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STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Administration
 Title: Criteria to be considered when BRU: General Services
State agency leases involve construction. Component: Purchasing
 Sponsor: House State Affairs
 Requestor: House Finance COMPONENT SERIAL NO.

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-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	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-

REVENUE FUND SOURCE:	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER FUND SOURCE:	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-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-

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Anne McCord, Director *Anne McCord* Phone: 465-2250
 Division: General Services Date: March 26, 1992
 Approved by Commissioner: Nancy Bear Usery *Nancy Bear Usery*
 Agency: Administration Date: 3/27/92

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Number 4
Bill version: CSHB 237 (FIN)
(H) Publish Date: 4-3-92

Revision Date: _____
Title: "An Act establishing certain criteria that must be considered when state agency leases involve..."
Sponsor: House Transportation
Requestor: House Finance

Department Affected: Legislative Affairs Agency
BRU: All
Component: All

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	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						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	0	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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared By: Pamela A. Stoops, Director
Division: Administrative Services

Pamela Stoops
Phone: 465-3850
Date: 3/20/92

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

Warren Endicott
Date: 3/20/92

Distribution (by preparer): Leg

, , & Impacted Agency(ies).

COMMITTEE

Fiscal Note LAA ~~0~~

1 IN THE HOUSE

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

- HCR 52 - Create Lease ^{Task} Force -

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 MAINTEN-
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 08.08, 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.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF GENERAL SERVICES AND SUPPLY

January 22, 1991

LK. 123, 50A 70

WALTER J. HICKEL, GOVERNOR

P.O. BOX C
JUNEAU, ALASKA 99811-0210
PHONE: (907) 465-2250

The Honorable Richard I. "Dick" Eliason
Senate President
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

RE: Report SCS CSHCR 52

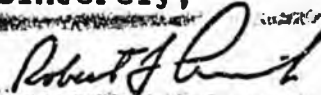
Dear Senator Eliason:

The referenced Resolution created the State Lease Task Force and asked it to provide findings and recommendations. The Task Force met twice and held extensive discussions on the topics addressed in the Resolution. The Task Force's report and recommendations are addressed in the enclosed recommendation. Nine members agreed with the recommendation, two disagreed and two had no recommendation.

Members of the State Lease Task Force

Al Adams	Senate Representative
Richard S. Armstrong	RSA Engineering
Keith Gerken	DOT&PF Representative
-Rick Halford	Senate Representative
-Gene Kubina	House Representative
Robert J. Link	DOA Representative
Gerald Myers	GDM, Inc.
-Randy Phillips	House Representative
Barbara Sheinberg	Local Gov. Representative
William M. Smith	Tryck, Nyman & Hayes
William C. Thomas	Local Gov. Representative
Paul Voelckers	MRV Architects
Jack Woiever	University Representative

Sincerely,



Robert J. Link
Acting Chair
State Lease Task Force

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- Task Force Report -

STATE LEASE TASK FORCE
RECOMMENDED
MAJOR SPACE ACQUISITION POLICY

Whereas this Task Force recognizes the need for providing space at a reasonable life cycle cost and quality, particularly in large space acquisition projects, and whereas existing space is not always available to fit the State's need properly;

We therefore recommend that the Legislature and Governor build, own and finance any space needs in excess of 10,000 square feet or any space needed for more than 10 years, unless existing space is available at lease rates competitive with the life cycle costs of State-owned facilities.

If after analysis the State chooses not to build and own, and proceeds with a lease process that causes new construction, the Department of Administration shall address in the lease criteria life cycle costs, function, indoor environment, public convenience, planning design, appearance and location in addition to lease costs.

These criteria shall be addressed in a competitive sealed proposal process for lease space. The relative significance for each criterion shall be identified, and the process for award clearly established. The evaluation committee shall include qualified individuals reflecting appropriate experience and/or professional training.

Agree Disagree No Recommendation

Richard S. Armstrong 1.4.96
Signature Date

Comments:

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.

Support letter

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.