

2015 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2282

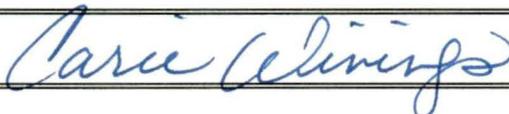
2015 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Missouri River Room, State Capitol

SB 2282
1/30/2015
Job # 22874

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation to the Bank of North Dakota for the construction of the North Dakota financial center.

Minutes:

Attachments 1-4

Chairman Dever: Opened the hearing on SB 2282.

Senator Campbell, District 19: See Attachment #1 for testimony as sponsor and in support of the bill.

(3:51) Senator Nelson: Does this reduce the tax base for the city of Bismarck?

Chairman Dever: I think there is a provision in place for a fee in lue of tax.

Senator Cook: It will not reduce the tax base for the city of Bismarck. It is state owned land right now so it would not change anything.

Senator Nelson: Who was the owner of that land?

Senator Campbell: It was private companies that owned it. There were two private individuals that decided to sell.

Chairman Dever: I have wondered if we should have a location that was a "one stop shop" per say. Is that your perception that this would fulfill that?

Senator Campbell: Yes I believe it would be a good financial and economic development campus where it is all housed in one area.

Chairman Dever: Do you know if the North Dakota Housing Finance Agency owns or rents the building they are in.

Senator Campbell: They rent that.

(6:18) Eric Hardmeier, President and CEO, Bank of North Dakota: See Attachments #2 and #3 for testimony in support of the bill and #4 for an amendment. This would be an asset for the Bank of North Dakota. Gave history of how the property was acquired. The plan was to provide an economic development campus and this is an expansion of that. There are some that are current already in lease space that would move into this building. It would bring many that work together into one building. It is a way to make government more efficient. We understand your need to be prudent with the finances of the state.

(13:59) Senator Nelson: The lease rates would be a wash between what we are paying now and what we would be paying?

Eric Hardmeier: Potentially they could be a wash or cheaper. What you could do is lock the lease rates for a much longer period of time. That is the benefit here.

Senator Nelson: With the traffic on Main and Memorial HWY, are there enough cut-ins off of those two so there will be decent traffic flow?

Eric Hardmeier: I think access to the bank is a real positive thing off of both roads.

Chairman Dever: Efficiency in government is important to all of us but so is service to the public. Do you think that would be enhanced by this?

Eric Hardmeier: I believe it would bring efficiency in many areas with everything all in one location.

(17:15) John Boyle, Director of Facility Management: Testified in support of the bill. One of roles is to sign all state leases and OMB has been working behind the scene since 2009 and we agree with everything that has been said. We would help to backfill the areas that would be vacated.

Chairman Dever: The different agencies that would occupy that; they pay a lease payment to the state or the Bank of North Dakota, would it be just an accounting issue between the two?

John Boyle: Yes, all the leases would be signed and the BND would be the landlord and the tenants would be each of these individual agencies. Just like at WSI there would be two types of lease agreements, one with private landlord and agencies and one with agencies and agencies.

Chairman Dever: So those leases are paid to WSI?

John Boyle: That is correct and each one is a 2 year lease. So they could lock in a rate. I have done a projection going forward and it looks like they should be able to start their rate at a lower rate or equivalent to what the next biennium would be. BND is looking at \$16 a sq. ft.

Senator Nelson: Did I understand you to say that the building and all would become part of your asset allocate in real estate?

Eric Hardmeier: Yes it would be part of the total assets of BND. It would come under investment allocation.

Senator Nelson: Are they parceled out into different categories?

Eric Hardmeier: Certainly, our investments would include bonds, treasuries, securities, and this would be just another asset type.

Chairman Dever: Closed the hearing on SB 2282.

2015 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Missouri River Room, State Capitol

SB 2282
1/30/2015
Job # 22892

- Subcommittee
 Conference Committee

Committee Clerk Signature



Minutes:

No Attachments

Chairman Dever: Opened SB 2282 for committee discussion.

Senator Nelson: Moved the Bank of North Dakota amendment.

Senator Marcellais: Seconded.

A Roll Call Vote Was Taken: 7 yeas, 0 nays, 0 absent.

Motion Carried.

Senator Davison: Moved a Do Pass As Amended and Rerefer to Appropriations.

Senator Poolman: Seconded.

