

HICR

52

SENATE FINANCE COMMITTEE REPORT

DATE: 4/6/90

FURTHER:

DATE TURNED INTO OFFICE: 4/19/90

The Finance Committee considered

CSHCR 52 (Finance) am

Relating to the leasing of space by the state and establishing the State Lease Task Force.

and recommended:

replace with _____ CS

or adopt _____ CS

attached amendment(s)

letter of intent adopted

same title

new title

technical

title change

(HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

APPROVES PREVIOUS:

Dept/Date:

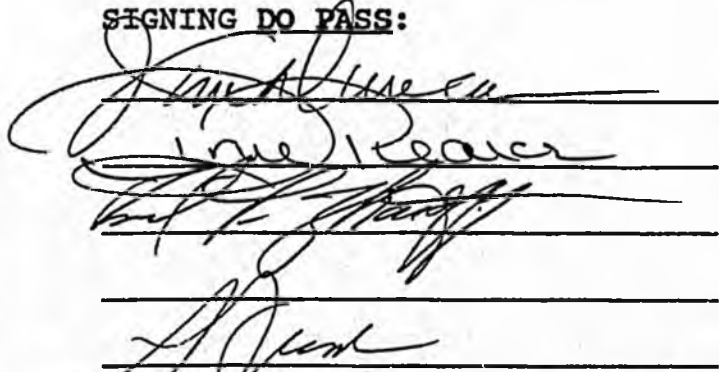
fiscal note(s) LAA 6.6

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:



1. John B. ... DO PASS

2. Mike Kelly (DO PASS)

Co-Chairs: Signatures and Recommendations

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Relating to the leasing of space ...
and establishing the State Lease Task Force.
Sponsor: Representative Ulmer
Requestor: House Finance

Affected Agency: Legislative Affairs Agency
BRU: Legislative Operating Budget

Components Legislative Operating Budget

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY91	FY92	FY93	FY94	FY95	FY96
Personal Services	0	0	0	0	0	0
Travel	6.6	0	0	0	0	0
Contractual	0	0	0	0	0	0
Supplies	0	0	0	0	0	0
Equipment	0	0	0	0	0	0
Land & Structures	0	0	0	0	0	0
Grants, Claims	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
TOTAL OPERATING	6.6	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (THOUSANDS OF DOLLARS)

General Fund	6.6	0	0	0	0	0
Federal Fund	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	6.6	0	0	0	0	0

POSITIONS:

Full-Time	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

- CSHCR 52 (Finance) establishes the State Lease Task Force comprised of 13 members. Administrative and legal services of the Legislative Affairs Agency shall be made available to the Task Force. The following is requested to adequately support the Task Force:

Prepared By: Pamela Stoops, Director
Division: Administrative Services

Pamela Stoops

Phone: 465-3850
Date: 3/19/90

Approved By: Warren Endicott, Executive Director
Agency: Legislative Affairs Agency

Warren Endicott

Date: 3/19/90

DISTRIBUTION (B
LEGISLATIVE FIN
LEGISLATIVE SPC

Changes in SCS CSHCR 52 (SA) have no fiscal impact. This fiscal note is appropriate. Projections of no fiscal impact would continue through 1996.

REQUESTOR
OFFICE OF MANAGEMENT & BUDGET
AGENCY (IES)

CONTINUATION OF FISCAL NOTE: CSHCR 52

Travel:

It is anticipated there will be 2 meetings of the Task Force. It is assumed that travel expenses of the 4 Legislators will be absorbed within the existing Legislative Budget and the 2 Representatives from the Executive Branch and 1 Representative from the University will be absorbed within their respective budgets.

2 meetings x 6 public members at 2 days each

airfare - 2 meetings x 6 members = 12 airfares

12 airfares x \$390 = \$4,680

per diem - 2 meetings x 6 members = 12

12 x 2 days per diem = 24

24 x \$80 =

\$1,920

\$6,600

Advertising of public notices, printing of the report, supplies, equipment, etc. will be absorbed within the existing Legislative Operating Budget.

