



Financial Analysis of Office Space for the Alaska State Legislature: Addendum

Prepared for:

The Alaska Legislative Council

March 16, 2016

Prepared by:

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Senator Gary Stevens,
Chair, Legislative Council
State of Alaska,
Alaska Legislative Council,
120 4th Street,
State Capitol, Room 3,
Juneau, AK 99801-1182
Via e-mail: Sen.Gary.Stevens@akleg.gov

RE: Financial Analysis of Office Space for the Alaska State Legislature: Addendum

Dear Senator Stevens:

Further to your request, this addendum provides a sensitivity on the purchase price for Scenario 2 of the above report.

Thank you for providing the opportunity for Navigant to support the Council on this important matter. Please let me know if I can provide further assistance.

Sincerely,

Nigel Hughes
Director

Sensitivity on Purchase Price for Scenario 2

Table 1 provides a sensitivity on the purchase price for Scenario 2, to determine the price at which Scenario 2 is equal to Scenario 3 from a financial cost perspective.

The base case (“A”) in Table 1 represents the current offer price from the owner of the Legislative Office Building (“LOB”). At this price, the present value of cash flows over 20 years is \$31.7 Million, approximately \$7.5 Million more costly than Scenario 3.

A reduction in the purchase price would reduce the costs associated with Scenario 2. Case “B” in Table 1 shows that a reduction of the purchase price to \$29.2 Million would make Scenario 2 equal to Scenario 3 on a present value basis. In other words, the total financial cost to the State would be the same for both Scenarios 2 and 3 at this purchase price.

Case “C” shows that if the purchase price is reduced to \$35.6 Million, the present value cost per usable Sq.ft would be equal between Scenarios 2 and 3, at \$2.95 per Sq.ft. At this purchase price, Scenario 2 would cost \$6.1 Million more than Scenario 3 in total, but the price difference would reflect the excess in usable floor space that the Legislature currently has at the LOB, as compared to the Atwood Building.¹

Table 1

	Scenario 2: Purchase LOB			Scenario 3
	A	B	C	
	Offer Price	Price at which Total PV equals Scenario 3	Price at which PV per Usable Sq.ft equals Scenario 3	Relocate to Atwood Building
Purchase Price (\$M)	\$37.0	\$29.2	\$35.6	
Usable Square Feet	42,914	42,914	42,914	34,102
Present Value of Costs over 20 Years (\$M)	\$31.7	\$24.2	\$30.3	\$24.2
Present Value of Costs: Average Annual (\$M)	\$1.58	\$1.21	\$1.52	\$1.21
Present Value of Costs (\$ per Usable Sq.ft per Month)	\$3.08	\$2.35	\$2.95	\$2.95

¹ In both case “B” and case “C”, the other assumptions in our analysis remain the same as in case “A”.