Chairman Dever: Any further discussion?

Senator Flakoll: I always get a little heartburn when we have the bank that has money from the state of North Dakota that will build it and then we will have agencies that we are not sure of yet that may or may not come in there. I wish there was a lot more meat on the bones there. They will be paying rent paid for by appropriations that will then go back into the bank.

Chairman Dever: It seems awkward to charge an agency rent to go to another agency to return to the general fund.

Senator Flakoll: That is what I was trying to get at. I would be more inclined to say to take the \$17 million and build and have it pre-defined who should be in there and then there would not be any rent.

Chairman Dever: And only charge rent to non-state agencies or agencies that use special funds like federal dollars?

Senator Flakoll: Correct.

Senator Cook: I would hope that we never build buildings to rent to non-state agencies and I understand how this is going to bring efficiencies in and I also understand that there are a lot more other opportunities for the Bank of North Dakota to build buildings and move more state agencies into them. There is a fine line between when this Bank of North Dakota starts competing with private capital. We always have to be aware of that. They are also talking about a long term rent contract. Those things are fine if rent is going up but there are times that rent goes down and if it does you have a state agency that doesn't get to take advantage of lowering rents because they are stuck here with a rent guaranteed for long term to make sure the asset gets its return. I will probably vote for it, but I would hope that this is where we stop with using bank assets to finance buildings to compete with private sector business.

Chairman Dever: I think some of the agencies that are currently renting from the Bank of North Dakota are federal agencies but it seems to me that some fit the plan.

Senator Cook: This was part of the plan to buy the land and put up a second office building.

Senator Nelson: Is it more of a paper trail or is there actually money that goes back and forth?

John Boyle: There actually is. It is more than just a paper trail. They do inter agency IDB's. The bank would send an IDB and it is an accounting thing. The non- state agencies would be billed. Everyone would sign a lease agreement.

Senator Flakoll: Some of these agencies may say they are happy where they are at and stay. Some may be able to get rent cheaper elsewhere.

A Roll Call Vote Was Taken: 4 yeas, 3 nays, 0 absent.

Motion Carried.

Senator Poolman will carry the bill.

15.0933.01001
Title.02000

Adopted by the Government and Veterans
Affairs Committee

January 30, 2015

43015
JAC

PROPOSED AMENDMENTS TO SENATE BILL NO. 2282

Page 1, line 5, replace "earnings" with "assets"

Page 1, line 6, replace "\$25,000,000" with "\$17,000,000"

Page 1, line 7, replace "bank" with "Bank"

Renumber accordingly

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2282

Senate Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description: BND Amendment

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Nelson Seconded By Marcellais

Senators	Yes	No	Senators	Yes	No
Chairman Dever	✓		Senator Marcellais	✓	
Vice Chairman Poolman	✓		Senator Nelson	✓	
Senator Cook	✓				
Senator Davison	✓				
Senator Flakoll	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1/30
 Roll Call Vote #: 2

**2015 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. "Enter Bill/Resolution No." 2282**

Senate Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description: 15.0933.01001 02000

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Davison Seconded By Poolman

Senators	Yes	No	Senators	Yes	No
Chairman Dever	✓		Senator Marcellais		✗
Vice Chairman Poolman	✓		Senator Nelson	✓	
Senator Cook		✗			
Senator Davison	✓				
Senator Flakoll		✗			

Total (Yes) 4 No 3

Absent 0

Floor Assignment Poolman

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2282: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2282 was placed on the Sixth order on the calendar.

Page 1, line 5, replace "earnings" with "assets"

Page 1, line 6, replace "\$25,000,000" with "\$17,000,000"

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Renumber accordingly

2015 SENATE APPROPRIATIONS

SB 2282

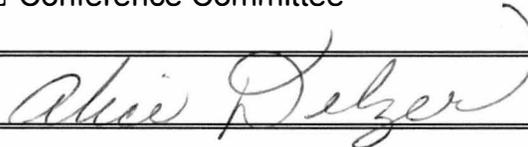
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2282
2/10/2015
Job # 23565

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation to the Bank of North Dakota for the construction of the North Dakota financial center

Minutes:

Testimony # 1

Chairman Holmberg called the committee to order on Tuesday, February 10, 2015, at 10:15 am in regards to SB 2282. All committee members were present. Becky Keller, OMB, and Chris Kadrmas, Legislative Council, were also present.

