

HOUSE COMMITTEE ON AUDITS

March 29, 2005 Hearing Room D

8:30 A.M. Tapes 50 - 52

MEMBERS PRESENT: Rep. Jerry Krummel, Chair

Rep. Tom Butler, Vice-Chair

Rep. Diane Rosenbaum, Vice-Chair

Rep. Alan Brown

Rep. Jackie Dingfelder

MEMBER EXCUSED:

STAFF PRESENT: Jim Keller, Committee Administrator

Kellie Whiting, Committee Assistant

MEASURES/ISSUES HEARD:

HB 2236 – Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 50, A

003 Chair Krummel Calls the meeting to order at 8:40 a.m. and opens the public hearing on HB 2236.

HB 2236 – PUBLIC HEARING

004 Jim Keller Committee Administrator. Reads and provides background on HB 2236.

023 Bill Foster Administrator of Facilities, Department of Administrative Services (DAS). Provides an introduction.

044 John Wales Department of Administrative Services. Submits and presents the DAS Facilities PowerPoint Presentation (**EXHIBIT A**). Presents DAS's role in the facilities department on page three. Describes the percentage of agency owned, high value facilities on page four. Explains the Capitol Projects Advisory Board (CPAB) process on pages six, seven and eight. Explains the summary findings in the 2000 statewide facilities report on pages nine through twelve.

115 Wales Presents the number of buildings by agency on page 13 and 14. Describes maintenance costs and repairs needed. Presents the age of different facilities on pages 15 and 16. Explains the critical maintenance concerns and costs involved on pages 17 and 18.

176 Wales Presents the DAS owned facilities services and cost recovery basis on pages 20 and 21. Explains the historic uniform rent rates for DAS owned office space on page 22. Presents the self support rents on page 23. Explains the service agreements on page 24. Presents the DAS owned office space square footage by location on page 25.

249 Wales Presents leases from private landlords on page 27. Explains the privately leased office square footage by location on page 28. Describes the site policies for state-owned or leased facilities on page 29.

309 Bob Stutte Principal, Norris and Stevens Commercial Services. Presents the private sector perspective on page 31. Describes the Portland office market perspective and the current market trends.

TAPE 51, A

002	Stutte	Presents the factors considered for rating building class.
085	Stutte	Provides the cost factors the private sector uses in building a lease rate. Presents the lease rate formula. Explains when the rate is set by the market and when it is set by the building cost. Explains the class rating in regards to property.
132	Stutte	Explains the similarities and differences between public bodies and tenants in the private sector. Explains the requests for proposals received for services.
222	Chair Krummel	Inquires if the class of the building is based on the age and condition, not the style.
248	Stutte	Responds the style is not irrelevant. Responds there are buildings that will stand the test of time, due to better materials. Notes maintenance is a key component to the building class of the building.
294	Chair Krummel	Inquires about buildings with multiple offices and separate entrances.
314	Stutte	Responds the amenities could very easily cause the building to be an A class building.
333	Wales	Presents the examples of private leases in Salem. Presents the costs per square foot for private lease rates in Salem, Eugene and Portland on page 34. Explains the Oak Hills Mall lease on page 35. Explains the Department of Fish and Wildlife lease on page 36. Explains the Worker's Compensation Board lease on page 37.
416	Wales	Presents the rent rate comparisons for state owned and private leases.

TAPE 50, B

002	Wales	Presents the components for lease rates for private and DAS owned buildings on page 39. Presents the chart describing the rent cost comparison for private leased space on page 40. Presents the chart on page 41 describing the rent cost component comparison for state owned space. Explains how HB 2236 affects DAS concerning property rental or leasing rates charged by state agencies on pages 42 and 43.
060	Rep. Dingfelder	

Inquires about the cost savings because of the implementation of energy efficiency.

073	Foster	Responds the data is collected and provided to the Department of Energy. Explains the programs in place and the process to collect the data. Comments on base rate for agencies.
087	Rep. Dingfelder	Requests the information pertaining to cost savings in regards to facilities. Inquires if there is a standard for increase.
100	Foster	Responds there is not an escalation. Responds about the percentages for new buildings.
111	Rep. Butler	Inquires if the CPAB is fully staffed with seven members, including five public advisors.
113	Foster	Concurs.
115	Foster	Responds there are two members from the public works and planning area.
130	Rep. Butler	Comments about the long-term funding strategy.
139	Foster	Clarifies the board does not have two state employees.
143	Rep. Butler	Inquires about the costs of vacant lands and maintenance.
152	Foster	Responds there is a certain amount of role up in the database.
157	Rep. Butler	Expresses concern over maintaining vacant lands.
178	Foster	Responds about vacant lands and the market value.
183	Wales	Responds there are two separately managed databases and notes they would like to merge the databases together.
212	Rep. Butler	Comments on the statutory requirements in regards to maintaining a central database. Refers to ORS 276.227.

