

Report of the Joint Committee on State Building Construction to the State Finance Council

CHAIRPERSON: Representative Marty Long

VICE-CHAIRPERSON: Senator Rick Billinger

RANKING MINORITY MEMBER: Senator Marci Francisco

OTHER MEMBERS: Senators J.R. Claeys, Tom Hawk, and Gene Suellentrop; and Representatives John Alcalá, Michael Houser, Susan Humphries, and Jarrod Ousley

CHARGE

Review proposals to construct or renovate a building and to equip a Kansas Department of Health and Environment laboratory and make recommendations to the State Finance Council concerning this capital improvement project.

Joint Committee on State Building Construction

REPORT

Recommendations

The Committee recommends construction of a Kansas Department of Health and Environment laboratory at the Kansas Neurological Institute site and renovation or construction of a three-story event center at the Docking State Office Building site.

BACKGROUND

Section 61 of enacted 2021 SB 159 directs the Kansas Department of Health and Environment (KDHE) to issue a request for proposals (RFP) in FY 2022 to construct or renovate a building and equip a KDHE laboratory located within an 8-mile radius of the Capital Complex in Topeka. The bill directs the Joint Committee on State Building Construction (Committee) to review these proposals and make recommendations to the State Finance Council concerning the laboratory.

Section 61 of 2021 SB 159 also authorizes the issuance of bonds for capital improvement projects, not to exceed \$65.0 million for the KDHE Laboratory and \$120.0 million for the Docking State Office Building (Docking Building). Prior to proceeding with these projects, the bill requires approval for both projects from the State Finance Council in a single resolution.

Prior to the issuance of bonds for these projects, the Director of the Budget, in consultation with the Secretary of Administration and the Secretary of Health and Environment, is required to determine whether COVID-19 federal relief funds provided for discretionary purposes are available for such capital improvement projects.

COMMITTEE ACTIVITY

At its meeting on September 7, 2021, representatives of KDHE presented the Committee with eight proposals for a KDHE Laboratory site, which included five proposals submitted as part of

a recent RFP process. Additionally, the Secretary of Administration provided the Committee with updated cost estimates regarding two options for the renovation of the Docking Building. At its October 11 meeting, the Committee made recommendations regarding both projects.

Kansas Department of Health and Environment Laboratory

On September 7, the Committee received a presentation from the Director of Kansas Health and Environmental Laboratories (KDHE laboratory) summarizing building site proposals for a KDHE laboratory. The KDHE laboratory provides more than one million clinical and environment tests annually, including tests of public water supplies, newborn screenings, and breath alcohol. Further, the laboratory maintains readiness to respond to chemical or biological attacks and infectious disease outbreaks.

Studies presented to the Committee in January 2020 concluded that the current laboratory structure, which is located in a 1950s-era former military hospital at Forbes Field in Topeka, is insufficient with unsafe and unrepairable structural components. To ensure employee safety, for recruitment and retention of qualified scientists, and to reduce operating costs, these studies recommended the construction of a new laboratory. Construction projects on three state-owned properties in Topeka were proposed, with a total project cost of \$64.3 million estimated in March 2021. These sites were:

- Lot 4 in Downtown Topeka, near the Docking Building;

- A site on the grounds of the Kansas Neurological Institute (KNI); or
- A site adjacent to the current KDHE laboratory at Forbes Field.

Pursuant to 2021 SB 159, the Department of Administration, in collaboration with KDHE, issued an RFP open from August 2, 2021, to August 31, 2021, seeking building sites within an 8-mile radius of the Capitol Complex capable of supporting a 100,000 gross-square-foot laboratory facility with suitable utilities services, vehicular access, and on-site parking. Land purchase and lease proposals were allowable, as well as options to renovate an existing building.

The Director of KDHE laboratories presented the proposals and agency evaluations determining viability for each. The proposals submitted included the following commercial properties:

- The former Payless Shoesource corporate headquarters at 3231 Southeast 6th Avenue, which did not include lease payment amounts due to the proposer's pending acquisition of the property via commercial sale and would likely necessitate the sharing of space with other tenants;
- Mostly vacant lots near downtown Topeka at 11th Street and Quincy Street, which would entail annual lease payments of \$65,000 for the site and \$20,000 for parking;
- Vacant lots in east Topeka between 21st Street and Cyprus Drive west of Cedarwood Drive, which would entail an annual lease payment of \$25,000;
- Partially vacant lots at the Kanza Business and Technology Park at Kanza Drive and MacVicar Avenue, which entails a land purchase of \$1.0 million, and
- An existing building in downtown Topeka at 220 Southeast 6th Street, which did not meet the minimum space requirements of the RFP and entails an annual lease payment of \$1.9 million.

