

MINUTES OF THE JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION

The meeting was called to order by Chairperson Dwayne Umbarger at 12:45 p.m. on April 27, 2006 in Room 123-S of the Capitol.

Members present:

Senator Dwayne Umbarger
Senator Pat Apple
Representative Joe Humerickhouse
Representative Steve Brunk
Representative Melvin Neufeld
Representative Bill Feuerborn
Representative Bob Grant

Committee staff present:

Deb Hollon, Legislative Research Department
Michele Alishahi, Legislative Research Department
Amy VanHouse, Legislative Research Department
Becky Krahl, Legislative Research Department
Helen Abramson, Committee Secretary

Conferees appearing before the committee:

Mark Stock, Department of Administration
Denny Stoecklein, Kansas State Fair
Brad Rayl, Kansas State Fair
Sue Peterson, Kansas State University

Others attending:

See Attached List

Staff distributed a report on change orders of less than \$75,000 that occurred during the month of March 2006, and the current status of major projects under construction which were approved by the Department of Administration.

Senator Barone moved to approve the Committee minutes of January 17, March 16, and March 24, 2006. Representative Humerickhouse seconded. Motion carried.

Mark Stock, Real Estate Officer, Department of Administration, presented for Committee approval an amendment to a lease for the Kansas University Medical Center (KUMC) (Attachment 1). The proposed amendment has the same lessor, location, and terms as the previous lease. The cost per square feet has increased from \$7.48 to \$10.77. Full time employees increase from 125 to 300.

This building was purchased by the KU Endowment Association (KUEA) in 1996 and renovated for use as a general office building for the KUMC. The building contains approximately 24,000 square feet of warehouse space that was converted into office space. The lease amendment allows KUMC to amortize the cost of these renovations and the lease rate is based upon the prime interest rate plus one percent, adjusted quarterly. The amendment also extends the lease termination date to match the end of the anticipate debt service schedule. Additionally,

this amendment grants KUMC the option to renew the lease with 90 days notice at “terms which provide no investment return to KUEA” or to have KUEA “convey title to the real estate to the University for no consideration at the termination of the lease”. KUMC would have the same options at the end of the lease extension if exercised.

Mark Stock added that the work is completed and KUMC is in the process of moving personnel.

Representative Feuerborn moved for Committee recommendation to approve the lease amendment for the Kansas University Medical Center. Representative Grant seconded. Carried.

_____ Mark Stock next presented a proposed lease report for the Kansas Corporation Commission Building that included a review of the executive summary, summary result (15 year analysis), leasing assumptions, purchase assumptions, RFP information, and lease vs buy comparison (Attachment 2). The proposed lease was presented last month to the Committee.

Mr. Stock remarked that the county’s 2006 appraisal was \$3.2 million for tax purposes.

Representative Humerickhouse moved for Committee’s recommendation to approve the Kansas Corporation Commission’s 15-year lease at 1500 SW Arrowhead Road, Topeka at an annual cost of \$14.00 per square foot. Representative Neufeld seconded.

Discussion followed concerning the TASK analysis, the landlord’s justification for the tax increase, the net present value of \$7 million, and moving costs.

The motion carried for the Committee’s recommendation to approve the Kansas Corporation Commission’s 15-year lease. Motion carried.

Staff presented capital improvement items going through the Omnibus budget process (Attachment 3). Items listed were:

- (1) bonding authority of \$20.5 million to expand prison capacity for the Department of Correction,
- (2) increased bonding authority for the Kansas Bureau of Investigation for the IMA building purchase and Great Bend Laboratory to fund renovations and security at the headquarters and IMA buildings plus additional work at Great Bend,
- (3) bonding authority of \$2.4 million for construction of a sheep barn at the State Fair, and
- (4) bonding authority of \$2.0 million to construct a student life center at Kansas State University Salina campus.

Discussion followed concerning the Kansas Bureau of Investigation’s capital improvement item and the bonding authority for the Kansas State Fair.

Denny Stoecklein, General Manager, Kansas State Fair, noted that the Fair does not have any future plans for the present swine/sheep facility if funds (\$2.4 million) are not bonded for the facility.

Brad Rayl, Kansas State Fair Board Member, stated that there are presently 2,600 sheep and swine that show annually. Goats are also shown and the number is expected to increase to 600 - 700 annually. A tent has been added to the present facility, but exhibitors will not show much longer if improved facilities are not available.

Mr. Stoecklein said that there is still \$330,000 left in the State Fair's master plan that was originally budgeted for this project.

Representative Neufeld remarked that he understands the huge increase cost for an addition to the swine/sheep building was caused by the state architect and not the Fire Marshal.

Sue Peterson, Assistant to the President, Kansas State University, spoke regarding the bonding authority for the KSU-Salina Student Life Center and described the various offices that will be located in the new Center. The partial land is for sale at a price of approximately \$500,000.

Vice-Chairman Humerickhouse informed the Committee that the scheduled presentation by the Department of Administration is being postponed until the July meeting.

Vice-Chairman Humerickhouse adjourned the meeting at 1:20 PM.

Prepared by Helen Abramson, Secretary
Edited by Deb Hollon, Legislative Research
Department