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### FISCAL IMPACT REPORT

SPONSOR:	Mohorovic	DATE TYPED:	02/04/00	HB	432
SHORT TITLE:	Property Control Division as Lessee			SB	
				ANALYST:	Carrillo

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
See Fiscal Impact Section					

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to

### SOURCES OF INFORMATION

General Services Department

Office of Cultural Affairs

## **SUMMARY**

### Synopsis of Bill

House Bill 432 proposes to authorize the Property Control Division of the General Services Department to enter in to agreements with state entities that are exempt from the division's jurisdiction to help with the administration of capital projects. The bill also authorizes the Property Control Division to act as lessee on behalf of state agencies in agreements with private landowners. HB 432 provides clean-up language regarding Building Services Division responsibilities, other minor property ownership issues and potential conflicts with other statutes.

### Significant Issues

The staff from the General Services Department comments current law requires the Property Control Division to "control" the process of leasing privately-owned space for state agency use, but does not include the option for the Property Control Division to act as the lessee on behalf of state agencies. Since the maximum term for a lease can now be 20 years, the state is a more stable tenant than a state agency, especially in smaller communities. There could be a reduction in time and dollar costs associated with the request for proposal process.

Regarding assisting with capital projects, the General Services Department staff notes agencies that are exempt from the Property Control Division's jurisdiction sometimes come to the division for assistance in administering major capital projects. Recent examples are projects at the State Fair and the Game and Fish Department. The Property Control Division cannot act as the official representative for those agencies in contractual agreements. This bill would allow the division to serve as owner representative during design and construction, using an agreement, when both parties agree its in the State's best interest.

## **FISCAL IMPLICATIONS**

HB 432 does not include an appropriation. The General Services Department staff anticipates a reduction in lease costs because building owners would consider leasing to the division for up to 20 years to be more stable than leasing to individual agencies in a changing government environment. There would also be a significant potential savings in capital and operating money when building expertise is available to state agencies for major capital projects.

## **ADMINISTRATIVE IMPLICATIONS**

The General Services Department staff believes there could be significant time savings for agency staff, especially for those in local areas who now develop and implement a request for proposals process to lease privately-owned space.

## **OTHER SUBSTANTIVE ISSUES**

The staff of the General Services Department provides the following comments:

- •This bill would allow PCD to manage lease space over the potential 20-year life of a lease. This would be especially beneficial to state agencies and landlords when programs and space requirements change for the state agency occupying leased space. In both cases, adverse economic impact could be reduced. With the stability of the state as a tenant, rather than a state agency, a landlord might provide better lease terms.
- •With PCE as lessee, the request for proposal process would be required less frequently. When agency needs change, PCD could coordinate space needs between state-owned and leased space in an area of the state without the need for a three month process to execute a request for proposals.
- •In communities outside Santa Fe and Albuquerque, there could be benefit of some co-locations of state services. Having PCD as the lead tenant would facilitate economies of scale for services such as telephone, computer/data lines, utility services, parking, etc.
- •For capital projects, PCD's expertise could improve the quality of design and construction, and consider more closely operating costs savings by requiring energy saving heating and cooling systems, water conservation in fixtures and landscaping, etc.

WJC/gm