Original sponsor(s): REP. ULMER, Koponen

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE
2 SENATE CS FOR CS FOR HOUSE CONCURRENT RESOLUTION NO. 52 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 Relating to the leasing of space by the
6 state and establishing the State Lease
7 Task Force.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 WHEREAS the state leases office space in over 60 communities through-
10 out the state, and the purpose of these offices is to provide services to
11 the public; and

12 WHEREAS the state's presence in these offices affects the business
13 environment in the communities, and the design of these offices affects
14 employee efficiency and morale as well as the cost of the leases; and

15 WHEREAS the state should be a responsible citizen in the communities
16 and not cause the construction of buildings that are below the prevailing
17 standard for commercial structures in the communities; and

18 WHEREAS the competitive sealed proposal process makes it possible to
19 consider several appropriate attributes in addition to the cost of a lease,
20 including the total life-cycle costs for maintenance and operations, func-
21 tionality, indoor air quality, public convenience, design, appearance, and
22 location of the leased building; and

23 WHEREAS a comprehensive review is needed of the issues raised in this
24 resolution relating to the leasing of space by the state in order to deter-
25 mine how the state may achieve the goals proposed by resolves one through
26 four of this resolution;

27 BE IT RESOLVED that the Alaska State Legislature respectfully requests
28 the governor to direct the Department of Administration to seek lease space
29 that not only accommodates the state's mission but is also compatible with

1 the communities' concerns, including planning, zoning, and design regula-
2 tions where they exist; and be it

3 FURTHER RESOLVED that the Alaska State Legislature encourages state
4 agencies to avoid leasing practices that would cause the construction of
5 substandard commercial structures, but nothing in this resolution shall be
6 construed as encouraging new construction or favoring new construction over
7 the leasing of existing space; and be it

8 FURTHER RESOLVED that the Alaska State Legislature encourages state
9 agencies to utilize the competitive sealed proposal process for the acqui-
10 sition of leased space when the lease exceeds 10,000 square feet or a term
11 of five years; and be it

12 FURTHER RESOLVED that the competitive sealed proposal process used to
13 lease office space for the state should consider the total life-cycle cost
14 to the state of the building to be leased as calculated over the term of
15 the lease using a discounted present value analysis, and including mainte-
16 nance and operations, functionality, indoor air quality, public conve-
17 nience, design, and appearance; and be it

18 FURTHER RESOLVED that a State Lease Task Force is established to study
19 the issues raised by the goals set out in the previous resolves in order to
20 determine the best methods for achieving these goals; and be it

21 FURTHER RESOLVED that the task force shall consist of nine persons
22 appointed by the governor, two representatives appointed by the speaker of
23 the state house of representatives, and two senators appointed by the
24 president of the state senate; and be it

25 FURTHER RESOLVED that the members of the task force appointed by the
26 governor shall include two engineers licensed under AS 08.48, two archi-
27 tects licensed under AS 08.48, two representatives of local government, one
28 representative from the Department of Transportation and Public Facilities,
29 one representative from the Department of Administration, and one

1 representative from the University of Alaska; and be it

2 FURTHER RESOLVED that the terms of the task force members shall begin
3 July 1, 1990, and that the task force shall terminate January 22, 1991; and
4 be it

5 FURTHER RESOLVED that the task force shall submit a report of its
6 findings and recommendations to the governor and the legislature by
7 January 21, 1991; and be it

8 FURTHER RESOLVED that the administrative and legal services of the
9 Legislative Affairs Agency shall be made available to the task force.

10 COPIES of this resolution shall be sent to the Honorable Frank Baxter,
11 commissioner of administration; the Honorable Mark S. Hickey, commissioner
12 of transportation and public facilities; to the Honorable Donald O'Dowd,
13 President of the University of Alaska; and to Ray Price, Executive Director
14 of the Alaska State Housing Authority.

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

MEMORANDUM

TO: Rep. Rick Uehling and Rep. John Binkley, Co-chairs
Senate Finance Committee

FROM: Rep. Fran Ulmer

DATE: April 5, 1990

RE: CSHCR 52 (Fin) relating to state leases

I would appreciate your scheduling of CSHCR 52 (Fin) which relates to state leasing and creation of a State Lease Task Force.

Many state agencies have turned to the capital lease process as a means of acquiring badly needed new facilities because of the lack of state funds needed to finance construction of office buildings. These facilities are designed, constructed, financed and often operated by the successful bidder. A major problem with this process is that it lacks virtually all of the controls normally placed on development of new public facilities. The bids are usually awarded only on the basis of lowest rental cost.

CSHCR 52 (Fin) requests the state to consider a variety of factors in addition to price, including functionality, public convenience, design and appearance, when it enters into a capital lease. It also creates a State Lease Task Force to work on solutions to the problems created by current state leasing policies.

Thank you for your consideration of my request to schedule this legislation in the Senate Finance Committee in the near future. Please contact me if you need more information or if you would like to meet to discuss this resolution.