Chairman Holmberg welcomed the students from Maddock. He then shared with them information regarding SB 2282

Senator Campbell, District # 19: introduced SB 2282 and provided written Testimony Attached # 1. This bill is asking for an appropriation to the BND for the construction of the ND financial center. A building that will house these agencies: Department of Commerce, ND Housing Finance Agency, and the Department of Financial Institutions. His testimony also includes the proposed site plan and Financial Campus Analysis. (5.17)

Chairman Holmberg: You have in your supporting documentation a comment about proposed or monthly rental income; how does that compare to what some of these agencies you talk about in here are paying currently leasing from the private sector?

Senator O'Connell: How much savings would be at this time from the other people that are renting?

Eric Hardmeyer, President and CEO of BND: As it relates to the lease, the three agencies that have been mentioned in the testimony are paying \$16.00 per sq. ft. and I understand the rent is going up to \$19.00 we are proposing a \$16 per sq. ft. lease agreement and we'll be able to do that for a period of time. It is a little below market in Bismarck today. That's our idea to just simply to provide efficiency in government.(7.46)

Senator Mathern had questions about the return on investment.

Mr. Hardmeyer: It is a modest return about 2 ½%. When you look at the return that we would get if we took a 20 year or a \$17M investment and put into a bond of 20 years It is about the equivalent of a 20 year tax exempt bond. We are trying to be efficient and good stewards of the publics' money in this case.

Senator O'Connell asked how much rent these agencies paid a year, the total payments.

Mr. Hardmeyer: I know their square footage but I don't have it all calculated.

Chairman Holmberg stated the last page of testimony provides some information that could be added up regarding that issue.

V. Chairman Krebsbach: Are these going to be full service? Are they going to pay their own utilities and what are they doing now?

Mr. Hardmeyer: We are projecting a triple net lease.

Senator Kilzer: If this were to be accomplished would there be room for additional building in that area?

Mr. Hardmeyer: No, it would take up all the space we have, a lot of it would be for parking. It uses about 45 to 50,000 square feet. This would about do it.

Senator Mathern: I think the design and features of our present bank is a very positive thing. Would the addition be similar in quality?

Mr. Hardmeyer: it would have to be equivalent of. It would be very similar in nature to it.

Chairman Holmberg: Anyone else on SB 2282. Seeing none, we will close the hearing on SB 2282.

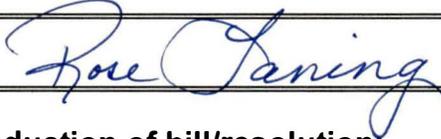
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2282
2/16/2015
Job # 23900

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation to the Bank of North Dakota for the construction of the North Dakota financial center.

Minutes:

**Senator O'Connell moved Do Pass on 2282.
Senator Mathern seconded.**

Senator O'Connell: Why pay rent to everyone else when we can pay rent to ourselves.

Senator Carlisle: If we're taking buildings or construction out of the budget, this should be a Do Not Pass - or else we send it over without the money.

A Roll Call vote was taken. Yea: 9 Nay: 4 Absent: 0

**Senator Krebsbach moved Do Not Pass on SB 2282.
Senator Robinson seconded.**

A Roll Call vote was taken. Yea: 11 Nay: 2 Absent: 0

Senator Sorvaag will carry the bill on the floor.

Date: 2-16-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2282

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By O'Connell Seconded By Mathern

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg		✓	Senator Heckaman		✓
Senator Bowman		✓	Senator Mathern	✓	
Senator Krebsbach		✓	Senator O'Connell	✓	
Senator Carlisle		✓	Senator Robinson		✓
Senator Sorvaag		✓			
Senator G. Lee		✓			
Senator Kilzer		✓			
Senator Erbele		✓			
Senator Wanzek		✓			

Total (Yes) 2 No 11

Absent 0

Floor Assignment Failed

If the vote is on an amendment, briefly indicate intent:

Date: 2-16-13
 Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES 2282
BILL/RESOLUTION NO. _____

Senate Appropriations _____ Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Krebsbach Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern		✓
Senator Krebsbach	✓		Senator O'Connell		✓
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 11 No 2

Absent 0

Floor Assignment Sorvaag.

