

STORAGE NAME: h2007z.go
DATE: June 5, 2000

****AS PASSED BY THE LEGISLATURE****
CHAPTER #: 2000-172, Laws of Florida

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
GOVERNMENTAL OPERATIONS
FINAL ANALYSIS**

BILL #: HB 2007(Second Engrossed)

RELATING TO: State Leases

SPONSOR(S): Representative Rubio

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) GOVERNMENTAL OPERATIONS YEAS 4 NAYS 0
 - (2) GENERAL GOVERNMENT APPROPRIATIONS YEAS 8 NAYS 0
 - (3)
 - (4)
 - (5)
-

I.

The Department of Management Services (DMS) is the nominal organization that acts as the central property management and lease holder for agencies of the State of Florida. It discharges these responsibilities through its headquarters-based Facilities Program. Program personnel manage and negotiate leases on behalf of constituent state agencies. The program also acts as the administrative entity for the operation of the facilities pool program through which agency rental payments are channeled into principal and interest payments for the debt service of capital facilities bond issuances.

The bill requires agencies to include in their legislative budget request for fixed capital outlay the unamortized cost of tenant improvements under a lease executed after September 30, 2000, which is terminated early for relocating to a state-owned building. It provides that DMS shall require agencies to state why it is in the best interest of the state to terminate a lease early for the purpose of relocating to a state-owned building; provides that DMS shall coordinate the completion of new buildings with the expiration of existing leases; and provides that space in any building subject to such termination may be considered by agencies without competitive bidding. The bill also provides that the agency and the lessor, when leasing 5,000 square feet or more of a privately-owned building, agree upon the cost of tenant improvements which qualify for reimbursement if the lease is terminated early.

The bill takes effect July 1, 2000.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|-----------------------------------------|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

The Department of Management Services (DMS) is the nominal organization that acts as the central property management and lease holder for agencies of the State of Florida. It discharges these responsibilities through its headquarters-based Facilities Program. Program personnel manage and negotiate leases on behalf of constituent state agencies. The program also acts as the administrative entity for the operation of the facilities pool program through which agency rental payments are channeled into principal and interest payments for the debt service of capital facilities bond issuances.

C. EFFECT OF PROPOSED CHANGES:

The bill requires agencies to include in their legislative budget request for fixed capital outlay the unamortized cost of tenant improvements under a lease executed after September 30, 2000, which is terminated early for relocating to a state-owned building. It provides that DMS shall require agencies to state why it is in the best interest of the state to terminate a lease early for the purpose of relocating to a state-owned building; provides that DMS shall coordinate the completion of new buildings with the expiration of existing leases; and provides that space in any building subject to such termination may be considered by agencies without competitive bidding. The bill also provides that the agency and the lessor, when leasing 5,000 square feet or more of a privately-owned building, agree upon the cost of tenant improvements which qualify for reimbursement if the lease is terminated early.

The bill takes effect July 1, 2000.

D. SECTION-BY-SECTION ANALYSIS:

See Section II. C. Effect of Proposed Changes.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Private lessors would derive additional financial stability under terms of the bill since there could be cost reimbursement for certain unamortized tenant improvements.

D. FISCAL COMMENTS:

None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

The bill does not require a city or county to expend funds or to take any action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that cities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

The bill does not reduce the percentage of a state tax shared with counties or cities.

V. COMMENTS:

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A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

N/A.

C. OTHER COMMENTS:

DMS builds and manages the satellite office complex in southeastern Leon County. Under the terms of its Development of Regional Impact, DMS has the authority to construct one additional 65,000 net square foot facility, subject to budget authority. The state complex is located about one mile from an existing office park owned by Koger Properties, Inc. The owner of that property has approached DMS with concerns about state agency lease terminations after its incurring capital expenditures on facility improvements. Additionally, the Department of Health will vacate some 85,000 square feet of office space at the Koger site by June, 2000. The Fish and Wildlife Conservation Commission will sublease about one-half of the vacated space and there is a prospective tenant for the remaining vacated space. Unknown further impacts resulting from the reorganization of the Department of Labor and Employment Security by the 1999 and 2000 Legislatures, may be anticipated as large portions of that agency's operations are also located at the Koger office park.

Application of the term "state agency" varies widely in the Florida Statutes. In matters of purchasing and procurement in ch. 287, F.S., it does not apply to the State University System or the Board of Regents. It is also unclear whether the impact of this bill extends to all executive branch agencies or only an implicit subset of those defined in ch. 287, F.S.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 4, 2000, the Committee on Governmental Operations adopted one amendment without objection, which will travel with the bill, and reported the bill favorably. The amendment removes the substance of the original provisions of the bill and instead provides that agencies are required to present to DMS their justification for terminating a lease for the purpose of relocating to a state-owned building; provides that DMS shall coordinate the completion of new buildings with the expiration of existing leases; provides that space in any building subject to such termination may be considered by agencies without competitive bidding; and provides that DMS shall prepare a list of conditions which must be met by an agency when leasing space.

On April 28, 2000, the House adopted two amendments on second reading: one which required the Board of Trustees of the Internal Improvement Trust Fund (the Cabinet) to institute a program of privatization of certain state facilities; and the other which required agencies to present to DMS their justification for relocating to a state-owned building, required DMS to coordinate the schedule of occupancy and expiration of leases, and exempted certain leases from competitive bidding.

On May 3, 2000, the House adopted a strike everything amendment on third reading which is the final bill.

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VII. SIGNATURES:

COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

Staff Director:

Douglas Pile

Jimmy O. Helms

AS REVISED BY THE COMMITTEE ON GENERAL GOVERNMENT APPROPRIATIONS:

Prepared by:

Staff Director:

Marsha M. Belcher

Cynthia P. Kelly

FINAL ANALYSIS PREPARED BY THE COMMITTEE ON GOVERNMENTAL OPERATIONS:

Prepared by:

Staff Director:

Douglas Pile

Russell J. Cyphers, Jr.