Alaska State Legislature

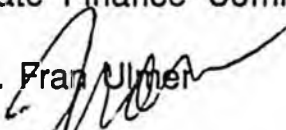
HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

MEMORANDUM

TO: Senator Uehling and Senator Binkley, Co-chairs
Senate Finance Committee

FROM: Rep. Fran Ulmer 

DATE: April 19, 1990

RE: CSHCR 52 (Fin) relating to state leases

CSHCR 52 (Fin) creates a State Lease Task Force, which was requested by representatives of local governments and members of the Alaska Professional Design Council, to work on solutions to the problems created by current state leasing policies. The Task Force members will report to the legislature on their findings and recommendations by January 21, 1991.

CS HCR 52 (Fin) also requests the state to consider a variety of factors in addition to price including functionality, public convenience, design and appearance when it enters into a capital lease.

When state agencies and municipalities use the capital lease process as a means of acquiring needed facilities, they do not always consider the long-term cost and benefits. One reason for this is the unwillingness of the legislature to appropriate funds for the state office buildings in the capital budget. These facilities are designed, constructed, financed and often operated by the successful bidder. The building is essentially purchased by the state on the "installment plan" utilizing funds from the agency's operating budget. At the conclusion of the term of the lease, which may be 20 years or more, ownership of the facility usually reverts to the state, often after payment of a final lump sum.

District 4B — Juneau

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Senate Finance
April 19, 1990
Page 2

A major problem with this process is that it lacks virtually all of the controls normally placed on development of new public facilities. The bids are usually awarded only on the basis of lowest rental cost and do not necessarily take into consideration building standards of the host community, the long term maintenance and operations costs or the functional needs of the agency.

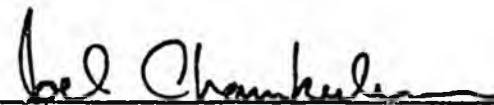
This resolution focuses attention on this problem, encourages the administration to consider these factors when entering into leases, and creates the task force to review the problems of state leasing policies to suggest solutions.

CSHCR 52 (Fin) is supported by the Alaska Professional Design Council and the Alaska Chapter of the American Institute of Architects.

**RESOLUTION
STATE BUILDING LEASE PROCEDURES**

- Whereas, the Alaska Chapter of the American Institute of Architects promotes quality design and construction practices throughout the State, and
- Whereas, the Department of Administration, other State agencies and other political subdivisions for the State of Alaska have been procuring new building space through a process which solicits bids for lease space normally resulting in new construction, and
- Whereas, the contractor with the lowest lease price and cheapest cost will be the successful bidder for such State space, and
- Whereas, this process is not required to consider the quality of building design, site design, regional planning, construction quality, or operation and maintenance costs, and
- Whereas, such omission harms the long term interest of the State and the affected communities because of the low quality design, planning and construction which inevitably occurs,
- Therefore, be it resolved that the Alaska Chapter of the American Institute of Architects, strongly urges that the Governor's Office and Department of Administration revise this bid process to include qualitative criteria for design, site planning, interior amenity, and maintenance and operation costs so that the State agencies and communities affected receive building projects with acceptable design and construction quality.

Unanimously adopted this date, November 10, 1989.



President



Secretary

A SOMEWHAT BRIEFER VERSION OF THE FOLLOWING ARTICLE WAS RECENTLY PUBLISHED IN THE DECEMBER ISSUE OF THE ALASKA PROFESSIONAL DESIGN COUNCIL NEWSLETTER.



Alaska Designs

Volume 12, No. 11, December 1989

The Official Newsletter of the Alaska Professional Design Council

Acquisition of State Facilities Via Capital Lease

by Jack Wolever, AIA

Given current political and economic environments, most state agencies find it almost impossible to obtain funding for needed facilities through capital appropriations. The conventional process of constructing new state buildings - an appropriation from the legislature, selection of architects and engineers, programming and design, competitive bids, and construction -- is simply no longer accessible to most state agencies because of economic or political constraints.

Several state agencies have turned to the capital lease process as a means of acquiring new facilities. These facilities are designed, constructed, financed, and often operated and maintained by the successful bidder. The building is essentially purchased by the agency on the "installment plan" utilizing funds from the agency operating budget. At the conclusion of the term of the lease, the facility ownership usually reverts to the state, often after payment of a final lump sum amount to the bidder. The capital lease process is made possible because many agencies have accommodated space needs over the years through rental of increasing amounts of office space which is frequently scattered throughout a community. Consolidation of rental space and agency functions increase the buying power and the efficiency of the agency -- powerful arguments for capital lease facility acquisition.