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

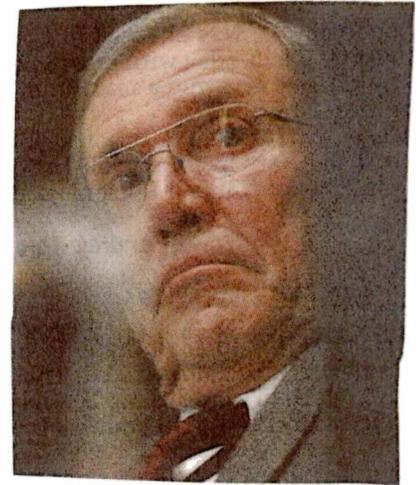
SB 2282, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO NOT PASS** (11 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed SB 2282 was placed on the Eleventh order on the calendar.

2015 TESTIMONY

SB 2282

NORTH DAKOTA SENATE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Senator Tom Campbell

District 19
15135 County Road 11
Grafton, ND 58237-8802
Cell: 701-520-2727
tomcampbell@nd.gov

Mr Chairman and committee members for the record I am sen Tom Campbell and I am here to introduce SB 2282 to provide an appropriation to the Bank of ND for the construction of the ND financial center.

In 2009 and 2011 the North Dakota legislative assemblies passed legislative intent language as follows; Land Purchase: It is the intent of the legislative assembly that to the best of its ability the Bank of North Dakota ensure that properties adjacent to BND are developed for uses that are consistent with the mission and purpose of the Bank of North Dakota.

Two parcels of land were purchased in 2011 by BND to fulfill the legislative intent.

The idea was (and is) to develop an economic development campus housing other state agencies that provide economic development or financial services.

BND under John Hoeven's leadership developed the One Stop Capital center concept. Housed within BND are several other agencies involved in economic development. The Small Business Administration (SBA), Small Business Development Center, SCORE, and the Public Finance Authority all have space within the BND.

Additional agencies that could move into lease space in the ND Financial Center are partners that work with BND. They include the Department of Commerce (DOC), North Dakota Housing Finance Agency, and the Department of Financial institutions. BND works closely with DOC today in providing economic development programs throughout the state. In fact the Development Fund, housed in DOC administers a Bank of North Dakota program called the New Venture Capital program.

These agencies are in leased space in areas around Bismarck. This structure would enable those agencies to be co-located on the same campus providing efficiency within state government.

I know we are all concerned with the growth of state government, this does not do that. It allows for an efficient use of space for state agencies on state owned property. The land was purchased several years ago for the express purpose of this development.

Bank of North Dakota will construct and own this facility and it will not require general fund money. BND will treat this as an investment as part of its asset base and will receive a modest return on its investment while at the same time providing an attractive lease rate to the tenant.

I feel this is not an added cost to our citizens of ND but a smart investment that will reduce costs for our state.

as doesn't "COST it "PAYS"!

Thanks Senator Campbell

**North Dakota Financial Center
Financial Campus Analysis**

Agency	# Employees	Square Ft	Current	Projected
			Cost/Sq Ft	Cost/Sq Ft
Dept. Commerce	72	16,800	\$ 13.70	\$ 16.00
Housing Finance Agency	40	13,760	\$ 15.50	\$ 16.25
Department of Financial Institutions	19	4,480	\$ 15.25	\$ 19.00

Total (Wtd Ave Cost)	131	35,040	\$ 14.61	\$ 16.48
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Assumptions:

Cost per Square Foot	\$ 269.00
Total Square Feet	51,936
Total Construction Cost	\$ 13,970,784
Parking Lot	\$ 1,600,000
Misc. Site Improvement	\$ 350,000
Total Construction Cost	\$ 15,920,784
Monthly Rental Income (82% of total sq ft = 42,587)	\$ 56,783 (\$16.00/Sq Ft)

Current Building:

