

A bill for an act

relating to state government; requiring the commissioner of administration to enter into a contract for state agency real estate lease evaluation services; increasing the length of time required for notice of cancellation of state leases; amending Minnesota Statutes 2010, section 16B.24, subdivision 6.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2010, section 16B.24, subdivision 6, is amended to read:

Subd. 6. **Property leases.** (a) **Leases.** The commissioner shall lease land and other premises when necessary for state purposes. Notwithstanding subdivision 6a, paragraph (a), the commissioner may lease land or premises for up to ten years, subject to cancellation ~~upon 30 days'~~ one year after written notice ~~by the state provided by the commissioner~~ for any reason ~~except lease of other non-state-owned land or premises for the same use.~~ The commissioner may not lease non-state-owned land and buildings or substantial portions of land or buildings within the Capitol Area as defined in section 15B.02 unless the commissioner first consults with the Capitol Area Architectural and Planning Board. If the commissioner enters into a lease-purchase agreement for buildings or substantial portions of buildings within the Capitol Area, the commissioner shall require that any new construction of non-state-owned buildings conform to design guidelines of the Capitol Area Architectural and Planning Board. Lands needed by the Department of Transportation for storage of vehicles or road materials may be leased for five years or less, such leases for terms over two years being subject to cancellation upon 30 days' written notice by the state for any reason except lease of other non-state-owned land or premises for the same use. An agency or department head must consult with the chairs of the house of representatives appropriations and senate finance committees before entering into any agreement that would cause an agency's rental costs to increase by ten percent or

more per square foot or would increase the number of square feet of office space rented by the agency by 25 percent or more in any fiscal year.

(b) **Use vacant public space.** No agency may initiate or renew a lease for space for its own use in a private building unless the commissioner has thoroughly investigated presently vacant space in public buildings, such as closed school buildings, and found that none is available or use of the space is not feasible, prudent, and cost-effective compared with available alternatives.

(c) **Preference for certain buildings.** For needs beyond those which can be accommodated in state-owned buildings, the commissioner shall acquire and utilize space in suitable buildings that are: (1) of historical, architectural, or cultural significance; or (2) environmentally efficient for the purposes of this subdivision unless use of that space is not feasible, prudent and cost-effective compared with available alternatives. Buildings are of historical, architectural, or cultural significance if they are listed on the National Register of Historic Places, designated by a state or county historical society, or designated by a municipal preservation commission. For the purposes of this subdivision, a building is environmentally efficient if it is certified under the Leadership in Energy and Environmental Design system, or the equivalent.

(d) **Recycling space.** Leases for space of 30 days or more for 5,000 square feet or more must require that space be provided for recyclable materials.

Sec. 2. **STATE REAL ESTATE EVALUATION SERVICES.**

Subdivision 1. Request for proposals. (a) Within 60 days after the effective date of this section, the commissioner of administration shall issue a request for proposals for a contract to provide lease evaluation services for the commissioner. The request for proposals must ensure that the vendor will:

(1) identify leases entered into under Minnesota Statutes, section 16B.24, subdivision 6, where the commissioner can reduce lease expenditures by renegotiating the lease or canceling the lease and entering into a new lease at a lower rate;

(2) evaluate and identify current state agency use of space and provide recommendations for more efficient use of space and disposal of excess space; and

(3) disclose existing or potential conflicts of interest related to the contractor's provision of services under the contract.

(b) Minnesota Statutes, section 16C.09, paragraph (a), clause (1), does not apply to contracts under this section.

Subd. 2. Contract required; performance-based financing. Within ten days after accepting a proposal submitted under subdivision 1, the commissioner must enter into

3.1 a contract for the services specified in subdivision 1. The contract shall incorporate a
3.2 performance-based financing option that limits the payment to the vendor to the lesser of
3.3 the following amounts:

3.4 (1) 50 percent of the cost savings in the first full fiscal year following the realization
3.5 of cost savings attributable to recommendations made under the contract, as determined
3.6 by the commissioner of management and budget, subject to a limit of \$1 per square foot
3.7 per year applied to all leases entered into and modified according to recommendations
3.8 made under the contract; or

3.9 (2) the dollar amount specified in the contract entered into under this subdivision.

3.10 The commissioner may delay payment to the vendor under this section until the
3.11 fiscal year specified in clause (1).

3.12 Sec. 3. **EFFECTIVE DATE.**

3.13 Sections 1 and 2 are effective the day following final enactment.