY OF WICHITA
KANSAS

AND
METROPOLITAN AREA

MAY 1, 1990



TA
LINE

OATVILLE

Mc. CONNELL
AIR FORCE BASE

OAKLAWN

DERBY

1-4

Wichita Consolidation

Square Footage

	Current	Dillard Consolidation
Rentable	148,088	191,670
Non-office Areas: Interior circulation and common area	34,376	60,682
	<hr/>	<hr/>
Usable office space	113,612	130,988
Usable Office Space, Consolidated:	130,988	
Usable Office Space, Current:	113,612	
		<hr/>
Additional usable office space needs identified through needs assessment		17,376

ELEVEN (11) CONSOLIDATED STATE AGENCIES

Net Usable Square Feet (1)

Agency	Current Office Location	Current Office Net Usable Sq. Ft.	FY 94 ASSIGNED OFFICE NET USABLE SQ. FT.	FY92 FTE	GOV/ LEG. FY93 FTE*	EST. FY94 FTE
Administration						
Executive Offices	225 N. Market	800	720	2	2	2
Facilities Mgmt.	Cafeteria (2)		3,000			
Facilities Mgmt.	Conference Room		1,600			
DISC	Telecommunications		1,200			
Health and Environment						
Health and Environment	1919 N. Amidon	4,459	6,280	44	50	51
Human Rights	1071 S. Glendale	1,614	1,670	10	10	10
Indigents' Defense	604 N. Main	3,621	4,735	24	25	27
Insurance						
Insurance	257 N. Broadway	935	915	4	4	4
KBI	257 N. Broadway	1,483	2,240	9	9	12
KCC	202 W. First	9,458	10,390	46	46	46
Lottery						
Lottery	3112 W. Central	3,385	4,160	13	13	13
Revenue	257 N. Broadway	5,233	4,950	24	27	29
Securities	1540 N. Broadway	<u>1,563</u>	<u>1,795</u>	<u>8</u>	<u>8</u>	<u>8</u>
Subtotal 10 Agencies		32,551	43,655	184	194	202
Social and Rehabilitation Services						
Child Support	257 N. Broadway	9,965		70	76	
Rutan Building	3244 E. Douglas	68,752		451	467	
Exploited Child	1015 S. Minnesota	<u>2,344</u>		11	11	
Consolidated Offices for SRS in FY 1994			<u>87,333</u>			567
Employees of Cooperating Agencies				<u>33</u>	<u>41</u>	<u>41</u>
Subtotal SRS		<u>81,061</u>	<u>87,333</u>	<u>565</u>	<u>595</u>	<u>608</u>
TOTAL NET USABLE SQ. FT.		113,612	130,988	749	789	810

(1) Net Usable Square Feet: area of interior office or work area as measured from the interior faces of the walls, partitions or room dividers. The following items are not included as Net Usable Square Feet: interior wall thicknesses, interior circulation space within an agency's space and common areas.

(2) Cafeteria will be furnished and operated by the SRS Services for the Blind division.

* Also includes transfers of employees to Wichita.

COST ANALYSIS ASSUMPTIONS

The following analysis compares the cost of the Dillard building proposal to the cost of the status quo. This cost analysis covers the 25 year period from September 1, 1993 through August 31, 2018. The Dillard building proposal is estimated to cost \$3,338 more per year than the status quo.

Major assumptions of this analysis are:

- Both the status quo and the Dillard proposal analysis assume FY94 usable office space of 130,988 square feet.
- State office space will increase at .5% per year.
- Inflation is estimated at 3.6% for office rental property and 3.85% for operating expenditures.
- First year cost of operation in the Dillard building is estimated to be \$4.14 per square foot.
- Moving and telecommunication costs of \$446,666 are one time costs not included in the 25 year lease analysis.