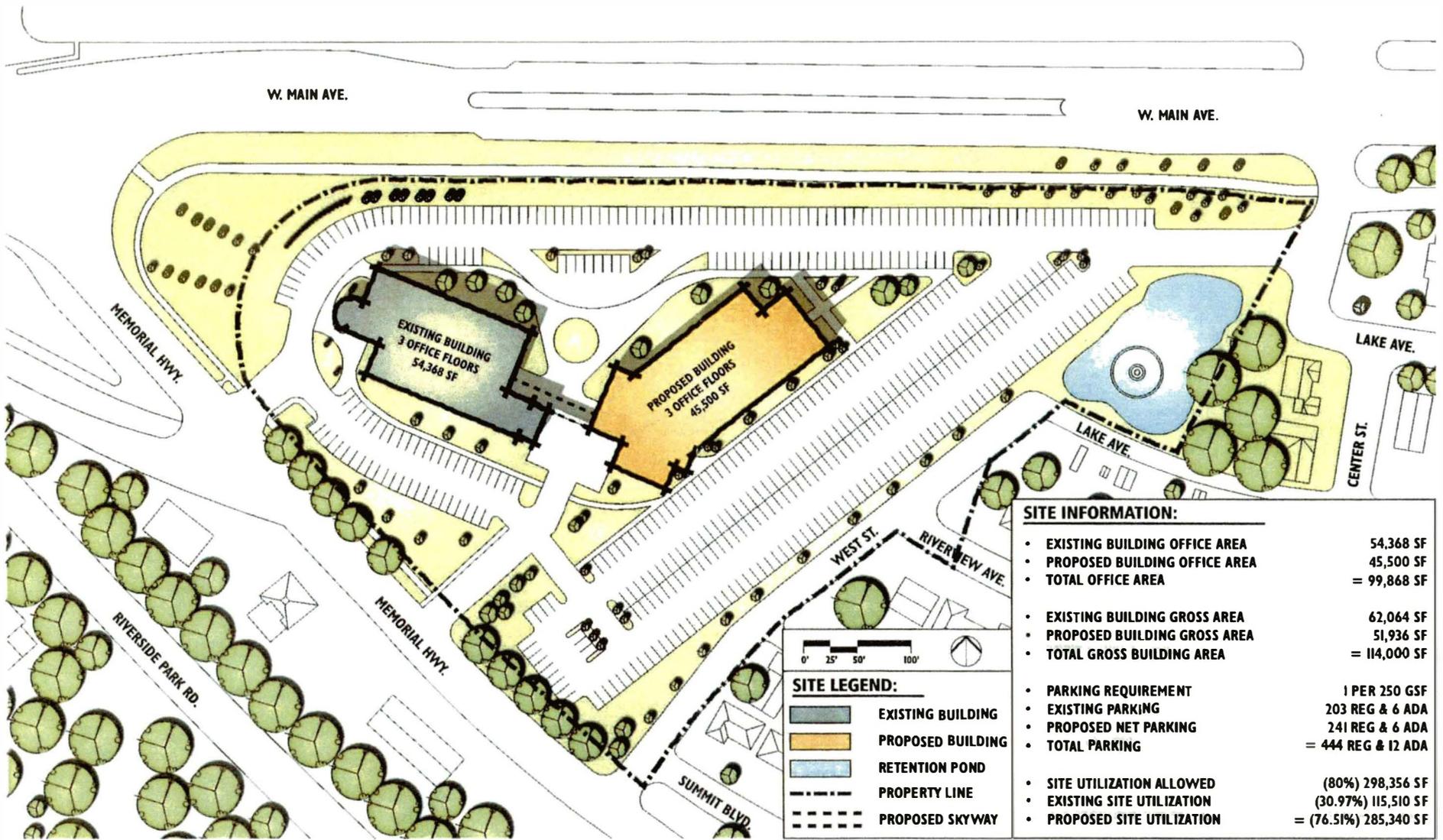
Total Square Footage	62,064
Office Space	46,253
Meeting Rooms/Breakroom	4,890
Common Space	10,921
Percent Usable Space	82%

Expenses:

Monthly Expenses	\$ (13,750)
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Net Monthly Return on Investment	\$ 43,033
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1/30 SB 2282 #1 pg2



SITE INFORMATION:	
• EXISTING BUILDING OFFICE AREA	54,368 SF
• PROPOSED BUILDING OFFICE AREA	45,500 SF
• TOTAL OFFICE AREA	= 99,868 SF
• EXISTING BUILDING GROSS AREA	62,064 SF
• PROPOSED BUILDING GROSS AREA	51,936 SF
• TOTAL GROSS BUILDING AREA	= 114,000 SF
• PARKING REQUIREMENT	1 PER 250 GSF
• EXISTING PARKING	203 REG & 6 ADA
• PROPOSED NET PARKING	241 REG & 6 ADA
• TOTAL PARKING	= 444 REG & 12 ADA
• SITE UTILIZATION ALLOWED	(80%) 298,356 SF
• EXISTING SITE UTILIZATION	(30.97%) 115,510 SF
• PROPOSED SITE UTILIZATION	= (76.51%) 285,340 SF