283	Foster	Responds about the Capitol Projects Advisory Board's statutory requirements.
293	Wales	Responds the Public Lands Committee will review all agencies' inventory, how they make decisions in regards to property and then will work on getting the land back on the market. Responds it is an issue they are addressing.
331	Rep. Butler	Comments on the concern of abandoned property.
358	Rep. Dingfelder	Inquires about the leasing of private entities and asks how the rates are reviewed to ensure they are of fair market value.
378	Wales	Responds DAS does not get involved with state lands leases. Responds there are evaluations and appraisals.
400	Rep. Dingfelder	Requests a discussion about charging fair market value and over charges.
405	Chair Krummel	Concurs.

TAPE 51, B

004	Chair Krummel	Refers to page 43 and asks about the discrepancy in charges.
015	Wales	Responds the Department of State Lands has made a decision to charge a competitive rate. Responds about the inconsistencies in the mall rent.
040	Chair Krummel	Inquires how many biennium will it take for uniform rent to catch up to the \$1.50 cap rate.
043	Foster	Responds approximately two and three.
046	Chair Krummel	Refers to page three and asks if the private leasing services are provided through private realtors or staff.
057	Foster	Responds they provide a brokerage service.
060	Chair Krummel	

		Refers to page seven and inquires about the facilities plans on property.
066	Foster	Responds it may mean construction or renovation worth more than a million dollars of value.
075	Chair Krummel	Clarifies it would be the value of the project, not the building.
080	Wales	Responds the plans are broader and look at the agencies' needs and options.
091	Chair Krummel	Refers to page 14 and inquires about the budget process. Expresses concern about the statements made in regards to lack of resources for maintenance.
126	Foster	Responds about lack of funding for maintenance. Responds about decisions made from the legislature and agencies.
146	Chair Krummel	Refers to page 24 and inquires about service agreements.
155	Foster	Responds they are landscaping for the Veterans' building.
161	Chair Krummel	Inquires if the services are contracted by DAS.
163	Foster	Concurs.
165	Chair Krummel	Inquires if DAS required State Lands to bid for the service.
168	Foster	Responds the service was not bid on.
174	Chair Krummel	Inquires about the costs for other tenants increasing.
189	Foster	Responds it depends on the agreement with the tenants. Comments there is the potential for increased costs for tenants. Comments they would try to prevent adverse consequences.
190	Chair Krummel	Inquires if there is a possibility of an increased cost in PERS, if the contract was lost with State Lands.

204	Foster	Responds the likelihood of PERS costs increasing is low.
208	Rep. Butler	Inquires if PERS own it's own building.
209	Foster	Concurs. Explains the service agreements.
212	Rep. Butler	Clarifies the service agreements provide custodial and exterior repair.
215	Foster	Responds about the services provided.
217	Rep. Butler	Comments on qualified rehabilitation facilities (QRF).
226	Foster	Responds some are provided by staff and the alternative would be to use a QRF.
229	Chair Krummel	Refers to page 34 and asks how full service leases compare to uniform rents.
233	Foster	Responds some do not line up well. Comments that uniform rent buildings are B+ to B- in class. Responds the classification of the buildings includes quality of service and quality of the building.
253	Chair Krummel	Refers to page 40 and inquires about the enhanced security cost.
274	Foster	Responds that service has not been requested.
280	Chair Krummel	Comments on the contingency in regards to DAS keeping an agency reserve.
289	Foster	Responds about the 60day cash balance. Responds there is not a specific line item built into a contingency.
300	Chair Krummel	Inquires about built- in support.
307	Foster	Asks for clarification. Responds about uniform rent buildings and the custodial support.
321	Chair Krummel	Comments there could be possible modifications to consider for HB 2236.

340	Foster	Responds if the committee wishes to incorporate other elements in the bill, such as other agencies providing it, then with modification, it may in fact make sense. Notes unless it captures something that is not already covered in statute, it does not seem to meet a particular point.
345	Chair Krummel	Closes the public hearing on HB 2236 and adjourns the meeting at 10:30 a.m.

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EXHIBIT SUMMARY

A. HB 2236, PowerPoint Presentation, John Wales, 43 pp