The Director of KDHE laboratories stated that commercial lease agreements would necessitate contract negotiations and land purchases would require legislative action. Further, use of these commercial properties would require engineering and soil composition assessments, which could delay the start of construction. Due to this, KDHE recommended consideration of the three state-owned properties.

On October 11, the Committee received testimony from the Department of Administration stating that construction of a new KDHE laboratory was critical to the continued COVID-19 public health emergency response. A new laboratory would add capacity for COVID-19 testing to support public health agencies and private employers, allow for social distancing among laboratory employees, allow for appropriate ventilation to comply with public health guidance, and address negative economic conditions by facilitating the return to work of state employees. Because of this, the Department of Administration estimated that up to 50.0 percent of the total project cost could be eligible for moneys from the State Fiscal Recovery Fund provided through federal American Rescue Plan Act (ARPA) of 2021.

The Committee received written-only testimony from the City of Topeka in favor of constructing the laboratory on Lot 4 in downtown Topeka. Testimony generally supported the increased presence of state employees in downtown Topeka and noted that similar laboratories are located in densely populated areas.

The Committee discussion included the potential use of the KNI site for a state veterans home to accommodate provisions of enacted 2021 HB 2021, which authorizes the issuance of bonds for the construction of a state veterans home in northeast Kansas.

Docking State Office Building

On September 7, the Committee received updated cost estimates from the Secretary of Administration regarding two options for renovation of the Docking Building. These options were initially presented to the Committee in January 2020 pursuant to Section 141 of 2019 SB 25, which directed the Department of Administration to develop plans for the building.

The Secretary noted these updated costs estimates consider increasing construction costs related to the COVID-19 pandemic and integration of the design-build project delivery method, as provided in 2021 SB 159. Both options would utilize the existing energy center. The two options presented are these:

- Option A would reuse and rehabilitate all 14 floors of the building and include an event center on the first floor, food venue, exhibition space, shared conference space, Capitol Police offices, and 268,948 square feet for state agencies for a total project cost of \$127.3 million, with a construction completion date of April 2024; or
- Option B would remove the upper 11 floors of the building, reuse the lower three floors, and add three floors for a total of 6 floors. This option would include an event center on the top floor, food venue, exhibition space, Capitol Police offices, and 188,527 square feet for state agencies for a total project cost of \$112.6 million, with a construction completion date of April 2025.

The Secretary noted that both options would provide additional space allowing state agencies to maximize services and provide event space for large meetings, which is a critical need and does not currently exist in the Capitol Complex. However, Option B would provide more flexibility in the configuration of this event space. Due to this, the Department of Administration recommended Option B.

The Secretary referenced a previous proposal to house the KDHE laboratories inside a fully renovated Docking Building for total project cost of \$152.9 million estimated in January 2021. Full renovation of the Docking Building in conjunction with construction of a KDHE laboratory on Lot 4 would require a parking structure estimated to cost \$35.3 million.

On October 11, the Committee received testimony from the Department of Administration stating that renovation of the Docking Building

was key to the State's return-to-work strategy during the COVID-19 pandemic. The proposed options would facilitate social distancing, allow temporary housing of state agencies while public health modifications are made to other buildings, and provide enhanced virtual and teleworking capabilities. Because of this, the Department of Administration estimates that up to 50.0 percent of the total project cost may be eligible for moneys from the State Fiscal Recovery Fund provided through ARPA. However, eligibility for such funds would depend on the approved use of the building. Moneys from the State Fiscal Recovery Fund must be encumbered by December 2024 and expended by December 2026.

The Committee received written-only testimony in favor of Option A from the American Institute of Architecture, Kansas Preservation Alliance, Manhattan/Riley County Preservation Alliance, Shawnee County Historical Society, and three private citizens. Testimony generally advocated for maintaining the building's historic integrity and indicated the building's unique design offers energy efficiency potential.

The Committee received written-only testimony in favor of Option B from the City of Topeka, which generally indicated that full renovation of the Docking Building would adversely impact the commercial leasing of office space in downtown Topeka.

The Committee discussion topics included full demolition of the building and reconstruction of the energy center. Such demolition would first require construction of a new energy center to maintain continuity of services to the Capitol Complex, which could prolong efforts and impact availability of federal relief funds. Further, the Committee discussed an option for full renovation that would utilize only six floors, leaving remaining floors as a shell for future potential use.

CONCLUSIONS AND RECOMMENDATIONS

After discussion, the Committee recommends construction of a KDHE laboratory at the KNI site and renovation or construction of a three-story event center at the Docking Building site.