BANK OF NORTH DAKOTA | PROPOSED SITE PLAN

DECEMBER 2014

1/30 SB 2282 #2



- BND Property Boundaries
- Limited use due to setbacks and zoning
- Zoned CG Commercial
- Surface Streets - City of Bismarck may consider vacating for use

anks,

Joe Herslip
SVP & Chief Business Officer

Bank of North Dakota
1200 Memorial Highway | Bismarck, ND 58504
P: 701.328.5656
E: joherslip@nd.gov | <http://www.bnd.nd.gov>

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1/30 #4

PROPOSED AMENDMENTS TO SENATE BILL NO. 2282

Page 1, line 5, replace "earnings" with "assets"

Page 1, line 6, remove "not otherwise appropriated,"

Page 1, line 6, replace "\$25,000,000" with "\$17,000,000"

Renumber accordingly

NORTH DAKOTA SENATE

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Senator Tom Campbell

District 19
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Grafton, ND 58237-8802
Cell: 701-520-2727
tomcampbell@nd.gov

SB2282 #1
2-10-15

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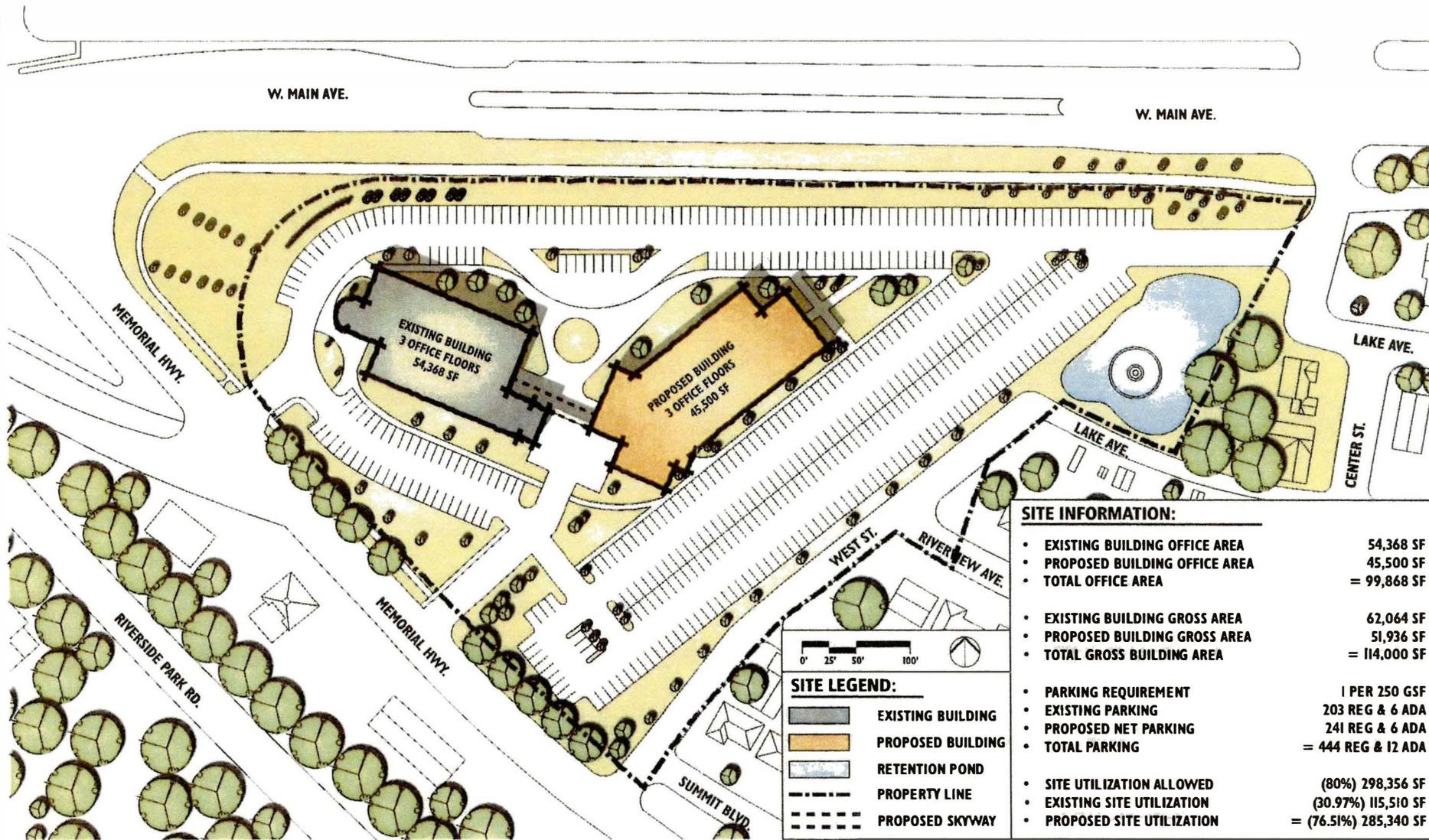
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This doesn't "COST" it "PAYS"!



