

Anchorage LIO Facility Timeline

Prepared by Rep. Mike Hawker's Office

March 17, 2014

Prior to January 2013:

Current lease, signed in 2004, had an initial term of five years with five optional one-year renewals.

The following procurement efforts, undertaken while the Anchorage LIO was located at the current location, either resulted in staying at this location or were ultimately unsuccessful:

- Five Requests for Information (RFIs) on alternative leasing options.
- Two Requests for Proposal (RFPs).
- Proposed partnerships with other public entities to build new facilities, including the Court System, Department of Administration, Mental Health Trust, and Anchorage Community Development Authority.
- Most recent effort was to purchase and renovate the old Unocal building.

Status in January 2013, when Representative Hawker elected Chair of Legislative Council (LEC):

- LIO lease has one, one-year renewal option remaining, expiring on May 31, 2014.
- No resolution, or proposal for resolution, for Anchorage LIO facilities beyond the current lease either active or in process.

February 2013:

- Chair appoints LEC subcommittee to explore LIO options

May 2013:

- Last one-year renewal option exercised.
- Public RFI issued looking for leasing options - two responses were received, both were determined by LAA to be inadequate to fulfill LIO requirements.
- Landlord presents formal proposal to renovate building and extend lease.

June 2013:

- LEC authorizes negotiation and conclusion of lease extension on current facility, with renovations proposed by Landlord.

August 2013:

- Lease extension details presented to LEC in executive session prior to execution of lease modification and extension.
- LEC authorizes chair to commence attempt to negotiate purchase option in addition to lease extension.

September 2013:

- Lease modification and extension completed on terms presented to LEC on August 23, 2013.

October – December 2013:

- Inconclusive discussions held with landlord regarding property purchase.
- Landlord unwilling to take income tax penalty associated with property sale.

January 2014:

- Chair approaches landlord with conceptual proposal for purchase of partial interest in building “ownership entity” as opposed to outright purchase of entire property; landlord accepts in concept and negotiations commence.
- LEC counsel, AHFC, AHFC consultants, and Landlord’s counsel recommend the following clear demarcation of physical ownership interests:
 - State owns LIO building.
 - Landlord retains ground and parking facility ownership.
 - Long-term ground lease with state holding renewal and purchase options at Fair Market Value.

February 2014:

- Non-binding MOU signed and presented to LEC.
 - AHFC to purchase LIO building.
 - ◆ Price to be negotiated, but will be for cost of improvements only.
 - ◆ Price will be below AHFC estimate of actual building value.
 - AHFC to take long-term ground and parking facility lease, with renewal and purchase options.
 - LAA will sub-lease building, ground, and parking facility from AHFC at cost of ground and parking facility lease, plus any directly related obligations retained by AHFC.
 - Subject to authorizing legislation and funding.

March 17, 2014:

- Final building purchase proposal presented to LEC for approval.

Details of Building Purchase Proposal:

- Landlord retains sole responsibility and risk for completing the building renovation and obligation to deliver premises at a fixed, below market cost.
- AHFC owns 100% of building and tenant improvements.
- AHFC enters into a 40-year ground and parking facility lease with one 20-year renewal option (60 years total):
 - AHFC option to purchase the ground and parking facility at fair market value after 20 years and each 5 years thereafter.
 - If purchase option not exercised, lease rate to be redetermined at fair market value at year 21 of lease.

Benefits of Purchase Proposal:

- AHFC assumes 100% ownership of building for \$28,250,000.
- Total annual occupancy cost reduced from current lease of approximately \$4,000,000 to approximately \$1,625,000 per year, \$135,000 per month, resulting in a cost reduction conservatively estimated at \$2.4 million per year for first 20 years. The new occupancy cost is in the same range as the anticipated cost would have been to renew the old building and parking facility 'where is, as is' with no improvements.
- Long-term solution resolving major LIO facility issues.
- No ongoing procurement or renegotiation required.
- Landlord obligated to fixed terms on ground and parking facility with no provision or ability to escalate cost for 20 years.
- Landlord obligated to sell land and parking facility to AHFC at fair market value on a fixed schedule.