It is critical, however, that those individuals responsible for facility acquisition and management ensure that buildings acquired via capital lease are good investments for the state. Buildings which are functionally unreliable or unsuccessful are frustrating to the personnel who utilize them. Buildings which are poorly designed and constructed are expensive to operate and maintain and can have such a short useful life span that they are of little value at the conclusion of the term of lease when ownership is transferred to the state. It is the responsibility of an agency's facilities management group to ensure that such problems do not compromise the acquisition of a new building.

A publication entitled Design/Build/Bid Considerations for Participants was prepared in 1986 by an ad-hoc committee of Alaskan architects, engineers, contractors, and facility planning experts to inform public sector building owners about the process of acquiring facilities through design/build/bid. The process described differs from the capital lease process currently utilized by the state in several very important areas.

Critical to the success of a design/build/bid project is preparation of a detailed facility program describing the functional needs of the agency, and performance specifications describing a minimum level of quality for building components and systems. Equally important is preparation of a format for evaluating bidder's proposals in order to obtain from each bidder a design for the best possible building that can be provided within the limits defined by the performance specifications and the project budget.

Having participated in numerous design/build/bid public works projects in Alaska and California, it has been my experience that a consultant with experience in preparing D/B/B RFPs is needed to prepare the program, performance specifications, and evaluation format. With regard to evaluation of proposals, this typically involves both objective judgements, such as awarding points for exceeding minimum energy performance standards, and subjective judgements, such as awarding points for quality of architectural design and site planning functionality. Project cost can be dealt with by either establishing a price to be paid and allowing the bidders to provide the best facility achievable within that constraint, or by allowing the cost to be another variable in the evaluation format.

State agencies that are normally in the business of leasing facilities lack the professional expertise required to prepare a D/B/B RFP, and lack that same expertise required to evaluate a D/B/B proposal with regard to both technical criteria and design criteria. The State Department of Administration is the entity that has been responsible for capital lease building acquisitions for other state agencies. The DOA track record has been dismal, producing buildings which are largely unsuccessful because of failings in the RFP utilized by DOA. The community of Juneau has seen protests sent directly from the planning commission to the Governor about conspicuous failures of capital lease building projects initiated by the DOA's Division of General Services and Supplies which is unable to differentiate between a D/B/B project and an ordinary lease for office space. Therefore, it is necessary for the Alaskan consulting community to acquire the expertise to provide state agencies with the services needed to organize and execute a successful D/B/B project.

In summary, the capital lease process is currently the only practical means available to most state agencies for obtaining new facilities. In order to ensure that agency funds are invested in a responsible manner, it is imperative that state agencies utilize a process structured to produce buildings that are functionally responsive to the needs of the occupants, are economical to operate and maintain, and are humane and productive environments for the individuals who work there. In

addition, those building projects must complement and enhance the community in which they are placed -- the buildings must be good neighbors rather than centers of controversy over planning and design issues. It is incumbent on the Alaskan design community to recognize the need for D/B/B services and to be able to provide those services to state agencies. It is incumbent on the state to recognize the failings of its' process and its' products, and to obtain the necessary expertise required to develop successful capital lease building projects.

ALASKA PROFESSIONAL DESIGN COUNCIL
P.O. Box 10-3115
Anchorage, Alaska 99510-3115

26 February 1990

Representative Fran Ulmer
Alaska Legislature
P.O. Box V
Juneau, Alaska 99811

Re: SUPPORT FOR HOUSE CONCURRENT RESOLUTION
RELATING TO THE LEASING OF SPACE BY THE STATE.

Rep. Ulmer,

Thank you for meeting with us in Juneau during our annual legislative affairs day in February. At that time we discussed with you the Capital Lease Procurement policy. We have reviewed the draft materials you gave us at that time and are in support of the House Concurrent Resolution and the portion of the bill dealing with "the procurement of capital leases under AS 36.30.080(d)". Please contact me in Juneau at 586-1371 should you have any questions or if there is anything else we can do.

Alaska Chapter of the American Institute of Architects,
member Alaska Professional Design Council



Richard Ritter AIA
Legislative Liaison

cc: Paul Voelckers AIA
President



Department of Transportation and Public Facilities

POSITION PAPER

Bill No: HCR 52

Approved: Mark S. Hickey *MSH*
Commissioner

Title: Relating to the leasing of space by the state. Date: February 27, 1990

The department is supportive of House Concurrent Resolution No 52. We believe it will assist in providing office space for state functions which are efficient and compatible with the fabric of the surrounding community. It should also result in leases that are more reflective of local communities desires.

While the responsibility for leasing space is held by the Department of Administration, our department is willing to offer professional architectural and engineering guidance concerning design criteria that would assist in the bidding for lease space.