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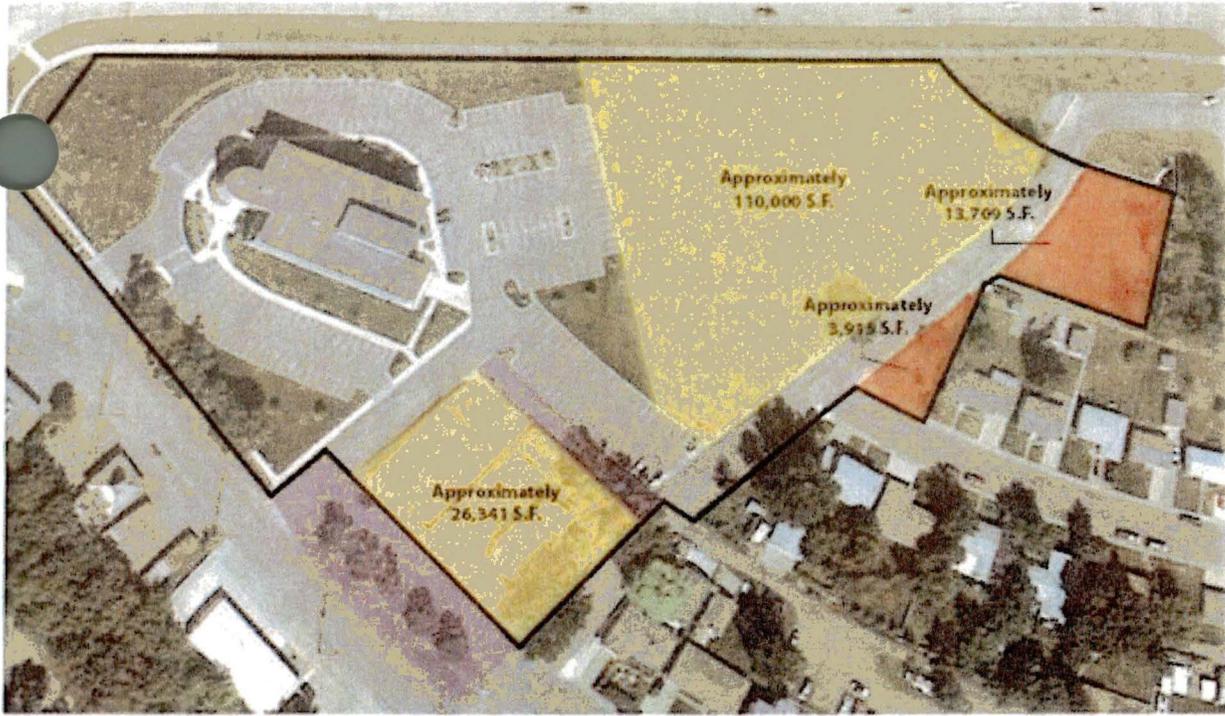
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SITE LEGEND:

	EXISTING BUILDING
	PROPOSED BUILDING
	RETENTION POND
	PROPERTY LINE
	PROPOSED SKYWAY

BANK OF NORTH DAKOTA | PROPOSED SITE PLAN
DECEMBER 2014

1.2



-  BND Property Boundaries
-  Limited use due to setbacks and zoning
-  Zoned CG Commercial
-  Surface Streets - City of Bismarck may consider vacating for use

Joe Herslip
SVP & Chief Business Officer

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1.3

**North Dakota Financial Center
Financial Campus Analysis**

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1.24