A:W-RFP44

Wichita Consolidation
Fiscal Analysis*

Year Ending August 31	Status Quo		Dillard		Difference
	Total Cost	Rentable Cost/sq.ft.	Total Cost	Rentable Cost/sq.ft.	
1994	\$1,918,409	\$11.27	\$1,362,195	\$7.11	\$556,214
1995	\$1,926,321	\$11.26	\$1,750,520	\$9.09	\$175,801
1996	\$1,989,041	\$11.57	\$1,836,650	\$9.49	\$152,391
1997	\$2,054,438	\$11.89	\$1,924,521	\$9.89	\$129,917
1998	\$2,122,622	\$12.22	\$2,014,153	\$10.30	\$108,469
1999	\$2,193,712	\$12.57	\$2,105,682	\$10.72	\$88,030
2000	\$2,267,828	\$12.93	\$2,199,095	\$11.14	\$68,733
2001	\$2,345,094	\$13.31	\$2,294,574	\$11.57	\$50,520
2002	\$2,425,644	\$13.70	\$2,392,073	\$12.00	\$33,571
2003	\$2,509,612	\$14.10	\$2,491,819	\$12.44	\$17,793
2004	\$2,092,142	\$11.70	\$2,593,733	\$12.89	(\$501,591)
2005	\$2,183,379	\$12.15	\$2,698,089	\$13.34	(\$514,710)
2006	\$2,278,478	\$12.62	\$2,764,191	\$13.61	(\$485,713)
2007	\$2,377,600	\$13.11	\$2,845,662	\$13.94	(\$468,062)
2008	\$2,480,910	\$13.62	\$2,908,552	\$14.18	(\$427,642)
2009	\$2,588,583	\$14.14	\$2,974,040	\$14.43	(\$385,457)
2010	\$2,700,798	\$14.69	\$3,042,238	\$14.70	(\$341,440)
2011	\$2,817,742	\$15.25	\$3,113,260	\$14.97	(\$295,518)
2012	\$2,939,612	\$15.84	\$3,187,224	\$15.26	(\$247,612)
2013	\$3,066,611	\$16.45	\$3,264,256	\$15.55	(\$197,645)
2014	\$3,198,949	\$17.08	\$2,827,935	\$13.41	\$371,014
2015	\$3,336,849	\$17.73	\$2,913,653	\$13.76	\$423,196
2016	\$3,480,538	\$18.41	\$3,002,844	\$14.11	\$477,694
2017	\$3,630,255	\$19.12	\$3,095,656	\$14.49	\$534,599
2018	\$3,786,247	\$19.85	\$3,192,240	\$14.87	\$594,007
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TOTAL-25	\$64,711,414		\$64,794,856		(\$83,442)

* Total cost for both the Status Quo and Dillard plans is based on providing the same net usable square feet.

OPERATING EXPENSES
FISCAL YEAR 1994

Projected Operating Expenses for Dillard Building.

	<u>Cost/Sq. Ft.</u>		<u>Cost/ Sq. Ft.</u>
Utilities	\$ 1.89	a) WSOB Utility Costs (projected)	\$ 2.29
		b) Energy Savings (17.5%)	-.40
Custodial Services	.67	WSOB costs projected	
Repairs, major	.15	Fund for future repairs	
Maintenance	.42	a) Preventive & Routine Maintenance	.15
		b) Elevator Contract	.17
		c) Other Contracts	.05
		- Pest Control	
		- Fire Protection Inspection	
		- Misc. Contracts or Labor	
		d) Misc. Materials & Equipment	.05
Other costs	.75	a) Management/Building Fees	.46
		- Full-time personnel (3)	
		- Office Supplies & Equipment	
		b) Trash Removal	.11
		c) Supplies	.03
		d) Insurance	.15
Parking Garage & Lot	.26	a) Snow removal	.02
		b) Maintenance of Lots and Garage	.21
		c) Cleaning Garage	.03
TOTAL EXPENSES	\$ 4.14	Per Square Foot	

boc:wichita\wchrfp35

STATE OF KANSAS

KENNETH D. FRANCISCO
STATE SENATOR, 26TH DISTRICT
SEDGWICK AND SUMNER COUNTIES
BOX 488
MAIZE, KS 67101



TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

MEMBER: AGRICULTURE
ECONOMIC DEVELOPMENT
FINANCIAL INSTITUTIONS &
INSURANCE
GOVERNMENTAL ORGANIZATION
LEGISLATIVE AND CONGRESSIONAL
APPORTIONMENT
JOINT COMMITTEE ON
ADMIN. RULES & REGS.

SENATE BILL 716

THANK YOU, MR. CHAIRMAN AND COMMITTEE MEMBERS.

THIS BILL IS A TECHNICAL BILL THAT IS NEEDED TO
AUTHORIZE THE SECRETARY OF ADMINISTRATION TO SELL
THE WICHITA STATE OFFICE BUILDING AT DOUGLAS AND
RUTAN. THE SALE OF THIS PROPERTY WAS A PART OF THE
AGREEMENT TO CONSOLIDATE SPACE IN DOWNTOWN WICHITA.
WE HOPE YOU WILL VOTE IN FAVOR OF SENATE BILL 716.
THANK YOU.

Senator Ken Francisco

SWAM
March 6, 1992
Attachment 2